INSTITUTO DE CRÉDITO OFICIAL

Consolidated Financial Statements at 31st December 2013 and Consolidated Management Report tor 2013

MINISTERIO DE HACIENDA
Y ADMINISTRACIONES PÚBLICAS

INTERVENCIÓN GENERAL DE
LA ADMINISTRACIÓN DEL ESTADO

INSTITUTO DE CRÉDITO OFICIAL Y SOCIEDADES DEPENDIENTES

Informe auditoría de las cuentas anuales consolidadas
Ejercicio 2013

Oficina Nacional de Auditoría

Índice

I. Introducción

La Intervención General de la Administración del Estado, a través de la Oficina Nacional de Auditoría en uso de las competencias que le atribuye el artículo 168 de la Ley General Presupuestaria ha auditado las cuentas anuales consolidadas adjuntas de la entidad Instituto de Crédito Oficial y sociedades dependientes, que comprenden, el balance consolidado a 31 de diciembre de 2013, la cuenta de pérdidas y ganancias consolidada, el estado de cambios en el patrimonio neto consolidado, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

El Presidente del Instituto de Crédito Oficial es responsable de la formulación de las cuentas anuales de la entidad de acuerdo con el marco de información financiera que se detalla en la nota 1.2 de la memoria adjunta y en particular de acuerdo con los principios y criterios contables, asimismo, es responsable del control interno que considere necesario para permitir que la preparación de las citadas cuentas anuales estén libres de incorrección material.

Las cuentas consolidadas a las que se refiere el presente informe fueron formuladas por el Presidente del Instituto de Crédito Oficial el 31 de marzo de 2014 y fueron puestas a disposición de la Oficina Nacional de Auditoría el 1 de abril de 2014.

La información relativa a las cuentas anuales queda contenida en el fichero GB0721_2013_F_140401_162749_Cuentas.zip cuyo resumen electrónico se corresponde con 461A9F69A6707EF5A09A4665AB9BFE0B y está depositado en la aplicación CICEP.Red de la Intervención General de la Administración del Estado.

II. Objetivo y alcance del trabajo: Responsabilidad de los auditores

Nuestra responsabilidad es emitir una opinión sobre si las cuentas consolidadas adjuntas expresan la imagen fiel, basada en el trabajo realizado de acuerdo con las Normas de Auditoría del Sector Público. Dichas normas exigen que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable, aunque no absoluta, de que las cuentas anuales consolidadas están libres de incorrección material.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los gestores de la entidad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y la razonabilidad de las estimaciones contables realizadas por el gestor, así como la evaluación de la presentación global de las cuentas anuales consolidadas.

Nuestro trabajo no incluyó la auditoria de las cuentas anuales 2013 de la Entidad AXIS Participaciones Empresariales, Sociedad Gestora de Entidades de Capital Riesgo, S.A., participada en un 100%, de la Entidad CERSA Compañía Española de Refianzamiento, S.A., participada en un 24,15%, de la Entidad COFIDES, Compañía Española de Financiación del Desarrollo, S.A., participada en un 20,31% y de la Entidad EFC2E GESTIÓN, S.L participada en un 50%, cuyo valor neto contable en las cuentas anuales consolidadas adjuntas representa el 1% de los activos totales. Las mencionadas cuentas anuales han sido auditadas por Ernst &Young (AXIS y COFIDES), KPMG (CERSA) y Deloitte (EFC2E GESTIÓN, S.L) y nuestra opinión expresada en este informe sobre las cuentas anuales consolidadas se basa, en lo relativo a las participaciones indicadas únicamente en el informe de los otros auditores.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para emitir nuestra opinión de auditoría.

III. Opinión.

En nuestra opinión, basada en nuestra auditoría y en el informe de otros auditores, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada del Instituto de Crédito Oficial y sus sociedades dependientes a 31 de diciembre de 2013, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular con los principios y criterios contables contenidos en el mismo.

IV. Informe sobre otros requerimientos legales y reglamentarios.

De acuerdo con sus estatutos el Instituto de Crédito Oficial tiene que elaborar un Informe de Gestión que contiene las explicaciones que se consideren oportunas respecto a la situación y evolución del Instituto de Crédito Oficial y no forma parte integrante de las cuentas anuales.

Nuestro trabajo se ha limitado a verificar que se han elaborado conforme con su normativa reguladora y que la información contable coincide con la de las cuentas anuales consolidadas auditadas.

El presente informe de auditoría ha sido firmado electrónicamente a través de la aplicación CICEP.Red de la Intervención General de la Administración del Estado por el Jefe de División de la Oficina Nacional de Auditoría y por la Auditora Nacional Directora de Área de la Oficina Nacional de Auditoría, en Madrid, a 6 de mayo de 2014

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31st DECEMBER 2013 AND 2012
(Expressed in thousand Euros)

ASSETS	2013	2012
Cash and balances with central banks (Note 6)	**17,726**	**284,350**
Trading portfolio (Note 7)	**400,771**	**554,945**
Debt securities	-	-
Equity instruments	-	-
Trading Derivatives	400,771	554,945
Memorandum item: loaned or advanced as collateral	-	-
Other financial assets at fair value through profit and loss	**-**	**-**
Available-for-sale financial assets (Note 8)	**1,104,887**	**201,633**
Debt securities	896,117	-
Other equity instruments	208,770	201,633
Memorandum item: loaned or advanced as collateral	-	-
Loans and receivables (Note 9)	**78,102,444**	**91,142,453**
Deposits at credit institutions	43,650,763	46,494,074
Customer loans	27,583,605	44,648,379
Debt securities	6,868,076	-
Memorandum item: loaned or advanced as collateral	-	12,209,811
Held-to-maturity investment portfolio (Note 10)	**20,660,688**	**19,440,338**
Memorandum item: loaned or advanced as collateral	-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives (Note 11)	**1,509,208**	**3,019,268**
Non-current assets held for sale (Note 12)	**-**	**1,353**
Investments (Note 13)	**53,334**	**51,621**
Associates	53,334	51,621
Jointly control Entities	-	-
Subsidiaries	-	-
Insurance contracts linked to pensions	**-**	**-**
Tangible assets (Note 14)	**97,445**	**98,561**
Property, plant and equipment	97,445	98,561
For own use	97,445	-
Memorandum item: Acquired under finance lease	-	-
Intangible assets (Note 15)	**6,952**	**8,037**
Other intangible assets	6,952	8,037
Tax assets (Note 16)	**253,034**	**165,488**
Current	18,791	18,890
Deferred	234,243	146,598
Other assets (Note 17)	**13,773**	**279,541**
TOTAL ASSETS	**102,220,262**	**115,247,588**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31st DECEMBER 2013 AND 2012
(Expressed in thousand Euros)

LIABILITIES	2013	2012
Trading portfolio (Note 7)	**398,114**	**553,234**
Derivates held for trading	398,114	553,234
Other financial liabilities at fair value with changes in the income statement		
Financial liabilities at amortised cost (Note 19)	**96,660,140**	**109,582,729**
Central bank deposits	20,258,472	20,000,000
Credit Institution deposits	6,457,644	5,127,447
Customer funds	1,820,520	8,076,351
Money market operations through	64,744,899	72,762,718
Subordinated debt Financing	-	-
Other financial liabilities	3,378,605	3,616,213
Adjustments to financial liabilities due to macro-hedging	**-**	**-**
Hedging derivatives (Note 11)	**354,234**	**337,575**
Liabilities associated with non-current assets for sale	**-**	**-**
Provisions (Note 20)	**284,846**	**305,346**
Provisions for pensions and similar obligations	196	124
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	21,410	26,158
Other provisions	263,240	279,064
Tax liabilities (Note 16)	**25,994**	**49,282**
Current	9,598	1,893
Deferred	16,396	47,389
Other liabilities (Note 18)	**5,458**	**262,645**
Capital classified as financial liabilities	**-**	**-**
TOTAL LIABILITIES	**97,728,786**	**111,090,811**
EQUITY		
Valuation adjustments (Note 21)	**(54,420)**	**69,862**
Available-for-sale financial assets	(2,458)	17,913
Cash-flow hedging	(51,962)	51,949
Exchange differences	-	-
Own Funds (Note 22)	**4,545,896**	**4,086,915**
Capital or endowment fund	3,609,855	3,230,234
Share premium	-	-
Reserves	857,001	792,610
Accumulated reserves	857,001	792,610
Retained earnings	-	-
Other equity instruments	-	-
Profit and loss for the period	79,040	64,071
Less: Dividends and remuneration	~~-70,040~~	-
TOTAL EQUITY	**4,491,476**	**4,156,777**
TOTAL EQUITY AND LIABILITIES	**102,220,262**	**115,247,588**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31st DECEMBER 2013 AND 2012
(Expressed in thousand Euros)

MEMORANDUM ITEM	2013	2012
Contingent risks (Note 24)	**1,610,637**	**1,928,016**
Financial guarantees	1,610,637	1,928,016
Contingent commitments (Note 24)	**4,827,269**	**6,115,510**
Drawable by third parties	4,362,979	5,598,582
Other commitments	464,290	516,928

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE RECOGNIZED FOR THE YEARS

ENDED 31st DECEMBER 2013 AND 2012

(Expressed in thousand Euros)

	2013	2012
Interest and similar income (Note 25)	**2,945,741**	**3,470,877**
Interest and similar charges (Note 26)	**(2,218,273)**	**(2,710,811)**
NET INTEREST INCOME	**727,468**	**760,066**
Return on equity instruments (Note 27)	**2,761**	**370**
Share of results of entities accounted for using the equity method (Note 28)	**2,793**	**2,224**
Fee and commission income (Note 29)	**91,073**	**46,802**
Fee and commission expense (Note 29)	**(24,168)**	**(18,984)**
Gains or losses on financial assets and liabilities (net) (Note 30)	**25,214**	**10,153**
Derivates held for trading	25,214	10,153
Other	-	-
Exchange differences (net) (Note 2.4)	**(1,186)**	**628**
Other operating income (Note 32)	**2,460**	**5,368**
Other operating expenses	**(20)**	**-**
GROSS OPERATING INCOME	**826,395**	**806,627**
Administrative expenses:	**(33,105)**	**(32,118)**
Staff Cost (Note 31)	(19,255)	(18,090)
Other administrative expenses (Note 32)	(13,850)	(14,028)
Depreciation and amortization	**(6,017)**	**(7,421)**
Tangible assets (Note 14)	(2,411)	(2,416)
Intangible assets (Note 15)	(3,606)	(5,005)
Provisions expense (net) (Note 20)	**(81,669)**	**(72,510)**
Financial asset impairment losses (net)	**(583,647)**	**(605,812)**
Credit investments(Note 8, 9 and 10)	(583,647)	(605,812)
NET OPERATING PROFIT	**121,957**	**88,766**
Losses for impairment of other assets (net)	**(13,438)**	**(909)**
Goodwill and other intangible assets	-	(1)
Other assets	(13,438)	(908)
Gains/ (Losses) on disposal of assets not class. As non-current assets held for sale	**364**	**234**
Negative difference on business combinations	-	-
Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	-	-
PROFIT BEFORE TAX	**108,883**	**88,091**
Income tax (Note 23)	(29,843)	(24,019)
PROFIT FOR THE PERIOD FROM ONGOING OPERATIONS	**79,040**	**64,071**
CONSOLIDATED NET PROFIT FOR THE YEAR	**79,040**	**64,071**
Profit attributable to the parent company	79,040	64,071
Profit attributable to minority interest	**-**	**-**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

I. CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE RECOGNIZED FOR THE YEARS ENDED 31st DECEMBER 2013 AND 2012
(Expressed in thousand Euros)

	2013	2012
Profit for the year	**79,040**	**64,071**
Other income and expenses recognized	**(124,282)**	**(135,770)**
Available-for-sale financial assets	(29,101)	(9,907)
Profit/loss valuation	(29,101)	(9,907)
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Hedging of cash flows	(148,444)	(184,050)
Profit/loss valuation	(148,444)	(184,050)
Amounts transferred to profit and loss account	-	-
Amounts transferred to initial carrying amount of hedged items	-	-
Reclassifications	-	-
Hedges of net investments in foreign	-	-
Profit/loss valuation	-	-
Amounts transferred to profit and loss account	-	-
Income tax	-	-
Exchange differences	-	-
Gains/losses on conversion	-	-
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Non-current assets for sale	-	-
Valuation gains	-	-
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Gains (Losses) in pension actuarial	-	-
Other income and expenses recognized	-	-
Income tax	53,263	58,187
TOTAL RECOGNIZED INCOME AND EXPENSES	**(45,242)**	**(71,699)**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

II. CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31st DECEMBER 2013 AND 2012

(Expressed in thousand Euros)

At December 31st,2013	NET ASSETS ATTRIBUTED TO THE PARENT ENTITY										
	SHAREHOLDERS EQUITY										
	Capital / endowment fund	Share premium	Reserves (losses) accumulated	Reserves (losses) accounted for participation method	Other equity instruments	Less: Treasury shares	Net profit for the year	Less: Dividends and remuneration	Total Own Funds	Valuation adjustments	Total Net Equity
Ending Balance at December 31st, 2012	**3,230,234**	**-**	**787,778**	**4,832**	**-**	**-**	**64,071**	**-**	**4,086,915**	**69,862**	**4,156,777**
Total income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**-**	79,040	**-**	79,040	**(124,282)**	**(45,242)**
Other changes in net worth:	**379,621**	**-**	**61,188**	**3,203**	**-**	**-**	**(64,071)**	**-**	**379,941**	**-**	**379,941**
Increases in capital endowment	379,621	-	-	-	-	-	-	-	379,621	-	379,621
Reductions in capital	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity	-	-	61,188	-	-	-	(64,071)	-	(2,883)	-	(2,883)
Other increases (decreases) in equity	-	-	-	3,203	-	-	-	-	3,203	-	3,203
Ending Balance at December 31st,2013	**3,609,855**	**-**	**848,966**	**8,035**	**-**	**-**	**79,040**	**-**	**4,545,896**	**(54,420)**	**4,491,476**

At December 31st, 2012	NET ASSETS ATTRIBUTED TO THE PARENT ENTITY												
	SHAREHOLDERS EQUITY												
	Capital / endowment fund	Share premium	Reserves (losses) accumulated	Reserves (losses) entities accounted for participation method	Other equity instruments	Less: Treasury shares	Result attributed to the dominant entity	Less: Dividends and remuneration	Total Own Funds	Valuation adjustments	Total	Minority interests	Total Net Equity
Ending Balance at December 31st, 2011	**2,700,837**	**-**	**745,248**	**5,376**	**-**	**-**	**46,592**	**-**	**3,498,053**	**205,632**	**-**	**-**	**3,703,685**
Total income and expenses recognized	-	-	-	-	-	-	64,071	-	64,071	(135,770)	-	-	(71,699)
)))Other changes in net worth:	**529,397**	**-**	**42,530**	**(544)**	**-**	**-**	**(46,592)**	**-**	**524,791**	**-**	**-**	**-**	**524,791**
Increases in capital endowment	529,397	-	-	-	-	-	-	-	529,397	-	-	-	529,397
Reductions in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity	-	-	46,592	-	-	-	(46,592)	-	-	-	-	-	-
Other increases (decreases) in equity			(4,062)	(544)					(4,606)				(4,606)
Ending Balance at December 31st, 2012	**3,230,234**	**-**	**787,778**	**4,832**	**-**	**-**	**64,071**	**-**	**4,086,915**	**69,862**	**-**	**-**	**4,156,777**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31st DECEMBER 2013 AND 2012
(Expressed in thousand Euros)

	2013	2012
A. CASH FLOWS FROM OPERATING ACTIVITIES	**1,395,197**	**11,749,994**
1. Consolidated income for the year	**79,040**	**64,071**
2 Adjustments to result:	**698,780**	**710,535**
Depreciation and amortization	6,017	7,421
Other adjustments	692,763	703,114
3. Net increase/decrease in operating assets	**14,066,949**	**(9,224,486)**
Trading portfolio	154,174	(103,146)
Other financial assets at fair value with changes in the income statement	-	-
Available-for-sale financial assets	(903,254)	825,080
Loans and receivables	13,040,010	(11,007,696)
Other operating assets	1,776,019	1,061,276
4 Net increase/decrease in operating liabilities	**(13,338,737)**	**20,257,203**
Trading portfolio	(155,120)	110,275
Other financial liabilities at fair value with changes in the income statement	-	-
Financial liabilities at amortised cost	(12,922,589)	20,330,654
Other operating liabilities	(261,028)	(183,726)
5. Collections/payments for income tax	**(110,835)**	**(57,329)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	**(2,041,442)**	**(12,026,163)**
6. Payments	**(14,613,550)**	**(27,891,288)**
Tangible assets	(1,295)	(891)
Intangible assets	(2,521)	-
Shareholdings	(3,772)	(2,077)
Other business units	-	-
Non-current assets and liabilities associated for sale	-	(1,004)
Held-to-maturity investment portfolio	(13,784,628)	(27,887,316)
Other payments related to investing activities	(821,334)	-
7. Collections	**12,572,108**	**15,865,125**
Tangible assets	814	1,544
Intangible assets	3,604	2,700
Shareholdings	2,059	-
Other business units	-	-
Non-current assets and liabilities associated for sale	1,353	1,231
Held-to-maturity investment portfolio	12,564,278	15,859,650
Other collections related to investing activities	-	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY
CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31st DECEMBER 2013 AND 2012
(Expressed in thousand Euros)

MEMORANDUM ITEM	2013	2012
C. CASH FLOWS FROM FINANCING ACTIVITIES	**379,621**	**529,397**
8. Payments	-	-
- Dividends	-	-
- Subordinated debt financing	-	-
- Equity instruments amortizations	-	-
- Own equity instruments purchased	-	-
- Other finances received	-	-
9. Collections	379,621	529,397
- Subordinated debt financing	-	-
- Issue own equity instruments	-	-
- Disposal own equity instruments	-	-
- Other finances charged	379,621	529,397
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E. NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**(266,624)**	**253,228**
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**284,350**	**31,122**
G. CASH OR CASH EQUIVALENTS AT END OF THE YEAR	**17,726**	**284,350**
MEMORANDUM ITEM	**-**	**-**
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD	**-**	**-**
Cash	13	7
Cash equivalent balances with central banks	17,713	284,343
Other financial balances	-	-
Less: bank overdrafts repayable	-	-

INSTITUTO DE CRÉDITO OFICIAL AND DEPENDENT ENTITIES

Notes to the consolidated financial statements for the
year ended 31st December 2013

1. INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

The Instituto de Crédito Oficial (hereafter “the Institute” or “ICO”) created by the Law 13/1971 (19th June) on Official Credit Organisation and System was regulated, up until the publication of Royal Decree Law 12/1995 (28 December) on Urgent Budget, Tax and Financial Measures, by the provisions of Article 127 of Law 33/1987 (30 December) on the General State Budgets for 1988 and some provisions of Law 13/1971 that were not repealed.

The Institute is domiciled at Paseo del Prado, 4, in Madrid, place where it carries out all of its activities without having any other office network in Spain.

The Institute is a public business entity in accordance with the provisions of Article 43.1.b) of Law 6/1997 (14th April), on the Organisation and Operation of the General State Administration. Pertains to the Ministry of Economy~~Finance~~ and Competitiveness through the Secretary of State for Economy and Company Support; it is a credit institution by law and is considered to be a State Finance Agency with its own legal personality, assets and finance, as well as management autonomy to fulfil its purposes.

The Secretary of State for Economy and Company Support is responsible for the strategic management of the Institute, as well as for the evaluation and control of the results of its activities.

The Institute is governed by the provisions of the Law 6/1997 (14th April) on the Organisation and Operation of the General State Administration, through Additional Provision Six of Royal Decree-Law 12/1995 (28th December), on Urgent Budget, Tax and Financial Measures; By applicable provisions of the General Budget Act approved by Legislative Royal Decree 1091/1998 (23rd September), by its by-laws, approved by Royal Decree 706/1999 (30th April), on the adaptation of Instituto de Crédito Oficial to Law 6/1997 (14th April) and the approval of its by-laws (Official State Gazette 114 published on 13th May 1999), and any other matter not covered by the above regulation, are governed by the special legislation applicable to credit institutions and general civil, mercantile and employment legislation.

The Institute's purposes are to sustain and promote economic activities that contribute to growth, and the improvement of national wealth distribution, especially, of all those activities that deserve some support due to their social, cultural, innovative or ecological importance.

When pursuing these aims, the Institute must completely respect the principles of financial balance and the adaptation of the means to purposes.

The Institute has also the following functions:

a) Contribute to the mitigation of the economic effects deriving from serious economic recessions, natural catastrophes or similar situations, in accordance with the instructions received in this aspect from the Council of Ministers or the Government Commission for Economic Matters.

b) Act as the principal instrument for executing certain economic policy measures, in line with the fundamental guidelines established by the Council of Ministers or the Government Commission for Economic Matters, or the Ministry of Economy~~Finance~~ and Competitiveness, subject to the rules and decisions adopted by its General Council.

Within the framework of these purposes and duties, the following types of operations are included:

1. Direct credit and mediation activities, providing financial support to certain sectors and strategic activities, such as small businesses, housing construction, telecommunications, internationalisation of Spanish businesses, etc., and the operations transferred by the official banks, now forming part of Banco de Bilbao Vizcaya Argentaria, S.A. (hereinafter BBVA), under the Resolution adopted by the Council of Ministers (hereinafter RCM) on 15th January 1993.

2. Reciprocal Interest Adjustment Agreement (hereinafter RIAA). This exportation support system ensures a good performance for the member financial institution, domestic or foreign. The Institute merely acts as an intermediary in the transaction, charging the State for its management costs, in accordance with the provisions of the General State Budget Act for each year.

   The net result of interest adjustments with member banks is regularly offset by the State or through a payment by the Institute to the State, depending on which part is the debtor or creditor, respectively.

3. Development promotion fund (FONDPRODE for its initials in Spanish). This Fund was established in 2010 under Act 36/2010. It is designed to finance development projects and programs in under developed countries in the form of State-to-State grants. The Institute acts as a Government agent. The structure, administration and accounting of these transactions is kept separated from all other operations, in independent accounts maintained by the Institute, and for what the ICO is reimbursed for the cost of management in accordance with the General State Budget for each year. As of December 2010, this particular Fund, acquired the Fund for micro-credits granting, also managed by the Institute since 1998 until its merge into FONPRODE.

4. Firms Internationalization Fund (FIEM for its initials in Spanish). This Fund was established in 2012 under Act 11/2010. Its activity consists on providing reimbursable financing for projects, under concessions or market terms, tied to the acquisition of Spanish goods and services and to the execution of Spanish investment projects or those of national interest. The Institute acts as a Government agent and the structuring, administration and accounting for these transactions is kept separate from all other operations, in independent accounts maintained by the Institute and for what the ICO is reimbursed for the cost of management in accordance with the General State Budget for each year.

5. Water and Sanitation Cooperation Fund. It was created through the Sixty-First Additional Provision of Law 51/2007, December 26th; of the 2008 General State Budget to fund water and sanitation projects under the financing arrangements with the national authorities of the Latin America Countries, considered a priority for the Spanish cooperation.

6. Credit facilities system for Suppliers Payments Funding (FFPP for its initials in Spanish). Resulting from 4/2012 and 7/2012 Royal Decree-Laws, created to allow local entities, such as Autonomous Communities, attending to the outstanding payment requirements with its suppliers or leasers. ICO plays the trader role, without registering any of these operations on its accounting records. This activity generates for the Institute a pertinent trading commission.

7. Autonomous Liquidity Fund (FLA for its initials in Spanish) .Resulting from the July 13th 21/2012 Royal Decree-Law, deals with Public Administration liquidity measures in the financial environment. ICO plays the trader role, without registering any of these operations on its accounting records. This activity generates for the Institute a trading commission.

The last six types of operations are not included in the accounts kept by the Institute, according to the applicable law for each of them.

1.2 Basis of presentation of the consolidated financial statements

The Group presents its consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union (hereafter, NIIF-UE) according to the principles and standards contained in Circular 4/2004 of December 22nd (hereafter, Circular 4/2004), Bank of Spain, on financial reporting standards and public reserved models on financial statements. The aforesaid Circular 4/2004 is mandatory for the individual financial statements of the Spanish Credit Institutions.

Consequently, the accompanying consolidated financial statements have been prepared from the accounting records of the entities Group and in accordance with the requirements established by International Financial Reporting Standards adopted by the European Union (NIIF-UE) and by Bank of Spain Circular 4/2004 of December 22nd, and subsequent amendments, the Spanish Code of Commerce, the Capital Enterprises Act or other Spanish legislation that is applicable, so that they present fairly the net worth and financial situation of the Group at 31st December 2012 and the results of its operations, of changes in equity and consolidated cash flows for the year ended on that date.

The accounting principles applied in the preparation of the consolidated financial statements for the year ended 31st December 2013 are the same as those applied to the 2012 consolidated financial statements, except for the following standards and interpretations, applicable for annual periods beginning on or after 1st January 2013:

Amendment to IFRS 7 “Disclosures about Transfers of Financial Assets”*:* effective for annual periods beginning on or after 1 July 2013.

The adoption of these amendments and interpretations did not have a significant effect on the consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment issued but not effective. At the date of publication of these consolidated financial statements, the following IFRSs and amendments had been issued by the IASB but were not mandatory and had not been approved by the EU:

- Amendment to IAS 1 “Disclosure of items from other global results”: Effective for annual periods beginning on or after July 1st, 2013 on.
- IFRS 10 “Consolidated Financial Statements”: Effective for annual periods beginning on or after January 1st, 2013 on.
- IFRS 11 “Combined Agreements”: Effective for annual periods beginning on or after January 1st, 2014 on and subject to retrospective application for combined agreements already into effect at the initial application date.
- IFRS 12 “Information to disclosure about any interest arisen on Other Entities”: Effective for annual periods beginning on or after January 1st, 2014 on.
- IFRS 13 “Fair Value Intervention”: Effective for annual periods beginning on or after January 1st, 2013 on.
- Revised IAS 19 “Profits to Employees”: Effective for annual periods beginning on or after January 1st, 2013 on.

- Revised IAS 28 “Investments on associated companies and joint ventures”: Effective for annual periods beginning on or after January 1st, 2014 on.
- Revised IAS 19: “Benefits to employees”: Effective for annual periods beginning on or after 1st January 2013.
- Revised IAS 28 “Investments in associated entities and joint businesses”: Effective for annual periods starting from January 2014.
- IFRIC 20 “Digging costs on a surface mine during its production phase”: Effective for annual periods beginning on or after January 1st, 2013 on.
- Amendments to IAS 32 “Compensation on financial assets and liabilities”: Effective for annual periods beginning on or after January 1st, 2014 on.
- Amendments to IFRS 7 “Breakdown - Compensation on financial assets and liabilities”:
- Effective for annual periods beginning on or after January 1st, 2013 on.
- Amendments to IAS 12 “Deferred taxes-Underlying assets recovery”. Changes are effective for annual periods beginning on or after January 1st, 2013 on and these will not have any impact on the financial situation, results nor Group’s breakdowns.

The Group is willing to adopt these rules, variations and interpretations as soon as they get into effect.

The Group estimates that adoption of these standards and amendments will not have a significant impact on the consolidated financial statements in the initial period of application.

At the consolidate financial statements disclosure date, the following rules, variations and interpretations were already disclosure by the IASB and approved by the European Union although they were not subject of compulsory application:

- IFRS 9 “Financial Instruments”: Effective for annual periods beginning on or after January 1st, 2015 on, for IASB.
- IFRS Improvements: Effective for annual periods beginning on or after January 1st, 2013 on, for IASB.
- Amendments to IFRS 9 and IFRS 7 “Compulsory application date and disclosures within transition”. Effective for annual periods beginning on or after January 1st, 2015 on, for IASB.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Transition Guideline”: Effective for annual periods beginning on or after January 1st, 2013 on, for IASB.
- Amendments to IFRS 10, IFRS 11 and IFRS 27 “Investment companies”: Effective for annual periods beginning on or after January 1st, 2014 on, for IASB.

