

## **BRAZIL ISSUES 15 YEAR BOND IN LOCAL CURRENCY ON EXTERNAL MARKET**

On September 6, the National Treasury issued the Global BRL 2022 Bond, the second security denominated in real ever issued on the external market. This operation involved issuance of R\$ 1.6 billion, approximately US\$ 750 million, with settlement on September 13, impacted the country's international reserve position, with the resources in local currency (real) being deposited in the National Treasury account on the same day.

The bond was sold at 97.563% of its face value yielding for investors equivalent to 12.875%. The investor will receive exchange coupons of 12.50% per year, paid on January 5 and July 5 of each year. Payment will be made in dollars according to the median spot exchange rate (PTAX) by the end of those days.

About one year ago, the National Treasury issued the Global BRL 2016 Bond, the first sovereign bond denominated in real with maturity in 2016. On that occasion, the bond was sold at 98.636% of its face value, providing investors with a yield of 12.75% per year.

Citigroup and J.P. Morgan led this BRL 2022 issuance, with the collaboration of the Banco Pactual as co-manager.

It is important to stress that the Global BRL 2022 Bond is BB rated by Standard & Poor's and Fitch Ratings and Ba2 by Moody's, as a result of the recent upgrade by the latter on August 31, 2006.

With this operation, the National Treasury has lengthened its external curve of fixed rate securities denominated in local currency by 6 years, a measure that could stimulate lengthening of the fixed rate domestic curve.

The issuance fulfilled its qualitative role of constructing the external interest curve denominated in local currency, based on the strategy adopted for the Federal External Public Debt - DPFe for the 2004-2008 period, as recently announced by the National Treasury. In this sense, the National Treasury will keep monitoring market conditions, taking full advantage of those conditions to effect issuances in order to strengthen its benchmark securities in terms of both the dollar curve and in operations denominated in real.

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**Issuance Characteristics of Global BRL 2022, on 9/6/2006**

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Term	15 years
Maturity	01/05/2022
Interest coupon	12.50% per year
Issuance price	97.563% of face value
Yield	12.875% per year
Principal payment	Single payment at maturity
Interest payment	Semi-annual payments

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***Public Debt Strategic Planning Office Investors Relation***

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