
Kingdom of Spain

New EUR 5 billion 2.35% 15-year benchmark due 30 July 2033

PRESS RELEASE – 22nd February 2017

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 Wednesday 22nd February a new benchmark in the 15-year segment, its second syndicated nominal *Obligaciones del Estado* in 2017. The new EUR 5 billion SPGB due 30 July 2033 pays an annual coupon of 2.35% and was priced at a spread of 120 bps over mid swaps and a reoffer price of 99.433%. The placement was carried out through a syndicate comprising 6 lead managers: Barclays, BBVA, HSBC, JP Morgan, NatWest Markets and Santander. The remaining 15 primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

Background

- The Kingdom of Spain's total gross funding needs for 2017 are projected to be EUR 220.017 billion (of which EUR 122.904 billion in medium-and long-term instruments).
- The Spanish Treasury has launched two syndicated transactions so far in 2017, having launched in January a new 10-year benchmark (1.50% April 2027) for EUR 9 billion.
- Following today's transaction, the Spanish Treasury has now completed 26.6% of its stated medium-and long-term funding for the year, which accounts for EUR 32.751 billion.

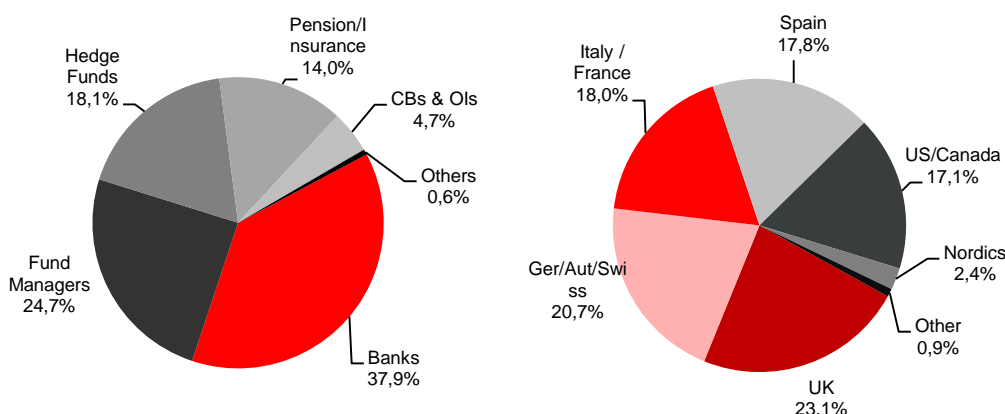
Execution highlights

- The mandate for the new *Obligaciones del Estado* syndicated 15-year euro benchmark was announced on Tuesday 21st February at 15:30 CET
- Following the announcement, the new benchmark transaction received substantial interest from investors throughout the European afternoon and overnight before the announcement of any price guidance.
- At 9:00 CET on Wednesday 22nd February, Indications of Interest ("Iols") stood remarkably in excess of EUR 11.5 billion (including EUR 2.65 billion Joint Lead Manager interest), at which point the orderbook was officially opened with price guidance of MS + low 120's bps. For reference, a straight linear interpolation of the surrounding SPGBs provided a fair value of +115 bps over mid swaps for the new 15-year due 30th July 2033.
- The orderbook continued to grow while the secondary market remained very stable. At 10:15 CET, the decision was taken to revise the spread at MS +121 bps area with books over EUR 14 billion (including EUR 2.65 billion JLM interest).
- After one hour, the spread was officially set at MS + 120 bps and orderbook was officially closed at 11:45 CET. More than 125 orders were placed in the transaction with a final book size of over EUR 14.5 billion (including EUR 2.65 billion from JLM interest). The high-quality and diversification of the orderbook enabled the Kingdom of Spain to launch a EUR 5 billion transaction.

- Allocations for the new EUR 5 billion SPGB due 30 July 2033 were released at 15:10 CET and the transaction was priced at 15:30 CET at MS +120 bps, giving a reoffer price of 99.433%.
- With this new transaction, the Kingdom of Spain has launched a new key liquid benchmark for investors, mirroring the success of its EUR 9 billion 10-year from January 2017. The final pricing of MS +120 bps represents a New Issue Premium of 0 bps over the theoretical fair value at pricing as the secondary BONOs curve remained strong during bookbuilding process.
- In the secondary market, Spanish government bonds have outperformed European peers in 2017 and continue to outperform throughout the issuance of this new 15-year benchmark bond.

Distribution

- The final allocations demonstrated the heightened demand for the Spanish credit within the international investor community with 82.2% of the allocation. Within this, the largest regions of demand were from the United Kingdom, Germany/Austria/Switzerland and France/Italy with 23.1%, 20.7% and 18.0% of the overall allocation respectively.
- From an investor perspective, Banks represented the largest allocations with 37.9% followed by Fund Managers with 24.7%.



Summary of terms and conditions

Issuer	The Kingdom of Spain
Issuer ratings	Baa2/BBB+/BBB+/AL (all stable)
Format	Obligaciones del Estado (in dematerialized book entry form) RegS Cat 1, 144A eligible, CACs
Size	EUR 5 billion
Launch Date	22 nd February 2017
Settlement Date	1 st March 2017
Maturity Date	30 th July 2033
Coupon	2.35%, annual, ACT/ACT, short first coupon on 30 th July 2017
Re-offer Spread	MS + 120 bps
Re-offer Price	99.433%
Re-offer Yield	2.392%
Governing Law	Spanish Law
ISIN	ES00000128Q6
Joint-Bookrunners	Barclays, BBVA, HSBC, JP Morgan, NatWest Markets and Santander