
Kingdom of Spain 10-year benchmark, due October 2024

PRESS RELEASE – 12 June 2014

The Kingdom of Spain, acting through the Spanish Treasury, with ratings of Baa2 (positive outlook) by Moody's, BBB (stable outlook) by S&P, BBB+ (stable outlook) by Fitch and AL (negative outlook) by DBRS today launched its third syndicated transaction of the year following the launch of an April 2024 benchmark and a new November 2024 inflation linked bond in the first half of this year. The new €9bn 10 year benchmark issue (due 31 October 2024) has a 2.750% coupon and was priced at a spread of 118 bps over mid swaps. CaixaBank, Citi, Credit Agricole CIB, HSBC, Morgan Stanley and Santander GBM were mandated as joint bookrunners on the transaction.

Context

- The net financing need for the Kingdom of Spain for 2014 totals €55bn. Gross issuance of bonds and long term loans is estimated at €133.3bn.
- In line with these objectives, the Spanish Treasury has now completed €86.9bn year to date via auctions and this syndicated transaction, 65.2% of its stated target of €133.3bn.

Highlights of the Issue

- Taking advantage of stable market conditions and the convergence of European government spreads since the recent cut to the ECB refinancing rate at the beginning of June, the Spanish Treasury launched a new 10 year benchmark transaction, due 31st October 2024, in concurrence with a switch offer of the 3.00% April 2015, 4.00% July 2015 and 3.75% October 2015 bonds.
- The purpose of offering the option to switch alongside the new issue was to give investors in the outstanding bonds maturing in 2015 the opportunity to switch some or all of their holdings into the new 10 year Obligaciones thus facilitating reinvestment of bonds due to mature in 2015 for investors, and reduce the gross refinancing needs of the Kingdom of Spain in 2015.
- The mandate was officially released to the market on Wednesday 11th June at 14.00 CET, earlier than usual to allow investors time to digest the announcement before an expected launch the following day. The joint lead managers started to receive indications of interest from investors for the new issue throughout the afternoon and initial price thoughts of mid-swaps+120bps area were released at 16.00 CET on Wednesday afternoon.
- At 09:00am CET, with indications of interest in excess of €7.7bn, books were officially opened with revised price guidance of mid-swaps+115/120bps.
- In under two hours of official bookbuilding, orders were in excess of €12bn and the spread was set at a level of mid-swaps+118bps. Given the strong demand for the transaction, switch books closed at 11:00am CET with the cash book set to close shortly after.
- With a total orderbook in excess of €18bn and over 290 investors involved in the transaction, pricing was set at 15:15 CET at mid-swaps+118bps, equivalent to a reoffer yield of 2.800%.
- This was the largest Liability Management exercise with a switch offer ever executed over 24 hours.

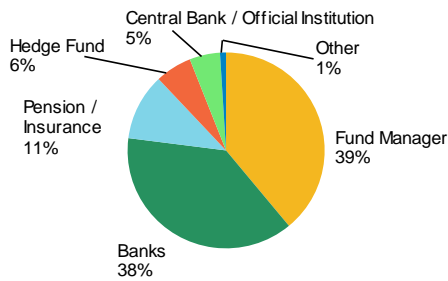


- Once again, through this new 10 year reference bond, the Spanish Treasury has been able to demonstrate the depth of demand that exists for Spanish government paper. The success of this transaction represents a vote of confidence by the international bond market for the financing programme of the Kingdom of Spain.

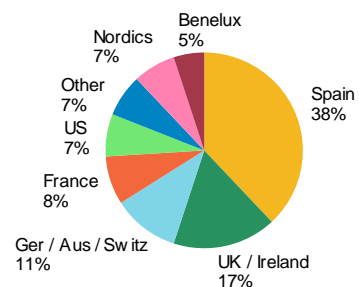
Distribution

- International demand was substantial, with 62% of the cash transaction distributed to non-domestic accounts. Bank treasuries and asset managers showed strong support in the cash book, representing 38% and 39% respectively.

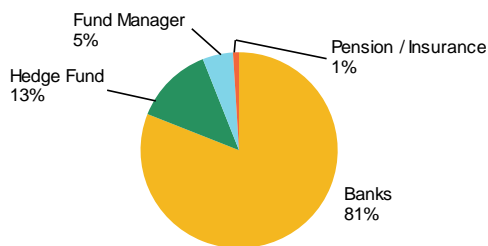
Cash Book Distribution by Investor Type



Cash Book Distribution by Geography



Switch Book Distribution by Investor Type



Switch Book Distribution by Geography