Currently, the Group is analyzing the impact of the application of these rules and variations. All obligatory accounting principles and measurement bases with a significant effect have been applied in the preparation of these financial statements. Note 2 provide a summary of the main accounting policies and measurement bases used in the accompanying consolidated financial statements. The President of the Group’s parent company is responsible for the information contained in these consolidated financial statements.

The consolidated financial statements for the year 2013 of the Group have been prepared by the Chairman of the Institute dated on March the 31st, 2014, still pending approval by the General Council of the Institute, parent entity of the Group, which is expected to approve them without significant changes. These consolidated financial statements, unless otherwise stated are presented in thousands of Euros.

1.3 Responsibility for information and estimates made.

The information contained in the consolidated financial statements for the year ended 31st December 2013 and the accompanying Notes regarding those financial statements are responsibility of the Chairman. During the preparation of these financial statements, some estimations have been made by ICO to quantify certain assets, liabilities, income, expenses, and commitments included in those statements. These estimations basically refer to:

- Impairment losses on certain assets (Note 2.7).
- Assumptions used in actuarial calculations of liabilities and commitments related to post-employment benefits and other long-term commitments with employees. (Note 2.10.2).
- Useful life of fixed assets and intangible assets (Notes 2.12 and 2.13).
- Losses on future obligations derived from contingent risks. (Note 2.14)
- The fair value of certain unlisted assets. (Note 2.2.4)

Although these estimations were made based on the best information available at 31stst December 2013 in relation with the analysed facts, future events could lead significant adjustments to be made (upward or downward) in coming years. These changes would be made prospectively, to recognise the impact of the change in the estimation of the income statement for the specific years.

1.4 Transfer of assets and liabilities from the extincted Argentaria

The extinct entities Argentaria, Caja Postal and Banco Hipotecario, S.A., were the result of the merger between Corporación Bancaria de España, S.A., Banco Exterior de España, S.A. (BEX), Caja Postal, S.A. and Banco Hipotecario de España, S.A. (BHE), in accordance with the public merger document dated 30 September 1998. Banco de Crédito Agrícola, S.A. (BCA), was previously taken over by Caja Postal, S.A. and Banco de Crédito Local de España, S.A. (BCL), which al so pertained to the first entity, maintains its legal personality.

In reference to the provisions of the RCM dated 15 January 1993, on 31st December 1992 the Institute acquired the assets and liabilities pertaining to BCL, BHE, BCA and BEX deriving from economic policy operations that were guaranteed by the State or the Institute and, specifically, the loans and guarantees provided to companies in conversion (covered by legislation regarding conversion and re- industrialization), exceptional loans granted to victims of floods, the loans granted by these entities prior to their transformation into public limited liability companies, as well as other assets, rights and equity investments.

Moreover, the 25 March 1993, a management contract was signed with corresponding Banks, regarding assets and liabilities transferred, and it also includes both their management and correct accounting, as said in the prevailing banking law. Management commissions accrued in 2013 and 2012 have been 444 thousand euros and 422 thousand euros, respectively.

Furthermore, on 25 March 1993 a management agreement was signed with the relevant banks regarding the transferred assets and liabilities, which includes both the administration and the adequate accounting for these items in accordance with current banking legislation. The management commissions accrued in 2013 and 2012 totalled 444 thousand Euros and 422 thousand Euros, respectively.

At 31st December 2013 and 2012 the breakdown by nature of the transferred assets and liabilities that were managed at those dates by BBVA (the entity resulting from the integration of all of the above, among others), is set out below:

	Thousands of Euros	
Assets and liabilities managed by BBVA	**2013**	**2012**
Credit Institutions	9	9
Loans to Spanish Public Administrations	437	508
Loans to other resident sectors	81	110
Distressed assets	2,444	3,196
Non-current assets	174	95
Sundry accounts	3	16
Total assets	**3,148**	**3,934**
Sundry accounts	225	224
Connection account with ICO	2,816	3,532
Profit for year	107	178
Total liabilities	**3,148**	**3,934**

1.5 Presentation of individual financial statements

In accordance with Article 42 of the Code of Commerce, the Institute has prepared its individual financial statements at the same date as the present consolidated financial statements.

A summary is set out below of the individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement of Instituto de Crédito Oficial for the years ended 31st December 2013 and 2012, prepared under the same accounting principles and standards as applied by the Group in consolidated financial statements:

a) Individual balance sheets at 31st December 2013 and 2012:

	Thousands of Euros	
Assets and liabilities managed by BBVA	**2013**	**2012**
Cash and balances with central banks	18,304	284,349
Financial assets held for trading	400,771	554,945
Available-for-sale financial assets	1,104,887	201,633
Loan and receivables	78,094,723	91,131,038
Held-to-maturity investment portfolio	20,660,688	19,440,338
Hedging derivatives	1,509,208	3,019,268
Non-current assets for sale	-	1,353
Shareholdings	44,446	46,505
Tangible assets	97,385	98,465
Intangible assets	6,923	7,992
Tax assets	253,021	165,474
Other assets	12,327	278,404
Total assets	**102,202,683**	**115,229,764**
Financial liabilities held for trading	398,114	553,234
Financial liabilities at amortised cost	96,668,720	109,582,729
Hedging derivatives	354,234	337,575
Provisions	284,802	305,302
Tax liabilities	25,994	49,282
Other liabilities	5,089	262,483
Total liabilities	**97,736,953**	**111,090,605**
Valuation adjustments	(54,420)	69,862
Own Funds:	4,520,150	4,069,297
Capital or endowment fund	3,609,855	3,230,234
Reserves	839,063	779,049
Profit and loss for the period	71,232	60,014
Total equity	**4,465,730**	**4,139,159**
Total equity and liabilities	**102,202,683**	**115,229,764**
Contingent risks	1,610,594	1,928,016
Contingent commitments	4,827,269	6,115,510
Total memorandum item	**6,437,863**	**8,043,526**

b) Individual income statements for the years ended 31st December 2013 and 2012:

	Thousands of Euros	
	2013	**2012**
Interest and similar income	2,945,549	3,470,684
Interest and similar charges	(2,218,273)	(2,710,811)
Net interest income	**727,276**	**759,873**
Return on equity instruments	2,761	370
Fee and commissions income	84,197	43,433
Fee and commissions expense	(24,168)	(18,984)
Gain or losses on financial assets and liabilities (net)	25,214	10,153
Exchange differences (net)	(1,186)	628
Other operating income	2,460	5,368
Other operating expenses	-	-
Gross operating income	**816,554**	**800,841**
Administrative expenses	(31,046)	(30,441)
Depreciation and amortization	(5,968)	(7,371)
Provisions expenses (net)	(81,669)	(72,510)
Financial asset impairment losses (net)	(583,647)	(605,812)
Net operating profit	**114,224**	**84,707**
Losses for impairment of other assets (net)	(13,436)	(908)
Gains / losses on disposal of assets not class. As non-current assets held for sale	287	234
Negative difference on business combinations	-	-
Gains / losses on non-current assets held for sale not classified as discontinued operations	-	-
Profit before tax	**101,075**	**84,033**
Income tax	(29,843)	(24,019)
Profit for the period from ongoing operations	**71,232**	**60,014**
Profit / Loss from discontinued operations (net)	-	-
Profit for the year	**71,232**	**60,014**

c) Statement of changes in equity. Statements of individual income and expense recognized for the years ended 31st December 2013 and 2012

	Thousands of Euros	
	2013	**2012**
Profit for the year:	71,232	60,014
Other income and expenses recognized:	(124,282)	(135,770)
Available – for – sale financial assets	(29,101)	(9,907)
Financial liabilities at fair value with changes in equity	-	-
Hedging of cash flows	(148,444)	(184,050)
Hedges of net investments in foreign	-	-
Exchange differences	-	-
Non – current assets for sale	-	-
Income tax	53,263	58,187
Total recognized income and expenses	**(53,050)**	**(75,756)**

d) Statement of changes in equity. Individual statements of changes in equity for the years ended 31st December 2013 and 2012:

SHAREHOLDERS EQUITY

At December 31st,2013

Thousands of Euros

	Capital / endowment fund	Share premium	Reserves	Other equity instruments	Less: Treasury shares	Profit for the year	Less: Dividends and remuneration	Total Own Funds	Valuation adjustments	Total Net Equity
Ending Balance at December 31st, 2012	**3,230,234**	**-**	**779,049**	**-**	**-**	**60,014**	**-**	**4,069,297**	**69,862**	**4,139,159**
Total income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**71,232**	**-**	**71,232**	**(124,282)**	**(53,050)**
Other changes in net worth:										
Increases in capital endowment	379,621	-	-	-	-	-	-	379,621	**-**	**379,621**
Transfers between equity	-	-	60,014	-	-	(60,014)	-	-	**-**	**-**
Other increases (decreases) in equity	-	-	-	-	-	-	-	-	**-**	-
Total other changes in net worth:	**379,621**	**-**	**60,014**	**-**	**-**	**(60,014)**	**-**	**379,621**	**-**	**379,621**
Ending Balance at December 31st,2013	**3,609,855**	**-**	**839,063**	**-**	**-**	**71,232**	**-**	**4,520,150**	**(54,420)**	**4,465,730**

SHAREHOLDERS EQUITY

At December 31st,2012

Thousands of Euros

	Capital / endowment fund	Share premium	Accumulated Reserves (losses)	Other equity instruments	Less: Treasury shares	Net profit for the year	Less: Dividends and remuneration	Total Own Funds	Valuation adjustments	Total Net Equity
Ending Balance at December 31st, 2011	**2,700,837**	**-**	**739,023**	**-**	**-**	**40,026**	**-**	**3,479,886**	**205,632**	**3,685,518**
Total income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**60,014**	**-**	**60,014**	**(135,770)**	**(75,756)**
Other changes in net worth:										
Increases in capital endowment	529,397	-	-	-	-	-	-	529,397	-	529,397
Transfers between equity accounts	-	-	40,026	-	-	(40,026)	-	-	-	-
Other increases (decreases) in equity	-	-	-	-	-	-	-	-	-	-
Total other changes in net worth:	**529,397**	**-**	**40,026**	**-**	**-**	**(40,026)**	**-**	**529,397**	**-**	**529,397**
Ending Balance at December 31st,2012	**3,230,234**	**-**	**779,049**	**-**	**-**	**60,014**	**-**	**4,069,297**	**69,862**	**4,139,159**

e) Individual cash – flow statements for the years ended 31st December 2013 and 2012.

	Thousands of Euros	
	2013	**2012**
Net cash – flows from operating activities:	**1,392,057**	**11,751,534**
Profit for the year	71,232	60,014
Adjustments for cash flows from operating activities	698,652	710,484
Net increase/decrease in operating assets	14,063,372	(9,218,758)
Net increase/decrease in operating liabilities	(13,330,364)	20,257,135
Collections/payments for income tax	(110,835)	(57,341)
Net cash flows for investing activities:	**(2,037,723)**	**(12,027,703)**
Payments	(14,609,820)	(27,892,593)
Collections	12,572,097	15,864,890
Net cash flows for financing activities	379,621	529,397
Effect of exchange rate fluctuations	-	-
Net increase/decrease in cash or cash equivalents	**(266,045)**	**253,228**
Cash or cash equivalents at beginning of the year	284,349	31,121
Cash or equivalents at end of the year	18,304	284,349

1.6 Enviromental impact

The Group's global transactions are governed by the laws on environmental protection. The Institute deems that the Group substantially complies with these Laws and that the procedures it uses are designed to encourage and ensure compliance with such Laws.

The Institute considers that the Group has taken appropriate environmental protection and improvement measures and for minimizing, whenever applicable, the environmental impact following the rules enforced in this regard. During 2013 and 2012 exercise the Group has not carried out significant environmental investments and neither has it considered it necessary to record any provision for environmental risks and charges. Nor does it consider that there are any significant contingencies related to the environmental protection and improvement.

1.7 Minimum coefficients

1.7.1 Minimum equity ratio

The Bank of Spain, dated May 22, 2008, has issued Circular 3/2008 on identification and control of the minimum equity. The aforesaid Circular is the final development in the field of credit institutions, on the legislation on its equity and supervision on a consolidated basis of the financial institutions issued from Law 36/2007 of November 16, which amends Act 13/1985, of May 25, of the investment ratio, equity and information obligations of financial intermediaries and other financial system and that includes the Royal Decree 216/2008, of February 15 of financial institutions equity. This also completes the process of adapting the legislation of Spanish credit institutions to EU directives 2006/48/EC of the European Parliament and the Council of 14 June 2006 concerning the business of credit institutions (recast) and 2006/49/EC of the European Parliament and the Council of 14 June 2006 on capital adequacy of investment services companies and credit institutions (recast). The two Directives have been deeply revised, following the equivalent Agreement adopted by the Basel Committee on Banking Supervision (known as Basel ll), the minimum capital requirements due to credit institutions and their consolidated groups.

Directive 2009/111/EC of the European Parliament and of the Council, of 16 September, amends directives as regards banks affiliated to central institutions, certain own fund items, large exposures, supervisory arrangements, and crisis management, and amends certain technical criteria set out in the Annexes of Directive 2006/48/EC. Similarly, Directive 2010/76/EU of the European Parliament and of the Council, of 24 November, contains additional amendments to directives as regards capital requirements for the trading book and for re-securitizations, and the supervisory review of remuneration policies.

Act 2/2011, of 4 March, on the Sustainable Economy and, fundamentally, Act 6/2011, of 11 April, amending Act 13/1985, mark the first stage of implementing these two directives in Spanish legislation. Nevertheless, given the complexity and detail of these directives, above all with respect to solvency, these laws and Royal Decree empowered the Bank of Spain to transpose many of their technical aspects.

Accordingly, the main purpose of Circular 4/2011, of 30 November, was to complete the transposition into Spanish law of these directives (known in the market as CRD2 and CRD3). Moreover, Circular 4/2011 marked progress in adapting Spanish prudential regulations to the new criteria established by the Basel Committee on Banking Supervision in what is known as Basel III; i.e. the new prudential framework for solvency and liquidity initiated at the end of 2009 following the two documents issued by this Committee with the overriding aim of ensuring the future computability of equity instruments issued from 2012.

At December 31st, 2013 and 2012, the entity's computable equity, which is calculated in a consolidated basis, exceeds the minimum requirements required by the regulation explained in 2,818,929 thousand Euros and 1,922,918 thousand Euros respectively.

Also, Circular 3/2008 stipulates that net tangible assets and all consolidated groups of credit institutions risks with the same person or economic group, may not exceed certain percentages of equity, also establishing limits on positions in foreign currencies. At December 31st, 2013 and 2012, the Entity Group complies with these limits.

In addition, the February 3rd 2/2012 Royal Decree-Law, establishes that credit entities' groups being objects of consolidation, as well as those entities not integrated in a group object of consolidation required to accomplished a minimum level of resources, will have to have an additional excess depending on its exposure to certain assets, calculated upon the impairment percentages established in the named Royal Decree-Law. ICO fulfils all additional resources requirements related to this concept, amounting 10 million Euros. At March 28th, 2012, the Institute present the report to the Bank of Spain as it follows in the 2/2012 RD-Law, article 1.4.

The November 14th, 9/2012 Law, about restructuring and decision taking in credit entities and the Bank of Spain, November 3rd Circular 7/2012, about minimum resources requirements in credit entities, have both established that these resources named could not be under 9% from January 1st, 2013. This regulation is not applicable to the Institute.

At December 31st, 2013 and 2012, the ICO Group's computable equity is as follows:

	Thousands of Euros	
	2013	**2012**
Basic own funds	4,422,985	3,990,779
- Capital	3,609,855	3,230,234
- Reserves (*)	813,130	760,545
Second category own funds	307,254	311,643
- Other reserves (*)	26,323	30,712
- Generic insolvency risk coverage	280,931	280,931
Total computable own funds	**4,730,239**	**4,302,422**
Total minimum own funds(**)	**1,911,310**	**2,379,504**

(*) The total reserves used for the calculation of own resources of the group computable differ from those recorded in the consolidated balance sheet because in the calculation of own funds are given:
- The deduction of basic own funds for intangible assets
- Corrections to valuation adjustments on financial assets available for sale

(**) Calculated as an 8% of the weighted risk as it is said in Circular 3/2008

At December 31st, 2013 and 2012, the most important data of the minimal resources of the Group are (in thousands Euros):

	2013	2012
Basic own funds	4,422,985	3,990,779
Risk weighted	23,891,375	29,743,800
Basic own funds ratio (%)	18.51%	13.42%
Computable equity	4,730,239	4,302,422
Computable equity ratio (%)	19.80%	14.46%
Minimum computable equity ratio (%)(*)	9.5%	9.5%

(*) ICO's minimum computable own funds ratio is 9.5% according to Additional Provision Forty-nine, point II, of State Budget Act 42/2006, of 28 December, of the 2007 General State Budget.

At December 31st, 2013 and 2012 ICO Group's computable own funds exceeded the minimum requirements by the mentioned standards.

1.7.2 Minimum reserves ratio

The Institute must maintain a minimum level of funds deposited in a central bank of a euro country to cover the minimum reserve requirements. At 31st December 2013, this level was 2% of computable liabilities. On 24th November 2011, Regulation (EU) No 1358/2011 came into effect, requiring 1% for additional computable liabilities (time deposits of over two years drawable subject to a notice period of more than two years, sales under repurchase agreements and securities other than shares with maturities of over two years). This amendment will be applied following the maintenance period started January 18th 2012.

At December 2013 and 2012, and throughout 2013 and 2012, The Group complied with the minimum ratios required by applicable Spanish regulations.

1.7.3 Capital management

The Group considers capital management, first and second category computable equity regulated by the solvency legislation (Circular 3/2008 Bank of Spain, from May 22, 2008 on the identification and control of minimum equity).

In this sense, the regulatory capital requirements are incorporated directly in the management thereof in order to maintain at all times a solvency ratio higher than 9.5%. This objective is met through a proper capital planning.

1.8 Post-balance sheet events

In accordance with Additional Provision of Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security measures, amended by Law 42/2006, of State Budget for 2007, the amounts recovered following the repayment by Central Government of the debts incurred with ICO as a result of certain credit and guarantee facilities granted by the former Entidades Oficiales de Crédito and the Institute itself will form part of the Institute's equity. The amount estimated for 2013 totals 1 million Euros, that will be recognized in 2014.

As in previous years, chapter VIII of the General State Budgets for 2014 envisages a new contribution to ICO's equity amounting to 350 million Euros in order to increase the equity of the Institute and adapt it to its activities.

During 2014 exercise, the Instituto de Crédito Oficial, as a State Financial Agency, will capitalize by government order, new lines of credit to business and individuals in order to provide more liquidity to the Spanish credit system and to address other needs within the framework of the Institute objectives. The main lines approved are:

- Línea ICO Empresas y Emprendedores 2014: this ICO line provides finance to freelances and companies performing its investments within the country and need to fulfil its liquidity needs. Individuals and landlord communities can also take advantage of this line for housing restoration.

- Línea ICO Garantía SGR/SAECA 2014: this ICO line provides finance to freelances and Spanish or mixed companies with resources mainly Spanish within a Reciprocal Guarantee Company (SGR for its initials in Spanish) or a State Anonimous Entity of Agricultural Suretyship (SAECA for its initials in Spanish)

- Linea ICO Pagarés y Bonos de Empresas 2014: This ICO line provides finance to Spanish firms that issue, in the primary market, promissory notes and bonds accepted in the organized markets or in multi-lateral negotiation systems in Spain.

- Línea ICO Internacional 2014: this ICO line provides finance to freelances and Spanish or mixed companies with resources mainly Spanish performing productive investments overseas and/or need to fulfil its liquidity needs.

- Línea ICO Exportadores Corto Plazo 2014: this ICO line provides finance to freelances and Spanish companies that need liquidity through advances in receipts from its export activities.

- Línea ICO Exportadores Medio y Largo Plazo 2013/2014: This ICO line is oriented to provide finance for the operations of “Supplier Credit” and “Purchaser Credit”

The total amount of the lines increases up to 16,000 million Euros. During January 2014, the ICO and Credit Institutions that submitted the application for membership of these credit lines signed the draft and the finance contracts.

At the end of 2013, the Institute’s Operations Council approved the appendix 5 of the Contract of ICO lines 2014, in order to regulate conditions and methodology that are going to be used in the transformation of the loans dispositions into bonds, made by entities in ICO lines 2014. In such operation, general specifications are included regarding lines that could be transformed, amounts, interest accruals, eligible entities, schedule and Financial Entities compensations.

No significant events other than those described in the previous paragraphs have occurred from the end of the reporting period (31st December 2013) to the date these financial statements were issued (31st March 2014).

1.9 Information per business segment

The Group's main activity is the granting of lines of credit and direct loans and therefore, in accordance with relevant legislation, it is considered that the information relating to the segmentation of operations into different lines of business of the Group, is not relevant.

The Group develops its activity both inside and outside the Spanish territory. AII operations are granted to increase the Spanish interest.

1.10 'ICO Directo' lending activities

In June 2010, ICO launched a new business segment known as "ICO Directo" designed to provide financing to self-employed individuals, SMEs, and non-profit entities located in Spain (with more than one year operating), for investors in the national territory (new investments in machinery, furniture, IT equipment, buildings, etc.).This business segment was used to complement the ICO's normal lending activities, conducted through mediation lines with financial institutions. It also represented a broadening of the finance channels aimed at SMEs and self-employed individuals. The ICO Direct line was renewed for 2011 and 2012, being over in June 2012.

Transactions derived from ICO Direct activities are formally processed and administered by Banco Santander and Banco Bilbao Vizcaya Argentaria (BBVA). These financial institutions won the public tender held by ICO for this purpose.

The breakdown by nature of ICO Direct's assets and liabilities at 31st December 2013 and the corresponding managing entity is as follows:

	Thousands of Euros			
	2013		2012	
Assets and liabilities of ICO Direct	**BBVA**	**BS**	**BBVA**	**BS**
Loans and advances to other resident sectors	71,325	95,296	89,233	135,956
Distressed assets	-	-	-	-
Other	-	-	-	-
Total assets	**71,325**	**95,296**	**89,233**	**135,956**
Sundry accounts	-	-	-	-
Connection account with ICO	85,429	118,051	128,219	184,697
Profit for the year	(14,104)	(22,755)	(38,986)	(48,741)
Total liabilities	**71,325**	**95,296**	**89,233**	**135,956**

1.11 ICO Local Corporation/Entities 2011 lending activity

The 2011 ICO-Local Corporation Facility started as a consequence of the Royal Decree-Law designed to foster the stability of public accounts and social protection approved in July 2011 by the Spanish cabinet. Its aim was to alleviate the problems of many self-employed professionals and small businesses that, in light of the struggling economy, were suffering from major problems, settling their collection rights on supplies, works and services rendered to local entities.

This Line was designed to provide local corporations (local and municipal governments) with liquidity to settle their outstanding invoices until 30th April 2011. It was mostly designed to help them repay debts to self-employed individuals and SMEs based on the age of certifications or documents.

The ICO-Local Corporation Facility was opened from July 2011 to November 2011. During this time, the facility enabled 1,029 local, regional and inter-island town councils throughout Spain to settle 222,975 outstanding invoices (which amounted a total of 967 million Euros) for supplies works and services provided by 38,338 self-employed individuals and SMEs during 2011.

The formalization and administration of the Entidades Locales 2011 ICO line operative is carried out through several EECC added to the project.

The breakdown at 31st December 2013 and 31st December 2012, by assets and liabilities nature related to the Entidades Locales 2011 ICO line, is displayed as follows:

	Thousands of Euros	
ICO EELL 2011 Assets and Liabilities Balance sheet	**2013**	**2012**
Loans and Advances to Spanish Public Administrations	412,269	768,247
Distressed Assets	14,721	-
Other	-	-
Total assets	**426,990**	**768,247**
Connection account with ICO	389,392	708,196
Profits for the year	37,598	60,051
Total liabilities	**426,990**	**768,247**

In this line, during the year 2013 and 2012, a total of 540 million euros has expired, from which a total of 513 have been refunded by the EELL, and 27 million euros have been recovered through the PIE (A share in the Estate' income).There are 1,028 entities inside the PIE plan, but only 303 entities have required its benefits this year.

2. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT METHODS APPLIED

During the preparation of Group's consolidated financial statements for the years ended 31st December 2013 and 31st December 2012, the following accounting principles, policies and measurement methods have been applied:

a) Going concern principle

The financial statements were prepared on the assumption that the Institute will continue to operate in the future. Accordingly, the application of accounting policies is not designed to determine net asset value for the total or partial transfer of its assets or that which would result from liquidation.

b) Accruals principle

Except for the cash flow statement calculation, these financial statements have been prepared on an accrual basis, that is, transactions have been recognized at the date the actual goods or services represented by them take place, regardless when actual payment or collection occurs.

c) Other general principles

The financial statements have been prepared on a historical cost basis, except for the revaluation of land and structures (only to 1st January 2004) (Note 14), available-for-sale financial assets and financial liabilities (including derivatives) at fair value through profit or loss.

2.1 Shareholdings

2.1.1 Subsidiaries

"Subsidiaries" are those in which the Institute has the capacity to exercise control. This is generally, but not exclusively, reflected by the direct or indirect ownership of at least 50% of the voting rights or, if lower or when no voting rights are held, by other circumstances or agreements with shareholders that give control to the Parent entity. In accordance with the new regulations, control is deemed to be the power to direct an entity's financial and operational policies in order to benefit from its activities.

The subsidiaries' financial statements are consolidated with those of the Entity using the full consolidation method, as stipulated in prevailing regulations. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation. The Institute is considered the parent of the Group, with a 99% of the rights of it.

Additionally, third-party interests in the:

- Group's equity is presented in "Minority interests" in the consolidated balance sheet, without balance at 31st December 2013 and 2012.

- Consolidated results for the year are presented in "Surplus attributed to minority interests" in the consolidated income statement, without balance at 31st December 2013 and 2012.

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date until the year end.

Appendix I provides relevant information on these entities, all of which close their financial year on 31st December.

2.1.2 Associated entities

Associated entities are organizations over which the Institute holds significant influence, although they do not take part of a decision unit together with the Institute, nor are they under joint control. Normally, significant influence generally states a direct or indirect shareholding of 20% or more of the voting rights.

Shareholdings in "Associated entities" are presented in these financial statements under the heading "Shareholdings-Associated entities" in the balance sheets and are valued at acquisition costs, adjusted to any impairment that they may have undergone.

The results on the transactions between the associate and Group companies are removed in the percentage represented by the Group's interest in the associate. The results recorded in the year by the associate, after the removing explained above, increase or decrease, as appropriate, the value of the relevant shareholding in the consolidated financial statements. The amount of these results is recorded under "Results in companies carried under the equity method" in the consolidated income statement (Note 28).

Variations in the associate' valuation adjustments, subsequent to the acquisition date, are recorded as an increase or decrease in the value of the shareholding. The amount of these variations has been recorded under "Valuation adjustments", in consolidated equity.

Appendix I provide relevant information on these entities.

2.2 Financial Instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognized in the balance sheet when the Group becomes a part of the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash, are recognized as from the date on which the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, financial derivatives are registered the date they have been contracted.

Purchases and sales of financial assets arranged through conventional contracts, understood as those contracts under the parties' reciprocal obligations must be fulfilled with a timeframe established by regulations or market conventions and which may not be settled by differences, such as stock market contracts or currency forwards, are accounted for from the date on which the benefits, risks, rights and duties inherent in all ownership are transferred to the acquirer. Depending on the type of financial asset, purchased or sold, this may be the date of contract or the date of settlement or delivery. Specifically, transactions effected in the foreign exchange spot market are recognized at the settlement date; transactions affected using equity instruments traded in Spanish securities markets are recorded at the contract date; transactions affected using debt instruments traded in Spanish securities markets are registered at the settlement date.

