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Abbreviations

AMA	Agência para a Modernização Administrativa, I.P.
APP	Asset Purchase Programme
BdP	Banco de Portugal
bp	Basis Points
BT	Treasury Bills
CA	Savings Certificates
CCIRS	Cross Currency Interest Rate Swap
CEDIC	Special Certificates for Short Term Public Debt
CEDIM	Special Certificates for Medium- and Long-term Public Debt
CGE	General State Account
CI	Credit Institutions
CNY	Chinese Yuan
CSA	Credit Support Annex
CT	Treasury Certificates
CTPC	Treasury Savings Growth Certificates
CTPV	Treasury Savings Value Certificates
CTT	Correios de Portugal, S.A.
DUC	Single Billing Document
EA	Euro Area
EBT	Treasury Bill Specialists
ECB	European Central Bank
EFAP	Economic and Financial Assistance Programme
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
EPR	Reclassified Public Corporations
EU	European Union
Fed	Federal Reserve
FRDP	Public Debt Stabilisation Fund
GBP	Great British Pound
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
GMRA	Global Master Repurchase Agreements
IB	IGCP's Internet Banking System
IGCP	Agência de Gestão da Tesouraria e da Dívida Pública— IGCP, E.P.E.
IMF	International Monetary Fund
IRN	Institute of Registries and Notary
IRS	Interest Rate Swap
LOE	State Budget Law
MLT	Medium- and Long-Term
MTN	Medium Term Notes
NPL	Non-Performing Loans
OEVT	Primary Dealers
OMP	Other Auction Participants
ONSUTE	Entities not subject to the Government's Treasury Unit
OT	Treasury Bonds
OTC	Over-the-Counter
OTRV	Floating Rate Treasury Bonds
p.p.	Percentage Points
PEPP	Pandemic Emergency Purchase Programme
POS	Point-of-Sale Terminal
PSPP	Public Sector Purchase Programme
RCE	State Collection Network
<i>Repos</i>	Repurchase Agreements
ROE	Return on Equity
RTE	State Treasury Scheme
SB	State Budget
SEE	State-owned Enterprise Sector
SFA	Autonomous Funds and Services
SI	Integrated Services
Statistics Portugal	Instituto Nacional de Estatística, I.P.
SURE	European instrument for temporary Support to mitigate Unemployment Risks in an Emergency
USD	United States Dollar
UTE	State Treasury Unit
WGBI	FTSE World Government Bond Index
YoY gr	Year-on-year growth rate

Introduction

Following the shocks of recent years, the global economy showed some resilience in 2024, recording stable, albeit historically low, growth rates.

The global economy grew by 3.3% in 2024, according to the International Monetary Fund (IMF). Across major advanced economies, robust growth in the US contrasted with the euro area (EA) which, despite some acceleration, expanded by no more than 0.9%.

The convergence of inflation towards central banks' targets prompted a reversal in the restrictive stance of global monetary policy from the second half of the year onwards.

The reordering of political priorities at the end of 2024, particularly following the outcome of US elections, appears to have initiated a new paradigm that remains highly uncertain and may have a decisive impact on international trade and the foundations of global economic growth.

Despite the slowdown, the Portuguese economy continued to grow above the euro area average.

The Portuguese economy once again outperformed other European economies, growing by 1.9% in 2024, which is higher than the euro area average of 0.9%. This favourable performance was supported by growth in domestic demand, particularly in private consumption, while net external demand made a negative contribution, in contrast to previous years, reflecting a slowdown in exports.

In terms of public finances, Portugal again recorded a budget surplus, amounting to 0.7% of Gross Domestic Product (GDP), 0.5 p.p. lower than in 2023. Budgetary performance enabled a further reduction in public debt, which closed the year at slightly under 95% of GDP.

Leading credit rating agencies continue to recognise the improvement in economic and financial conditions and have assigned Portugal a rating of "A–" or higher. This made it possible for the Portuguese sovereign debt to be reincorporated into the FTSE World Government Bond Index (WGBI).

Against this backdrop, the risk premiums on Portuguese sovereign debt vis-à-vis Germany have narrowed, converging towards levels comparable to those observed for the group of countries with an "AA" rating, commonly referred to as semi-core.

In 2024, the European Central Bank (ECB) ended the full reinvestment of maturing principal payments from securities held under the Pandemic Emergency Purchase Programme (PEPP), having already phased out such investments under the Asset Purchase Programme (APP). As the ECB purchases decreased, the Portuguese public debt offering was absorbed by private investors.

The financing strategy outlined for 2024 was implemented through the issuance of two new benchmarks, with ten- and thirty-year maturities, and the reopening of various Treasury Bonds (OT) lines via auction. The aim was to provide liquidity across the curve, resulting in a total gross OT issuance volume of EUR 15.3 billion (exchanges excluded). Treasury Bills (BT) net issuances, in turn, amounted to around EUR 5.7 billion. These issuances were complemented by a new tranche (the fifth) of funds under the Recovery and Resilience Facility (RRF), which amounted to EUR 1.3 billion in loans. These instruments ensured that the State's gross financing needs, which reached around EUR 19.6 billion, were covered.

Furthermore, buyback operations and an exchange of shorter-maturity OT for longer-maturity OT were carried out, reducing redemptions over the coming years (up to 2027) by around EUR 2.1 billion.

A higher concentration of issuances in securities with a residual maturity of more than nine years led to an increase in the average maturity of medium- and long-term debt issued in 2024, compared with previous years, to 16.5 years (the highest value in recent years). This allowed the average maturity of the outstanding debt stock to remain stable at 7.2 years. In this context, despite the longer average maturity of issued debt and the rise in interest rates in the first half of the year, the increase in the implicit interest rate on the debt was contained (from 2.2% to 2.3%).

Primary Market Participants in 2024

OT – Treasury Bonds

OEVT – Primary dealers	OMP – Other Auction Participants
Banco Santander, S.A. Bank of America Securities Europa SA Barclays Bank Ireland PLC BBVA BNP Paribas Caixa Banco de Investimento, S.A. Citibank Europe plc Crédit Agricole CIB Deutsche Bank, AG Goldman Sachs Bank Europe SE HSBC Continental Europe Jefferies GmbH J.P. Morgan AG Morgan Stanley Europe SE Nomura Financial Products Europe GmbH Novo Banco, S.A.	Bankinter, S.A. CaixaBank, S.A. Millennium bcp

BT – Treasury Bills

EBT – Treasury Bill Specialists
Banco Santander, S.A. Bank of America Securities Europa SA Bankinter, S.A. Barclays Bank Ireland PLC BBVA BNP Paribas CaixaBank, S.A. Caixa Geral de Depósitos, S.A. Citibank Europe plc Crédit Agricole CIB Deutsche Bank, AG Goldman Sachs Bank Europe SE HSBC Continental Europe Jefferies GmbH J.P. Morgan AG Millennium bcp Morgan Stanley Europe SE Nomura Financial Products Europe GmbH Novo Banco, S.A.

Main Highlights

In 2024, the State net borrowing needs amounted to EUR 9.8 billion, broken down into a budget deficit of about EUR 5.7 billion and other needs of EUR 4.1 billion. The increase of EUR 6.3 billion compared to 2023 resulted mainly from a EUR 5.5 billion increase in the government budget deficit and, to a lesser extent, a EUR 0.9 billion increase in net expenditure on the acquisition of financial assets.

Borrowing needs and sources in 2024 (EUR millions)	
GROSS BORROWING NEEDS	19,634
Budget Deficit (State subsector)	5,656
Net acquisition of State's financial assets (excl. privatisations)	4,116
One-off operations	0
OT redemptions (incl. net effect of exchange operations)	7,433
Official loans redemptions (EFAP+SURE+RRF)	0
Other MLT debt redemptions	2,429
FINANCING SOURCES	19,634
Use of deposits (excl. margin accounts)	-632
Official loans issuances (EFAP+SURE+RRF)	1,271
OT and MTN issuances	15,287
OTRV issuances	0
Other MLT debt issuances	805
BT net issuances (excl. BT held by the FRDP)	5,689
CA/CT net issuances	-605
Other movements in the Single Treasury Account (excl. margin accounts)	-2,182
Deposits balance at year-end (excl. margin accounts and other investments)	6,305
Margin accounts balance at year-end and other investments	0
Total deposits balance at year-end	6,305

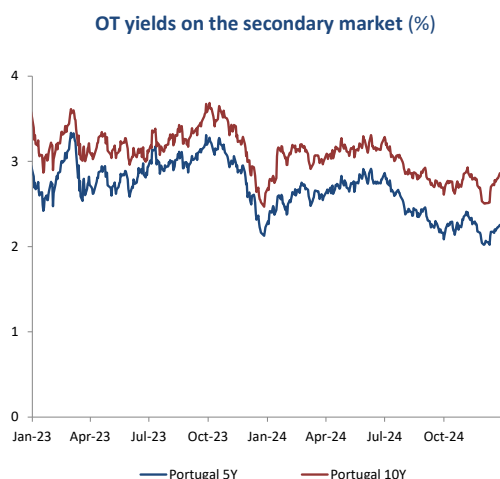
As in previous years, in 2024, financing was mainly secured through OT issuances, generating a cash inflow of EUR 15.3 billion. Net BT issuances contributed to the year's financing, in an amount of around EUR 5.7 billion. In addition, Portugal received EU loans totalling EUR 1.3 billion, notably the loan corresponding to the fifth tranche of the RRF. Conversely, retail debt instruments (Savings Certificates and Treasury Certificates) recorded a negative net issuance of around EUR 0.6 billion.

Market financing operations in 2024			
	Nominal value (EUR millions)	Residual maturity (years)	Average allotment rate (%)
OT SYNDICATED ISSUANCES			
OT 2.875% Oct 2034	4,000	11	3.00%
OT 3.625% Jun 2054	3,000	31	3.68%
OT AUCTIONS			
OT 2.125% Oct 2028	345	5	2.47%
OT 1.95% Jun 2029	589	6	2.66%
OT 0.3% Oct 2031	485	8	2.65%
OT 2.25% Apr 2034	641	11	2.94%
OT 2.875% Oct 2034	2,156	11	3.03%
OT 3.5% Jun 2038	961	15	3.27%
OT 1.15% Apr 2042	1,191	19	3.38%
OT 4.1% Feb 2045	1,752	22	3.43%
OT 1% Apr 2052	679	29	3.57%
OT EXCHANGES			
OT 3.5% Jun 2038	500	15	3.07%
OT 1.15% Apr 2042	170	19	3.20%
OT 1% Apr 2052	255	29	3.34%
PRIVATE PLACEMENT			
OT 2.875% Oct 2034	203	11	3.15%
ISSUANCES OF OTHER MEDIUM-AND LONG-TERM SECURITIES			
BT AUCTIONS (gross issuances, excl. the FRDP)			
3 months	1,666	0.25	3.70%
6 months	2,318	0.50	3.61%
11 months	3,490	0.75	3.23%
12 months	4,802	1.00	3.16%

In 2024, geopolitical tensions continued to shape the global economic and financial environment, contributing to sustained high levels of uncertainty and expenditure pressures, particularly in terms of defence spending. In this context, the global economy, while maintaining growth levels that showed some resilience, continued to record growth rates below the historical average. The expansion of economic activity benefited mainly from the easing of inflationary pressures, which made it possible for the main central banks to begin reducing their key interest rates in the second half of the year. In particular, the ECB's deposit facility rate fell from 4% to 3% in 2024.

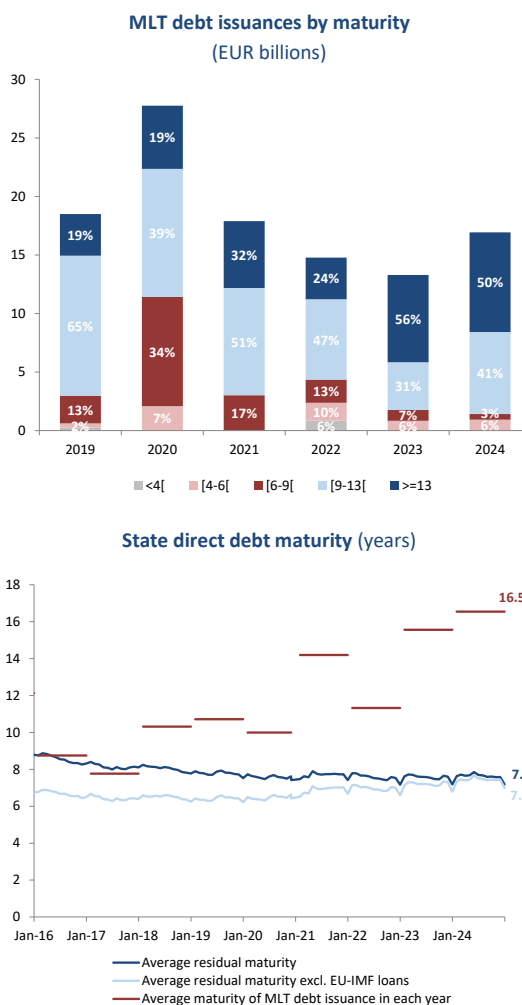
At the same time, Portuguese government bond yields showed some volatility during 2024, ending the year with different patterns compared to the end of 2023, resulting in a steeper yield curve. In shorter maturities, yields have declined, with the two-year yield falling to 2.10%, down from 2.41% at the end of the previous year, while moderate

increases were recorded in longer maturities. The ten-year yield rose from 2.63% to 2.84%, and the thirty-year yield from 3.30% to 3.43%. In the first half of the year, Portuguese government bond yields showed a slight upward trend, reflecting the still restrictive monetary policy environment. Following the start of the ECB's cycle of key interest rate cuts at the end of June, this trend was reversed. However, from mid-October, uncertainty surrounding the US electoral process led to greater volatility in debt markets, which subsided after the elections, contributing to Portuguese public debt yields reaching their lowest levels of the year in early December. In December, a further increase was observed in response to political instability in major European economies, with yields at the longer end of the curve closing the year at levels slightly above those recorded at the end of the previous year. The risk premium narrowed, especially in the second half of the year, with the ten-year benchmark spread standing at 48 basis points at year-end (14 basis points less than at the beginning of the year).

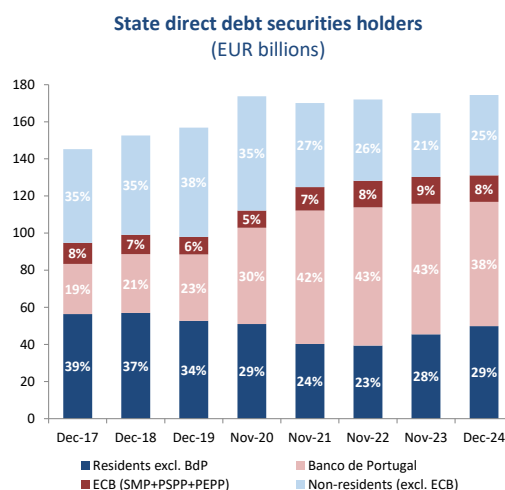
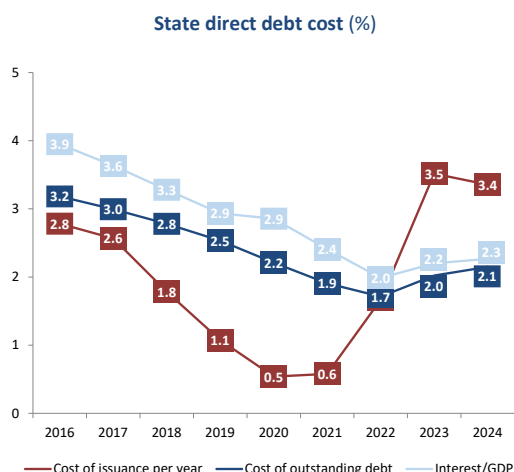


Driven by a higher concentration of issuances in securities with a residual maturity of more than nine years (92% of the total issued, compared to 87% in 2023), the average maturity of medium- and long-term debt issued in 2024 rose compared with previous years and peaked at 16.5 years. This surpassed the 2023 average of 15.6 years, which had also been a record high. This increase

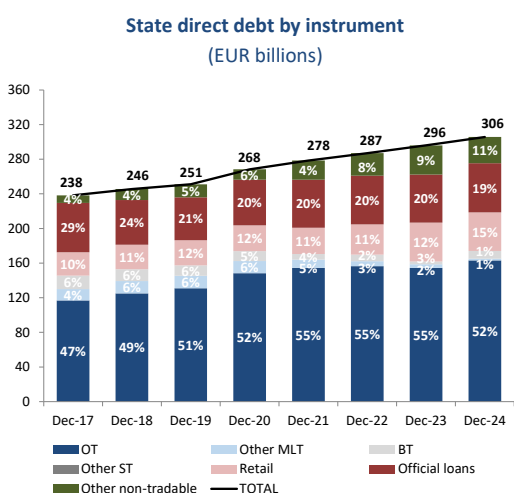
allowed the average maturity of the debt stock to remain stable at 7.2 years.



