TesoroPúblico
KINGDOM OF SPAIN

Kingdom of Spain
New EUR 5 billion 10-year Euro Area Inflation-Linked
0.65% due 30 November 2027

PRESS RELEASE – 26TH APRIL 2017

The Kingdom of Spain, acting through the Spanish Treasury, rated Baa2/BBB+/BBB+/AL (stab/pos/stab/stab) by Moody's, S&P, Fitch and DBRS, priced on Wednesday 26th April its fifth EUR government bond linked to Euro Area Harmonised Index Consumer Price HICP (ex Tobacco). This represents the Kingdom's third syndicated transaction of 2017 following the launch of new nominal 10-year and 15-year Obligaciones earlier in the year. Due 30 November 2027, the EUR 5 billion 10-year benchmark issue carries a 0.65% annual coupon and was priced at a spread of 96bps through the 1.50% SPGB due April 2027 to give a real yield of 0.733% and a re-offer price of 99.158%. The placement was carried out through a syndicate of 6 lead managers: BNP Paribas, CaixaBank, Citi, HSBC, Morgan Stanley and Société Générale CIB. 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 230.017 billion (of which EUR 132.904 billion in medium-and long-term instruments).
- The Spanish Treasury had 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 followed in February by a new 15-year benchmark (2.35% July 2033) for EUR 5 billion.
- The Spanish Treasury has established the inflation-linked programme three years ago with the objective of diversifying the Kingdom of Spain's investor base and has now issued five inflation-linked bonds with a total outstanding volume close to EUR 37 billion.
- The new 10-year demonstrates Spain's commitment to the Euro Area inflation-linked market and completes the Spanish inflation curve between November 2024 (residual maturity now close to 7 years for the inaugural 10-year launched in May 2014) and November 2030.
- Following today's transaction, the Spanish Treasury has now completed 43.8% of its stated medium-and long-term funding for the year, which accounts for EUR 58.187 billion (including EUR 8.280 billion through inflation-linked bonds). On settlement day, the average life of the Kingdom of Spain's total debt portfolio will be 7.06 years.

Execution highlights

- On the back of very conducive market conditions following the first round of the French presidential election, and with the theme of breakevens dropping in the Euro Area in line with lower expected YOY prints, the Spanish Treasury decided to complete its inflation curve by introducing a new liquid on-the run current coupon Euro Area Inflation-Linked benchmark on the 10 year part of the curve (first syndicated inflation-linked benchmark from Spain since March 2015).
- The mandate was officially announced to the market on Tuesday 25th April at 16:00 CET. The following morning, with positive investor feedback in hand, initial price thoughts of 92 to 94bps through the 1.50% SPGB April 2027 were released to the market at 09:40 CET.
- With indications of interest in excess of EUR 11.5 billion (including EUR 2.65bn of JLM orders), the orderbook was opened at 10:40 CET with official price guidance of 94bps area through the 1.50% SPGB April 2027.

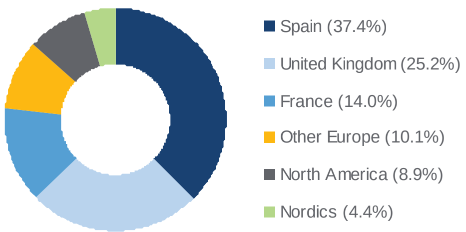
BNP PARIBAS CaixaBank citi HSBC Morgan Stanley SOCIETE GENERALE Corporate & Investment Banking

- With Lead books in excess of EUR 14.4 billion (including EUR 2.65bn of JLM orders) after one hour of bookbuilding, the guidance was revised tighter to 95bps area (+/-1bp) through the 1.50% SPGB April 2027 and by 12:40 CET, with total books in excess of EUR 16.5 billion (including EUR 3.35bn of JLM orders), the spread was fixed at 96bps through the 1.50% SPGB April 2027.
- Books closed at 13:15 CET with total interest at the final spread in excess of EUR 16.4 billion (including EUR 3.35bn of JLM orders) and 163 investors involved enabling to launch a EUR 5 transaction at 14:40 CET (largest syndicated Euro Area inflation-linked bond since Spain's EUR 5 billion 5-year November 2019 back in October 2014). Allocations were released to the market at 15:10 CET and the transaction priced at 16:10 CET with a spread of 96bps through the 1.50% SPGB April 2027 equivalent to a real yield of 0.733% and a new issue premium of 4bps based on the estimated fair value breakeven level before opening books.
- With this fifth EUR inflation-linked benchmark, the Kingdom of Spain continues to build on strong momentum surrounding its Euro Area inflation-linked bond programme and further affirms the Kingdom's presence within the Euro Area inflation linked market whilst building further ties with the inflation-linked investor base.

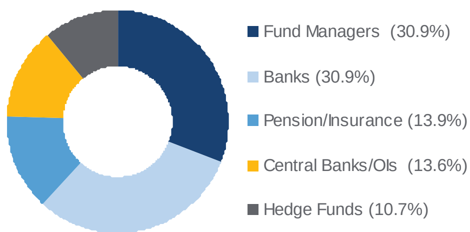
Summary of distribution

- In terms of geographic distribution, the transaction saw strong demand from international accounts who took 62.6% of the transaction, including notable interest from the UK (25.2%), France (14%) as well as North America (8.9%). By type, the bulk of the demand came from Fund managers and banks (30.9% each). Insurers and pension funds as well as Central banks/Official institutions were also prominent taking 13.9% and 13.6% respectively.

By region



By type



Summary of terms and conditions

Issuer	The Kingdom of Spain
Issuer ratings	Baa2/BBB+/BBB+/AL (stab/pos/stab/stab)
Format	Obligaciones del Estado (in dematerialized book entry form) RegS Cat 1, 144A eligible, CACs
Type	Linked to the European Harmonised Index Consumer Price HICP (ex Tobacco)
Size	EUR 5 billion
Launch Date	26th April 2017
Settlement Date	4th May 2017
Maturity Date	30th November 2027
Coupon	0.650%, annual, ACT/ACT, full first on 30-Nov-2017
Re-offer Spread	1.50% SPGB April 2027 less 96bps
Re-offer Price | Yield	99.158% | 0.733%
Governing Law	Spanish Law
ISIN	ES00000128S2 (single ES tranche)
Joint-Bookrunners	BNP Paribas, CaixaBank, Citi, HSBC, Morgan Stanley and Société Générale CIB