



BRAZIL REOPENS ITS 10-YEAR BENCHMARK BOND

The National Treasury carried out, on January 3rd, the third reopening of its ten-year benchmark bond, the Global 2021, reaching US\$ 825 million.

The issuance, jointly managed by *BNP Paribas and Itaú BBA*, with Banco do Brasil Securities as co-manager, was priced at 110.997% of its face value, with a 3.499 % p.y. yield. Coupon payments set at 4.875% p.y. are to be paid semi-annually every Jan-22th and Jul-22th, up to maturity in January 2021. This retap had a 150 bps spread over the 10 year-US Treasury Bond.

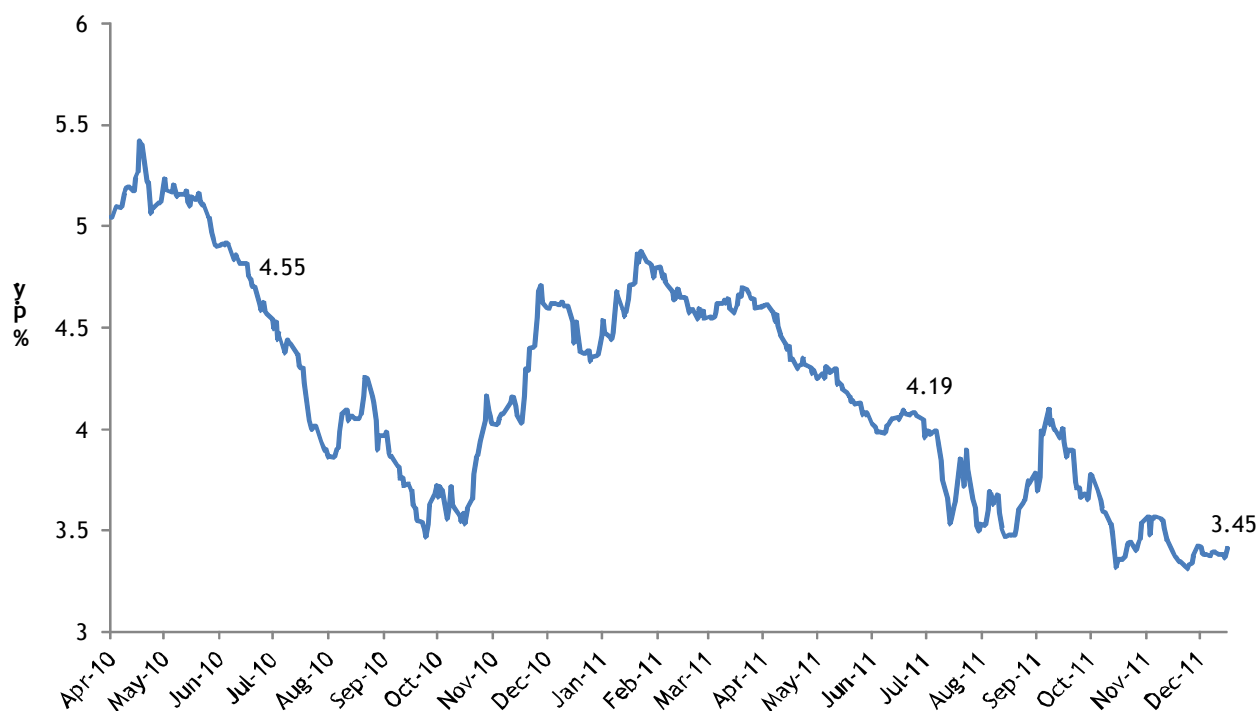
The initial offering, in this occasion, reached US\$ 750 million in the US and European markets. After that, according to the strategy usually adopted by the National Treasury, the total amount was extended by US\$ 75 million in the Asian market.

In comparison with its last retap, in July 2011, market conditions were more favorable to the National Treasury, once the yield dropped around 74 basis point, from 4.188% p.y. to 3.449% p.y. It is the lowest rate of a Brazilian bond issued in the US dollar market ever.

The reopening at the lowest historical interest rate can be explained, in a large extent, by the increasingly investors confidence on the Brazilian economy. In 2011, the country received two upgrades on its sovereign debt rating by S&P, Moody's and Fitch Ratings. Over the course of the transaction, it is important to highlight the strong demand for the Brazilian bond – in the US market as well as the European Market, the demand was oversubscribed by roughly five times the initial offering. The graph bellow shows the historical yield curve of the Global Bond 2021 since the first issuance:

National Treasury: <http://www.tesouro.fazenda.gov.br/english/index.asp>

Historical Yield Curve of Global Bond 2021



Source: Bloomberg

The third reopening of the GBL 2021 bond follows the guidelines of the National Treasury, and in special, seeks to qualitatively improve the external debt profile, in order to consolidate the external yield curve in dollars, by developing efficient benchmark bonds. The table below shows the historical data of the first issuance and its sequential re-openings, on April 15th 2010, July 27th 2010, July 07th 2011, and January 03th, respectively.

Characteristics of the Global 2021

	1 ^a Issue on 04/15/2010	1 ^a Reopening on 07/17/2010	2 ^a Reopening on 07/07/2011	3 ^a Reopening on 01/03/2012
Term	10 years	10 years	10 years	10 years
Maturity	1/22/2021	1/22/2021	1/22/2021	1/22/2021
Interest Cupon	4.875% p.y.	4.875% p.y.	4.875% p.y.	4.875% p.y.
Issuance Price	98978% of value face	102707% of value face	105348% of value face	110997% of value face
Yield	5.00% p.y	4.547% p.y	4.188% p.y	3.449% p.y
Spread *	115.6 bps	150 bps	105 bps	150 bps
Principal Payment	Single payment, at maturity	Single payment, at maturity	Single payment, at maturity	Single payment, at maturity
Interest Payment	Semi-annual payments	Semi-annual payments	Semi-annual payments	Semi-annual payments
Market (US\$ million)	750	750	500	750
Asian Market (US\$ milhões)	37.5	75	50	50
milhões)	787.5	825	550	825

* Regarding US Treasury Bond

Source: National Treasury – Codip/Gerex

National Treasury: <http://www.tesouro.fazenda.gov.br/english/index.asp>

At the end of this transaction, the Global 2021 outstanding volume reached USD 2.987 billion, a volume that seeks to improve secondary market liquidity, confirming this bond as the on- the- run 10-year benchmark.

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