

## PRESS RELEASE

### Financing Programme for the Republic of Portugal for 2010

The Ministry of Finance approved the proposal for the 2010 Financing Programme presented by the Portuguese Government Treasury and Debt Agency (IGCP). This proposal was prepared following the approval by the Parliament of the Government's Budget for 2010, on March 12<sup>th</sup>. Therefore, it already takes into account the financing completed during most of the first quarter. The Financing Programme includes the main 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 2010, to be met through the gross issuance of medium and long-term debt instruments and short-term net financing, are expected to be EUR 24 to 25 billion (depending on the total amount of buybacks of 2011 maturity OTs that occur during the year).

#### **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. These goals 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 2010, 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 EUR 20 to 22 billion is to be met via the gross issuance of OT. On February 2010, a new OT series was opened, on the 10 year maturity, and a second new series is expected to be opened during the second quarter. Its maturity and timing will be announced to the market in due time. As usual, and as was the case for the new OT 4.8% June 2020, the new 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 and size. The maximum outstanding amount of any OT series can be around EUR 10 billion.

OT auctions will have the participation of the Primary Dealers and Other Auction Participants (OMP) and will continue to be held on the 2<sup>nd</sup> and 4<sup>th</sup> Wednesday of the month. The auctions and the OTs to be tapped will be announced to the market up to T-5 business days. When market demand justifies it, two different OT series may be offered to subscription simultaneously, in which case the announced indicative amount will include both series. Allocation between the two series will be decided by IGCP depending on

the amounts bid and price. The indicative amount of the auctions of a single series will be between EUR 750 and 1,000 million and between EUR 1,500 and 2,000 million if two series are offered.

IGCP intends to reopen 5 to 7 OT series, via auction, in the second quarter of 2010.

#### **4. Issuance of Treasury bills (BT)**

The net financing resulting from the issuance of BT should be positive in 2010, around EUR 1 to 2 billion.

Eight new lines will be launched in 2010: BT 21 January 2011, BT 18 February 2011, and BT 18 March 2011 were already launched during the first quarter. In the course of the year, BT 22 July 2011, BT 19 August 2011, BT 23 September 2011, BT 21 October 2011, and BT 18 November 2011 will also be launched.

The BT programme will, from 2010, include the launch of 8 to 12 new lines per year. As a rule, no lines will be launched which maturity falls on the same month as the redemption of medium and long term debt instruments – OT.

The new lines will continue to be launched via 2 consecutive auctions, the first being held on the 3<sup>rd</sup> Wednesday of the month and the second by the 1<sup>st</sup> Wednesday of the following month. The indicative calendar of the BT auctions will be announced on a quarterly basis. The total indicative amount of the two launching auctions should fall between EUR 1,250 and 2,000 million, while the indicative amount of the reopening auctions will be between EUR 500 and 750 million. It is possible for two BT lines to be auctioned simultaneously, but the corresponding indicative amount will still be defined on an individual line basis.

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

<b>Instrument</b>	<b>Type</b>	<b>Number of auctions</b>	<b>Indicative date</b>	<b>Indicative amount (net) EUR million</b>
BT18MAR2011	Launch (2nd auction)	1	7-Apr-10	500-750
BT23JUL2010	Reopening	1	21-Apr-10	500-750
BT21JAN2011	Reopening	1	21-Apr-10	500-750
BT19NOV2010	Reopening	1	5-May-10	500-750
BT18FEB2011	Reopening	1	19-May-10	500-750
BT17SEP2010	Reopening	1	2-Jun-10	500-750
BT18MAR2011	Reopening	1	16-Jun-10	500-750

**5. Other financing**

The Republic of Portugal will also use very short term financing instruments, such as repos, credit facilities, and commercial paper, aimed at increasing the flexibility of the financing programme to adjust to the cash needs profile.

The Euro Medium Term Notes programme, set on January 2009, and updated on February 2010, also allows for opportunistic issuance, i.e., with cost savings versus the OT yield curve. The USD 1,25 billion issue on March 18<sup>th</sup> was done under the EMTN.

**6. 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 includes debt buyback transactions, to be announced to the market in due time. In 2010, four buyback auctions were already held on OTs maturing in 2010 and 2011. The total amount bought back on this date is around EUR 1,6 bn.

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

IGCP, 30 March 2010