

## **Fitch Assigns Spain's FROB First Bond Final 'AAA' Rating** [Ratings](#)

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Fitch Ratings-Barcelona/London-20 November 2009: Fitch Ratings has today assigned Fondo de Reestructuración Ordenada Bancaria's (FROB) first bond issue, totalling EUR3bn, a final Long-term local currency rating of 'AAA'. The bond is guaranteed by the Kingdom of Spain ('AAA'/F1+' Stable Outlook).

The 'AAA' rating reflects the explicit, irrevocable and unconditional guarantee provided by the Kingdom of Spain. The bond has a bullet maturity on 19 November 2014. The Bank of Spain acts as paying agent under an agreement dated 22 September 2009 and also under a treasury arrangement between FROB and the Bank of Spain dated 15 July 2009. The bond issue is zero risk-weighted and is European Central Bank repo-eligible.

The guarantee falls under the EUR27bn guarantee programme referenced in the Ministerial Order. The issue is also supported by the General Director of the Treasury and Financial Policy's acknowledgment that it is covered under the state's guarantee programme, as required under the Ministerial Order. Fitch understands that further issuance under the programme will be undertaken in 2010.

FROB can seek external financing, but this will initially be capped to three times its paid up capital and limited to EUR27bn. After 1 January 2010, the Minister of the Economy and Finance can authorise this limit to be exceeded, but it will be capped at 10 times its capital, which could potentially reach EUR90bn. Fitch believes that the Spanish sovereign guarantee will ensure a timely repayment to bondholders, if required. Amendments have been made to Spain's budget for 2009 (Article 54 of Law 2/2008) approving the full amount of the guarantee programme. No further parliamentary or government approval will be required. In addition, if FROB realises that it will not be able to meet payments under the guaranteed bonds, it is obliged to notify the Director General of the Treasury and Financial Policy at least 15 days prior to the payment date.

FROB was established under Royal Decree Law 9/2009 of 26th June. It is an entity under public law (entidad de derecho público) and has legal personality and a full public and private capacity to act as laid down by law. It is managed by a governing body consisting of eight members appointed by the Minister of the Economy and Finance. Five members are nominated by the Bank of Spain and one member is nominated by each of the three Deposit Guarantee Funds of commercial banks, savings banks and cooperative banks. The chair of the governing body is the Deputy Governor of the Bank of Spain and a representative of the state's general audit department will attend the management committees, but will not have voting rights.

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