2.2.2 Disposal of financial instruments

Financial instruments disposals are recorded taking into account the way in which risks and benefits associated with the transferred financial instruments are transferred, based on the following criteria:

- If the risks and benefits are substantially transferred to third parties, as in unconditional sales, sales and repurchase at fair value at the date of the acquisition, sales of financial assets with a purchase option or sales gained issued deeply out of money, the securitization of assets in which the grantor retains no subordinate financing or grant any credit enhancement to the new owners, etc., the transferred financial instrument is removed off the balance sheet, recognizing both any right or obligation retained or created as a result of the transfer.

- If the risks and benefits associated with the transferred financial instrument are retained, such as sales of financial assets with repurchase agreements for a fixed price or the sale price plus interest, the loan contracts of values in which the borrower must return the same or similar assets, and so on, the transferred financial instrument is not removed off the balance sheet and continues being measured with the same criteria used before the transfer. However, the financial liability associated by an amount equal to the consideration received is recognized, which is then valued at amortized cost, the transferred financial asset incomes but not recognized and the new financial liability costs.

- If neither the risks and benefits associated with the transferred financial instrument are transferred nor retained substantially, such as sales of financial assets with a purchase option bought or sold that are neither inside nor outside money, securitizations in which grantor assumes a subordinated financing or other credit enhancements for a share of the assets transferred, and so on, it is distinguished between:

- If the entity does not retain control over the transferred financial instrument, in which case it gives off the balance sheet and recognizes any right or obligation retained or created as a result of the transfer.

- If the entity retains control over the transferred financial instrument, in which case it continues recognizing it on the balance sheet at an amount equal to its exposure to value fluctuations that can experience, and a financial liability associated to an amount equal to the consideration received is recognized. Such liabilities are subsequently valued at amortized cost, unless it meets the requirements to be classified as financial liabilities at fair value with changes in the income statement. To calculate the amount of this financial liabilities, the amount of its financial instruments (such as asset-backed securities and loans) which constitute funding for the entity to which financial assets have been transferred will be deducted, in the exact amount these financial instruments finance specifically the transferred assets. The net amount between the transferred assets and liabilities associated to them will be the amortized cost of the rights and obligations retained, in the case the transferred asset is measured at amortized cost, or fair value of the rights and obligations retained, if the transferred asset is measured by its fair value.

Therefore, financial assets are only removed from balance sheet when the cash flows generated have been extinguished or when the implicit risks and benefits have been transferred to third parties. Similarly, financial liabilities are only removed off the balance sheet when the obligations generated have been extinguished or when they are purchased with the intention to cancel or to replace them again.

2.2.3 Fair value and amortised cost of financial instruments

Financial assets:

The fair value of a financial instrument at a given date is understood to be the amount at which it may be purchased or soId at that date between duly informed parties in an arm's length transaction. The most objective and common reference value for a financial instrument's fair value is the price that would be paid in an organized, transparent and deep market ("quoted price" or "market price").

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, failing this, using valuation techniques that are acceptable to the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

Specifically, the fair value of held-for-trading derivative financial instruments traded in organized, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organized markets.

The fair value of derivatives not traded in organized markets, or traded in organized markets that are not deep or transparent enough, is equal to the sum of the future cash flows generated by the instrument, discounted at the measurement date ("present value" or "theoretical close"), employing valuation techniques accepted by the financial markets: "Net Present Value" (NPV), option pricing models, etc.

Amortized cost is the acquisition cost of a financial asset or liability adjusted (upward or downward) for capital and interest repayments and, where applicable, for the (higher or lower) portion (recognized in the income statement applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortized cost of financial assets also includes impairment adjustments.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows through its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that, in accordance with the provisions of Bank of Spain Circular 4/2004 (22 December), must be included in the calculation of the effective interest ratio The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions, and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

Other entities shareholdings whose fair value cannot be determined objectively and financial derivatives that have these instruments like its underlying assets and that are settled by delivery of them are kept at cost adjusted, where appropriate, for impairment losses that they have experienced.

Variations in financial assets amounts are registered, in general, with counterpart in the profit and loss account, differentiating between those that are caused by the accrual of interest and similar items that are recorded in the heading of Interest and similar income, and those corresponding to other causes, which are recorded by the net amount under the heading of Gain or losses on financial assets and liabilities of the profit and loss account.

However, changes in instruments value included under the heading ‘Available for sale financial assets’ are recorded temporarily in the epigraph ‘Valuation adjustments in Net Equity’ unless they come from exchange differences. The amounts in the epigraph ‘Valuation adjustments’ remain part of net equity until they are removed from balance sheet assets where they are originated, moment when they are written off against profit and loss account.

Also, changes in the value of the items included under the heading ‘Non-current assets held for sale’ are recorded under consideration in valuation adjustments to equity.

Regarding financial instruments, valuations at fair value reflected in the financial statements are classified using the following fair value ranking:

i) Level I: reasonable values are obtained from quoted prices (unadjusted) in active markets for the same instrument.

ii) Level II: Fair values are obtained from valuation techniques in active markets for similar instruments, recent transaction prices or expected cash flows, or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.

iii) Level III: fair values are obtained from valuation techniques in which some significant inputs are not based on observable market data.

In financial assets designated as hedged items and hedging accounting, the valuation differences are recorded against the following criteria:

- In fair value hedges, the differences occurring in coverage items and in items covered in relation to the type of hedged risk are recognized directly in profit and loss account.

- Differences in valuation for the inefficiency of cash flows hedging and net foreign investments are carried directly to the profit and loss account.

- In cash flow hedges, the valuation differences arising from the effective coverage of the coverage items are temporarily registered under the heading of valuation adjustments of net equity.

- In net foreign investments coverage, valuation differences arising from the effective coverage of the coverage items are temporarily registered under the heading of valuation adjustments of net equity.

In the last two cases, valuation differences are not recognized as result until hedged item's gains or losses are recorded in the profit and loss account or until the hedged item's expiry date.

In interest rate risk's fair value hedges of a financial instruments portfolio, gains or losses that arise when assessing the hedging instruments are recognized directly in the profit and loss account, whereas the gains or losses in the amount covered fair value changes, in regard to the hedged risk, are recognized in the profit and loss account using as counterpart the heading Adjustments to financial assets by macro-hedges.

In interest rate risk cash flows hedging of a financial instruments portfolio, the effective part of the hedging instrument's value fluctuation is recorded temporarily in Valuation adjustments of net equity until expected transactions occur, being then recorded in the profit and loss account. The ineffective portion of the hedging derivative's value fluctuation is directly registered on the profit and loss account.

Financial liabilities

Financial liabilities are recorded at amortized cost, as defined for financial assets in the previous note, except as follows:

- Financial liabilities included in epigraphs Trading Portfolio, Other financial liabilities at fair value with changes in the income statement and financial liabilities at fair value with changes in equity, as defined for financial assets in the previous note. Financial liabilities covered by fair value hedging operations are adjusted, being registered those fair value variations related to the hedged risk covered by the hedge operation.

- Financial derivatives whose underlying asset is equity instruments, whose fair value cannot be determined in a sufficiently objective way and is settled through the delivery of these contracts, are valued at cost.

Financial liabilities amount's variations are recorded, in general, offset by the profit and loss account, differentiating between those that are caused by interest accrual and similar items that are recorded in the heading of Interest and similar charges, and those corresponding to other causes, which are recorded by its net amount under the heading of Net operating profit in the profit and loss account.

However, items included under the heading of financial liabilities at fair value with changes in equity value variations, are recorded temporarily in Valuation adjustments of the net equity. The amounts in the row of Valuation adjustments remain being part of net equity until liabilities, in which they were originated, are removed from the balance sheet, moment when they are written off against profit and loss account.

Financial liabilities designated as hedged items and hedging accounting valuation differences, are recorded taking into account the above criteria for financial assets explained in the previous Note.

2.2.4 Classification and measurement of financial assets and liabilities

Financial instruments are classified into the following categories in the Group's balance sheet:

- Central bank and credit institutions deposits, which are cash balances and balances held in Bank of Spain and other central banks.

- Financial assets and liabilities at fair value with changes in the income statement: this category is made up from financial instruments classified as trading portfolio and other financial assets and liabilities classified at fair value through the income statement:

- Financial assets included in the trading portfolio are those acquired in order to be realized in the short term or which take part in a portfolio of identified financial instruments for which there is evidence of recent actions taken to obtain short-term gains. Also, in this portfolio those derivative financial instruments not designated as hedge instruments are considered, including instruments segregated from hybrid financial instruments in accordance with applicable accounting legislation.

- Financial liabilities are those liabilities included in the trading portfolio issued in order to be repurchased in the near future or that take part in a portfolio of financial instruments identified or managed jointly for which there is evidence of recent actions to obtain short-term gains, short positions in securities arising from sales of assets acquired under non optional repurchase agreements and loans of securities, and derivative financial instruments not designated as hedge instruments, including instruments segregated from hybrid financial. The fact that a financial liability is used to finance asset trading does not involve its inclusion in this category.

"Other financial assets or liabilities at fair value with changes in the income statement" are:

- Financial assets that, without being included in Trading portfolio, are considered hybrid financial assets and are valued at fair value and those that are managed jointly with Liabilities under insurance contracts, valued at their fair value or with financial derivatives whose purpose and effect is to reduce its exposure to fluctuations in fair value or which are managed jointly with financial liabilities and derivatives in order to reduce the overall exposure to interest rate risk.

- Financial liabilities designated at initial recognition by the entity or once designated, more relevant information is obtained due to:

- With that information, inconsistencies in the recognition or appreciation arising on the valuation of assets or liabilities or by recognizing the gains and losses, will be deleted or significantly reduced, following different criteria.

- A group of financial liabilities or financial assets and liabilities group is managed and their performance is evaluated based on their fair value under a risk management or investment information strategy and groups documented information is issued on the basis of fair value to the Management key staff.

- Held-to-maturity investment portfolio: This includes debt securities with fixed maturities and identified or identifiable cash flows that are classified by the Group from the initial date and at any subsequent date based on the intention and financial capacity to hold them until maturity.

The debt securities included in this category are initially registered at fair value, adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognized in the consolidated income statement using the effective interest method, defined in applicable accounting legislation. They are subsequently carried at amortized cost, calculated based on the effective interest ratio.

- Loans and receivables: This category includes unlisted debt securities, financing provided to third parties arising from the ordinary credit and loan activities carried out by consolidated entities and debts incurred by asset buyers and by service users. It also includes finance lease transactions in which the entities are the lessors.

The financial assets included in this category are initially carried at fair value, adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under applicable accounting legislation, must be recognized in the consolidated income statement using the effective interest rate method. Following acquisition, assets acquired in this category are carried at amortized cost.

Assets acquired at a discount are recorded in the cash amount paid and the difference between the repayment value and that cash amount is recognized as financial income, applying the effective interest rate method during the period until maturity.

In general, the Institute intends to hold the loans and credits granted until their final maturity dates and they are therefore carried at amortized cost in the balance sheet.

The interest accrued on the assets included in this category, calculated using the effective interest rate method, is recognized in the caption "Interest and similar income" in the consolidated income statement. Exchange differences on securities denominated in foreign currency other than the euros included in this portfolio are accounted as stated in Note 2.4. Possible impairment losses on these securities are recorded as indicated in Note 2.7. Debt securities included in fair-value hedging are recorded as mentioned in Note 2.3.

- Available-for-sale financial assets: This category includes debt securities not classified as held to maturity, such as Loans and receivables, or as at fair value through the income statement, and equity instruments owned by the Group relating to entities which are not subsidiaries, joint ventures or associates, which have not been classified as at fair value through the income statement.

The instruments included in this category are initially measured at fair value, adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are registered in the consolidated income statement using the effective interest rate method to maturity, unless the financial assets have no fixed maturities, in which case they are taken to the consolidated income statement when they become impaired or are written off the consolidated balance sheet. Following acquisition, the financial assets included in this category are valued at fair value.

Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective manner are carried at cost in these financial statements, adjusted to impairment calculated as explained in Note 2.7.

Balancing entries are made in "Interest and similar income" (calculated using the effective interest rate method) and "Return on equity instruments - Other equity instruments" in the consolidated income statement, regarding changes in the fair value of financial assets classified as available for sale, related to interest or dividends accrued, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are registered as mentioned in Note 2.4. Changes in fair value of financial assets covered by fair-value hedges are stated as mentioned in Note 2.3.

A balancing entry is made in "Equity - Measurement adjustments – Available-for-sale financial assets", in the Group's equity, regarding the remaining changes to the fair value from the acquisition date of available-for-sale financial assets, until the financial asset is written off, when the balance is taken to "Gain/ (loss) on financial transactions (net) - Available for sale financial assets" in the consolidated income statement.

- Financial liabilities at amortised cost: This category of financial instruments relates to financial liabilities that are not included in any of the previous categories.

Financial liabilities included in this category are initially valued at fair value, adjusted for transaction costs directly attributable to the issue of the financial liability, which are recognized in the income statement using the effective interest rate method. Subsequently, they are measured at amortized cost, calculated by applying the effective interest rate method.

The interest accrued on these assets, calculated using the effective interest rate method, is recognized in the caption "Interest and similar charges" in the consolidated income statement. Exchange differences on securities denominated in foreign currency other than the euro included in this portfolio, are accounted for as mentioned in Note 2.4. Financial liabilities included in fair-value hedging are recorded as mentioned in Note 2.3.

Notwithstanding the above, the financial instruments that must be classified as non-current assets available for sale, according to the provisions of Rule Thirty Four of Circular 4/2004 of December 22nd, Bank of Spain, are carried in the consolidated financial statements as explained in Note 2.16.

Reclassifications between financial instruments portfolios are made exclusively in their case, according to the following assumptions:

a) Except if the exceptional circumstances described in paragraph d) below take place, the financial instruments cannot be reclassified into or out of the category "valued at fair value with changes in profit and loss" once acquired, issued or assumed.

b) If a financial asset, as a result of a change in intent or in the financial capacity ceases to be classified in the epigraph Held to maturity investment portfolio, it will be reclassified into "available for sale financial assets" category. In this case, the same treatment will be applied to all financial instruments classified into Held to maturity investment portfolio category, unless the reclassification is included in the circumstances permitted by applicable law (sales close to maturity, or once charged almost all the main financial asset or sales attributable to a non-recurring event that could not reasonably have been anticipated by the Institute).

c) If we had a financial asset or financial liability reliable valuation for which such valuation was not previously available, and valuation at fair value would be mandatory, such as unquoted equity instruments and derivatives that have these ones by underlying asset, the mentioned financial assets or financial liabilities would be valued at fair value, and the difference with its book value would be maintained in accordance with the requirements of its portfolio type.

During 2013 and 2012, there has been no reclassification as described above.

d) If, as a result of purpose or financial ability change of the Institute or, after two years of penalties set by the regulations applicable in the event of financial assets classified in held to maturity investment portfolio's sale, some financial assets (debt instruments) included in the category " available for sale financial assets" could be reclassified into the "held to maturity investment portfolio". In case, this financial instrument's fair value on the transfer date becomes its new amortized cost and the difference between this amount and redemption value is charged to the consolidated profit and loss account, using the effective interest rate method over the remaining instrument's life.

During 2013 and 2012, there has been no reclassification as described above.

e) Since 2008, a financial asset that is not a derivative financial instrument may be classified outside the trading portfolio if it ceases to be maintained for sale purposes or short term repurchase, if one of the following circumstances take place:

- In exceptional circumstances, unless the assets could have been included in the category of Loans and receivables. Exceptional circumstances are those that arise from a particular event, which is unusual and unlikely to occur in the foreseeable future.
- When the Institute has the intention and financial ability to maintain the financial asset in the foreseeable future or until maturity, when in its initial recognition it has met with the investment credit definition.

In these situations, assets reclassification are done at fair value, without reversing the results, and considering this value as their cost or amortized cost, as appropriate. This financial assets reclassification cannot be reclassified into trading portfolio again.

During 2013 and 2012, there has been no reclassification of financial assets included in the trading portfolio.

2.3 Financial derivatives

Financial derivatives are instruments that provide a loss or gain, and that allow, under certain conditions, the compensation of the totality or part of the credit and / or market risks associated to transactions and balances, using interest rate and certain rates, individual securities prices, exchange rate cross- currency or other similar references as underlying assets. The Entity uses financial derivatives traded in bilateral organized or negotiated markets being the counterpart out of organized markets (OTC).

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign and market exchange rate, among others. When these operations meet certain requirements of the Standards Thirty-first and thirty-second of Circular 4/2004 of December 22nd, Bank of Spain such operations are considered as "coverage."

When the Group designates a transaction as a hedge, it does so as from the time of inception of the transactions or the instruments included in those hedges, that hedge being appropriately documented. When documenting these hedging transactions the instrument or instruments hedged and hedging instrument or instruments are properly identified together with the nature of the risk which is intended to be hedged and the criteria or methods followed by the Group to measure the efficiency of the hedge over the term of the same, taking into account the risk that it pretends to cover.

The Group only considers under the hedge term, highly effective hedge transactions. Hedging is considered highly effective if during the envisaged term any changes in fair value or cash flows attributed to the risk covered in the hedging of the financial instrument or instruments hedged are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

In order to measure the efficiency of hedging defined as such, the Group analyses whether from the initial date and until the end of the defined hedging period, changes in fair value or cash flows of the hedged item, which may be attributed to the hedged risk, may prospectively be expected to be offset almost completely by changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments and that retrospectively the results of the hedge have fluctuated in a measurement range of 80% to 125% with respect to the results of the item hedged.

Hedging transactions carried out by the Group are classified into the following categories:

- Fair-value hedges: They cover the exposure to changes in the fair value of financial assets and liabilities or firm commitments, or an identified portion of these assets, liabilities or commitments, attributable to a specific risk, provided that they affect the consolidated income statement.

- Cash-flow hedges: cover changes in cash-flow that are attributable to a specific risk associated with a financial asset or liability or a highly-probable planned transaction, provided that it may affect the income statement.

Measurement differences are recorded in accordance with the following criteria, when they are specifically referred to financial instruments, designated as hedged components and book hedges:

- For fair-value hedges, differences in the fair value of both hedges and hedged components, regarding the type of risk hedged, are recognized directly in the income statement.

- For cash-flow hedges, measurement differences arising on the efficient part of the cover of the hedges are temporarily carried under "Equity - Measurement Adjustments - Cash-flow hedges. Hedged financial instruments in this type of hedge are carried according to the criteria explained in Note 2.2, without any modification due to being considered as such.

In this last case, measurement differences are not recognized as results until the gains or losses on the hedged item are recorded in the income statement, or until maturity.

Hedge measurement differences related to the inefficient portion of cash-flow hedges are recognized directly under the heading "Gain/loss on financial transactions" in the income statement.

The Group interrupts hedge accounting when the hedging instrument expires or is sold, when a hedge no longer meets the criteria for hedge accounting or when the transaction ceases to be classed as a hedge.

When fair-value hedge accounting is interrupted as stated in the preceding paragraph, in the case of hedged items carried at amortized cost, the value adjustments made for hedge accounting purposes are recognized in the income statement until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

In the case, a cash-flow hedge transaction must be interrupted, the accumulated gain or loss from the hedge carried under the heading "Equity - Measurement Adjustments - Cash-flow hedges" in the balance sheet, will remain under this heading until the planned hedge transaction takes place, at which time it will be taken to the income statement, or the cost of acquiring the asset or liability to be recorded will be adjusted, in the event that the hedged component is a planned transaction that culminates with the recording of a financial asset or liability. In the event of planned transactions, when expected not to take place, the entry made under "Equity - Measurement adjustments - Cash-flow hedges" relating to that transaction is immediately recognized in the income statement.

2.4 Foreign currency transactions

2.4.1 Functional currency

The ICO's functional currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are considered denominated in foreign currency.

Set out below are the total assets and liabilities denominated in foreign currency held by the Institute, at 31st December 2013 and 2012 (thousands of units of each foreign currency):

	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Pounds sterling	197,130	563,113	172,536	1,200,023
US Dollars	1,746,903	3,516,897	2,147,810	6,292,235
Canadian dollars	74,120	649,998	139,229	650,000
Swiss Francs	319	1,170,367	347	1,540,465
Norwegian kroner	-	3,949,992	-	5,450,009
Japanese Yen	1	193,696	4	180,996
Australian dollars	49	299,999	56	299,996
Other traded currencies euros	43,642	89,489	154,102	199,653
Other non-traded currencies euros	134,260	1,489	157,467	1,834

The equivalent value in Euros of assets and liabilities denominated in foreign currency, classified by nature, recorded by the Institute, at 31st December 2013 and 2012 is as follows:

	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Spanish credit institutions in Spain	83,010	-	269,895	75,808
Spanish credit institutions abroad	110,799	-	26,861	42,466
Foreign credit institutions abroad	21,985	287,698	32,092	338,883
Loans/Deposits Spanish Public Administrations	-	-	-	-
Loans to/deposits with other resident sectors	703,843	-	773,682	-
Loans/Deposits non-resident Public Admin	-	-	-	-
Loans/Deposits, other non-resident sectors	810,847	-	1,152,799	-
Provisions denominated in foreign currency	-	-	-	-
Issued bonds and others	1,388	6,430,540	1,871	10,325,425
	1,731,872	**6,718,238**	**2,257,200**	**10,782,582**

When initially recognised, debtor and creditor balances accounted in foreign currency are converted to the functional currency using the spot exchange rate at the date of recognition, understood as the exchange rate for an immediate delivery. After initial recognition, the following rules are applied to translate balances registered in foreign currency to the functional currency:

i) Monetary assets and liabilities are translated at the year-end exchange rate, understood as the average spot exchange rate at the date to which the financial statements refer.

ii) Non-monetary items valued at historic cost are translated at the exchange rate on the date of acquisition.

iii) Non-monetary items measured at fair value are converted to the exchange rate on the date its fair value is determined.

iv) Incomes and expenses are converted by applying the exchange rate existing on the transaction date. Nonetheless, the average exchange rate for the period is used for all transactions carried out in that period, unless there have been significant fluctuations. Depreciation/ amortisation are translated at the exchange rate applied to the relevant asset.

Exchange differences arising from conversion of debtor and creditor balances denominated in foreign currency are generally recorded in the income statement. Nonetheless, in the case of exchange differences that arise from non-monetary items measured at fair value, for which the fair-value adjustment is recorded under Equity Measurement Adjustments, the component of the exchange rate relating to the revaluation of the non-monetary element is broken down.

The exchange rates used by the Group to convert balances denominated in the main foreign currencies in which it operates are the market rates at 31st December 2013 and 2012 published by the European Central Bank at each of those dates.

The net amount of exchange differences arising from the conversion of receivables and payables denominated in foreign currency, arises up to 1,186 thousand Euros profit at 31st December 2013 (a 628 thousand Euros loss at 31st December 2012).

2.5 Recognition of revenue and expense

Below, there is a summary of the most significant accounting policies used by the Group to recognise incomes and expenses:

2.5.1 Interest income and expense, dividends and similar items:

In general, interest income and expense and similar items are accounted on an accruals basis, applying the effective interest rate method defined in applicable accounting legislation, Bank of Spain Circular 4/2004, December 22nd, 2004. Dividends received from other companies are recognised in the Institute's income statement when the Institute become entitled to receive them.

2.5.2 Commissions, fees and similar items:

Income and expense related to commissions and similar fees, which should not be included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through the income statement, are recognised in the income statement using different methods depending on their nature. The most significant methods used are explained below:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognised in the income statement at the payment date.

- Amounts arising from long-term transactions or services are recognised in the income statement over the term of the transactions or services.

- Amounts relating to a one-off event are recorded in the income statement when that event takes place.

2.5.3 Non-financial income and expense:

These amounts are accounted on an accruals basis.

2.5.4 Deferred collections and payments:

Deferred collections and payments are recognized at the amount obtained by discounting forecast cash flows at market rates.

2.6 Offset of balances

Only debtor and creditor balances arising from transactions which, under contract or legislation, provide the possibility to offset and exist in the company, to be settled at their net amount, or simultaneously realised and paid, are offset and therefore presented in the balance sheet at their net amount.

2.7 Financial asset impairment

The carrying value of financial assets is generally adjusted against the income statement when there is objective evidence that there are impairment losses. This is the case where:

- For debt instruments, understood as loans and debt securities, when, following their initial recognition, there is an event or combined effect of several events which have a negative impact on the relevant future cash flows.

- For equity instruments, when following their initial recognition, there is an event or the combined effect of several events, making it impossible to recover their carrying value.

As a general rule, impairment financial instruments value correction is charged to the profit and loss account of the period in which such impairment takes place and the recovery of previously recorded impairment losses, if place, are recognized in the profit and loss account of the period during which the deterioration is eliminated or reduced. In the event that the recovery of any amount in respect of the impairment recorded is considered impossible, such impairment is written off from the balance sheet, although the Institute may carry out the necessary actions to attempt to secure collection until the definitive extinguishment of its debt claims due to lapsing, remission or other reasons.

Debt instruments and contingent risks portfolios, regardless of their owner, warranty or instrumentation, are analyzed to determine the credit risk to which the entity is exposed and to estimate coverage requirements for impairment in value. For the financial statements preparation, the Institute classifies its operations in terms of its credit risk by analyzing, separately, the insolvency risk due to the customer and country risk to which they are exposed.

Debt instrument's future cash flows estimated are all amounts, principal and interest, the Entity believes will receive during the instrument's life. AII relevant information which provides data about the possibility of future recovery of contractual cash flows that is available at the time of financial statements elaboration is considered in this estimation. Also, in estimating instruments with security's future cash flows, are taken into account the flows that would result from its realization, less the amount of costs for its acquisition and subsequent sale, irrespective of the probability of the guarantee.

In present value of estimated future cash flows calculation, the instrument's original effective interest rate is used as the update rate, if contract rate is fixed, or the effective interest rate on the date to which the statements relate determined according to financial conditions of the contract, if variable.

In the case of debt instruments measured at amortised cost, the amount of impairment losses incurred is equal to the negative difference between the carrying value and the current value of future estimated cash flows, using the original effective interest rate as the adjustment rate, if that rate is fixed, or the effective interest rate at the date of the financial statements calculated in accordance with the terms of the contract, when a variable ratio, in the case of listed debt instruments, market value may be used as a substitute, provided that it is enough reliable to consider it to be representative of the value the Institute will recover.

Objective evidence of impairment will be determined individually for all debt instruments that are significant, and individually or collectively for the groups of debt instruments which are not individually significant. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed solely on an individual basis to determine whether it is impaired and, if appropriate, estimate the impairment loss.

The collective assessment of a group of financial assets to estimate impairment losses is as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor ability to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk, which are taken into account in order to group together assets, are*,* for example*,* the type of instrument, the debtor's sector of activity, the geographic area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Institute’s experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

- Impairment losses in each group are the difference between the carrying value of all the group's debt instruments and the present value of its estimated future cash flows.

Debt instruments not measured at fair value through changes in the income statement, contingent risks and commitments, are classified based on the insolvency risk attributable to the client or the transaction, in the categories defined by the Annex IX from the Bank of Spain’s Circular 4/2004, were modified by the Bank of Spain's Circular 6/2008. For debt instruments not classified as normal risk, estimates are made regarding the specific impairment hedges necessary based on the criteria established in the above mentioned Circular, bearing in mind the age of the unpaid amounts, the guarantees provided and the client's financial situation and, if appropriate, the guarantors.

