
Fondo de Reestructuración Ordenada Bancaria (FROB)
3.00% EUR 3 bn 5-year Inaugural Benchmark
due 19 November 2014

Issue price: 99.881%; Reoffer yield: 3.026%

PRESS RELEASE – 12th November 2009

Fondo de Reestructuración Ordenada Bancaria (FROB), rated Aaa/AA+/AAA by Moody's, S&P and Fitch respectively, launched today its inaugural syndicated offering in the international capital markets. This new EUR3,000 million bond matures on 19 November 2014, pays a coupon of 3.00%, and was priced at a spread of 25 bps over the 5-year mid-swap rate (equivalent to +59.7 bps over the German 2.50% Obl due 10 October 2014). Joint book runners were BBVA, Barclays Capital, Calyon, Deutsche Bank and HSBC.

Background

- FROB (Fondo de Reestructuración Ordenada Bancaria – Fund for Ordered 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 issue marks FROB's introduction to the capital markets and provides liquidity should there be a need for funds for FROB's activities. The 5-year maturity was chosen for the first issue as a means to target the broadest investor base, while also aligning with the possible term for any restructuring operation.
- The mandate for FROB's inaugural benchmark was announced on 27 October. This was followed by several conference calls for international investors and sales personnel at the joint lead managers. Complementing these discussions was a brief pan-European road show, based on specific requests from a few key European accounts.
- Earlier this week, and in view of benign underlying market conditions, FROB decided to capitalize on the strong momentum generated by their investor education programme. The joint lead managers thus undertook soft-soundings for a possible issue on Wednesday 11 November, with a price whisper of "mid-swaps plus 30 basis points area". The response from accounts was very favourable, and the sum of initial indications of interest reached EUR 5.5 bn by the end of the day.

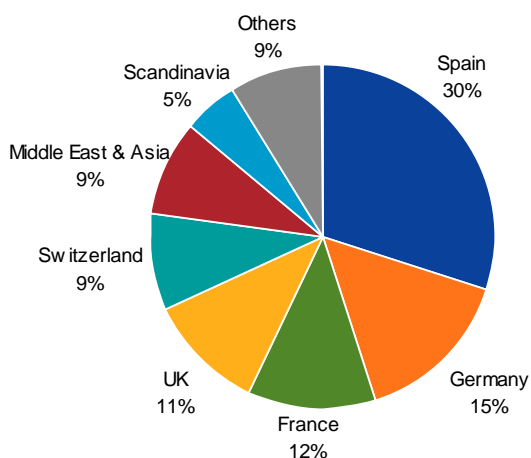
Execution Highlights

- In view of this feedback, FROB decided to formally open books at 9am CET on Thursday 12th November with initial price talk of mid-swaps plus 25 to 30 bps.
- With a stable underlying market, a significant majority of the initial indications of interest from Wednesday's discussions were confirmed within the first 30 minutes. In parallel, other investors actively subscribed for bonds, such that the order book exceeded EUR 7 bn by 9.30am CET. In consultation with FROB, the joint lead managers shortly thereafter revised and fixed price talk to mid-swaps plus 25 bps – i.e., the tighter end of then initial range. Despite the tighter pricing, investors continued to express their strong interest in acquiring FROB paper, and orders accumulated further. Books finally closed with EUR 11,500 million of demand at 10am CET.
- The size, granularity and high-quality of the order book (with some 219 accounts participating) provide an emphatic vote of confidence for FROB's mission and issuance strategy. FROB's achievement in garnering such fine pricing for a EUR 3,000 mn debut offering compares well with the achievements of other Spanish government agency issuers or government-guaranteed bank funding in recent months. In its debut transaction FROB has come to match funding levels of well-seasoned Spanish agency ICO based on comparable secondary levels and expected new issue premia. In matching this pricing, FROB has been able to capitalize on favourable investor sentiment for Spanish government risk and has not been asked to pay a new issue premium over its more-established sister sovereign agency. This result validates FROB's execution strategy for this, its first-ever benchmark offering.

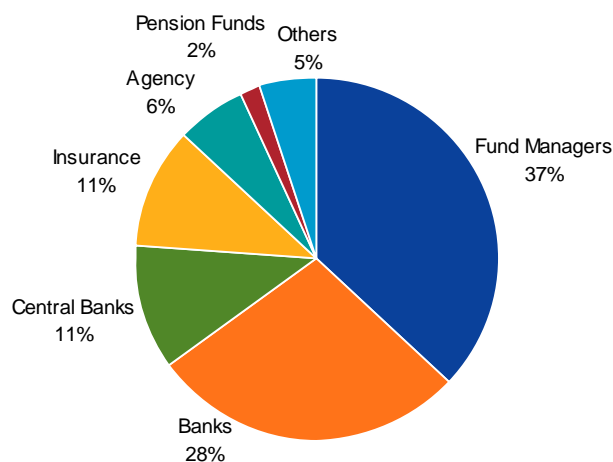
Summary of Placement

- In terms of geographic distribution, the majority of demand came from non-domestic accounts, with German (15%), French (12%), UK (11%) and Swiss (9%) investors taking down over 45% of bonds available.
- By investor type, fund managers provided the core of demand (37%), followed by banks (28%), central banks (11%) and insurance companies and pension funds (13%).

By region



By type



Summary of Terms and Conditions

Issuer	Fondo de Reestructuración Ordenada Bancaria (FROB)
Issue ratings	Aaa (Moody's) / AA+ (S&P) / AAA (Fitch)
Pricing date	12 November 2009
Settlement date	19 November 2009
Maturity date	19 November 2014
Size	EUR 3,000,000,000
Coupon	3.00% annual ACT/ACT
	Re-offer spread: mid-swaps plus 25 bps
	OBL 2.50% due 10/14 plus 59.7 bps
Re-offer price	99.881%
Re-offer yield	3.026%
Listing	Madrid (Mercado de Deuda Pública en Anotaciones)
Denominations	EUR 50,000
ISIN	ES0302761004
Joint book runners	BBVA, Barclays Capital, Calyon, Deutsche Bank and HSBC

- end -