
KINGDOM OF SPAIN

15-year Euro Area Inflation-Linked Bono del Estado due November 2030

PRESS RELEASE – 24th March 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 Tuesday 24th March its third EUR government bond linked to Euro Area Harmonised Index Consumer Price HICP (ex Tobacco). This represents the Kingdom's third syndicated transaction of 2015 following the launch of new nominal 10-year and 15-year Obligaciones earlier in the year. Due 30 November 2030, the EUR 3.5 billion 15-year benchmark issue carries a 1% annual coupon and was priced at a spread of 138bps through the 1.95% SPGB due July 2030 to give a real yield of 0.354% and a re-offer price of 109.827%. Placement was through a syndicate of six lead managers: Barclays, BNP Paribas, Caixabank, Citigroup, Credit Agricole CIB and Goldman Sachs. All remaining primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

Background

- The transaction continues the Kingdom of Spain's Euro Area inflation-linked bond programme as announced in its 2015 issuance strategy.
- The inflation-linked programme has been established with the objective of diversifying the Kingdom of Spain's investor base and to gradually lengthen the average life of its government bonds.
- The Spanish Treasury has now issued three inflation-linked bonds, with the new 15-year extending their inflation curve out to 2030.
- Despite higher redemptions in 2015, the Kingdom of Spain's total gross funding for 2015 is expected to be lower than in 2014, at EUR 239.369 billion (of which EUR 141.996 billion in medium- and long-term instruments). Year to date, the Kingdom has issued EUR 49.2 billion of medium and long term funding, equivalent to 34.7% of the stated target.

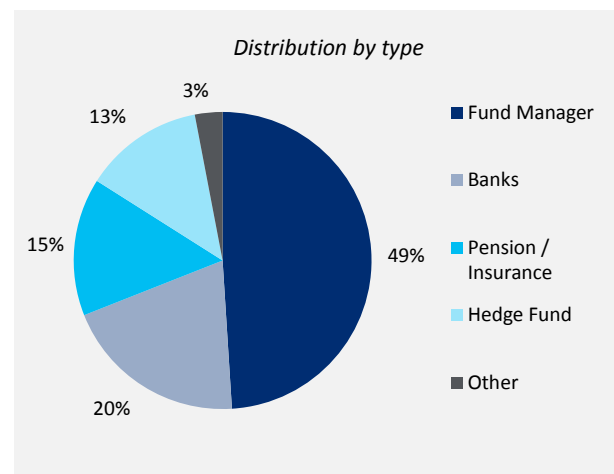
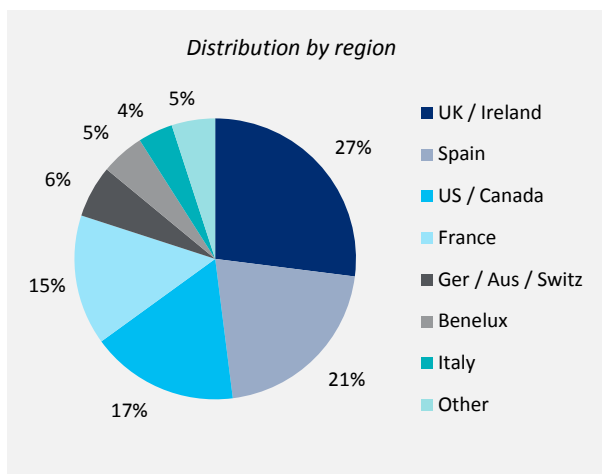
Execution highlights

- With ECB QE driving yields to new lows, and with both existing inflation-linked Spanish government bonds trading at negative real yields, the Spanish Treasury decided to extend their inflation curve by launching a new 15-year Euro Area Inflation-Linked benchmark transaction. The launch of the new issue was also timed to coincide with Spain's inclusion to key inflation indices from the end of the month.
- The mandate was officially announced to the market on Monday 23rd March at 5:50pm CET. The following morning, with positive investor feedback in hand, initial price thoughts of 'high 130bps' through the 1.95% SPGB July 2030 were released to the market at 10:00am CET.
- With indications of interest in excess of EUR 4.2 billion (including EUR 1.85bn of Joint Lead Manager interest), the orderbook was opened at 11:30am CET with official price guidance of 138bps area through the 1.95% SPGB July 2030.
- By 1:20pm CET the orderbook had grown to EUR 6 billion (including EUR 1.85bn of Joint Lead Manager interest), at which point the spread was fixed at 1.95% SPGB July 2030 less 138bps and it was announced that books would close at 2pm CET.
- The final orderbook totalled EUR 6.7 billion with 160 investors participating in the transaction. The quality of the orderbook was high, allowing the deal to be sized at EUR 3.5 billion.

