

**2021**

**ABP**

Published  
January 27<sup>th</sup>, 2021

## Annual Borrowing Plan



TESOURO NACIONAL

**2020**

**ADR**

Published  
January 27<sup>th</sup>, 2021

## Annual Debt Report



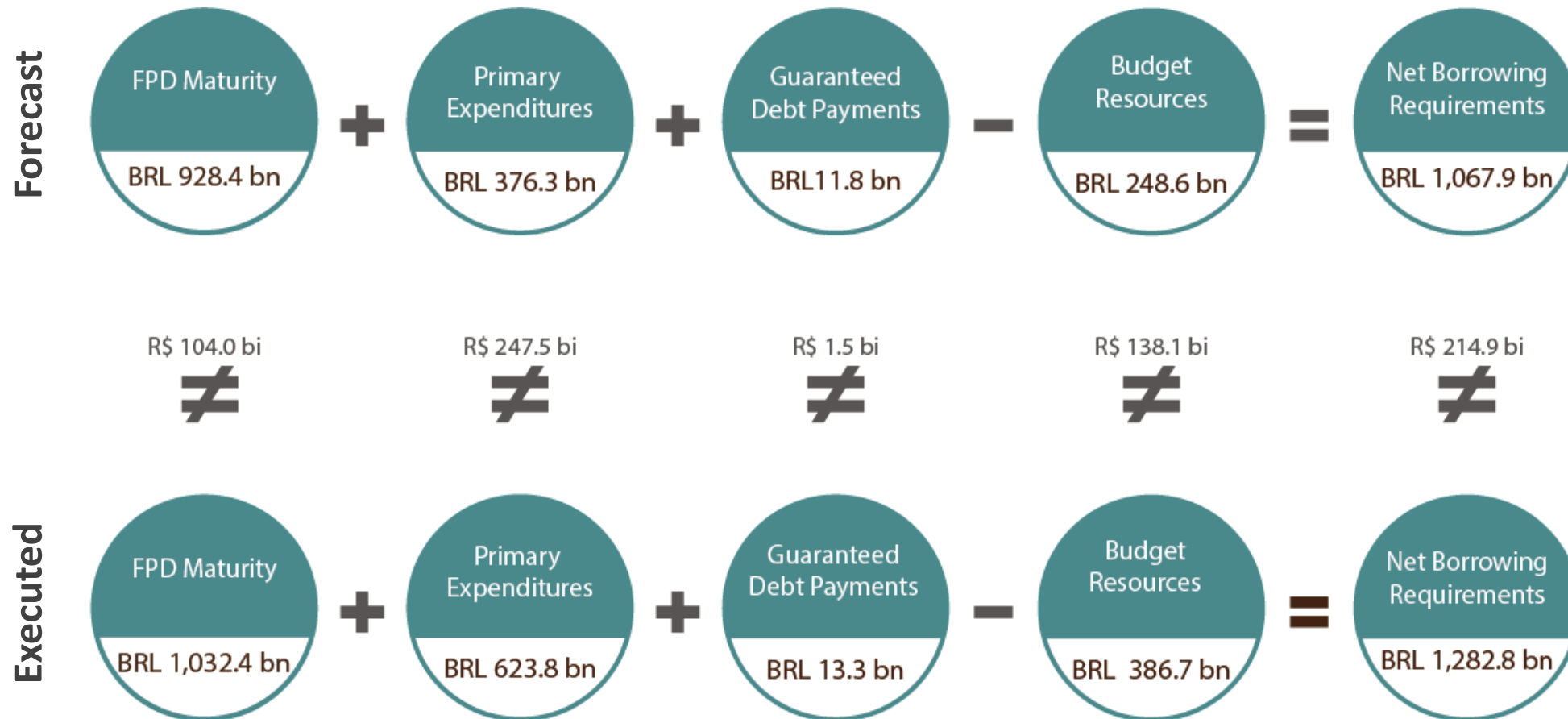
TESOURO NACIONAL



## **Annual Debt Report – ADR 2020**

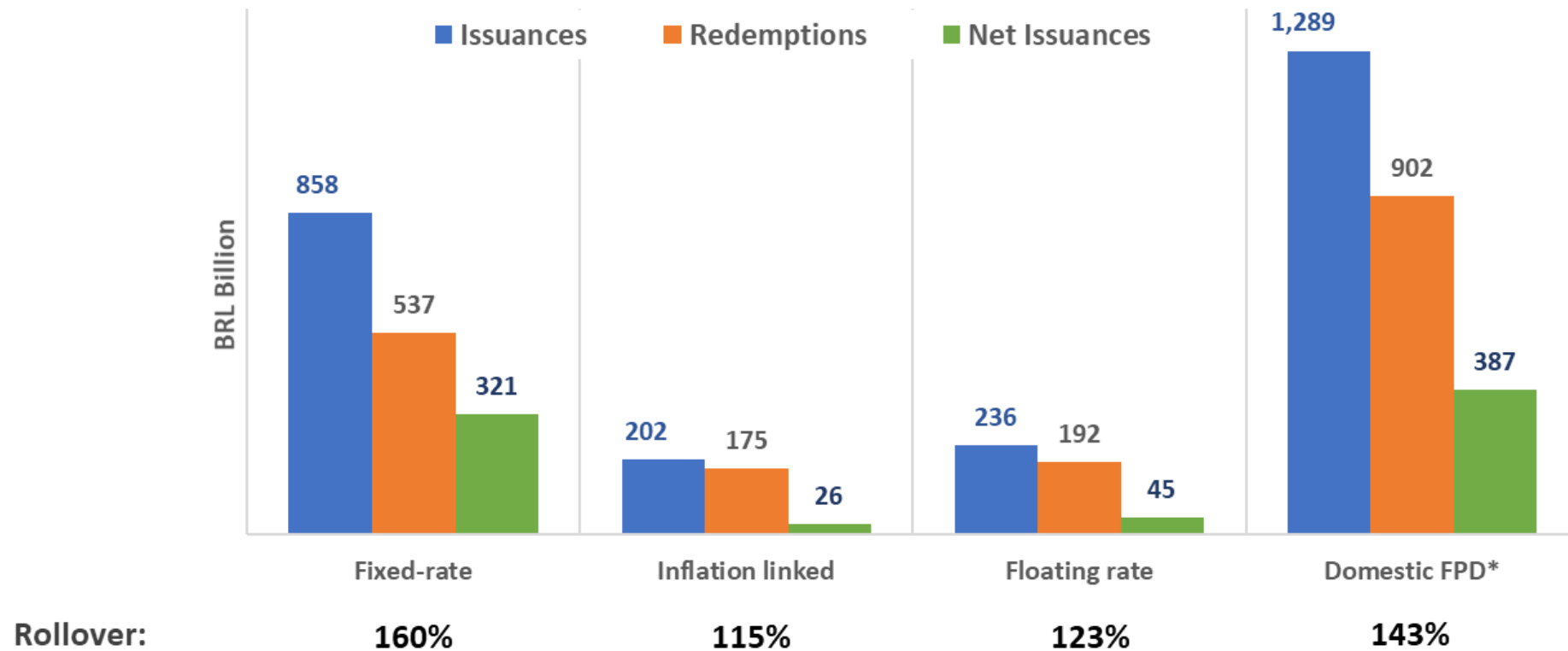
## **Annual Borrowing Plan – ABP 2021**

## The COVID-19 pandemic impacted borrowing requirements significantly...



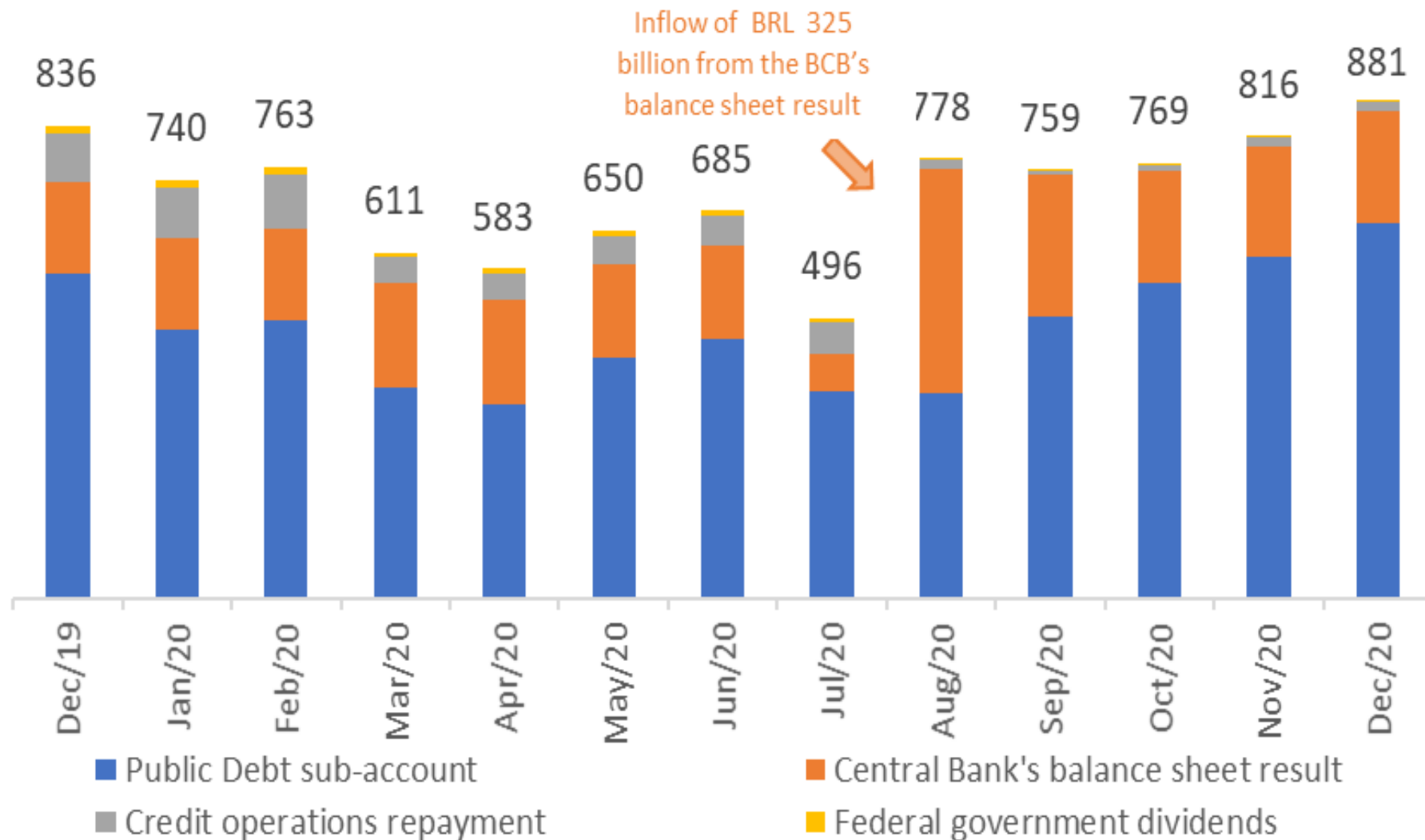
...which demanded a higher rollover rate.

