

2024

Published in  
02/04/2025

Ministry of Finances  
National Treasury Secretariat

# ADR - Annual Debt Report

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Annual Debt Report: 2024.  
1/Ministry of Finance, National Treasury, Brasília:  
National Treasury Secretariat,  
February, 2025, number 22.  
1. Federal Public Debt 2. Federal Public Debt Annual Report  
3. Public Debt Management 4. Planning 5. Strategy I. Brazil.  
National Treasury Secretariat II. Title

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## Graphic design and layout

Social Communication Advisory (ASCOM/National Treasury)


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**Photos:** Adobe Stock

**Publication date:** February 04, 2025

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# National Treasury Statement

We are pleased to present the 2024 Annual Debt Report (ADR). In this document, the National Treasury presents the Federal Public Debt (FPD) management performance during the year, considering what was established in the Annual Borrowing Plan (ABP).

The year 2024 was characterized by a reversal of expectations regarding the macroeconomic scenario during the second half of the year. In the first part of the year, interest rates were expected to fall, both domestically and internationally, and in this more favorable environment, the National Treasury took the opportunity to hold larger auctions than initially expected by the ABP, strengthening the debt liquidity reserve.

In the second half of the year, a combination of the reversal of the downward trend in domestic interest rates and an increase in uncertainty in domestic and international scenarios, contributed to a reduction in the demand for government bonds. As a result, in addition to the larger demand for floating rate bonds seen in the first half of the year, a revision of the 2024 ABP was announced in September, altering the reference limits to accommodate for a larger participation of floating rate bonds to the detriment of inflation-indexed and fixed rate bonds.

In the following months, debt management behaved in line with the expectations of the revised 2024 ABP announced in September, with all its year-end indicators within the new reference limits. We are mindful of the increase in the share of floating rate securities, close to the upper reference limit, which makes debt more vulnerable to interest rate shocks but also contributes to lengthening maturities. It is also important to note that the National Treasury has a liquidity reserve of about BRL 860.1 billion, well above the prudential limit.

This was an important year in terms of the external issuance strategy, with the National Treasury issuing USD 6.5 billion on the international market. This volume was issued in two operations, first in January (USD 4.5 billion), in a dual-tranche issuance, and

then in June (USD 2.0 billion), in the second sustainable sovereign bond issuance. Regarding sustainable bonds, the National Treasury also published its first Allocation and Impact Report, reflecting the country's commitment to transparency and good market practices.

Also noteworthy in 2024 were positive movements by Moody's, following positive movements by Fitch and S&P in 2023. In the first half of the year, Moody's revised Brazil's credit rating outlook from stable to positive, following years unchanged. In the second half of the year Moody's effectively upgraded Brazil's rating from "Ba2" to "Ba1" maintaining the positive outlook and positioning Brazil one step closer to investment grade.

Regarding the fiscal aspect, at the end of the year, the National Congress approved a fiscal package with an estimated BRL70 billion positive impact on the country's fiscal consolidation, over two years. The progress in the economic reform agenda, such as the implementation of the tax reform and microeconomic measures, combined with measures to ensure public debt sustainability, will lead to higher economic growth, price stability and a steady reduction in interest rates.

Progress on the country's key fiscal consolidation agendas opens up a favorable scenario for debt management, allowing the National Treasury to implement its financing strategy in line with the guidelines for improving FPD composition and lengthening maturities from 2025 onwards.



# 1

# Macroeconomic and Financial context in 2024

## 1.1 Macroeconomic Context

In the international scenario, 2024 was marked by the maintenance of a resilient level of activity in the major developed economies. Simultaneously, there was a delay in the beginning of the monetary easing cycle, which only occurred in the second half of the year, due to the initial persistence of inflation rates. The International Monetary Fund (IMF)<sup>1</sup> estimates global inflation at 5.7% in 2024, compared to 6.7% in 2023, after reaching an 8.6% peak in 2022. Regarding economic activity, the IMF forecasts global growth rate at 3.2% in 2024, similar to the 3.3% growth in 2023. The intensification of geopolitical conflicts, both in Ukraine and in the Middle East, were also sources of uncertainties throughout the year.

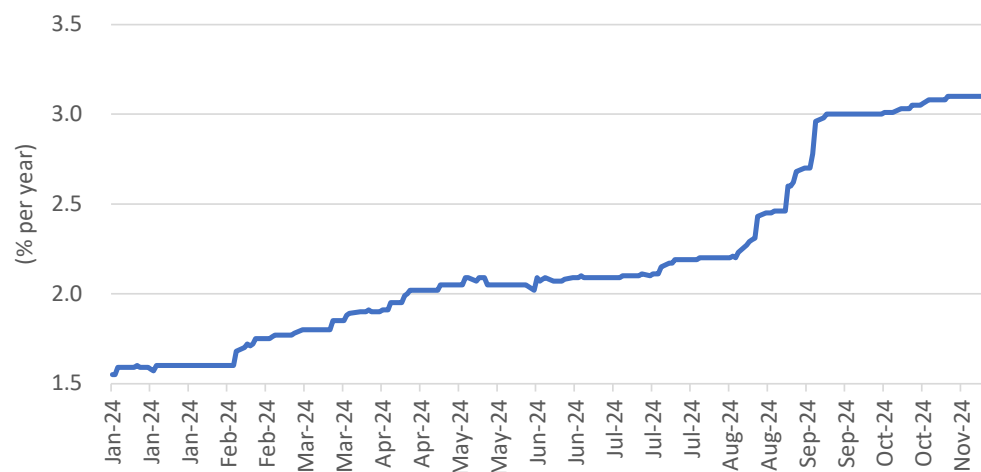
In the United States, inflation data remained above market expectations until mid-2024, leading the Federal Reserve (FED) to initiate its monetary easing cycle only in September, followed by two additional subsequent cuts by the end of the year. Throughout 2024, strong economic growth was sustained by robust household consumption and a resilient labor market. In the Eurozone, inflation and activity data indicated more moderation compared to the U.S., allowing the European Central Bank (ECB) to begin its monetary easing

cycle as early as June. As for the Chinese economy, it has adjusted to a more moderate growth pace after three decades of average annual growth of 9.0%. For 2024, the IMF expects growth of about 4.8%, compared to 5.2% in 2023, still related to the prolonged slowdown in the real estate sector that began in 2022.

In Brazil, at the end of 2023, market estimates pointed to GDP growth of about 1.5% YoY in 2024, as shown in Figure 1. However, economic activity presented strong growth in the first three quarters of the year, mainly driven by domestic demand. A significant increase in household consumption stood out, reflecting a solid labor market, meaning that the economic growth in 2024 will have a very different composition compared to 2023, when a significant share of the growth was related to export sectors, such as agriculture and the extractive industry. Thus, for the third consecutive year, the Brazilian economy will grow at a rate close to 3.0%.

<sup>1</sup> [World Economic Outlook Update, January/2025](#)

Figure 1 – Median of Focus\* expectations for GDP growth in 2024 (% per year)

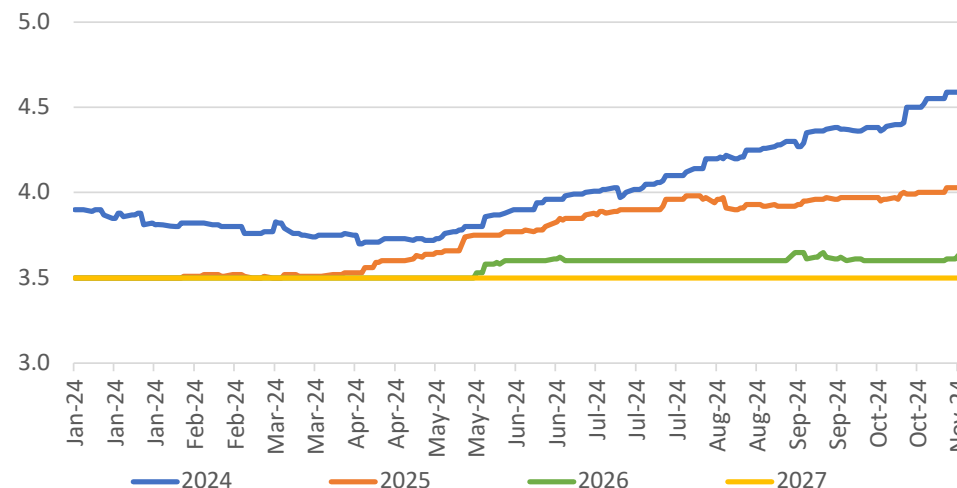


Source: Focus - Market Readout (Central Bank)

Heated economic activity, also reflected in the positive estimates of the output gap calculated by the Central Bank<sup>2</sup> and tight labor market conditions influenced the inflation rate, which registered price variations above the target throughout the year. The variation in the consumer price index (IPCA) accumulated over 12 months experienced a disinflationary process in the first half of the year, with a slowdown in the variation of core inflation measures. However, from mid-2024 onwards, inflation accelerated due to pressure from non-regulated prices, particularly in the food and beverages group. The 12-month accumulated IPCA, which had slowed to 3.7% in April, ended 2024 at 4.83%, surpassing the inflation target and its tolerance interval. In addition to heated economic activity, other factors that influenced such resilient inflation included commodity prices, which contributed to disinflation in early 2024, and the increase in local and international uncertainty, which reflected in currency depreciation. As for inflation expectations, captured by Focus - Market Readout by

the Central Bank, they deteriorated over the year, as shown in Figure 2. The rise in expectations occurred across various forecast horizons, increasing the gap between IPCA forecasted for the years 2024 to 2027 and the target defined by the Monetary Policy Committee (CMN).

Figure 2 - Inflation Expectations (IPCA, % per year)



Source: Focus - Market Readout (Central Bank)

In response to rising expectations, persistent inflation, and increased uncertainties, the Monetary Policy Committee (Copom) halted Selic rate cuts and initiated a new cycle of rate hikes in September, bringing the Selic rate to 12.25% by the end of 2024, compared to 10.5% at the end of August.

The fiscal scenario for 2024 was characterized by a fiscal consolidation process with central government primary deficit reduction. In the 1st Revenue and Expenditures Assessment Report, a reduction in net revenue projections was observed, mainly due to tax revisions, and revenues from concessions, and natural resources exploitation. This decline was offset by adjustments in other revenue sources. Expenditures increased throughout the year, notably in pension benefits, continued assistance, and extraordinary expenses, such as those allocated to the response of the extreme weather events in Rio

Grande do Sul. In April, revisions in expenditures and revenues led to changes in the primary balance target for the coming years.

Additionally in the fiscal aspect, in December, the National Congress approved strengthening measures for the fiscal rule, through Constitutional Amendment No. 135 of December 20, 2024, Complementary Law No. 211, of December 30, 2024, and Ordinary Law No. 15,077, of December 27, 2024. These measures combined represent an estimated BRL 70 billion favorable impact on the fiscal consolidation process between 2025 and 2026.

Meanwhile, external accounts continued to reflect a comfortable balance of payments situation. The trade balance maintained the previous year's strong performance, despite imports acceleration. Additionally, foreign direct investment (FDI) inflows remained significant, more than offsetting current account deficits, while international reserves remained at high levels (closing the year at USD 330 billion).

Finally, notable progress was seen in the sovereign risk rating by Moody's, which upgraded Brazil's credit rating from Ba2 to Ba1, with a positive outlook, as detailed in Box 1. Fiscal sustainability continues to be a critical factor in achieving investment-grade status, which contributes to improving risk perception and lowering FPD, thereby improving the environment for Treasury's bond issuances.

#### Box 1. Brazil's Credit Ratings Performance: Analysis of Improvements in 2023 and 2024

In 2023 and 2024, Brazil obtained a series of positive sovereign credit rating actions from major rating agencies, reflecting improvements in the country's economic outlook, driven by major structural reforms.

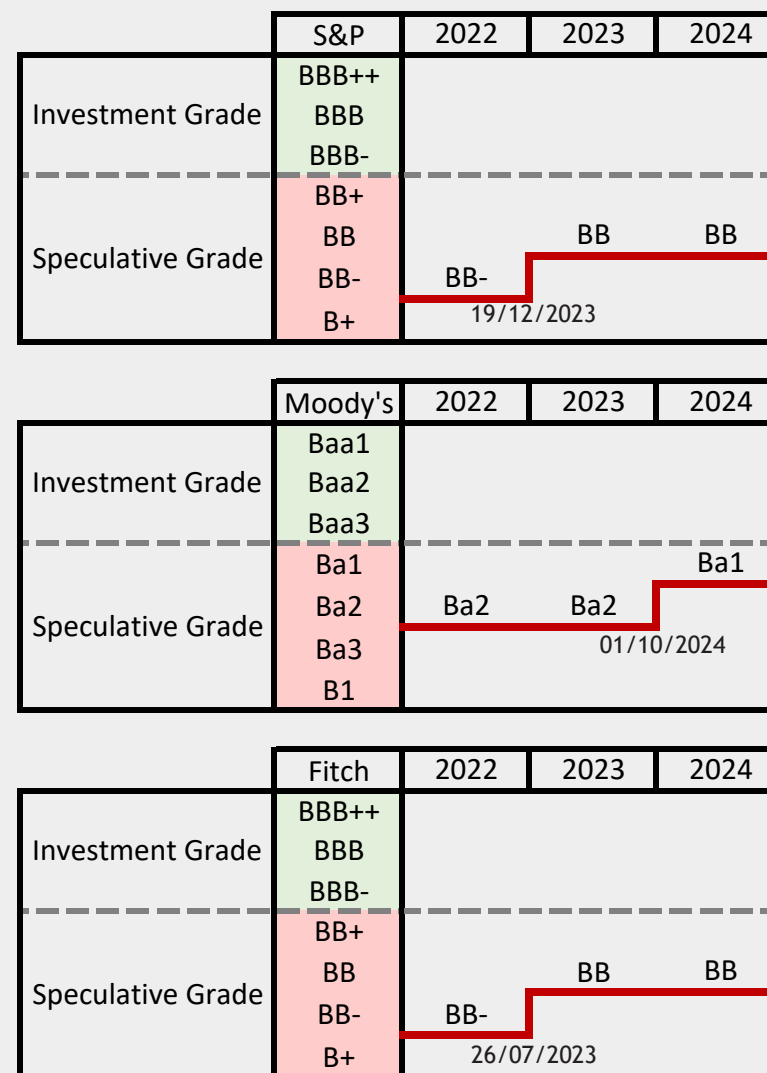
In July 2023, Fitch upgraded Brazil's sovereign credit rating from "BB-" to "BB", with a stable outlook. This decision highlighted the government's fiscal consolidation efforts and the implementation of a robust economic reform agenda. Fitch acknowledged the positive impact of the Tax Reform, which aims to simplify the tax system, promote long-term productivity gains, and contribute to the stabilization of the debt-to-GDP ratio. In September 2024, Fitch also revised upward its forecast for Brazil's real GDP growth in 2024, from 1.7% to 2.8%. The agency emphasized the resilience of the Brazilian economy, even in face of successive shocks in recent years, supported by robust international reserves and a debt composition predominantly in local currency.

