
Kingdom of Spain

New EUR 7.0 billion 1.400% 10-year benchmark due 30 July 2028

PRESS RELEASE – 26th June 2018

The Kingdom of Spain, acting through the Spanish Treasury, rated Baa1/A-/A-/A (stab/pos/stab/stab) by Moody's, S&P, Fitch and DBRS, priced a new 10-year benchmark on Tuesday 26th June, its third syndicated nominal *Obligaciones del Estado* in 2018. The new EUR 7.0 billion SPGB due 30 July 2028 pays an annual coupon of 1.400% and was priced at a spread of 55bps over mid swaps and a reoffer price of 99.467%. The placement was carried out through a syndicate comprising six lead managers: Barclays, BBVA, BNP Paribas, HSBC, JPM 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 215.297 billion (of which EUR 131.31 billion is forecasted to be raised through medium and long-term instruments). This particular transaction comes as Spanish GDP growth and current account surplus continue to strengthen, and follows three different credit rating upgrades since the sovereign's last syndication, namely:

- Moody's upgrade of the Kingdom of Spain to Baa1 from Baa2 on 13th April 2018;
- DBRS' upgrade of the Kingdom of Spain to A from AL on 6th April 2018; and
- S&P's upgrade of the Kingdom of Spain to A-, with a positive outlook, from BBB+ on 23rd March 2018.

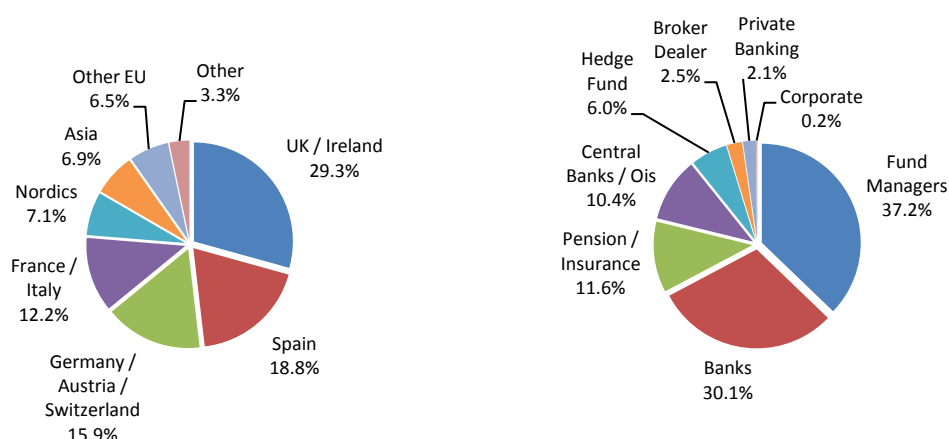
Execution highlights

- The mandate for the new *Obligaciones del Estado* syndicated 10-year euro benchmark was announced Monday 25th June 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 9:00 CET on Tuesday 26th June, Indications of Interest ("Iols") stood in excess of EUR 11.5 billion (including EUR 2.55 billion Joint Lead Manager interest), at which point the orderbook was officially opened with price guidance of MS + 57bp area.
- The orderbook continued develop strongly and at 10:55 CET the decision was taken to set the spread at MS +55bps with total demand over EUR 20.5 billion (including EUR 3.3 billion JLM interest).
- The orderbook was officially closed at 12:00 CET. Approximately 290 orders were placed in the transaction with a final book size of over EUR 24 billion (including EUR 3.4 billion from JLM interest). The high-quality and diversification of the orderbook enabled the Kingdom of Spain to launch a EUR 7 billion transaction at 14:00 CET.
- Allocations for the new EUR 7 billion SPGB due 30 July 2028 were released just before 15:15 CET and the transaction was priced at 15:56 CET at MS +55bps, giving a reoffer price of 99.467% and reoffer yield of 1.457%, equivalent to a spread of 111.9bp over the DBR Feb-28.
- With this new transaction, the Kingdom of Spain has launched a new key liquid benchmark for investors, mirroring the success of its EUR 10 billion 10-year from earlier this year January 2018. The

final pricing of MS +55bps represents a New Issue Premium of approximately 1bp over the theoretical fair value at pricing as the secondary SPGB curve remained strong during bookbuilding process.

Distribution

- International investors took over 80.0% of the allocated bonds, with the UK/Ireland the single largest geography with 29.3%. Other notably active investor regions were Germany/Austria/Switzerland with 15.9% and France/Italy with 12.2%.
- Fund managers continue to be the largest investor group taking 37.2% of the transaction. Banks, which include the investment functions and liquidity management portfolios, took 30.1% of the transaction. Pension/Insurance and Central Banks/Ois took 11.6% and 10.4% respectively.



Summary of terms and conditions

Issuer: The Kingdom of Spain
Exp Ratings: Baa1/A-/A-/A (stab/pos/stab/stab)
Format: Obligaciones del Estado (in dematerialised book entry form), RegS Cat 1, 144A eligible, CACs
Size: EUR 7bln
Maturity: 30-July-2028
Settlement: 3-July-2018 (T+5)
Coupon: 1.40% Fixed, annual ACT/ACT, short first to 30-July-2018
Reoffer: 99.467, 1.457% ann
Spread: Mid-Swap + 55bps, DBR 02/2028 + 111.90bps (Spot 101.530)
Denom/Listing/Law: €1k+1k / Madrid (AIAF Mercado Renta Fija / Spanish Law)
Docs: Exempt from prospectus requirements in Spain. Spanish public debt tax regime. No events of default. No tax grossup.

Bookrunners: Barclays / BBVA / BNPP/ HSBC (B&D) /JPM /Santander
Duration manager: HSBC
ISIN: ES0000012B88
Timing: T.O.E. 14.56, FTT Immediately

The target market for the Bonds is professionals, retail and eligible counterparties (all channels for distribution), each as defined in MIFID II.