Against this background, despite the increase in the average maturity of debt issued and the rise in yields in the first half of the year (the period during which most of the financing was concentrated), the cost of MLT debt issued in 2024 was slightly below that recorded in the previous year, standing at 3.4%. This led to a slight increase in the implicit interest rate on the debt, which rose to 2.3%, compared to 2.2% in the previous year.

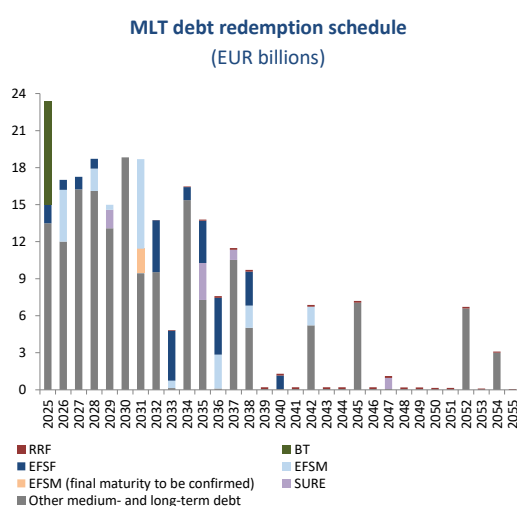


State direct debt increased by EUR 9.7 billion in 2024, reaching EUR 306 billion by the end of the year (a 3.3% increase compared to 2023, slightly higher than in 2023 and 2022, when the increase was 3.1%).



In 2024, the ECB continued to reduce its portfolio of assets held under the APP at a moderate and predictable pace. In terms of the PEPP programme, full reinvestment of maturing principal payments was maintained during the first half of the year, while in the second half, reinvestment was only partial. Therefore, the portfolio shrank by an average of EUR 7.5 billion per month. With regard to holders of debt securities issued by the State, the reduction in the ECB's level of intervention resulted in a decrease in the amount held by the Eurosystem, which, in relative terms, fell from 51% to 47%.

Smoothing out the redemption profile remains a guiding objective in the Portuguese public debt management, given its contribution to mitigating refinancing risk. To reduce the Portuguese Republic's short-term refinancing risk and smooth the debt redemption profile, buyback and exchange operations of OT with short maturities for others with longer maturities continued in 2024. In this context, the Portuguese Republic conducted an exchange auction, having repurchased an aggregate nominal amount of EUR 0.9 billion of OT maturing between 2026 and April 2027 against an issuance of longer maturity OT, as well as bilateral repurchase operations of bonds maturing in 2025, amounting to a total of EUR 1.2 billion.



1. ECONOMY AND FINANCIAL MARKETS

1.1. International Macroeconomic Context

In its economic outlook report released in April 2025, the IMF estimates that global GDP growth in 2024 slowed slightly from 3.5% to 3.3%, below the pre-pandemic historical average (2000-2019) of 3.7%.

This performance reflects, nevertheless, divergent trends across major economic blocs, with advanced economies accelerating slightly from 1.7% in 2023 to 1.8% in 2024, and emerging economies following an opposite trend, moving from 4.7% growth in 2023 to 4.3% in 2024.

Among the advanced economies, the euro area, despite accelerating activity from 0.4% in 2023 to 0.9% in 2024, continued to show a very moderate growth rate. A persistent downturn in Germany, driven by challenges in its export sector, combined with the weak growth rates in France (1.1%) and Italy (0.7%), weighed on the economic performance of the region. Weaknesses in the euro area's three largest economies were, however, mitigated by Spain's positive performance, with its GDP growth accelerating from 2.7% to 3.2% in 2024, driven by robust domestic demand.

Similarly, the United Kingdom showed moderate signs of a pick-up in activity, with its GDP growth rising to 1.1% in 2024, up from 0.4% in 2023. Consumption and investment maintained modest growth, held back by tight fiscal policy and limited interest rate cuts by the central bank. The US maintained solid growth, notwithstanding a slight slowdown from 2.9% to 2.8%, supported by strong private consumption, as well as higher public spending and investment.

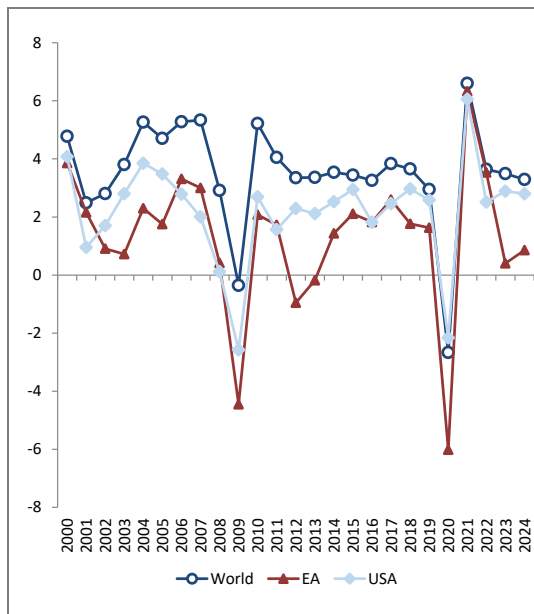
As for the emerging bloc, China's growth slowed from 5.4% to 5.0%, against a backdrop of persistent structural weaknesses, especially in the real estate market. India maintained robust growth, though at a lower rate than in the previous year, falling from 9.2% in 2023 to 6.5% in 2024. Brazil, on the other hand, experienced a modest acceleration, rising from 3.2% to 3.4%.

According to the IMF, global inflation continues to adjust from the elevated levels of previous years, declining from 6.6% in 2023 to 5.7% in 2024. This downward trend was mainly driven by a faster-than-expected fall in energy prices and lower food prices. Furthermore, persistently high interest rates, together with supply chains normalisation, also contributed to the global disinflationary process. As for services, more moderate price increases also supported the decline in overall inflation. Specifically, inflation in the US fell from 4.1% in 2023 to 3.0% in 2024, while it dropped from 5.4% to 2.4% in the euro area, as reported by the IMF.

The progressive easing of shocks to international commodity prices, and the consequent convergence of inflation levels towards major central banks' targets, allowed global monetary policy to adopt a less restrictive stance from the second half of the year onwards. In this context, the ECB began a cycle of key interest rate cuts in June, followed by the Fed, in September. In terms of asset purchase programmes, both the Fed and the ECB continued reducing their balance sheets. In particular, the Eurosystem maintained full reinvestment of principal payments from maturing securities held under the PEPP and, as of the second half of the year, it began to reinvest these repayments only in part.

Chart 1 – Global real economic growth

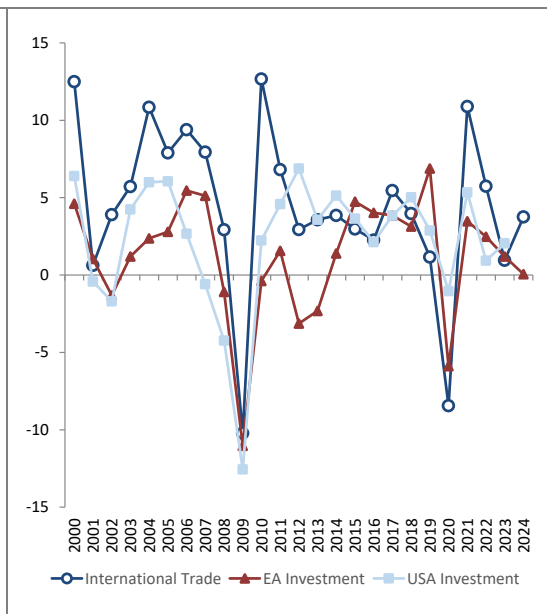
(YoY gr, %)



Source: IMF (April 2025).

Chart 2 – Real growth in international trade and investment

(YoY gr, %)



Sources: IMF (April 2025) and AMECO (November 2024).

The labour market continued to stand out for its resilience. Unemployment rates remained low in most countries, especially in the US, where it hovered around 4.0% (3.6% in 2023), and in the euro area, where it fell slightly from 6.6% to 6.4% in 2024. Despite some easing of labour market pressures, wage growth remained strong to offset the loss of purchasing power during the 2021-2022 inflation surge.

As for public finances, the US budget deficit remained high and virtually unchanged at 7.3% of GDP, reflecting higher debt servicing costs as a result of a sharp rise in interest rates and an increase in public debt from 119.0% to 120.8% of GDP in 2024. In the euro area, interest rate cuts and fiscal consolidation in several countries helped reduce the budget deficit, from 3.6% to 3.1% of GDP in 2024. Nevertheless, public debt edged up slightly, from 87.4% to 87.7% of GDP.

The IMF forecasts global economic growth to slow to 2.8% in 2025, in a context where the realignment of political priorities by several governments, especially following the outcome of US elections at the end of 2024, appears to be shaping a new paradigm in global trade relations. Potential adverse effects on international trade, possible supply chain disruptions, and heightened risks of financial market instability are expected to weigh on economic activity.

Moreover, ongoing tensions in Ukraine and the Middle East are adding pressure on the expenditure side (notably in defence), which could further increase public finance imbalances and further push up debt levels in several countries.

1.2. The Portuguese Economy

In 2024, Portugal continued to outperform its peers, maintaining growth above the euro area average: 1.9% in real terms (compared to 2.6% in 2023). This performance was driven primarily by domestic demand, namely the acceleration of private consumption. External demand contributed negatively, reversing the positive trend of the previous two years. More specifically, domestic demand made a positive contribution of 2.5 p.p. (up from 1.7 p.p. in 2023), whereas external demand contributed negatively by -0.6 p.p. (0.9 p.p. in 2023).

Among the various components, private consumption stands out, rising sharply from 1.9% in 2023 to 3.2% in 2024, driven by a higher real disposable household income, underpinned by lower inflation, falling interest rates and a buoyant labour market.

Public consumption, in turn, accelerated from 0.6% in 2023 to 1.1% in 2024, largely reflecting wage adjustments across several civil service careers and higher government spending on goods and services, amid persistently elevated food and service prices.

Investment, as measured by gross fixed capital formation, slowed from 3.6% in 2023 to 2.3% in 2024, constrained by the slower-than-expected execution of RRF funds and heightened economic and geopolitical uncertainty, which affected the economic agents' confidence.

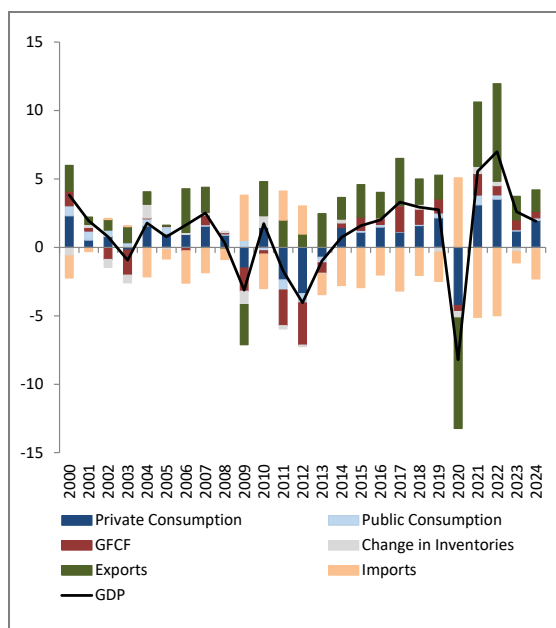
In terms of external demand, exports of goods and services slowed slightly, from 3.8% in 2023 to 3.4% in 2024, mainly as a result of weaker growth in tourism-related services. Imports, in turn, rose sharply by 4.8% in 2024, significantly up from 1.8% in 2023, driven primarily by consumer goods. This increase reflected stronger demand for imported products, fuelled by growth in both private and public domestic consumption.

In 2024, nominal GDP grew by 6.3%, down from 9.8% in 2023. In addition to the real economic slowdown, this nominal GDP deceleration reflects easing inflationary pressures, with the implicit GDP deflator rising by 4.3% in 2024, compared to 7.2% in 2023.

The labour market remained resilient and robust in 2024, with the employed population increasing by 1.2% compared with the previous year, reaching its highest level since 2011, and the unemployment rate remaining at historically low levels (6.4%).

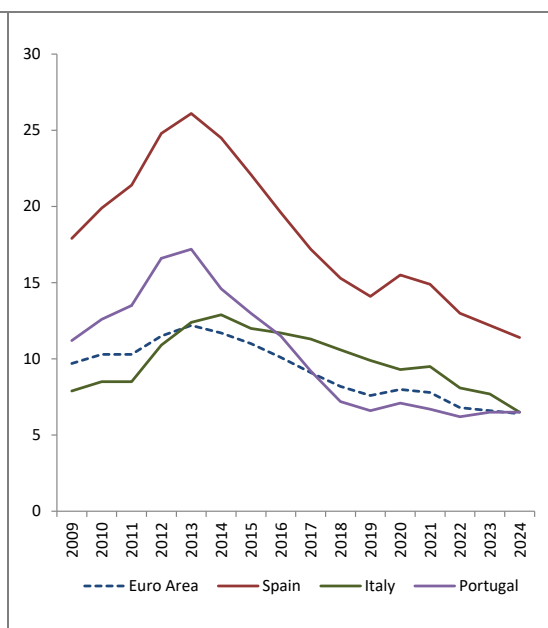
Chart 3 – Economic growth, Portugal

(contributions to the YoY gr of GDP in real terms, p.p.)



Source: Statistics Portugal.

Chart 4 – Unemployment rate, Portugal and European context (%)



Source: Eurostat.

As for public finances, Portugal recorded a budget surplus of 0.7% of GDP, a 0.5 p.p. decrease compared to 2023. This resulted from a slowdown in revenue growth, from 9.7% in 2023 to 6.3% in 2024, and an acceleration in expenditure growth, from 5.9% to 7.6%.

The change in revenue is mainly explained by a 7.0% growth in current revenue, down from the previous year (8.4%), driven by a moderate increase in current taxes on income and property, which slowed from 10.7% growth in 2023 to only 3.5% in 2024.

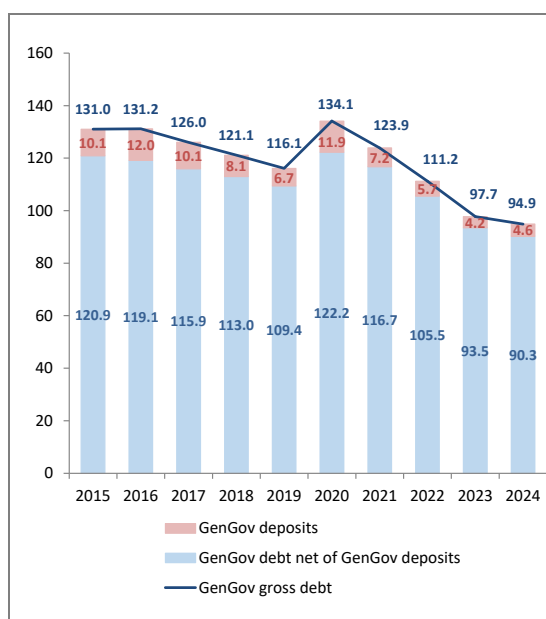
On the expenditure side, current spending grew by 9.1% (4.9% in 2023), driven mainly by social benefits, which rose by 10.4% (4.2% in 2023), and staff costs, which increased by 8.5% (1 p.p. more than in 2023), by virtue of wage updates, career progressions and pay raises in the health, education and security sectors. Interest expenses rose by 6.3% in 2024 (well below the 19.9% increase in 2023), reflecting a still restrictive but somewhat eased monetary policy, compared to 2023, with lower interest rates in the second half of 2024.

In this context, the primary balance declined from 3.3% of GDP in 2023 to 2.8% of GDP in 2024.

Public debt (Maastricht criteria) maintained its consolidation trend, falling from 97.7% of GDP in 2023 to 94.9% of GDP in 2024, its lowest level since 2009.