### Net issuances and rollover rate



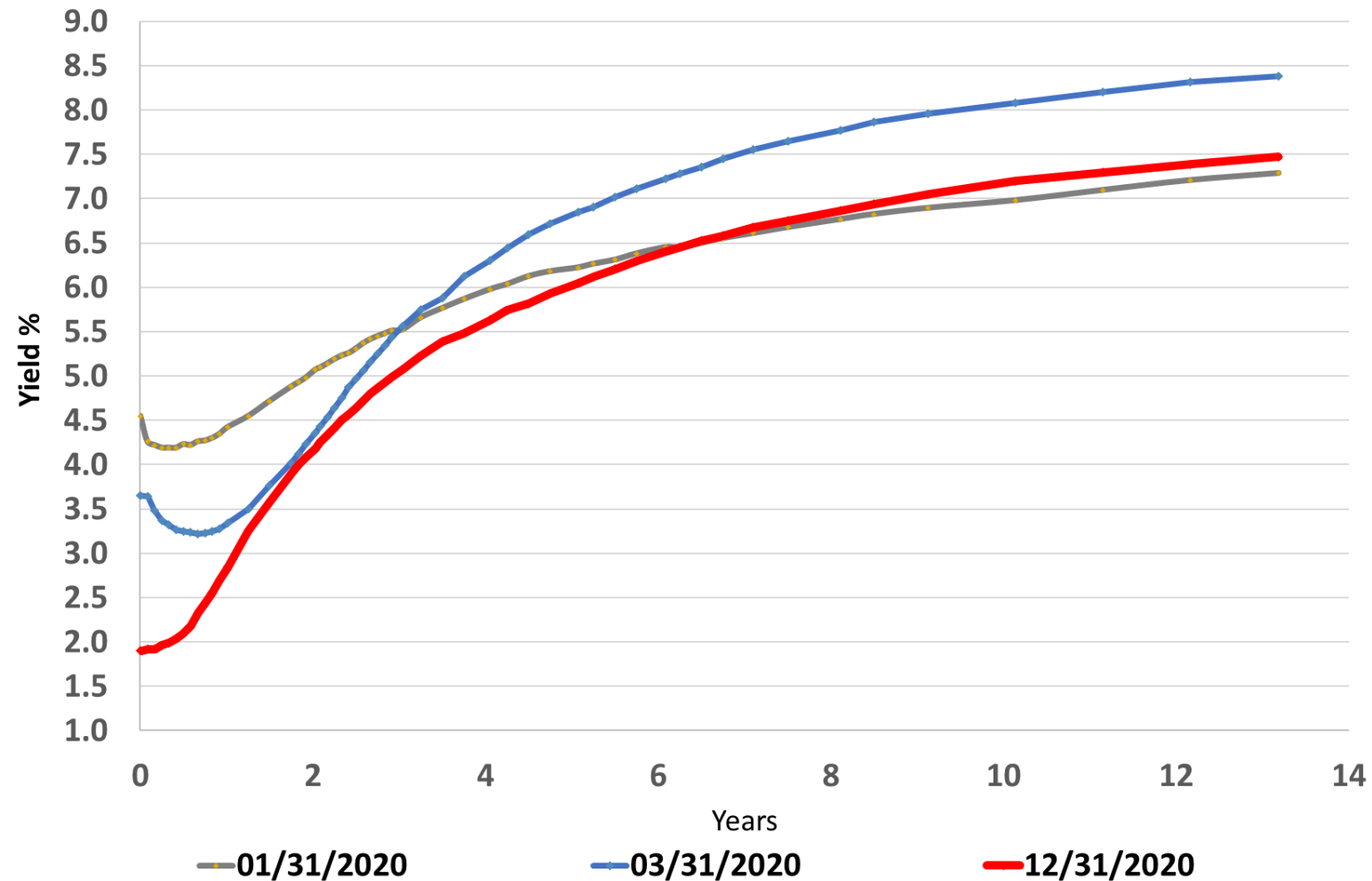
\* Only issuances and redemptions with an impact on liquidity are considered.

## The liquidity reserve helps the National Treasury to mitigate the refinancing risk and to act in periods of stress (BRL billion)