Similarly, these financial instruments are analysed to determine the credit risk deriving from country risk, understood to be the risk affecting clients resident in a certain country due to circumstances other than normal commercial risks.

In addition to the specific impairment hedges indicated above, the Group hedges against losses inherent to debt instruments not measured at fair value, through the consolidated income statement and contingent risks classified as normal through group hedges, calculated based on historical impairment and other familiar circumstances at the time of evaluation that are related to inherent losses incurred at the date of the financial statements, calculated using statistical methods, that have yet to be assigned to specific transactions.

The Institute has used the parameters established by the Bank of Spain, based on its sector experience and information, which determine the method and amount to be used to cover inherent impairment losses incurred in debt instruments and contingent risks classified as normal risks, which are changed regularly on the basis of the development of the data in question. This method of determining the coverage for impairment losses is based on the application of certain percentages set in the applicable accounting legislation, which vary based on the risk classification of financial instruments as established in the Annex IX from the Bank of Spain's Circular 4/2004 and was modified by the Bank of Spain's Circular 6/2008, 2/2012, and which change depending on the risk classification of the financial instruments established by the mentioned Annex.

In general, impairment of debt instruments is calculated by applying the following percentages to the outstanding risk:

Age of past-due amount	Percentage of cover
Up to 6 months	25%
More than 6 months and less than 9	50%
More than 9 months and less than 12	75%
More than 12 months	100%

The recognition in the profit and losses account of the accrued interests on the base of the contractual terms is interrupted for all the instruments of debt qualified individually and for those that had calculated collective losses because of the deterioration for having amounts conquered with an antiquity top to three months.

Furthermore and according to forecasting's in February 29th 2/2012 Circular from Bank of Spain, funding and foreclosed assets or assets received as payments from real estate or property development debts corresponding to some business located in Spain from the credit entities. It is also, worth it to mention that those funding and assets are the ones existing same at 31st December 2011 as at a prior date and coming from its own refinanciation at a later date classified not as regular risk at the named date. The applicable criteria are:

- Hedges applied to operations classified as doubtful and intended to finance a property development finished business of any kind of assets, could not be higher than 25% of the outstanding risk in any case.

- Hedges applied to operations classified as substandard, intended to finance a property development finished business of any kind of assets, could not be lower than 20% of the outstanding risk in any case. This percentage will be substituted by 24% for those operations with no real guarantee.

- Hedges applied to operations classified as doubtful or substandard, intended to finance the land used for property development on-going businesses of any kind of assets could not be lower than the following percentages in any case:

Sort of asset	Doubtful	Substandard
Funding for Property development land	60%	60%
Funding Property development stopped business	50%	50%
Funding Property development on-going business	50%	24%

- Minimum hedging percentages referred in section IV from Annex IX (foreclosed assets) could not be lower than the following:

a) In the case of underlying assets coming from finished real estate businesses such as houses financing other houses, without having been the lender's regular residence.

The percentage referred in section 32, a) (foreclosed assets as debt payment instruments) will be 25% and its minimum hedging percentages, depending on how long it has been recorder in balance sheet's section 35, will be the followings:

Time from acquisition	Hedging percentage
From over 12 to 24 months	30%
From over 24 to 36 months	40%
Over 36 months	50%

b) In the case of underlying assets coming from land used for Property development on-going businesses, no matter how old is its inclusion in the balance sheet:

Sort of asset	Hedging percentage
Land for real estate uses	60%
Real estate on-going business	50%

A sole hedge will be established at a 7% of the outstanding total amount of funding and foreclosed assets or assets received as debt payments. These debts come from whether property development lands or real estate Spain-settled businesses which at December 31st, 2011 had a regular risk classification. This hedging amount could be used by entities only to build up specific hedges in need as a later reclassification into doubtful or substandard assets in funding, foreclosed or recoveries fulfilling the before mentioned debt payments.

The amount of impairment losses incurred in debt securities and equity instruments included under Available-for-sale financial assets is equal to the positive difference between their acquisition costs, adjusted to any repayment of the principal, and their fair value less any impairment loss previously recognised in the income statement.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses, recognised directly under Equity Measurement adjustments, are recorded immediately in the income statement. If, subsequently, all or part of the impairment losses are recovered, the amount involved is recognised, in the case of debt securities, in the income statement for the recovery period, and, in the case of equity instruments, under Equity Measurement Adjustments.

For debt and equity instruments classified under non-current assets for sale, losses recorded previously under equity are considered to be realised and are recognised in the income statement at the date of their classification.

For shareholdings in Associates, jointly control entities and subsidiaries, the Institute estimates impairment losses by comparing the recoverable amount with their carrying value. Such impairment losses are recorded in the income statement for the period in which they arise while subsequent recoveries are recorded in the income statement for the recovery period.

In the case that the probabilities of recovery any amount recorded, like impairment, were considered imposible, these are eliminated from the balance sheet, although the Institute could carry out necessary actions to try to recover, as long as, their rights do not extinguish permanently by expiration, cancellation or other causes.

2.8 Financial guarantees and related provisions

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the creditor for the loss incurred when a debtor fails to perform specific payment obligation under the conditions, original or amended of an instrument of debt, regardless of their legal form, which can be, inter alia, of a surety, financial guarantee insurance contract or credit derivative.

The issuer of financial guarantee contracts recognizes them under the heading "Other financial liabilities" at fair value plus transaction costs, that are directly attributable to its issuance, except for contracts issued by insurance companies.

At the beginning, the fair value of financial guarantee contracts issued to a third party not connected within a single transaction in mutual independence conditions, is the premium received plus, presents cash flows value to receive, using a similar interest rate to the financial assets issued by the entity with similar term and risk. Simultaneously, it will be recognized as a receivable asset the present value of future cash flows to be received at the rate of interest mentioned above.

Subsequent to the initial recognition, the contracts are treated according to the following criteria:

i) The financial guarantee's commissions or bonuses value to receive is updated by recording the difference in the profit and loss account as financial income.

ii) The value of financial guarantee contracts that have not been qualified as doubtful, is the initially recognized amount less the part charged to the profit and loss account on straight-line basis over the expected life of the guarantee or by other criteria, provided that this more accurately reflects economic risks and benefits of the warranty's perception.

The classification of financial guarantee contracts as doubtful will imply the respective hedging action under the heading of "Provisions for liabilities and contingent”.

2.9 Accounting for leases

2.9.1 Finance leases

Finance leases are those in which all the risks and rewards substantially carried by the leased asset are transferred to the lessee.

Whenever the Institute acts as lesser of an asset in a finance lease transaction, the sum of the present values of the amount that will be received from the lessee plus the guaranteed residual value, usually the purchase option price when the lease terminates, are recorded as financing provided to third parties. It is therefore included in Loans and receivables in the balance sheet, in accordance with the nature of the lessee.

When the Group acts as the lessee in a finance lease transaction, the cost of the leased assets is recorded in the balance sheet, on the basis of the nature of the asset leased and a liability is carried in the same amount, which will be the lower between the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor, plus, if appropriate, the purchase option exercise price. These assets are depreciated at similar rates to those applied to the Group’s property, plant and equipment for own use (Note 2.12).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the income statement captions "Interest and similar income" and "Interest and similar charges", applying the effective interest rate method on the lease to estimate its accrual, calculated in accordance with the application of the Bank of Spain Circular 4/2004, December 22nd.

2.9.2 Operating leases

In operating leases, ownership of the leased asset and substantially all risks and rewards of ownership are retained by the lessor.

Where the Institute acts as the lessor in operating lease agreements, the acquisition cost of the leased asset is registered under "Property, plant and equipment" in "Investment property" or "Other assets assigned under operating lease", depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use. The income from lease contracts is recognised in the income statement on a straight-line basis in the caption "Other operating revenue".

When the Institute acts as the lessee in operating lease agreements, lease costs, including any incentives granted by the lessor, are charged, on a straight-line basis, under the income statement heading "Other general administration expenses".

2.10 Staff costs

2.10.1 Short-term remuneration

Short-term remunerations to employees are payments made within twelve months, following the end of the year in which the employees have rendered services. This remuneration is measured, without any adjustment, at the amount payable for the services received and recorded, in general, as staff costs for the year and a liability accrual account, which is recorded for the difference between the total expense and the amount already satisfied.

2.10.2 Post-employment commitments

Pension commitments entered into by the Institute with respect to employees are reflected in the collective wage agreement in force and correspond to defined contribution commitments.

The Group employees are members of the Joint Employment System Pension Plan offered by the State Administration and regulated by the Pension Plan and Fund Regulation Act approved by Legislative Royal Decree 1/2002 (29 November) and enabling regulations approved by Royal Decree 304/2004 (20 February), which is included in the BBVA Empleo Pension Fund, managed by Gestión de Previsión y Pensiones, Entidad Gestora de Fondos de Pensiones and deposited at BBVA.

As defined contribution commitments, the Institute has assumed annual contributions for employees that have rendered services for more than two years at 1st May of each year, regardless of whether they are career civil servants or interim government employees, contracted personnel, temporary employees or senior management. The following parameters are taken into account when calculating the annual contribution:

- The professional group to which the employee pertains.
- Length of service (understood to be the number of three-year periods the employee has worked in the Administration, regardless of the contractual arrangement).

The amounts to be contributed are those approved in the General State Budget for each year. Under the heading “Staff Costs”, there is no cost registered for this year at 31st December 2013 and neither for the previous one at 31st December 2012.

2.10.3 Death and disability benefits and retirement bonuses

Commitments assumed with personnel for retirement bonuses and death or disability commitments prior to retirement and other similar items, are estimated by calculating the present value of legal and implicit obligations at the date of the financial statements, after deducting any actuarial loss, less any actuarial gain, the cost of past services yet to be recognized and the fair value of the assets that cover the commitments, including insurance policies. The entire cost of past services and any actuarial gains or losses are immediately recognized.

At 31st December 2013 a provision was recorded for post-employment commitments amounting to 196 thousand Euros (124 thousand Euros at 31st December 2012).

2.10.4 Termination benefits

Termination benefits are recorded under the heading "Staff Costs" and the accompanying income statement crediting the accounts "Pension fund and similar obligations" under the heading "Provisions" in the accompanying balance sheet, only when the Institute is demonstrably committed to terminating an employee or group of employees before their normal retirement date, or to pay remuneration as a result of an offer made as an incentive for the voluntary rescission of the employees.

At 31st December 2013 and 2012, the Group has not recorded any provisions regarding this aspect as there is no plan or agreement that would require such an allocation.

2.11 Corporate income tax

Corporate income tax is considered as an expense and is recorded, in general, under the heading of "Income tax" of the profit and loss account.

Income tax expense for the year is calculated as tax payable on taxable income for the year, adjusted for variations during the year in asset and liability balances arising from temporary differences, tax credits and allowances, and any tax-loss carry forwards (Note 23).

The Group considers that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is considered the tax base. A taxable temporary difference is understood as the one which will generate a future obligation for the Group to pay to the relevant Administration. A deductible temporary difference is understood to be the one which will generate for the Group some reimbursement right or a decrease in the payment to be made to the relevant administration in the future.

Tax credits and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and providing the Institute the probability of application in future years.

Current tax assets and liabilities are amounts that the Group expects to recover from or pay to the corresponding tax authorities within 12 months, from the date on which they were recognised. Deferred tax assets and liabilities are amounts that the Institute expects to recover from or pay to the corresponding tax authorities in future years.

Deferred tax liabilities are recognized for all taxable temporary differences. Nevertheless the above, no deferred tax liabilities are recorded based on the recognition of goodwill.

The Institute only recognizes deferred tax assets deriving from deductible temporary differences, tax credits or allowances or any tax-loss carry forwards, if they meet the following conditions:

- Deferred tax assets are only recognized in the case that the Institute considers it likely to have enough future taxable against which they may be offset.

- In the case of deferred tax assets deriving from tax losses, they have arisen from identified causes that are unlikely to be repeated.

No deferred tax assets or liabilities are recognized when an asset is initially recorded, when it is not deriving from a business combination and when, at the time of recognition, there was no effect on book or taxable profits.

At the time of each accounting closing, deferred tax assets and liabilities are reviewed in order to verify that they remain valid and that any relevant adjustments are made in accordance with the results of the analysis performed.

2.12 Property, plant and equipment

2.12.1 Property, plant and equipment for own use

Property, plant and equipment for own use includes those assets that are owned or acquired under finance leases that the Institute holds for its own current or future use for administrative purposes or for the production or supply of assets and when they are expected to be used for more than one financial year. Among other things, this category includes property, plant and equipment received by the Group for the total or partial settlements of financial assets that represent debt claims against third parties which are expected to be used on a continuous and internal basis. Property, plant and equipment for own use is carried in the balance sheet at acquisition cost, which consists of the fair value of any compensation paid plus any monetary payments made or promised, less accumulated depreciation and, if appropriate, any estimated losses that result from comparing the net value of each item with the relevant recoverable amount.

For these purposes, the acquisition cost of foreclosed assets that become part of property, plant and equipment for own use by the Group, is similar to the net amount of the financial assets exchanged for foreclosed.

Depreciation is calculated on a straight-line basis based on the acquisition cost of the assets concerned less any residual value, with the understanding that land on which buildings and other structures are located, have an undefined life and is therefore not depreciated.

Annual allocations to depreciation of property, plant and equipment are charged against the heading "Depreciation-Property, plant and equipment" in the income statement and basically equals the following depreciation rates (calculated based on the estimated average useful life of the assets concerned:

	Annual rate
Buildings	2%
Plant	4 to 15%
Furnishings and office equipment	10%
Data – processing equipment	25%
Vehicles	16%

At the time of each accounting closing, the Group determines whether or not there are any internal or external indications that the net value of its property, plant and equipment exceeds their recoverable value. If so, the book value of the asset concerned is reduced to the recoverable value and future depreciation charges are adjusted in proportion to the adjusted book value and the new remaining useful life, if a new estimate is required. This reduction in the book value of property, plant and equipment for own use is applied, if necessary, by charging the heading "Impairment losses-Property, plant and equipment" in the income statement.

Similarly, when there are indications that the value of impaired property, plant and equipment has been recovered, the Institute recognizes the reversal of the impairment loss recorded in prior years by crediting the heading "Impairment losses - Property, plant and equipment" in the income statement and, consequently, adjusts future depreciation charges. Under no circumstances may the reversal of an impairment loss affecting an asset, increases its book value above that which it would have had if the impairment losses had not been recognized in prior years.

In addition, the estimated useful life of property, plant and equipment for own use is reviewed at least on an annual basis in order to detect significant changes in these estimates and, if any are detected, adjustments will be applied by correcting the depreciation charge made to the income statement in future years in accordance with the new estimated useful lives.

Repair and maintenance expenses for property, plant and equipment for own use, are charged against results of the year in which they are incurred under the heading "Other general administration expenses" in the income statement. The financial expense incurred as a result of financing property, plant and equipment for own use is charged against the income statement at the time of accrual and these expenses do not form part of their acquisition cost.

2.12.2 Real estate investments

The balance sheet heading "Real estate investments" recognizes the net value of land, buildings and other structures that are held for rental or to obtain a capital gain on their sale as a result of increases in their future market prices.

The criteria applied for recognizing the acquisition cost of real estate investments for depreciation, for the estimate of their respective useful lives and for recording any possible impairment losses, match with those described with respect to property, plant and equipment for own use (Note 2.12.1).

2.13 Intangible assets

Intangible assets are considered to be identifiable non-monetary assets that, while not existing physically, arise as a result of a transaction or have been internally developed by the Instituto. Only intangible assets whose cost may be reasonably estimated on an objective basis and which the Institute deems likely to provide a future financial benefit, are recognized for accounting purposes.

Intangible assets, other than goodwill, are recognized in the balance sheet at their acquisition or production cost, adjusted to accumulated amortization and any impairment losses they may have suffered.

Intangible assets may have an "undefined useful life" when the analysis performed on all relevant factors leads to the conclusion that there is no foreseeable limit to the period over which they are expected to generate net cash flows for the Institute, and they have an "definite useful life" in all other cases.

Intangible assets with an indefinite useful life are not amortized, although at the time of each accounting closing the Group reviews their respective remaining useful lives in order to ensure that they continue to be indefinite. If this is not the case, an appropriate action is taken.

Intangible assets with a defined life-span are amortised according to some criteria similar to those applied to property, plant and equipment. The annual amortisation charge for these intangible assets is carried in the income statement caption "Amortisation - Intangible assets".

For intangible assets with both an indefinite and definite useful life, the Group recognises any impairment in those assets and uses them as a balancing entry "Asset impairment losses (net) - Other intangible assets" in the income statement. The methods applied to recognise impairment losses on these assets and, if appropriate, the recovery of impairment losses, recognised in prior years, are similar to those applied to property, plant and equipment (Note 2.12.1).

2.14 Provisions and contingent liabilities

When preparing the financial statements the Group differentiates between:

- Provisions: creditor balances that cover obligations that exist in the balance sheet date, deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.
- Contingent liabilities: possible obligations deriving from past events which may materialise subject to one or more future events beyond the control of the Group.

The Group’s financial statements include all significant provisions for obligations classified as probable. Contingent liabilities are not recognized in the financial statements, but rather information is provided in accordance with the requirements of the Circular 4/2004 of December 22nd, Bank of Spain (Note 20).

Provisions are quantified using the best information available about the consequences of the event that justifies them and are re-estimated at the year end. They are applied to meet the specific obligations for which they were originally recognised and fully or partially reversed should such obligations cease to exist or decrease.

At the 2013 and 2012 year end, a number of legal procedures and claims had been initiated against the Instituto, arising in the ordinary course of business. ICO's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the financial statements for the years in which they finalise.

Accounting provisions that are considered necessary, as stated in the previous criteria, are charged or credited to the income statement caption "Transfers to provisions (net)".

2.15 Cash-flow statements

The terms employed in the cash-flow statements have the following meanings:

- Cash flows: Inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.
- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.
- Investing activities: acquisition, sale or disposal through other means of noncurrent assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

2.16 Non-current assets for sale and liabilities associated with non-current assets for sale

The heading "Non-current assets for sale" on the balance sheet records the book value of individual items that are very likely to be sold in their actual conditions within one year as from the date of the financial statements.

When, in exceptional cases, the sale is expected to occur over a period exceeding one year, the Group assesses the updated sale cost, accounting time value fluctuation under the heading of gains (losses) on non-current assets for sale not classified as discontinued operations in the consolidated profit and loss account.

Consequently, the carrying amount of these items, which may be financial or non-financial in nature, will foreseeable be recovered through their selling price rather than through their continued use.

Specifically, the real estate assets or other non-current assets received by the Group to pay off all or part of the payment obligations of its debtors regarding to the Institute, are deemed non-current assets for sale, unless the Group has decided to use these assets on an on-going basis.

Symmetrically, "Liabilities associated with non-current assets for sale" include the credit balances associated with groups or for interruption in the operations of the Institute.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognised as such and their fair value, adjusted for estimated cost of sales. While included in this category, property, plant and equipment, and intangible assets, subject to depreciation and amortisation by nature, are neither depreciated nor amortised.

In the event that the carrying amount exceeds the fair value of the assets, adjusted for cost of sales, the Institute adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption "Asset impairment losses (net) - Non-current assets held for sale" in the income statement. In the event that the fair value of the assets were increased at a later date, the Group reverses the losses previously recorded in the accounts, increasing the carrying value subject to the limit of the amount prior to their eventual impairment, against Asset impairment losses (net) - Non-current assets for sale in the income statement.

The results from the sale of non-current assets for sale are presented under "Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations" in the profit and loss account.

However, financial assets, assets from employee salaries, deferred tax assets and assets for insurance contracts that are part of a group of file or an operation in interruption are not valued in accordance with the previous paragraphs, but in accordance with the principles and rules applicable to these concepts, which have been explained in the preceding paragraphs of Note 2.

3. CUSTOMER SERVICE

On 24 July 2004, Order Eco 734 regarding customer service operations entered into operation. This has the purpose of regulating customer services and the defender at banks services and financial institutions. Regarding this Service, and although the Group is not obligated to have a customer service department, the Group attends to all claims and complaints that receives during the course of its business, as a financial agency. In order to attain the highest quality of service, the Institute decided to create a Unit in December 2006 to centralize the reception, processing, and a response to all complaints and suggestions received from suppliers, users and clients of ICO.

In 2013 a total of 325 complaints were received, (521 in 2012) of which were addressed within an average of 6 working days (5.3 days in 2012). The 72% of the total are related to credit transactions in the intermediary line ("ICO Directo" and "ICO SGR") and were therefore passed on to the relevant financial institutions. Another 17% were related to repayments or resolutions about "ICO Directo" operations.

4. RESULTS DISTRIBUTION

The distribution of 2013 profits, which arises up to 79,040 thousand Euros, has not yet been decided by the General Council of the Institute. Such distribution will be following the statutes.

5. INSTITUTE'S RISK EXPOSURE AS THE DOMINANT SOCIETY OF THE GROUP

5.1 Risk - General aspects

Risk is inherent to financial activity. Properly measuring, managing and controlling risk must contribute to attaining adequate margins and to the maintenance of an entity's solvency based on the confidence of clients, investors and employees.

Without any intention of exhaustively classifying the risks faced by a financial institution, they may be classified into four categories: Liquidity risk, market risk, credit risk and operating risk.

- Liquidity risk: The risk incurred as a result of an absence of sufficient liquid resources to comply with obligations. This situation could be thanks to the inadequate assets and liabilities maturity structure, or due to the exceptional market crisis situation.

- Market risk: Covers the influence on the income statement and equity exercised by adverse changes in relevant financial variables, such as domestic or foreign currency interest rates, exchange rates, share prices, etc. This risk may be subdivided into two large groups: Balance sheet or structural market risk and market risk affecting trading portfolios.

- Credit risk: This one refers to the risk of not fully recovering the principal and interests related to our investments within the estimated periods. This risk may also be subdivided into two broad groups: Counterparty risks with banking institutions and credit risk regarding investment transactions.

- Operating risk: Incurred as a result of administrative, internal, accounting, computer, legal or external errors due to unforeseen circumstances.

As a credit institution, the ICO is exposed to these types of risks, that must be identified, measured and monitored in order to operate efficiently. This is done according to the Risk Policy Manual approved by the General Council, which contains the different methods, applicable legislation, procedures and organisational structure.

5.2 Organisational structure

In order to cover the entire risk spectrum, within its organisational structure, the Institute (according to Presidential Organizational Circular 4/2012 of May 11), has created specialised units under Sub-Directorate for Risk, which reports to the General Directorate for Risk and Finance.

The Sub-Directorate for Risk's functions include drafting and proposing internal risk policies and methods for analyzing, managing and monitoring all the Institute's risk, assessing the admissibility of ICO credit risk and overseeing ICO's adaptation to national and international risk regulations, while driving, coordinating and supervising the performance of the units under its remit.

The four specialized risk areas are Global Risks, Risk Acceptance and Monitoring and Supervision, each one with specific duties.

The primary duties of the Global Risk area are:

- Preparing, proposing and controlling financial risk measurement methodologies applied by the Institute: market risks, cash transactions, credit and liquidity: preparing a status report on financial risks.
- Overseeing the correct compliance of the limits of financial risks and policies previously approved; monitoring volumes and prices.
- Regularly reviewing credit lines by analysing the financial-economic situations of counterparties. To analyse requests made by counterparties for the new credit lines, controlling compliance with credit lines included in the balance sheet and supervising concentration levels with intermediaries.
- Reviewing and defining measurement, back-testing and stress-testing systems on an on-going basis.
- Proposing criteria for market valuation of new financial products, establishing methodologies and risk measurement.
- Analysing the adaptation of EU Directives and national legislation regarding risks within its competency.

The primary duties of the Risk Acceptance area are:

- Evaluating the risk admissibility for new asset products.
- When appropriate, analysing and preparing credit risk reports on transactions proposed to the competent body.
- Analyse, if appropriate, ICO's investment risk limits regarding clients and economic groups, particularly for economic sections considered to be necessary based on industry analysis.
- Analysing and evaluating risks assumed by ICO, under any proposed modification to transactions already formalised, that require the approval of decision-making bodies.
- Analysing the adaptation of EU Directives and national legislation regarding risks within its competency.

The primary duties of the Monitoring and Trade Recovery Area are:

- Analysing the mediation lines proposals, presented to the competent body, and monitor and verify compliance with the conditions for the current portfolio, making all necessary physical inspections and proposing any appropriate corrective action in the case of failure to comply.

- Establishing and maintaining an internal rating system, country risk classification system and an operational risk methodology.

- Exercising special control over doubtful and default transactions and making subjective proposals for provisions.

- Overseeing transactions and client risks: verify compliance with the conditions of direct market and economic policy transactions formalised and managed by the Group, until maturity. Calculating and monitoring ratios and covenants, controlling all required documentation, payment status and guarantees, as well as the development of credit risk as a whole.

- Managing the supporting documentation from the Monitoring Commission.

- Analysing the adaptation of EU Directives and national legislation regarding risks within its competency.

The Monitoring and Retail Supervision Area, has the following tasks to carry out:

- To analyse financial operations viability regarding the targeted segment.

- To make proposals to the IT systems Deputy Direction regarding any incidence or improvement detected by the Analysis application.

- Biweekly basis communication with the Board of Directors regarding the approval of the retail refinancing operations. Reporting of these operations' risk profile, type of client, share shrinking and approval based on the amount to finance.

- Monitoring and Control over the ICO-owned loans recovery actions which management is outsourced by the Institute to other entities. It is done through services agreements for SME, microSME, freelances and individuals segments.

- Recovery management of those ICO-owned loans which management and administration is carried out directly by the Institute for SME, microSME, freelances and individuals.

- Proposals preparation for the in-house ICO decision taking bodies, regarding each area records (resolution proposals, failed, operations transfer for its direct management, etc.)

- Monitoring, formalization and design of those direct finance operations which are Government-traded as a consequence of serious economic crisis, natural disasters, or any similar events. Later on, the assessment of any initiative or action proposal for its transfer to the ministerial departments related to that particular situation and of certain borrowing groups' action fields.

The ICO has a team of specialised professionals in each type of risk, each one responsible for his/her own duties and acting in accordance with the inspirational risk principles, the risk policy manual in force and existing internal procedures.

5.3 Liquidity risk at ICO

National legislation contains several recommendations to be taken into consideration in order to adequately managing this risk. In addition, together with the 30th November, 4/2011 Circular publication, is introduced in the 3/2008 Circular, Liquidity Information, Liquidity Statements LQ monthly elaborated and presented to Bank of Spain. There are also international recommendations, such as those established in the document published by the Basel Committee on Bank Supervision in February 2000 (Sound Practices for Managing Liquidity in Banking Organizations), which contains guidelines that must be taken into consideration when establishing a system for measuring, managing and monitoring liquidity risk. The establishment of new solvency and liquidity requirements from Basel III: Global Regulatory framework to reinforce banks and the banking system and Basel III: (International framework for liquidity risk measurement, standards and monitoring, and a global regulatory framework for more resilient banks and banking systems) represents a new step in the direction of guaranteeing more efficient parameters in liquidity measurement and control. During the first days of January 2013, Basel III: The liquidity Coverage Ratio and liquidity risk monitoring tools, is published and moves forward in the definition and short term liquidity ratio tracking.

In January 2014, the consultive document “Basel III: Net Stable Finance Rate (NSFR)” was published, regarding the definition and calculation of the long term liquidity ratio. This document is still in the consulting stage until April, 2014.

During the year 2013 exercise, the Institute, has being calculating on a monthly basis, short and long term liquidity rates, as additional liquidity controls. In every period, the Institute has achieved results that are within the limits that will be applied in the future.

At ICO, it is perfectly defined an organisational structure responsible for reporting, monitoring and controlling liquidity risk.

The measurement used to monitor balance sheet liquidity risk is the liquidity gap. The liquidity gap provides information regarding the mismatches between the inflow and outflow of funds on a daily basis, for periods of up to 12 months covering all balance sheet and off-balance sheet items that produce cash flows on the actual date occurring.