Chart 5 – Maastricht debt, Portugal

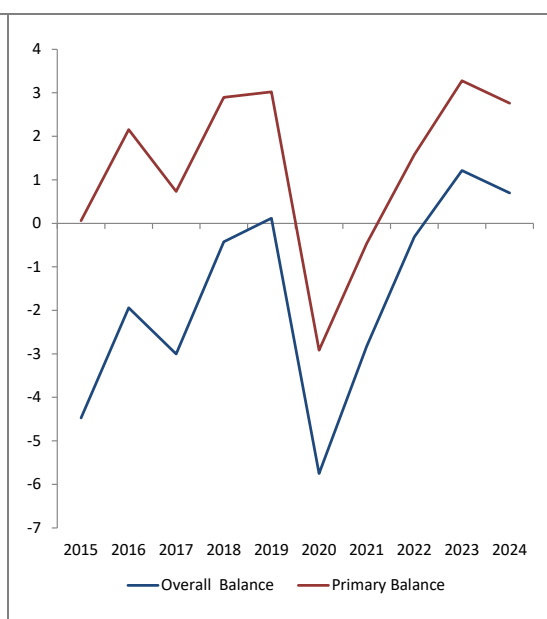
(% GDP)



Sources: Banco de Portugal and Statistics Portugal.

Chart 6 – Budget balances, Portugal

(% GDP)



Note: 2014, 2015 and 2017 are marked by significant one-offs, associated with support for the banking sector.

Source: Statistics Portugal.

Reflecting its recent track record of solid economic growth and disciplined public finance consolidation, Portugal's credit rating was upgraded by major rating agencies and is now rated at or above "A-" (Box 3).

1.3. Monetary Policy and Financial Markets

Overall, in 2024, global inflation trended downwards, which proved decisive in prompting major central banks to reverse their restrictive monetary policy stance, especially from the second half of the year.

In the US, the key inflation measure for monetary policy recorded a slight decline, falling from a year-on-year growth rate of 2.7% at the end of December 2023 to 2.6% at the end of December 2024. Against this backdrop, the Fed decided, in September 2024, to begin a cycle of less restrictive monetary policy by cutting its key interest rate, commonly referred to as the Fed Funds rate, for the first time in four years. Following two further cuts, the Fed Funds rate reached [4.25% - 4.50%] by the end of 2024. In parallel, the US monetary authority continued its balance sheet reduction programme by refraining from fully reinvesting maturing securities.

Meanwhile, in the euro area, disinflation proceeded at a faster pace than in the US, with the inflation rate standing at 2.9% in December 2024. In this context, the ECB began its interest rate cut cycle in June 2024 (ahead of the Fed). In fact, at its June 2024 meeting, the main refinancing operations rate was reduced for the first time in nearly five years, from 4.50% to 4.25%. The marginal lending facility rate was lowered from 4.75% to 4.50%, while the interest rate on the deposit facility declined from 4.00% to 3.75%. By the end of the year, the ECB's key interest rates stood at 3.15%, 3.40% and 3.00%, respectively. In terms of its balance sheet reduction, the ECB continued implementing measures to

decrease the volume of securities held under asset purchase programmes of recent years (APP and PEPP), leading to a decline of around EUR 48.6 billion.

Against this background, Euribor rates fell markedly. The three-month Euribor, in particular, followed a downward trajectory that intensified from June 2024, coinciding with the ECB's first rate cut, falling from 3.9% at the end of 2023 to around 2.7% in December 2024. In the US, the three-month USLibor¹ displayed a somewhat uneven pattern, although it generally trended downwards in the first seven months of 2024, falling from 5.6% in December 2023 to 5.5% in July 2024. Subsequently, it embarked on a more pronounced downward phase, reaching around 4.5% by the end of the year.

As for long-term interest rates, despite the high volatility observed, yields increased over the year as a whole, both in the US and Germany. In fact, both regions started the year on a predominantly upward trajectory, which was more prolonged in Europe, with this trend continuing until mid-June. Following some adjustments in the subsequent months, developments remained broadly aligned, with yields in both blocs rising again, although to varying degrees, from October until year-end. Specifically, the yield on US ten-year Treasury bonds rose from 3.88% at the end of 2023 to 4.57% by the end of 2024, after peaking in mid-April (4.70%). In turn, the ten-year yield on German bonds, which had closed 2023 at 2.02%, peaked at 2.69% at the end of May, and closed 2024 at 2.36%. Therefore, the ten-year yield spread between the US and Germany widened from 186 basis points at the end of December 2023 to 221 basis points in December 2024, close to the year's peak.

However, the upward trend in German government bond yields was not mirrored by most euro area countries. In fact, the ten-year yield spreads vis-à-vis Germany narrowed, with Italy, Spain and Portugal recording declines from 167 bp, 96 bp and 61 bp, respectively, in December 2023 to 116 bp, 69 bp and 48 bp in December 2024. It is worth noting that this convergence in Portugal's spread was also observed relative to the group of countries commonly referred to as semi-core countries (Belgium, Austria and France), reflecting a reduction in risk premia and greater investor confidence in Portuguese debt.

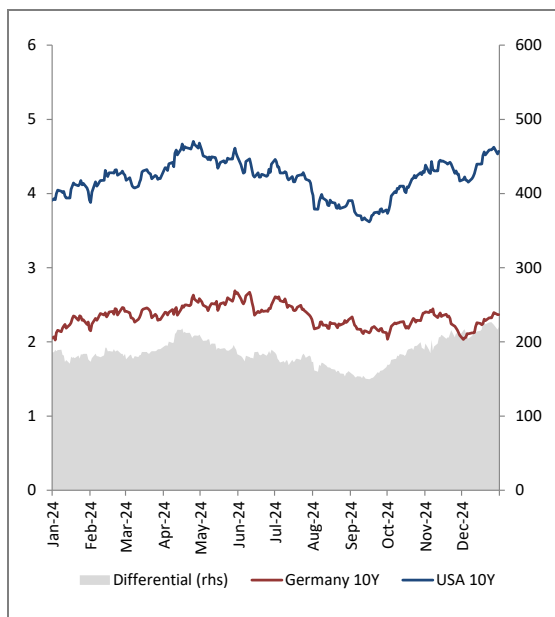
Developments in the foreign exchange market were shaped by weak economic performance in the euro area, in contrast to continued robust growth in the US economy, as well as by geopolitical instability and uncertainty surrounding the future impact of more protectionist US trade policies. In this context, the euro depreciated by around 6.2% against the dollar over the year, closing 2024 at 1.04, its lowest level in two years. The performance of the single currency was also influenced by the earlier and more pronounced monetary policy easing in the euro area, compared with the US.

The euro depreciated against the pound sterling by around 4.6%. In terms of the renminbi, the euro depreciated by around 3.7% over the year, particularly in the second half of the year, owing to divergent monetary policies between the two regions. The ECB implemented several cuts to its key interest rates, while China's central bank maintained a more stable monetary policy, simultaneously with a more consistent performance by the Chinese economy.

¹ The three-month USLibor was used as a reference until the end of September 2024, having been replaced by the SOFR - Secured Overnight Financing Rate as of 1 October 2024.

Chart 7 – Long-term interest rates

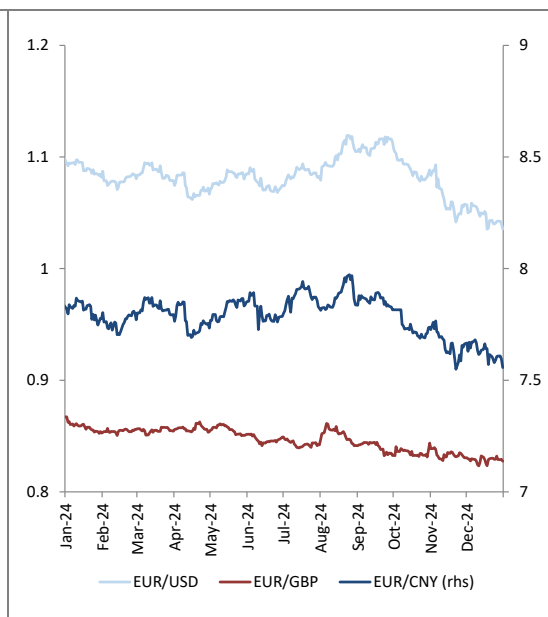
(left-hand scale: %; right-hand scale: basis points)



Source: Bloomberg.

Chart 8 – Exchange rates

(currencies versus the euro)



Source: Bloomberg.

2. State Financing

2.1. Financing Strategy

Public debt and financing management is governed by the principles laid down in the Debt Framework Law (Law No 7/98 of 3 February 1998). It must ensure the financing required for budget execution, minimise direct and indirect costs from a long-term perspective and promote a balanced distribution of costs across several annual budgets, thereby avoiding an excessive concentration of redemptions over time, while also preventing exposure to excessive risks.

In 2024, State net borrowing needs amounted to about EUR 9.8 billion, an increase of EUR 6.3 billion compared with 2023. This shift was mostly driven by the government budget deficit, which increased by EUR 5.4 billion, and by an additional EUR 0.9 billion in the State's net acquisition of financial assets.

Compared with the initial forecast, gross borrowing needs were lower by around EUR 1.0 billion, reflecting the following changes: (i) a decrease in net borrowing needs of approximately EUR 2.1 billion, explained by higher-than-expected budget execution (around EUR 0.4 billion) and a decrease in "Net acquisition of State's financial assets" by around EUR 2.5 billion; and (ii) a decrease in other MLT debt redemptions, of around EUR 0.3 billion, resulting from repurchases under the Medium Term Notes (MTN) programme at the end of 2023, not included in the initial 2024 financing programme. These changes were partially offset by an increase in redemptions, stemming from the bilateral repurchase of OT maturing after 2024, totalling around EUR 1.2 billion, as well as the net impact of exchange operations, totalling around EUR 0.2 billion.

The total deposit balance at year-end stood at EUR 6.3 billion, below the initially projected EUR 7.5 billion (excluding margin accounts).

The financing strategy outlined for 2024 envisaged the issuance of two new benchmarks and the reopening of several OT lines via auction, aiming to provide liquidity across the yield curve. Gross OT issuances were therefore estimated at around EUR 13.9 billion (net of exchange operations).

As a result of favourable market conditions for OT issuance and a decrease of around EUR 2.1 billion in "Other movements in Treasury", the OT and BT financing programme had to be adjusted. In this context (i) the OT programme was increased by approximately EUR 1.4 billion and (ii) net BT issuances decreased by EUR 0.4 billion, totalling EUR 5.7 billion, compared with the initially projected EUR 6.1 billion.

The official loan under the RRF contributed with EUR 1.3 billion to the State's funding sources in 2024.

Table 1 – Summary of State borrowing needs and sources in 2024¹⁾

(EUR millions)

(EUR millions)	Fin Prog ²⁾ OE 2024	Execution	Difference
GROSS BORROWING NEEDS	20,631	19,634	-997
Net borrowing needs	11,881	9,772	-2,109
Budget deficit (State subsector)	5,236	5,656	420
Net acquisition of State's financial assets (excl. privatisations)	6,645	4,116	-2,529
One-off operations	0	0	0
Redemptions of MLT debt	8,750	9,862	1,112
OT redemptions (incl. net effect of exchange operations)	6,036	7,433	1,397
Official loans redemptions (EFAP+SURE+RRF)	0	0	0
Other MLT debt redemptions	2,714	2,429	-285
FINANCING SOURCES	20,631	19,634	-997
Use of deposits (excl. margin accounts)	-1,501	-632	869
Official loans issuances (EFAP+SURE+RRF)	2,169	1,271	-898
OT and MTN issuances	13,934	15,287	1,353
OTRV issuances	0	0	0
Other MLT debt issuances	0	805	805
BT net issuances (exc. BT held by the FRDP)	6,097	5,689	-408
CA/CT net issuances	0	-605	-605
Other movements in the Single Treasury Account (excl. margin accounts)	-68	-2,182	-2,114
Deposits balance at year-end (excl. margin accounts and other investments)	7,494	6,305	-1,189
Margin accounts balance at year-end and other investments	-4	0	4
Total deposits balance at year-end	7,490	6,305	-1,185

Notes: 1) Annex 1 provides a more detailed breakdown of State's borrowing needs and sources, as well as a comparison between public accounting's (budgetary) perspective and the treasury's perspective (presented above). 2) Amounts relating to the financing programme publicly announced by the IGCP on its website on 13 December 2024.

Source: IGCP.

The successful implementation of the funding programme relied on the regular and predictable issuance of public debt securities throughout the year, with particular emphasis on Treasury Bonds (OT). The strategy sought to provide liquidity to OT lines, reduce volatility in the run-up to issuance windows, and capitalise on the growing investor demand for Portuguese public debt.

The implementation of the funding programme also benefited from the promotion of Portuguese public debt across financial intermediaries and international investors. In 2024, the IGCP continued to provide regular market disclosures on the Portuguese economy and on the progress of the financing programme, while maintaining ongoing contact with, and offering guidance to, specialised market operators (Primary Dealers and Treasury Bill Specialists). Furthermore, it held several meetings with end investors and rating agencies.

Investor engagement throughout 2024 showed sustained confidence in the Portuguese debt, underpinned by favourable and consistent macroeconomic and budgetary data. This increased credibility was reflected in an upgrade to "A-" by S&P in March and to "A" by Scope.

These decisions raised Portugal's sovereign rating to a higher investment-grade level, with all major credit rating agencies assigning it at least an "A-" rating. This enabled Portugal's re-entry into the FTSE World Government Bond Index (WGBI) in November 2024. Re-entry into the FTSE WGBI was instrumental in broadening the investor base (particularly with the increased participation of Asian

investors) and in reducing the risk premium across the yield curve, thereby enhancing the resilience and competitiveness of Portuguese debt instruments during periods of heightened volatility.

In 2024, gross medium- and long-term market financing amounted to approximately EUR 16.9 billion (nominal value), allocated as follows: (i) EUR 8.8 billion (52%) through OT auctions; (ii) EUR 7.0 billion (41%) through OT syndicated operations; (iii) EUR 0.9 billion (6%) through OT exchange operations; and (iv) EUR 0.2 billion (1%) through a private placement (as part of the regular operations of the FRDP - Public Debt Stabilisation Fund). For comparison, in 2023, total OT issuances stood at EUR 13.3 billion (nominal value) carried out via regular auctions, syndicated issuances, exchange auctions and a private placement for Caixa Geral de Aposentações (CGA), amounting to EUR 4.2 billion (32%), EUR 3.0 billion (22%), EUR 2.4 billion (18%) and EUR 3.7 billion (28%), respectively.

Although market access conditions remained favourable throughout the year, the implementation of the financing programme was constrained by the redemption of the OT on 15 February 2024 (EUR 6.0 billion), which resulted in higher-than-anticipated amounts being placed in auctions held during the first half of the year.

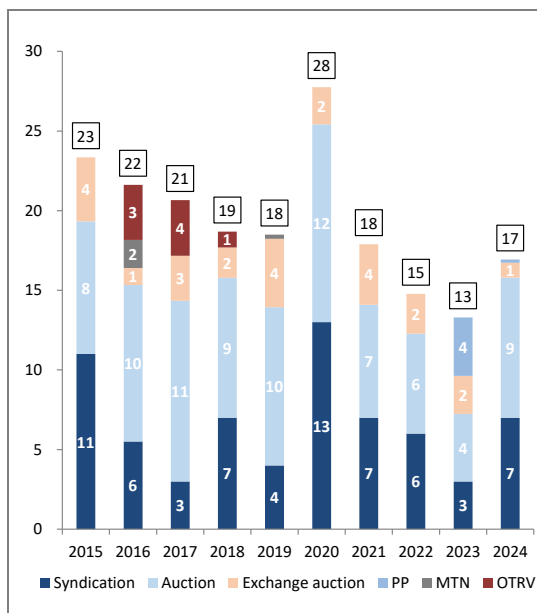
In the second half of the year, lower net expenditure on the acquisition of financial assets compared with the State Budget forecast, together with the increase in issuances carried out in the first half of the year, led to a downward revision of net borrowing needs. As a result, the strategy was adjusted, and the auctions initially scheduled for July, September and October were cancelled. To ensure continuity of market supply and safeguard OT line liquidity, an exchange auction was held in September.

As in previous years, most of the annual financing was concentrated in the first half, accounting for 87% of total issuance (including OT exchange offers), or 92% when these operations are excluded. This concentration was primarily driven by the launch of two new securities — with maturities of ten and thirty years — through syndicated operations in January and May, which allowed for larger issuance volumes. In contrast, the amount issued in the third and fourth quarters was more restrained, amounting to EUR 1.0 billion in each period.