S&P revised the credit rating outlook for Brazil from stable to positive in June 2023. Subsequently, in December 2023, the agency upgraded the rating from "BB-" to "BB", with a stable outlook, a level that has remained unchanged since then. This upgrade reflects important progress, such as the approval of the Tax Reform and a consistent track record of structural reforms since 2016, including the Central Bank autonomy and improvements in labor and social security policies. S&P also highlighted the country's solid external position, supported by high commodity production, low external debt, and a reliable monetary policy.

Finally, in April 2024, Moody's revised the credit rating outlook for Brazil from stable to positive and, in October 2024, the agency upgraded the country's sovereign credit rating from "Ba2" to "Ba1", with a positive outlook, bringing the country closer to an investment-grade rating. The agency mentioned robust GDP growth and the relevance of recent fiscal and economic reforms, with an emphasis on the commitment to fiscal stability and the sustainability of the debt-to-GDP dynamics. Moody's also highlighted the importance of the Tax Reform and the energy transition agenda as key factors to attract investments and foster sustainable growth.

These improvements to Brazil's credit ratings indicate that major rating agencies have a positive view of the measures being implemented, especially in relation to the maintenance of progress in structural reforms. These changes allow for improved productivity in the economy and greater resilience of economic activity. In addition, fiscal consolidation actions, such as measures to increase revenue, rationalization of expenditures and the establishment of the new fiscal framework are seen as favorable developments. By aligning economic growth with fiscal responsibility, Brazil not only attracts more investment but also positions itself more solidly and competitively on the global stage. The continuity of these policies will be essential to ensure that the country maintains this upward trajectory, allowing for an improvement in the country's credit rating.

Figure 3 - Brazil's credit risk rating



Source: S&amp;P, Moody's e Fitch

## 1.2 Financial Market in 2024

Supported by the resilience of the US economy, international stock markets reached historic highs in 2024. However, fears of more persistent inflation early in the year caused volatility in U.S. Treasury bonds and kept interest rates under pressure. Throughout the second half of 2024, the outcome of the US presidential election in November and the prospect of fiscal expansion under the new Donald Trump administration increased volatility in the bond market, with the 10-year Treasury returning to its highs after falling sharply at the start of the second half of the year.

Figure 4 - US equity and bond markets over the year

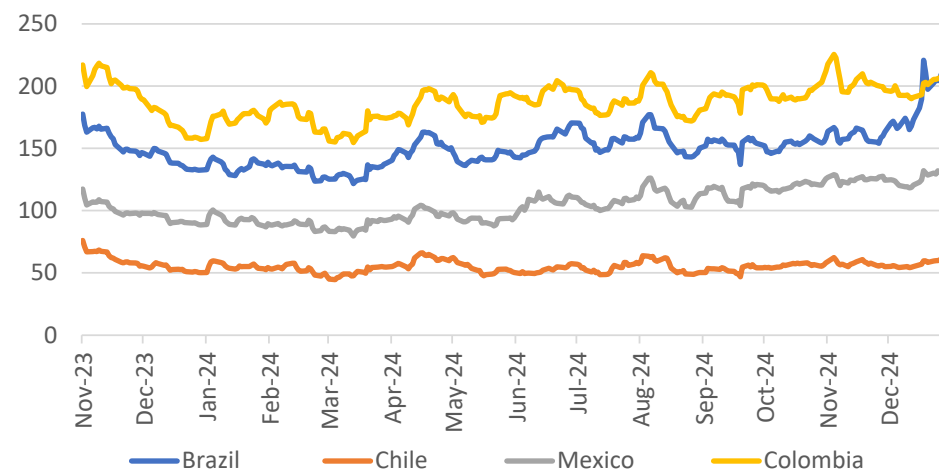


Source: Bloomberg

The international scenario also brought uncertainties related to geopolitical conflicts in the Middle East and in Ukraine and their impact, especially on oil prices. The elections in Mexico also raised concerns about the new government's economic plan, adding to the noise, especially for emerging markets, which had a mixed performance throughout the year, with risk indicators generally fluctuating within a limited range. Towards the end of the year, however, discussions

about the introduction of protectionist barriers in the US raised risk perceptions. The year of 2024 ended with the Brazilian CDS at a level close to 215 bps, higher than in the previous year.

Figure 5 - 5-year credit default swap (CDS) - selected countries (basis points)



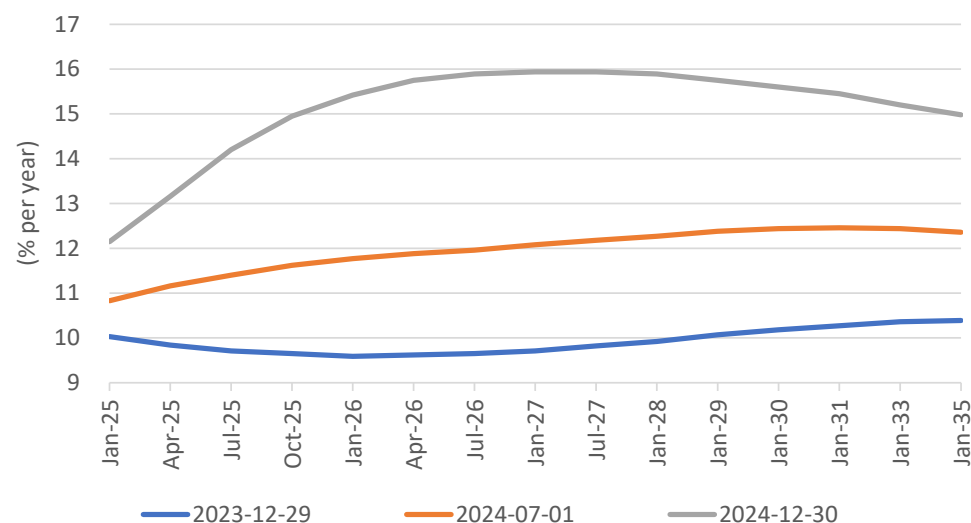
Source: Bloomberg

Domestically, internal factors amplified external volatility in interest rates and in the exchange rate. Internally, financial assets reflected expectations over the conduct of economic policy in a context of persistent inflation and high spending, aggravated by the climate disaster caused by the floods in Rio Grande do Sul. In particular, there was a reversal of expectations regarding the future path of interest rates. At the beginning of the year, Brazil was in the process of a monetary easing cycle, initiated by the Brazilian Central Bank (BCB) in August 2023. However, the first months of the year saw a series of upside surprises, both in terms of inflation and, to a lesser extent, economic activity, which led the monetary authority to gradually adjust its communication. Meanwhile, on the external scenario, US authorities, motivated by a more resilient economy than expected,

signaled successive postponements of the start of interest rate cuts in the US. Faced with this scenario, market agents began to move forward their forecasts for the end of the BCB's expansionary monetary cycle and, subsequently, the beginning of a new cycle of interest rate hikes, which happened in September Copom meeting, whose statement stressed the need to maintain a contractionary monetary policy until the process of convergence of inflation to the target was consolidated.

However, as the end of the year approached, agents' risk perceptions increased, causing the yield curve to rise. At this time, the Treasury undertook extraordinary one-off measures and implemented adjustments to its government debt issuance strategy. In doing so, the Treasury relied on prudent management of liquidity reserves, which provided sufficient safety and flexibility to meet the government's financing needs while ensuring the smooth functioning of the market.

Figure 6 - DI Futures Yield Curves



Source: Bloomberg

In this context, the market's appetite for government bonds was larger in the first half of the year, when the policy rate was on a downward trend. This allowed the National Treasury to issue a larger volume of bonds, especially fixed-rate securities during this period. In fact, more than 43% of the fixed-rate issuance of 2024 was concentrated in the first quarter. Despite this behavior, demand for floating-rate securities, especially LFTs, remained strong throughout the year, mainly due to the high level of uncertainty regarding the economic situation.

# 2

## Borrowing Strategy in 2024

The 2024 ABP strategy was conceived based on the improvement of perspectives for the Brazilian economy, as a result of the new fiscal framework, the tax reform progress in Congress and other measures. Confirming the initial scenario, the first months of the year were marked by government bonds issuances in volumes above the ones established in the ABP, a trend that was reversed by the half of the year, with the increase in domestic and global uncertainty. Economic conditions led to lower issuances in the following months and aggravated in December, when there was additional uncertainty increase and the suspension of traditional auctions and the conduction of extraordinary buy-and- sell auctions, reassuring the proper functioning of government securities market.

2024 was characterized by a robust LFT demand, especially on the early months of the year, in particular in issuances of the 6-year benchmark, which contributed to debt lengthening. In the second half of the year, economic agents presented increased risk-aversion, reflecting a more challenging scenario. In September, ABP reference limits were revised to accommodate an increase in the participation of LFT in FPD composition. This revision reflects the stronger appetite for this type of bond observed throughout the year, aligning debt management strategy to market conditions.

### 2.1 Borrowing Requirements

The Federal Government's borrowing requirement comprise expenses related to Federal Public Debt (FPD) maturities, honor of guarantees for subnational governments' credit operations, and other budgetary costs paid with revenues from government securities issuance. The concept of net borrowing requirements subtracts from this amount the budgetary resources that are not derived from government bond issuances but are allocated to government debt payment. Thus, net borrowing requirements indicate the resources raised from the private sector to meet the aforementioned expenses.

In 2024, the National Treasury's net borrowing requirements reached BRL 1,347.1 billion, BRL 80.3 billion below the 2024 Annual Borrowing Plan (ABP) forecast, as shown in Figure 7.

Figure 7 - National Treasury borrowing requirements (BRL billion)

	Executed 2024	=	Forecast ABP	=	Difference
<b>FPD Maturities</b>	<b>1,552.4</b>		<b>1,462.5</b>		<b>90.0</b>
External Debt	26.4		23.2		
Domestic Debt	1,432.3		1,337.8		
Central Bank Interest Charges*	93.7		101.4		
<b>+ Primary Expenditures (except Debt)</b>	<b>112.3</b>		<b>214.2</b>		<b>-101.9</b>
<b>+ Guarantees Honored</b>	<b>11.5</b>		<b>13.1</b>		<b>-1.6</b>
<b>= Budget Revenues</b>	<b>329.1</b>		<b>262.4</b>		<b>66.7</b>
Non-earmarked Revenues	4.4		179.7		
Earmarked Revenues for Debt	324.7		82.6		
<b>= Net Borrowing Requirements</b>	<b>1,347.1</b>		<b>1,427.4</b>		<b>-80.3</b>

\*Por força do artigo 39 da Lei de Responsabilidade Fiscal (Lei Complementar n.º 101/2000), os juros reais da carteira do Banco Central (BCB) não podem ser refinanciados por meio de pagamentos com títulos do Tesouro diretamente ao BCB.

Source: Tesouro Nacional

FPD maturities in 2024 totaled BRL 1,552.4 billion, exceeding projected values by BRL 90.0 billion. The main factors explaining this outcome are the issuance of bonds with payment flows within the fiscal year (BRL 47.04 billion) and early redemptions under the Treasury Direct program (BRL 36.9 billion).

Primary expenditures (except debt) executed with proceeds from debt issuance (BRL 112.3 billion) were BRL 101.9 billion below the 2024 Annual Budget Law (LOA) forecast (BRL 214.2 billion). After considering the previous year's financial surplus, funding sources were reallocated (BRL 179.7 billion), reducing the need to use debt issuance proceeds to meet these expenses. Conversely, throughout the year, there were increases in the use of government bond issuances proceeds to pay for social security benefits (BRL 75.9 billion) and court-ordered debt (BRL 4.4 billion), as well as arrears expenses (BRL 20.3 billion), funded by revenues from bond issuances.

Finally, the total value of execution of guarantees, which are detailed in Section 4 of this report, stood BRL 1.6 billion below projections, due to the agreement between the Federal Government and states regarding compensation for the 2022 VAT tax waiver, as established by Complementary Law No. 194.

Regarding revenues, budget revenues other than credit operations used for debt payments (BRL 329.1 billion) were BRL 66.7 billion above initial projections, with BRL 263.9 billion corresponding to the 2023 financial surplus (of which BRL 2.3 billion in non-earmarked revenues) and BRL 65.2 billion in revenues collected in the 2024 fiscal year (of which BRL 2.1 billion in non-earmarked revenues).