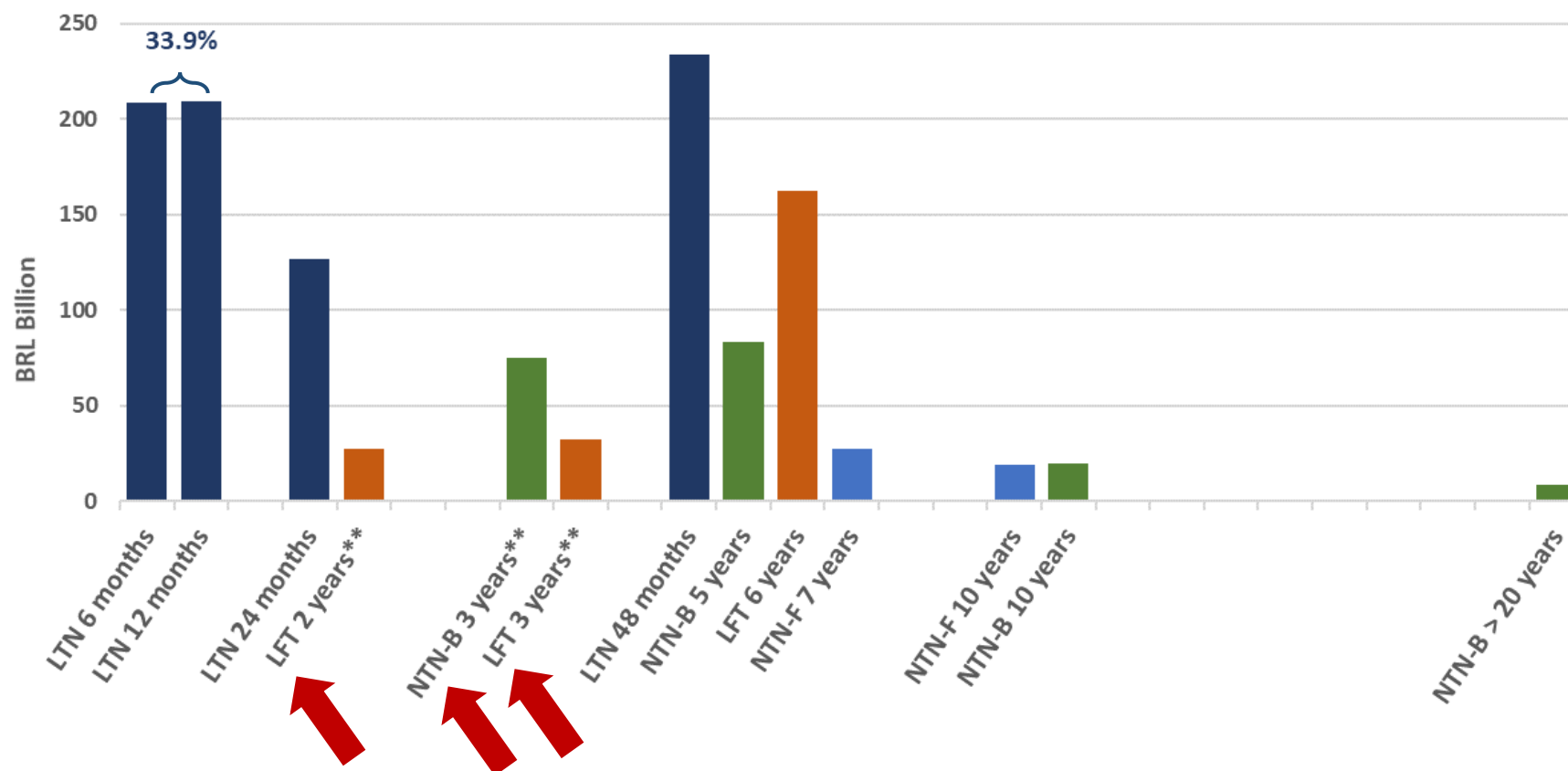
Source: National Treasury

## Fiscal concerns increased the steepness of the yield curve



## Strategy adjustments were required given the market conditions in 2020

Regular domestic issuances in 2020 (BRL bn)\*



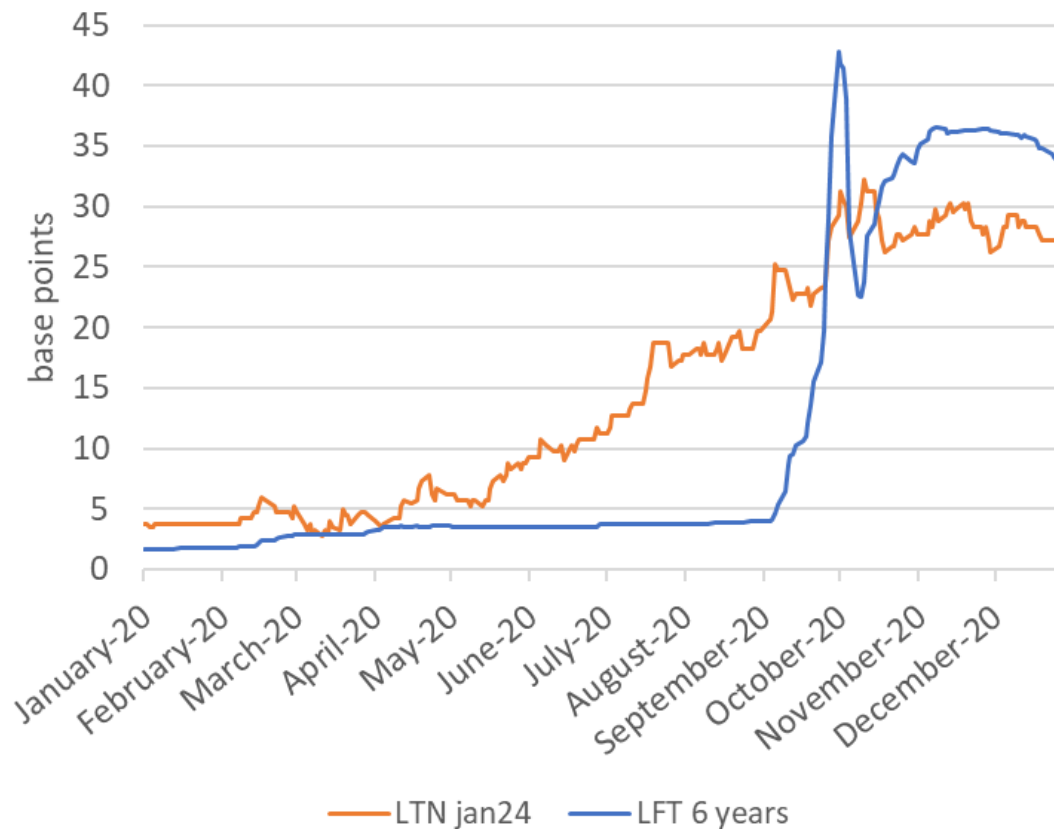
\*Exchange and extraordinary auctions are not considered. Bonds issued in 2020 that matured in 2020 are also not considered.

\*\*Reference bonds were introduced due to adjustments in the borrowing strategy.