In contrast to 2023 — when financing relied heavily on subscriptions to Savings Certificates and a private placement for the CGA, thus reducing recourse to market operations — this trend was reversed in 2024, with greater reliance on syndicated operations, regular auctions and exchange auctions.

Chart 9 – Medium- and long-term debt issuances by type of placement

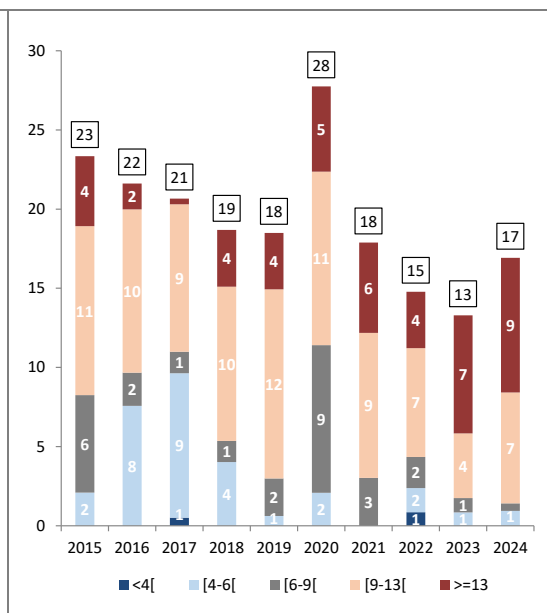
(EUR billions)



Source: IGCP.

Chart 10 – Medium- and long-term debt issuances by maturity

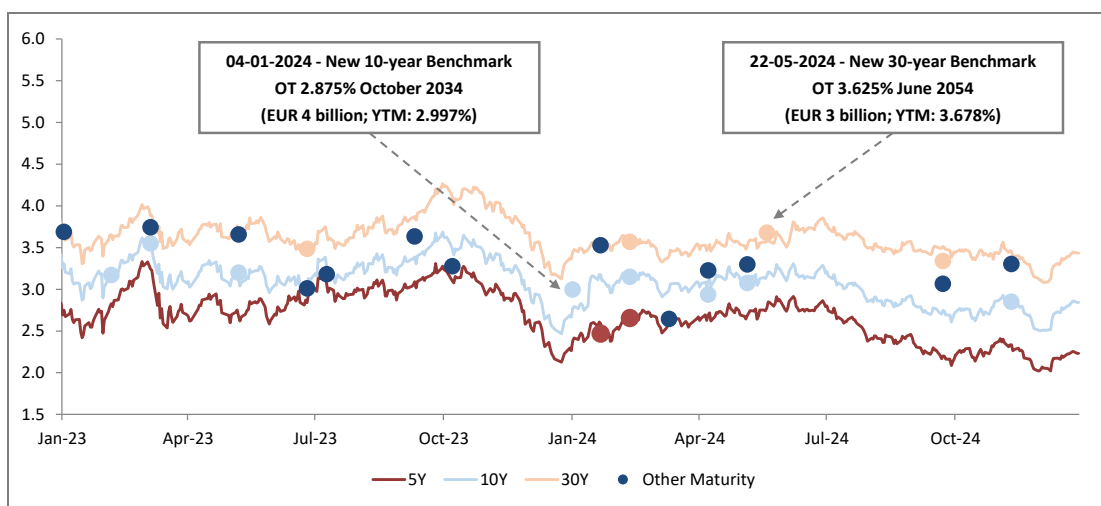
(EUR billions)



Source: IGCP.

Issuances with a residual maturity of more than nine years represented 92% of the total issued, compared to an 87% share in 2023. On the other hand, at the short end of the curve (less than six years), issuances accounted for 6% of the total (similar to 2023).

Chart 11 – Developments in yields in the secondary market and main medium- and long-term debt placements in the primary market (%)



Source: IGCP.

The average maturity of medium- and long-term debt issued in 2024 was 16.5 years, slightly higher than in 2023 (15.6 years). The average maturity of the debt stock remained unchanged at 7.2 years in 2024 (including official loans).

In 2024, long-term institutional investors (real money) maintained their interest in Portugal's syndicated issuances, with notable participation from insurance corporations, pension funds, central banks (excluding the ECB and Banco de Portugal), other public entities and fund managers, recording a slight increase compared to 2023. From a geographical perspective, the United Kingdom, the triad of Germany, Austria and Switzerland, and the triad of France, Italy and Spain stood out.

The active debt management strategy also benefited from the maintenance of relatively high liquidity buffers, which not only helped mitigate refinancing risk in periods of heightened market volatility, but also enabled debt repurchases aimed at smoothing the portfolio's repayment profile.

In this context, debt repurchases in 2024 were carried out via bilateral repurchases and OT exchange auctions, where deemed appropriate in light of market conditions and demand, totalling EUR 2.2 billion.

Box 1 | New thirty-year issuance

The 2024 financing strategy focused on regular issuances of Treasury Bonds, either through auctions or by opening new lines via banking syndicates. In January, a new ten-year line was successfully launched, and market participants subsequently anticipated a new longer-maturity benchmark to complete the yield curve.

One of the guiding principles of the financing programme is to take advantage of issuance windows that capture strong demand while extending the maturity of the debt portfolio, thereby promoting medium- and long-term cost efficiency. In this context, obtaining an “A” credit rating from the three major rating agencies – S&P being the last to assign an “A-” rating in March 2024 – provided greater stability and enhanced investor appeal for a long-term issuance. Therefore, the Portuguese Republic issued a new ten-year Treasury Bond on 22 May 2024.

This transaction was aimed at diversifying the investor base and extending the average maturity of the debt. A thirty-year issuance attracts different types of investors, notably long-term institutional investors such as insurance corporations, pension funds and asset managers, who typically show strong interest in longer-term transactions. This issuance contributed to the maturity of the MLT debt issued in 2024 reaching its highest level in recent years, at 16.5 years.

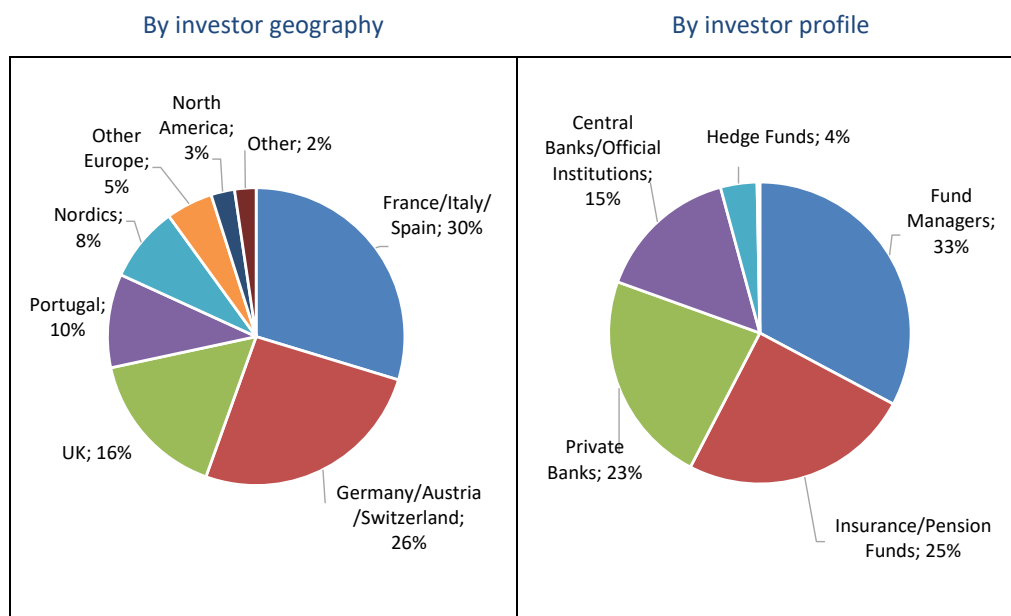
Table 2 – Summary of the issuance

New thirty-year issuance	
Demand (EUR million)	10,988
Allocation (EUR million)	3,000
Demand/Allocation ratio	3.66
Reoffer yield	3.678%
Reoffer price	99.04%
Spread vs Mid Swap	115 bp

Source: IGCP.

This transaction attracted robust demand from high-quality investors, with a well-diversified geographical distribution and strong participation from France, Italy, Spain, Germany, Austria and Switzerland. By investor type, demand was led by fund managers, insurance corporations and pension funds.

Chart 12 – OT syndicated issuance in January 2024: New thirty-year benchmark



Source: IGCP.

Box 2 | Financing raised through official loans

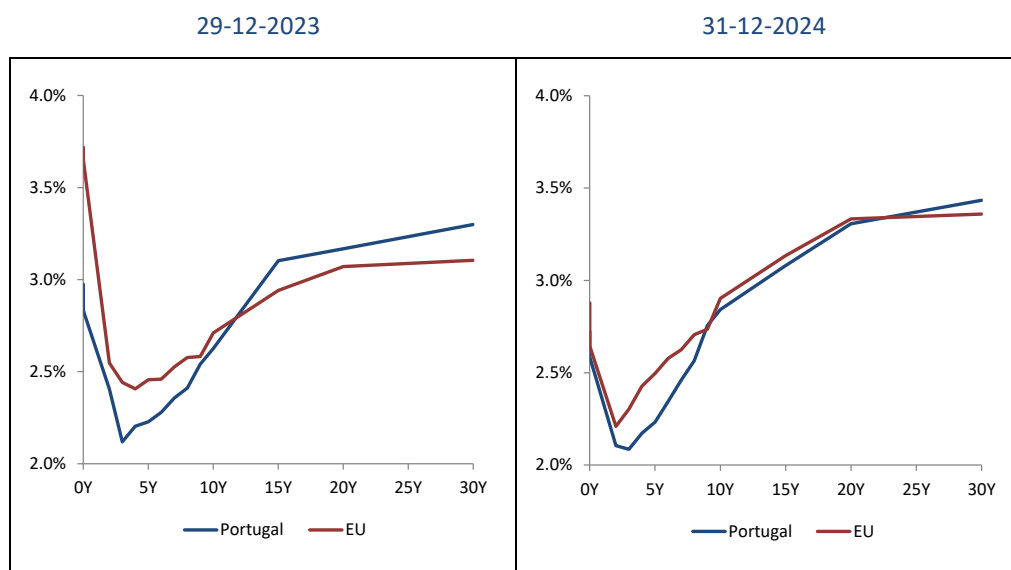
In 2024, the Portuguese Republic received the fifth tranche of funds under the RRF, totalling EUR 2.9 billion, the largest disbursement under this programme to date. The amount received in 2024 comprised EUR 1.7 billion in grants and EUR 1.3 billion in loans.

Together with the advances received in August 2021 under the RRF and the disbursements made in 2022 and 2023, the total amount received stands currently at EUR 11.4 billion, against a total allocation of EUR 22.2 billion following the 2023 reprogramming.

As with previous loans, the EUR 1.3 billion loan received in 2024 has a thirty-year maturity, with a ten-year principal grace period and an average life of twenty years. The interest rate on this loan is not fixed and is linked to the European Union's (EU) market financing cost.

Although the financing cost spread between Portugal and the EU narrowed throughout 2024, reflecting the relative improvement in Portuguese debt, accessing EU financing for longer maturities remains advantageous for the Portuguese Republic, as it allows for the diversification of funding sources at costs comparable to, or lower than, those of OT issuance.

Chart 13 – Yield curves for Portugal and the EU



Source: Bloomberg.

2.2. Secondary Market

At the end of 2024, Portuguese public debt yields showed a mixed performance, compared to the end of 2023. In the short-term, yields declined, with the two-year yield falling to 2.10% from 2.41% at the end of the previous year. The five-year yield remained broadly unchanged at 2.23%. At longer maturities, yields recorded moderate increases. The ten-year yield rose from 2.63% to 2.84% and the thirty-year yield from 3.30% to 3.43%. In comparative terms, yield developments throughout 2024 were more subdued than in 2023.

In 2024, Portuguese government bond yields across the entire curve generally trended upwards until mid-June, reflecting the restrictive monetary policy prevailing at the time. This trend reversed following the interest rate cut cycle led by the ECB at the end of June and the Fed at the end of September, leading to a sharp decline in yields until mid-October. This was followed by a slight increase, driven by uncertainty surrounding the US electoral process. However, this was fully reversed by early December when yields reached their lowest levels of the year. In the final month of the year, yields rose again across all maturities in response to political instability in the euro area's two largest economies – especially the dissolution of the German government and a vote of no confidence in France – which heightened volatility in the European sovereign market.

In 2024, liquidity conditions in the Portuguese debt market improved significantly compared to 2023 and 2022. Bid-offer spreads narrowed in the first half of the year, especially for ten-year maturities, with this tightening starting in April. During the summer period, spreads widened, as is typically the case, before contracting again, supported by a steady presence in the primary market and growing interest in the OT market, driven by expectations – fulfilled in November – of Portugal's re-entry into the FTSE World Government Bond Index.

In October, average daily volumes of OT traded on the secondary market reached their peak, both on electronic platforms and over-the-counter (OTC). The improvement in liquidity conditions and the strong performance of the OT curve were driven by three main factors: (i) the consolidation of the Republic's credit rating at "A" by the main agencies; (ii) a steady presence in the market via auctions; and (iii) re-entry into the WGBI, which prompted investors with indexed portfolios to strengthen their positions in the secondary market. On average, daily volumes reached EUR 426 million, up from EUR 407 million in 2023, supported by greater activity towards the end of the year.

In relative terms, spreads narrowed against the German yield curve. In Portugal, the ten-year yield spread versus Germany narrowed from 62 bp at the beginning of 2024 to 48 bp at year-end. A similar trend was registered in Italy and Spain. In Italy, the spread narrowed from 164 bp to 116 bp, while in Spain it fell from 96 bp to 69 bp.

In 2024, the five largest Primary Dealers (OEVT) accounted for around 59% of total secondary market trading volumes, reflecting a high degree of concentration among these banks. This represents an increase of approximately 9 p.p. compared with 2023 (50%) and is also higher than in 2022 (51%). Over a longer horizon, however, the 2024 concentration remains below the 2012 level, when it reached 73%.

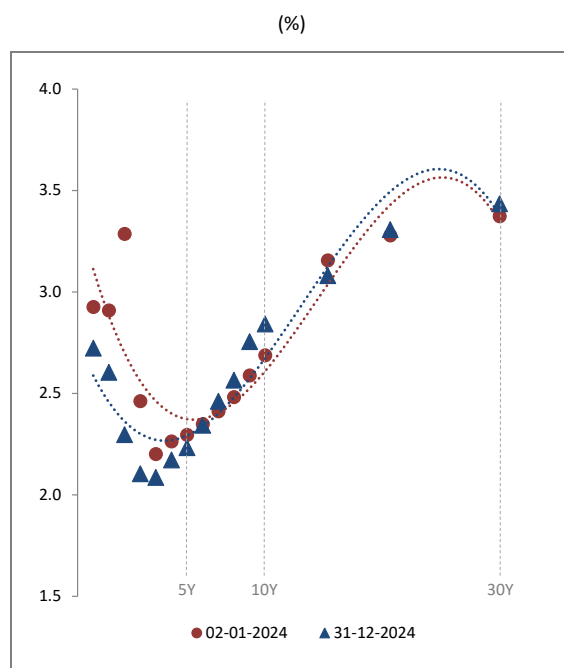
As regards the BT issuance strategy, the policy introduced in 2015 continued in 2024, focusing on concentrating issuances into six lines and opening a new line every two months, with the exception of July, when no auction was initially planned. This approach has allowed for a gradual increase in the outstanding balance per line. The schedule was, however, adjusted at the end of the second quarter, with the inclusion of an additional auction in July, exclusively for the November 2024 line (floating debt),

aimed at strengthening the liquidity of a security identified by the Treasury Bill Specialists as being in high demand but with limited market availability. The year ended with five lines rolling over into 2025.

BT issuance rates were higher in the first half of the year, reflecting the ECB's restrictive monetary policy and developments in money market rates. In the second half of the year, following the start of the central bank's cycle of reference interest rate cuts, BT issuance rates gradually declined, in line with developments in money market rates. For the year as a whole, the average annual BT issuance rate stood at 3.33%, higher than in 2023 (2.94%).