Liquidity gaps are measured in one week periods, three or six month’s periods. There is a percentage over the total of Institute’s liabilities that cannot be exceeded for each period: one week-period: up to 0.5%, one month period: up to 1%, three month period: up to 2.5% and six month period: up to 5%.

Short-term liquidity is monitored on a daily basis. On a weekly basis, and at the end of each month, this monitoring and control of limits takes place with a horizon of 1 week, 1 month, 3 months and 6 months.

The ICO has established quantitative limits and alerts that allow us to get ahead from possible situations of liquidity tension.

There is also a policy of diversifying sources of basic finances in order to minimise this risk, and a regular review of liquidity including any projections for new activity, in order to establish needs in terms of amounts and dates of financing sufficiently in advance.

Generally, ICO raises liquidity in a variety of ways, including raising the interbank market, repo and simultaneous liquidity and issuing debt securities in wholesale and retail markets.

The financial crisis affecting international and national markets, rooted in the US sub-prime market crisis, triggered a sharp downturn by financial markets, causing the resources for raising financing on which both international and national financial entities rely to decline sharply. As a result, fund raising on the interbank market or through the issuance of debt securities was also seriously affected.

Due to this new situation, decisions were taken throughout 2013 to adapt ICO to the new circumstances in order to ensure the liquidity needed to meet its payment commitments on time and to achieve its strategic operating, investment and growth targets. Thanks to these measures, ICO's management does not anticipate any liquidity shortages in 2014.

Maturities of ICO's assets and liabilities

The following table shows the classification, by residual maturity of assets and liabilities, net of valuation adjustments and amounts in foreign currency of ICO at 31st December 2013:

Thousands of Euros

ASSETS	Upon demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 – 5 years	More than five years	Total
Cash and balances with central banks	**18,304**	**-**	**-**	**-**	**-**	**-**	**-**	**18,304**
Deposits at credit institutions and MM. Operations	**31,258**	**2,584,050**	**469,470**	**1,419,634**	**4,739,920**	**25,367,871**	**10,450,970**	**45,063,173**
Loans and advances to other debtors	**424,051**	**9,561**	**1,361**	**181,447**	**240,195**	**12,474,661**	**12,687,433**	**26,018,709**
- Spanish Public Administrations	360,310	-	-	69,624	31,274	5,610,382	3,056,826	9,128,416
- Other resident sectors	63,741	9,561	1,361	111,823	208,872	6,813,196	9,375,579	16,584,133
- Non-residents	-	-	-	-	49	51,083	255,028	306,160
Debt securities	**-**	**2,088,961**	**2,942,447**	**3,965,441**	**4,239,511**	**15,093,596**	**104,262**	**28,434,218**
Other assets with agreed maturity	**66,330**	**-**	**-**	-	**96**	**1,585**	**1,100**	**69,111**
	539,943	**4,682,572**	**3,413,278**	**5,566,522**	**9,219,722**	**52,937,713**	**23,243,765**	**99,603,515**

Thousands of Euros

LIABILITIES	Upon demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 – 5 years	More than five years	Total
Deposits from central banks	**-**	**-**	**-**	**-**	**-**	**20,000,000**	**-**	**20,000,000**
Deposits from credit institutions	**8,332**	**-**	**462**	**-**	**-**	**1,322,831**	**4,771,451**	**6,103,076**
Deposits from other creditors	**1,720,621**	**16,965**	**30,502**	**17,000**	**43,543**	**-**	**-**	**1,828,631**
- Spanish Public Administrations	1,676,763	-	-	-	-	-	-	1,676,763
- Other resident sectors	43,858	16,965	30,502	17,000	43,543	-	-	151,868
- Non-residents	-	-	-	-	-	-	-	-
Debt certificates including bonds	**-**	**3,133,870**	**5,013,047**	**523,927**	**4,432,225**	**35,624,766**	**7,245,378**	**55,973,213**
Other liabilities with agreed maturity	**-**	**-**	**-**	**-**	**3,377,035**	**-**	**-**	**3,377,035**
	1,728,953	**3,150,835**	**5,044,011**	**540,927**	**7,852,803**	**56,947,597**	**12,016,829**	**87,281,955**

The following table shows the classification by residual maturity of assets and liabilities, net of valuation adjustments and amounts in foreign currency of ICO at 31st December 2012:

Thousands of Euros

ASSETS	Upon demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 – 5 years	More than five years	Total
Cash and balances with central banks	**284 349**	**-**	**-**	**-**	**-**	**-**	**-**	**284 349**
Deposits at credit institutions and MM. Operations	**3 052**	**5 601 223**	**1 485 819**	**3 896 717**	**5 612 816**	**26 920 252**	**5 608 018**	**49 127 897**
Deposits from other creditors	**1 197 889**	**274 529**	**453 681**	**1 882 018**	**1 374 761**	**24 351 031**	**11 133 984**	**40 667 893**
- Spanish Public Administrations	7 979	225 046	334 779	1 387 779	336 783	11 165 211	2 614 854	16 072 431
- Other resident sectors	1 181 274	46 822	118 771	478 356	1 020 155	13 086 126	8 329 424	24 260 928
- Non-residents	8 636	2 661	131	15 883	17 823	99 694	189 706	334 534
Debt securities	**-**	**607 157**	**2 445 217**	**3 096 629**	**2 476 517**	**10 812 993**	**-**	**19 438 513**
Other assets with agreed maturity	**-**	**-**	**114 523**	**-**	**-**	**7 067**	**-**	**121 590**
	1 485 290	6 482 909	4 499 240	8 875 364	9 464 094	62 091 343	16 742 002	109 640 242

Thousands of Euros

LIABILITIES	Upon demand	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 – 5 years	More than five years	Total
Deposits from central banks	**-**	**-**	**-**	**-**	**-**	**20 000 000**	**-**	**20 000 000**
Deposits from credit institutions	**-**	**-**	**3 176**	**11 252**	**760 558**	**2 140 653**	**1 504 849**	**4 420 488**
Depósitos de la clientela	**7 624 907**	**24 365**	**56 201**	**238 438**	**127 353**	**-**	**-**	**8 071 264**
- Spanish Public Administrations	1 572 545	-	20 901	238 438	-	-	-	1 831 884
- Other resident sectors	6 052 362	24 365	35 300	-	127 353	-	-	6 239 380
- Non-residents	-	-	-	-	-	-	-	-
Debt certificates including bonds	**-**	**49 829**	**1 610 379**	**2 727 025**	**7 410 228**	**40 206 796**	**7 413 404**	**59 417 661**
Other liabilities with agreed maturity	**-**	**-**	**-**	**-**	**3 614 191**	**-**	**-**	**3 614 191**
	7 624 907	74 194	1 669 756	2 976 715	11 912 330	62 347 449	8 918 253	95 523 604

Maturity Analysis of trading and hedging derivatives denominated in euro

The following table shows the contractual maturities for euro-denominated derivatives, recognised as financial assets and financial liabilities at 31st December 2013 and 2012 (except for embedded derivatives in hybrid financial instruments) and loan commitments considered financial derivatives as they can be settled, by adjusting, in cash or with another financial asset, in which the maturities are deemed essential for understanding the Institute’s cash flow projections.

At 31st December 2013

	Thousands of Euros					
	Up to one year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	Total
Derivatives held for trading	-	59,155	64,768	16,154	-	**140,077**
- Of which: credit commitments considered as derivatives	-	-	-	-	-	-
Hedging derivatives	11,674,445	32,012,991	3,728,888	871,046	243,527	**48,530,897**
	11,674,445	**32,072,146**	**3,793,656**	**887,200**	**243,527**	**48,670,974**

At 31st December 2012

	Thousands of Euros					
	Up to one year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	Total
Derivatives held for trading	185,261	132,539	60,000	156,898	-	**534,698**
- Of which: credit commitments considered as derivatives	-	-	-	-	-	**-**
Hedging derivatives	14,664,777	60,153,356	9,982,002	1,701,495	465,415	**86,967,045**
	14,850,038	**60,285,895**	**10,042,002**	**1,858,393**	**465,415**	**87,501,743**

Regarding the information presented in the preceding tables, we would like to highlight that:

- Where a counterparty can choose when an amount should be paid, the derivative is assigned in the first period, in which the payment to the Institute may be demanded;
- The amounts included in the charts, correspond to undiscounted contractual amounts. Interest-rate swaps are shown at their net amount if settled by differences, loan commitments considered derivatives at their gross amount and all remaining financial derivatives at their contractual amount of exchange unsettled by differences;
- For derivatives with a non-stated contractual amount at the reporting date, e.g. because they depend on the performance of an index, the residual maturity, considered for classification purposes in the preceding tables, was determined based on prevailing conditions at 31st December 2013 and 2012, respectively.

Liquidity GAP analysis

As explained above, a core feature of ICO's liquidity management is the analysis of the maturities of its several financial assets and liabilities based, mainly, on their expected maturities, rather than on their contractual maturities.

ICO uses this approach, as history has shown, that it provides a more accurate picture of how the Institute's cash inflows and outflows are produced.

The tables below compare cash inflows and outflows at different maturities up to 12 months. Inflows and outflows in foreign currency are shown at their equivalent value in Euros.

At 31st December 2013

	Thousands of Euros			
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Equivalent inflows in Euros	6,658,882	7,735,594	14,804,946	17,514,462
Equivalent outflows in Euros	(4,300,862)	(8,340,158)	(3,211,646)	(8,076,126)
Partial GAP	2,358,021	(604,564)	11,593,300	9,438,336
Cumulative GAP	2,358,021	1,753,457	13,346,757	22,785,093

At 31st December 2012:

	Thousands of Euros			
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Equivalent inflows in Euros	8,878,324	7,452,767	11,554,892	14,976,237
Equivalent outflows in Euros	(2,342,408)	(6,171,663)	(6,097,026)	(14,019,939)
Partial GAP	6,535,916	1,281,104	5,457,866	956,298
Cumulative GAP	6,535,916	7,817,020	13,274,886	14,231,184

5.4 Market risk at ICO

As indicated above, it is possible to distinguish two major groups within this risk: balance sheet or structural market risk, and the trading portfolio risk. In accordance with its internal policy, ICO is currently attempting to minimise trading portfolios and hold only those that, following the current legislation, do not allow their classification as hedging or investment. Accordingly, market risk results almost exclusively from ordinary activities.

1) There are two basic **criteria** through which exposure to changes in interest and exchange rates is revealed: Profitability and Solvency.

Profitability: At the ICO this, mainly derives from the income statement and therefore the relevant variable here is the Financial Margin.

Solvency: A company's equity is the primary guarantee for lenders. The value of this capital or equity is the main criterion for measuring solvency.

Using these considerations, the ICO has implemented a system for measuring market risk based on three pillars: a) Calculation of the sensitivity of the annual Financial Margin. b) Calculation of the sensitivity of equity and c) Calculation of hypothetical trading portfolios' "Value at Risk", if any exist.

2) The **methodology**. In order to measure balance sheet risks relating to the Financial Margin, the weighted partial maturity gap method is used, calculated as the difference between asset and liability volume and off-balance sheet transactions that mature or renew interest rates within the following 12 months, weighted by the period affecting the Margin.

In order to measure the sensitivity of Equity, the duration gap method is used. Based on these modified methods, the duration gap is obtained as the difference between the duration of assets and liabilities, and once the difference is obtained, the sensitivity gap may be calculated.

Regarding the Value at Risk, the methodology to be used will be determined by the type of portfolio involved and may be based on parametric, historical simulation or Monte Carlo methodology.

3) **Degree of risk**. The decision regarding the degree of risk assumed by ICO is the Senior Management's responsibility, which based on the proposal of the Directorate for Risks and Accounting, establishes the acceptable limits based on the particular characteristics of the ICO. These limits are reviewed regularly and, at least, on an annual basis.

The net interest income sensitivity at 31st December 2013, to movements in interest rates of 100 base points, was 5.22% in the euro (0.12% at December 31st, 2012), 0.09% in the US dollar (0.00% at December 31st,2012) and 0.01% in the Pounds sterling (0.05% at December 31st, 2012). The sensitivity to exchange rate fluctuations (movements of +/- 10% in the USD/EUR and GBP/EUR) was 0.29% and 0.08% respectively (0.36% and 0.06% at December 31st, 2012). The aggregate amount would represent 5.68%.

The sensitivity of equity at 31st December 2013 to movements in interest rates of 100 bp and fluctuations in the exchange rate of 10% was 2.28% in the euro (1.32% at December 31stst, 2012), 0.01% in the US dollar (0.00% at December 31stst, 2012) and 0.01% in the Pound sterling (0.02% at December 31stst, 2012). The sensitivity to exchange rate between USD/EUR was 0.23% and between GBP/EUR 0.01% (0.12% and 0.01% comparing to the exchange rate at December 31st, 2012). The aggregate amount would represent 2.55%.

4) **Risk modification.** The last step for efficient risk management is the ability to modify out maturity and duration gaps in order to bring them into line with desired risk values at any given moment, using balance sheet or off-balance sheet instruments based on market opportunities and in accordance with the management decisions taken within the authority granted for this purpose or the Financial Management Department, the General Management for Investments and Finance or the Operations Committee.

The principal currencies used by ICO to present its balance sheet at 31st December 2013 are the Euro, US dollar and Pound sterling, which account for a 98% of the total balance sheet and off-balance sheet transactions, of which approximately a 96% is in Euros, 2% in US dollars and the remaining 0.45% in Pounds sterling.

Regarding currencies other than the euro and dollar with which the ICO operates, its balance sheets are saved from interest and exchange rate risks either because the operation involves financing obtained in the currency concerned and converted to Euros using a derivative instrument that completely covers all currency flows, or because the financial of a certain asset is designed to avoid these risks.

In addition to the establishment of limits, monitoring and control their regular compliance, the ICO has established an integrated system through the application of measurement, management and control of risks in order to verify the influence that several development scenarios, involving relevant financial variables, could have on the Financial Margin or on Equity. On a regular basis, the development of the controlled variables is observed, given different scenarios such as, for example, development estimates provided by the Analysis Service at the ICO, should there be non-parallel movement in interest curves or market stress situations.

5.5 Credit risk at ICO

As has already been mentioned about credit risk, there are two broad groups: Counterparty and country risk.

The first group includes transactions with financial institutions, both on and off the balance sheet. Monitoring activities are carried out by using a system that integrates the administration of transactions and the risks deriving from them in real time, providing operators with current information regarding credit lines available at any given moment.

The competent bodies at ICO have defined and approved a method for consuming counterparty credit lines based on the evaluation of the transactions at market prices plus a potential future or add-on risk, that is measured as a percentage of the nominal value of the transaction, calculated as a potential maximum loss of 95% of confidence over the life of the transaction. The methodology is reviewed on a regular basis and at least once a year, and the add-ons are adjusted at least on a half-yearly basis.

The basic criteria for establishing counterparty lines are also approved by ICO's General Council on an annual basis. These counterparty lines are subdivided into two broad groups as a result of the operating characteristics of the ICO. The first of the counterparty lines is related to cash transactions. The other counterparty line is related to mediation transactions, operations in which the ICO finances several investment projects through framework programmes arranged with several entities operating in Spain such as, for example, investment lines and sustainable investments.

Currently, transactions involving derivatives contracted by ICO, have counterparties with high credit ratings such that, at least a 99% of them maintain an Agency rating investment grade. These counterparty institutions operate at the national and international level.

The ICO has structured several stages of evaluation and control relating to company credit risk: Acceptance, Monitoring and Supervision and Recovery.

At the Acceptance stage, the Institute performs an analysis of companies and transactions based on a on-going concern evaluation, guarantees are analysed in order to issue an opinion about the risk and the potential client, which is the basis for taking decisions by the Operations Committee or General Council, as appropriate.

The Monitoring process has the purpose of making the Institute’s credit portfolio to achieve the highest quality, i.e. ensures that our loans are being repaid on a timely basis, on the agreed dates. The basic monitoring unit is the client, not the transaction, such that any incident affecting a transaction affects the rating of a client and its group. This is achieved through ongoing controls, regular reviews; rating updates and alert systems such that the entire portfolio is classified into one of the following categories: Normal monitoring, special monitoring and Recovery.

Regarding credits granted to several Public Administrations, a monthly tracking is done over reimburses received from the funding granted to the Autonomous Communities and Local Entities. In the same way, the amounts paid to the Institute by the Finance and Public Administrations Ministry, coming from the deduction rate applied on sharing’s in Public taxes, are monthly followed-up too. No incidences registered in this case.

Oversight is performed based on the mediation lines as financed companies are indirect ICO clients, in order to establish and maintain a control environment for credit institutions and to verify compliance with the agreements concluded with credit institutions regarding: i) investments financed through ICO funds and ii) beneficiary conditions adjusted to the terms of agreement concerned.

Finally, recovery tasks in the Monitoring and Retail Recovery area are focused in the recovery of defaulted operations via telephone, mail or e-mail. Focused also on payment agreements talks, once the operation is in legal dispute, and on the study of those operations that went out to tender in order to establish the Institute’s vote in creditor’s tender.

Under the heading regarding credit risk, special mention must be made to the so-called country risk. Country risk refers to the solvency of all counterparties characterised as pertaining to an area geographically, politically and legally defined as a State.

In this sense, ICO has approved a methodology for measuring country risk that follows current legislation and complies with the objective of evaluating countries by group risk based on multiple criteria, thereby allowing for a defined policy when recording provisions for that country risk, evaluating direct loan transactions and segmenting the non-resident loan portfolio and introducing Basle II criteria. Rating agency and OECD-CESCE evaluations are used as a source of information when classifying countries into risk groups and these classifications are reviewed on a monthly basis.

The following chart shows the maximum credit risk exposure assumed by the Institute at December 31st, 2013 and 2012 without deducting collateral or other credit enhancements received to ensure compliance of debtors:

	Thousands of Euros					
	December 31st,2013					
Types of instruments	**Available for sale financial assets**	**Loans and receivables**	**Held to maturity investment portfolio**	**Hedging derivatives**	**Off Balance Sheet Items**	**Trading portfolio**
Debt instruments	-	-	20,660,688	-	-	-
Credit institutions deposits	-	43,643,049	-	-	-	-
Securities	1,104,887	-	-	-	-	-
Customer loans	-	34,451,674	-	-	-	-
Contingent risks: guarantees	-	-	-	-	1,610,594	-
Financial derivatives	-	-	-	1,509,208	-	400,771
Other instruments	-	-	-	-	-	-
TOTAL	**1,104,887**	**78,094,723**	**20,660,688**	**1,509,208**	**1,610,594**	**400,771**

	Thousands of Euros					
	December 31st,2012					
Types of instruments	**Available for sale financial assets**	**Loans and receivables**	**Held to maturity investment portfolio**	**Hedging derivatives**	**Off Balance Sheet Items**	**Trading portfolio**
Debt instruments	-	-	19,440,338	-	-	-
Credit institutions deposits	-	46,482,659	-	-	-	-
Securities	201,633	-	-	-	-	-
Customer loans	-	44,648,379	-	-	-	-
Contingent risks: guarantees	-	-	-	-	1,928,016	-
Financial derivatives	-	-	-	3,019,268	-	554,945
Other instruments	-	-	-	-	-	-
TOTAL	**201,633**	**91,131,038**	**19,440,338**	**3,019,268**	**1,928,016**	**554,945**

The Credit, loans and discounts breakdown based on credit ratings assigned, internal or external, is as follows:

Thousand Euros	**2013**		**2012**	
	Amount	**%**	**Amount**	**%**
External ratings				
Credit quality level 1 (AAA)	-	-	-	-
Credit quality level 2 (AA, AA+)	-	-	-	-
Credit quality level 3 (A)	575	1%	1,918,978	4%
Others				
Not assigned amounts (without rating)	34,451,099	99%	42,729,401	96%
	34,451,674	**100%**	44,648,379	**100%**

5.6 Operating risk at ICO

It is, increasingly, more important to measure and control operating risks, especially bearing in mind the New Capital Accord (Basel II). The risk deriving from inadequate processes, incorrect records, system failures, legal risks or the risk of loss inherent to the formalisation of transactions is included.

In this area, certain tools have been developed to facilitate the task of covering operating risk. Specifically, these tools consist of the policies covering the monthly monitoring of the control panel or activity indicators, the development of processes and internal procedures, the definition of client and operations monitoring and internal control of incidents, or the existing contingency plan. It is important to mention that the regular controls applied to procedures and operations are performed by internal and external auditors.

5.7 Active credit risk with companies

5.7.1 Classification by sector

Taking into account a classification by sector, the distribution of the outstanding risk (not including valuation adjustments and certain items, classified as loans and advances to other debtors and financial guarantees), is as follows:

	Millions of Euros			
	2013		2012	
	Amount	% s/total	Amount	% s/total
Outstanding risk by sector				
Investment properties	**1,328**	**4%**	**1,443**	**4%**
Construction of social housing for sale	41	0%	52	0%
Construction of social housing for rent	737	2%	724	2%
Acquisition and development of land	328	1%	334	1%
Other	221	1%	333	1%
Investment intangible assets	**56**	**0%**	**43**	**0%**
Investment tangible assets	**13,606**	**42%**	**14,900**	**45%**
Renewable energies	1,448	5%	1,625	5%
Water infrastructures	632	2%	691	2%
Electricity infrastructures	1,423	4%	1,607	5%
Gas and fossil fuel infrastructures	1,386	4%	1,559	5%
Transport infrastructures	6,894	22%	7,238	22%
Tourism and leisure	92	0%	173	1%
Social-health infrastructures	328	1%	355	1%
Telecommunications	111	0%	158	0%
Audiovisual production and exhibition	40	0%	45	0%
Business parks and other constructions	23	0%	24	0%
Other	889	3%	1,082	3%
Research and Development material investment	30	0%	33	0%
ICO Finance lines AA.CC. Agencies	310	1%	310	1%
Acquisitions of companies	**999**	**3%**	**1,153**	**3%**
General corporate needs	**878**	**3%**	**999**	**3%**
Restructuring of liabilities	**415**	**1%**	**248**	**1%**
General State Budgets	**7,917**	**25%**	**8,366**	**25%**
Financial intermediary services	**6,860**	**22%**	**6,421**	**19%**
	32,059	**100%**	**33,573**	**100%**

At 31st December 2013 and 2012 the outstanding risk is mainly concentrated on two sectors: “Investment tangible assets”, which corresponds to a 42% of the total risk in 2013, against a 44% from the previous year; On the other hand, the “General State Budgets” sector has an impact of a 25%, keeping the same percentage as the year 2012.

Inside the “Investment tangible assets” sector, it is important to highlight the impact of the sub-sector named “Transports Infrastructures” on the sector, with a 22% of weight over the total risk of 2013 and 2012.

5.7.2 Classification by geographic location of financial investments

The total risk at 31st December 2013 is distributed as follows: 92% in transactions financing investments in Spain ascending to 29,361 million euros (91% at 31st December 2012 with 30,508 million euros and 8% in transactions aimed at financing investment projects in other countries (9% at 31st December 2012).

Regarding the total of domestic operations, the distribution of outstanding risks by autonomous region is similar to last year; Valencia is the region with the greatest concentration, 13% (12% at 31st December 2012); followed by Cataluña, 10% (10% in 2012), Madrid, 8% (8% in 2012); Without taking into account the risks attributed to "general" domestic environment, related to transactions that, in light of their nature, are not located in a specific geographic area but through Spain.

Transactions taking place in the international market at 31st December 2013 and 2012 are distributed as follows in accordance with the active foreign risk:

	Millions of Euros			
	2013		2012	
	Amount	%	Amount	%
European Economic Community	628	23%	752	25%
Latin America	683	25%	808	26%
United States	849	31%	941	31%
Rest of Europe (not EEC)	6	0%	8	0%
Other	532	21%	556	18%
	2,698	100%	3,065	100%

5.8 Information on late payments to suppliers

In compliance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures against late payment in commercial transactions, developed by the Spanish Audit and Accounting Institute (ICAC) on information concerning late payment to suppliers in commercial transactions to be included in the Notes to financial statements, we should point out the following:

- Given ICO’s core business (financial activity), the information presented in this Note concerning late payment, is exclusively related to payments to services suppliers and sundry suppliers to ICO and payments to commercial suppliers other than depositors and holders of ICO securities. With the latter, the contractual and legal payment deadlines of both liabilities due to demand and with deferred payment have been met dutifully.

- Regarding the information required by Law 15/2010, of 5 July corresponding to the Institution’s commercial and service suppliers and considering what it is included in the second transitional provision of ICAC Resolution of 29 December 2010, at 31st December 2013 and 2012, none of ICO’s deferrals exceeded the statutory limit (determined in accordance with the nature of the good or service received by the company as provided for in Law 3/2004, of 29 December, establishing measures to combat against late payment in commercial transactions).

5.9 Risk concentration

The ICO's bylaws, the Group Parent entity, stipulates that the Institute is subject to the dispositions of Royal Decree 1343/1992 (6 November) governing credit institutions, which enables Law 13/1992 (1 June) on consolidated equity and supervision for financial institutions and its enabling regulations, except for the regulations regarding big risk limits.

Royal Decree-Law 12/2012, of 31stst March 2012, established the treatment of exposures to financial institutions resident in EU member states.

5.10 Information on construction and property development finance and associated foreclosed properties

Regarding property risk portfolio policies and strategies, the Institute has acceptance processes with specific policies for this type of product (e.g. experienced developers, percentages of accredited sales, data on rental demand by independent experts), assessing the economic and financial feasibility of projects.

Payments for certified work are subsequently validated and controlled, construction progress is monitored and sales are controlled.

In addition, studies have been conducted to detect the reasons behind the payment difficulties of customers that have not paid in order to suggest solutions that allow transactions to be completed successfully.

Information on construction and property development finance is as follows:

- Finance granted for construction and property development and related hedges:

	Thousands of Euros					
	2013			2012		
	Gross amount	Excess over value of collateral	Specific allowance	Gross amount	Excess over value of collateral	Specific allowance
Property loans:	1,603,563	725,855	698,443	1,700,173	521,631	550,003
Of which doubtful	579,249	252,245	550,513	469,502	181,274	420,638
Of which substandard	1,024,314	473,610	147,930	159,877	340,357	56,326
Memorandum item:						
Defaulted loans	-	-	-	-	-	-

	Thousands of Euros	
	2013	2012
Memorandum item:		
Total loans and advances to other debtors excluding regional governments	18,248,085	28,236,684
Total assets	102,202,683	115,229,764
Total general allowance	280,931	280,931

Total finance for construction and property development at 31st December 2013 represents a 1.57% of the total balance sheet (1.48% at 31st December 2012).

- Finance for construction and property development (gross amounts):

	Thousands of Euros	
	2013	**2012**
1 Without mortgage collateral	**725,871**	**834,393**
2 With mortgage collateral	**877,692**	**865,780**
2.1 Finished buildings	571,870	553,491
2.1.1 Homes	544,299	525,920
2.1.2 Other	27,571	27,571
2.2 Buildings under constructions	78,678	85,159
2.2.1 Homes	78,678	85,159
2.2.2 Other	-	-
2.3 Land	227,144	227,130
2.3.1 Developed land	24,611	227,130
2.3.2 Other land	202,533	-
TOTAL	**1,603,563**	**1,700,173**

- Home purchase loans

	Thousands of Euros			
	2013		2012	
	Gross amount	Of which: doubtful	Gross amount	Of which: doubtful
Home loans	19,758	-	20,798	-
Without mortgage collateral	17,780	-	18,241	-
With mortgage collateral	1,888	-	2,557	-

- Home purchase loans with collateral mortgage (percentage of risk on latest appraisal available, LTV):

At 31st December 2013:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	1,182	706	-	-	-
Of which: doubtful					

At 31st December 2012:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	1,748	809	-	-	-
Of which: doubtful					

- Foreclosed assets received as the settlement of debts from construction and property development loans.