- The transaction priced at 4:20pm CET, with a spread of 138bps through the 1.95% SPGB July 2030 equivalent to a real yield of 0.354%.
- With this third EUR inflation-linked benchmark, the Kingdom of Spain has successfully extended their inflation curve out to 15-years and further affirms the Kingdom's presence within the Euro Area inflation-linked market.

Summary of distribution

- The transaction saw strong demand from international accounts who took 79% of the transaction, including notable interest from UK/Irish accounts (27%) as well the US and Canada (17%).
- Fund managers were particularly dominant, representing 49% of the transaction. Banks and Pension and Insurance companies were also prominent taking 20% and 15% respectively.



Summary of terms and conditions

Issuer:	The Kingdom of Spain
Ratings:	Baa2/BBB/BBB+/AL (pos/stab/stab/stab)
Size:	Euro 3,500,000,000.00
Format:	Obligaciones del Estado (in dematerialised book entry form), RegS Cat 1, 144A eligible, CACs
Settlement:	31 st March 2015
Maturity:	30 th November 2030
Coupon:	1.000%, annual ACT/ACT, full first on 30-Nov-2015
Reoffer Spread:	1.95% SPGB July 2030 less 138bps
Reoffer Price:	109.827% / 0.354% reoffer real yield
Denoms/Listings/Law:	1k+1k / Public Debt Market / Spanish Law
Docs:	Standalone
Leads:	BARCLAYS, BNPP, CACIB, CAIXABANK, CITI, GSIB
ISIN:	ES00000127C8

This document has been prepared by the Joint Lead Managers for information purposes only. This document is an indicative summary of the terms and conditions of the transaction described herein and may be amended, superseded or replaced by subsequent summaries. The final terms and conditions of the transaction and any related security will be set out in full in the applicable offering document(s), pricing supplement or binding transaction document(s).

This document shall not constitute an underwriting commitment, an offer of financing, an offer to sell, or the solicitation of an offer to buy any securities described herein, which shall be subject to the Joint Lead Managers' internal approvals and satisfaction of all appropriate conditions precedent. No transaction or service related thereto is contemplated without the Joint Lead Managers' subsequent formal agreement.

The Joint Lead Managers are not responsible for providing or arranging for the provision of any general financial, strategic or specialist advice, including legal, regulatory, accounting, model auditing or taxation advice or services or any other services in relation to the transaction and/or any related securities described herein. The Joint Lead Managers are acting solely in the capacity of arms' length contractual counterparty and not as adviser, agent or fiduciary to any person. The Joint Lead Managers accept no liability whatsoever to the fullest extent permitted by law for any consequential losses arising from the use of this document or reliance on the information contained herein.

The Joint Lead Managers do not guarantee the accuracy or completeness of information which is contained in this document and which is stated to have been obtained from or is based upon trade and statistical services or other third party sources. Any data on past performance, modelling, scenario analysis or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modelling, scenario analysis or back-testing. All opinions and estimates are given as of the date hereof and are subject to change. The value of any investment may fluctuate as a result of market changes. The information in this document is not intended to predict actual results and no assurances are given with respect thereto.

The securities described herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. This document is not intended for distribution to and must not be passed on to any retail client.

NO ACTION HAS BEEN MADE OR WILL BE TAKEN THAT WOULD PERMIT A PUBLIC OFFERING OF ANY SECURITIES DESCRIBED HEREIN IN ANY JURISDICTION IN WHICH ACTION FOR THAT PURPOSE IS REQUIRED. NO OFFERS, SALES, REALES OR DELIVERY OF ANY SECURITIES DESCRIBED HEREIN OR DISTRIBUTION OF ANY OFFERING MATERIAL RELATING TO ANY SUCH SECURITIES MAY BE MADE IN OR FROM ANY JURISDICTION EXCEPT IN CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND WHICH WILL NOT IMPOSE ANY OBLIGATION ON THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES.

The Joint Lead Managers, their affiliates and the individuals associated therewith may (in various capacities) have positions or deal in transactions or securities (or related derivatives) identical or similar to those described herein.

This document is confidential, and no part of it may be reproduced, distributed or transmitted without the prior written permission of the Joint Lead Managers.

The Joint Lead Managers are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and are members of the London Stock Exchange.