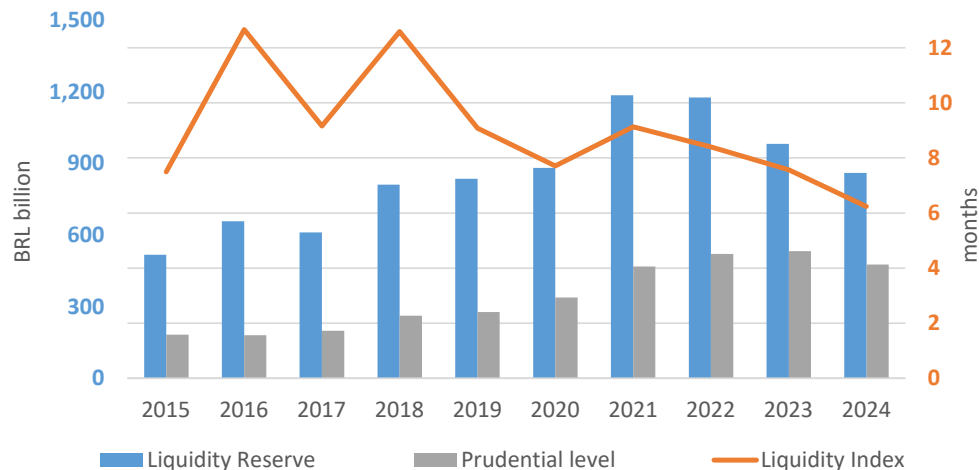
## 2.2 Liquidity Reserve

The Federal Public Debt liquidity reserve refers to the amount available in the Treasury Single Account derived from government bond issuance proceeds (443 and 444), from budgetary sources earmarked to debt payment (400 and 401), and non-exclusive sources used for debt payment. The liquidity reserve, also known as the debt cushion,

is an essential tool for mitigating refinancing risk, a topic explored in Section 3.2 FPD Risks. Throughout the year, the robustness of the debt cash position played an important role, providing the National Treasury with flexibility to cover maturities during periods of uncertainty and to smoothen its operations in the government securities market during volatile conditions.

The liquidity reserve reached BRL 860.1 billion, equivalent to approximately 6.2 months of market debt maturities and interest due to the Central Bank (Figure 8), in December 2024. As expected, the reserve balance fluctuates throughout the year. This year-end position is quite comfortable, especially since the National Treasury considers 3 months of maturities as the minimum parameter in its risk management, a level that historically has proven sufficient to manage periods of greater uncertainty while preserving financial market stability.

Figure 8 - Public debt liquidity reserve and amount of months of DFPD maturities coverage for each year



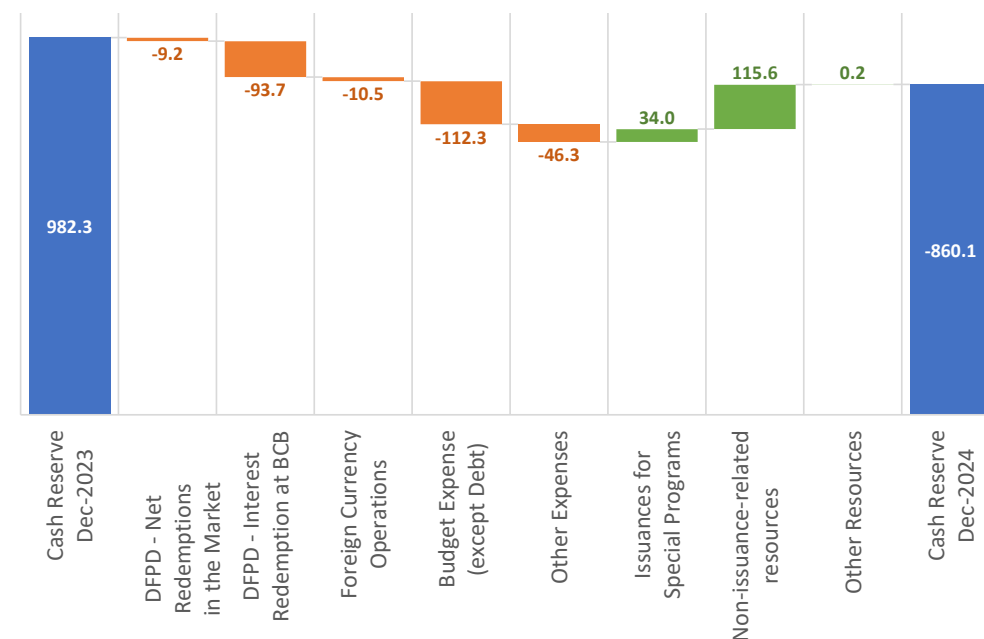
Source: National Treasury

The variation in liquidity reserve in 2024 reflects the expenditures and revenues flows that affected the Federal Government's cash position, as shown in Figure 9 below.

Throughout the year, Domestic Federal Public Debt (DFPD) held by the market net redemptions totaled BRL 9.2 billion, while service of the government securities held by the Central Bank amounted to BRL 93.7 billion. Foreign currency operations responded for a BRL 10.5 billion negative variation in the liquidity reserve. Budgetary expenses unrelated to debt used BRL 112.3 billion of the liquidity reserve. Finally, other debt expenses, including guarantee payments and expenses with the Wage Variation Compensation Fund, represented BRL 46.3 billion.

Among non-issuance related resources (BRL 115.6 billion), we highlight the inflow from subnational entities' debt repayment (BRL 33.6 billion) and the revenues paid by public banks and dividends (BRL 77.4 billion). There was also an inflow of BRL 4.4 billion from non-earmarked sources, derived from tax collection, and an additional BRL 0.2 billion from external credit operation disbursements.

Figure 9- Sources of Variation in Liquidity Reserve in 2024 - BRL billion



Source: National Treasury

Table 1 below shows the composition of the liquidity reserve by funding sources at the end of fiscal year 2023 and its variation throughout 2024. By definition, this reserve comprises only revenues from bond issuance and sources earmarked to debt payments, but it may occasionally receive resources from non-earmarked sources, provided they are used for debt payment.

Table 1: Variation in liquidity reserve by sources in 2024 - in BRL billion

	Source	Initial Balance	Revenues	Expenses
400	Return of credits from subnational entities and Central Bank result	116.5	33.6	-57.3
401	Return of credits from public banks and Dividends	225.8	77.4	-267.5
443/444	Resources from government bonds issuance	635.1	1,904.0	-1,807.4
448	Resources from External Loans	4.9	0.2	-5.2
000	Non-earmarked revenues	0.0	4.4	-4.4
<b>Total</b>		<b>982.3</b>	<b>2,019.6</b>	<b>-2,141.8</b>

\* As receitas de emissões incluem o refinanciamento de principal dos títulos que venceram na carteira do Banco Central, além das captações no mercado doméstico.

Source: National Treasury

## 2.3 Domestic Debt

The National Treasury's issuance strategy focuses mainly on the domestic market, which accounted for 97.6% of FPD funding in 2024, seeking to meet financing needs and maintain the liquidity reserve at adequate levels. Financing included the issuance of fixed-rate bonds (LTN, zero-coupon, and NTN-F (National Treasury Notes - Series F), which pays semi-annual coupons), inflation-linked bonds (NTN-B) and bonds indexed to the Selic rate (LFT), with LFT representing the largest share in FPD refinancing during the year.

In 2024 the bond auctions, fixed-rate bond issuances incorporated a new 72-month-tenor for LTN, which is now available in five maturities: short term (6- and 12- month tenors), medium term (24- and 48-month tenor) and long term (72-month tenor). Meanwhile, for NTN-F, the shortest tenor was extended from 6 to 7 years, avoiding overlap with the longer LTN maturity. Thus, the benchmark structure of NTN-Fs was adjusted to 7 and 10 years.

Inflation-linked bonds (NTN-Bs) continued to be offered in 6 different maturities, but with adjustments to the benchmark structure, with the removal of the 15-year maturity and the inclusion of the 7-year maturity. The weekly auctions continued to alternate, with one week dedicated to the 3-, 7-, and 25-year tenors (maturing in May 2027, August 2032 and May 2045) and other week dedicated to the 5-, 10-, and 40-year tenors (maturing in May 2029, May 2035 and August 2060).

In LFT issuances, the two tenors structure remained, one with a shorter term, three years, and a longer-term, represented by the six-year benchmark. The three-year LFT was traded with maturity in March 2027 throughout the first half of 2024 and, with maturity in September 2027, during the second half of the year. The six-year LFT was offered for a different maturity in each quarter of the year: March, June, September and December 2030.

The bonds were offered weekly through traditional sale auctions. In the FPD refinancing, there were no exchange or early rollover auctions. However, due to the sharp volatility in the interest rate market in December, the National Treasury canceled the auction of fixed-rate bonds scheduled for December 19 and held buy-and-sell auctions on the 18th, 19th and 20th. This extraordinary action is detailed in Box 2.

## Box 2. Extraordinary Actions of the National Treasury: December 2024

The National Treasury continuously monitors financial market conditions, ensuring the efficient functioning of the secondary market for government bonds and related instruments. In December 2024, in response to increased market volatility, the National Treasury implemented adjustments to its government bond issuance strategy and conducted extraordinary buy-and-sell auctions from December 18th to 20th. These actions aimed to increase liquidity and support the government securities market's price formation mechanism. The total financial volume of these operations amounted to BRL 9.5 billion in repurchases and BRL 0.4 billion in sales, resulting in a net redemption of BRL 9.1 billion, as shown in Table 2.

O volume financeiro total das operações foi de R\$ 9,5 bilhões em compras e R\$ 0,4 bilhão em vendas, resultando em um resgate líquido de R\$ 9,1 bilhões, conforme Tabela 2.

Table 2 – Summary of Extraordinary Buy-and-Sell Auctions

Bonds	Buyback	Issuance	Net
NTN-F	1,974.08	0.00	1,974.08
LTN	6,390.39	0.00	6,390.39
NTN-B	1,087.43	368.73	718.70
<b>Total</b>	<b>9,451.90</b>	<b>368.73</b>	<b>9,083.17</b>

Source: National Treasury

Table 3 provides a detailed breakdown of the operations conducted:

Table 3 – Extraordinary Actions of the National Treasury – Dec-24

Auction Date	Bond	Maturity	Buyback			Issuance		
			Quantity (in thousands)		Accepted Amount (BRL millions)	Quantity (in thousands)		Accepted Amount (BRL millions)
			Offered	Accepted		Offered	Accepted	
2024-12-18	NTN-F	Jan-29	1,000	100	89.7	300	-	-
		Jan-31	1,000	100	85.9	300	-	-
		Jan-33	1,000	100	83.6	300	-	-
		Jan-35	1,000	100	81.6	300	-	-
2024-12-19	LTN	Jul-27	5,000	1,400	980.4	1,000	-	-
		Jan-28	5,000	4,100	2,676.8	1,000	-	-
		Jul-28	5,000	300	182.9	1,000	-	-
		Jan-30	5,000	1,550	773.8	1,000	-	-
	NTN-B	Aug-28	3,000	103	425.8	300	80	331.1
		Aug-32	3,000	50	199.9	300	-	-
		May-35	3,000	38	148.6	300	-	-
		May-45	3,000	83	313.1	300	10	37.7
2024-12-20	LTN	Jul-27	5,000	0	-	1,000	-	-
		Jan-28	5,000	500	326.1	1,000	-	-
		Jan-30	5,000	2,900	1,450.3	1,000	-	-
	NTN-F	Jan-31	1,000	1,000	870.1	300	-	-
		Jan-33	1,000	900	763.3	300	-	-
Total					9,451.9	368.7		

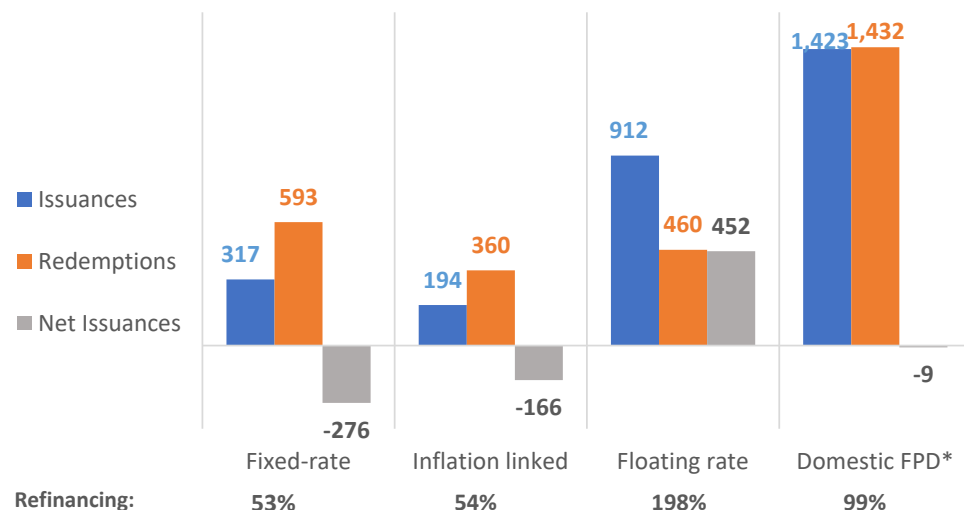
Source: National Treasury

In the execution of the financing process, priority is given to traditional mechanisms, such as public offerings and competitive auctions, where predictability stands out as an essential attribute. However, to ensure greater efficiency in debt management, the National Treasury maintains a liquidity reserve that enables strategic adjustments throughout the financing process.

In the consolidated result of the Domestic Federal Public Debt (DFPD), considering only issuances and redemptions with an impact on liquidity, redemptions exceeded issuances by BRL 9.2 billion, resulting in a rollover rate of 99%, compared to 96% in the previous year. For floating-rate bonds, there was a net issuance of BRL 452.3 billion, with a 198.4% rollover rate. Fixed-rate bonds presented a BRL 275.7 billion net redemption, representing a 53.5% rollover rate,

while inflation-linked bonds had a BRL 166.3 billion net redemption , as illustrated in Figure 10.

Figure 10 - DFPD net issuance and rollover rate by indexer



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

Source: National Treasury

In 2024, the total raised through traditional auctions by the issuance of DFPD bonds totaled approximately BRL 1,354.9 billion, an amount BRL 1,303.3 billion above the previous year, of, as shown in Table 4. The main financing instruments in the year were the 6-year and 3-year LFT, which accounted for 47.3% and 17.7% of traditional issuances, respectively. The set of fixed-rate bonds represented 22.8% of total placements. Finally, NTN-B bonds accounted for 12.2% of the total, with emphasis on the 5- and 15-year tenors.