None of the foreclosed assets on the Institute's balance sheet (Note 12) comes from financing granted to construction companies and property developers, or mortgage loans to households for home purchases, nor do they consist on equity instruments, investments and finance to non-consolidated companies holding the assets

5.11 Information related to Institute's refinanced and restructured operations, as head of the Group

Presented in the table below, there is the detailed information related to those refinanced and restructured operations as of 31stst December, 2013 (gross amounts), as requirement of Bank of Spain 6/2012 Circular, about financial public and reserved information rules:

Thousand Euros	Real estate mortgage's guarantees	Rest of guarantees	No actual guarantee	TOTAL amounts	TOTAL specific hedges
Public Administrations					
Regular	-	-	-	-	-
Substandard	-	49,270	6,610	55,880	13,964
Doubtful	-	-	-	-	-
Companies and business owners					
Regular	4,520	195,004	984,552	1,184,076	-
Substandard	866	667,392	288,767	957,025	226,328
Doubtful	462,704	514,774	130,167	1,107,645	927,183
- From which: property development finance					
Regular	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	267,953	60,788	84,272	413,013	392,595
Rest of individuals					
Regular	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
TOTALS	**468,090**	**1,426,440**	**1,410,096**	**3,304,626**	**1,167,475**

At 31st December 2012 (gross amounts)

Thousand Euros	Real estate mortgage's guarantees	Rest of guarantees	No actual guarantee	TOTAL amounts	TOTAL specific hedges
Public Administrations					
Regular	-	51,949	-	51,949	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Companies and business owners					
Regular	49,231	279,719	557,408	886,358	-
Substandard	67,695	362,042	227,771	657,508	163,102
Doubtful	427,420	518,509	61,654	1,007,583	752,941
- From which: property development finance					
Regular	-	-	-	-	-
Substandard	-	-	49,877	49,877	29,926
Doubtful	267,936	60,973	35,769	364,678	359,919
Rest of individuals					
Regular	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
TOTALS	**544,346**	**1,212,219**	**846,833**	**2,603,398**	**916,043**

6. CASH AND BALANCE WITH CENTRAL BANKS

An analysis of the balances of this caption in the consolidated balance sheets as at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Cash on hand	13	7
Deposits at Bank of Spain	17,713	284,343
Mandatory to comply with minimum reserve ratios	17,112	282,890
Not mandatory	-	-
Accrued interest	601	1,453
	17,726	284,350

7. TRADING PORTFOLIO

The total balance under this heading in the balance sheets at 31st December 2013 and 2012 is made up of trading derivatives.

Transactions involving trading derivatives are mainly related to instruments with which the Institute manages balance sheet positions globally, but which do not meet the requirements to be designated hedging and are therefore classified in the trading portfolio.

In the table below, there is a breakdown classified by type of derivative, of the fair value of the Group's trading derivatives and their notional value (amount on which future payments and collections of these derivatives are based) at 31st December 2013 and 2012:

	Thousands of Euros					
	Notional		**Assets**		**Liabilities**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
By type of market						
Organised markets	-	-	-	-	-	-
Non – organised markets	3,434,148	3,989,432	400,771	554,945	398,114	553,234
	3,434,148	**3,989,432**	**400,771**	**554,945**	**398,114**	**553,234**
By type of product						
Swaps	3,434,148	3,989,432	400,771	554,945	398,114	553,234
	3,434,148	**3,989,432**	**400,771**	**554,945**	**398,114**	**553,234**
By counterparty						
Credit institutions	1,873,596	2,245,093	220	184	398,114	553,234
Other financial institutions	-	-	-	-	-	-
Other sectors	1,560,552	1,744,339	400,551	554,761	-	-
	3,434,148	**3,989,432**	**400,771**	**554,945**	**398,114**	**553,234**
By type of risk						
Exchange risk	3,191,271	3,731,248	388,283	537,283	381,941	529,463
Interest rate risk	242,877	258,184	12,488	17,662	16,173	23,771
	3,434,148	**3,989,432**	**400,771**	**554,945**	**398,114**	**553,234**

The fair value has been calculated for the 100% of the cases, both in 2013 and 2012, taking the implicit curve of the money markets and the public debt as a reference.

At December 31st, 2013 and 2012 the trading portfolio classification, stated at fair value and taking the hierarchical order into account as shown in Note 2.2.3, was as follows:

	Thousands of Euros					
	2013			2012		
	Level I	Level II	Level III	Level I	Level II	Level III
Held-for-trading-derivatives assets	-	400,771	-	-	554,945	-
Held-for-trading-derivatives of liabilities	-	398,114	-	-	553,234	-

The following table shows the amounts recognised in the income statements in 2013 and 2012 (Note 30) regarding fluctuations in the fair value of the Institute's financial instruments, included in the trading portfolio related to unrealised gains and losses, differentiating between financial instruments whose fair values are measured considering quoted prices in active markets (Level 1), those estimated using valuation techniques whose inputs are observable (Level 2) and the rest (Level 3):

	Thousand Euros					
	2013			2012		
	Gains	Losses	Net	Gains	Losses	Net
Level 1	-	-	-	-	-	-
Level 2	356,767	331,553	25,214	471,270	461,117	10,153
Level 3	-	-	-	-	-	-

Once the IFRS 13 from 1st January 2013 has become effective, the Group makes the appropriate valuation adjustments regarding derivatives valuation and their credit, own and counterparty's, risk (CVA-DVA). The adjustment made as of 31st December 2013 increased up to (26,768) thousand euros, being charged to profit and loss account (Notes 11 and 30)

8. AVAILABLE-FOR SALE FINANCIAL ASSETS

The breakdown of the amount included in this chapter, in the balance sheet at December 31st, 2013 and 2012, investment is as follows:

	Thousands of Euros	
	2013	2012
FESPYME (previously FONDICO, Fondo de Capital Riesgo) (1)	133,031	147,085
FEI, Fondo Europeo de Inversiones (2)	2,971	2,668
SWIFT (3)	3	3
Fondo Fons Mediterránea Fondo Capital Riesgo (4)	11,537	6,199
Fondo PYMEX Fundación Empresa y Crecimiento (5)	-	12
Fondo de Carbono Postkyoto (6)	-	1,084
~~SICAV~~ Fondo Marguerite (7)	33,068	25,250
FES infraestructuras (8)	20,232	13,838
Fondico Global(9)	7,334	-
Fondo Carbono Empresas Españolas (10)	381	5,243
EDW(11)	213	251
Fixed income portfolio (12)	896,117	-
	1,104,887	**201,633**

The amount of Valuation Adjustment of equity epigraph at December 31st, 2013 and 2012 composed by changes in the fair value of the items included under the heading of financial assets available for sale is as follows:

	Thousands of Euros	
	2013	**2012**
Equity instruments	(2,560)	17,913
Debt instruments	102	-
	(2,458)	**17,913**

Movements experienced during the years 2013 and 2012 under the heading of financial assets available for sale are listed below:

	Thousands of Euros	
	2013	**2012**
Initial balance	201,633	1,026,712
Purchase additions	925,069	15,369
Amortizations and sales	(458)	(833,157)
Fair value fluctuations movements	(20,371)	(6,935)
Impairment losses movements	(986)	(356)
Balance at the end of the year	**1,104,887**	**201,633**

(1) Fund formed in May 1993, in which the Institute, the Group's Parent entity, is the sole participant managed by Axis Participaciones Empresariales. The fund is fully paid at December 2013 and December 2012. This fund is not consolidated as the Group do not expect to maintain this investment permanently.

(2) Interest equivalent to 0.2667% of share capital. An amount of 6,400 thousand Euros was pending at 31st December 2013 and 2012.

(3) Institute's shareholding in one action of this entity, as a full member of the ICO since 2008.

(4) Fund constituted in October 2005 and in which the Institute participates with other public and private entities. The Fund was created to invest in projects developed by Spanish companies in the African Maghreb. The allocations for this fund have a provision coverage of 30% of the total real capital (without including fair value changes) amounting 3,482 thousand Euros at December 2013 (2,656 thousand Euros at December 2012).

(5) Fund constituted in May 2003 by the Enterprise Foundation and Growth, in collaboration with the BID and Nacional Financiera SNC, which objective is to take temporary stakes in the capital of non-financial firms located in Mexico. The allocations related to impairment made to this fund are considered to be 100% of the total amount the contributions made, without including changes in the fair value.(30% at 31st December 2012), with an amount of 228 thousand euros at 31st December 2013 (being 68 thousand euros the 31st December 2012)

(6) Fund constituted in September 2007 in which ICO participates with the BEI, KfW and other public financial institutions in Europe, in the market for the C02 emissions beyond 2013.

(7) Participation in the Marguerite Fund. With the participation of leading European public financial institutions, this is a European equity fund which seeks to promote investment in infrastructures, in order to implement the key policies of the European Union in the fight against climate change, with the aim of combining the principle of return to investors based on market policies and the objectives set by public policy.

(8) Fund constituted in 2012, wholly owned by the ICO and managed by Axis Participaciones Empresariales. At December 2013, Institute's contributions to this fund were a total of 6,820 thousand Euros (4,188 thousand in 2012). This fund is not consolidated as the Group do not expect to maintain this investment permanently.

(9) Investment Fund created in 2013, wholly owned by the ICO and managed by AXIS Participaciones Empresariales. During the year 2013, the donations by the institute to this fund sum up a total amount of 10,000 thousand euros. This fund is not consolidated as the Group do not expect to maintain this investment permanently.

(10) Fund that began operating in 2011, in which ICO has a 32.68% interest.

(11) A 3.70% participation in the Entidad Enterprise Data Warehouse, from March 2012.

These interests are classified as available-for-sale financial assets and measured at fair value based on the underlying value at year-end. Fair value is determined based on the nature of the investment, with the underlying value calculated using the most appropriate valuation technique.

As part of its liquidity management policy, the ICO is able to invest in debt instruments, classified as financial assets available for sale. These are fixed income securities issued by Spanish financial institutions, consisting mainly of bonds guaranteed by the State:

	Thousands of Euros	
	2013	**2012**
Maturity of 3 months	-	-
Maturity between 3 and 6 months	-	-
Maturity between 6 and 9 months	-	-
Maturity over 9 months	896,117	-
	896,117	-

At December 31st, 2013 and 2012, the classification of financial assets available for sale stated at fair value and taking the hierarchical level into account as shown in Note 2.2.3., was as follows:

	Thousands of Euros					
	2013			**2012**		
	Level I	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Debt securities	896,117	-	-	-	-	-
Other capital instruments	-	208,770	-	-	201,633	-

9. LOANS AND RECEIVABLES

The breakdown by type and status, of Investment in Loans and receivables at December 31st, 2013 and 2012, adjusted for value changes due to assets impairment, is as follows:

	Thousands of Euros	
	2013	2012
By mode and location:		
Commercial credit	-	-
Debtors with mortgage	45,231	48,042
Debtor with other security	31,465	30,971
Assets temporary acquisitions	1,749,575	3,138,730
Hybrid financial assets	-	-
Other term debtors	74,026,102	85,147,387
Leases	-	-
Advances on demand and other	134,262	981,859
Doubtful assets	1,728,575	1,282,967
Valuation adjustments	387,234	512,497
	78,102,444	**91,142,453**

In "Advances on demand and other" epigraph are included, apart from expired impaired assets, provisions for funds to third parties that are still pending of being satisfied, and other temporary advances.

The structure of the total amount of this chapter of the balance sheet at December 31st, 2013 and 2012, classified by type of counterparty, is as follows:

	Thousands of Euros	
	2013	2012
By counterparty categories		
Credit institutions (Note 9.1)	43,536,998	46,328,867
Acquisition of assets from counterparties under resale agreements (Note 9.2)	1,749,575	3,138,730
Resident public administrations (Note 9.2)	9,128,415	16,072,431
Other AAPP debt securities	6,868,076	-
Non-resident public administrations (Note 9.2)	18,971	6,042
Other resident sectors (Note 9.2)	17,321,259	25,051,604
Other non-resident sectors (Note 9.2)	1,168,927	1,480,136
Other financial assets	70,500	123,462
	79,862,721	92,201,272
(Impairment losses)	(2,147,529)	(1,571,316)
Other measurement adjustments (*)	387,252	512,497
~~By counterparty categories~~		
	78,102,444	**91,142,453**

(*) Measurement adjustments are related to the accrual of interest and similar yields, as well as commission adjustments.

Set out below are the movements for 2013 and 2012 in impairment losses recorded to cover the credit risk and the accumulated amount of such losses at the beginning and end of those years on the portfolio of loans and receivables:

	Thousands of Euros			
	Country risk	Specific provisions	General provision	Total
Balance as at January 1st, 2012	**-**	**725,413**	**232,591**	**958,004**
Appropriations charged to income	-	715,566	28,984	744,550
Recoveries	-	(130,634)	-	(130,634)
Application of funds	-	-	-	-
Other movements	-	(555)	-	(555)
Adjustments for exchange differences	-	(49)	-	(49)
Balance as at December 31st, 2012	**-**	1,309,741	261,575	1,571,316
Appropriations charged to income	-	584,840	-	584,840
Recoveries	-	-	-	-
Application of funds	-	(6,455)	-	(6,455)
Other movements	-	(606)	-	(606)
Adjustments for exchange differences	-	(1,566)	-	(1,566)
Balance as at December 31st, 2013	**-**	**1,885,954**	**261,575**	**2,147,529**

The net amount carried in the accompanying consolidated income statements for 2013 and 2012 as a result of movements affecting assets whose recovery is deemed remote, arises up to 12,177 thousand Euros and 8,459 thousand Euros, respectively.

The heading "Other movements", included in variations for 2013 and 2012 in the specific provision, records different amounts reclassified by the Group, taking into account the nature of the transactions covered, broken down mainly as follows:

- Transfer to liability accounts ("Amounts payable to the Public Treasury") from specific provisions for 606 thousand Euros related to economic policy loans subject to Law 24/2001. (553 thousand Euros in 2012).

The Specific provision detailed based on the determining criteria, is broken down in the following chart:

	Thousands of Euros	
	2013	**2012**
Determined:	1,412,311	1,016,621
Exclusively to customer arrears	652,222	202,829
Other than customer arrears	760,089	740,753
Due to real estate transactions (section 42 and 43, Appendix IX C 4/2004)	-	73,039
Substandard	473,643	293,120
TOTAL	1,885,954	1,309,741

The substandard specific provision corresponds to credit assets for an amount of 2,552,871 thousand Euros at December 31st, 2013 (1,617,011 thousand Euros at December 31st, 2012).

At 31st December 2013, there are not specific provisions for real estate operations, chapters 42 and 43 of Anejo IX from the Spanish Circular 4/2004, from the Bank of Spain. The total amount of the specific provision has been reclasificated into provisions for impaired assets or substandard provisions (73,039 thousands euros).

The movement of financial impaired assets written off to be recovery considered remote is as follows:

	Thousands of Euros	
	2013	**2012**
Initial balance	798,061	628,632
Additions:	98,590	181,584
By remote recoveries	97,923	181,211
By other causes	667	373
Recoveries:	(52,019)	(8,459)
By refinancing or restructuring	-	-
By collecting cash without additional funding	(31,793)	(8,459)
For asset allocation	(20,226)	-
Others	-	-
Definitive write-off:	(1,560)	(2,981)
By forgiveness	-	-
By expiry	-	-
By other causes	(1,560)	(2,981)
Net Exchange fluctuation	(1,734)	(715)
Final balance at the year end	**841,338**	**798,061**

The table below provides a breakdown of financial assets classified as loans and receivables considered being impaired due to their credit risk at 31st December 2013 and 2012, by counterparty and period elapsed from the amount unpaid at said dates and the age of the risk. Impaired assets guaranteed by the State are disclosed in Note 9.2.

Impaired assets at December 2013

	Thousands of Euros				
	Up to 6 months	**Between 6 and 9 months**	**Between 9 and 12 months**	**Over 12 months**	**Total**
By counterparty categories					
Other resident and non-resident sectors	1,076,603	221	1,343	650,408	1,728,575
	1,076,603	**221**	**1,343**	**650,408**	**1,728,575**

There were no impaired assets due to country risk at 31st December 2013 and 2012.

Impaired assets at December 2012

	Thousands of Euros				
	Up to 6 months	Between 6 and 9 months	Between 9 and 12 months	Over 12 months	Total
By counterparty categories					
Other resident and non-resident sectors	1,091,758	6,405	51	184,753	1,282,967
	1,091,758	**6,405**	**51**	**184,753**	**1,282,967**

The amount of the unimpaired matured assets relating to 2013 and 2012 totals arises up to 131,880 thousand Euros and 32,820 thousand Euros, respectively, with a seniority, in both years, between one and three months.

9.1 Deposits at credit institutions

An Analysis of the amounts of this section of the balance sheets as at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
By nature		
Institute loans to BBVA (Note 9.1.1)	-	75,512
Deposits at credit and financial institutions (Note 9.1.2)	690,429	1,071,693
Financing loans for small and medium – sized businesses (Note 9.1.3)	12,129,275	17,565,501
Other mediation loans (Note 9.1.2)	30,337,852	26,538,022
Temporary assets acquisition (Note 9.1.2)	229,264	905,238
Other demand accounts (Note 9.1.2)	150,178	172,901
	43,536,998	46,328,867
(Impairment losses)	(20,153)	(73)
Other measurement adjustments (*)	133,918	165,280
	43,650,763	**46,494,074**

(*) Measurement adjustments related to the interest accrual and similar profits, as well as commission adjustments.

9.1.1 Institute loans to BBVA

The breakdown, by product type, of the loans and current accounts granted to BBVA at 31st December 2013 and 2012, as well as the average annual interest charged during those years, is set out below:

	Thousands of Euros		Average nominal interest rate	
	2013	**2012**	**2013**	**2012**
Loans -				
Ordinary financing	-	75,503	n/a	1.67%
Official Export Credit	-	-	-	-
Other accounts	-	9	n/a	1.67%
	-	**75,512**		
Current accounts -				
Current Accounts and other outstanding debits (1)	10,079	327		
	10,079	**75,839**		

(1) Included in "Other demand accounts" under Credit institutions.

Of the total recorded under this heading, there is not any amount denominated in foreign currency at 31st December 2013 (8,190 thousand euros at 31st December 2012)

The interest accrued during 2012 for these loans amounted 2,579 thousand Euros, which are included under the heading "Interest and similar revenues - credit institutions" in the income statement.

A breakdown of loans by maturity date, excluding valuation adjustments, at 31st December 2013 and 2012 is set out below:

	Thousands of Euros	
	2013	**2012**
Up to 1 year	-	75,512
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	-	**75,512**

9.1.2 Deposits in credit and financial institutions, other mediation loans and other demand accounts.

During the year 2013 exercise, the headings "Deposits in credit and financial institutions" and "Other mediation loans", “Temporary assets acquisition” y “Other accounts” accrued an average annual interest of 3,20%(3.76% during 2012). Their composition, in terms of nature and currency, at 31st December 2013 and 2012 is set out below:

	Thousands of Euros	
	2013	2012
By nature		
Demand deposits	150,178	172 901
Fixed – term deposits	31,257,545	28,514,953
	31,407,723	**28,687 854**

"Time deposits" grouped by maturity date at 31st December 2013 and 2012 broken down as follows:

	Thousands of Euros	
	2013	2012
Up to 1 year	11,662,413	8,396,301
From 1 to 2 years	6,555,545	6,012,773
From 2 to 3 years	5,194,476	4,105,556
From 3 to 4 years	3,199,996	3,454,107
From 4 to 5 years	1,913,009	2,894,068
More than 5 years	2,732,106	3,652,148
	31,257,545	**28,514,953**

The interest accrued during 2013 and 2012 for these loans have amounted a total of 850,545 thousand Euros and 1,132,401 thousand Euros, respectively, which are included under the heading "Interest and similar income - of credit institutions" of the profit and loss account.

Mediation lines that started between 2009 and 2012 included under “Other mediation loans”, with an outstanding exposure at 31st December 2013 of 3,115 million Euros (5,260 million Euros at 31st December 2012) include certain liquidity lines with ICO risk for SMEs. In these lines, ICO assumes a general and global risk for default presented by mediator financial entities. For lines granted in 2009, this risk was limited up to 5% of the amounts drawn down. For lines granted in 2012 and 2013, the maximum risk assumed is the average default for financial institutions excluding loans for the property business. At December 31st, 2013 ICO had set up provisions of 114,964 thousand Euros for this concept (Note 20) (87,999 thousand Euros at December 31st, 2012).Provisions made are equal to net interest income generated for the Institute by these lines of mediation. If the provisions were insufficient to cover those defaults, the difference would be charged directly to the ROL Fund 12/95, not generating losses for ICO.

9.1.3 Financing loans for small and medium-sized companies

Following the Resolution of the Council of Ministers adopted on 26 February 1993, a credit line was opened to assist small and medium-sized companies, with their financing. This line was created through loans granted by the Institute to several financial institutions, which formalised the loans with the companies concerned. During the following years, this policy continued, and a credit line in several amounts was approved for each year.

The total interest accrued during 2013 and 2012 for these was 414.126 thousand Euros and 563,687 thousand Euros, respectively, which is included under the heading "Interest and similar revenues - credit institutions" in the income statement.

The breakdown of SME financing loans at 31st December 2013 and 2012, by maturity date, is as follows:

	Thousands of Euros	
	2013	**2012**
Up to 1 year	4,441,070	4,838,741
From 1 to 2 years	2,626,913	3,961,115
From 2 to 3 years	1,686,177	3,001,208
From 3 to 4 years	1,153,162	1,921,253
From 4 to 5 years	662,680	1,314,563
More than 5 years	1,559,273	2,528,621
	12,129,275	**17,565,501**

In transactions classified as "SME Financing loans" granted up to 31st December 1997, the ICO, assumes a percentage of credit risk that the entity receiving the funds holds, in turn, respecting final borrowers. Since that date the Institute does not assume any risk regarding the insolvency of final borrowers, except for certain liquidity lines 2009-2012.

SME loans at 31st December 2013 and 2012 carried annual interest of 2,76% and 3,08%, respectively.

9.2 Customer loans

The breakdown of this balance sheet heading at 31st December 2013 and 2012, based both on the category of counterparty and the currency concerned, is as follows:

	Thousands of Euros	
	2013	**2012**
By counterparty categories		
Acquisition of assets from counterparties under repurchase agreements	1,749,575	3,138,730
Resident Public Administrations	9,128,415	16,072,431
Non-resident Public Administrations	18,971	6 042
Other resident sectors	17,321,259	25,051,604
Other non-resident sectors	1,168,927	1,480,136
Other financial assets	70,500	123,462
	29,457,647	45,872,405
(Impairment losses)	(2,127,376)	(1,571,243)
Other measurement adjustments (*)	253,334	347,217
	27,583,605	**44,648,379**

(*) Measurement adjustments shown relate to the accrual of interest and similar yields, as well as commission adjustments.

The book value of certain investments in some Economic Interest Agroupations is included in “Other resident sectors” (25,250 thousand Euros at December 31st 2013 and 55,354 thousand Euros at December 31st 2012) considering that are assured-return structures (Note 13).

This mentioned sharing have a fiscal-financial component due to the fact that these entities negative taxable bases are included in the Institute’s taxable base. In order to adjust the fiscal-financial profits obtained along with the final result determined for the investment, a provision is registered annually on the Income tax heading in the consolidated income statement, (Note 20) (Note 23).

Of the above counterparty balances, it is provided below some information regarding the transactions guaranteed by the State, set out by counterparty and type of instrument, included under “Other resident sectors” and “Resident Public Administrations”, which are classified under the heading Customer loans at 31st December 2013 and 2012:

	Thousands of Euros	
	2013	**2012**
Balances included under “Resident Public Administrations”		
Loans to the national government	745,061	6,889,301
Loans to regional governments	8,383,355	9,183,130
Valuation adjustments	117,581	210,252
	9,245,997	16,282,683
Balances included under “Other resident sectors”		
Doubtful assets secured by the State	179,233	47,665
Loans to other public entities	4,695,285	4,713,221
Loans to other sectors guaranteed by the State	1,545,219	1,636,019
	6,419,737	6,396,905
Total transactions secured by the State	**15,665,734**	**22,679,588**

The breakdown of “Loans to the National government”, excluding valuation adjustments, is as follows at 31st December 2013 and 2012:

	Thousands of Euros	
	2013	**2012**
Loans to the State and its Autonomous Entities	384,750	6,823,056
Accounts receivable from the Public Treasury	352,263	58,689
Other accounts receivable from the State	8,048	7,556
	745,061	**6,889,301**

The loan granted to the Funding for Suppliers Payment Fund, formalised the 31st December 2012 is included under the caption “Loans to the State” heading, is amounted in 6,386,861 thousand Euros. In 2013, this loan has been converted into financial non-negotiable assets, with the same counterparty.

The heading “Accounts receivable from the Public Treasury” records, at 31st December 2013, the amount of 323,601 thousand Euros, derived from the formalisation of the “ICO Innovación Fondo Tecnológico 2013-2015, included in the operative Programme FEDER regarding the i+d+i and the firms benefits”. Additionally, the satisfied amounts by the Institute to the Public Treasury, that are pending from being effective under the concept of Subsidiaries, for the adjustment of interest rates differentials in mediation loans

The heading “Other accounts receivable from the State” records the Institute’s CARI operations amounts.

These accounts, which are carried at their nominal value, do not accrue any interest.

The breakdown of the contribution by public sector entity to net interest income in the income statements for 2013 and 2012 (Notes 25 and 26) is as follows:

	Thousands of Euros	
	2013	**2012**
Central government	147,647	168,277
Regional governments	376,517	361,774
Other public sector entities	107,012	146,516
	631,176	676,567

Under the heading “Loans granted to Territorial Administrations”, are included the direct loans granted to Autonomous Communities. As of 14 February 2013, the Government Council for Economic Matters (CDGAE), decided to train the ICO in the principal quotes deferment, forecasted for the year 2013, between the ICO and the different AACC that asked for these loans. The total amount of AACC assigned to this line, supposed for the Institute an amount of 1,630,600 thousand Euros. During the year 2013, there have not been incidents in the payments of this credit line, corresponding, exclusively to interest clearance.

The breakdown of the principal amounts of loans included under the heading "Customer loans", including measurement adjustments, and set out by maturity date at 31st December 2013 and 2012, is as follows:

	Thousands of Euros	
	2013	**2012**
By maturity		
Up to 1 year	8,662,897	8,756,793
From 1 year to 2 years	5,633,635	5,594,785
From 2 to 3 years	2,985,438	8,356,235
From 3 to 4 years	2,417,252	4,958,345
From 4 to 5 years	1,909,896	3,323,344
More than 5 years	8,101,863	15,230,120
	29,710,981	46,219,622

According to current Bank of Spain regulations, the provision for signature risk insolvency is recorded under the heading "Provisions for liabilities and charges - Other provisions" in the balance sheet.

Loans and advances to other debtors at 31st December 2013 and 2012 carried annual interest of 2.80% and 3.53%, respectively.

9.3 DEBT SECURITIES

Under the heading of Debt securities, , registered as credit investment, there are included the financial assets amount, no negotiable, which was converted, along the 2013, into a syndicated loan for the “Fund for Financing Supplier Payments and which at the end of 2012, was included under “ Clients credit- Resident Public Administrations”

The total amount of this part of the balance, classified by type of counterparty at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
By type of counterparty		
Resident Public Administrations	6,868,076	-
	6,868,076	-
(Loses from impairment)	-	-
Valuation Adjustments	-	-
	6,868,076	-

The breakdown of the principal operations classified under "Debt securities", including valuation adjustments, and without considering changes regarding assets impairment, by maturity terms at 31st December 2013 and 2012, is the following:

	Thousands of Euros	
	2013	2012
By maturity		
Up to 1 year	1,069,337	-
From 1 year to 2 years	2,214,016	-
From 2 to 3 years	2,289,359	-
From 3 to 4 years	1,220,022	-
From 4 to 5 years	75,342	-
More than 5 years	-	-
	6,868,076	-

At 31st[st] December 2013 these assets, accrued an annual interest rate of 5.21%.