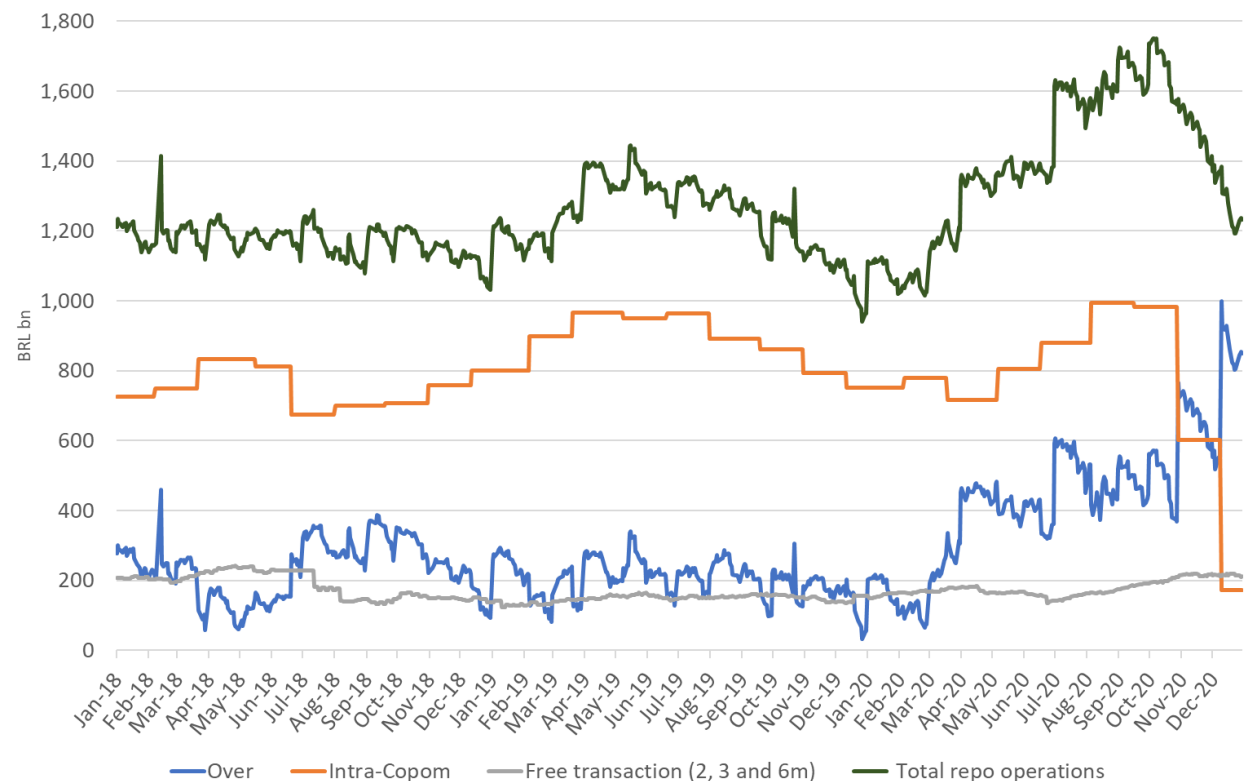


# Adjustments in the relative prices of government bonds

## Risk premium



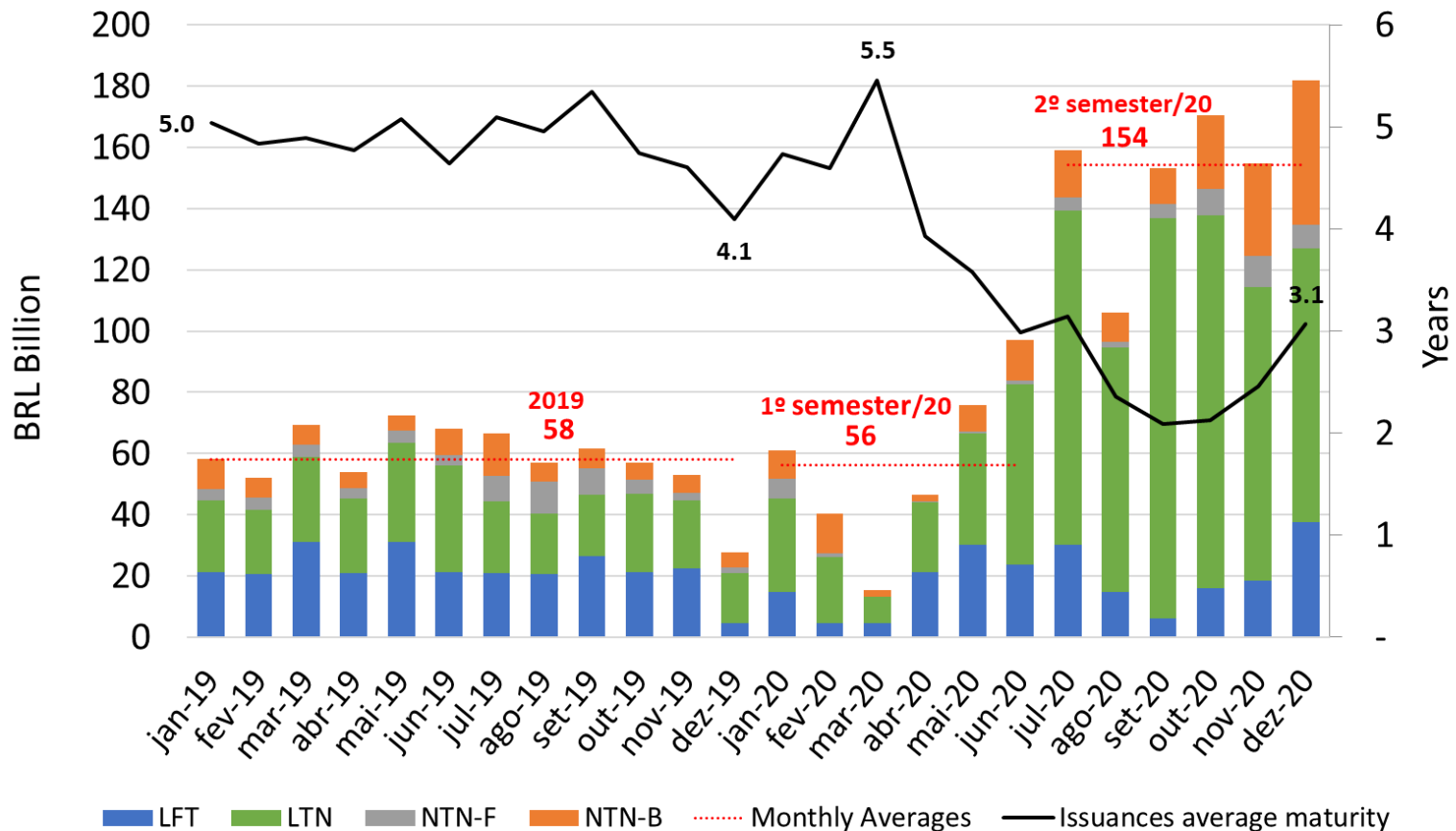
## Repo operations





## The 2nd semester scenario was favorable to increase the issuances volume

### Regular domestic issuances\* and issuances average maturity



\*Exchange and extraordinary auctions are not considered

Source: National Treasury

## Greater borrowing requirements and market conditions resulted in the revision of the debt target ranges

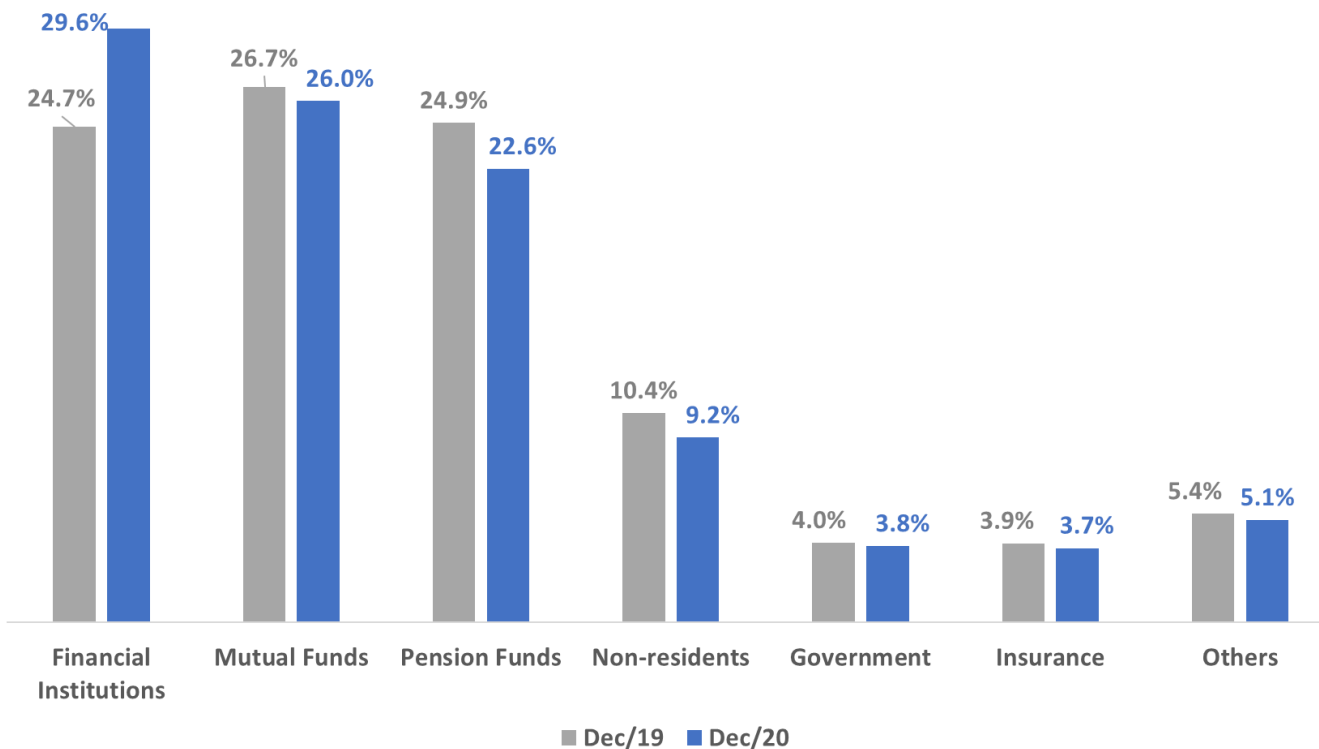
Indicators	Dec-19	Dec-20	2020 ABP ranges		2020 ABP revised ranges*	
			Minimum	Maximum	Minimum	Maximum
Outstanding Volume (BRL Billion)						
FPD	4,248.9	5,009.6	4,500.0	4,750.0	4,600.0	4,900.0
Composition (% of FPD)						
Fixed-rate	31.0	34.8	27.0	31.0	30.0	34.0
Inflation-linked	26.0	25.3	23.0	27.0	23.0	27.0
Floating-rate	38.9	34.8	40.0	44.0	36.0	40.0
FX	4.1	5.1	3.0	7.0	3.0	7.0
Maturity Structure						
% maturing in 12 months	18.7	27.6	20.0	23.0	24.0	28.0
Average maturity	4.0	3.6	3.9	4.1	3.5	3.8

\* ABR revised, available in:

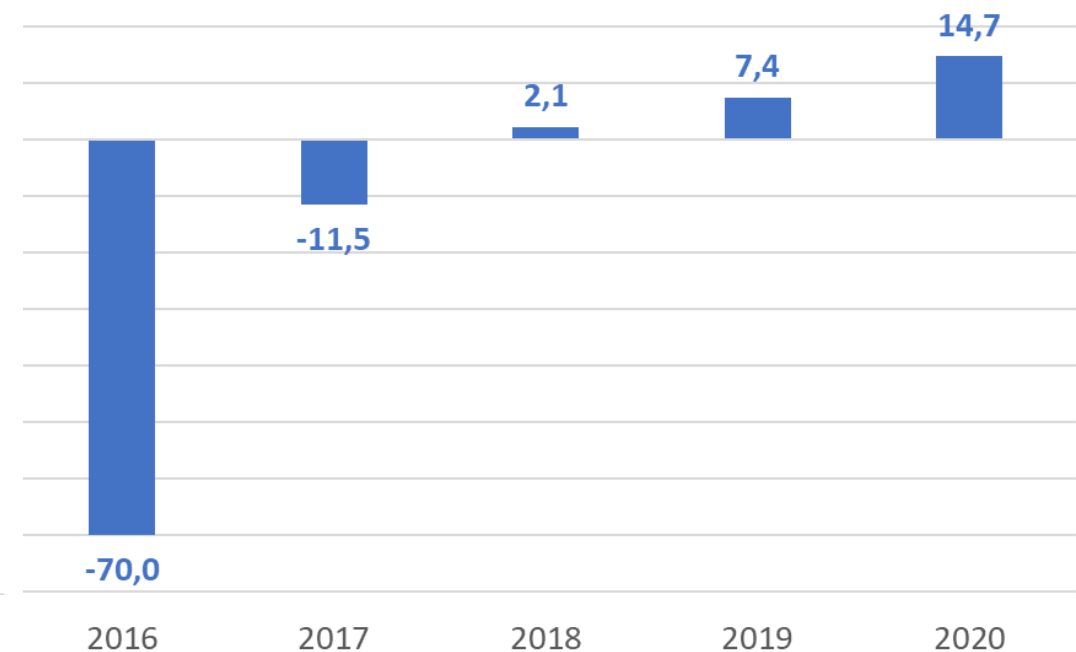
[https://sisweb.tesouro.gov.br/apex/f?p=2501:9::::9:P9\\_ID\\_PUBLICACAO\\_ANEXO:9366](https://sisweb.tesouro.gov.br/apex/f?p=2501:9::::9:P9_ID_PUBLICACAO_ANEXO:9366)