Table 4 - DFPD securities issuances – traditional auctions only

Bonds Issued	2023		2024	
	Total (BRL billion)	%	Total (BRL billion)	%
<b>LFT</b>	<b>506.8</b>	<b>38.9%</b>	<b>881.4</b>	<b>65.1%</b>
LFT - 03 years	117.9	9.0%	240.3	17.7%
LFT - 06 years	388.9	29.8%	641.1	47.3%
<b>LTN</b>	<b>460.1</b>	<b>35.3%</b>	<b>247.8</b>	<b>18.3%</b>
LTN - 06 months	23.4	1.8%	19.8	1.5%
LTN - 12 months	20.7	1.6%	17.2	1.3%
LTN - 24 months	186.1	14.3%	82.7	6.1%
LTN - 48 months	229.9	17.6%	68.5	5.1%
LTN - 72 months	0.0	0.0%	59.6	4.4%
<b>NTN-F</b>	<b>78.6</b>	<b>6.0%</b>	<b>60.9</b>	<b>4.5%</b>
NTN-F - 07 anos	40.2	3.1%	31.9	2.4%
NTN-F - 10 years	38.4	2.9%	29.1	2.1%
<b>NTN-B</b>	<b>257.8</b>	<b>19.8%</b>	<b>164.8</b>	<b>12.2%</b>
NTN-B - 03 years	69.3	5.3%	27.2	2.0%
NTN-B - 05 years	90.0	6.9%	45.1	3.3%
NTN-B - 10 years	44.5	3.4%	24.0	1.8%
NTN-B - 15 years	22.1	1.7%	39.9	2.9%
NTN-B - 25 years	12.7	1.0%	13.7	1.0%
NTN-B - 40 years	19.2	1.5%	14.9	1.1%
<b>Total</b>	<b>1,303.3</b>	<b>100%</b>	<b>1,354.9</b>	<b>100%</b>

\* Extraordinary buy and sell auctions were not considered.

Source: National Treasury

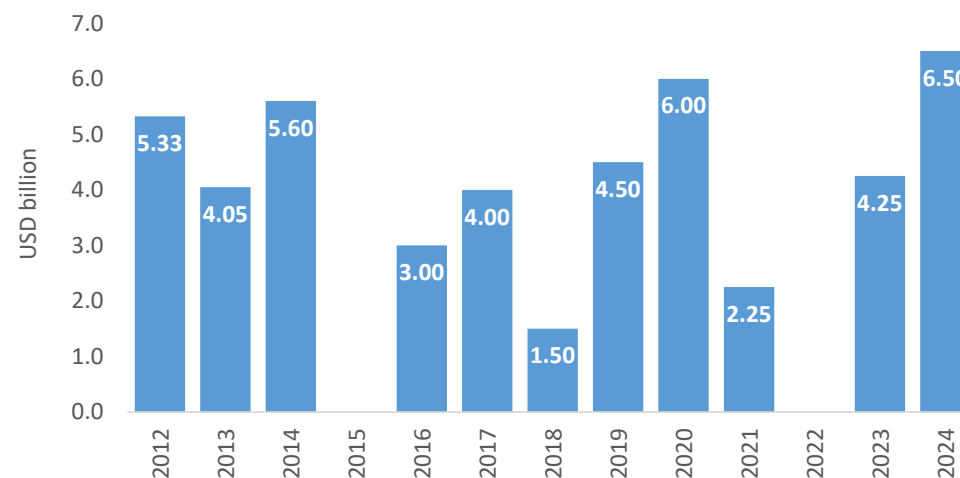
## 2.4 External Debt

The External Federal Public Debt (EFPD) management continues to be guided by the objective of strengthening Federal Public Debt (FPD) structure, with priority given to the formation of solid and accessible benchmarks in the sovereign yield curve. These efforts are also aimed at attracting a wider range of investors and extending maturities, thereby promoting greater efficiency and diversification for government financing.

In 2024, the Brazilian National Treasury issued USD 6.5 billion in the international market (Figure 11), in line with the guideline indicated in the benchmark revision, which increases the composition of foreign currency debt for the long-term FPD from 5% to 7%. The beginning of the year was marked by the prospect of an interest rate cut in the United States, which generated optimism and provided liquidity to the fixed income market. Appetite for Brazilian bonds was also favorable, with country risk indicators at their lowest levels since 2020. Thus, in January, the National Treasury raised USD 4.5 billion in an operation that included the simultaneous issuance of two bonds: the new Global 2034 and Global 2054.

In addition to the record volume of foreign currency funding, the operation was also successful in terms of cost, with spreads at the lowest levels in the last six years, and helped to lengthen the external debt profile, with Global 2054 being the first 30-year bond issued since 2019. Global 2034 was issued for USD 2.25 billion, paying investors a 6.35% Y-o-Y yield rate. The spread on the transaction was 225.2 b.p. over the US Treasury benchmark. The bond pays a 6.125% Y-o-Y semi-annual coupon. Global 2054 was also issued in the amount of USD 2.25 billion with a 7.15% Y-o-Y yield rate to the investor, resulting in a 281.8 b.p. spread over the benchmark Treasury. The bond has a semi-annual coupon of 7.125% Y-o-Y.

Figure 11 – External Federal Public Debt bond issuances – USD billion, current values



Source: National Treasury

At the end of the first quarter, U.S. inflation showed signs of resilience, which was reflected in higher U.S. Treasury yields, but did not significantly affect demand for Brazilian bonds. Thus, in June 2024, the Treasury issued its second sovereign sustainable bond, the Global 2032, for a volume of USD 2 billion, in line with the objective of maintaining an active and constant presence for Brazil in the international thematic bond market. This issue is discussed in more detail in Section 2.5.

In the management of the External Federal Public Debt (EFPD), the Brazilian National Treasury has adopted a proactive strategy to guarantee resources needed to meet debt maturities. In 2024, in addition to maintaining a liquidity reserve in BRL, debt management will ensure that sufficient foreign currency is available to meet the principal and interest external debt maturities until 2025, even in the event there are no new external financing. This approach aims to ensure greater stability and predictability in government financing.

## 2.5 Sovereign Sustainable Bond Issuances

In June 2024, the National Treasury conducted its second issuance of sovereign sustainable bonds. The Global 2032, a 7-year benchmark, was issued in U.S. dollars (USD) with maturity in 2032, in the United States market.

The Global 2032 was issued in the amount of USD 2 billion, with a yield to investor of 6.375% per annum and maturity in January 2032. The operation's spread was 212.80 basis points above the reference U.S. Treasury bond. The sustainable bond pays a of 6.125% per annum semiannual interest coupon. The issuance was priced at 98.510% of its face value.

Sustainable bonds continue to attract the attention of qualified investors and specialized players in the industry. The Global 2032 operation in June 2024 recorded robust demand, exceeding the offering amount by more than two times, with several bids above USD 100 million from final investors and sustainable finance funds.

Regarding the proceeds raised through sustainable issuances, the federal government has committed to allocating an equivalent amount to eligible expense categories that promote sustainability and contribute to mitigating climate change, preserving natural resources, and fostering social development, as established in the Brazilian Framework for Sovereign Sustainable Bonds<sup>3</sup>. For the June 2024 issuance, the National Treasury published a Pre-Issuance Report with Indicative Allocation of Proceeds<sup>4</sup>, presenting indicative ranges for environmental and social expenditures relative to the net proceeds from each issuance, as shown in Table 5.

<sup>3</sup>[Brazil's Sovereign Sustainable Bond Framework](#).

<sup>4</sup> [Pre-Issuance Indicative Resource Allocation Report](#). In addition to the overall ranges for environmental and social expenditure groups, the Pre-Issuance Report also presents indicative ranges for allocation by categories within Brazil's Sovereign Sustainable Bond Framework.

Table 5: Indicative Range for Allocation of Proceeds from Brazil's First Sovereign Sustainable Bond Issuance

Allocation category	Lower limit	Upper limit
Green	50%	60%
Social	40%	50%

Source: National Treasury

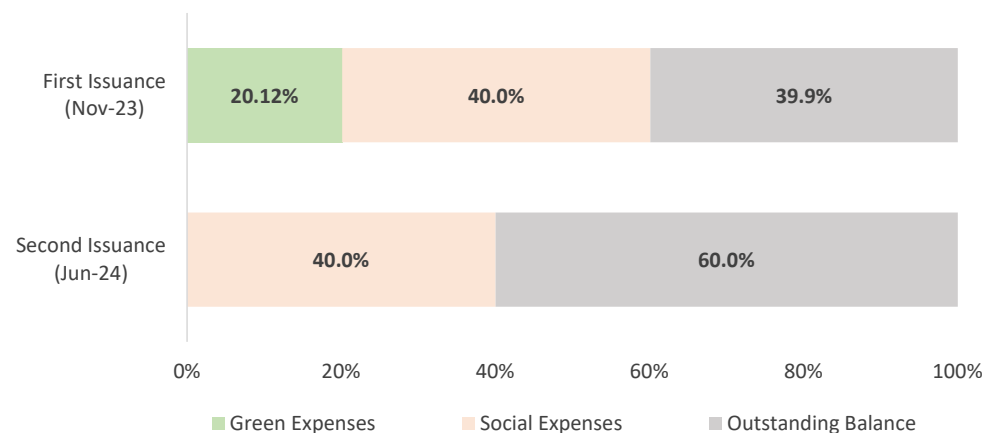
In November 2024, in line with the guidelines established by the Framework, the Sovereign Sustainable Finance Committee (CFSS)<sup>5</sup> released the first Allocation and Impact Report (RAI)<sup>6</sup> for sovereign sustainable bonds. This report covers the sustainable sovereign bond issuances carried out in November 2023 and June 2024 and reflects the country's commitment to transparency and market best practices, while also adhering to the principles of the International Capital Market Association (ICMA) for sustainable issuances.

Regarding allocation, as shown in Figure 12, the equivalent of 20.1% of the net proceeds from the first issuance (BRL 1.93 billion) was allocated to environmental expenditures, and 40.0% (BRL 3.85 billion) to social expenditures, between January 2023 and July 2024. For the second issuance, 40.0% (BRL 4.33 billion) of the net proceeds were allocated to social expenditures by July 2024. It is important to note that the Framework allows for a period of up to 24 months after each issuance for the full allocation of proceeds.

<sup>5</sup>The Federal Government established the CFSS, a permanent collegiate body created in May 2023 through Decree No. 11,532/2023. Its main objective is to plan, implement, and monitor the Framework as well as the issuance of sustainable sovereign bonds.

<sup>6</sup> [Allocation and Impact Report \(RAI\) 2024](#)

Figure 12 – Allocation of Net Proceeds from Issuances



Source: Integrated Financial Administration System of the Federal Government (SIAFI) and BNDES

By continuing the issuance of sustainable sovereign bonds, the management of the Federal Public Debt reinforces the Republic's commitment to ensuring environmental and social sustainability, implementing policies and initiatives aimed at improving the population's quality of life and promoting social inclusion.



# 3

# Main Outcomes

This section presents the main indicators related to the Federal Public Debt (FPD) management in 2024. The results achieved in relation to the 2024 Annual Borrowing Plan and its subsequent revision are analyzed, as well as the main risk, cost and investor base indicators. Finally, specific results of the Tesouro Direto program are detailed.

## 3.1 2024 Annual Borrowing Plan And Main Results

Throughout 2024, there was an increase in risk aversion among investors, driven by both international and domestic factors. As a result, the floating-rate bonds participation in the debt portfolio grew faster than initially projected in the 2024 Annual Borrowing Plan (ABP), considering the robust demand for LFTs during the year, particularly in the first half. At the same time, tax changes and shifts in the economic agents behavior also affected the market for inflation-linked bonds. In response, the Treasury revised its expectations for the FPD composition in September<sup>7</sup>, adjusting the ABP's reference limits, as shown in Table 6. This revision highlights an increase in the proportion of floating-rate bonds, accompanied by a reduction in the proportion of fixed-rate and inflation-linked bonds.

The outstanding FPD reached BRL 7,316.1 billion by the end of 2024,

an increase of 12.2% compared to the previous year. The share of floating-rate bonds (LFT) increased, while the shares of inflation-linked and fixed-rate bonds decreased, as shown in Table 6. The predominance of LFTs increases the sensitivity of the FPD to short-term interest rates but helps extending maturities. The share of short-term debt (12 months) decreased for the second consecutive year, and the outstanding debt average maturity remained stable. The stronger issuance of LFTs also contributed to strengthening the liquidity reserve in the early months of 2024.

Thus, the FPD statistics at the end of the year aligned with the new projections of the revised ABP.

<sup>7</sup> Notice - National Treasury Adjusts Reference Limits of the 2024 Annual Borrowing Plan

Table 6 – Reference limits for the FPD and main results in 2024

Indicators	2023	2024	Original 2024 ABP Range		Revised 2024 ABP Range	
			Minimum	Maximum	Minimum	Maximum
Outstanding Volume (BRL billion)						
FPD	6,520.3	7,316.1	7,000.0	7,400.0	7,000.0	7,400.0
Composition (%)						
Fixed-rate	26.5	22.0	24.0	28.0	22.0	26.0
Inflation-linked	29.8	27.0	27.0	31.0	25.0	29.0
Floating-rate	39.7	46.3	40.0	44.0	43.0	47.0
FX	4.1	4.8	3.0	7.0	3.0	7.0
Maturity Structure						
% maturing in 12 months	20.1	17.9	17.0	21.0	17.0	21.0
Average maturity	4.0	4.0	3.8	4.2	3.8	4.2

Source: National Treasury

### 3.2 FPD Outstanding Debt

The outstanding Federal Public Debt (FPD) increased by BRL 795.7 billion, representing approximately 12.2% more than the previous year. This growth was largely driven by interest accrual, which added BRL 762.4 billion. Net issuance contributed with BRL 33.3 billion, as shown in Table 7. Since most of Brazil's debt is denominated in local currency, the primary contribution to this variation stemmed from changes in the Domestic Federal Public Debt (DFPD). For the External Federal Public Debt (EFPD), interest accrual includes the impact of exchange rate fluctuations on the value of debt denominated in foreign currency.