10. HELD-TO-MATURITY INVESTMENT PORTFOLIO

The breakdown by counterparty of the held-to-maturity investment portfolio at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
By counterparty		
Spanish public administrations	18,667,702	17,730,934
Resident credit institutions	1,948,304	1,707,579
Other resident sectors	4,011	-
Doubtful assets	50,008	-
	20,670,025	19,438,513
Impairment Losses	(10,000)	-
Value adjustments for impairment	663	1,825
	20,660,688	**19,440,338**

The average rate of compensation for the portfolio was 2.41% regardless of coverage and 2.41% including them (2.66% and 2.65%, respectively in 2012).

The heading "Resident Credit Institutions" includes debt securities issued by Spanish financial institutions, which are managed in an active market, have a fixed maturity and their cash flows have determined or determinable amount in which the Institute has, from the outset and at any later date, the positive intention and financial ability to keep them until maturity.

The Institute has assigned a total amount of 10 000 thousand Euros, the 31st[st] December 2013, to cover the impairment losses related to assets held until maturity in the investment portfolio, (which did not have amount in December 2012)

Movements experienced during the years 2013 and 2012 under the heading of Held-to-maturity investment portfolio are shown below:

	Thousands of Euros	
	2013	2012
Balance at 1st January	19,440,338	7,412,672
Additions from acquisitions	13,784,628	27,887,316
Derecognition from recovery of funds	-	-
Written off for default	-	-
Redemptions	(12,564,278)	(15,859,650)
Balance at 31st December	20,660,688	19,440,338

The breakdown by term residual maturity of December 31st, 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
On demand	2,079,758	-
Up to 3 months	2,997,088	3,476,599
Between 3 months and 1 year	7,216,125	5,326,523
Between 1 and 5 years	8,279,443	10,637,216
Over 5 years	88,274	-
TOTAL	20,660,688	19,440,338

11. HEDGING DERIVATIVES (DEBTORS AND CREDITORS)

This caption in the accompanying balance sheet records the hedging instruments carried at fair value in accordance with the explanation provided in Note 2.3.

The derivatives contracted and the hedged items were fundamentally the following:

- Interest-rate swaps, which hedge financial instruments remunerated at a rate other than the Euribor, mainly issues from the Group.

- Exchange hedges, which cover changes in fair value and cash flows relating to several financial instruments.

The measurement methods used to determine the fair value of derivatives have been the discounted-cash-flow method, to measure interest rate derivatives and exchange risk derivatives.

The total notional values of derivatives and fair values of financial derivatives designated as "Hedging derivatives" at 31st December 2013 and 2012, by counterparty and risk, are as follows:

	Thousands of Euros					
	Notional		Assets		Liabilities	
	2013	2012	2013	2012	2013	2012
By type of market						
Organised markets	-	-	-	-	-	-
Non-organised markets	55,321,333	60,840,861	1,509,208	3,019,268	354,234	337,575
	55,321,333	**60,840,861**	**1,509,208**	**3,019,268**	**354,234**	**337,575**
By type of product						
Swaps	55,321,333	60,840,861	1,509,208	3,019,268	354,234	337,575
	55,321,333	**60,840,861**	**1,509,208**	**3,019,268**	**354,234**	**337,575**
By counterparty						
Credit institutions	55,321,333	60,840,861	1,509,208	3,019,268	354,234	337,575
Other financial institutions	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-
	55,321,333	**60,840,861**	**1,509,208**	**3,019,268**	**354,234**	**337,575**
By type of risk						
Exchange risk	4,432,611	6,979,765	453,754	1,188,890	266,833	189,667
Interest rate risk	50,888,722	53,861,096	1,055,454	1,830,378	87,401	147,908
	55,321,333	**60,840,861**	**1,509,208**	**3,019,268**	**354,234**	**337,575**

As of December 31st, 2013 and 2012, the classification of hedging derivatives, measured at fair value and taking into account the hierarchical level set out in Note 2.2.3., was as follows:

	Thousands of Euros					
	2013			2012		
	Level I	Level II	Level III	Level I	Level II	Level III
Held-for-trading-derivatives assets	-	1,509,208	-	-	3,019,268	-
Held-for-trading-derivatives of liabilities	-	354,234	-	-	337,575	-

Once the IFRS 13 of 1st January 2013 has become effective, the Institute includes for the derivative instruments valuation, the corresponding risk valuation adjustments from counterparties and its own.

12. NON – CURRENT ASSETS FOR SALE

The entire amount in the heading "Non-current assets for sale" includes assets awarded in foreclosed. None of these foreclosed assets recorded on this heading at December 31st 2013 and December 31st 2012 comes from any funding related neither to Property development land nor to any other property development business.

Movements for years 2013 and 2012 in the balances under this balance sheet heading are shown below:

	Thousands of Euros		
	Cost	Impairment	Total
Balance as at January 1st, 2012	53,081	(50,930)	2,151
Additions	1,004	(908)	96
Disposals / Applications	(1,231)	337	(894)
Transfers	-	-	-
Balance as at December 31st, 2012	52,854	(51,501)	1,353
Additions	12,116	(13,438)	(1,322)
Disposals / Applications	(56)	25	(31)
Transfers	-	-	-
Balance as at December 31st, 2013	64,914	(64,914)	-

Of the total amount of “Non-current assets held for sale” at 31st December 2013 and 2012, 48,678 thousand Euros corresponds to a single asset, which is fully provisioned.

The Institute’s Board of Directors body gives its approval annually to the Disinvestment Plan referred to these assets.

At it is said in the rule 60, section 55, 4/2004 Bank of Spain Circular, non-current assets held for sale are classified in wide categories: residential, industrial and farming assets. On the following chart are included Appraisal Companies, its methodology to appraise the assets and the amount given to each of it (company/agency):

		RESIDENCIALES ASSETS
Last appraisal (thousand Euros)	**Appraisal Company**	**Appraisal Methodology**
193	ALIA TASACIONES	COST AND COMPARISON
13	ALIA TASACIONES	DYNAMIC RESIDUAL
3	ALIA TASACIONES	STATIC RESIDUAL
17	GESVALT	COMPARISON
7	GESVALT	COST
74	TASACION JUDICIAL	COMPARISON
535	SDAD TASACION	DYNAMIC RESIDUAL
5,181	SDAD TASACION	DR AND RENTS ACTUALIZATION
117	TASAC HIPOTECARIAS	DYNAMIC RESIDUAL
99	TASVALOR	COMPARISON
646	TASVALOR	COST
1,903	TASVALOR	COST AND COMPARISON
5,971	TASVALOR	DYNAMIC RESIDUAL
41	TASVALOR	STATIC RESIDUAL
131	TASVALOR	STATIC RESIDUAL AND COST
51	VALMESA	COST
14,982		

		INDUSTRIALE ASSETS
Last appraisal (thousand Euros)	**Appraisal Company**	**Appraisal Methodology**
3,706	TASVALOR	RENTS ACTUALIZATION
3,706		

		FARMING ASSETS
Last appraisal (thousand Euros)	**Appraisal Company**	**Appraisal Methodology**
18	GESVALT	OTHERS
10	GESVALT	COMPARISON
6	TASVALOR	RENTS ACTUALIZATION
17	ALIA TASACIONES	COMPARISON
199	TASVALOR	COMPARISON
296	TASVALOR	COST AND COMPARISON
10	TASADOR JUDICIAL	MARKET VALUE
556		

13. SHAREHOLDINGS

Variations of this balance sheet heading during years 2013 and 2012, set out by company and shareholding, is as follows:

	Thousands of Euros
	Associates
Balance at December 31st, 2011	**49,544**
Additions	2,077
Disposals/ Applications	-
Others movements	-
Impairment	-
Balance at December 31st 2012	**51,621**
Additions	3,772
Disposals/ Applications	(2,059)
Others movements	-
Additions	-
Balance at December 31st 2013	**53,334**

Appendix I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at 31st December 2013 and 2012.

Disposals that have taken place during the year 2013, correspond to the capital reduction from one of the Institute´s shareholding (a capital increase from another entity in 2012).

14. PROPERTY, PLANT AND EQUIPMENT

Movements in 2013 and 2012 recorded under Property, plant and equipment, and accumulated depreciation, is as follows:

	Thousands of Euros			
	Building of own use	Furniture, vehicles and another fixed assets	Real-estate investments	Total
Cost				
Balance as at January 1st, 2013	**112,930**	**15,127**	**-**	**128,057**
Additions	192	1,103	-	1,295
Disposals and other write-offs	-	(814)	-	(814)
Balance as at December 31st, 2013	**113,122**	**15,416**	**-**	**128,538**
Accumulated depreciation				
Balance as at January 1st, 2013	**21,915**	**6,930**	**-**	**28,845**
Appropriations	2,073	338	-	2,411
Transfers and other movements	-	(814)	-	(814)
Balance as at December 31st, 2013	**23,988**	**6,454**	**-**	**30,442**
Impairment losses – at December 31st,2013	-	651	-	651
Property, plant and equipment net - Balance as at December 31st, 2013	**89,134**	**8,311**	**-**	**97,445**
Cost				
Balance as at January 1st, 2012	**112,617**	**15,780**	**-**	**128,397**
Additions	313	891	-	1,204
Disposals and other write-offs	-	(1,544)	-	(1,544)
Balance as at December 31st, 2012	**112,930**	**15,127**	**-**	**128,057**
Accumulated depreciation				
Balance as at January 1st, 2012	**20,077**	**7,344**	**-**	**27,421**
Appropriations	1,838	578	-	2,416
Transfers and other movements	-	(992)	-	(992)
Balance as at December 31st, 2012	**21,915**	**6,930**	**-**	**28,845**
Impairment losses – at December 31st,2012	-	651	-	651
Property, plant and equipment net - Balance as at December 31st, 2012	**91,015**	**7,546**	**-**	**98,561**

At 31st December 2013 there are fully-depreciated property, plant and equipment for own use for a gross amount of approximately 13,425 thousand Euros (11,784 thousand Euros at 31st December 2012).

In compliance with Group's policy, all property, plant and equipment is insured at 31st December 2013 and 2012.

Transitional Provision One, section B).6 of Bank of Spain Circular 4/2004, allows any asset recorded under Property, plant and equipment to be carried at its fair value. To implement this measurement adjustment, the Group carried out the relevant appraisals of property used in operations, which allowed the value of the Group's property, plant and equipment to be increased by 53,106 thousand Euros. A restatement reserve was recorded for the resulting capital gain, net of the tax effect. The restated book value will be applied as an attributed cost at that date.

The revaluation reserve at December 31st, 2013 amounted to 26,323 thousand Euros (27,233 thousand Euros at December 31st, 2012) (Note 22).

The table below presents the fair value of certain items of property, plant and equipment at December 31st, 2013 and 2012 by category, along with the related carrying amounts at those dates:

	Thousands of Euros			
	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Property, plant and equipment for own use	97,445	121,614	98,561	120,813
Buildings	89,134	113,363	91,015	113,363
Other	8,311	8,251	7,546	7,450
Investment property	-	-	-	-
Property under construction	-	-	-	-

The fair value of property, plant and equipment in the preceding table was estimated as follows:

- For those assets for which an updated appraisal by a Bank of Spain-approved value is not available, fair value was determined based on estimates made by the entity using market data relating to trends in prices of similar assets.

- For those assets for which an updated appraisal by a Bank of Spain-approved value is available, fair value was determined based on the appraisal as provided for in the Ministerial Order 805/2003.

- All properties for own use were appraised by a Bank of Spain approved appraiser using the comparison approach, at 31st December 2013 and 2012.

15. INTANGIBLE ASSETS

The breakdown of Intangible assets in the balance sheet at 31st December 2013 and 2012 relates exclusively to the account named 'other intangible assets'.

	Useful estimated life	Thousands of Euros 2013	Thousands of Euros 2012
With indefinite useful life	-	-	-
With defined useful life	3 years to 10 years	27,527	25,006
Gross total		27,527	25,006
Of which:			
Internal developments	3 years	21,116	21,130
Remainder	10 years	6,411	3,876
Accumulated depreciation		(18,438)	(14,832)
Impairment losses		(2,137)	(2,137)
		6,952	**8,037**

All intangible assets at 31st December 2013 and 2012 related to computer software. Fully amortised intangible assets at 31st December 2013 amounted to 16,412 thousand Euros (4,394 thousand Euros at 31st December 2012).

16. TAX ASSETS AND LIABILITIES

The breakdown of tax assets and liabilities at 31st December 2013 and 2012 is as follows:

	Thousands of Euros			
	Assets		Liabilities	
	2013	2012	2013	2012
Current taxes:	18,791	18,890	9,598	1,893
Corporate income tax	18,784	18,784	7,903	-
VAT	7	106	78	26
Personal income tax withholdings	-	-	983	1,319
Social Security contributions	-	-	634	548
Other	-	-	-	-
Deferred taxes:	234,243	146,598	16,396	47,389
Impairment losses on credits, loans and receivables	211,974	146,598	1,517	1,517
Measurement of cash-flow hedges (Note 21)	22,269	-	-	22,263
Restatement of property	-	-	15,932	15,932
Restatement of available – for – sale financial assets	-	-	(1,053)	7,677
Accrual financial liabilities	-	-	-	-
Accrual of financial commissions	-	-	-	-
Reinvestment deferral	-	-	-	-
	253,034	**165,488**	**25,994**	**49,282**

Movements in 2013 and 2012 in the deferred tax asset and liability balances are set out below:

	Thousands of Euros			
	Assets		Liabilities	
	2013	2012	2013	2012
Balance at beginning of the year	146,598	163,968	47,389	105,577
Impairment losses on loans and receivables	65,376	(17,370)	-	-
Valuation of cash flow hedges	22,269	-	(22,263)	(55,216)
Restatement of property	-	-	-	-
Restatement of available -for- sale financial assets	-	-	(8,730)	(2,972)
Accrual financial liabilities	-	-	-	-
Accrual of financial commissions	-	-	-	-
Reinvestment deferral	-	-	-	-
Balance at the end of the year	**234,243**	**146,598**	**16,396**	**47,389**

17. OTHER ASSETS

The breakdown of Other Assets at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Other assets	1,431	1,137
Accruals	12,342	278,404
	13,773	**279,541**

“Accruals” heading at December 31st, 2013, includes the updated value of the total amount of commissions to be received by the Institute in payment of the Funding for Suppliers Payments Fund (FFPP are its initials in Spanish) and the Autonomous Liquidity Fund (FLA are its initials in Spanish) operational management tasks, among other concepts. It is also included in here the portion of the financial discount accrued in 2013 (173,847 thousand Euros for FFPP and 101,426 thousand Euros for FLA) (Note 1.1).During the 2013, the Institute has modified the criteria related to commissions accounting and from now on, commissions are accrued in a linear way, removing assets and liabilities accruals, registered the 31st December 2012 (Note 18).

During the year 2013, 18,485 thousand euros were registered as FFPP commissions (10,264 thousand euros at 31st December 2012) and 17,170 thousand euros as FLA commissions (1,886 thousand Euros at 31st December 2012) in the 2013 income statement, under “Commissions received, other commissions” heading (Note 29).

18. OTHER LIABILITIES

The breakdown of Other Assets at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Others assets	3,324	2,212
Accruals	2,134	260,433
	5,458	**262,645**

"Other liabilities" basically corresponds to several payment obligations related to the transfer of assets and liabilities from the, now dissolved, Argentaria to BBVA (see Note 1.4).

“Accruals” heading at December 31st, 2012, includes, among other concepts, the updated value of the total amount of commissions to be received by the Institute in payment of the Funding for Suppliers Payments Fund and the Autonomous Liquidity Fund operational management tasks. At December 2013, these total amounts have been removed (Note 17).

19. FINANCIAL LIABILITIES AT AMORTISED COST

The items that make up the balances recorded under this balance sheet heading are as follows:

	Thousands of Euros	
	2013	2012
By counterparty categories		
Deposits from central banks (Note 19.1)	20,258,472	20,000,000
Credit institution deposits (Note 19.2)	6,457,644	5,127,447
Customer deposits (Note 19.3)	1,820,520	8,076,351
Debts represented by negotiable securities (Note 19.4)	64,744,899	72,762,718
Other financial liabilities (Note 19.7)	3,378,605	3,616,213
	96,660,140	**109,582,729**

19.1 Deposits from central banks - liabilities

The breakdown of this heading in the balance sheet at 31st December 2013 and 2012 by nature of the related transaction is as follows:

	Thousands of Euros	
	2013	2012
By type of transaction:		
Repurchase agreements with the ECB	20,000,000	20,000,000
Valuation Adjustments(Accruals)	258,472	-
	20,258,472	20,000,000

19.2 Credit institution deposits

The composition of this balance sheet heading at 31st December 2013 and 2012, set out by the nature of the transaction, is as follows:

	Thousands of Euros	
	2013	**2012**
By nature:		
Loans from the European Investment Bank	4,422,853	3,183,978
Inter – bank loans	715,600	1,234,900
Loans from other financial institutions	1,243,772	457,087
Other accounts	8,332	1,439
Measurement adjustments – Accrual accounts	67,087	250,043
	6,457,644	**5,127,447**

Interbank deposits fall due within one year as from 31st December 2013 and 2012, respectively.

"Other accounts" shows certain income from credit entities pending definitive application.

The "Loans from the European Investment Bank" have the following final repayment schedule.

	Thousands of Euros	
	2013	**2012**
Up to 1 year	21,993	4,907
From 1 to 2 years	51,171	26,882
From 2 to 3 years	105,579	3,221
From 3 to 4 years	721,474	-
From 4 to 5 years	895,497	1,551,694
More than 5 years	2,627,139	1,597,274
	4,422,853	**3,183,978**

The breakdown by maturity date of "Loans from other financial institutions" is as follows:

	Thousands of Euros	
	2013	**2012**
Up to 1 year	98,159	85,215
From 1 to 2 years	62,647	2,598
From 2 to 3 years	-	53,905
From 3 to 4 years	83,307	3,464
From 4 to 5 years	166,614	4,150
More than 5 years	833,045	307,755
	1,243,772	**457,087**

19.3 Customer funds

The composition of this heading in the balance sheets at 31st December 2013 and 2012, according to sector, is as follows:

	Thousands of Euros	
	2013	**2012**
By counterparty category		
Public Administrations	1,676,763	1,831,884
Assets sold under repurchase agreements	-	-
Other resident sector (1)	143,288	6,239,380
Other non – resident sectors	-	-
Measurement adjustments – Accrual accounts	469	5,087
	1,820,520	**8,076,351**

(1) Of which at 31st December 2013 and 2012 were demand accounts, 43,858 thousand Euros and 6,052,362 thousand Euros, respectively.

Due to the cancelation of the securitization operation from 2010, in June 2013, the 5,000 million euros associate deposit was also cancelled and registered under “Other resident sectors” which is related to funds from liability’s clients at 31st December 2012.

At 31st December 2013 and 2012, the breakdown by nature of the balance recorded under "Public Administrations" is as follows:

	Thousands of Euros	
	2013	**2012**
Special loan from the State	2	2
Reciprocal Interest Adjustment Agreement (RIAA)	21,680	20,900
Public Administration Current Accounts and other items	1,655,081	1,810,982
Special loan Liquidity Line	-	-
	1,676,763	**1,831,884**

The 30 July 2010, the Institute carried out another asset transfer as a securitisation of credit rights from loans granted to financial institutions through its 2007-2010 mediation credit lines for 22,868,713 thousand Euros.

This securitisation was carried out through the creation of the “ICO-MEDIACIÓN AyT, FTA II” securitisation fund (the “Securitisation Fund”). The Securitisation Fund’s assets comprised assigned credit rights, which were used as guarantee of a 14,864,700 thousand Euros bond issue and of the fund’s remaining liabilities. It mainly includes a subordinated loan for 8,004,013 thousand Euros, whose payment rank is below previous bonds, and which was equally subscribed by ICO. This bond issue was fully subscribed by the Institute. It was admitted to trading on the AIAF Fixed-income Market and rated AAA by FITCH.

According to the criteria described in Note 2.2.2 and in Rule 23 of Bank of Spain Circular 4/2004, the risk and rewards incidental to ownership of the assigned credit rights have not been transferred substantially to third parties because of ICO’s subscription of the subordinated loan. Therefore, securitised loans are not derecognised from the balance sheet.

In addition, the Institute arranged an interest rate swap with the Securitisation Fund as a cash flow hedge.

As a result, 31st December 2012 “Other resident sectors” in “Loans and advances to other debtors” on the liability side of the balance sheet includes, under “Issues of equity instruments” a value of zero, which is the result of netting the amount of cash received (12,209,811 thousand Euros) and the amount of equity instruments issued for the securities received in exchange (3,956,393 thousand Euros) plus the amount of the subordinated loan subscribed in the transaction (8,253,418 thousand Euros).

In June 2013, the securitisation was settle and cancelled by the Institute, and consequently, there is no variation available in the balance at 31st December 2013

19.4 Debts represented by negotiable securities

The breakdown of the heading "Debts represented by negotiable securities" at 31st December 2013 and 2012 is set out below:

	Thousands of Euros	
	2013	2012
Promissory notes and other securities (Note 19.5)	18,228	181,042
Bonds and debentures issued (Note 19.6).	62,380,255	69,544,301
Valuation adjustments (including transaction costs)(*)	2,346,416	3,037,375
	64,744,899	**72,762,718**

(*) Including the value adjustments produced by the hedging accountant.

Movements experienced during the years 2013 and 2012 under the heading of debt securities - notes are as follows:

	Thousands of Euros	
	2013	2012
Balance at beginning of the year	181,042	-
Issues	118,500	211,542
Amortizations and depreciations	(281,314)	(30,500)
Balance at the end of the year	**18,228**	**181,042**

Movements experienced during the years 2013 and 2012 under the heading of debt securities - Bonds and obligations are shown below:

	Thousands of Euros	
	2013	2012
Balance at beginning of the year	69,544,301	65,595,975
Issues	9,650,201	17,021,086
Amortizations and depreciations	(16,814,247)	(13,072,760)
Balance at the end of the year	**62,380,255**	**69,544,301**

19.5 Promissory notes and other securities

The breakdown of the heading "Promissory notes and other securities", based on the nominal amount of the securities and their amortization periods, is set out below at 31st December 2013 and 2012

	Thousands of Euros	
	2013	**2012**
Up to 3 months	18,228	181,042
From 3 months to 1 year	-	-
From 1 to 5 years	-	-
More than 5 years	-	-
	18,228	**181,042**

The financial cost of promissory notes and other securities in 2013 and 2012 increased up to 1,249 thousand Euros and 242 thousand Euros, respectively, recognized under "Interest and similar charges – Promissory notes of deposits represented by marketable securities "on the income statement (see Note 26).

19.6 Bonds and debentures issued

Set out below are the main characteristics of the debenture issues outstanding at 31st December 2013 and 2012, grouped together by currency together with the relevant interest rates and maximum redemption dates:

Number of issues					Thousands of Euros	
2013	**2012**	**Currency**	**Redemption date**	**Annual interest rate**	**2013**	**2012**
8	11	Norwegian crone	Until 2021	4.28 to 5.36	471,180	740,373
1	1	Australian dollar	Until 2014	6.13	194,516	235,997
2	2	Canada dollar	Until 2020	4.53 to 5.00	443,051	494,786
1	1	New Zealand dollar	Until 2015	6.375	89,488	93,487
30	19	US dollar	Until 2020	Several	2,434,829	4,625,952
249	241	Euro	Until 2032	Several	55,954,978	59,236,618
7	9	Swiss franc	Until 2024	2 to 3.25	953,158	1,275,923
6	9	British pound	Until 2014	Several	683,215	1,479,421
15	14	Yen	Until 2030	0.52 to 2.9	1,155,840	1,361,744
					62,380,255	**69,544,301**

A breakdown of each issue may be consulted on the Institute's webpage (www.ico.es) in "Investments - Issues of reference".

In 2013 and 2012 the total financial cost of debenture loans in both Euros and foreign currency recorded under the heading "Interest and similar charges for debenture loans and other negotiable securities" in the income statement was 2,749,117 thousand Euros, which is an annual average interest rate of 4.11% (2.99% with accounting hedges). In 2012 financial costs amounted 2,771,113 thousand Euros, which was an average annual interest rate of 3.94% (3.07% with accounting hedges) (Note 26).

19.7 Other financial liabilities

An analysis of the balances of this caption in the balance sheets as at 31st December 2013 and 2012 is as follows

	Thousands of Euros	
	2013	**2012**
Grants	2,708	13,399
Treasury Funds	2,964,068	3,503,950
Other items	411,829	98,864
	3,378,605	**3,616,213**

At 31st December 2013 "Other items" mainly include, an amount of 6,424 thousand Euros corresponding to political and economic operations (7,361 thousand euros at 31st December 2012), the amount of 479 thousand euros due to the recovering of pending-to-be-capitalized operations, as it is said in DA 11 ª of the Law 24/2001 (at December 31st, 2012 an amount of 766 thousand Euros) and an amount of 10,947 thousand Euros corresponding to the accrual of financial guarantees(12,755 thousand euros at 31st December 2012. Also, it includes the amount of 64,205 thousand Euros that corresponds to an advance payment from the operation named “Fondo Jeremie” (71,481 thousand euros at 31st of December 2012)

It is also included in the account “ Other concepts”, at 31st December 2013, the amount of 323,061 thousand euros, related to the creation of the Technological Fund ICO- Innovation 2013-2015, specifically designed to finance mediation lines which are orientated to small and autonomous business as well as to the FEDER. In December 2013, the Operative Programme FEDER, of I+D+I was approved to allow firms to benefit from the Technological Fund 2013-2015, through the C Decision(2007) 6316.

The General Management of Community Funds from the Treasury and Public administrations is the one that manages the Plan in Spain. This programme offers the possibility to use financial instruments like ICO Innovación Fondo Tecnológico 2013-2015, in order to manage one part of the Fund. With this instrument, it starts a confinanced action with FEDER, oriented to facilitate the access to finance innovative firms.

“Treasury funds” includes funds received by ICO and repayable under the attaching terms of each:

- FOMIT - Renove Turismo: fund for the upgrade of tourism infrastructure.
- Avanza: fund for the access to new technologies
- Préstamos Renta Universidad: fund for access to university studies.
- DGT Carnet de conducir: fund for the access to driver's license.
- Plan Vive, renewal of Spain’s automobile fleet.
- Linea Future: fund for sustainable projects in the tourism sector.

Detailed information on the lines associated with each of these funds can be found on the Institute website www.ico.es.

The funds associated with the most important lines are:

- Línea FOMIT – Renove Turismo (FOMIT - Tourism line): this line is to provide financial support to financial projects aimed to renovation and modernization of infrastructure and tourist destinations.

- Línea Avanzada (Advanced line): this line with the ICO supports and funds the access of citizens and companies to new information technologies (broadband and technological support needed for it). Is implemented, depending on their target, in TIC loans (small and medium enterprises) young people and university students loans (specific group) and digital citizenship loan (citizens in general).

- Línea Préstamos Renta Universidad: this line is to guarantee a future income for postgraduate studies as a Doctorate or a Master degree for 2011-2012.

- Línea Plan Vive: is designated to make easier to change vehicles with more than 15 years for new ones more efficient.

- Línea Futur E: This line is to provide incentives for projects in support of sustainable tourism, helping to redirect current tourist activity with a view to sustainability and ecological efficiency, taking into account variables related to the environment and sustainable development, in order consolidate the position of Spanish tourism at the vanguard of the rational use of energy, the use of renewable energies, the reduction of the water footprint, and waste management.