## Diversified investors base

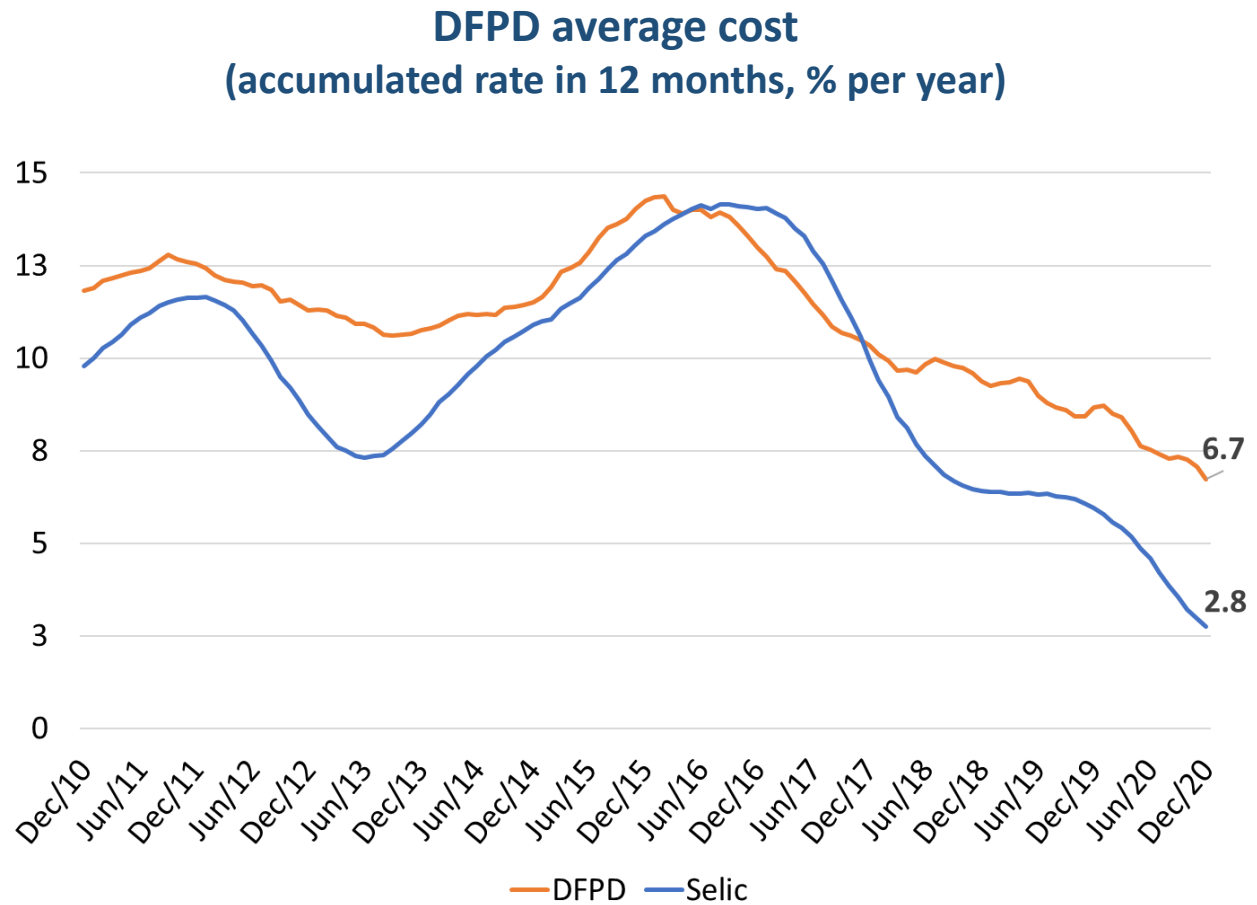
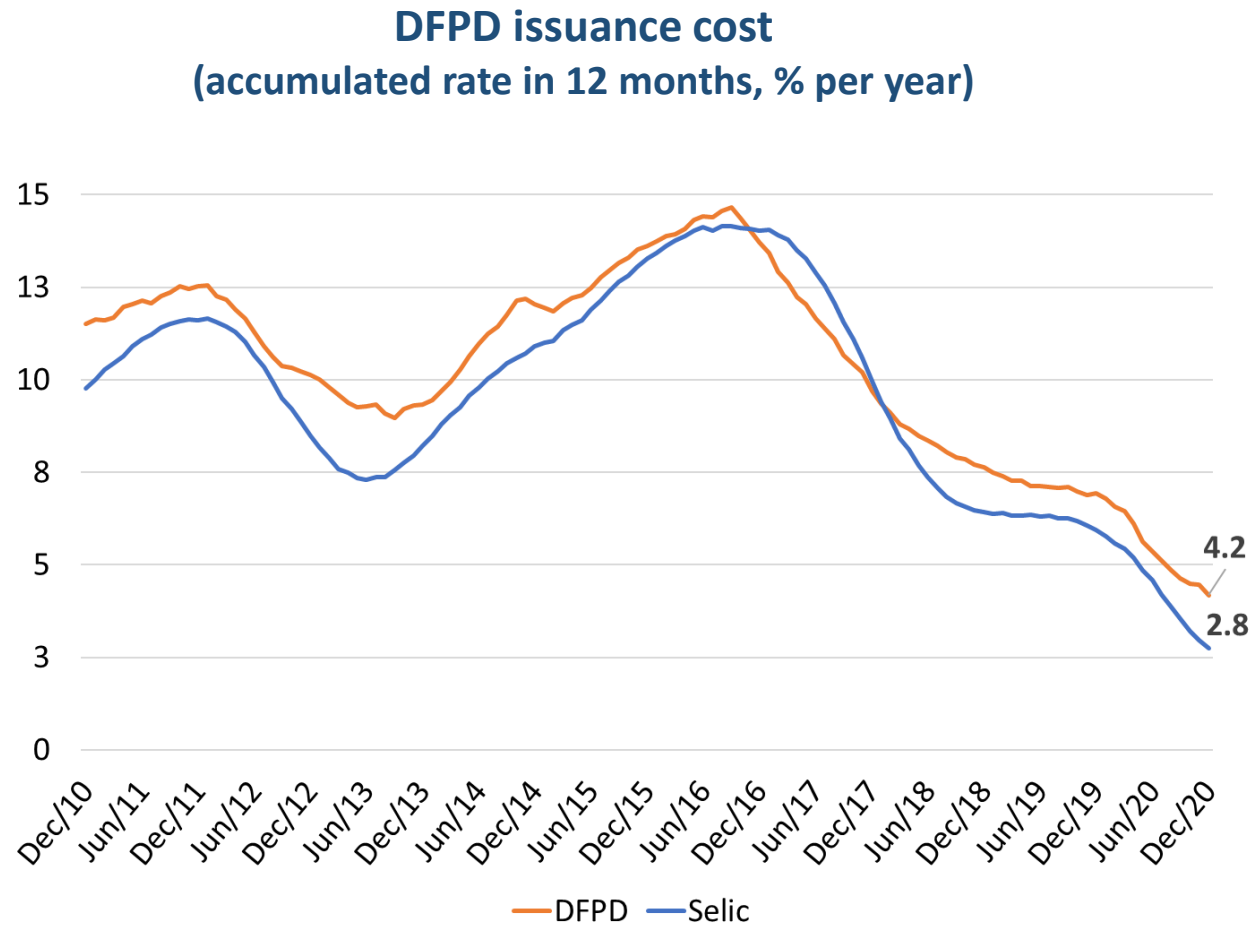
Holders of the domestic Federal Public Debt  
(% DFPD)



Changes in the non-residents' portfolio  
(BRL bn)



## The domestic debt issuance cost reached the historical low



## External debt: lengthening public debt maturities and diversifying the investors base

### External Debt – Global bonds

Bond	Maturity	Issuance (USD mil)
Global 2025	06/06/2025	1,750
Global 2030	06/12/2030	3,500
Global 2050	01/14/2050	750
<b>Total</b>		<b>6,000</b>

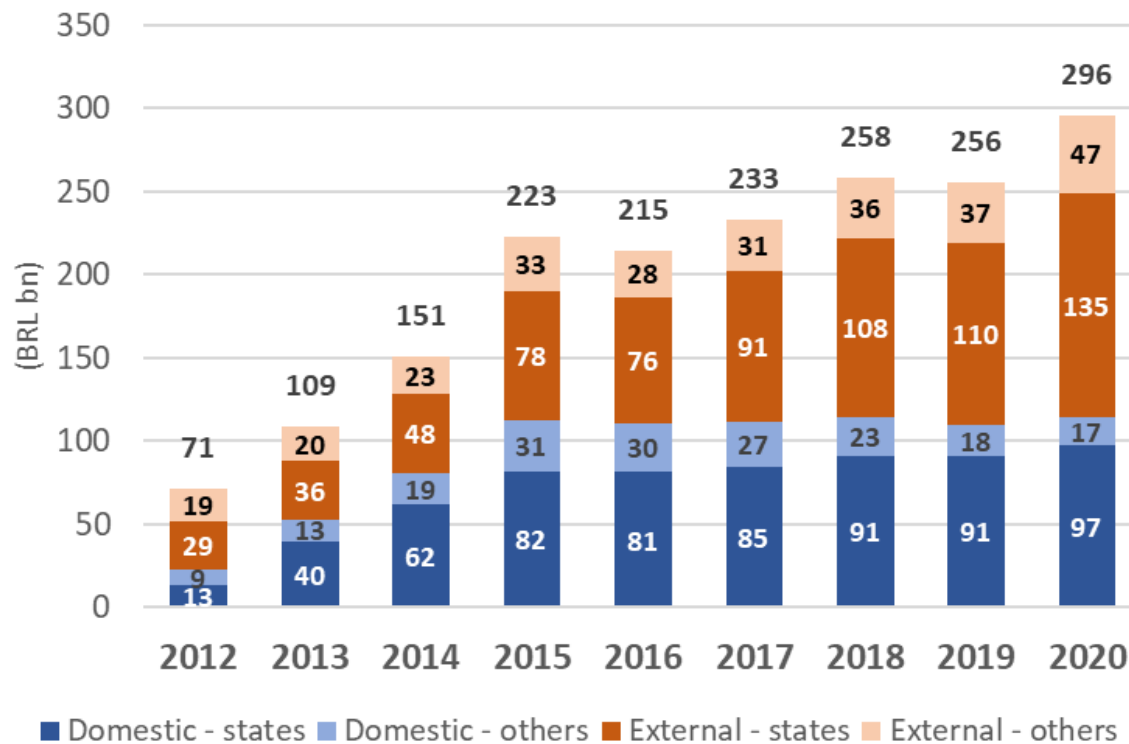
### Multilateral Debt

Institutions	Valor (USD mil)
Andean Development Corporation (CAF)	350
Inter-American Development Bank (IDB)	1,000
World Bank (IBRD)	1,000
New Development Bank (NDB)	1,000
Inter-American Development Bank (IDB)	200
New Development Bank (NDB)	1,000
<b>Total in USD</b>	<b>4,550</b>

