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## Kingdom of Spain

### New EUR 6 billion 2.7% 30-year benchmark due 31 October 2048

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PRESS RELEASE – 20<sup>th</sup> February 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 30-year benchmark on Tuesday 20<sup>th</sup> February, its second syndicated nominal *Obligaciones del Estado* for 2018. The new EUR 6 billion SPGB due 31<sup>st</sup> October 2048 pays an annual coupon of 2.7% and was priced at a spread of +105bps over mid swaps implying a reoffer price of 99.465%. The placement was carried out through a syndicate comprising 6 lead managers: Barclays, BBVA, Citi, HSBC, Santander and Societe Generale. 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 28.4% of its stated medium- and long-term funding for the year, with EUR 36 billion issued in four auctions and two syndicated transactions.

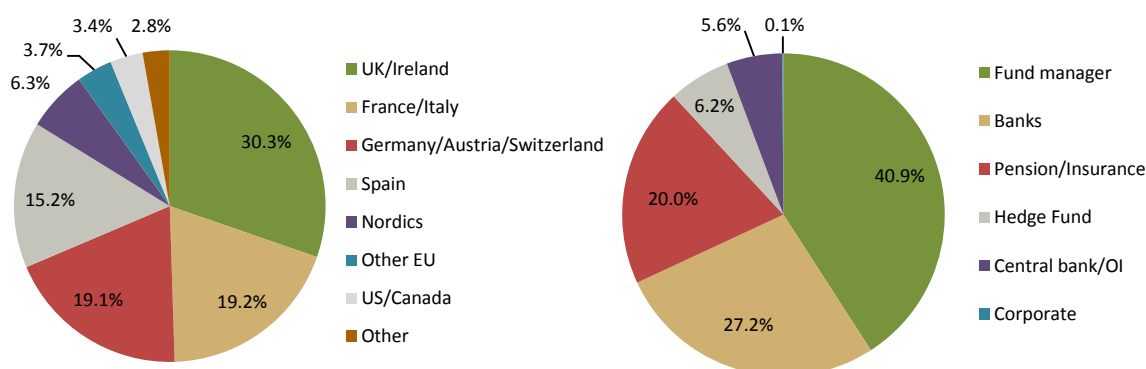
#### Execution highlights

- The mandate for the new *Obligaciones del Estado* syndicated 30-year euro benchmark was announced Monday 19<sup>th</sup> February at 14:00 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 9:20 CET on Tuesday 20<sup>th</sup> February, Indications of Interest ("Iols") stood in excess of EUR 14 billion (including EUR 2.4 billion Joint Lead Manager interest), at which point the orderbook was officially opened with price guidance of MS +109 area.
- At 10:30 CET, the guidance was revised to MS +107bps area, with books in excess of EUR 22.5 billion (including 2.45 billion JLM interest). An hour later at 11:30 CET, with books above EUR 25.5 billion (including EUR 2.45 billion JLM interest), the final spread was fixed at MS +105bps (4bps inside initial guidance). The pricing is 80bps tighter than the issue spread of the last *Obligaciones del Estado* 30 year benchmark launched in March 2016.
- The orderbook was officially closed at 12:15 CET. A total of 318 orders was placed in the transaction with a final book size of over EUR 26.2 billion (including EUR 2.45 billion from JLM interest). This is the largest ever orderbook for a 30 year *Obligaciones del Estado*. The size of over-subscription and quality of the orderbook enabled the Spanish Treasury to launch a EUR 6 billion transaction at 14:30 CET.
- Allocations for the new EUR 6 billion SPGB due 31 October 2048 were released at 15:35 CET and the transaction was priced at 16:14 CET at MS +105bps, giving a reoffer price of 99.465%.

- The 30 year tenor is a key benchmark maturity for the Kingdom of Spain, with the previous 30 year benchmarks issued in 2016 and 2013. The final pricing of MS +105bps represents a New Issue Premium of approximately 3bps over the theoretical fair value at pricing. The secondary long-end BONOs curve out-performed by 2 basis points during the bookbuilding process.
- The yield of 2.726% was the lowest Spain has ever paid for a new 30 year benchmark, which reflects the out-performance of Spanish government Debt at a time when long dated swap rates in Europe are rising.

### Distribution

- The final allocations demonstrated the strong demand for the Spanish credit within the international investor community with 84.8% of the allocation. Within this, the largest regions of demand were from the United Kingdom/Ireland, France/Italy and Germany/Austria/Switzerland with 30.3%, 19.2% and 19.1% of the overall allocation respectively.
- From an investor perspective, Fund Managers represented the largest allocations with 40.9%, followed by Banks and Pension/Insurance with 27.2% and 20.0% respectively.



### 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 6 billion
Launch Date	20 <sup>th</sup> February 2018
Settlement Date	27 <sup>th</sup> February 2018
Maturity Date	31 <sup>st</sup> October 2048
Coupon	2.700%, annual, ACT/ACT, [short first coupon on 31 <sup>st</sup> October 2018]
Re-offer Spread	MS + 105bps
Re-offer Price	99.465%
Re-offer Yield	2.726%
Governing Law	Spanish Law
ISIN	ES0000012B47
Joint Bookrunners	Barclays, BBVA, Citi, HSBC, Santander and Societe Generale