

## PRESS RELEASE

### **Financing Programme for the Republic of Portugal for 2011**

The Ministry of Finance approved the proposal for the 2011 Financing Programme submitted 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 2011. 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 2011, to be met through the gross issuance of medium and long-term debt instruments and short-term net financing, are expected to be around EUR 20 billion.

#### **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, and the limitation and control of risks, including refinancing, credit and interest-rate risks.

#### **3. Issuance of Government bonds (OT)**

In 2011, the net financing of the Republic will once again be concentrated on the issuance of Government bonds (OT).

An amount of EUR 18 to 20 billion is to be met via the gross issuance of OT. One or two new OT series are expected to be launched during the year, with maturity and timing to be announced to the market in due time. As usual, the new series will be launched via a banking syndicate of a minimum EUR 3 billion with all Primary Dealers (OEV) 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 tapped 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/or 4<sup>th</sup> Wednesday of the month. The auctions and the OTs to be tapped will be announced to the market in the previous week. 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 1,250 million and between EUR 1,000 and 2,000 million if two series are offered.

IGCP intends to launch a new syndicated OT series and to tap 4 to 6 OT series, via auction, in the first quarter of 2011, subject to market conditions.

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

The net financing resulting from the issuance of BT should be marginally positive in 2011. Ten new lines will be launched in 2011, with maturities on every month of 2012, except for June (month that corresponds to the redemption of an OT) and December.

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 indicative amount of the launching auction should fall between EUR 750 and 1,250 million, while the indicative amount of the reopening auctions will be between EUR 500 and 1,000 million, in the case of a single line auction, and EUR 750 and 1,500 million in the case of the simultaneous auction of two lines. In the case of two BT lines auctioned simultaneously allocation between the two lines will be decided by IGCP depending on the amounts bid and price.

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

<b>Instrument</b>	<b>Type</b>	<b>Indicative date</b>	<b>Indicative amount EUR million</b>
BT22JUL2011	Reopening (6 months)	5-Jan-11	500
BT20JAN2012	Launch	19-Jan-11	750-1,250
BT19AGO2011	Reopening (6 months)	2-Feb-11	750-1,500
BT20JAN2012	Reopening (12 months)	2-Feb-11	
BT17FEV2012	Launch	16-Feb-11	750-1,250
BT23SET2011	Reopening (6 months)	2-Mar-11	750-1,500
BT17FEV2012	Reopening (12 months)	2-Mar-11	
BT23MAR2012	Launch	16-Mar-11	750-1,250

#### **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.

Issuance can also occur under the Euro Medium Term Notes programme, depending on market opportunities.

**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.

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, 29 December 2010