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KINGDOM OF SPAIN

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New EUR 7 billion 1.95% 15-year benchmark due 30 July 2030

PRESS RELEASE – 25th February 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 25th of February a new benchmark in the 15-year segment, its first syndicated nominal *Obligaciones del Estado* since 2013. The new EUR 7 billion SPGB due 30 July 2030 pays an annual coupon of 1.95% with a short first coupon and was priced at a spread of 100bps over mid swaps implying a reoffer yield of 1.981%. The total placement was carried through a syndicate made of six lead managers: Barclays, BBVA, BNP Paribas, Citigroup, Santander GBM and Societe Generale. The remaining primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

Background

- Despite having to deal with significantly higher redemptions in 2015 the Kingdom of Spain's total gross funding for 2015 is expected to be EUR 239.369 billion (of which EUR 141.996 billion in medium- and long-term instruments). This target is slightly below the previous year's result.
- The Spanish Treasury has launched two syndicated transactions so far in 2015, having launched in January a new 10-year benchmark (1.60% April 2025) for EUR 9 billion.
- Following today's transaction, the Spanish Treasury has now completed 25% of its stated medium-and long-term funding for the year, with EUR 35.43 billion issued in four auctions and two syndicated transactions.

Execution highlights

- The mandate was announced on Tuesday 24th February at 17:00 CET with the objective to execute the transaction on Wednesday 25th.
- On the back of a positive reaction following the announcement, and given a solid open on Wednesday 25th, initial pricing thoughts ("IPTs") at MS+105bps area were release at 09:05 CET. For reference, a straight linear interpolation of the surrounding SPGBs provided a fair value of +98bps over mid swaps for the new 15-year due 30th July 2030.
- Given a constructive IPT process with interest in excess of EUR 10 billion (including EUR 900m from leads), the orderbook officially opened at 10:10 CET with guidance at MS +102bps area.
- The orderbook gathered momentum from the start, with more than EUR 15 billion of orders (including EUR 1.5 billion from leads) gathered in the first hour of book building. This enabled the Treasury to set the spread at MS+100bps at 10:35 CET. The orderbook continued to grow steadily past EUR20 billion and books closed at 11:10 CET.
- More than 460 investors participated in the transaction with a total order book reaching EUR 20.2 billion at the final spread (including EUR 1.5 billion from leads), made up of high quality investors. This made it possible to launch at 14:10 CET a EUR 7 billion transaction, twice the size of the Kingdom's previous 15-yr benchmark issued in July 2013.
- Allocations for the new EUR 7 billion SPGB due 30 July 2030 were released at 14:10 CET and the transaction was priced at 14:50 CET at MS +100bps implying a reoffer yield of 1.981%.
- 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 (just 2bps new issue premium to fair value at the time of pricing) and the fact that it is the lowest coupon ever achieved by Spain for a 15-year

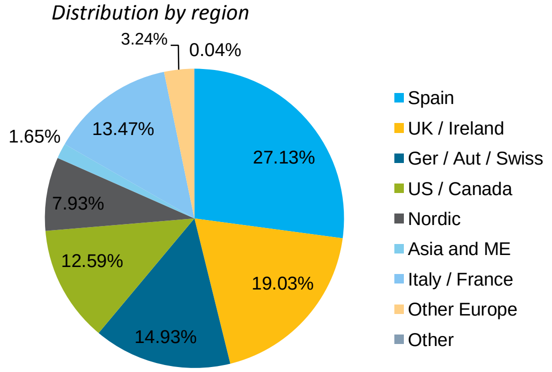
nominal Obligaciones del Estado, re-affirms the breadth and quality of Spain's investor franchise and gives a strong message to the market as the result achieved is another clear vote of confidence for the country going forward.

- The number of investors that participated (over 460 individual accounts allocated bonds) reflects the broad appeal of long-dated Spanish risk. The volume of orders, with an average ticket size over EUR 40 million, and limited price sensitivity despite the price tightening during execution, reflect the deep appetite of the demand.

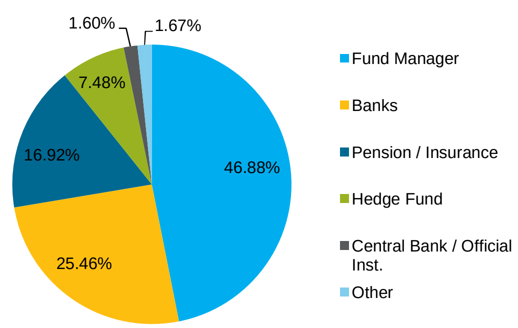
Summary of distribution

- The placement saw a wide participation of investors in terms of geographical residence, with non-resident investors taking 72.9% of the transaction. Among non-resident investors, of particular importance were UK/Ireland (19.0%), Germany, Austria and Switzerland (14.9%), Nordic countries (7.9%), and Italy/France (13.5%). North American investors, mainly form the U.S., were allocated 12.6%.
- The issue attracted substantial participation from high quality real money accounts. Fund Managers have been allotted almost half the transaction at 46.9%, pension funds and insurance companies 16.9% while 25.5% has been allocated to banks.

Distribution by region



Distribution by type



Summary of terms and conditions

Issuer:	The Kingdom of Spain
Ratings:	Baa2/BBB/BBB+/AL (pos/stab/stab/stab)
Size:	Euro 7,000,000,000.00
Format:	Obligaciones del Estado (in dematerialised book entry form), RegS Cat 1, 144A eligible, CACs
Settlement:	4th of March 2015
Maturity:	30-Jul-2030
Coupon:	1.95%, annual ACT/ACT, short first to 30-Jul-2015
Reoffer Spread:	MS+ 100bp
Reoffer Price:	99.596% / 1.981% reoffer yield
Denoms/Listings/Law:	1k+1k / Public Debt Market / Spanish Law
Docs:	Standalone
Leads:	BARCLAYS, BBVA, BNPP, CITI, SG CIB and SANTANDER GBM
ISIN:	ES00000127A2

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