

Tuesday 24th February 2009



Republic of Portugal
EUR 4bn 4.75% OT due 14 June 2019
Issue price: 99.966%, Reoffer yield: 4.757%

Press Release

The Republic of Portugal (Aa2/A+/AA) today launched its first syndicated Obrigações do Tesouro (OT) of 2009. The new EUR 4 billion benchmark matures on 14 June 2019, pays a coupon of 4.75%, and was priced at a spread of mid-swap +135 bp (equivalent to +177.7 bp over the 3.75% BUND due 4 January 2019). Joint lead managers were Banco Espírito Santo, Barclays Capital, BNP Paribas, Calyon and Société Générale CIB.

Background/rationale

- The financing programme for the Republic of Portugal in 2009 anticipated an amount between EUR 11 and 13 billion to be issued through OT government bonds (Obrigações do Tesouro – OT).
- A 10-year bond due 2019 was the choice for the first new OT benchmark, allowing the IGCP to complement and consolidate an already comprehensive OT curve.
- On the back of sustained demand seen at the 10-year point of the curve during the month of February, Portugal decided to fulfil investor interest by issuing a new 10-year OT benchmark as its first syndicated government bond of the year.

Transaction execution

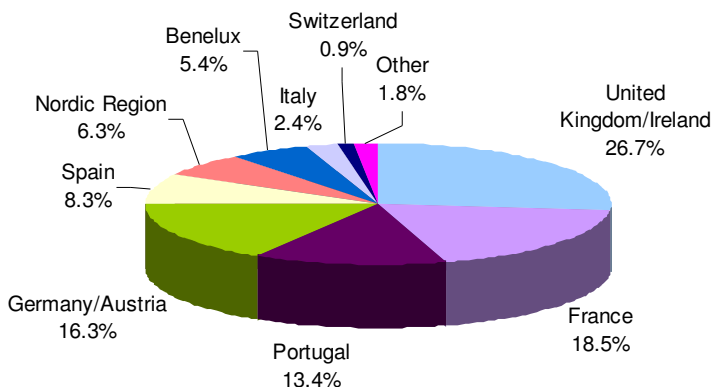
- The mandate was announced on Thursday 12 February. However, extreme market and spread volatility in the sovereign bond market, due to concerns over the effects of the financial crisis, convinced the issuer not to proceed with the transaction until a more stable environment was available.
- On Monday 23 February, secondary spreads in government bonds of several countries had narrowed back to the levels observed at around the time of the announcement of the transaction, and in response to a more positive market environment, the bookrunners advised the issuer to sound investor interest.
- On the back of positive investor feedback, the decision was taken to open the books on Tuesday 24 February, with an initial price guidance of mid-swaps +135 to +140 bp.
- The new issue attracted strong interest from investors from the onset, with EUR 3 bn of orders coming in the first one and half hour of bookbuilding.
- The books continued to grow steadily during the morning and closed at 11.30 am Lisbon time on the same day, with a global final order book size close to EUR 5.7bn and with the majority of the orders coming from real money investors. This allowed for the deal to be upsized to EUR 4bn, above the traditional first issue amount for the Republic of Portugal.

- The transaction priced around 2:30pm on Tuesday 24th of February, at a spread of 135 bp over the relevant referenced mid-swap rate (at the tight end of the price guidance), equivalent to 177.7 bp over the 3.75% Bund due January 2019.
- The IGCP intends to bring the final size of this new OT benchmark to at least EUR 6 billion via auctions over the next 12 months, thus enhancing liquidity of the OT yield curve.
- The new 2019 OT bonds will be traded on MTS Portugal, EuroMTS, TradeWeb and BondVision as of tomorrow, 25th of February.
- The investor response to the transaction in time of growing volatility and underperformance of the government bond market highlights the attractiveness of the Portuguese name in the Eurobond market.

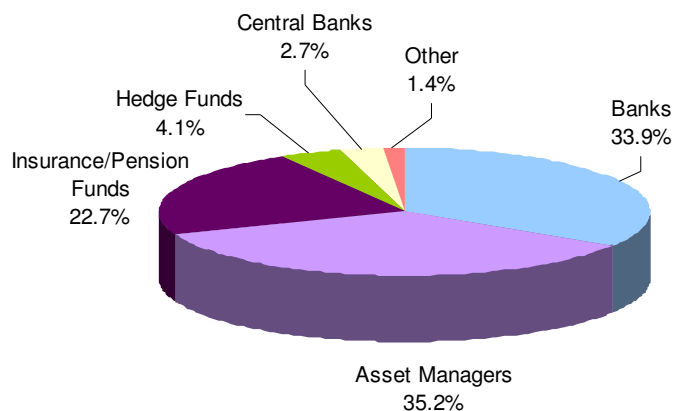
Distribution

- Over 110 investors participated in an oversubscribed book.
- The transaction saw a balanced distribution across Europe, consistent with Portuguese transactions in the past, with significant participation from the UK (26.7%), France (18.5%), and Germany (16.3%).
- The transaction was also well supported by domestic investors which took close to 14% of the issue.
- The distribution was broadly diversified also in terms of investor type, with an important participation from banks (33.9%) asset managers (35.2%) and insurance companies and pension funds (22.7%).

Geographical Distribution



Investor Type Distribution



REPUBLIC OF PORTUGAL 4.75% OT BENCHMARK DUE 14 JUNE 2019

FINAL TERMS AND CONDITIONS

Issuer:	Republic of Portugal (Aa2/A+/AA)
Issue Amount:	EUR 4,000,000,000
Launch Date:	24 February 2009
Pricing Date:	24 February 2009
Payment Date:	3 March 2009
First Coupon Date:	14 June 2009, short first coupon
Maturity Date:	14 June 2019
Annual Coupon (Act/Act):	4.75%
Issue/Re-offer Price:	99.966
Re-offer Spread over midswaps:	135 bps
Re-offer Yield:	4.757%
Government Benchmark:	3.75% DBR Jan 4, 2019
Re-offer Spread over benchmark:	177.7 bps
ISIN Code:	PTOTEMOE0027
Common Code:	041403683
Listing:	MEDIP/MTS Portugal
Denominations	EUR 0.01
Law:	Portuguese
Joint Bookrunners:	Banco Espirito Santo S.A., Barclays, BNP Paribas, Calyon, Société Générale CIB