Table 7 – FPD variation factors (BRL billion)

Indicators	Debt Outstanding			Factors of variation			
	2023	2024	Diff.	Issuances (a)	Redemptions* (b)	Net Issuances (a-b)	Appropriated interest
<b>FPD</b>	6,520.3	7,316.1	795.7	1,492.5	1,459.2	33.3	762.4
DFPD	6,268.9	6,966.9	698.0	1,457.1	1,433.0	24.1	673.9
EFPD	251.5	349.2	97.7	35.3	26.1	9.2	88.6

\* Includes portfolio transfer operations between the market and BCB in the net amount of BRL 0.68 billion, as presented in spreadsheet 2.9 of annex to the Monthly Debt Report.

Source: National Treasury

The larger volume of foreign currency bond issuance resulted in a rollover rate (issuances/redemptions)<sup>8</sup> for external debt (EFPD) of 135.1%. For domestic debt, this percentage was 101.7%. The overall refinancing rate for the FPD was 102.3% for the year. More details about concepts and information related to the public debt dynamics can be obtained at the Debt Dynamics portal<sup>9</sup>, which allows for a graphical visualization of the main factors that explain the annual FPD evolution.

### 3.3 FPD Risks

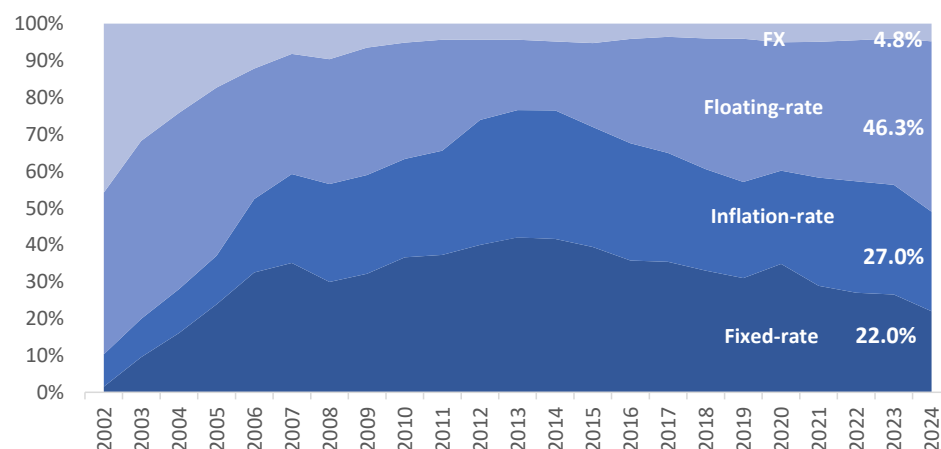
#### 3.3.1 FPD Composition

The relative participation of fixed-rate bonds has been further reduced, reaching 22.0% of the FPD at the end of 2024, the lowest level recorded at year-end since 2005, as shown in Figure 13. The proportion of inflation-linked bonds was also reduced, ending the year at 27.0% of the FPD against 29.8% in 2023. On the other hand, the share of floating-rate bonds increased to 46.3% of the FPD, the highest value for year-end since 2005, as shown in Figure 13. Lastly, the exchange instruments remained below 5% of the FPD.

<sup>8</sup> The refinancing rate corresponds to the ratio between issuances and redemptions (multiplied by 100), considering issuances with financial counterparts and the redemption of principal and interest

<sup>9</sup> [Debt Dynamics](#)

Figure 13- FPD Composition



Source: National Treasury

The medium-term borrowing strategies for the FPD aim to increase the share of fixed-rate bonds and the share of inflation-linked bonds, while reducing the floating rate ones. The National Treasury's long-term reference portfolio (benchmark) estimates a participation of 23% for floating-rate bonds, 35% for fixed-rate bonds, 35% for inflation-linked bonds and 7% for foreign exchange debt. It also establishes a specific average term for each group of indexers, as shown in Table 8. However, considering the current composition and maturity structures of the FPD, it has been challenging to make progress in this direction in the short term.

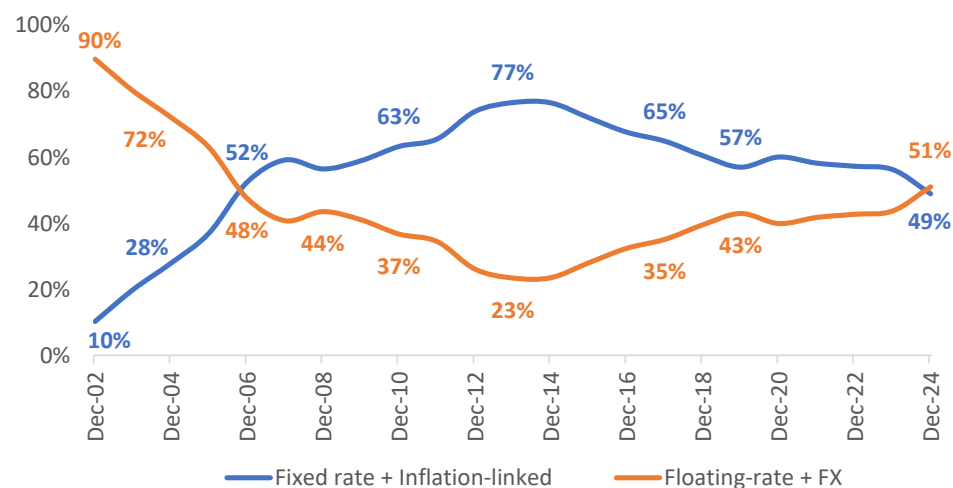
Table 8 - Expected long-term FPD composition (in 2035)

Statistics	Benchmark		Intervals	
	Composition (% of FPD)	Average Maturity (years)	Composition (% of FPD)	Average Maturity (years)
<b>Indexer</b>				
Fixed rate	35	03	± 2.0	± 0.3
Inflation-linked	35	08	± 2.0	± 0.5
Floating rate	23	04	± 2.0	± 0.3
Exchange rate	7	08	± 2.0	± 0.5
<b>Maturity Structure</b>				
FPD average maturity		05		± 0.5
12-Month Maturity Share	20		± 2.0	

Source: National Treasury

A crucial factor in bringing the composition of the FPD into line with the benchmark portfolio is fiscal consolidation, which generates positive primary results capable of reversing the deficit trend of recent years. In addition, investors' preferences for lower-risk assets, such as LFT and very short-term bonds, as result of increasing external and local uncertainties, has been challenging this objective. Thus, public debt management has adapted its borrowing strategies to market conditions in order to avoid distortions in the pricing of government bonds, considering the demand for the instruments supplied. As a result, there has been a drop in the combined share of fixed-rate and inflation-linked bonds over the last ten years, as shown in Figure 14. On the other hand, the increase in LFT has the advantage of having a longer average issuance maturity than the average maturity of the FPD outstanding.

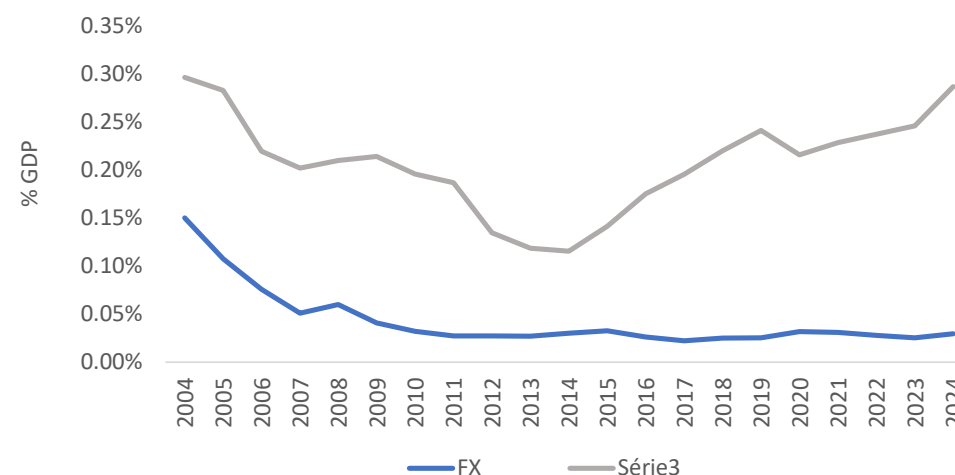
Figure 14 – FPD Composition by indexers



Source: National Treasury

The higher amount of LFT in the FPD increased its sensitivity to variations in interest rates, increasing market risk, which refers to the impact on the cost or stock of debt derived from variations in debt indexers. Figure 15 illustrates the current sensitivity and compares it with the impact that would be observed if the debt composition were similar to that in previous years. The sensitivity to interest rates is at the highest level since 2005. In contrast, the risk of exchange rate fluctuations has remained stable since 2011, on account of the low share of foreign currency-denominated debt within the FPD composition.

Figure 15 – FPD-to-GDP sensitivity to interest and exchange-rate shocks



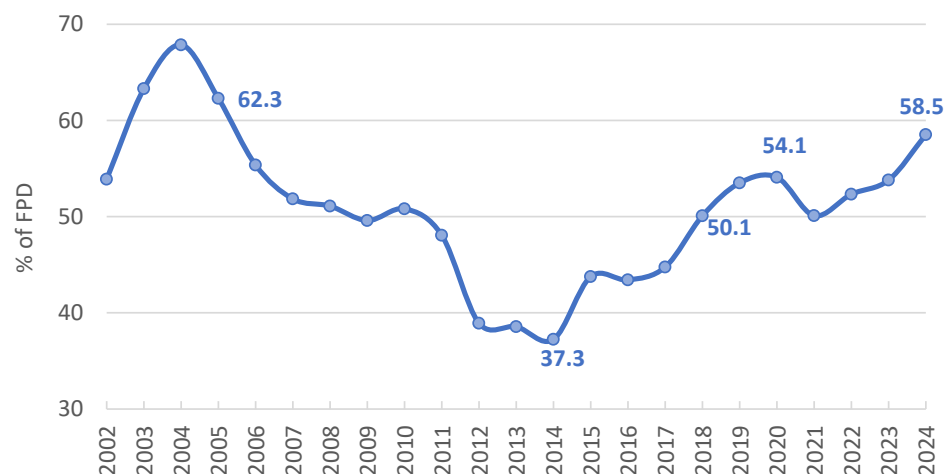
Note: In this counterfactual analysis, a shift of 1 percentage point in interest rates and 1% in the exchange rate is applied to the current outstanding FPD-to-GDP (position in December 2023), with the composition being altered according to the historical share of floating-rate debt and exchange rate debt.

Source: National Treasury

Although the greater share of LFT in the FPD composition increases market risk, replacing LFT with very short-term fixed bonds-rate would not be an effective strategy, since the frequent needed refinancing would make those bonds equally susceptible to interest rate shocks and even more expensive. A more in-depth analysis of the sensitivity of debt to these fluctuations can be conducted by computing the percentage of FPD's costs renewed over a 12-month period, which covers both the debt maturing in the short-term period and the longer-term floating-rate debt. In Figure 16, this indicator reached 58.5% at the end of 2024, the highest value since 2005. It is worth pointing out that this indicator also rose in 2020, when fixed-rate bonds accounted for 34.8% of the FPD composition, although

with a high proportion of debt maturing in less than 12 months, which reached 27.6% of the FPD.

Figure 16- Percentage of the renewal of FPD's cost in 12 months (% of FPD)



Source: National Treasury

### 3.3.2 Maturity Structure and Refinancing Risks

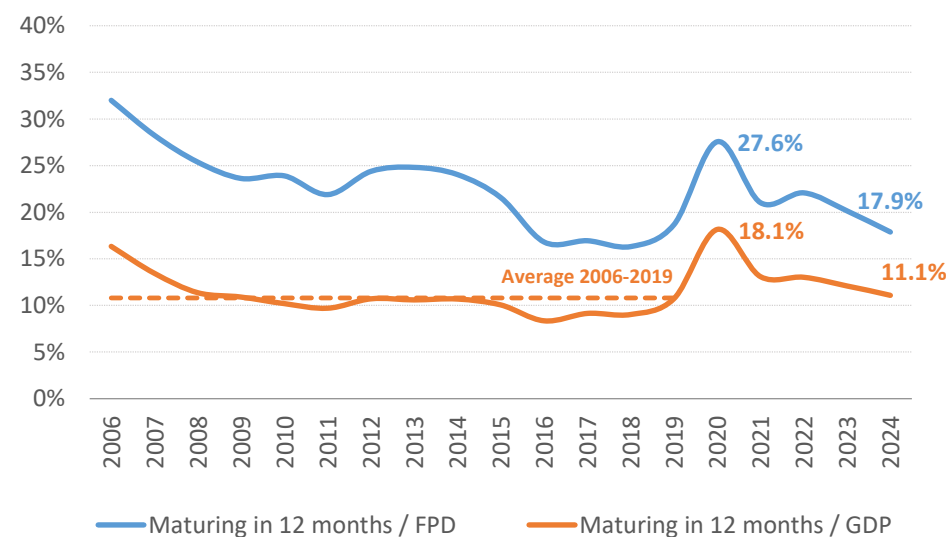
Monitoring the maturity structure of the debt is essential in order to monitor the refinancing risk. Refinancing risk pertains to the potential scenario in which the National Treasury faces adverse financial conditions while seeking resources to refinance its maturing debt. This could result in increased issuance costs or, in extreme cases, the inability to raise sufficient resources to honor its payment obligations.

