KINGDOM OF SPAIN
New EUR 9 billion 1.95% 10-year benchmark due 30 April 2026

PRESS RELEASE – 12th January 2016

The Kingdom of Spain, acting through the Spanish Treasury, rated Baa2/BBB+/BBB+/AL (pos/stab/stab/pos) by Moody's, S&P, Fitch and DBRS, priced a new 10-year benchmark on Tuesday 12th January, its first syndicated nominal *Obligaciones del Estado* for 2016. The new EUR 9 billion SPGB due 30 April 2026 pays an annual coupon of 1.95% with a short first coupon and was priced at a spread of 105bps over mid swaps implying a reoffer price of 99.672. The placement was carried out through a syndicate comprising 6 lead managers: Barclays, BBVA, BNP Paribas, CaixaBank, Citi and Morgan Stanley. The remaining primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

Background

- Total gross funding needs for 2016 are projected to be EUR 226.694 billion (of which EUR 125.301 billion in medium- and long-term instruments).

Execution highlights

- The mandate was announced on Monday 11th June at 15:00 CET.
- With the market proving supportive the following morning of Tuesday 12th June, initial pricing thoughts ("IPTs") at MS +110 area were released at 09:45 CET and investors were invited to provide indications of interest ("IOIs").
- Given a very constructive IPT process, with interest in excess of EUR 17 billion (including EUR 3.2 billion Joint Lead Manager interst), the orderbook officially opened just after 10:45 CET with guidance at MS +105/+110bps.
- The order book continued its strong momentum, and less than 90 minutes later, just before 12:15 CET, the decision was taken to set the spread at MS +105bps given total demand which was over EUR 27 billion (including EUR 3.85 billion JLM interest).
- The orderbook continued to grow steadily and books closed at 12:45 CET. More than 370 orders were placed in the transaction with a final book size of over EUR 29 billion (including EUR 4.05 billion from leads), and prominent presence from high-quality, real money investors enabling Spain to launch a EUR 9 billion transaction.
- Allocations for the new EUR 9 billion SPGB due 30 April 2026 were released at 15:50 CET and the transaction was priced at 16:26 CET at MS +105bps, giving a reoffer price of 99.672.
- With this new transaction, the Kingdom of Spain brings another key benchmark to the markets, repeating the success of its EUR 9 billion 10-year from January 2015, reaffirming the breadth and quality of Spain's investor base, even against a backdrop of global macro-economic uncertainty.

Summary of distribution

- The placement saw a wide participation of investors by geography, with a balanced presence of domestic investors, who were allocated 34.6% of the transaction. The share of issuance placed in Europe was meaningful, particularly the United Kingdom (23.3%), France and Italy (9.4%), Nordics (7.3%), and Germany, Austria and Switzerland (7.1%). The rest of Europe accounted for 5.6%. North American investors, mainly form the US, accounted for 11.8% of the issue.

- The issue attracted substantial participation from high-quality real money accounts. Banks took 38.2%, Fund Managers were allotted 37.6%, Pension Funds and Insurance Companies were assigned 11.3%, Central Banks and Official Institutions bought 6.6% and Hedge Funds were allocated 5.5%.

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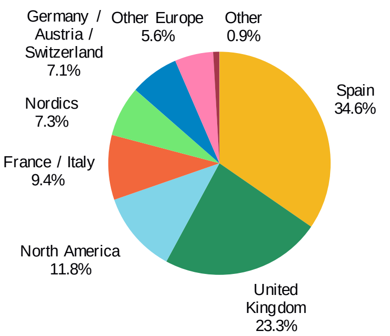
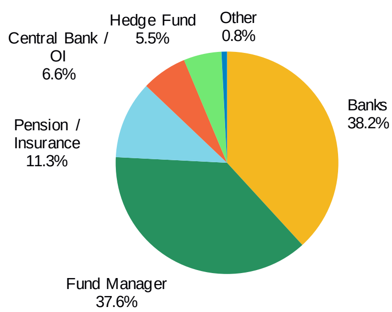
Distribution by region



Distribution by type



Summary of terms and conditions

Issuer	The Kingdom of Spain
Issuer ratings	Baa2/BBB+/BBB+/AL (pos/stab/stab/pos)
Format	Obligaciones del Estado (in dematerialized book entry form) RegS Cat 1, 144A eligible, CACs
Size	Euro 9,000,000,000.00
Launch date	12th January 2016
Settlement date	19th January 2016 (T+5)
Maturity date	30th April 2026
Coupon	1.95%, annual, ACT/ACT, short first coupon on 30th April 2016
Reoffer spread	MS +105bps
Reoffer price	99.672
Reoffer yield	1.986%
Listing / Trading	Mercado de Deuda Pública en Anotaciones
Governing law	Spanish Law
ISIN	ES00000127Z9 (single ES tranche)
Joint-Bookrunners	Barclays, BBVA, BNP Paribas, CaixaBank, Citi and Morgan Stanley