

Financing Programme for the Republic of Portugal for 2008

The proposal for the 2008 Financing Programme presented by the Portuguese Government Treasury and Debt Agency (IGCP) was approved by the Ministry of Finance, with the following guidelines on the policy regarding the management of the direct Government debt and of the State Treasury's cash balances.

1. Borrowing needs

The borrowing needs of the central Government for 2008, to be met through the gross issuance of medium and long-term debt instruments and short-term net financing, are expected to be approx. EUR 15.5 billion.

This figure includes an amount of EUR 5.7 billion of net borrowing requirements from the 2008 budget, while the remainder will cover the refinancing of medium- and long-term debt to be redeemed in 2008.

2. Financing strategy

The Financing Programme aims at meeting the borrowing requirements resulting from the execution of the budget, whilst pursuing the objectives of minimizing the debt cost in a long-term perspective and non-exposure to excessive risks. This will be accomplished via the implementation of strategies for the issuance of government debt instruments, the reduction of the debt outstanding, the minimisation of cash balances and the limitation and control of risks, including refinancing, credit and interest-rate risks.

3. Issuance of Government bonds (OT)

In 2008, the net financing of the Republic will once again be concentrated on the issuance of Government bonds (OT), therefore continuing to create the conditions to promote market liquidity and the efficient functioning of the primary and secondary market.

An amount of between EUR 10 and 12 billion is to be met via the gross issuance of OT. Two new OT series will be opened in 2008, with maturities and dates to be announced to the market in due time. As usual, both series will be launched via a banking syndicate of EUR 3 billion with all Primary Dealers (OEVT) and will subsequently be reopened via auction. In addition to the launching of new OT series and subsequent reopenings throughout the year, other series may also be reopened with the objective of increasing their liquidity.

OT auctions will have the participation of the Primary Dealers and Other Auction Participants (OMP) and will continue to be held on the 2nd and 4th Wednesday of the month, in accordance with a pre-announced quarterly calendar. The indicative amount of the auctions will be between EUR 750 and 1,000 million.

There are no OT auctions scheduled for the first quarter of this year.

On the OT segment, a new series should be launched, through syndication, in the first quarter.

4. Issuance of Treasury bills (BT)

The net financing resulting from the issuance of BT should be positive in 2008, around EUR 1 billion. This year, the BT issuance strategy will continue to follow the general guidelines of the programme.

Six new lines will be launched in 2008: BT January 2009, BT March 2009, BT May 2009, BT July 2009, BT September 2009 and BT November 2009.

The new lines will continue to be launched in odd months via 2 auctions, the first being held on the 3rd Wednesday of the month and the second by the 1st Wednesday of the following month. The indicative calendar of the reopening auctions will be announced on a quarterly basis. The total indicative amount of the two launching auctions should fall between EUR 1,250 and 1,750 million, while the indicative amount of the reopening auctions will be between EUR 300 and 750 million.

The indicative calendar and amounts of the BT auctions to be held in the first quarter are as follows:

Instrument	Type	Number of auctions	Indicative date of the auctions	Indicative amount (net) (EUR million)
BT23JAN2009	Launch	2	16-Jan-08/ 6-Feb-08	1,250 – 1,750
BT19SEP2008	Reopening	1	5-Mar-08	300 – 750
BT20MAR2009	Launch	2	19-Mar-08/ 2-Apr-08	1,250 – 1,750

IGCP may also buy and sell BT via the OTC market.

5. Risk management and Buyback Programme

The management of the refinancing risk will take into account that financing operations should avoid the excessive concentration of redemptions over time, and the implementation of a debt buyback programme.

IGCP announces the intention to hold buyback auctions of the OT3.25%JUL08, to be scheduled in due time.

As usual, IGCP will remain flexible to introduce adjustments to this programme as required by market developments and by the Republic's financing needs throughout the year.

IGCP, 14 January 2008