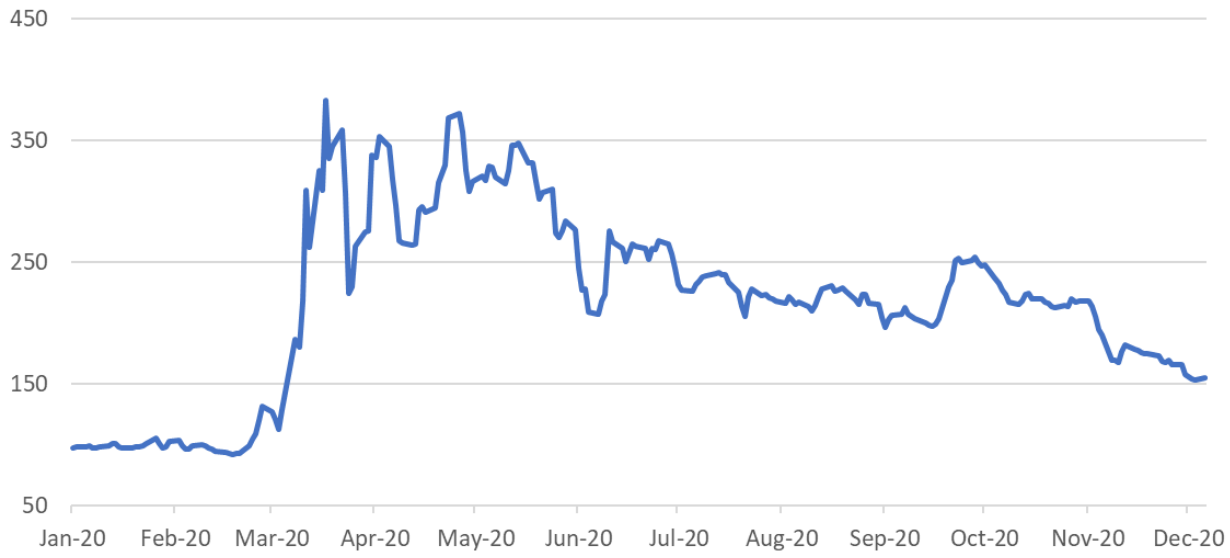
BRAZIL ANNOUNCES THE RESULT OF SECOND EXTERNAL BOND ISSUANCE IN 2020

On December 2nd, with Brazil's risk premium reaching the lowest levels since the beginning of the pandemic, the National Treasury announced its second international bond issuance in 2020, returning to the 30-year part of the curve.

Figure 1: Year to Date – Brazil CDS 5 years



Source: Bloomberg

The transaction consisted of the reopening of three benchmarks, the 2.875% GLOBAL 2025, the 3.875% GLOBAL 2030A and the 4,750% GLOBAL 2050, and represented the first three-tranche bond issuance performed by the Federative Republic of Brazil. The issuance was led by *Citibank*, *Santander* and *Scotiabank*. The settlement took place today, December 8th, 2020.

The GLOBAL 2025B, which offers an annual coupon of 2.875%, was issued in the amount of US$500 million at a price of 102.873% of its face value, which corresponds to a 2,200% yield and a spread-over-treasury of 177.9 basis points, the lowest rate ever achieved by Brazil in dollar-denominated issues. The first coupon will be paid on June 6th, 2021, and the remaining coupons will be paid on June 6th and December 6th of each year, until the maturity on June 6th, 2025.

The GLOBAL 2030A, which offers an annual coupon of 3.875%, was issued in the amount of US$1.25 billion at a price of 103.421% of its face value, which corresponds to a 3.450% yield and a spread-over-treasury of 250.1 basis points. The first coupon will be paid on December 12, 2020, and the remaining coupons will be paid on June 12 and December 12 of each year, until the maturity on June 12, 2030.

The GLOBAL 2050, which offers an annual coupon of 4.750%, was issued in the amount of US$750 million at a 4,500% yield and a spread-over-treasury of 279,2 basis points. This is the lowest rate ever attained for a Brazil's 30-year dollar-denominated bond issue. The first coupon will be paid on January 14, 2021, and the remaining coupons will be paid on January 14 and July 14 of each year, until the maturity on January 14, 2050.

Figure 2: Performance of 5, 10 and 30-year benchmarks through Issue Date – Yield

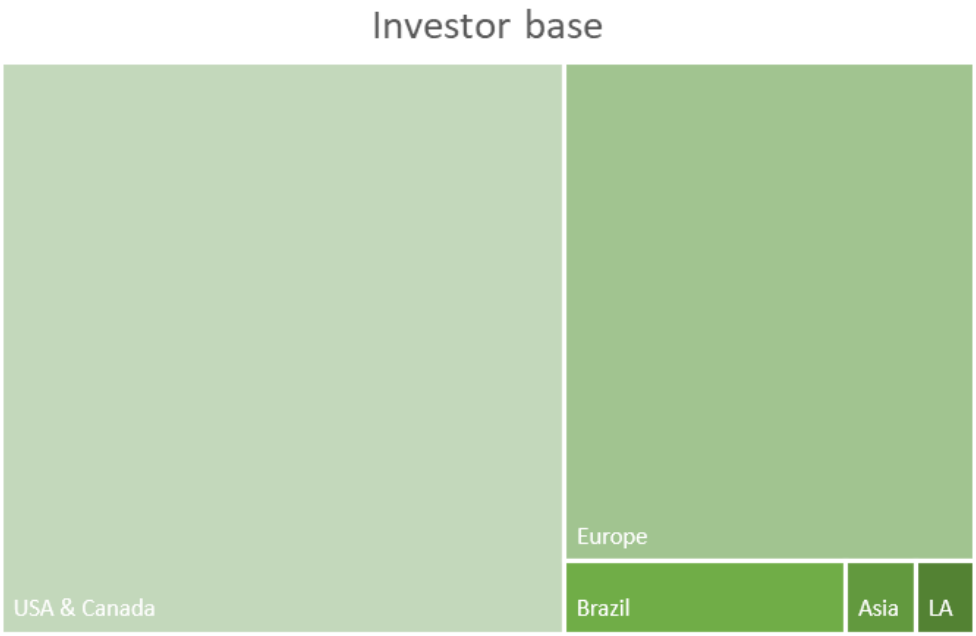


The order book reflected robust demand for Brazil's credit, exceeding 3 times the supply level. The success of the transaction allowed the National Treasury to diversify its funding sources and to extend the Brazilian Sovereign Debt's average maturity profile. It also adds volume to the current 5-year, 10-year and 30-year benchmarks, at rates that are more attractive than the original issues, favoring liquidity across the whole sovereign curve.

Finally, it is worth highlighting the diversification of the investor base, which emphasis the participation of North American and European investors. From the investors' type perspective, the

participation of long-term investors stands out. A diversified investor base promotes liquidity and performance on the Brazilian external curve.

Figure 3: Aggregate Orderbook - Geographic Distribution



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