
Kingdom of Spain

New EUR 9 billion 1.50% 10-year benchmark due 30 April 2027

PRESS RELEASE – 24th January 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 a new 10-year benchmark on Tuesday 24th January, its first syndicated nominal *Obligaciones del Estado* in 2017. The new EUR 9 billion SPGB due 30 April 2027 pays an annual coupon of 1.50% and was priced at a spread of 77bps over mid swaps and a reoffer price of 99.298%. The placement was carried out through a syndicate comprising 6 lead managers: Barclays, BBVA, BNP Paribas, CaixaBank, Citi 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).

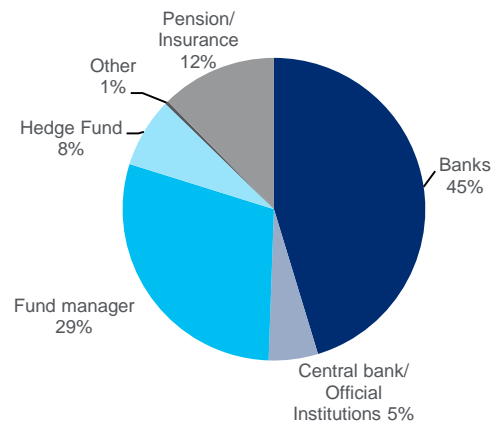
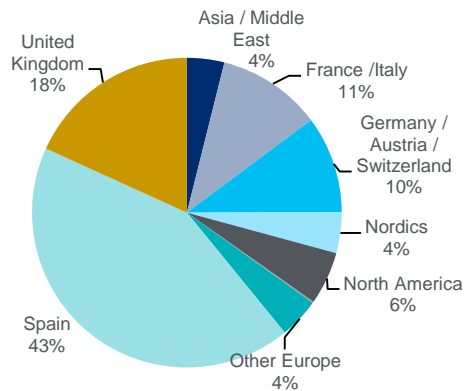
Execution highlights

- The mandate for the new *Obligaciones del Estado* syndicated 10-year euro benchmark was announced Monday 23rd January at 15:00 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 9:30 CET on Tuesday 24th January, Indications of Interest ("IoIs") stood remarkably in excess of EUR 24 billion (including EUR 5.7 billion Joint Lead Manager interest), at which point the orderbook was officially opened with price guidance of MS + high 70s.
- The orderbook continued to grow while the secondary market outperformed versus core European government bond markets. At 11:10 CET, the decision was taken to set the spread at MS +77bps with total demand over EUR 30 billion (including EUR 5.7 billion JLM interest). The pricing is 18bps tighter against the euro swap curve than the 10 year benchmark launched in July 2016 and 28bps tighter than the 10 year benchmark priced a year ago, reflecting investor appreciation of the improvement in Spain's credit.
- The orderbook was officially closed at 12:00 CET. More than 220 orders were placed in the transaction with a final book size of over EUR 34 billion (including EUR 5.7 billion from JLM interest). The high-quality and diversification of the orderbook enabled the Kingdom of Spain to launch a EUR 9 billion transaction.
- Allocations for the new EUR 9 billion SPGB due 30 April 2027 were released at 17:00 CET and the transaction was priced at 17:40 CET at MS +77bps, giving a reoffer price of 99.298%.
- 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 2016. The final pricing of MS +77bps represents a New Issue Premium of approximately 2bps 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 10-year benchmark bond.

Distribution

- The final allocations demonstrated the heightened demand for the Spanish credit within the international investor community with 57% of the allocation. Within this, the largest regions of demand were from the United Kingdom, France/Italy and Germany/Austria/Switzerland with 18%, 11% and 10% of the overall allocation respectively.
- From an investor perspective, Banks represented the largest allocations with 45% followed by Fund Managers and Pension / Insurance with 29% and 12% respectively.



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 9 billion
Launch Date	24th January 2017
Settlement Date	31st January 2017
Maturity Date	30th April 2027
Coupon	1.50%, annual, ACT/ACT, short first coupon on 30th April 2017
Re-offer Spread	MS + 77bps
Re-offer Price	99.298%
Re-offer Yield	1.575%
Governing Law	Spanish Law
ISIN	ES00000128P8
Joint-Bookrunners	Barclays, BBVA, BNP Paribas, CaixaBank, Citi and Santander