Kingdom of Spain
New EUR 10 billion 1.40% 10-year benchmark due 30 April 2028

PRESS RELEASE – 23rd January 2018

The Kingdom of Spain, acting through the Spanish Treasury, rated Baa2/BBB+/A-/AL (stab/pos/stab/stab) by Moody's, S&P, Fitch and DBRS priced a new 10-year benchmark on Tuesday 23rd January, its first syndicated nominal *Obligaciones del Estado* in 2018. The new EUR 10 billion SPGB due 30 April 2028 pays an annual coupon of 1.40% and was priced at a spread of 46 bps over Mid-Swaps and a reoffer price of 99.513%. The placement was carried out through a syndicate comprising 6 lead managers: Barclays, BBVA, Citi, HSBC, NatWest Markets and Santander. The remaining primary dealers in the Kingdom of Spain government bond market were invited into the syndicate as co-leads.

Background

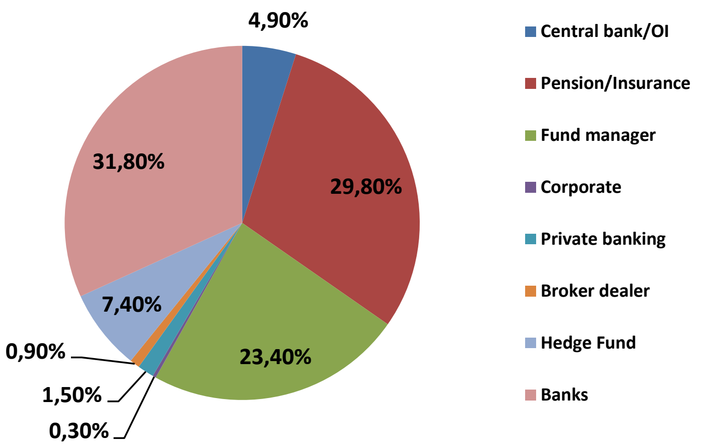
- The Kingdom of Spain's total gross funding needs for 2018 are projected to be EUR 220.145 billion (of which EUR 126.310 billion in medium-and long-term instruments).
- Following today's transaction, the Spanish Treasury has now completed 16.3% of its stated medium-and long-term funding for the year, with EUR 20.5 billion issued in 2 auctions and one syndicated transaction.

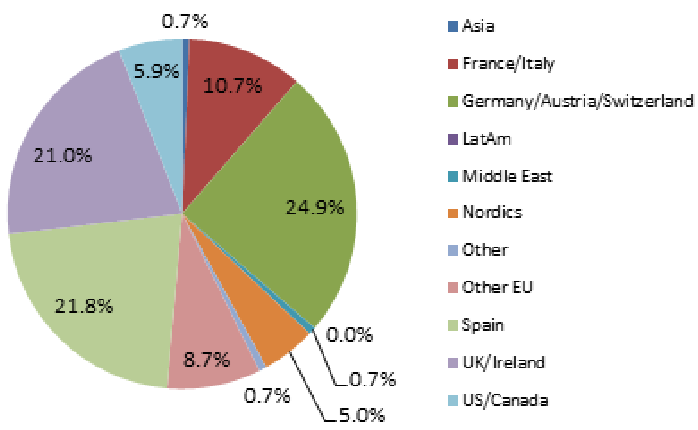
Execution highlights

- Taking advantage of a constructive market backdrop and after being upgraded by one notch to A- by Fitch on Friday, the Spanish Treasury announced the mandate for the new Obligaciones del Estado syndicated 10-year euro benchmark on Monday 22nd January at 16:20 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 9:30 CET on Tuesday 23rd January, Indications of Interest ("IoIs") were well in excess of EUR 32 billion (including EUR 6.25 billion Joint Lead Manager interest), at which point the orderbook was officially opened with a price guidance of Mid-Swaps + 50 bps area.
- Demand continued to grow throughout the European morning, reaching in excess of EUR 43 billion (including EUR 6.25 billion of JLM interest) by 10:35 CET, allowing the issuer to fix the spread at Mid-Swaps + 46bps.
- Final orderbook closed in excess of EUR 43 billion (including EUR 6.25 billion of JLM interest) and the high-quality and diversification of the investor base allowed the Kingdom of Spain to comfortably set the transaction size at EUR 10 billion for its new SPGB 10-year benchmark. This is the largest ever order book in the history of Spanish government bond syndications.
- The deal was priced at 15:50 CET with a reoffer yield of 1.451% and a reoffer price of 99.513%, offering a New Issue Premium ("NIP") of approximately 4 bps over the theoretical fair value.
- The Spanish Treasury intends to provide further liquidity to the new 10-year benchmark through reopenings via auctions in the future.

Distribution

- The final allocations demonstrated the heightened demand for the Spanish credit within the international investor community with 78.2% of the allocation. Within this, the largest regions of demand were from Germany/Austria/Switzerland (24.9%), UK/Ireland (21%) and France/Italy (10.7%).
- From an investor perspective, Banks represented the largest allocations (31.8%), followed by Pension/Insurance (29.8%) and Fund Managers (23.4%).





Summary of terms and conditions

Issuer	The Kingdom of Spain
Issuer ratings	Baa2/BBB+/A-/AL (stab/pos/stab/stab)
Format	Obligaciones del Estado (in dematerialized book entry form) RegS Cat 1, 144A eligible, CACs
Size	EUR 10 billion
Launch Date	23rd January 2018
Settlement Date	30th January 2018
Maturity Date	30th April 2028
Coupon	1.40%, annual, ACT/ACT, short first coupon on 30th April 2018
Re-offer Spread	MS + 46 bps
Re-offer Price	99.513%
Re-offer Yield	1.451%
Governing Law	Spanish Law
ISIN	ES0000012B39
Joint-Bookrunners	Barclays, BBVA, CITI, HSBC, NatWest Markets and Santander

BARCLAYS BBVA citi HSBC NatWest Markets Santander GLOBAL CORPORATE BANKING