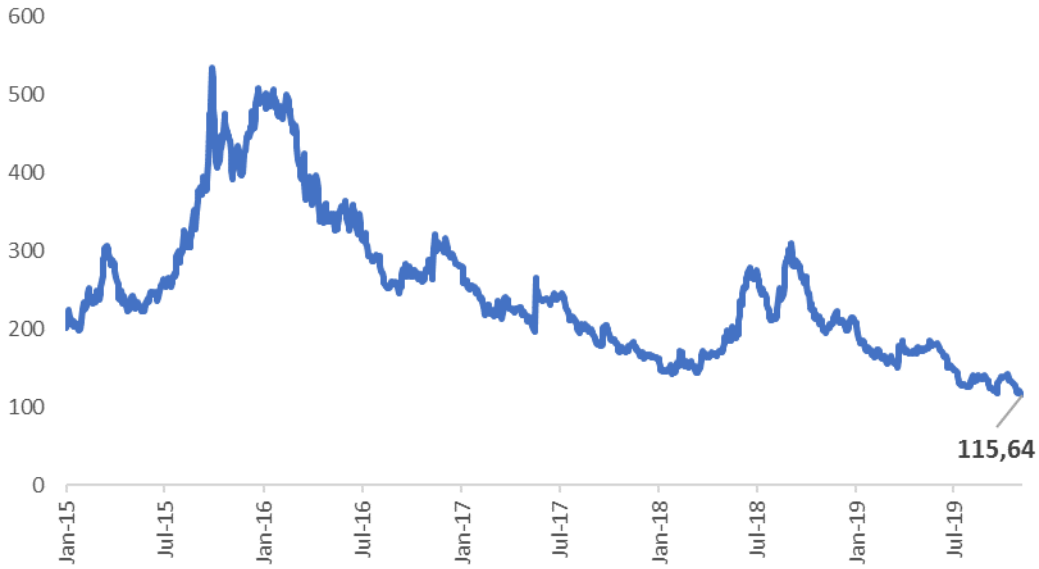
BRAZIL LAUNCHES DUAL-TRANCHE OFFERING IN THE EXTERNAL MARKET COMBINED WITH A LIABILITY MANAGEMENT EXERCISE

On November 4th, The National Treasury of Brazil announced a dual tranche offering comprised of the reopening of its 4.500% Global due 2029 and the offering of a new thirty-year benchmark, the 4.750% Global due 2050. Concurrently to the new issue, Brazil announced the repurchase of part of its outstanding bonds, with the objective of increasing the efficiency of the sovereign curve in the external market, in line with the guidelines established in the Annual Borrowing Plan (PAF). The Bookrunners were BNP Paribas, Citibank and Goldman Sachs & Co and the settlement took place on November 14th, 2019.

The National Treasury's return to the USD market occurred in a context of high international liquidity and positive investor's sentiment towards Brazil, which could be observed by a continuous decrease in Brazil's Credit Default Swap (CDS) throughout 2019, that reached its lowest level since the downgrade in 2015.

Figure 1: Brazil CDS 5 Years (basis-points)

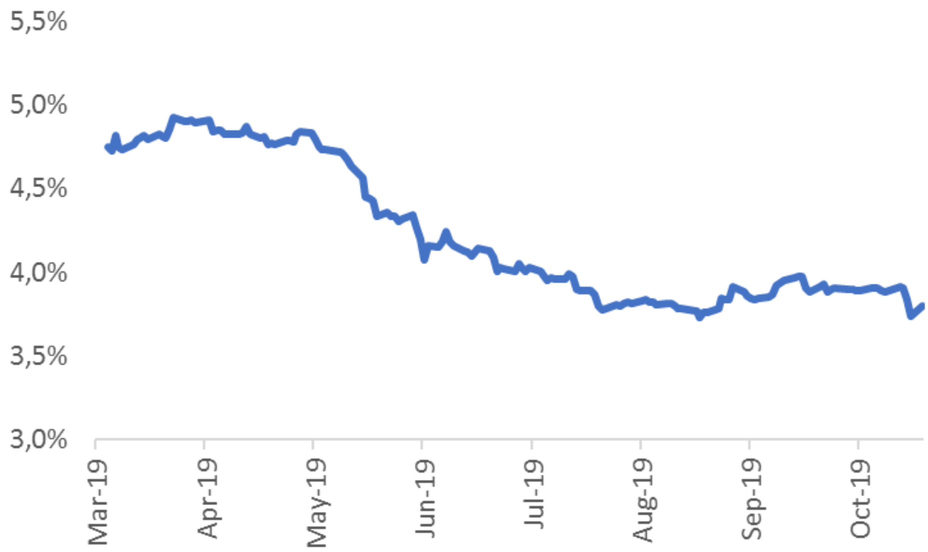


Source: Bloomberg

Brazil raised USD 2.5 billion of the new Global 2050 due January 14th, 2050 with a coupon of 4,75% per annum payable semi-annually, every January 14th and July 14th. The bond was priced at 97.441% of its face value, which corresponds to a yield of 4.914% per annum, and a spread of 265 basis-points over the U.S. Treasury with similar maturity.

The amount issued of the reopening of the Global 2029, current the 10-year benchmark due May 30th, 2029, accounted for US$ 500 million with Its coupon of 4.500% are due every November 30th and May 30th. The bond was priced at 105.364% of its face value, in which is equivalent to a yield of 3.809% per annum, and a 203 basis points spread over the reference U.S. Treasury. The achieved yield was about 89 basis points lower than the one reached at the initial offer (4,700%) on March 21st this year.

