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Thursday 16th March 2006

IGCP

Republic of Portugal

€3bn 4.1% OT due 15 April 2037

Issue price: 99.596%, Reoffer yield: 4.123%

Press Release

The Republic of Portugal (AA-/Aa2/AA) issued yesterday its first syndicated OT of 2006. The new EUR 3 billion benchmark matures on 15 April 2037, pays a coupon of 4.1%, and was priced at a spread of +22.5 bp over the 4% BUND due 4 January 2037 (equivalent to mid-swap + 1.5 bp). Joint lead managers were Banco Espírito Santo, Barclays Capital, BNP Paribas, Calyon and Deutsche Bank.

Background/rationale

- In January, the IGCP announced that it planned on issuing two new syndicated OT benchmarks in 2006.
- Having built a liquid yield curve with benchmarks in all maturities from 2006 to 2021, the launch of this 30-year OT, the longest OT outstanding, marks a further step in developing the Portuguese government debt market and broadening the base of investors. It will also contribute to smooth Portugal's redemption profile.
- On the back of strong demand seen at the long end of the Euro curve, Portugal decided to fulfil investor interest by extending its yield curve and issuing its inaugural 30-year OT benchmark as its first syndicated government bond of the year.

Transaction execution

- The IGCP announced the mandate on Friday 3rd March with the intention to launch a new long-dated syndicated OT in the near future, following a European road show.
- Senior IGCP management delivered a series of investor presentations in Lisbon, Frankfurt, London and Paris in the week of 6th March, and met with a favourable reception in each city.
- The book building process started on the following Tuesday 14th March with an initial price guidance of mid-swaps + 1 to + 3 bp.
- The order book grew with consistent momentum from the outset and amongst the Joint Leads, had reached EUR 3 bn at the end of the first day. Limited price sensitivity in the earlier orders led to a revision of the price guidance to mid-swaps +1 to +2 bp by the first afternoon of book building.
- Owing to the quality and volume of demand achieved by the end of the first day, it was first contemplated to accelerate the deal's execution with pricing possibly executed on Wednesday – one day earlier than previously anticipated. On Wednesday morning, despite the tighter price guidance, high-quality investors continued to place orders with the Joint Leads.

- Books closed at mid-day Wednesday 15th March (12 pm) with a total final order book size in excess of € 6 bn (including co-leads).
- The transaction priced on Wednesday at a spread of 1.5 bp over mid-swaps equating to a spread of 22.5 bp over the 4% Bund due January 2037. The IGCP chose not to price the issue at the tight end of the range in order to provide investors with performance in the secondary market.
- The IGCP was thus able to capitalise on the extent of investor appetite for 30-year Portugal bonds and price the trade a day earlier than originally anticipated.
- The IGCP intends to bring the final size of this new OT benchmark to no less than EUR 5 billion.
- The new OT 2037 will be immediately traded on MTS Portugal, EuroMTS, TradeWeb and BondVision.

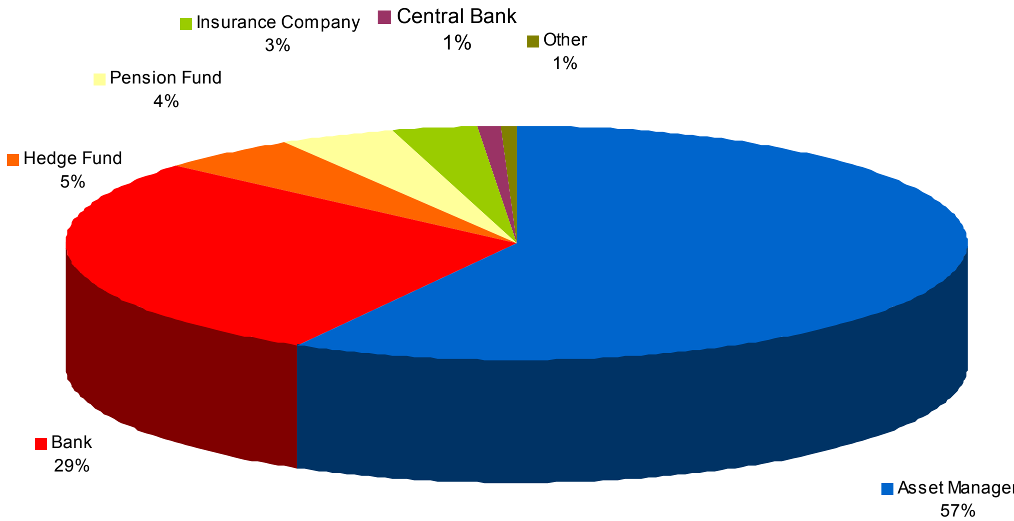
Market impact

- The strong investor response to the transaction highlights the strength of current market demand for the longer end of the Euro curve, bolstered in part by the fact that this is the only syndicated Euroland sovereign new 30-year issue expected in 2006.
- The 2037 OT provides investors with an opportunity to obtain both duration and yield pick-up to the underlying 2037 Bund.
- The transaction has allowed Portugal to renew its dialogue with an important range of investors such as asset managers, insurance companies and pension funds, thereby ensuring a broad distribution of Portuguese government paper.
- The 2037 OT provides attractive credit diversification in the long end of the Euro curve.
- The 2037 maturity (31-year) will allow the bond to retain a 30-year benchmark status for a longer period.

Distribution

- With an order book twice oversubscribed, over 85 investors participated in the transaction, of which 20% have never bought Portugal before.
- Strong demand came from United Kingdom/Ireland (24%), Germany (26%) and the Benelux (22%).
- 96% of the bonds were placed outside the domestic market, highlighting Portugal's diversified investor base.

Breakdown by type of investor



Geographical Breakdown