Fondo de Reestructuración Ordenada Bancaria (FROB)

4.500% EUR 3bn 3-year Benchmark

due 3 February 2014

Press release – 27 January 2011

Fondo de Reestructuracion Ordenada Bancaria (FROB), rated Aa1/AA/AA+ by Moody's, S&P and Fitch respectively, launched today its second syndicated offering in the international capital markets. This new €3bn bond matures on 3 February 2014, pays a coupon of 4.500%, and was priced at a spread of mid-swap +220bp. Joint bookrunners were, Citi, HSBC, RBS, Santander GBM and SGCIB

Background

- FROB (Fondo de Reestructuracion Ordenada Bancaria – Fund for Orderly Bank Restructuring) was created by Royal Decree-Law on 26 June 2009, providing for an orderly bank restructuring and equity reinforcement strategy for credit entities in Spain, if needed. The bonds issued by FROB benefit from an explicit, unconditional and irrevocable guarantee of the Kingdom of Spain, and a regulatory risk-weighting of 0%.

- This transaction represents FROB's second Euro benchmark issue after its inaugural €3bn 5-year benchmark launched in November 2009.

- The week of January 17th FROB undertook a brief pan-European roadshow with investor meetings in Paris, London and Frankfurt. Following the successful transaction by the Kingdom of Spain in the beginning of that week and the constructive investor feedback during the roadshow, FROB officially announced on Tuesday January 25th the mandate for the launch of a new benchmark and the organization of an international investor call. The 3-year maturity was chosen following the positive investor feedback during the roadshow preceding the transaction.

Execution highlights

- Following an international investor call with over 120 participants on January 26th and a positive soft sounding exercise thereafter, the Joint Bookrunners officially opened the orderbook on January 27th at 9h45 a.m. CET with a price guidance of MS+220/225bp. The majority of investor interest was confirmed after 30 minutes, allowing the book to quickly amount to €3.5bn. Finally the orderbook closed at 11h15 a.m. CET, with total orders amounting to €5.1bn. After a swift bookbuilding process with high quality investors, the spread was fixed at MS+220bp (equivalent to Bonos 01/2014 +80bp), enabling to price a €3bn benchmark at the tight end of the initial price talk.

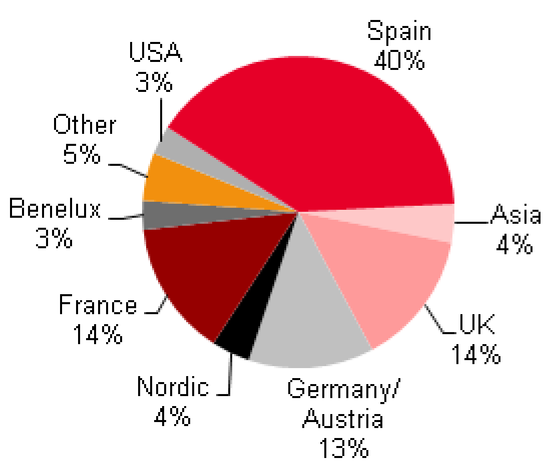
- The responsiveness of investors and the broad participation (197 accounts) from across various jurisdictions highlights once again, the investor appetite for a strong signature like FROB and its support for FROB's mission strategy.

Summary of Placement

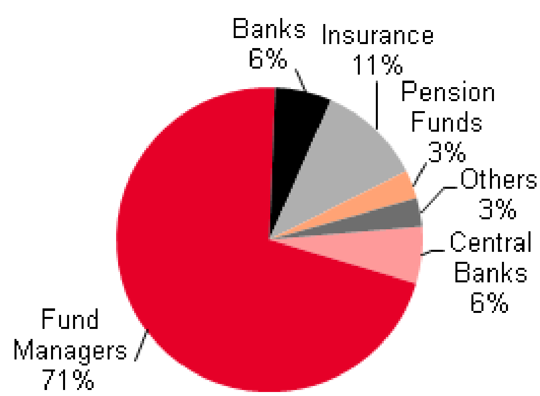
- In terms of investor type, the majority of demand is coming from asset managers (71%), followed by insurance (11%), central banks (6%), banks (6%), pension funds (3%) and others (3%).

- In terms of geographic distribution, the bulk of distribution came from international accounts (60%), with 14% allocated to the UK, 14% to France, 13% to Germany/Austria, 4% to Asia and the Nordics each, 3% to Benelux and USA each and 5% other. The remainder was distributed to domestic accounts (40%).

Distribution by geography



Distribution by investor type



FROB Fondo de Reestructuración Ordenada Bancaria

Summary of final terms and conditions

Issuer......................Fund for Orderly Bank Restructuring (FROB)

Rating......................Aa1/AA/AA+ by Moody's, S&P and Fitch

Guarantor...............The Kingdom of Spain

Guarantee...............explicit, unconditional and irrevocable

Risk-weighting…….0% RWA, confirmed by the Bank of Spain

Amount....................3,000,000,000 EUR

Coupon....................4.500% Fixed, annual, Act/Act ICMA

Maturity....................03-Feb-2014

Settlement...............03-Feb-2011

Re-offer spread…...MS+220bp (equivalent to OBL154 +277.4bp)

Re-offer price……..99.92%

Re-offer yield.......…4.529%

Denominations.......100k+100k

Law.........................Spanish

ISIN.........................ES0302761012

Trading...................Book Entry Public Debt Market

Joint bookrunners...Citi, HSBC, RBS, Santander GBM and SG CIB