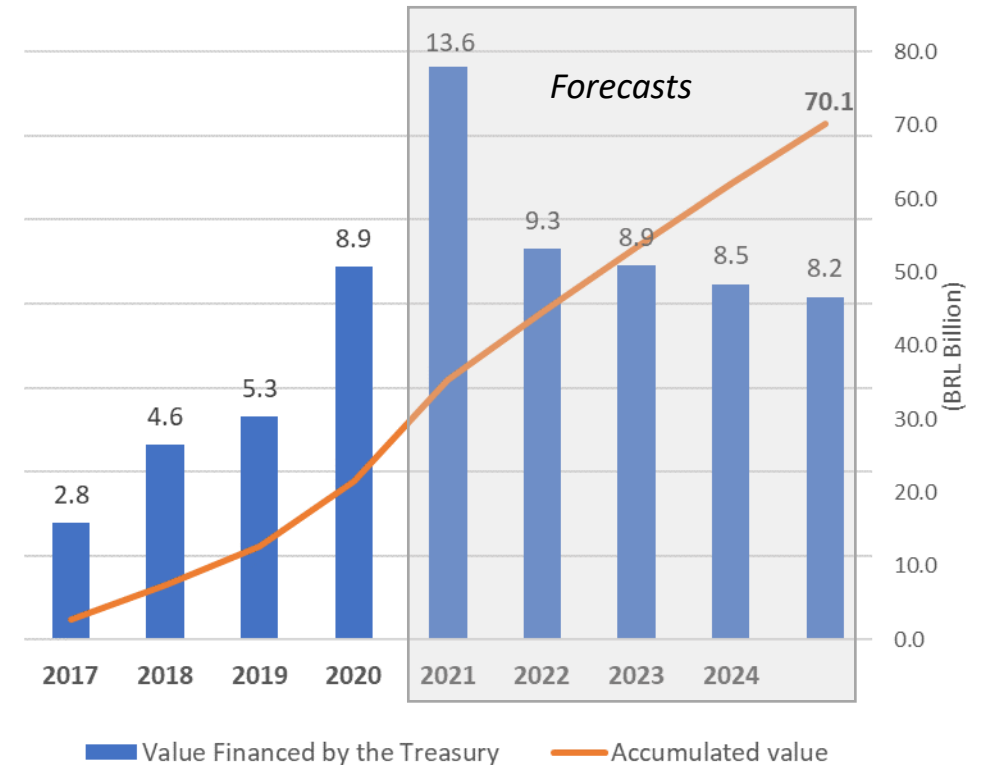
Institutions	Value (EUR mil)
French Development Agency (FDA)	200
KfW Entwicklungsbank (KfW)	350
<b>Total in EUR</b>	<b>550</b>

# Treasury expenditure on guaranteed debt increased significantly in 2020

## Debt balance of guarantees by the Treasury - BRL bn



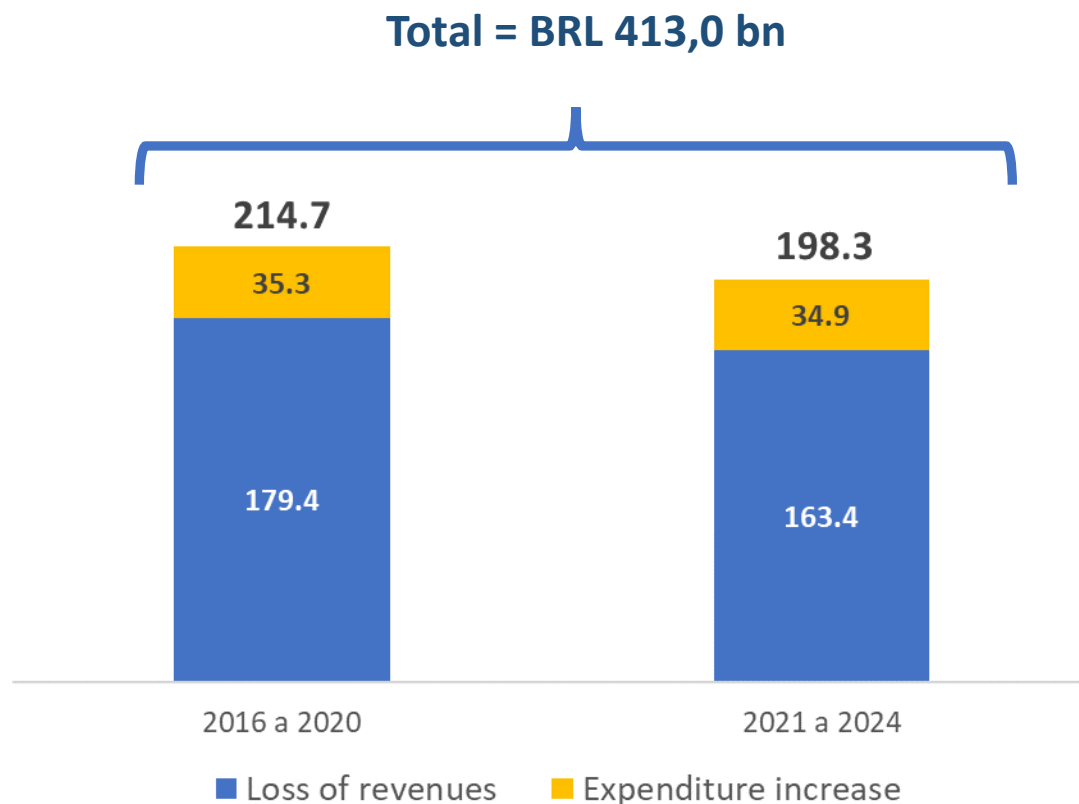
## Treasury expenditure covering non-performing guaranteed debt\*



\*IPCA-adjusted values, BRL in 12/31/2020

## Impact of debt restructuring measures and covering guarantees of subnational entities compromise the Treasury's effort to decrease the public debt

### Impact of debt restructuring measures and covering guarantees\* (BRL bn)



- Total impact of **BRL 343 bn**: lower revenues represent an obstacle to Treasury's effort to decrease the public debt
- Total impact in **2020** was **BRL 71 bn**, of which BRL 57 bn correspond to loss of revenues and BRL 14 bn, expenses with guarantee honors.

\*IPCA-adjusted values, BRL in 12/31/2020





Annual Debt Report – ADR 2020

**Annual Borrowing Plan – ABP 2021**

## FPD management objective: balance between cost and risk

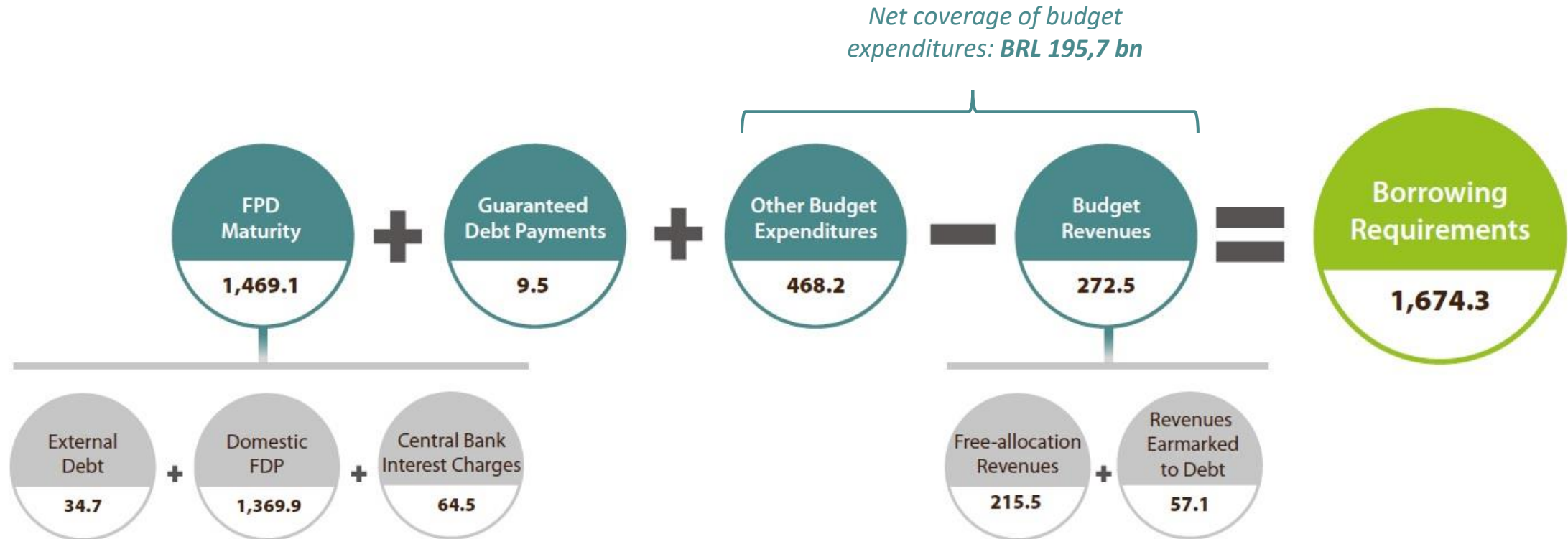
### Objective

The goal of the Federal Public Debt management is to efficiently supply the federal government borrowing needs at the lowest cost in the long term, while maintaining prudent levels of risk, and contributing to the proper functioning of the Brazilian bond market.