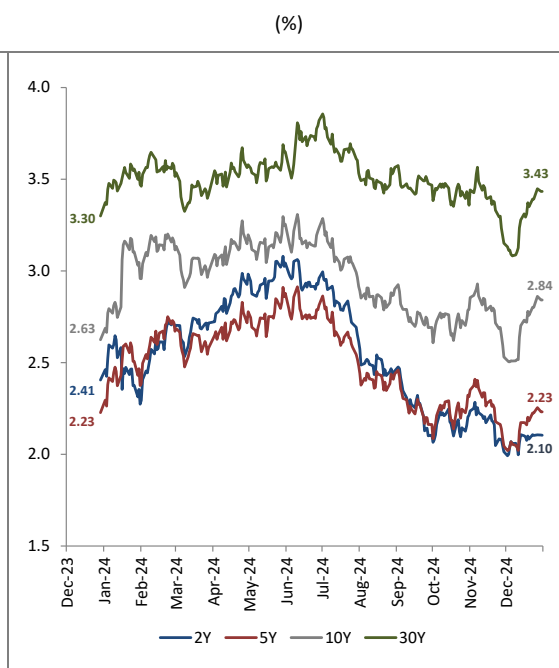
In 2024, the average daily volume of BT transactions in the secondary market more than doubled compared to 2023, rising from EUR 118 million to EUR 282 million. This growth was evident in both electronic platforms and the OTC market. On platforms, the average daily volume increased from EUR 82 million to EUR 185 million, while on the OTC market it rose from EUR 36 million to EUR 97 million. Although the largest absolute increase occurred on platforms, the OTC market experienced the strongest relative growth (169%).

Chart 14 – OT curve developments



Source: Bloomberg.

Chart 15 – 2, 5, 10, 30-year OT rates (%)



Source: Bloomberg.

Chart 16 – Spreads vs. Germany (10 years)

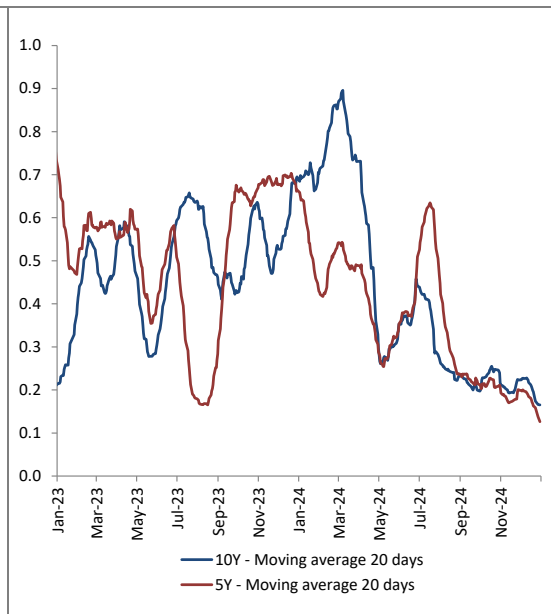
(bp)



Source: Bloomberg.

Chart 17 – Bid-offer spread

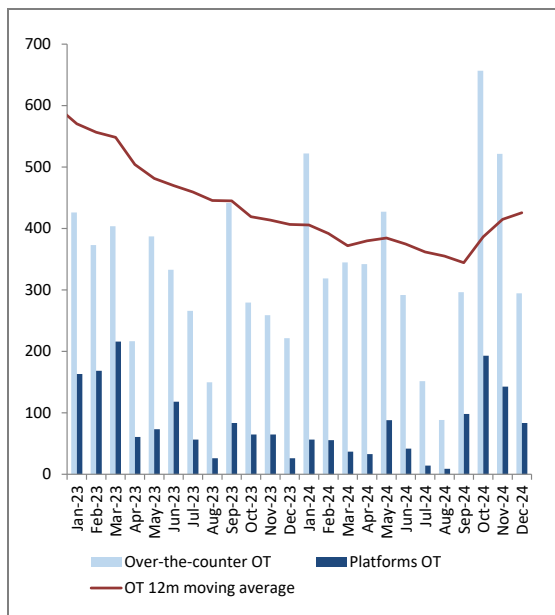
(cents)



Source: IGCP.

Chart 18 – OT trading in the secondary market

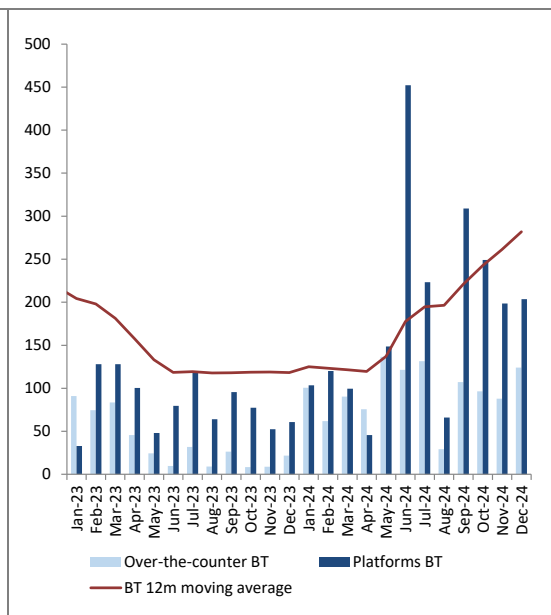
(EUR millions)



Source: Bloomberg.

Chart 19 – BT trading in the secondary market

(EUR millions)



Source: IGCP.

Box 3 | Recent developments in Portugal's rating, entry into the FTSE World Government Bond Index and access to new investors

The year 2024 was again marked by an improvement in the financial ratings of the Portuguese Republic's debt by the leading rating agencies, consolidating its positive trend since 2022. In fact, of the four rating agencies most closely followed by market participants, the only one that had not yet rated Portugal at "A" level, namely S&P, upgraded Portugal's rating to "A-" during the year. Therefore, by the end of the year, Fitch, Moody's, S&P and DBRS, rated Portugal at a level equivalent to or higher than "A-."

The positive evolution of the Portuguese public debt credit risk continues to be supported by the ongoing improvement of four pillars:

- (i) sustained public finance consolidation;
- (ii) favourable economic performance;
- (iii) reduction in external debt;
- (iv) resilience of the banking system.

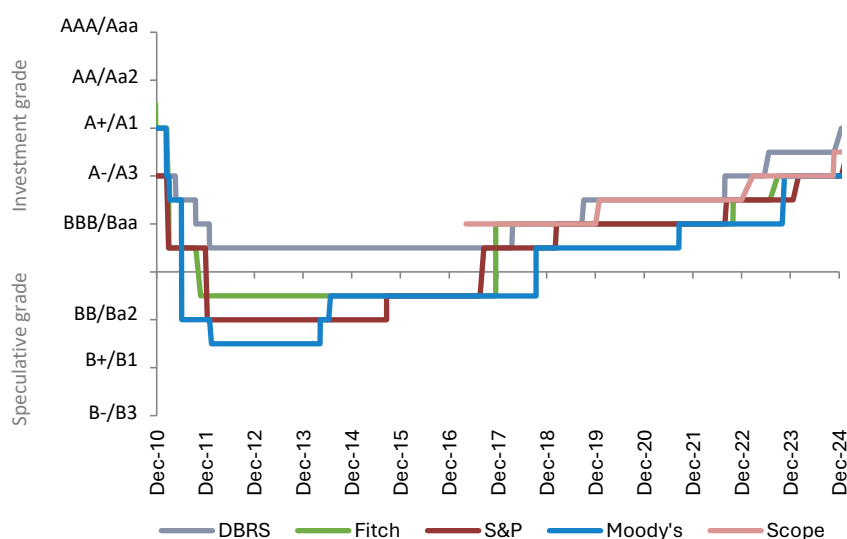
In terms of government finance consolidation, the maintenance of a positive budget balance stood out, although it fell from 1.2% of GDP in 2023 to 0.7% in 2024, accompanied by a decline in public debt, from 97.7% of GDP in 2023 to 94.9% in 2024.

Concerning the evolution of economic activity, the agencies noted robust growth: 2.6% in 2023 and 1.9% in 2024, supported by a resilient labour market, with the unemployment rate at 6.5% in 2023 and 6.4% in 2024.

Concerning the process of reducing external debt, emphasis was placed on the improvement in the current account balance, which rose from 0.6% of GDP in 2023 to 2.2% of GDP in 2024, as well as the significant reduction in net external debt, from 52.5% to 44.4% of GDP over the same period.

Regarding the robustness of the Portuguese banking system, the non-performing loans ratio remained at historic lows (2.4% in Q4 2024), while return on equity rose from 14.8% in 2023 to 15.2% in 2024.

Chart 20 – Developments in Portugal's public debt financial rating



Sources: DBRS, Fitch, Moody's, S&P and Scope.

Against this backdrop, two of the main rating agencies — DBRS and Moody's — reaffirmed Portugal's credit risk rating, while two others — S&P and Scope — upgraded Portugal's sovereign debt rating during 2024. More specifically:

- (i) in January, DBRS affirmed its "A-" rating with a stable Outlook, before revising the Outlook from stable to positive in July;
- (ii) in March, Fitch maintained its "A-" rating with a stable Outlook, subsequently revising the Outlook from stable to positive in September;
- (iii) also in March, S&P upgraded Portugal's rating from "BBB+" to "A-2", maintaining a positive Outlook;
- (iv) in November, Scope followed suit of other agencies by raising the sovereign debt rating from "A-" to "A", while revising the Outlook to stable.

In early 2025, DBRS further upgraded its rating from "A" to "A (high)", revising the Outlook from positive to stable. S&P also raised its rating from "A-" to "A," while maintaining a stable Outlook.

It is also important to highlight the factors pinpointed by the rating agencies as key for a potential upgrade of the Portuguese Republic's credit rating, namely: (i) prospects for a more substantial reduction in its public debt-to-GDP ratio, within a context of continued budgetary discipline; (ii) progress in the downward path of external indebtedness, through a considerable decline in the external debt-to-GDP ratio and an increase in the current account surplus; and (iii) an improvement in its economic growth trend, driven especially by the implementation of investment projects and structural reforms under the Recovery and Resilience Facility, combined with fiscal prudence.

Conversely, the materialisation of any of the following factors could lead to a potential downgrade of Portugal's sovereign debt rating: (i) a deterioration in the public debt outlook, for example due to a decline in political support for prudent fiscal policy or a prolonged period of political uncertainty hindering the implementation of investments and reforms under the RRF; (ii) a reversal of the current downward trend in external debt; and (iii) an intensification of geopolitical risks and external shocks, which could adversely affect Portugal's economic growth and external competitiveness.

Following S&P's sovereign rating upgrade in March 2024, which raised Portugal's rating from "BBB+" to "A-", and the maintenance of investment-grade ratings by the other main rating agencies, Portugal was reinstated in the FTSE World Government Bond Index (WGBI) as of 1 November 2024, after thirteen years of exclusion.

The WGBI is a benchmark bond index in the global sovereign market, comprising public debt securities regarded as low risk and highly liquid, and is widely used by various institutional investors. Inclusion in this index directly impacts investment inflows, as it provides automatic access to a broad base of investors whose portfolios replicate the index composition. Against this backdrop, several investors began including OT in their portfolios through secondary market purchases, leading to a significant increase in demand for Portuguese sovereign securities ahead of Portugal's entry into the FTSE WGBI. In this context, in October 2024 the average daily trading volume of OT reached EUR 850 million, more than double the level of the previous month. Therefore, Portuguese sovereign bonds became more liquid, making trading in international markets easier and, therefore, contributing to reducing bid-offer spreads. The average bid-offer spread on the ten-year benchmark decreased progressively throughout 2024, from 0.74 cents in the first quarter to 0.22 cents in the fourth quarter. All in all, these factors created more favourable conditions for attracting new investors, both geographically and institutionally, thereby promoting the diversification of the Republic's investor base.

3. State Assets and Liabilities

3.1. State Direct Debt and Costs

As of 31 December 2024, the stock of State direct debt², valued at the end-of-period exchange rate, stood at EUR 305.7 billion (Table 20), representing a EUR 9.7 billion increase compared to 2023 (a 3.3% change).

The annual change is mainly due to an increase in OT outstanding stock by EUR 8.7 billion (contribution of 3.0 p.p.) and BT by EUR 6.0 billion (contribution of 2.0 p.p.). Moreover, the balances of Medium- and Long-Term Special Debt Certificates (CEDIM) increased by EUR 1.3 billion (contribution of 0.4 p.p.) and RRF loans by EUR 1.2 billion (contribution of 0.4 p.p.), together with an increase in Savings Certificates (CA) by EUR 0.7 billion (contribution of 0.2 p.p.) and other non-negotiable instruments, namely European Investment Bank (EIB) loans, by EUR 0.7 billion (contribution of 0.2 p.p.).

This upward trend in the above-mentioned instruments was only partially offset by decreases in the balances of Special Public Debt Certificates (CEDIC) by EUR 5.2 billion (contribution of -1.8 p.p.), US dollar-denominated Medium Term Notes (MTN) by EUR 2.4 billion (contribution of -0.8 p.p.) and Treasury Certificates (CT) by EUR 1.3 billion (contribution of -0.4 p.p.).

The issuance of medium- and long-term debt remained an important source of net borrowing for the Portuguese Republic. Gross OT issuances, at cash value, totalled EUR 16.1 billion, resulting in a positive net issuance of EUR 7.9 billion. The relative percentage of OT in the debt stock (nominal value) increased from 52.2% at the end of 2023 to 53.3% in 2024. Considering the balance of Floating Rate Treasury Bonds (OTRV), MTN and Other Bonds in euro, the relative weight of medium- and long-term tradable debt issued in euro stood at 54.0%, compared to 52.8% in 2023.

As for short-term debt, the outstanding balance increased by around EUR 0.8 billion, reflecting a rise of EUR 6.0 billion in BT, partially offset by a net reduction in CEDIC of EUR 5.2 billion. Meanwhile, margin accounts associated with derivative transactions to hedge exchange rate and interest rate risk showed a marginally negative net change (EUR -0.1 billion). Nevertheless, the relative share of short-term debt instruments declined slightly by 0.1 p.p., standing at 10.8% at the end of 2024. This decrease reflected the behaviour of other debt instruments, which increased in absolute terms, thus reducing the relative weight of short-term debt (in euro) within the total debt stock.

The share of non-euro-denominated debt (excluding official loans) became zero in 2024 (from 0.8% of the total in 2023), as a result of the full repayment of the USD-denominated MTN (amounting to USD 2.6 billion), which matured in October 2024.

Official loans (EFAP, SURE and RRF loans) recorded a slight decrease in their relative share in the debt stock, from 18.8% in 2023 to 18.6% at the end of 2024. This decrease primarily reflected the performance of other debt instruments, which increased in absolute terms, thereby reducing the share

² State direct debt is a concept that differs from the public debt compiled by the Banco de Portugal for the purposes of the Excessive Deficit Procedure (Maastricht debt, shown in Chart 5) in several respects, namely: (i) differences in sectoral coverage – State direct debt includes only debt issued by the State, whereas Maastricht debt encompasses all entities classified, for statistical purposes, within the institutional sector of General Government; (ii) consolidation effects – State direct debt reflects only the liabilities of this subsector, while Maastricht debt is consolidated, i.e. General Government assets in liabilities issued by General Government itself are excluded.

of official loans in total debt. In 2024, the balance of the RRF loans increased, following the disbursement by the European Commission of the fifth tranche, amounting to EUR 1.3 billion, in December.

In 2024, the share of retail instruments (CA and CT) declined from 15.2% to 14.6%, reflecting the unfavourable performance of CT, whose negative net subscriptions outweighed the positive net subscriptions of CA. In aggregate terms, net retail issuances (CA/CT) were negative, at around EUR -0.6 billion, corresponding to gross subscriptions of these instruments totalling EUR 3.9 billion.

Throughout the year, CT recorded a low level of subscriptions, as in the previous year. This performance, combined with a high volume of redemptions, though lower than in 2023, resulted in a negative net value for annual subscriptions for a third year in succession. In the case of CA, there was a significant slowdown in subscriptions during the first nine months of the year, in line with the trend in the second half of 2023, following the closure of Series E to new subscriptions and the launch of the new Series F, which offered less attractive remuneration conditions, together with the introduction of more restrictive maximum subscription limits per savings account, cumulative with those of Series E. In September 2024, these maximum subscription limits per savings account were raised, both in terms of maximum Series F subscriptions (from 50,000 to 100,000 units per savings account) and cumulatively with Series E (from 250,000 to 350,000 units per savings account). In turn, in the last quarter of 2024, CA subscriptions accelerated, contributing to a positive net issuance of this instrument for the year as a whole.

