
KINGDOM OF SPAIN

New EUR 6 billion 1.300% 10-year benchmark due 31 October 2026

PRESS RELEASE – 19th July 2016

The Kingdom of Spain, acting through the Spanish Treasury, rated Baa2/BBB+/BBB+/AL (stab/stab/stab/stab) by Moody's, S&P, Fitch and DBRS, priced on Tuesday 19th July a new benchmark in the 10-year part of the curve, its fourth syndicated nominal *Obligaciones del Estado* so far this year and its second 10-year benchmark following the earlier April 2026.

The new EUR 6 billion SPGB due 31 October 2026 pays an annual coupon of 1.300% with a short first coupon and was priced at a spread of 95 bps over mid swaps implying a reoffer yield of 1.314%. The total placement was carried through a syndication of 6 lead managers: BBVA, CaixaBank, Citigroup, Crédit Agricole CIB, J.P. Morgan, and Santander GBM. The remaining primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

Background

- In 2016, total gross funding needs for the Kingdom of Spain are projected to be EUR 224.6 billion of which EUR 120.3 billion is in medium- and long-term instruments, slightly below 2015's gross issuance.
- Including this transaction, the Spanish Treasury has now completed 67.5% of its stated medium-and long-term funding for the year.

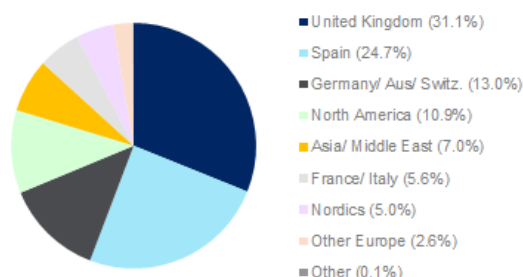
Execution highlights

- On the back of good investor demand for long-end EUR government bonds and no other significant competing supply in sight, the Spanish Treasury decided to bring its new 10-year benchmark. The mandate was announced on Monday 18th July at 15:30 CET with the objective to execute the transaction on Tuesday 19th July.
- Following the announcement strong Indications of Interest ("IOI's") were received which surpassed EUR 15 billion (including EUR 3.1 billion of Joint Lead Manager interest) on Tuesday morning when the Initial Pricing Thoughts ("IPTs") of mid swaps +102 area were released at 09:30 CET.
- Given the strength of the IPT process with interest in excess of EUR 25 billion (including EUR 3.65 billion of JLM interest), the orderbook officially opened within the hour, at the guidance of mid swaps +99 area.
- The continued growth of investor demand pushed interest over EUR 28 billion (including EUR 3.65 billion of JLM interest) and the decision was taken to set the final pricing and deal size at 11:30 CET. At Mid swaps +95 bps for a EUR 6 billion transaction the closing of orderbooks was announced for 12:00 CET.
- The total demand exceeded EUR 28 billion (including EUR 3.65 billion from JLMs) at book close with 426 investors participating, and allocations for the new EUR 6 billion SPGB due 31 October 2026 were released at 16:07 CET.
- The transaction was priced at around 16:40 CET at mid swaps +95 bps, implying a reoffer yield of 1.314% and paying a coupon of 1.300%. It offered a New Issue Premium ("NIP") of approximately 7 bps over the theoretical fair value of mid swaps +88 bps.
- With this new transaction, the largest syndicated SSA EUR benchmark since Spain's first 10-year earlier in January, the Kingdom brings another key benchmark to the markets reaffirming the breadth and quality of Spain's investor franchise.
- The Spanish Treasury intends to provide further liquidity to the new 10-year benchmark through reopenings via auctions in the future.

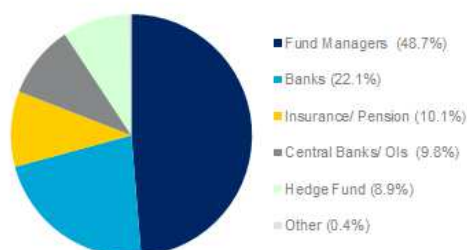
Summary of distribution

- The placement saw a wide participation of investors by geography, with a strong presence of international investors, with the United Kingdom leading the way with 31.1% of the transaction, followed by domestic investors that took 24.7%. The share of issuance placed across time zones was balanced, with Germany/ Austria/ Switzerland taking 13.0%, North America 10.9%, Asia and Middle East 7.0% on the top line.
- The issue attracted substantial participation from high-quality real money accounts. Fund Managers have been allotted 48.7%, Banks 22.1%, Insurances and Pension Funds assigned 10.1%, Central Banks and Official Institutions were allocated 9.8%, Hedge Funds 8.9%, and Others 0.4%.

Distribution by region



Distribution by type



Summary of terms and conditions

Issuer	The Kingdom of Spain
Issuer ratings	Baa2/BBB+/BBB+/AL (stab/stab/stab/stab)
Format	Obligaciones del Estado (in dematerialized book entry form) RegS Cat 1, 144A eligible, CACs
Size	Euro 6,000,000,000.00
Launch date	19 th July 2016
Settlement date	26 th July 2016 (T+5)
Maturity date	31 st October 2026
Coupon	1.300%, annual, ACT/ACT, short first coupon on 31st October 2016
Reoffer spread	MS +95bps
Reoffer price	99.862%
Reoffer yield	1.314%
Listing / Trading	Mercado de Deuda Pública en Anotaciones
Governing law	Spanish Law
ISIN	ES00000128H5
Joint-Bookrunners	BBVA, CaixaBank, Citigroup, Crédit Agricole CIB, J.P. Morgan, Santander GBM