



BRAZIL REOPENS ITS 20-YEAR BENCHMARK BOND

The Brazilian National Treasury carried out, on last October 20th, the fourth reopening of its real-denominated bond, the Global BRL 2028, in the amount of R\$ 1.1 billion, with R\$ 1.0 billion on the North American and European markets and extra R\$ 100 million in the Asian market. When added to the R\$ 3.79 billion already issued (in 2007), its total amount in the market reaches R\$ 4.89 billion (US\$ 2.9 billion). This issuance was managed by Deutsche Bank and Barclays with *Banco do Brasil Securities* and *Credit Suisse* as co-managers.

The bond was priced at 112.226% of its face value, resulting in a yield of 8.85% per year. Investors will receive 10.25% per year interest coupons paid semi-annually every January 10th and July 10th, until its maturity in January, 2028. Payments will be made in dollars, at the average exchange rate (PTAX) in effect three days prior to payment.

Foreign Issuances of The Republic in Real

Operation	Issuance Date	Volume Issued (R\$ million)	Benchmark maturity (years)	Yield
BRL 2016 (Issuance)	9/19/2005	3400	10	12.750%
BRL 2022 (Issuance)	6/9/2006	1600	15	12.875%
BRL 2022 (1 st Reopening)	5/10/2006	650	15	12.466%
BRL 2022 (2 nd Reopening)	4/12/2006	750	15	11.633%
BRL 2028 (Issuance)	7/2/2007	1500	20	10.680%
BRL 2028 (1 st Reopening)	3/20/2007	750	20	10.280%
BRL 2028 (2 nd Reopening)	5/10/2007	750	20	8.938%
BRL 2028 (3 rd Reopening)	06/19/2007	750	20	8.626%
BRL 2028 (4 rd Reopening)	10/20/2010	1100	20	8.850%

Source: National Treasury

Aiming at enlarging the investor base, the Brazilian National Treasury adopted, once again, the so called green shoe mechanism. According to this strategy, the Brazilian National Treasury launches the operation in the North American and European markets and chooses whether to extend the issuance in the Asian market at predetermined conditions, as a percentage of the initial amount¹.

The interest rate settled in the operation was the second lowest ever recorded in issuances by the Treasury in local currency fixed rate bonds, reaffirming the stability of the term structure of interest rate in BRL bellow 9% per year, as it can be seen in the table above. This is the result of growing investor confidence in the solidity of Brazilian economy fundamentals.

With this reopening, the National Treasury reaffirms its commitment, made in the Annual Borrowing Plan - PAF 2010, to qualitative issuances, aiming at improving the interest rate structure for federal public

¹ In this issuance, the percentage was set in 10%.

securities (benchmarks), meanwhile expanding the investor base and achieving a better balance between costs and risks. The Global BRL 2028 steadies as the 20-year benchmark in the foreign fixed rate curve in real, and also serves as reference for possible funding from the private sector.

Characteristics of the Reopening of Global BRL 2028, on 10/20/2010

Term	20 years
Maturity	1/10/2028
Interest coupon	10.25% per year
Issuance price	112.226 % of face value
<i>Yield</i>	8.85% per year
Principal payment	single payment, at maturity
Interest payment	half-yearly payments

Source: National Treasury

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