Current debt costs

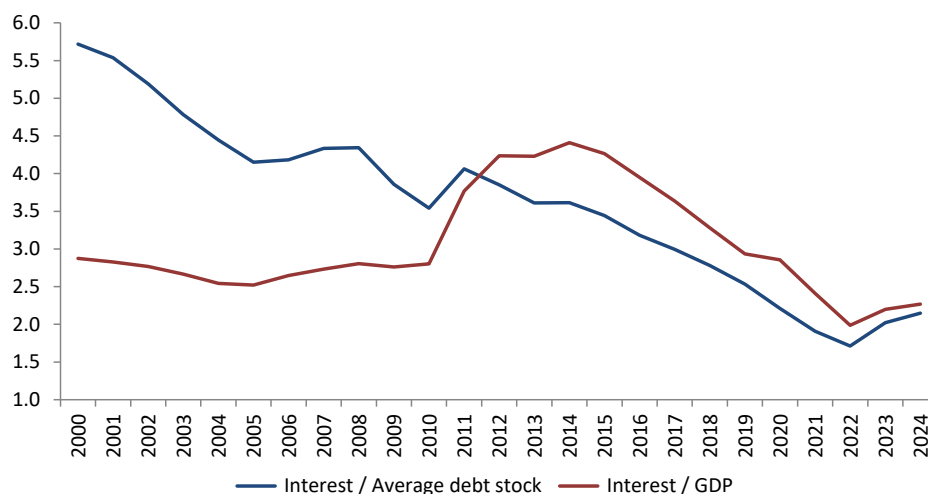
In 2024, current State direct debt burden, from a public accounting perspective, amounted to EUR 7.0 billion, an increase of EUR 282 million compared with the previous year (Table 21, A5). Meanwhile, interest received from financial investments fell by EUR 143 million compared with 2023, to EUR 165 million.

The increase in interest paid reflected, first and foremost, an additional of around EUR 256 million in interest on CA and CT, driven by higher interest associated with CA, owing to the rise in reference interest rates and the payment of loyalty rewards. In turn, interest on other debt instruments rose by EUR 213 million, largely explained by higher interest rates paid on CEDIC remuneration. In the case of BT, interest paid amounted to EUR 175 million, representing an increase of EUR 130 million over the previous year. This reflected new issuances at positive interest rates, in contrast to previous years, as well as the growth in the outstanding balance. Interest on official loans rose by EUR 115 million compared with the previous year, mainly due to higher costs associated with European Financial Stability Facility (EFSF) loans – which carry a variable rate – together with higher interest due to the full extension of the European Financial Stabilisation Mechanism (EFSM) loan tranche in April 2024, with a higher interest rate on the extended-tranche loan, with its first coupon payment occurring in 2024. Conversely, interest on OT, representing the largest share of interest paid, fell by EUR 408 million compared with the previous year, mainly due to the maturity of the 4.95% OT in October 2023, and the impact of buyback and exchange operations carried out in 2023, which reduced the outstanding balance of OT lines with higher associated coupons.

From a National Accounts basis, interest paid on the State direct debt amounted to EUR 6.5 billion in 2024, having increased for the second year on a row, thus breaking the downward trend in recent years. The annual increase in interest paid amounted to EUR 571 million and reflected the unfavourable evolution of the price effect (rise in the implicit interest rate) and, to a lesser extent, the impact of higher outstanding debt (Table 22, A6). The implicit interest rate rose slightly, to 2.1% in 2024 (2.0% in

2023). Meanwhile, interest received from financial investments totalled EUR 166 million in 2024, a decline of EUR 144 million compared with 2023, resulting in total net interest of EUR 6.3 billion. In this context, interest payments as a share of GDP increased marginally, from 2.2% in 2023 to 2.3% in 2024.

Chart 21 – Developments in interest on State direct debt (National Accounts basis) (%)



Source: IGCP.

3.2. State Treasury

State's cash and cash equivalents

State's cash and cash equivalents for the 2023-24 period are broken down in Table 3.

Table 3 – Cash accounts

(EUR millions)

(EUR millions)	Dec-23	Dec-24
Accounts with the BdP	5,674	6,305
Financial Applications	0	0
Financial Applications (National Debt Securities)	155	0
Foreign Exchange Accounts	7	9
Other Bank Accounts	0	0
RCE Accounts (Banks, CTT, SIBS, IRN and National Treasury)	568	384
External Deposits	2	2
Checks	1	0
TOTAL	6,407	6,700

Source: IGCP.

At the end of 2024, the State's cash holdings increased by around EUR 293 million compared with the previous year, as a result of an 11% increase in amounts deposited with the Banco de Portugal.

At the end of 2024, the State's cash position, including the accounts with the Banco de Portugal and other financial investments, totalled EUR 6.3 billion, compared with EUR 5.8 billion at the end of the previous year (or EUR 5.7 billion, excluding margin accounts). The increase in the cash position at the end of 2024 primarily reflects the anticipated rise in financing needs for the following year (2025 compared to 2024), while ensuring that a prudent level is maintained in light of general market

conditions and Portugal's financing conditions, as well as the reduction in financial costs associated with maintaining this balance, within a framework of optimising the average cash balance.

State Treasury Unit

The State Treasury Scheme (RTE), established by Decree-Law No 191/99 of 5 June 1999, and reinforced by the State Budget Law on an annual basis, has established the principle of the State Treasury Unit (UTE), according to which any activity in public funds must be centralised in bank accounts with the IGCP. The UTE is, therefore, a key instrument for optimising the State's liquidity management and financing.

The distribution of funds from public entities and services centralised in the State's cash management system is shown in Table 4, based on the universe of public entities and services using the Internet Banking (IB), the application that acts as the favoured IT support for proper compliance with the UTE.

Table 4 – Cash holdings of Public Services and Entities

(EUR millions)

Type of Client	Funds (EUR millions)							
	Current Account		CEDIC		CEDIM		TOTAL	
	2023	2024	2023	2024	2023	2024	2023	2024
ONSUTE	1,421	2,555	10,225	7,327	0	0	11,646	9,882
SEE	1,136	1,200	2,129	2,006	1	1	3,266	3,206
SFA	1,816	2,485	15,325	13,772	702	1,988	17,844	18,244
SI	1,712	1,247	1,550	877	0	0	3,261	2,124
TOTAL	6,085	7,486	29,229	23,982	703	1,988	36,016	33,456

Source: IGCP.

The cash holdings of public services and entities in State Treasury fell by EUR 2.6 billion as a result of a decrease of around EUR 5.2 billion in amounts invested in CEDIC.

As of 31 December 2024, the Autonomous Funds and Services (SFA) accounted for around 55% of the funds held in the State Treasury, followed closely by Entities not subject to the Government's Treasury Unit (ONSUTE), representing approximately 30% of the total amount.

Initiatives to Promote the State Treasury Unit

Several initiatives were undertaken throughout 2024 to promote the UTE, which made a significant contribution to achieving the level of cash holdings centralised in the State Treasury, as shown in Table 4.

The UTE was publicised to public services and entities through meetings, the conclusion of service provision protocols, the issuance of opinions on the UTE and, on a regular basis, through contacts made by account managers.

In carrying out these actions, the IGCP has consistently sought to advise public services and entities to use the tools best suited to their reality, within the range of banking services offered by the State Treasury.

Among the initiatives implemented, particular emphasis is placed on contacts with basic and secondary schools to ensure compliance with the provisions of Article 91(15) of Decree-Law No 17/2024 of 29 January 2024, concerning the operation of bank accounts opened in 2023, holding amounts related to tax revenues and European funds.

As part of the partnership with AMA, initiated in 2023, to develop a new platform enabling the evolution of the current Single Billing Document (DUC) into a real-time DUC (DUC-TR), allowing for an immediate issuance and collection of these documents, the IGCP continued its preparatory work in 2024 with a view to developing the new platform, which is expected to be made available to revenue administration entities and debt collection agencies between late 2025 and early 2026.

In parallel with the development of the DUC-TR platform, contacts with public services and entities were intensified to encourage them to join the State Collection Network (RCE) using the DUC as a payment reference, resulting in five new sign-ups.

In the year under review, the amount centralised in the State Treasury through the Single Billing Document totalled around EUR 98 billion, corresponding to the collection of around 36 million documents.

The initiatives undertaken by the IGCP to promote the UTE also led to the conclusion of twenty nine banking service agreements: 52% related to the provision of Point-of-Sale (POS) terminal services (by the end of 2024, the IGCP had provided around 5,562 physical devices and 18 virtual POS, enabling public funds of approximately EUR 400 million to flow into the State Treasury), 31% concerned protocols for security deposits in favour of third parties (a substitute service for bank guarantees), and 17% corresponded to tripartite protocols signed between the IGCP/AMA/Client for signing-up to the DUC.

Also, during the year under review, the new banking services identified below were implemented and disseminated to public services and entities:

- CoP - Confirmation of Payee/Payer: A functionality developed by the Banco de Portugal to enhance transparency and confidence across users executing bank transfers, by ensuring that transfers are made to the intended beneficiary. This constitutes an important instrument in the fight against fraud;
- SPIN - Account Derivation Identifier: A functionality developed by the Banco de Portugal, which allows domestic credit transfers to be made using only the payee's mobile phone number (for private individuals, sole proprietors or self-employed professionals) or Legal Person Identification Number (NIPC, for companies);
- Instant transfers: Receiving functionality.

In 2024, further developments were implemented which, as from 2025, will enable the centralisation of amounts collected via physical and virtual POS terminals, MBWAY and SIBS Digital Payments (SPG), directly into an IGCP account, thereby reducing the grounds for granting exemptions from the UTE.

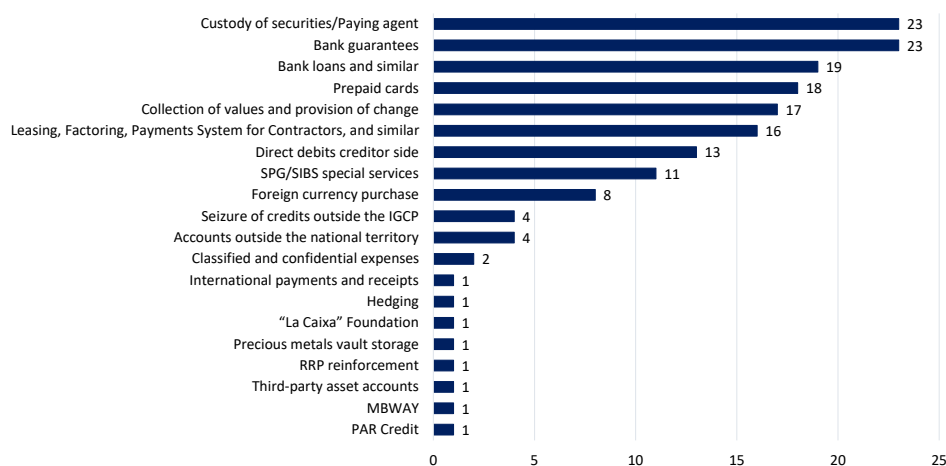
Under the terms of Article 105(6) of Law No 82/2023 of 29 December 2023, public services and entities may be exempted from compliance with UTE. Furthermore, under Article 91(7) of Decree-Law No 17/2024 of 29 January 2024, the IGCP may, in duly substantiated exceptional cases, authorise an exemption from compliance with this principle for a maximum period of two years.

In 2024, the IGCP issued 88 opinions on requests for exemption from compliance with the UTE submitted by public services and entities, of which 22% originated from entities under the Ministry of Health and 20% from those under the Ministry of Infrastructure. Exemptions were most frequently requested by the State-owned Enterprise Sector (SEE) (64%) and entities within the framework of the Autonomous Funds and Services (SFA) (28%).

Chart 22 illustrates the reasons given by public services and entities to justify requests for exemption.

The four most frequent reasons given for requests for exemption from the UTE, accounting for 50% of all cases, are: custody of securities (excluding national public debt), loans and bank guarantees³ (which may in some cases be replaced by security deposits) and prepaid cards.

Chart 22 – Reasons for requesting exemption from UTE



Source: IGCP.

As for contacts made by account managers, particularly noteworthy is that, in a satisfaction survey carried out in 2024, public services and entities have rated their satisfaction with the performance of their managers at 89%.

³ Banking services which the IGCP does not provide, as it is not legally authorised to do so.

4. Portfolio and Risk Limits Management

4.1. State's Derivatives Portfolio Management

During 2024, no new derivative transactions were undertaken. Existing positions were maintained solely to hedge the interest rate risk of the syndicated OT issuance carried out in early January and to preserve the foreign exchange hedge of the US dollar-denominated debt issuance maturing in October.

As of 31 December 2024, all positions had been closed, with no outstanding transactions remaining.

The net result of the derivatives portfolio was positive, amounting to EUR 72.5 million in 2024, primarily reflecting the appreciation of the euro against the US dollar and the increase in long-term interest rates at the beginning of the year.

Table 5 – Change in the financial derivatives portfolio

(EUR millions)	Market value		Cashflow for the period ^(*)	Net change
	31-Dec-2024	29-Dec-2023		
	(1)	(2)	(3)	(4) = (1) - (2) + (3)
Interest rate	0	-40.9	-23.6	17.3
Exchange rate	0	-18.8	36.4	55.2
Total	0	-59.7	12.8	72.5

^(*) Positive cash flows correspond to derivative receivables while negative cash flows correspond to payments made.

Source: IGCP.

4.2. EPR Derivatives Portfolio

In the context of its responsibilities for the management of the State's direct public debt, the IGCP is also responsible for monitoring the derivatives portfolios of public sector entities financed through the State Budget (EPR – Reclassified Public Corporations).

Given that the EPRs are prevented from obtaining financing on the market, no new derivative financial instruments have been taken out to hedge risk.

In 2024, only the derivatives of the *Metropolitano de Lisboa* have reached maturity, with a nominal value of EUR 100 million.

Therefore, as of 31 December 2024, four derivative instruments remained outstanding in the EPR portfolios, all pertaining to the *Metropolitano de Lisboa* portfolio, with a market value of EUR -0.6 million and a contractual value of EUR 160 million.

Table 6 – EPR derivatives portfolio

(EUR millions)	No. of derivatives at year-end	Market value		Cashflow for the period ^(*)	Net change
		31-Dec-2024	29-Dec- 2023		
		(1)	(2)	(3)	(4) = (1) - (2) + (3)
Metropolitano de Lisboa	3	-0.6	-5.2	-1.6	3.0

^(*) Positive cash flows correspond to derivative receivables while negative cash flows correspond to payments made.

Source: Valuation carried out by the IGCP, except for the value of one derivative of *Metropolitano de Lisboa's* derivative, for which the counterparty's valuation is used.

4.3. Cash Management

In 2024, the IGCP pursued a more active management of its cash holdings with a view to securing higher returns than those offered by the Banco de Portugal on demand deposits. This active management enabled the IGCP to achieve rates of return on the State's cash surpluses broadly in line with the euro short-term rate (€STR) for overnight deposits, thereby offsetting the reduction in the remuneration of demand deposits with the Banco de Portugal to €STR -0.20%, which took effect on 1 May 2023.

Among the investments made, reverse repos stand out, through which the IGCP allocated part of its very short-term liquidity surplus, receiving as collateral Treasury Bonds or Treasury Bills issued by core and semi-core euro area sovereigns (rated at least AA–), as well as by Portugal⁴. Reverse repo activity intensified in the second half of the year, following the completion of the legal documentation required for trading these instruments⁵ with several financial counterparties.

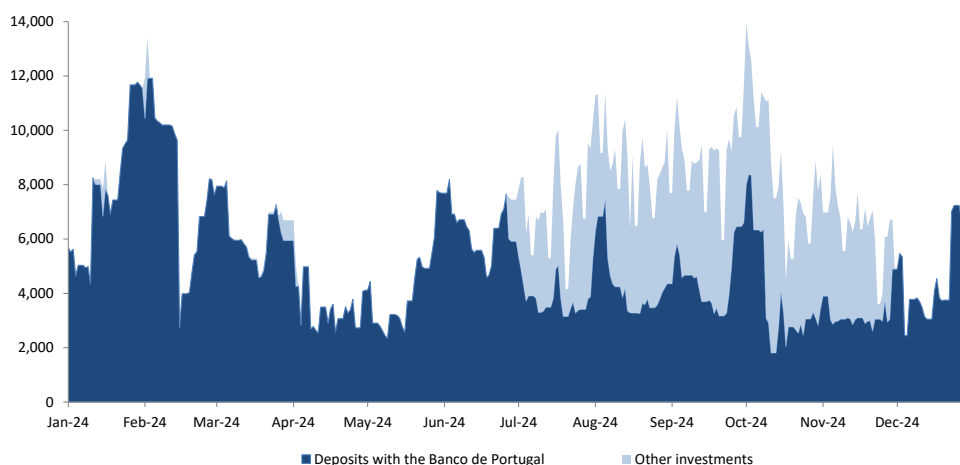
By the end of 2024, the State' cash position amounted to EUR 6.3 billion, up from EUR 5.8 billion at the end of 2023, an amount that was fully deposited with the Banco de Portugal at year-end.

