TesoroPúblico
KINGDOM OF SPAIN

Kingdom of Spain
5-year Euro Area Inflation-Linked
Bono del Estado due November 2019

PRESS RELEASE – 7 October 2014

The Kingdom of Spain, acting through the Spanish Treasury, with ratings of Baa2 by Moody's (positive outlook), BBB by S&P (stable outlook), BBB+ by Fitch (stable outlook) and A (low) by DBRS (negative outlook), today launched its second EUR government bond linked to Euro Area Harmonised Index Consumer Price HICP (ex Tobacco). It represents the Kingdom's fourth syndicated transaction of the year following the launch of two nominal 10-year transactions and its inaugural EUR government bond linked to Euro Area HIPC (ex-Tobacco). Due 30 November 2019, the EUR 5bn 5-year benchmark issue carries a 0.55% annual coupon and was priced at a spread of 69bps through the 4.3% SPGB due October 2019 to give a real yield of 0.248% and a re-offer price of 101.536%. BBVA, BNP Paribas, CaixaBank, Citi, J.P. Morgan and SG CIB were mandated as joint bookrunners on the transaction.

Context

- The transaction continues the Kingdom of Spain's Eurozone inflation-linked bond programme as announced in its 2014 issuance strategy.
- The inflation-linked programme has been established with the objective to diversify the Kingdom of Spain's investor base and to lengthen the average life of its government bonds.
- The net financing need for the Kingdom of Spain for 2014 totals EUR 55bn. Gross issuance of bonds and long term loans is estimated at EUR 129.3bn as published by the Spanish Treasury.
- In line with those objectives, the gross issuance of medium- and long-term bonds of the regular funding programme, excluding additional issuance for early redemptions, stands at €118bn, 91.3% of the projected figure.

Highlights of the Issue

- Taking advantage of stable market conditions and the notable performance of Spanish Government bonds over recent months, the Spanish Treasury decided to launch a new 5-year Euro Area Inflation-Linked benchmark transaction. The mandate was officially announced on Monday 6th October at 5pm CET to allow the market to digest the announcement before an expected launch on Tuesday.
- The announcement of the mandate was met with strong investor feedback from the outset, with notable large-sized orders being indicated on Monday, enabling the Kingdom with flexibility towards price thoughts.
- Following overnight feedback, initial price thoughts of mid 60bps through the 4.3% SPGB October 2019 were released at 9:35am CET on Tuesday, 7th October.
- Following an hour of initial price thoughts, which yielded in excess of EUR 6bn indications of interest, books officially opened at 10:40am CET with official price guidance of 66 to 69bps through the 4.3% SPGB October 2019.

BBVA BNP PARIBAS CORPORATE & INVESTMENT BANKING CaixaBank citi J.P.Morgan SOCIETE GENERALE Corporate & Investment Banking

- Continuing on from the strong indications of interest, spread was fixed at 4.3% SPGB October 2019 less 69bps as the orderbook contained very limited price sensitivity, enabling the Kingdom and joint leads to price at the tight end of guidance.

- Following orderbooks going subject at 12:15pm CET, demand finished in excess of EUR 11.7bn, with 165 investors participating. The impressive investor demand enabled the Spanish Treasury to size the new benchmark at EUR 5bn, the higher end of its expectations.

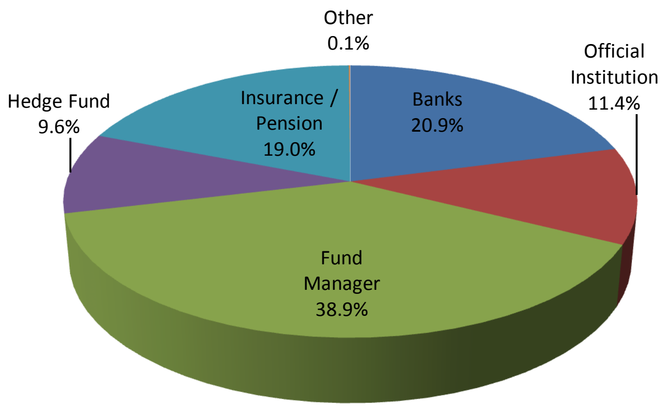
- The final pricing, set at 3pm CET, of 69bps though the 4.3% SPGB October 2019, equivalent to a 0.248% real yield represented a minimal new issue premium to the estimated fair value of the bond.

- With this second EUR inflation-linked Bono, the Kingdom of Spain continues to build on strong momentum surrounding its Eurozone inflation-linked bond programme. Once again, the Spanish Treasury has demonstrated the depth of demand for the Kingdom's bonds, whilst building further ties with a relatively new investor base in the inflation-linked market.

Distribution

- Demand from international investors was significant, with 74% of the transaction allocated to the accounts (marginally more than the 73% on the inaugural 10-year government bond linked to Euro Area HIPC (ex-Tobacco)). Once again, Fund Managers provided a cornerstone to the transaction with 38.9% of demand, along with Insurance and Pension Funds who had substantial orders of 19%.

By investor type



By geography