The assessment of the refinancing risk of the Federal Public Debt (FPD) is based on two main indicators: the percentage maturing in 12 months, which reveals the concentration of maturities in the short term; and the average maturity of the outstanding debt, which indicates the average time remaining until debt payments are made. In 2024, the strategy adopted in issuing government bonds

was successful in keeping the debt refinancing risk at historically comfortable levels.

The percentage maturing in 12 months fell to 17.9% of FPD, compared to 20.1% the previous year, the lowest level since the beginning of the pandemic, as shown in Figure 17. When considered in relation to GDP, the share of debt maturing in 12 months also fell, from 12% of GDP in 2023 to 11.1% of GDP in 2024, returning to the historical average recorded between 2006 and 2019, of 10.8%, even taking into account a higher FPD/GDP currently.

Figure 17 - Percentage of Debt Maturing in 12 Months - by share of FPD and by GDP

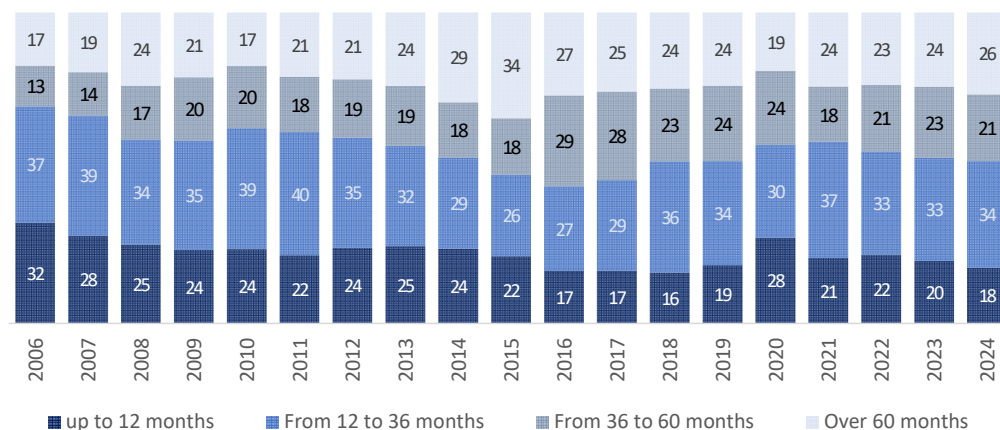


Source: National Treasury

Figure 18 presents the FPD maturity structure in different time periods. The predominance of maturities of up to 36 months has been decreasing over the last three years, although it is still high, accounting for 52% of FPD. This highlights the need to prioritize lengthening bond maturities, with a preference for instruments maturing in more

than 60 months, as it was observed in 2015, when there was a more favorable profile, with a higher proportion of longer-term bonds.

Figure 18 – Breakdown of FPD by maturity (in percentage)

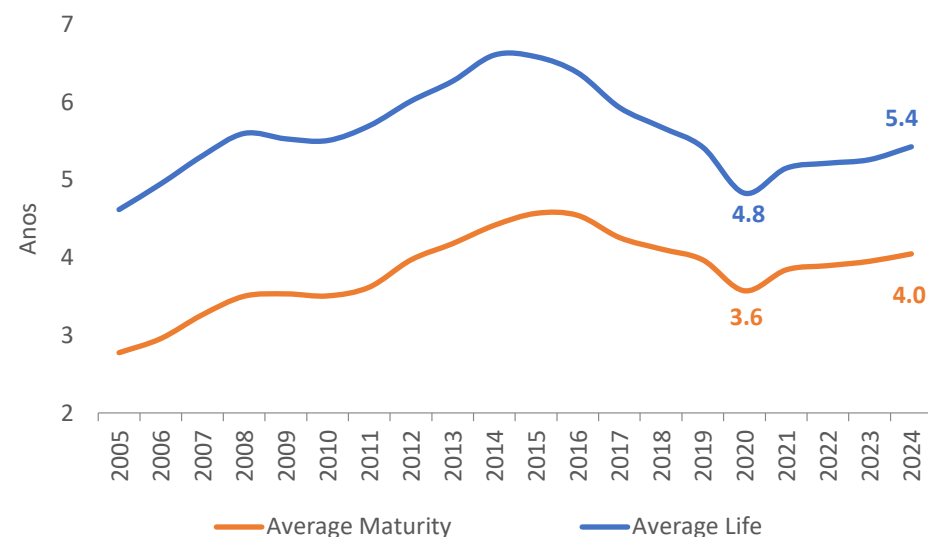


Source: National Treasury

The average maturity of FPD, in turn, has increased marginally in recent years, reaching 4.0 years at the end of 2024 (Figure 19<sup>10</sup>). The two main factors for the increase in the indicator are the increase in the share of LFT to the detriment of fixed-rate bonds and the increase in the average maturity of inflation-linked bonds, which increased by 0.3 years compared to December 2023 (see Figure 19).

<sup>10</sup> The figure compares the average maturity indicator with the average life indicator. The average maturity represents the average time remaining for redemptions, which are weighted by the present values of both principal and interest flows. The percentage maturing in 12 months indicates the concentration of bond maturities in the short term. The average life does not consider intermediate interest coupon payments or the present value of principal flows. Therefore, it is considered more appropriate, for Public Debt statistics in Brazil, to use the average maturity indicator as the main reference measure for the maturity structure. For more information on the average maturity methodology, see Public Debt: The Brazilian Experience (2009). [Dívida Pública: Experiência Brasileira \(2009\)](#).

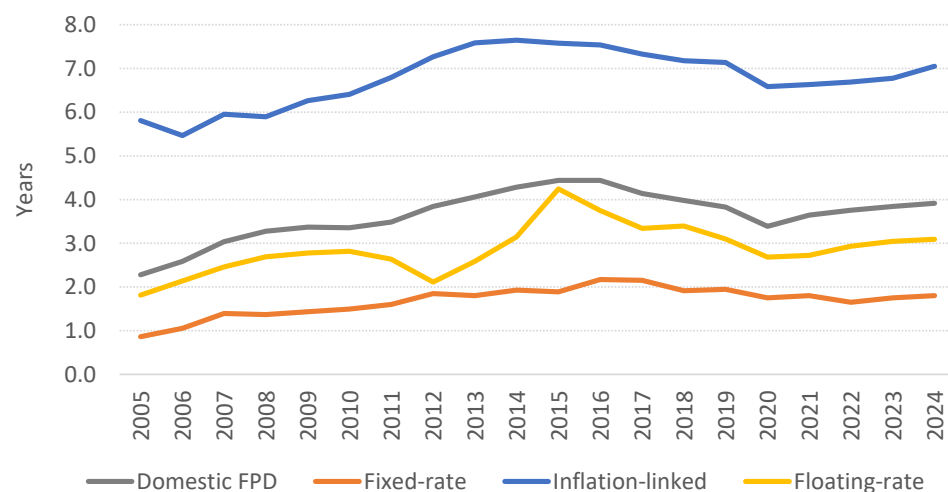
Figure 19 – FPD Average Maturity and Average Life



Source: National Treasury

In addition, there has been a gradual increase in the average maturity for all the indexes (Figure 20), especially NTN-B. There has been a marginal increase in the term of the LTN, although the current level is less than 2 years and lower than the benchmark. The main highlight is that the improvement in recent years reverses the downward trend in the average maturity that occurred up to 2020. The maintenance and strengthening of this trend must be accompanied by the deepening of economic reforms, which provide acceleration of economic growth, and the reversal of primary deficits, strengthening the fiscal consolidation process.

Figure 20 – DFPD Average Maturity by Indexer



Source: National Treasury

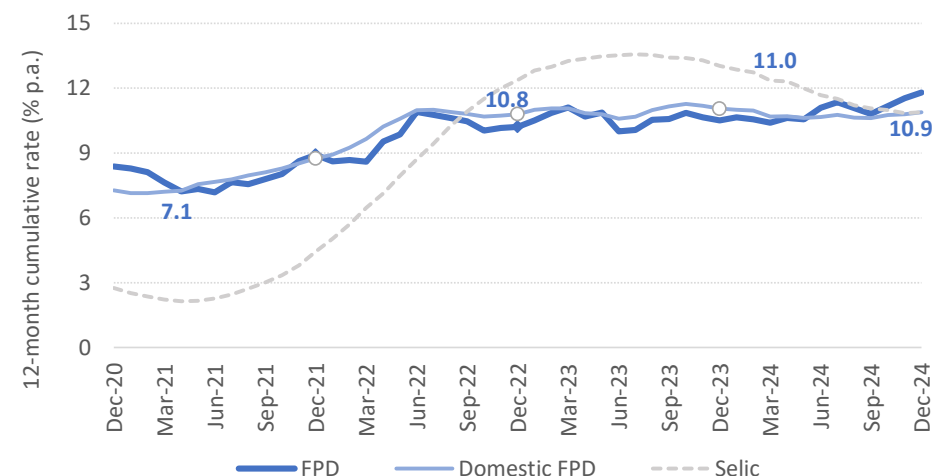
To achieve a sustainable lengthening of the debt, a structural change is needed in the demand for government bonds, which favors the issuance of LTNs with longer maturities, NTN-Bs with maturities of more than 10 years, which are predominant among pension funds, and NTN-Fs, with greater interest from non-resident investor.

### 3.4 Public Debt Cost

In 2024, the average cost indicators of the Federal Public Debt (FPD) remained relatively stable until May, showing greater volatility from June onwards, mainly due to the exchange rate performance in the period. There was an increase in the average cost of the FPD, from 10.5% in December 2023 to 11.8% at the end of 2024. The average cost of the DFPD showed greater stability, registering a small reduction at the end of the year, accounting for 10.9% in December 2024 when compared to 11.0% in the same period of the previous year (see Figure 21). The cost trajectory is related to the debt indexers, the

composition of the outstanding debt, the profile of new issuances and the interest rate term structure, which in turn is influenced by the Selic rate.

Figure 21 – FPD and DFPD average cost and Selic rate (accumulated in 12 months, % p.a.)



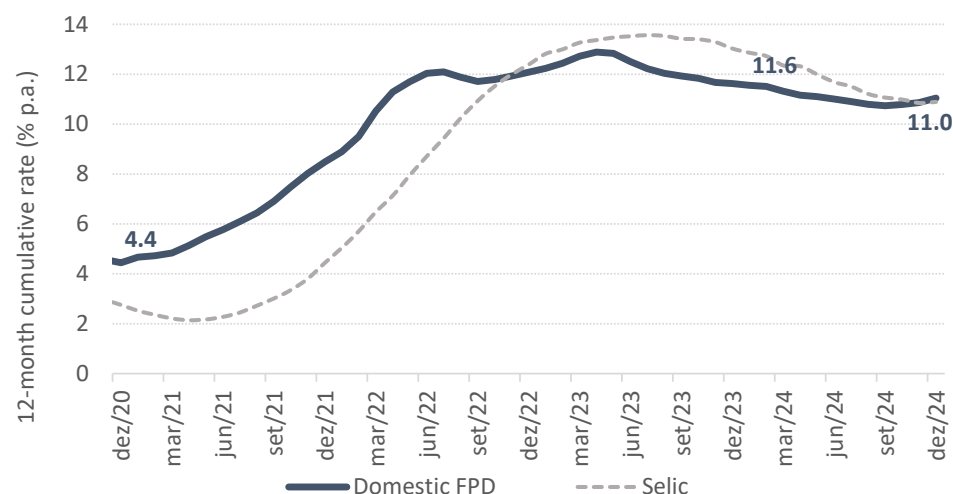
Source: National Treasury

The accumulated Selic interest rate in 2024 was lower than in the previous year, contributing to reducing the average cost of DFPD. It is worth noting that the average cost of the DFPD has fluctuated around an average of 10.7% per year between 2022 and 2024, having even remained below the Selic rate for much of this period. The lower volatility of the cost of the debt stock in relation to the Selic rate is due to the diversification of the FPD composition, considering an inertia in the cost of bonds in the outstanding debt. This mitigates the impact of Selic rate fluctuations on this indicator.

To look at the cost conditions of the most recent funding, the average

cost of DFPD issuance<sup>11</sup>, in line with the Selic rate, fell until mid-2024, synchronous with the process of monetary easing. Despite the reversal of the interest rate trend, which began in the third quarter of 2024, the average cost of DFPD issuance decreased from 11.6% in 2023 to 11.0% in 2024 (Figure 22). This indicator is more timely to changes in market conditions, responding more quickly to changes in interest rates, including the Selic rate.

Figure 22 - DFPD average issuance cost and Selic rate (accumulated in 12 months, % p.a.)