⁴ A reverse repo is an operation whereby the IGCP purchases securities (in exchange for cash), with the agreement to resell them at a pre-determined date, thereby recovering the principal amount together with interest (similar to a collateralised deposit).

⁵ Global Master Repurchase Agreements (GMRA).

Chart 23 – Developments in deposits balance of the Central State Treasury

(EUR millions)



Source: IGCP.

Throughout 2024, the cost of financing required to maintain the Treasury balance, calculated based on the average cost of BT and OT (or BT alone), fell slightly from the peak recorded in the previous year, benefiting from the interest rate reduction cycle initiated by the ECB in mid-year. Concurrently, during the year, the average balance of deposits (and other investments) held by the IGCP decreased compared to 2023, also contributing to reducing the cost of financing the Treasury balance. In this context, the remuneration of deposits and other investments was lower than that in the previous year.

Hence, the Treasury balance net cost fell by half compared to 2023: 0.6%, considering the average cost of OT and BT financing, or 0.5% when calculated solely on the basis of the cost of BT financing.

Table 7 – Estimated cash position costs

(EUR millions)

	Implicit rate total stock ¹⁾			Average cost (BT+OT) ²⁾			Average cost (BT) ³⁾		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Average deposits balance	14,676	13,724	6,407	14,676	13,724	6,407	14,676	13,724	6,407
Financing cost / Financing (%)	1.7%	2.0%	2.1%	1.2%	3.4%	3.2%	0.1%	3.2%	3.1%
Average cost of funding of the Treasury cash balance	252	278	138	182	470	204	9	435	200
Interest received from Treasury deposits and other investments	-13	-309	-165	-13	-309	-165	-13	-309	-165
Net cost of Treasury cash balance	239	-31	-28	169	161	38	-3	126	35
As % of average deposits balance	1.6%	-0.2%	-0.4%	1.2%	1.2%	0.6%	0.0%	0.9%	0.5%
As % of average State's direct debt stock	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
As % of GDP	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%

Notes: 1) The implicit interest rate is computed as the ratio between interest paid on State direct debt, from a National Accounts perspective, and the average stock of State's direct debt in a given year. 2) The financing cost of BT and OT corresponds to the average interest rate of new financing of BT (funded issuances) and OT during the year. 3) The financing cost of BT corresponds to the average interest rate of new financing of BT (funded issuances) during the year.

Source: IGCP.

4.4. Cost Indicators

As of 31 December 2024, the market value of the State direct debt portfolio⁶ was EUR 300,738 million, reflecting a discount of 2.9% over its nominal value. The average coupon of the portfolio decreased to 2.1%, in 2024, while the average yield decreased to 2.5%. The average debt redemption period remained at 7.2 years.

Table 8 – Cost indicators⁷ at year-end

	2022	2023	2024
Stock of State's direct debt (EUR millions)	286,411	296,037	305,970
Average coupon	1.9%	2.4%	2.1%
Average yield	3.0%	2.9%	2.5%
Average redemption period (years)	7.2	7.2	7.2
Market value (EUR millions)	269,835	289,591	300,738
Premium (incl. accrued interest)	-6.7%	-3.4%	-2.9%

Source: IGCP.

4.5. Risk Indicators

The Guidelines for Public Debt Management identify the risk indicators deemed most relevant for the State's debt portfolio and set limits to its exposure. The Guidelines establish ceilings for the interest rate risk (refixing profile and modified duration), refinancing profile, exchange rate risk and credit risk of the adjusted portfolio.

CaR – Cost at Risk

The estimated CaR for the debt portfolio measures the impact of interest rate changes on the costs associated with the debt portfolio, evaluated on a cash flow basis over the relevant future time horizon. Absolute CaR quantifies the maximum potential of public debt costs that could be incurred, with a 95% probability over a given time horizon, reflecting the total exposure to interest rate risk. Relative CaR, in turn, measures the maximum deviation from the expected value of those costs, capturing the variability of the cost of debt in response to interest rate shocks.

The CaR estimate is based, firstly, on the forecast of financing needs implied in the 2025 State Budget, including the primary budget balance. Secondly, it considers the initial position of the debt portfolio at the end of 2024, specifically its composition by maturity – whose redemption amounts determine the

⁶ The State direct debt (consistent with the definition reported in the IGCP Monthly Bulletin and with the portfolio considered for the purposes of the risk indicators reported quarterly to the ESDM – Economic and Financial Committee's Sub-Committee on EU Sovereign Debt Markets) does not include cash investments and includes cash received on margin accounts associated with financial derivatives and securities issued for delivery as collateral.

⁷ The average coupon is calculated by annualising the interest accrued between the last two business days of the year, divided by the outstanding amount for the last business day. The premium indicator results from subtracting the unit from the market value without accrued interest divided by the outstanding. The average yield corresponds to considering a Treasury Bond with a maturity equal to the average redemption period, which pays the average coupon each year and has a price equal to the market value without accrued interest divided by the outstanding.

volumes to be refinanced in 2025 – and by type (fixed or variable), as well as interest rates and spreads, which affect the cash flows of already contracted costs. Moreover, the 2025 financing programme is considered, reflecting the IGCP's anticipated strategy in terms of short- and long-term issuances and their maturity profile. Finally, to capture the uncertainty associated with interest rate developments, a set of simulated scenarios for the term structure of rates (BT and OT) is generated through a multivariate VAR model, fed by three main factors (level, slope and curvature), extracted via Principal Component Analysis (PCA). These factors capture historical dynamics and allow for the projection of plausible trajectories of that curve over the relevant horizon.

Based on this methodological approach:

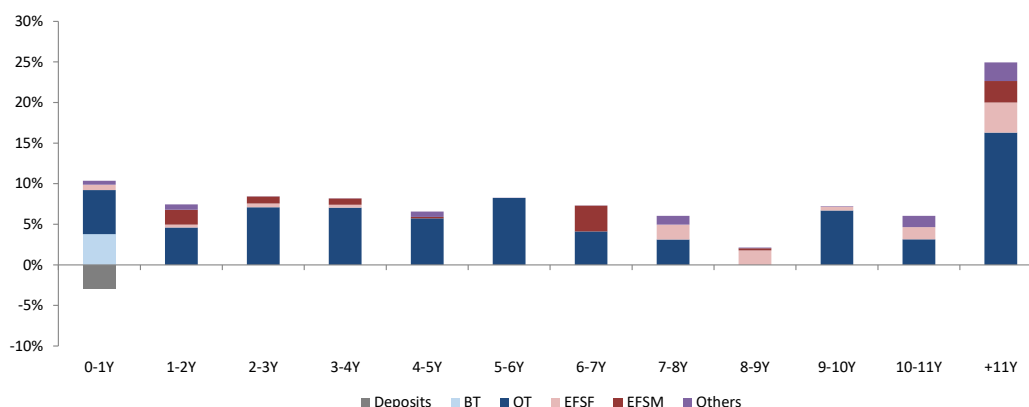
- The expected cost of the portfolio for 2025 (calculated on a National Accounts basis) is EUR 7,088 million;
- The likelihood of this value exceeding EUR 7,259 million (absolute CaR) due to changes in interest rates is only 5%.
- The relative CaR, for the same level of significance, is EUR 171 million. Compared with GDP, the likelihood that changes in interest rates will worsen the budget deficit-to-GDP ratio by more than 0.06 p.p. in 2025 is less than 5%.

Refinancing risk

In addition to market variables⁸, the management of the public debt portfolio also considers the control of the refinancing profile, to avoid excessive concentration of redemptions that could increase future portfolio financing costs.

Absolute limits have been set on the percentage of the portfolio maturing within 12, 24 and 36 months, at 25%, 40% and 50%, respectively. At the end of 2024, the adjusted portfolio showed the following refinancing profile, fully compliant with these limits.

Chart 24 – Portfolio refinancing profile at end-2024



Source: IGCP.

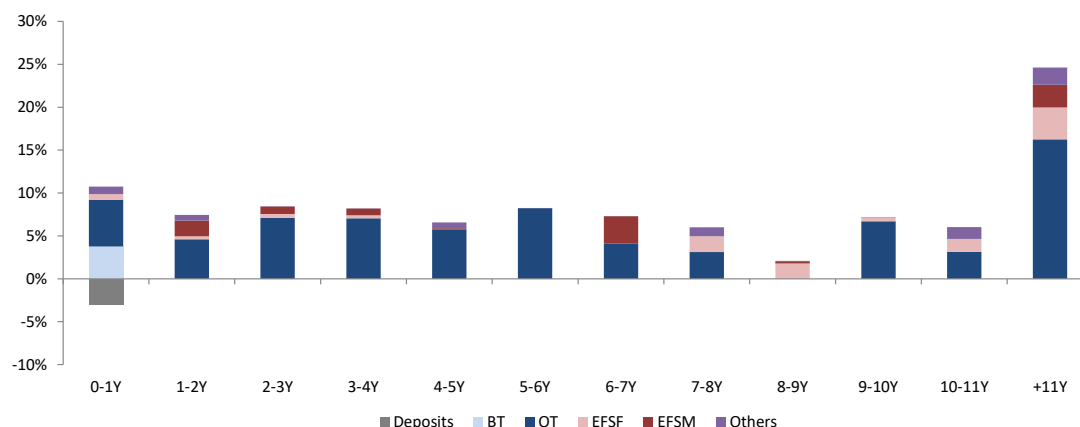
⁸ The public debt portfolio management considers various market variables, namely negotiability, liquidity, maintenance of a benchmark curve for the Portuguese Republic, among others.

Interest rate risk

The modified duration⁹ of the total and adjusted debt portfolio stood at 4.40 and 5.66, respectively, at the end of 2024. Throughout 2024, the duration of the adjusted portfolio remained consistently above the established lower limit of 4.0 years.

At the end of 2024, the portfolio exhibited the refixing profile (i.e., percentage of the nominal value of the adjusted portfolio to be refixed or falling due, by maturity brackets) shown in Chart 25.

Chart 25 – Refixing profile at end-2024



Source: IGCP.

Exchange rate risk

At the end of 2024, both primary foreign exchange exposure (i.e., excluding hedging transactions) and net foreign exchange exposure (i.e., after hedging derivatives) accounted for none of the total adjusted debt portfolio, thereby complying with the limits established in the Guidelines.

Credit Risk

The Portuguese Republic's assumption of credit risk arises from transactions in derivative instruments, repos and money market placements. The Guidelines in force, approved in 2013 by the responsible Secretary of State, establish risk diversification and set exposure limits for each counterparty based on its credit quality.

The credit risk of each counterparty (i.e., of all its derivative agreements with the Portuguese Republic) is calculated using a two-component methodology: its current market value, representing the replacement value of the transaction, and a potential exposure, designed to estimate the potential change in that value in the future. The value resulting from the sum of these two components is then offset against the market value of collateral received or delivered under the Credit Support Annex (CSA).

⁹ Modified duration measures the elasticity of the portfolio's market value to changes in market interest rates.

Throughout 2024, the credit risk exposure of the derivatives portfolio remained below the overall limit set at 3% of the adjusted portfolio.

Table 9 – Risk indicators at year-end

	2022	2023	2024
Primary Foreign Exchange Exposure (% adjusted portfolio)	1.27%	1.16%	0.00%
Net Foreign Exchange Exposure (% adjusted portfolio)	0.00%	0.00%	0.00%
Total Portfolio Duration (years)	4.50	4.46	4.40
Adjusted Portfolio Duration (years)	5.39	5.88	5.71

Source: IGCP.

Annexes

A1. Borrowing Needs and Sources in 2024

Table 10 – State borrowing needs and sources on a Public Accounts basis

(EUR millions)

(EUR millions)	2023	2024
1. NET BORROWING REQUIREMENTS	3,455	9,772
Budget Deficit (State subsector)	189	5,656
Net acquisition of State's financial assets (excl. privatisations)	3,266	4,116
2. REDEMPTIONS AND CANCELLATIONS (Funded Debt)	53,332	47,402
Saving Certificates + Treasury Certificates	6,350	4,469
Short-term euro-denominated debt	29,222	32,198
Medium- and long-term euro-denominated debt	17,950	8,324
Non-euro denominated debt	381	2,429
Swap capital flows (net)	-571	-18
3. GROSS BORROWING REQUIREMENTS (1. + 2.)	56,787	57,174
4. SOURCES OF FINANCING	57,517	57,294
Balance of funding from previous budgets	522	1,009
Debt issuance of the year's budget	56,995	56,285
Debt issuance in complementary period	0	0
5. BALANCE OF FUNDING FOR FORTHCOMING BUDGETS (4. - 3.)	1,009	28
<i>memo.</i> Statistical discrepancies	279	-93
<i>memo.</i> DEBT ISSUANCE IN THE CIVIL YEAR (Funded Debt)	60,795	56,285
Relative to the budget of the previous year (Complementary Period)	3,800	0
Relative to the year's budget	56,995	56,285

Sources: Ministry of Finance and IGCP.

Table 11 – State borrowing needs and sources on a Cash Management basis

(EUR millions)

(EUR millions)	2023	2024
GROSS BORROWING REQUIREMENTS	19,751	19,634
Budget Deficit (State subsector)	189	5,656
Net acquisition of State's financial assets (excl. privatisations)	3,266	4,116
One-off operations	0	0
OT redemptions (incl. net effect of exchange operations)	13,649	7,433
Official loans redemptions (EFAP+SURE+RRF)	1,500	0
Other MLT debt redemptions	1,147	2,429
SOURCES OF FINANCING	19,751	19,634
Use of deposits (excl. margin accounts)	638	-632
Official loans issuance (EFAP+SURE+RRF)	694	1,271
OT and MTN issuances	9,393	15,287
OTRV issuances	0	0
Other MLT debt issuances	39	805
BT net issuances (excl. BT held by the FRDP)	-4,563	5,689
CA/CT net issuances	10,222	-605
Other movements in the Single Treasury Account (excl. margin accounts)	3,327	-2,182
Deposits balance at year-end (excl. margin accounts and other investments)	5,674	6,305
Margin accounts balance at year-end and other investments	155	0
Total deposits balance at year-end	5,828	6,305

Sources: Ministry of Finance and IGCP.

A2. Financing Composition in 2024

Table 12 – Financing composition

(EUR millions)

(EUR millions)	Issuance	Redemption	Net
EURO DEBT	56,285	44,991	11,295
CA - Saving Certificates	3,821	3,137	684
CT - Treasury Certificates	43	1,332	-1,289
CEDIC	23,982	29,228	-5,246
CEDIM	1,285	0	1,285
BT - Treasury Bills	8,995	2,968	6,026
OT - Treasury Bonds	16,084	8,212	7,872
OTRV - Floating Rate Treasury Bonds	0	0	0
EFSF	0	0	0
EFSM	21	0	21
SURE	0	0	0
RRF	1,250	0	1,250
Other Short-term Debt	0	2	-2
Other Medium- and Long-term Debt	805	112	693
NON-EURO DEBT	0	2,429	-2,429
IMF	0	0	0
Other Debt	0	2,429	-2,429
SWAPS (NET)	0	-18	18
TOTAL	56,285	47,402	8,884

Sources: Ministry of Finance and IGCP.

Table 13 – OT issuance via syndication

Date	Issue	Nominal value (EUR millions)	Issuance yield	Spread vs benchmark ¹⁾ (bp)	Mid Swap spread (bp)
04 Jan 2024	OT 2.875% Oct 2034	4,000	2.997%	86	40
22 May 2024	OT 3.625% June 2054	3,000	3.678%	99	115

¹⁾ Bund.

Source: IGCP.