### Guidelines

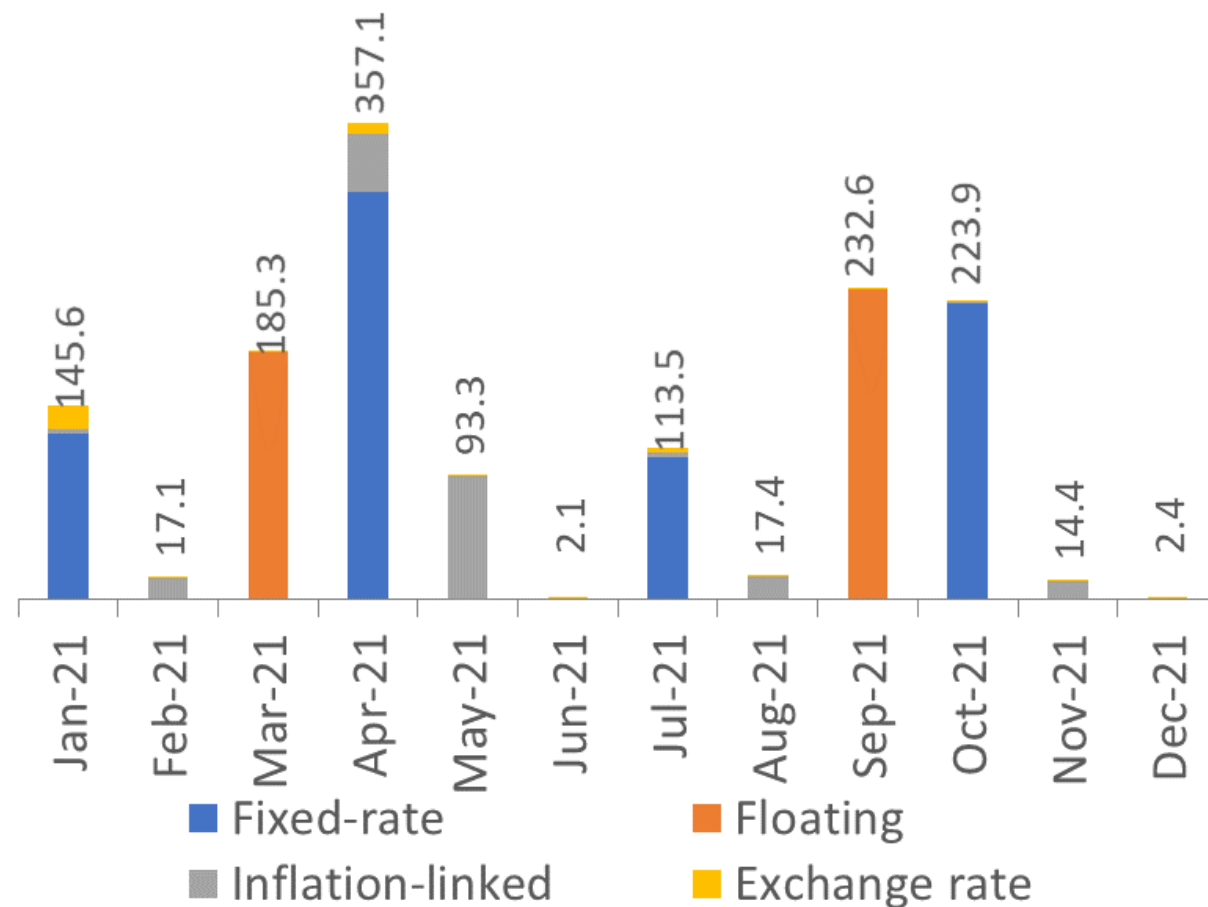
- Gradual replacement of floating-rate bonds by fixed-rate and inflation-linked bonds;
- Smoothing the yield curve, with particular attention to short-term maturity;
- Increasing outstanding debt average maturity;
- Yield curve development;
- Increasing federal public government bonds liquidity on the secondary market;
- Broadening and diversifying the investors base;
- Maintenance of the liquidity reserve above its prudent level.

## Federal Government Borrowing Needs in 2021

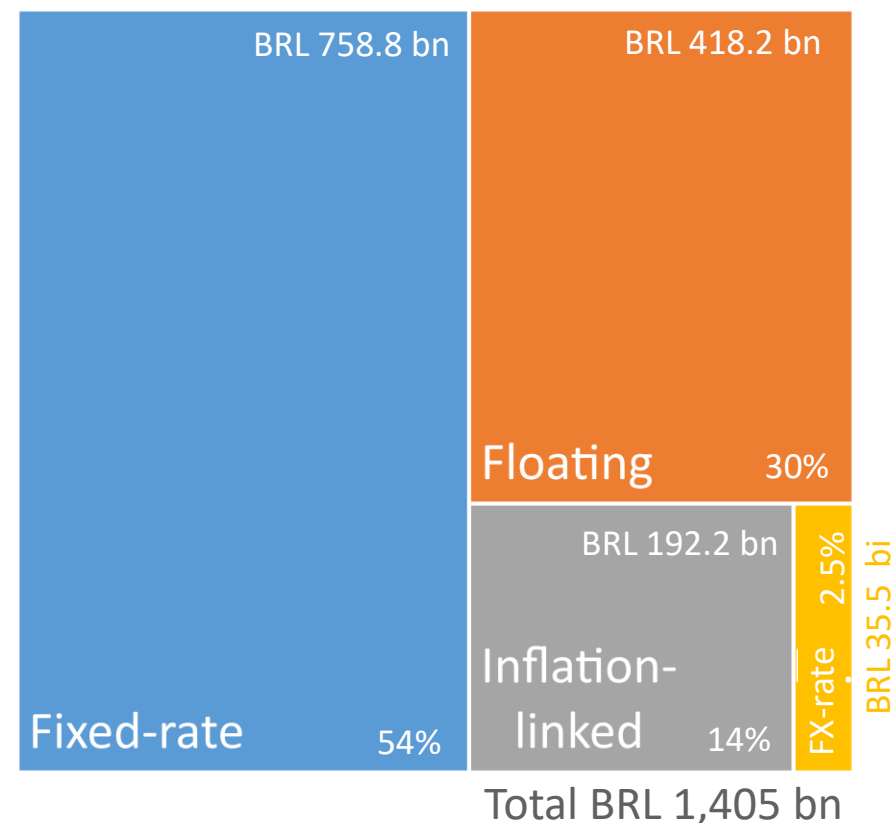


The National Treasury has more than 6-month worth of debt service, including principal and interest

## Federal Debt maturity for 2021: higher concentration on the first semester (BRL billion)



- » A greater share of floating bonds than previous years
- » The Treasury has foreign reserves to pay for all external bonds maturing in 2021



## Budget expenditures to be paid by debt issuances in 2021 (BRL billion)

### 2021 Budget bill

Expenditure	Predicted	Conditioned
Urban pension benefits	214.8	214.8
Federal government employees	75.7	75.7
Rural pension benefits	57.3	57.3
Other costs	41.5	41.3
Retirement and pensions (civil and military)	37.4	37.4
Court ordered credits	20.7	20.7
Tax breaks	12.8	4.8
Compensation to the private sector workers' pension system	3.7	1.9
Financial inversions	4.5	0.0
<b>Total</b>	<b>468.2</b>	<b>453.7</b>

# Borrowing strategy

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*As uncertainties related to the covid-19 continue, it is desirable for the debt manager to make use of some flexibility without compromising transparency and predictability*

## Highlights for 2021:

- » Three benchmarks for the NTN-F: 2027, 2029 e 2031
- » The 3-year NTN-B will continued to be offered as in 2020
- » The LFT will keep the two- and six-year maturities
- » Rollover auctions

**The auction calendar will be published 15 days before the beginning of each quarter**

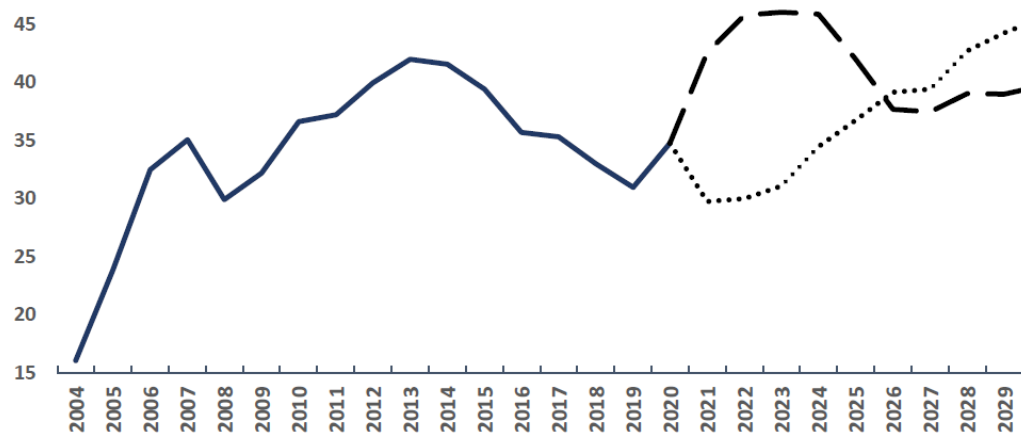
## Borrowing plan for 2021: expected results