Figure 2: Global 2029 - Yield Since First Issuance in March 2019



Source: Bloomberg

The transaction also included a liability management component to improve the sovereign's dollar curve efficiency. The investors were given the option to sell shorter-dated bonds with higher coupons to the National Treasury. In summary, investors were given the opportunity to select one of three options: (i) order to buy the new bonds, as in a regular offer; (ii) tender for cash eligible bonds; (iii) tender for cash eligible bonds and purchase the new Global 2050, that were given priority over the allocation. The eligible bonds that were purchased for cash pay coupons in the 5,000% to

12,250% range, in contrast to the Global 2050 that pays 4,750% coupon, the latter more in line with the Republic's current financing conditions in international markets. Additionally, it is expected that the average maturity of the Brazilian foreign debt stock will be extended by six months after the transaction on top of the current 7.1 years (Table 1).

Table 1: External Debt Average Maturity (Years)

	Dec/18	Sep/19	Oct/19	
EFPD	***7.4***	***7.1***	***7.1***	***+0.5***
Securities	**7.5**	**7.2**	**7.3**	
Global USD	**8.0**	7.6	7.7	
Euro	**2.2**	1.5	1.4	
Global BRL	**4.6**	4.3	4.2	
Contractual	**6.3**	**6.1**	**6.0**	
Multilateral Agencies	**5.3**	5.7	5.6	
Private Financial Institutions/Gov. Agencies	**6.7**	6.2	6.1	

Out of the USD 2.5 billion proceeds of the Global 2050 issuance, approximately USD 1. 04 billion was used to repurchase the eligible bonds. USD 1.0 billion represented the aggregate principal amount of preferred tenders, in which the investor delivered the older, shorter dated, bonds and purchased the new Global 2050, whereas only USD 40 million represented the total of non-preferred, tenders, in which case the investor delivered the older eligible securities for cash. The result shows the international investor’s interest to keep their exposure to Brazil’ credit risk. The results of the tender offer are displayed on Table 2.

Table 2: Eligible Tendered Bonds

Security	Maturity	Coupon [% per annum]	Purchase Amount (Face Value)		Purchase Price[3] (c)	Purchase Amount(d) [USD MM]	Outstanding Amount [USD MM]
			Preferred Tender[1] (a) [USD MM]	Non-Preferred Tender[2] (b) [USD MM]			
Global 2027	05/15/2027	10.125%	17.729	40.891	143.26%	83.98	765.023
Global 2030	03/06/2030	12.250%	-	2.722	168.35%	4.58	237.592
Global 2034	01/20/2034	8.250%	33.502	1.643	138.37%	48.63	1,369.310
Global 2037	01/20/2037	7.125%	190.037	1.512	128.59%	246.31	1,634.303
Global 2041	01/07/2041	5.625%	145.256	0.551	111.96%	163.25	2,220.621
Global 2045	01/27/2045	5.000%	250.246	-	103.73%	259.59	3,299.754
Global 2047	02/21/2047	5.625%	210.668	-	112.07%	236.10	2,789.332
Total			**847.438**	**47.319**		**1,042.44**	**12,315.935**

(1) In the case of the Preferred Tender, the Republic repurchases old bonds, while the investor commits to purchase an equivalent amount of the new Global 2050.
(2) In the case of Non-Preferred Tender, old bonds are purchased for cash.
(3) Purchase price (d) = [(a) + (b)]*(c), that is, the financial value equals the face value multiplied by the purchase price.

Finally, it is worth highlighting the diversification of the investor base from a geographical and investor type standpoint, with a good participation of the United States and Europe, and the interest of long-term investors. A diversified investor base helps to ensure a proper combination of liquidity and performance to the bonds.

Figure 3: Consolidated Order Book – Allocation Breakdown by Geography

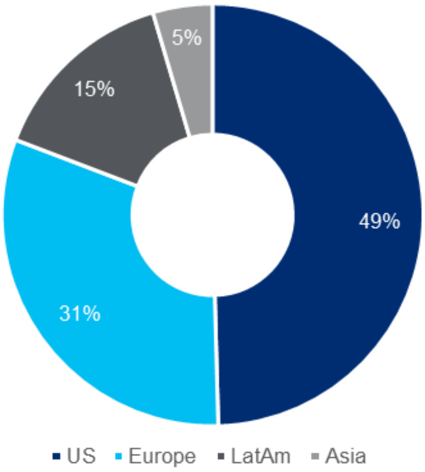
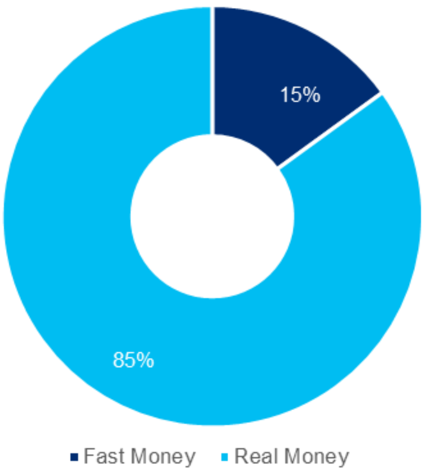


Figure 4: Consolidated Order Book – Allocation Breakdown by Investor Type



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