Table 14 – OT issuance via auction

Date	Security	Competitive auction nominal value (EUR millions)	Non-competitive auction nominal value (EUR millions)	Cut-off / Allocation yield	Mid Swap spread (bp)
24 Jan 2024	OT 2.125% Oct 2028	345	0	2.471%	-22.7
24 Jan 2024	OT 1.15% Apr 2042	675	0	3.462%	72.4
24 Jan 2024	OT 4.1% Feb 2045	679	0	3.527%	83.4
14 Feb 2024	OT 1.95% June 2029	453	136	2.656%	-8.6
14 Feb 2024	OT 2.875% Oct 2034	800	224	3.149%	40.7
14 Feb 2024	OT 1.0% Apr 2052	531	148	3.568%	103.8
13 Mar 2024	OT 0.3% Oct 2031	485	0	2.645%	6.8
13 Mar 2024	OT 1.15% Apr 2042	516	0	3.262%	74.6
10 Apr 2024	OT 2.25% Apr 2034	641	0	2.937%	29.8
10 Apr 2024	OT 3.5% Jun 2038	353	0	3.227%	57.0
10 Apr 2024	OT 4.1% Feb 2045	529	0	3.433%	86.3
08 May 2024	OT 2.875% Oct 2034	405	0	3.075%	33.9
08 May 2024	OT 3.5% Jun 2038	608	0	3.297%	55.2
13 Nov 2024	OT 2.875% Oct 2034	577	150	2.851%	49.6
13 Nov 2024	OT 4.1% Feb 2045	432	112	3.304%	99.0
		8,029	770		

Source: IGCP.

Table 15 – OT exchange offers

Date	Security	Side	Exchange offer YTM	Nominal value (EUR millions)
25 Sept 2024	OT 3.5% Jun 2038	Issuance	3.07%	500
25 Sept 2024	OT 1.15% Nov 2042	Issuance	3.20%	170
25 Sept 2024	OT 1.0% Apr 2052	Issuance	3.34%	255
				925
25 Sept 2024	OT 2.875% July 2026	Purchase	2.19%	575
25 Sept 2024	OT 4.125% Apr 2027	Purchase	2.10%	350
				925

Source: IGCP.

Table 16 – BT auctions

Date	Security	Competitive auction nominal value (EUR millions)	Non-competitive auction nominal value (EUR millions)	Cut-off / Allocation yield	Spread vs Euribor (bp)
17 Jan 2024	BT 17 Mar 2024	270	39	3.66%	-22.4
17 Jan 2024	BT 19 July 2024	565	97	3.66%	-20.2
17 Jan 2024	BT 17 Jan 2025	1,065	0	3.28%	-32.0
21 Feb 2024	BT 22 Sept 2024	788	101	3.65%	-23.2
21 Feb 2024	BT 17 Jan 2025	500	148	3.44%	-30.2
21 Feb 2024	BT 20 Sept 2024	500	77	3.74%	-17.0
20 Mar 2024	BT 21 Mar 2025	1,000	97	3.44%	-31.3
17 Apr 2024	BT 19 July 2024	735	0	3.77%	-12.6
17 Apr 2024	BT 21 Mar 2025	845	0	3.46%	-28.2
15 May 2024	BT 22 Nov 2024	500	141	3.63%	-16.4
15 May 2024	BT 19 May 2025	750	227	3.45%	-22.9
19 June 2024	BT 20 Sept 2024	850	0	3.65%	-6.4
19 June 2024	BT 16 May 2025	650	0	3.42%	-20.9
17 July 2024	BT 22 Nov 2024	1,000	67	3.55%	-10.5
18 Sept 2024	BT 21 Mar 2025	250	46	3.16%	-7.6
18 Sept 2024	BT 19 Sept 2025	500	178	2.79%	-12.9
16 Oct 2024	BT 19 Sept 2025	750	202	2.67%	-12.5
04 Dec 2024	BT 16 May 2025	750	6	2.65%	-3.7
04 Dec 2024	BT 21 Nov 2025	500	160	2.34%	-2.7

Note: Issuances in favour of the FRDP (Public Debt Stabilisation Fund) are excluded.

Source: IGCP.

Table 17 – CEDIC/CEDIM

	2023				2024			
	Nominal value (EUR million)	No. of transactions	Average rate ¹⁾ (%)	Average redemption period (years)	Nominal value (EUR million)	No. of transactions	Average rate ¹⁾ (%)	Average redemption period (years)
CEDIC								
Issuances	49,280	1,540	2.39%	0.20	63,390	2,079	2.81%	0.16
Early redemptions	2,891	98	1.42%	0.31	348	72	2.62%	0.28
Year-end balance	29,228				23,982			
CEDIM								
Issuances	0	1	2.98%	8.05	1,285	10	2.82%	2.81
Early redemptions	2	6	3.04%	0.69	0	0	0.00%	0.00
Year-end balance	0				1,988			

¹⁾ Rate weighted by investment maturity.

Source: IGCP.

A3. Performance Evaluation of Participants in the Portuguese Public Debt Market

In the Portuguese public debt market, OEVT and EBT play a strategic role. As distribution channels, they provide reference prices and liquidity in the secondary market, while also advising the Portuguese Republic on the design and implementation of its financing strategy. They also play a key role in promoting Portuguese public debt across end-investors. At the end of 2024, the OEVT group comprised sixteen banks and the EBT group eighteen banks.

The performance of the following participants in the OT and BT market in 2024 is particularly noteworthy:

Table 18 – Best-performing OEVT in 2024

1	JP Morgan
2	BNP Paribas
3	Banco Santander
4	BBVA
5	Crédit Agricole

Source: IGCP.

Table 19 – Best-performing EBT in 2024

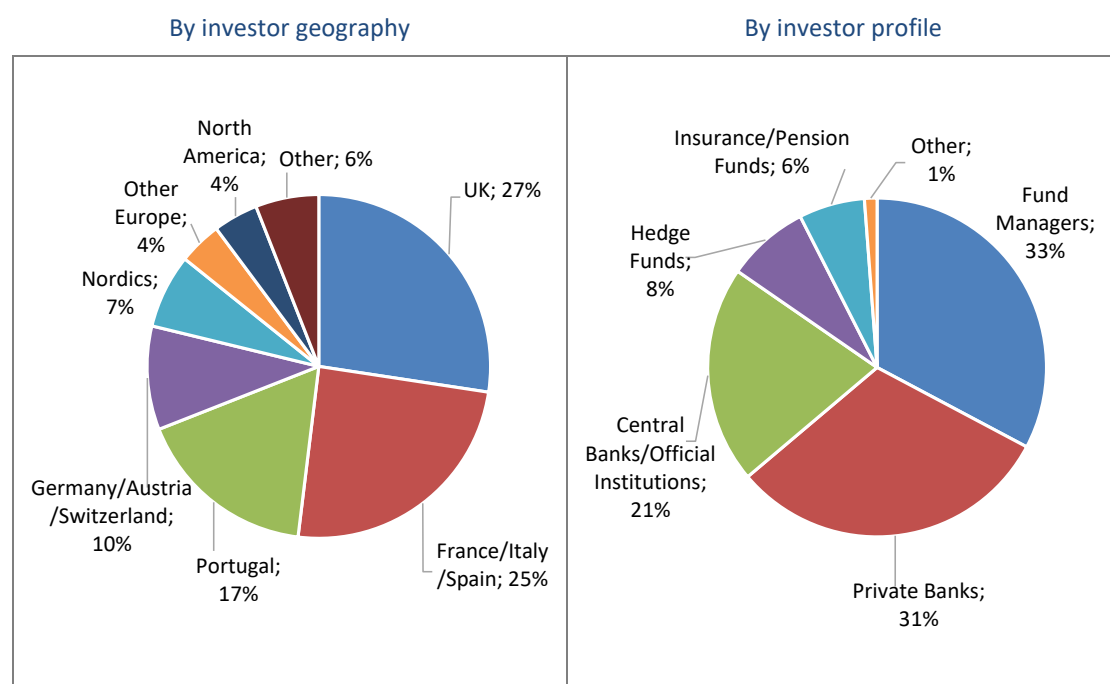
1	HSBC
2	Banco Santander
3	Millennium bcp
4	Deutsche Bank
5	BNP Paribas

Source: IGCP.

A4. Distribution of OT syndicated issuances

In January 2024, the Portuguese Republic placed EUR 4 billion in OT through a ten-year syndicated transaction. In this transaction, about 83% of the final amount was allocated to non-resident investors, with particular emphasis on investors from the United Kingdom (27%), alongside a significant presence of investors from France, Italy and Spain (around 25% of the distribution), and Germany, Austria and Switzerland (10%). Also of note is the strong participation of fund managers, insurance corporations and pension funds, which typically provide greater price stability in the secondary market.

Chart 26 – OT syndicated issuance in January 2024: New ten-year Benchmark



Source: IGCP.

Source: IGCP.

A5. Table of State Direct Debt Turnover

Table 20 – State direct debt (Public Accounts basis)

(EUR millions, except structure in %)

	Outstanding on 31-Dec-23	Structure	January - December 2024			Outstanding on 31-Dec-24	Structure
			Issues	Redemptions	Others		
1. Euro-denominated debt (excluding official loans)	238,047	80.4%	109,562	99,537	872	248,944	81.4%
Tradable	159,337	53.8%	31,187	17,288	872	174,107	57.0%
ECP (discounted value)	0	0.0%	0	0	0	0	0.0%
BT (discounted value)	2,968	1.0%	15,103	9,077	0	8,995	2.9%
OT - Treasury Bonds	154,345	52.2%	16,084	8,212	872	163,090	53.3%
OTRV - Floating Rate Treasury Bonds	1,000	0.3%	0	0	0	1,000	0.3%
Other Bonds	0	0.0%	0	0	0	0	0.0%
MTN	1,016	0.3%	0	0	0	1,016	0.3%
Retail Bonds	7	0.0%	0	0	0	7	0.0%
Non-tradable	78,710	26.6%	78,375	82,249	0	74,836	24.5%
Saving Certificates	34,059	11.5%	3,822	3,137	0	34,743	11.4%
Subscription value	29,218	9.9%	2,850	2,788	0	29,281	9.6%
Accrued interest	4,841	1.6%	972	349	0	5,463	1.8%
Treasury Certificates	11,032	3.7%	43	1,332	0	9,742	3.2%
CEDIC	29,228	9.9%	63,499	68,746	0	23,982	7.8%
CEDIM	703	0.2%	1,285	0	0	1,988	0.7%
Margin accounts	0	0.0%	281	281	0	0	0.0%
Others	3,689	1.2%	9,444	8,752	0	4,381	1.4%
2. Non-Euro-denominated debt (excluding official loans)	2,397	0.8%	0	2,429	32	0	0.0%
Tradable	2,397	0.8%	0	2,429	32	0	0.0%
ECP (discounted value)	0	0.0%	0	0	0	0	0.0%
Other Bonds	0	0.0%	0	0	0	0	0.0%
MTN	2,397	0.8%	0	2,429	32	0	0.0%
Non-tradable	0	0.0%	0	0	0	0	0.0%
3. Official loans	55,516	18.8%	1,271	0	-21	56,766	18.6%
SURE	6,234	2.1%	0	0	0	6,234	2.0%
RRF	1,654	0.6%	1,250	0	0	2,904	0.9%
EFAP	47,628	16.1%	21	0	-21	47,628	15.6%
EFSF	25,328	8.6%	0	0	0	25,328	8.3%
EFSM	22,300	7.5%	21	0	-21	22,300	7.3%
IMF	0	0.0%	0	0	0	0	0.0%
4. Total Debt (1.+ 2.+3.)	295,960	100.0%	110,832	101,966	884	305,710	100.0%
5. Exchange rate effect of hedging with derivatives (net)	-9					0	
6. Total debt after derivatives (4.+ 5.)	295,951					305,710	

Notes: Outstanding amounts are recorded at nominal value (except for instruments issued at a discount, which are recorded at their discounted value), and are valued at the end-of-period exchange rate, while issuances and redemptions are recorded at cash value. The "Others" column includes changes in exchange rates, capital gains or losses on issuances and redemptions, and changes in the value of perpetuities and consolidated annuities.

Source: IGCP.

A6. Cost of State Direct Debt

Table 21 – Interest costs and other charges on State direct debt (Public Accounts basis)

(EUR millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Government debt interest	7,282	7,034	7,063	7,108	6,837	6,287	6,041	6,611	6,916
Treasury Bills	9	2	-35	-45	-49	-51	-40	45	175
Treasury Bonds	4,544	4,599	4,842	4,858	4,716	4,642	4,382	4,195	3,787
Official loans	1,846	1,567	1,178	1,058	990	673	627	608	723
Savings and Treasury Certificates	791	669	731	780	715	576	739	1,311	1,567
Others	92	197	347	457	464	447	334	452	665
Other charges (*)	101	93	82	61	80	77	65	70	47
Official loans	16	11	28	15	14	28	9	5	0
Others	85	82	54	47	65	49	56	65	47
Total charges paid	7,383	7,127	7,145	7,169	6,917	6,364	6,106	6,681	6,963
Interest received from deposits and loans granted	-4	-4	1	-2	8	14	-13	-309	-165
Net interest and other charges	7,379	7,123	7,146	7,168	6,925	6,378	6,094	6,372	6,798

Notes: (*) Other charges include costs associated with the placement of debt in the market (securities issuance, distribution, redemption and custody), as well as the IGCP's management fee and other expenses related to the obtain a credit risk rating for the Portuguese Republic.

Source: IGCP.

Table 22 – Interest on State direct debt (National Accounts basis)

(EUR millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Government debt interest									
Treasury Bills	5	-14	-46	-47	-49	-49	-23	109	282
Treasury Bonds	4,315	4,384	4,220	3,930	3,616	3,327	3,223	3,206	3,199
Official loans	1,942	1,574	1,245	1,115	1,063	862	589	641	760
Savings and Treasury Certificates	734	707	789	745	567	592	666	1,381	1,557
Others	365	454	516	549	543	486	390	557	668
Total charges paid	7,362	7,106	6,724	6,292	5,741	5,218	4,845	5,894	6,465
Interest received from deposits and loans granted	-3	-4	1	-1	8	13	-14	-310	-166
Net interest and other charges	7,358	7,103	6,725	6,290	5,748	5,231	4,831	5,584	6,299

Notes: Unlike Public Accounting, which follows a cash basis, the National Accounts basis considers interest on an accrual basis. The specific methodology for calculating interest on Treasury Certificates in the National Accounts may result in minor retroactive revisions to the series.

Source: IGCP.

Table 23 – Annual change in interest on State direct debt (National Accounts basis)

(EUR millions, except interest rate in %)

Year	Average debt stock*	Interest** (national accounts)	Implicit interest rate	Annual change in interest	Contributions to interest change		
					Stock effect	Price effect	Cross effect
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2000	64,566	3,692	5.7%	0	0	0	0
2001	69,313	3,840	5.5%	147	271	-116	-9
2002	75,962	3,943	5.2%	103	368	-242	-23
2003	81,426	3,895	4.8%	-48	284	-309	-22
2004	87,058	3,871	4.4%	-24	269	-275	-19
2005	96,249	3,995	4.2%	124	409	-257	-27
2006	105,158	4,400	4.2%	404	370	31	3
2007	110,681	4,797	4.3%	397	231	158	8
2008	115,633	5,024	4.3%	227	215	12	1
2009	125,605	4,846	3.9%	-178	433	-562	-49
2010	142,261	5,038	3.5%	192	643	-398	-53
2011	163,657	6,646	4.1%	1,608	758	739	111
2012	185,431	7,141	3.9%	494	884	-344	-46
2013	199,837	7,218	3.6%	77	555	-443	-34
2014	211,201	7,636	3.6%	419	410	8	0
2015	222,207	7,650	3.4%	14	398	-365	-19
2016	231,323	7,362	3.2%	-289	314	-579	-24
2017	237,273	7,106	3.0%	-255	189	-434	-11
2018	241,911	6,724	2.8%	-382	139	-511	-10
2019	248,285	6,292	2.5%	-432	177	-594	-16
2020	259,664	5,741	2.2%	-551	288	-803	-37
2021	273,403	5,218	1.9%	-523	304	-785	-42
2022	282,754	4,845	1.7%	-373	178	-533	-18
2023	291,490	5,894	2.0%	1,049	150	873	27
2024	300,835	6,465	2.1%	571	189	370	12

Notes: * The calculation of the average debt stock considers total debt including margin accounts. ** Excludes interest received on deposits and other loans granted.

$$(2) = S_t - \text{average stock at the end of } t \text{ and } t-1$$

$$(4) = i_t = (3)_t / (2)_t$$

$$(5) = \Delta(S_t \cdot i_t) = i_{t-1} \cdot \Delta S_t + S_{t-1} \cdot \Delta i_t + \Delta S_t \cdot \Delta i_t$$

$$(6) = i_{t-1} \cdot \Delta S_t$$

$$(7) = S_{t-1} \cdot \Delta i_t$$

$$(8) = \Delta S_t \cdot \Delta i_t$$

Source: IGCP.