KINGDOM OF SPAIN
New EUR 9 billion 1.60% 10-year benchmark due 30 April 2025

PRESS RELEASE – 20TH JANUARY 2015

The Kingdom of Spain, acting through the Spanish Treasury, rated Baa2/BBB/BBB+/AL (pos/stab/stab/stab) by Moody's, S&P, Fitch and DBRS, priced on Wednesday 20th January a new benchmark on the 10-year segment, its first syndicated nominal *Obligaciones del Estado* so far this year. The new EUR 9 billion SPGB due 30 April 2025 pays an annual coupon of 1.60% with a short first coupon and was priced at a spread of 92bps over mid swaps implying a reoffer yield of 1.656%. The total placement was carried through a syndication made of 6 lead managers: Barclays, BBVA, CaixaBank, Citigroup, Crédit Agricole CIB and HSBC. The remaining primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

<u>Background</u>

- Thanks to significant adjustment efforts made in Spain and much-improved integration and coordination within the Eurozone, the Spanish Treasury begins the year 2015 under more favourable conditions than in the past few years.
- Despite having to deal with significantly higher redemptions in 2015 and while the funding programme will also cover the funding needs of the Spanish Autonomous Communities and Local Councils that wish to reduce their financial costs, total gross funding at EUR 239.369 billion (of which EUR 141.996 billion in medium- and long-term instruments) will be slightly below the previous year's result and medium-and long-term net funding will fall by more than EUR 16 billion to EUR 50 billion thanks to the proactive redemption management exercise undertaken in 2014 and the lower Central Government's deficit.
- The Spanish Treasury is issuing its first syndicated transaction of the year on the 10 year nominal segment with a new current coupon on-the-run replacing the 2.75% SPGB due October 2024 with an outstanding at EUR 23.5 billion.
- Following this transaction, the Spanish Treasury has now completed 13.8% of its stated medium-and long-term funding for the year with EUR 19.566 billion issued via two auctions and this syndicated transaction.

<u>Execution highlights</u>

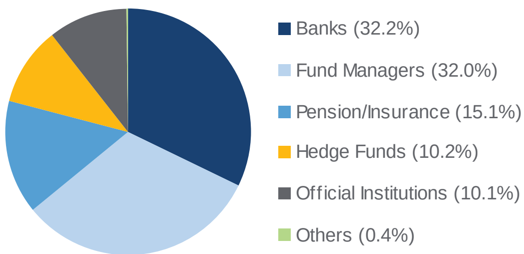
- The mandate was announced on Monday 19th January at 16:00 CET with the objective to execute the transaction on Tuesday 20th.
- On the back of a positive reaction following the announcement and given a solid open on Tuesday 20th, initial pricing thoughts ("IPTs") at MS +95bps area were release at 09:05 CET. For reference, a straight linear interpolation of the SPGBs 10/24 and 7/25 provided a fair value of +88bps over mid swaps for the new 10-year due 30th April 2025.
- Given a very constructive IPT process with interest in excess of EUR 10 billion from close to 100 accounts (including EUR 1.4 billion from leads), the orderbook officially opened at 10:00 CET with guidance at MS +94bps area (+/- 2bps).
- The momentum was strong from the outset, with more than EUR 17 billion of orders from around 270 accounts (including EUR 2.6 billion from leads) gathered in the first hour of book building enabling to set the spread at MS +92bps (the tight end of the guidance) at 11:15 CET.
- The orderbook continued to grow steadily and books closed at 11:45 CET.

- More than 350 investors took part to the transaction with a total amount requested of EUR 22.8 billion at the final spread (including EUR 2.85 billion from leads). It was made of high quality real money investors enabling to launch at 13:25 CET a EUR 9 billion transaction and match in size the last syndicated 10-year from Spain (EUR 9 billion 2.75% due October 2024 launched in June 2014 at a spread of 118ps over mid swaps implying a reoffer yield of 2.80%).
- Allocations for the new EUR 9 billion SPGB due 30 April 2025 were released at 14:45 CET and the transaction was priced at 15:45 CET at MS +92bps implying a reoffer yield of 1.656%.
- With this new transaction, the Kingdom of Spain brings another key benchmark to the markets. Further, the low levels at which Spain has been able to raise these funds (slim 3bps new issue premium to fair value at the time of pricing and reoffer yield around 200bp tighter vs. one year ago) and the fact that it is the lowest coupon ever achieved by Spain for a nominal *Obligaciones del Estado*, re-affirms the breadth and quality of Spain's investor franchise and gives a strong message to the market as the result achieved is another clear vote of confidence for the country going forward.

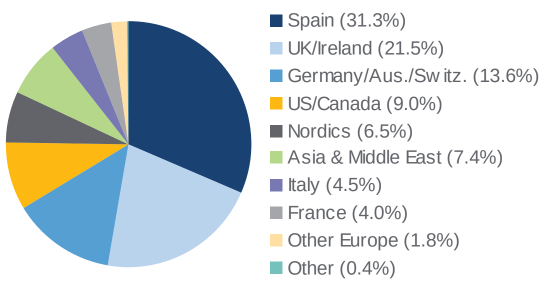
Summary of distribution

- The placement saw a wide participation of investors in terms of geographical residence, with a balanced presence of domestic investors, who were allocated 31.3% of the transaction. Meaningful the share of issuance placed in Europe, in particular UK/Ireland (21.5%), Germany, Austria and Switzerland (13.6%), Nordics countrie (6.5%), Italy (4.5%) and France (4%). It's worth mentioning the participation of North America investors, mainly form the U.S., who have been allocated 9% of the issuance as well as Asia and the Middle East with 7.4%.
- The issue attracted substantial participation from high quality real money accounts. Fund Managers have been allotted 32%, pension funds and insurance companies 15.1% and official institutions 10.1% of the issuance while 32.2% has been allocated to banks.

Distribution by region



Distribution by type



Summary of terms and conditions

Issuer	The Kingdom of Spain
Issuer ratings	Baa2/BBB/BBB+/AL (pos/stab/stab/stab)
Format	Obligaciones del Estado (in dematerialized book entry form) RegS Cat 1, 144A eligible, CACs
Size	Euro 9,000,000,000.00
Launch date	20th January 2015
Settlement date	27th January 2015 (T+5)
Maturity date	30th April 2025
Coupon	1.60%, annual, ACT/ACT, short first coupon on 30th April 2015
Reoffer spread	MS +92bps
Reoffer price	99.478%
Reoffer yield	1.656%
Listing / Trading	Mercado de Deuda Pública en Anotaciones
Governing law	Spanish Law
ISIN	ES00000126Z1
Joint-Bookrunners	Barclays, BBVA, CaixaBank, Citigroup, Crédit Agricole CIB, HSBC