Indicators	2020	Reference Limits for 2021	
		Minimum	Maximum
<b>Outstanding Debt (BRL billion)</b>			
FPD	5,009.6	5,600.0	5,900.0
<b>Composition(%)</b>			
Fixed-rate	34.8	38.0	42.0
Inflation-linked	25.3	24.0	28.0
Floating rate	34.8	28.0	32.0
FX	5.1	3.0	7.0
<b>Maturity profile</b>			
% maturing in 12 months	27.6	24.0	29.0
Average maturity (years)	3.6	3.2	3.6

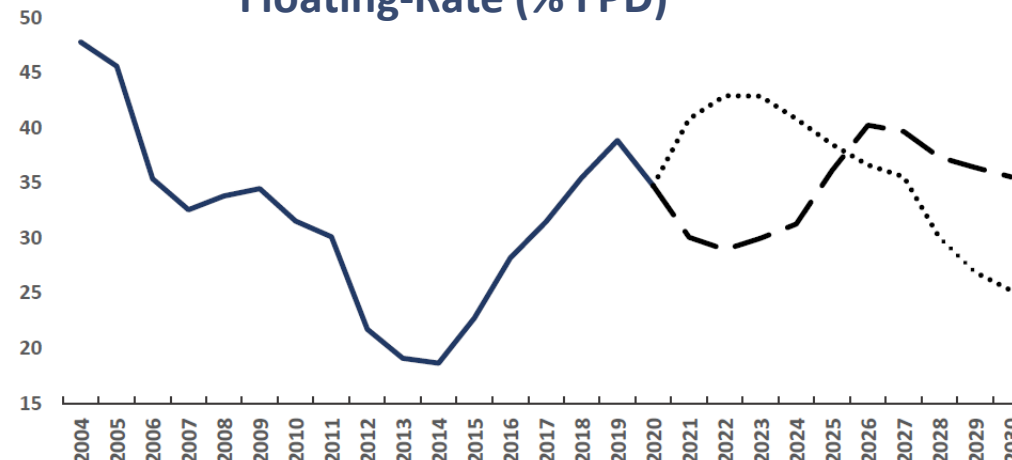


## Medium-term perspective

### Fixed-rate (% FPD)



### Floating-Rate (% FPD)

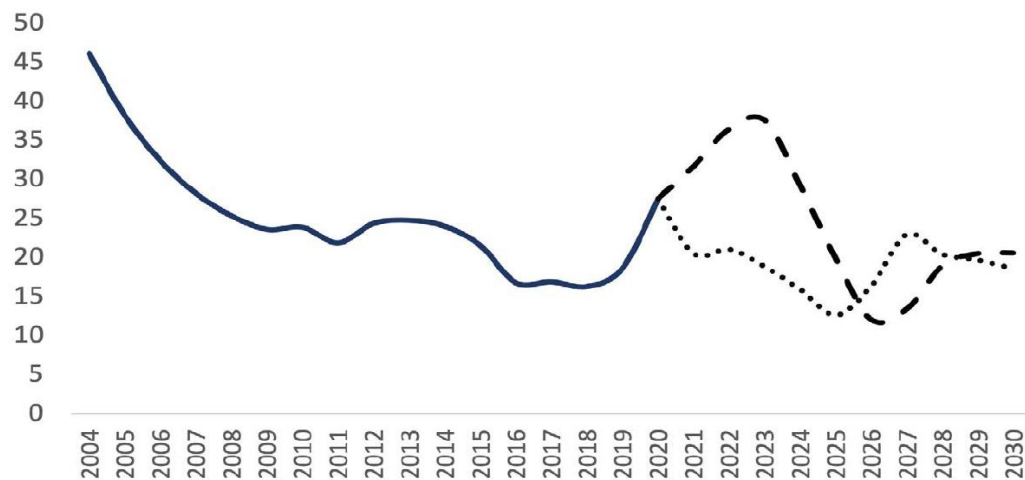


Realized

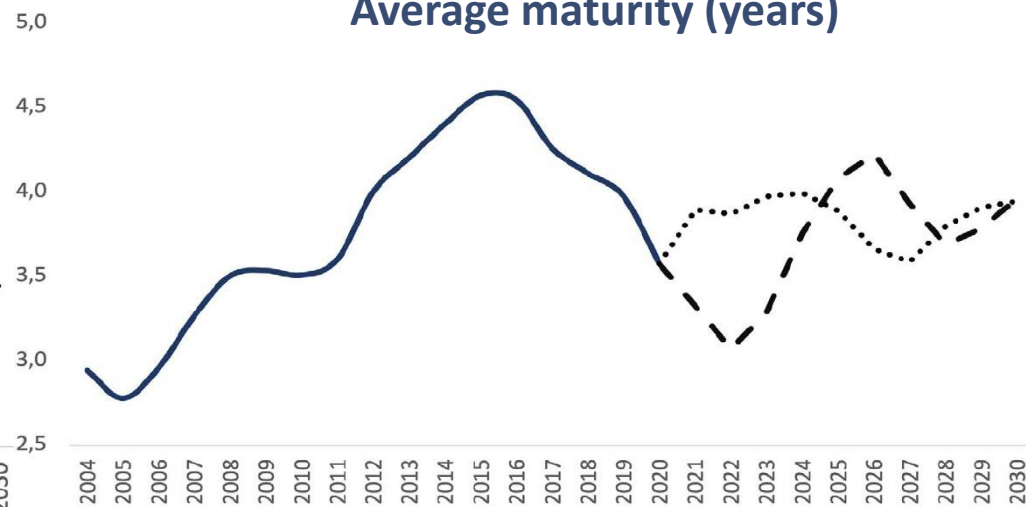
Gradual

Rebound

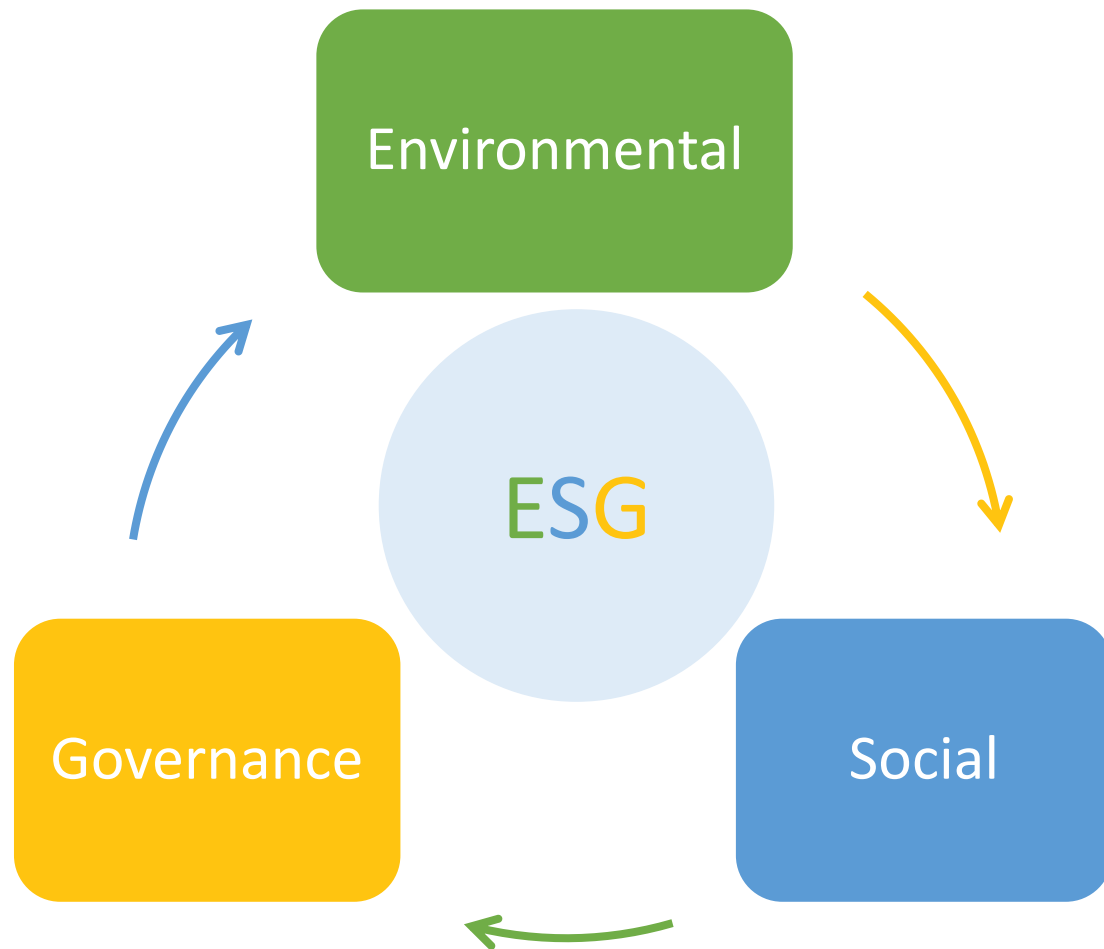
### Share of debt maturing in 12 months



### Average maturity (years)



## Building a Framework for ESG bonds



Commitment to a sustainable finance agenda:

- » Diversification of investor base
- » Lengthening of maturity profile and reduction of refinancing risk

The Treasury's role:

- » Improve transparency and facilitate investors' access to ESG information on Brazil
- » Evaluate issuance opportunities for ESG bonds