Source: National Treasury

### 3.5 Investor Base Of The DFPD

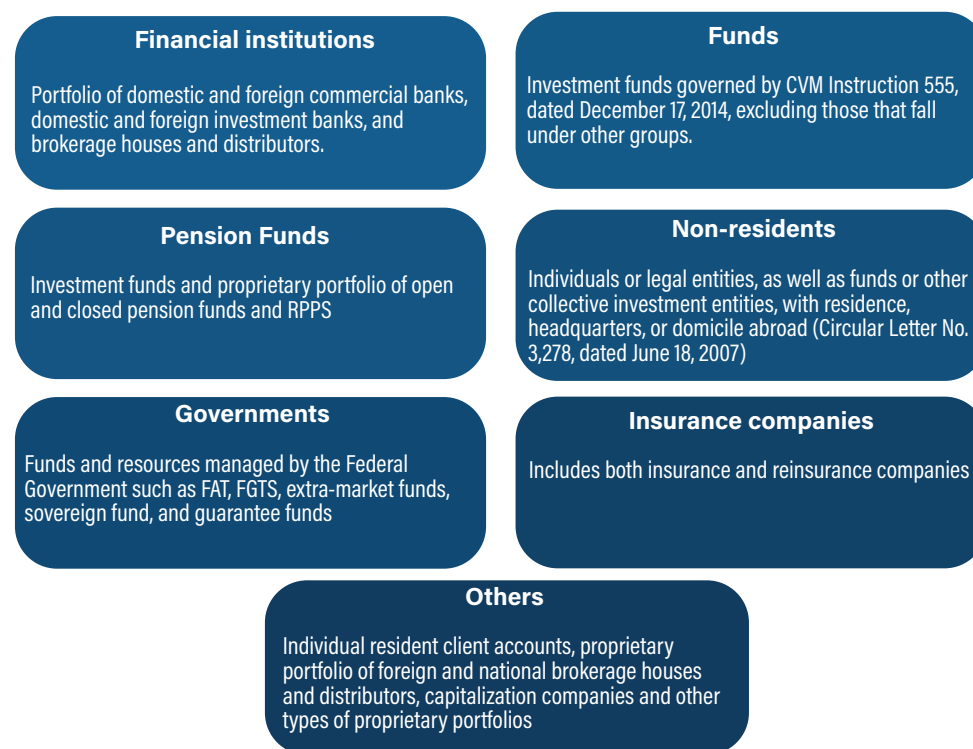
The expansion and diversification of the investor base is one of the guidelines for the elaboration of FPD borrowing strategies and contributes also to a more efficient FPD management. The existence

<sup>11</sup> The average cost of issuance in a DFPD public offering is an indicator that reflects the internal rate of return (IRR) of National Treasury bonds in the domestic market, plus the average variation of their indexes, considering only the placement of bonds in public offerings (auctions and “Tesouro Direto” retail program) in the last 12 months..

of different risk profiles and investment horizons minimizes behaviour effects of a given group on government bond prices and mitigates debt risks to the extent that it contributes to increasing the liquidity of bonds on the secondary market and reduces their volatility.

The National Treasury classifies investors into seven main groups, according to Annex 2.7 of Monthly Debt Report (MDR)<sup>12</sup>. Figure 23 shows a summary of this classification.

Figura 23: Classificação dos investidores pelo Tesouro Nacional

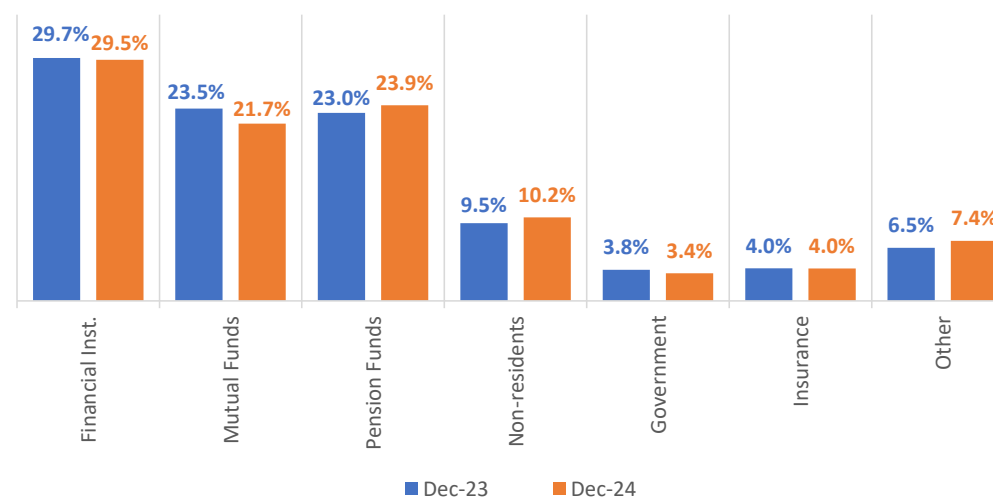


Source: National Treasury

<sup>12</sup> [Monthly Debt Report \(MDR\)](#)

Regarding the DFPD, Financial Institutions remained as the main group of holders, accounting for 29.5% of DFPD by the end of the year, as shown in Figure 24. In 2024, the Pension group surpassed the Funds group, with 23.9% and 21.7%, respectively. It is noteworthy that the Financial Institutions group remains the main debt holder group since 2020. Funds and Pensions have maintained a similar participation during the last five years, between 21% to 27% of the total composition. In relation to Non-Residents, there was a slight reduction in participation in 2024, from 10.5% to 10.2%, Therefore, the diversity of the holder base has been maintained, as detailed in Figure 24.

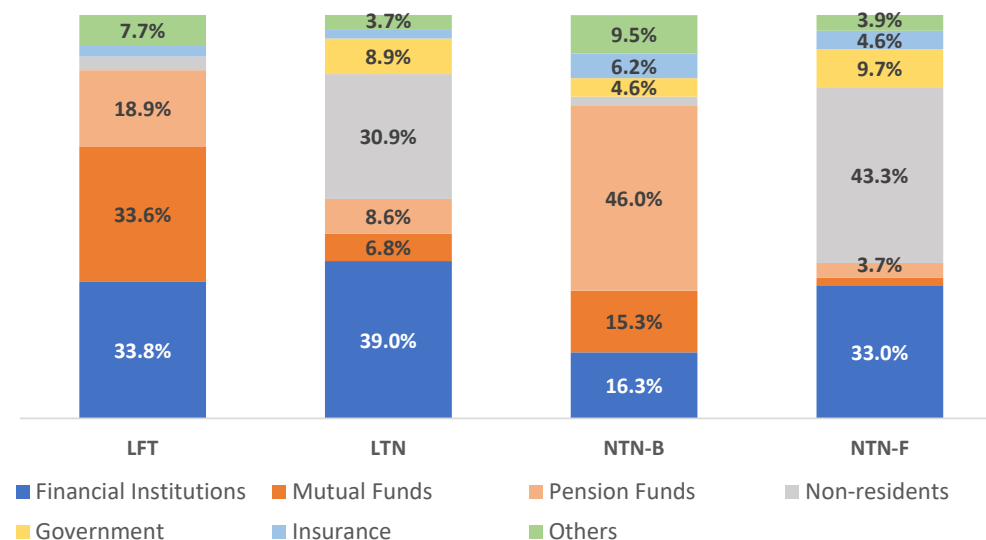
Figure 24- Evolution of the DFPD's investor base (% of DPDF)



Source: Tesouro Nacional and Selic

Figure 25 shows the participation of holders by security, with the following highlights: 33.8% of the LFT outstanding and 39.0% of LTN are held by financial institutions; 46.0% of the total NTN-B on the market are held by pension funds and 43.3% of NTN-F are held by non-residents.

Figure 25 – Holders participation by Security ( December 2024)(%)



Source: National Treasury, BCB e CVM

### 3.6 Tesouro Direto (Retail Program)

The “Tesouro Direto”, the retail program for government bonds, continued its expansion trajectory in 2024, registering a 22% growth in the number of active investors (those with active investments), reaching the milestone of 3.01 million participants. The total volume invested in the program reached BRL 156.9 billion, representing a growth of 22.3% compared to the end of 2023. The maturities of bonds during 2024 were the largest in the program’s history, totaling BRL 16.48 billion, but the reinvestment volume of these amounts was also significant, resulting in net sales for the year totaling BRL 14.48 billion.

Throughout the year, “Tesouro Direto” stood out for the growth of the “Tesouro EducA+” and “Tesouro RendA+” bonds, both indexed to inflation (IPCA). These products combine a resource accumulation phase with one of monthly income payments. “Tesouro RendA+”

reached a total of BRL 3.74 billion, distributed among 279 thousand investors, while “Tesouro EducA+” totaled BRL 976.1 million, with 118 thousand investors. These bonds aim to assist investors in financial planning for specific goals, such as supplementing retirement income and funding higher education for young people, contributing significantly to the promotion of financial education.

In terms of net sales in the “Tesouro Direto” Program, the “Tesouro IPCA+” registered a total volume of BRL 4.8 billion, followed by “Tesouro Selic”, with a total of BRL 3.8 billion, and “Tesouro RendA+”, with BRL 1.98 billion.

Beyond the offer of investment alternatives to citizens, aiming to promote and encourage financial knowledge among primary and secondary school students, the National Treasury launched the “Tesouro Direto” Financial Education Olympics (OLITEF, from its acronym in Portuguese), whose goal is to provide students with fundamental knowledge about personal finance, investments, and economics. OLITEF had 545,394 students participating from 6,561 schools across the country, figures that make it the largest financial education Olympics in the country in its first edition.

With the additional objective of supporting financial education, the National Treasury, in partnership with B3 - Brazil’s Stock Exchange, launched “TD Impacta”, a platform for supporting and investing in impact-driven businesses, primarily focused on financial education. In this first year, the 40 selected proposals, in the categories of Acceleration, Open Innovation and Creation, received support through specialized guidance and access to capital, in the amount of BRL 5.2 million (funded by B3), for impact-driven businesses that have developed solutions for financial education, vocational education, inclusive education or socio-environmental solutions.

Also in 2024, a new feature, “TD Garantia”, was introduced, allowing for bilateral guarantees involving bonds traded through “Tesouro Direto” to be registered in the Central Bank. In practice, this new functionality has the potential to reduce the cost of a range of

financial transactions in the economy, such as rental contracts or credit operations, among others, by enabling investors to use “Tesouro Direto” bonds as guarantees for these transactions.

Finally, 2024 also marked the launch of the “Tesouro Direto’s” Gift Card, created to promote financial education and expand access to investments in government bonds. Available on the official “Tesouro Direto’s” website<sup>13</sup>, the Gift Card enables money to be sent as gifts to friends and family, who can redeem it by investing in any of the available government bonds. In addition to being a practical and secure financial gift option, this initiative strengthens the goals of the “Tesouro Direto” Program of fostering the culture of financial planning and offering accessible, safe, and profitable investment options for Brazilians.

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<sup>13</sup> [Tesouro Direto Gift Card](#)

# 4 Guaranteed Debt

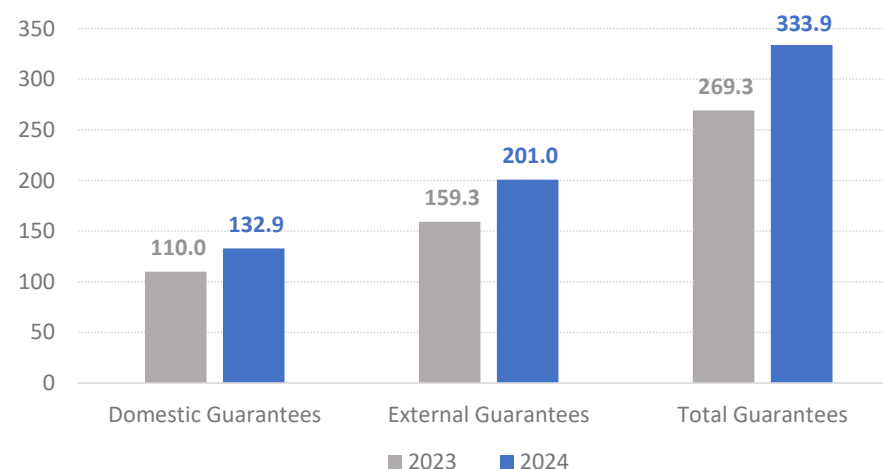
The Federal Government provides guarantees on credit loans to subnational entities (states and municipalities), federal state-owned companies and controlled entities (companies belonging to state government), to reduce their credit risk and allow them to borrow at rates lower than would be possible otherwise.

In the context of the National Treasury, the Federal Guarantee System includes the provision of guarantees, the monitoring of the outstanding balance of guarantees as well as the executed guarantees and counter-guarantees. The guaranteed debt is a contingent liability of the Federal Government and is incorporated into its budgetary and financial needs, therefore being relevant to the management of the FPD. It is important to highlight that the increase in the executed guarantees without the corresponding recovery of counter-guarantees has the final effect of increasing FPD, since these expenses are paid with debt issuance. As a result, the guaranteed debt is a contingent liability of the Federal Government and is incorporated into its budgetary and financial needs, therefore being relevant to the management of the FPD<sup>14</sup>.

<sup>14</sup> In order to provide a comprehensive overview of this contingent liability, the National Treasury periodically published the [Quarterly Report on Guaranteed Credit Operations](#). Additionally, the report's data is accessible on the [Guarantees Stories](#) page, offering an innovative and didactic explanation of guarantees granted by the Federal Government, and on the [Guarantees Dashboard](#), enabling visualization of detailed guarantee data. Finally, the [Honored Guarantees Dashboard](#) and the [Monthly Report on Honored Guarantees](#) provide available information on guarantees honored by the Federal Government.

Currently, the Federal Government has 1,156 credit operations guaranteed under the responsibility of the National Treasury. As shown in Figure 26, by the end of 2024, the outstanding balance of guarantees for credit operations totaled BRL 333.9 billion, with BRL 132.9 billion from domestic operations and BRL 201.0 billion from foreign operations<sup>15</sup>.

Figure 26 – Domestic and External Guarantees (BRL billion)

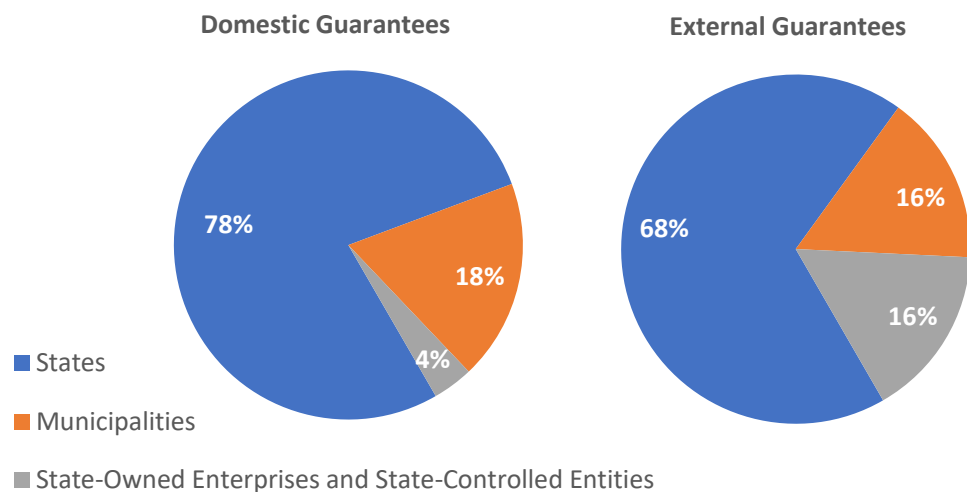


Source: National Treasury

<sup>15</sup> The table with the complete time series is available in the [Quarterly Report on Guaranteed Credit Operations](#), Annex 1

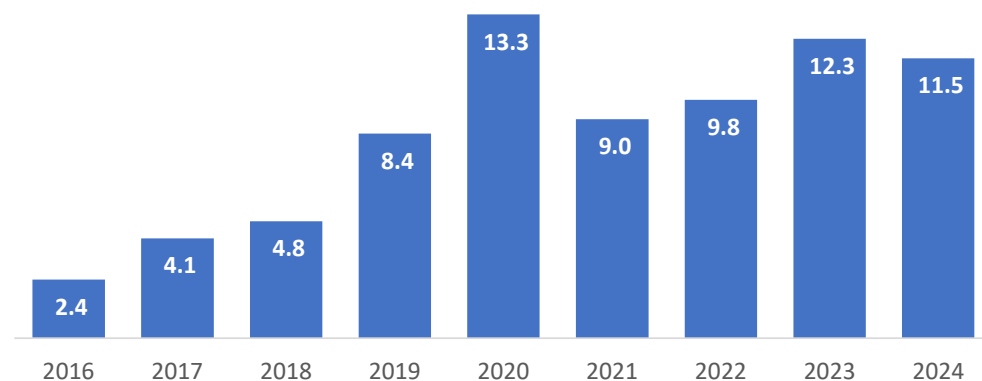
Enterprises and Entities, which represent only a small portion of domestic guarantees, but are more relevant in external guarantees..

Figure 27 – Composition of Domestic and External Guarantees (2024)



Source: National Treasury

Figure 28 – Executed Guarantees (BRL billion)



Source: National Treasury

In 2024, the Federal Government paid BRL 11.5 billion to honor guarantees provided in credit operations, as shown in Figure 28. The executed guarantees referred to defaults in 5 states and 5 municipalities, listed in Table 9

Table 9 – Executed guarantees in credit operations in 2024 (BRL million)

	2024
<b>States</b>	<b>11,312.43</b>
Rio de Janeiro	5,152.49
Minas Gerais	3,732.68
Rio Grande do Sul	1,524.07
Goiás	903.10
Acre	0.10
<b>Municípios</b>	<b>142.14</b>
Taubaté - SP	73.44
Caucaia - CE	35.93
São José dos Campos - SP	24.41
São Gonçalo do Amarante - RN	7.95
Santanópolis - BA	0.41
<b>Total</b>	<b>11,454.57</b>

Source: National Treasury

Of the BRL 11.5 billion in executed guarantees, only BRL 32.9 million were recovered through the execution of counter-guarantees, while the remaining amount directly impacted the FPD.

There are several reasons for the low percentage of counter-guarantee execution. In general, the Fiscal Recovery Regime (RRF, from its acronym

in Portuguese)<sup>16</sup> and court decisions issued by the Supreme Court increase the Federal Government's expenses, due to the need to honor guarantees in the entities' contracts with various creditors, without the possibility of accessing their counter-guarantees.

Currently, the states of Rio de Janeiro, Rio Grande do Sul, Goiás and, by virtue of a court decision, Minas Gerais are under the Fiscal Recovery Regime (RRF). The amounts honored in credit operations guaranteed under the RRF are not recovered through the execution of counter-guarantees, and part is refinanced in up to 360 months, through the signing of a refinancing agreement (according to art. 9-A of LC No. 159/2017 and art. 23 of LC No. 178/2021), and part is reimbursed to the Union according to the staggered payment schedule provided for in § 2 of art. 9 of LC No. 159/2017. The other cases arise from court decisions that prevent the Federal Government from enforcing counter-guarantees.

In addition to the impact of executed guarantees, the FPD is also impacted by the loss of Federal Government revenue resulting from debt renegotiations with subnational entities. An important legal milestone in the process of renegotiating state debts was Law 9.496/1997, which allowed the Federal Government to consolidate and assume state debts. Provisional Measure 2185/2001 played a similar role for municipal debts. At the time, these renegotiations resulted in an increase in the FPD, as the Federal Government took on the other entities' liabilities. This increase in the FPD would be offset in the future as states and municipalities repaid the Federal Government.

Subsequently, changes were made to these laws, mainly by Complementary Laws 48/2014, 156/2016, 178/2021, 194/2023 and 201/23 (these two laws dealt with compensation for losses in the collection of the Tax on the Circulation of Goods and Provision of Services - ICMS, from its acronym in

Portuguese). In 2024, the effects of Complementary Law 206/2024 were also applied to the situation of public calamity in the state of Rio Grande do Sul (RS), with an impact of BRL 3.9 billion on the Union's estimated revenue for the year<sup>17</sup>. Also in 2024, Original Civil Action (ACO) 3678, filed by the state of Rio de Janeiro, suspended penalties for non-compliance with the Fiscal Recovery Regime and limited debt payments to the Federal Government to 2023 values, generating an impact of BRL 4.8 billion.

The most recent change in the conditions of the debts of subnational entities was introduced by the Program for the Full Payment of State Debts (Propag, from its acronym in Portuguese), according to Complementary Law 212/2025<sup>18</sup>. Propag makes it possible for states to renegotiate the terms of their debts with the Federal Government, being able to make extraordinary amortizations, alter the original monetary correction indices of the contracts to the IPCA, change the value of the interest rate on the debts (subject to counterparts stipulated in the law) and refinance the outstanding balance of each contract in 360 months. Preliminary estimates indicate that the reduction in revenue for the Federal Government could reach BRL 105.9 billion between 2025 and 2029<sup>19</sup>, as shown in Figure 29.

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<sup>17</sup> This regulation reduces the interest on the entity's contractual debt agreements with the Federal Government to 0% for a period of 36 (thirty-six) months, as well as postponing payments due in full for the same period.

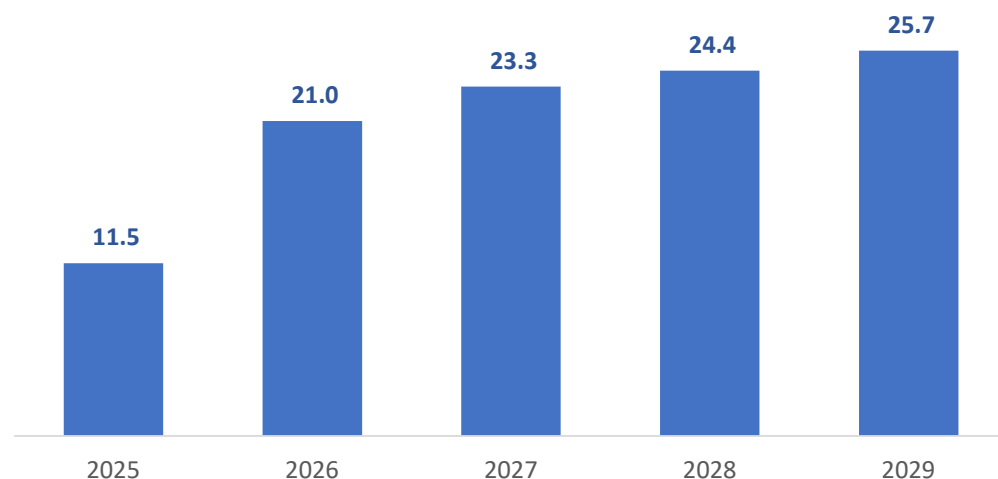
<sup>18</sup> [Complementary Law n. 212/2025](#)

<sup>19</sup> In order to reduce the financial burden, states can choose between different percentages of extraordinary amortization of the outstanding balance, percentages of contributions to the equalization fund, and percentages of resources invested in specific investments. The impact estimates consider a case in which all states choose not to make extraordinary amortizations of the outstanding balance and a real interest rate of 2% per annum is applied to all. The impact is calculated as the difference between the cash flows at the current rate and the projected cash flows at the 2% rate. It should be noted that the calculation is still preliminary, as it depends both on the legislation and on the definition of the scenarios adopted by each country. For more details, see the [Technical Note - Impact Estimation of Complementary Law 212/2025, from January 21, 2025](#).

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<sup>16</sup> The Fiscal Recovery Regime (RRF, from its acronym in Portuguese) was established in 2017 by Complementary Law n. 159 of May 19, 2017. The Regime aims to help states and the Federal District in the event of serious fiscal imbalance. In general terms, the RRF is a legal framework that allows states in a situation of fiscal imbalance to enjoy benefits, such as the relaxation of tax rules, the granting of credit operations and the possibility of suspending debt payments, provided they adopt institutional reforms aimed at restructuring the fiscal balance. For more information, see [Fiscal Recovery Regime \(RRF\)](#).

Figure 29 – Estimate of the financial impact of Complementary Law n. 212/2025\* (BRL billion)\*

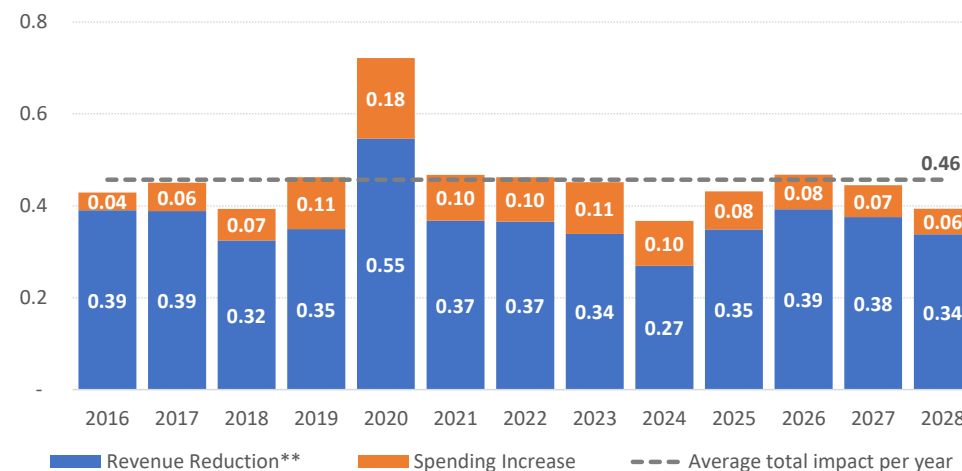


\* Case II of the Technical Note “Impact Estimation of Complementary Law 212/2025”

Source: National Treasury

The legislation mentioned above retroactively altered correction indices and interest rates, as well as lengthening the debts, reducing the expected flow of revenues by the Federal Government compared to the original forecasts of Law 9,496/1997 or Provisional Measure 2185/2001. This reduction, added to the execution of guarantees, increases the National Treasury’s borrowing requirements, resulting in a higher FPD on the market. Figure 30 estimates the financial impact on the FPD, considering the execution of guarantees and the reduction in revenue from all debt renegotiations by subnational entities from 2016 until Propag. On average, these factors increased FPD by around 0.46% of GDP per year.

Figure 30 – Impact from subnational entities’ debt restructuring and executed guarantees (% GDP)\*



\*\*In constant prices, adjusted by the December 2024 IGP-DI

\*\* In summary, the reduction in revenue is calculated by considering the difference between the projected revenue flow allocated to the Federal Government by Law n. 9,496/97 and: 1) the amount the Federal Government actually received, for values up to 2024; or 2) the projected revenue flow from Law No. 9,496/97 with the effects of Supplementary Laws No. 148, 156, 159, 173, 178, 181, 194 201 and 212, for values from 2025 to 2028. It also includes the effects of Complementary Law 206/2024, which benefitted Rio Grande do Sul with the suspension of debt collection.

Source: National Treasury

# 5

## Conclusion

At the national level, 2024 was marked by the debate on the fiscal scenario and its impact on inflation and public debt. At the beginning of the year, a scenario of decelerating inflation was expected, allowing monetary policy to become more flexible. This scenario was substantially altered throughout the year, with an increase in inflation expectations and a reversal of the downward trend in the Selic rate, which stabilised and then rose twice in the second half of the year.

The external scenario also changed during the year. Initially, there were expectations of the beginning of the monetary policy easing cycle in the United States, which did not begin until the second half of the year. These uncertainties affected emerging markets, putting pressure on exchange rates and increasing risk aversion.

These scenario alterations imposed the need of a revision of the FPD borrowing strategy initially set in the 2024 ABP, with an increase in the share of floating rate bonds and a decrease in inflation-linked bonds and fixed-rate bonds.

The year-end FPD indicators for outstanding volume, composition and maturity structure adhered to the reference ranges pointed out in the ABP revision. The share of debt maturing in 12 months which stood at 17.8%, close to the bottom of the range and below the 20.1% value for the previous year, emphasizes the continued process of reversal from the trend of debt concentration in short-term maturities.

On the sustainable bond agenda, the second Brazilian thematic sovereign bond was issued in the international market, reflecting the continuation of the strategy of regular issuance in this market. Furthermore, in November the first Allocation and Impact Report was published, highlighting the allocation of proceeds in an amount equivalent to 60% for the first issuance and 40% for the second issuance.

As a positive highlight, there were two important rating actions during the year, taken by Moody's, one of the three major credit rating agencies. In April, the agency altered Brazil's sovereign rating outlook, from stable to positive. Later, in September, Moody's upgraded Brazil's sovereign credit rating from "Ba2" to "Ba1", keeping the positive outlook, bringing the country only one step away from investment grade.

The expected improvement in the country's credit rating should be supported by fiscal consolidation efforts and reforms aimed at economic growth, which will encourage investment in the country. These factors are crucial to the FPD management developments, in particular in improving its composition with the aim of reducing exposure to floating rates and increasing the share of fixed-rate debt, to be achieved gradually over the medium term.