Unlike other Institute lines, which are funded through market fundraising by the ICO, the financial funds designated to these operations are provided directly by the state, being instrumented through Institute's opened accounts on behalf of the correspondent Ministries. These funds balance, corresponds to the amount provided by formal transactions that are also listed under the heading of Loans and receivables (net amounts, less unamortized willing), so that amount plus the balance of the associated current account (which reflects the balance of the above lines) is always equal to the amount received by the Institute for the provisioning of the line.

The balance of those funds at 31st December 2013 and 2012 is set out below:

	Thousands of Euros	
	2013	**2012**
FOMIT – Renove Turismo	555,189	665,474
Avanza	962,427	1,280,344
Préstamos Renta Universidad	210,642	214,439
Plan Vive	836,112	857,393
DGT Carnet de conducir	-	109
Futur E	350,786	453,703
Other	48,912	32,488
	2,964,068	**3,503,950**

20. PROVISIONS

At 31st December 2013 and 2012 the breakdown of the balances recorded under this heading in the accompanying balance sheet is as follows:

	Thousands of Euros	
	2013	**2012**
Provisions for pensions and similar obligations	196	124
Provisions for contingent exposures and commitments	21,410	26,158
Other provisions	263,240	279,064
	284,846	**305,346**

Provisions for contingent exposures and commitments

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Institute guarantees the obligations of a third party as a result of financial guarantees granted or other agreements, and contingent commitments, which are understood to be irrevocable commitments that could give rise to the recognition of financial assets (Note 24).

Other provisions

An analysis of the balances of this caption in the balance sheets as at 31st December 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Royal Decree – Law12/1995 Fund	90,241	120,772
Provision for Special Loan Liquidity Line (Note 9.1.2)	114,964	87,999
Fund for amounts recovered from BBVA	1,000	500
Fund Prestige Facility	13,590	13,202
Fund to compensate AIE shareholdings results (Note 20)	22,818	54,187
Contingency fund	19,164	-
Other funds	1,463	2,404
	263,240	**279,064**

Royal Decree- Law 12/1995 (28 December)

Royal Decree- Law 12/1995 (28 December), published in the Official State Gazette (BOE) on 30 December 1995 and taking effect on 1st January 1996, it is stipulated that Instituto Oficial de Crédito would create, by charging the resources obtained from the State Loan referred to by Section 4.1 of the Council of Ministers Resolution (11 December 1987), a Fund totalling a maximum of 150,253 thousands Euros (Note 19.2) to provide provisions and charge the amounts relating to doubtful and default loans that could arise in the future from the activities listed in Note 1, in accordance with the regulations in force for credit institutions. Additional Provision 4 of Law 66/1997 (30 December) on Tax, Administrative and Social Order Measures stipulated that notwithstanding the application of these regulations, the Council of Ministers or the CDGAE could authorise the ICO to charge the Special provision Fund established under RDL 12/95 for any defaults arising during the course of its business, provided that they did not receive any specific coverage in the General State Budgets. This Fund was created in 1996 under the heading "Other Provisions".

Those loans or transactions that, in view of the relevant terms and conditions, require the application of this Fund are provided for by charge to the same. The Institute's income statement is therefore not affected.

Since they are already provided for through this Fund, the loans covered by the same are not therefore included in the calculation of the general and specific bad debt provision.

The Fund was created as explained in the preceding paragraph and was credited, in addition to the initial allocation, with future allocations that the Instituto Oficial de Crédito makes out of profits obtained and any made or authorized by the State when assuming or offsetting losses, or through any other appropriate system . Similarly, the Fund is credited with the amounts of an recoveries obtained from loans for which provisions have been recorded or any that have been declared to be in default and charged against the fund, that in 2013 and 2012 amounted to 25,342 thousand Euros and 57,157 thousand Euros, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2013 and 2012, amounted to 3,077 thousand Euros and 5,446 thousand Euros, respectively.

In accordance with the provisions of Law 12/1996 (30 December) on the General State Budget, in 1997 an additional 150,253 thousand Euros was allocated to this Fund by charging the Ordinary State Loan.

In 2004 another allocation totalling 249,500 thousand Euros was charged against the State Loan granted to ICO in accordance with the Council of Ministers Resolution dated 30 July 2004.

In 2013 allocations were made of 2,852 thousand euros, directly from the state, to the mediation line “Forum Afinsa”, following the Ministry Council agreement of 27 April 2007(4,843 thousand euros in 2012)

Movements in 2013 and 2012 in this fund recorded under "Other Provisions" in the balance sheet at 31st December 2013 and 2012 are as follows:

	Thousands of Euros
Balance as at January 1st, 2012	**139,144**
Capitalisation of interest	5,446
Contributions by the State	4,843
Loan recoveries (principal and interest)	57,157
Applications	(85,818)
Balance as at December 31st, 2012	**120,772**
Capitalisation of interest	3,077
Contributions by the State	2,853
Loan recoveries (principal and interest)	25,342
Applications	(61,803)
Balance as at December 31st, 2013	**90,241**

Funds recovered from BBVA

An additional provision Eleven of Law 24/2001 (27 December) on Tax, Administrative and Social Order Measures, was applied by the Institute, the Group's Parent entity, in 2001 and 2002, with respect to the heading "Funds recovered from BBVA", to allocate part of its equity to cancel an amount owed to the Institute by the State as a result of certain loans and guarantees granted by the former Official Credit Institutions and secured by the State.

Nonetheless, the management of the transactions affected by the cancellation process has meant that ICO continues receiving collections pertaining to these loans, which, following the prudence accounting principle, are not generally registered as income in the income statement. For those accounted as income, the relevant provision for liabilities has been recorded amounting to 1,000 thousand Euros and 500 thousand Euros at 31st December 2013 and 2012, respectively, that will be capitalised in accordance with Additional Provision 10.1 of Law 24/2001, amended by Law 42/2006.

Prestige Line fund

The Prestige Line Fund has its origins in the ROL 7 / 2002, November 22, which authorizes to charge on the Fund Special Provision 12/95 ROL, the default amounts from loans Prestige line, with credit to this fund specific provision.

Fund to compensate AlE shareholdings results

Heading Fund to compensate AlE shareholdings includes the provision in order to adjust its profit to the transactions performance conducted through the Economic Interest Groupings (Note 9). This provision has been recognized under the rubric of corporate income tax of the income account for an amount of -1,536 thousand Euros and 922 thousand Euros, respectively in the years 2013 and 2012 (Note 23). During the year 2013, 29,834 thousand euros from this provision, have been used to eliminate the corresponding investments, once the AIEs have been dissolved, as it was established in calendars.

Contingency fund

This heading was created in 2010 and includes a generic provision for general contingencies (including operational risk), with a balance of 19,164 thousand euros at December 31st, 2013 (With no balance at 31st December 2012).

Movements in 2013 and 2012 in the provisions recorded under these balance sheet headings at 31st December 2013 and 2012:

	Thousands of Euros				
	Provisions for taxes	Fund for pension	Provisions for contingent exposures and commitments	Other provisions	Total
Balance as at January 1st,2012	**-**	**173**	**27,057**	**386,829**	**414,059**
Net allocation(1)	-	-	2,622,	182,650,	185,272,
Recoveries	-	(49)	(3,521)	(109,192)	(112,762)
Application of funds	-	-	-,	(181,211)	(181,211)
Transfers and other movements (2)	-	-	-,	,21,	21
Exchange differences	-	-	-	(33)	(33)
Balance as at December 31st,2012	**-**	**124**	**26,158**	**279,064**	**305,346**
Net allocation(1)	-	72	2,009	86,345	88,426
Recoveries	-	-	(6,757)	-	(6,757)
Application of funds	-	-	-	(102,495)	(102,495)
Transfers and other movements (2)	-	-	-	326	326
Exchange differences	-	-	-	-	-
Balance as at December 31st,2013	**-**	**196**	**21,410**	**263,240**	**284,846**

(1) Net charges to profit and loss account in the 2013, include the amount of 3,077 thousand euros, related to credits made to the Special Provision Fund (Royal Decree Law 12/1995 Fund) for the capitalization of interest accrued in relation to the fund's own remuneration(5,446 thousand euros in 2012).The figure also includes a provision charge for ICO's liquidity lines with ICO risk (see Note 9.1.2.) amounting to 63,940 thousand Euros (69,346 thousand Euros in 2012) and an allocation to the contingency fund (19,164 thousand Euros) and the recovery of the contingency fund for 1,846 thousand Euros at 31st December 2012

(2) Transfers and other movements at 31st December 2013 are related mainly to the Fund to compensate AIE shareholding results, (1,536 thousand Euros, Note 23) and to other reclassifications (1,862 thousand euros) due to an equity contribution for a BBVA's products recovery (DA 11ª Law 24/2001, 27th December). At 31st December 2012, movements are related also to the Fund to compensate AIE shareholding results, amounting to 922 thousand Euros and to the reclassification of impairment provisions for AIE shareholdings for 901 thousand Euros.

21. VALUATION ADJUSTMENTS

The valuation adjustments balance attributed to the amount of gross and net tax effect is as follows:

	Thousands of Euros					
	2013			2012		
	Gross	Tax effect (Note 16)	Net	Gross	Tax effect (Note 16)	Net
Available-for-sale financial assets	(3,511)	1,053	(2,458)	25,590	(7,677)	17,913
Cash flow hedging	(74,231)	22,269	(51,962)	74,212	(22,263)	51,949
TOTAL	**(77,742)**	**23,322**	**(54,420)**	**99,802**	**(29,940)**	**69,862**

The balance of this heading relates to the account "Available-for-sale financial assets" and "Valuation adjustments for cash flow hedging" in the accompanying balance sheets. The first account records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 2.2.4, must be included as part of the Group's equity. The second account records the net amount of changes in the fair value of the cash flow hedge instruments.

	Thousands of Euros	
	2013	**2012**
Opening balance	69,862	205,632
Change in fair value of available – for – sale financial assets (Note 8)	(20,371)	(6,935)
Cash flow hedges	(103,911)	(128,835)
Closing balance	**(54,420)**	**69,862**

22. OWN FUNDS

The reconciliation of the opening and closing carrying value in 2013 and 2012 of the heading "Equity" in the balance sheets:

	Thousands of Euros				
	Share	**Restatement reserves**	**Other reserves**	**Results**	**Total**
Balance as at January 1,2012	**2,700,837**	**28,144**	**722,480**	**46,592**	**3,498,053**
Distribution of results	-	-	46,592	(46,592)	-
Other increases in reserves	-	(911)	911	-	-
Result for the year	-	-	-	60,071	64,071
Other movements	529,397	-	(4,606)	-	524,791
Balance as at December 31st,2012	**3,230,234**	**27,233**	**765,377**	**64,071**	**4,086,915**
Distribution of results	-	-	64,071	(64,071)	-
Other increases in reserves	-	(910)	910	-	-
Result for the year	-	-	-	79,040	79,040
Other movements	379,621	-	320	-	379,941
		-			
Balance as at December 31st,2013	**3,609,855**	**26,323**	**830,678**	**79,040**	**4,545,896**

Other movements include mainly the following:

- Contribution of 378,136 thousand Euros by charging to the budgetary item 15, 16,931 M.871 of 2012 General State Budget Law 2/2012, of 27 December, authorized in order to increase the Institute's equity (520,000 thousand Euros as of December 31st, 2012, General State Budget Law 39/2010 of 29 June).

- Based on the eleventh additional provision of Law 24/2001, of 27 December, on fiscal, administrative and social measures, the amounts recovered after the cancellation of debt owed by the State with ICO as a result of certain loans and guarantees granted by the former official credit entities and by the Institute. The contribution to Equity in this connection amounted to 1,485 thousand Euros in 2013 (9,397 thousand Euros in 2012).

As from 1993, minimum equity was regulated by Bank of Spain Circular 5/1993, of 26 March 1993, that lays down that equity should not be less than the accounting balances of risk assets, net of specific provisions, depreciation/amortization and compensatory balances, weighted and multiplied by the coefficients established in such Circular.

Royal Decree - Law 12/1995 of 28 December 1995, concerning urgent budgetary, tax and financial measures published in the Official State Gazette of 30 December 1995 also lay down that the level of equity of Instituto de Crédito Oficial will be that required at each time under legislation governing Credit Institutes, with the pertinent regulatory exceptions.

The Institute's net computable equity, that does not include profit and amounted to 4,730,239 thousand Euros at 31st December 2013, exceeded the amount laid down in Bank of Spain Circular. At 31st December 2012 the Institute's net computable equity amounted to 4,302,422 thousand Euros that also exceeded the amount laid down in said Circular (Note 1.7.1).

22.1 Reserves in fully or proportionally consolidated companies

Set out below is the breakdown by consolidated company of balances under equity "Equity - Reserves - Accumulated Reserves" in the consolidated balance sheets at 31st December 2013 and 2012, in the part of that balance which has arisen on consolidation, analyzed for fully and proportionally consolidated companies in the consolidated financial statements:

	Thousands of Euros	
	2013	2012
AXIS Participaciones Empresariales, S.A.	9,904	8,729
Instituto de Crédito Oficial	812,740	751,816
	822,644	760,545

22.2 Reserves and exchange differences in entities carried under the equity method

“Equity - Reserves - Reserves in companies carried under the equity method " in the consolidated balance sheets at 31st December 2013 and 2012, in the part of that balance which has arisen on consolidation process, analyzed for each company carried under the equity method in the consolidated financial statements:

	Thousands of Euros	
	2013	2012
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	7,950	8,089
CERSA, Compañía Española de Reafianzamiento, S.A.	(44)	(3,257)
Other entities	128	-
	8,034	4,832

23. TAX SITUATION

The balance sheet at 31st December 2013 and 2012 includes, within the heading "Fiscal liabilities" the liability related to applicable taxes.

The Institute was exempt from corporate income tax in the years 1993 through 1996, in accordance with Royal Decree Law 3/1993, of 26 February 1993, on urgent budgetary, tax, financial and employment measures. In accordance with the provisions of Transitional Provision Thirteen of Law 43/1995 (27 December) on corporate income tax, the Institute was exempted from this tax in 1997 and 1998 and became liable to general corporate income tax as from 1999.

The reconciliation of the accounting Institute's profit, as the Parent firm of the Group, for 2013 and 2012 with the corporate income tax base is as follows:

	Thousands of Euros	
	2013	**2012**
Book profit before income tax	101,075	84,033
Permanent differences		
Externalisation of pension commitments	-	-
Foreign taxes paid	686	896
Tax-loss carry forwards attributed to invested companies	4,484	(5,890)
Monetary adjustment due to the sale of assets	-	-
Adjustment to the measurement of derivatives	-	-
	106,245	79,039
Temporary differences:		
Due to impairment losses and provision non-deductible	416,571	201,383
Due to the reversal of temporary differences arising in other years	(198,651)	(259,244)
	217,920	(57,861)
Tax assessment base	324,165	21,178
Gross tax payable (30%)	97,250	6,353
Deductions and allowances	(495)	(615)
Withholdings and interim payments	(88,852)	(24,522)
Tax payable (Note 16)	**7,903**	**(18,784)**
Corporate income tax	31,379	23,097
Adjustments for exchange differences	-	-
Other adjustments (Note 20)	(1,536)	922
Corporate income tax	**29,843**	**24,019**

There are no tax losses available for offset. During the year the losses allocated of the Economic lnterest Groupings in which ICO, the Group's Parent entity, has a differing proportional interest in capital are included (4,484 thousand Euros at December 2013 and -5,890 thousand Euros at December 2012). Losses are allocated on the basis of the information provided by the entities. It has been decided to allocate these items in the same period in which the balance sheets of the Economic lnterest Groupings are closed.

The tax incentive deductions applied in the years 2013 and 2012 in respect of professional training expenses amount to 32 thousand Euros and 14 thousand Euros respectively. There is an international double tax deduction (taxes borne) amounting to 463 thousand Euros and 601 thousand Euros respectively. There are no deductions pending inclusion in future year tax assessments. There are no commitments entered into pending the completion of in relation to the tax incentives applied.

There are no changes in the methods used to depreciate/ amortize fixed assets owing to exceptional causes.

Taxes and other tax obligations applicable to the Institute since 2009 are open to inspection by the tax authorities.

Due to the possible interpretations of tax legislation that may be afforded to some transactions, basically related to new subject ability to corporate income tax following the full exemption from the same, there could be certain contingent tax liabilities. However, in the opinion of the Institute's tax managers, the possibility of these liabilities crystallizing is remote and in any event, the tax debt that may derive from them would not significantly affect the accompanying financial statements.

24. FINANCIAL GUARANTEES AND BALANCES DRAWABLE BY THIRD PARTIES

The headings "Contingent risks" and "Contingent commitments" in the balance sheets record the amounts that the group must pay on behalf of third parties in the event that the obligated parties do not do so, in response to the commitments acquired during the normal course of its business.

This heading breaks down as follows at 31st December 2013 and 2012:

	Thousands of Euros	
	2013	**2012**
Contingent risks		
Guarantees and other sureties	1,610,637	1,928,016
	1,610,637	**1,928,016**
Contingent commitments		
Balances drawable by third parties:		
Credit institutions	-	64,926
The Public Administrations sector	135,941	248,140
Other resident sectors	3,787,420	4,915,189
Non-resident sectors	439,618	370,327
	4,362,979	5,598,582
Other commitments	464,290	516,928
	4,827,269	**6,115,510**

The revenues obtained from guarantee instruments (guarantees and other sureties) are recorded under the heading "Commissions received" in the income statement and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee.

25. INTEREST AND SIMILAR INCOME

Interest and similar yields for 2013 and 2012 are broken down below by source:

	Thousands of Euros	
	2013	**2012**
Central Banks deposits – Bank of Spain	601	1,453
Credit institution deposits	1,264,780	1,690,163
Money market transactions	3,822	7,368
Costumer loans	906,161	1,185,233
Public Administration	524,164	568,697
Resident sector	339,607	561,480
Non-resident sector	42,390	55,056
Debt securities	781,108	548,557
Adjustment of income from accounting hedges	(28,123)	(30,355)
Other interests	4,891	57,525
Doubtful assets	12,501	10,933
	2,945,741	**3,470,877**

In the heading "Other interests" at 31st December 2013, the amount of 4,624 thousand euros are included (52,350 thousand euros at 31st December 2012), regarding interests related to an operation named "Titulización ICO 2010" which ended in June 2013 (see note 19.3)

26. INTEREST AND SIMILAR CHARGES

The breakdown of this profit and loss heading during 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	**2012**
Deposits from central banks	112,500	149,967
Credit institution deposits	74,276	69,235
Money market transactions	100	1,016
Customer funds	34,160	340,296
Deposits represented by marketable securities	2,750,366	2,771,355
Promissory notes (Note 19.5)	1,249	242
Other non-convertible securities (Note 19.6)	2,749,117	2,771,113
Adjustment of expenses owing to hedging operations	(753,129)	(621,058)
	2,218,273	**2,710,811**

27. RETURN ON EQUITY INSTRUMENTS

All yields obtained due to this concept correspond to the Equity portfolio, ascending in 2013 and in 2012 up to 2,761 thousand euros and 370 thousand euros, respectively. In the 2013 amount, it is included a capital gain that comes from the sale of part of the shares from the Institute (2,744 thousand euros)

28. RESULTS FROM VALUED ENTITIES THROUGH THE PARTICIPATION METHOD

The total amount regarding this heading, registered in the consolidated gains and losses account from years 2013 and 2012, increases up to 2,793 thousand euros and 2,224 thousand euros, respectively of benefits. In the Annex I, the detail of participations is included, as well as the most relevant data at 31st December 2012 and 2013.

29. FEES AND COMMISSIONS INCOME AND EXPENSES

The breakdown of the balance of this profit and loss account heading is as follows:

	Thousands of Euros	
	2013	**2012**
Commissions received		
Contingent risks	2,661	4,321
Availability commissions	8,976	14,050
Collection and payment services	14	11
Other commissions	79,422	28,420
	91,073	**46,802**
Commissions paid		
Signature risks	(947)	(211)
Other commissions	(23,221)	(18,773)
	(24,168)	**(18,984)**
Net commissions for the year	**66,905**	**27,818**

The heading "Other commissions paid", at December 31st, 2013, includes 35,656 thousand Euros relative to commissions for the management of EECC and FLA (12,150 thousand euros at 31st December 2012)

30. GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The breakdown of this profit and loss account heading, based on the origin of its components, is as follows:

	Thousands of Euros	
	2013	**2012**
Hedging derivatives (Notes 7 and 11)	25,214	10,153
Derivatives held for trading		
	25,214	**10,153**

31. STAFF COSTS

The composition of this income statement heading is as follows in 2013 and 2012:

	Thousands of Euros	
	2013	2012
Wages and salaries	14,354	12,928
Staff welfare expenses	3,364	3,278
Other expenses	1,537	1,884
	19,255	**18 090**

The number of employees at 31st December 2013 and 2012, by professional category and sex, was as follows:

	Distribution of employees			
	Men		Women	
	2013	2012	2013	2012
Management	9	9	6	6
Managers and technicians	107	105	140	140
Administrative staff	10	10	55	58
	126	**124**	**201**	**204**

The average number of employees at the Institute in 2013 and 2012, by professional category and location, was as follows:

	Average distribution of employees			
	Men		Women	
	2013	2012	2013	2012
Management	9	9	6	6
Managers and technicians	106	109	141	138
Administrative staff	10	10	53	54
	125	**128**	**200**	**198**

NOTE: Since the signing of the Fifth Collective Agreement (published in the Official Gazette on October 24th, 2008), general service staff is included under the heading of administrative professionals.

Application of Royal Decree Law 20/2012, of 13 July

Pursuant to Royal Decree-Law 20/2012 of 13 July, adopting measures to guarantee the budget stability and to foster competitiveness, ICO proceeds to eliminate the employees' Christmas extra wage of that year. This measure was exclusively applied in 2012.

Remuneration and other benefits for the General Council

In 2013 and 2012 the Institute recorded in Income Statement 115 thousand Euros and 132 thousand Euros, respectively, in respect of remuneration accrued by the members of the General Council in respect of wages, per diems and other remuneration. These allowances were paid to the Treasury, according to the applicable regulation law.

Fees collected by the Managing Director and other persons exercising similar functions during the years 2013 and 2012 are as follows (thousands of Euros):

Year 2013

	Salaries and wages			
Number of Employees	**Fixed**	**Variable**	**Other wages**	**Total**
5	538	70	2	610

Year 2012

	Salaries and wages			
Number of Employees	**Fixed**	**Variable**	**Other wages**	**Total**
5	472	69	5	546

At December 31st, 2013 and 2012 there were no loans granted to the executive members of the Institute's General Council. At December 31st, 2013 loans granted under internal regulations on loans to staff, had an outstanding amount of 20,601 thousand Euros and the average interest rate was 2.52% (21,972 thousand Euros at 31st December 2012, with an average interest rate of 2.52%).

In addition, at that date no pension or life insurance obligations had been acquired with respect to current or former members of the General Council.

32. OTHER ADMINISTRATIVE EXPENSES

The breakdown of the balance of this profit and loss account heading is as follows:

	Thousands of Euros	
	2013	**2012**
Buildings, installations and materials	1,056	1,017
Computers	2,873	3,123
Communications	1,617	256
Advertising and publicity	1,025	1,010
Rates and taxes	1,265	1,502
Other general administrative expenses	6,014	7,120
	13,850	**14,028**

Audit expenses

The annual accounts audit, has been made by the General Intervention of the State Administration (IGAE in Spanish). Consequently, they do not exist remunerations to auditors for this concept, as they are assumed by the General Intervention (Treasury and Public Administrations Minister).

The amounts invoiced to the Group (Taxes included) by companies under the trademark of Ernst and Young (the auditor of the 2013 and 2012 financial statements) for non-audit services in 2013 and 2012 are detailed in the following chart:

	Thousand euros			
	Audit		Other	
	2013	2012	2013	2012
ICO	-	-	61	37
Cofides (1)	6	6	6	-
Axis (2)	12	-	7	-
	18	**6**	**74**	**37**

(1) The percentage of expenses related to the participation of ICO in Cofides.
(2) Expenses invoiced to Axis are included exclusively and not those invoiced to Funds managed by that entity.

33. OTHER OPERATING INCOME

The breakdown of this item in the income statement is as follows:

	Thousands of Euros	
	2013	2012
Operating income from investment property	902	877
Other items	1,558	4,491
	2,460	**5,368**

“Other items” includes mainly expenses recovered from the return of surpluses and advances made through BBVA’s asset management.

Other operating expenses

	Thousands of Euros	
	2013	2012
Operating expenses: Other concepts	(20)	-
	(20)	**-**

34. FAIR VALUE

As mentioned above, financial assets are recorded on the balance sheet at fair value, except for Loans and receivables and equity instruments whose market value cannot be estimated reliably.

In the same way, financial liabilities are recorded on the balance sheet at amortized cost, except those included in the trading portfolio.

Part of the assets recorded under the heading " Loans and receivables " and liabilities recorded under the heading "Financial liabilities at amortized cost" of the balance sheet at December 31st, 2013 and at December 31st, 2012 are variable rate, with annual interest rate revision, so it's fair value, as a result of the movements of market interest rates, is not significantly different from the one recorded in the Institute's balance sheet.

Part of the assets registered under "credit investments" and liabilities registered under the heading "Financial Liabilities at amortized cost", from the consolidated balance at 31st December 2013 and 2012, are accounted at variable rate, with an annual revision of that rate, so their fair value coming from movements of interest rates, it is not significantly different from the one registered in the attached consolidated balance.

Of the total amount recorded under the heading Loans and receivables and financial liabilities at amortized cost, amounting to 10,502,350 thousand Euros and 2,350,213 thousand Euros, respectively, at December 31st of 2013 (4,651,973 thousand Euros and 1,100,000 thousand Euros at December 31st, 2012) are related to assets and liabilities linked to a fixed ratio The fair value of these has been obtained using a weighted average maturity and a weighted average rate through which it has proceeded to calculate the fair value using discount flows. The value calculated for these operations at December 31st, 2013 and 2012 is as follows:

	Thousands of Euros			
	Book value		Fair value	
	2013	2012	2013	2012
ASSETS				
Loans and receivables				
Deposits at credit institutions	8,920,353	2,809,877	11,517,702	2,790,109
Customer loans	1,581,997	1,842,096	1,798,795	1,983,494
LIABILITIES				
Financial liabilities at amortized cost				
Credit institutions deposits	2,350,213	1,100,000	2,671,632	2,868,155

35. OPERATIONS WITH SUBSIDIARIES, JOINTLY CONTROL ENTITIES AND ASSOCIATES

The balance at December 2013 and 2012 of the Company related to the Subsidiaries, Jointly Control Entities and Associates is as follows:

CERSA

- Deposits to customers (financial liabilities at amortized cost): 47,543 thousand Euros at 31st December 2013 (127,353 thousand euros at 31st December 2012)

Financial backdrop

After a year 2012 in which the recession process was the dominant feature of most of the European economies, 2013 was the inflexion point of the end of the crisis. In Spain, the activity decreased a 1,2% in the 2013 as a whole, 4 tenths lower than the previous year. In the quarterly increase profile, it could be observed that the economic improvement was more intense as the year came on, being confirmed, in the second quarterly, the end of the recession.

At a national level, it was not an especially intense year in reforms matter, due to the worst changes were done the previous year, even their effects were shown in 2013. The public deficit continued being reduced according to European authorities.

The financial normalizing process, initiated the 2012 summer with Mario Draghi words about his commitment for saving the euro “whatever it takes”, continued all the 2013. This fact allowed to reduce cost of finance from the Spanish debt and also, allowed the access to the agent capital markets, which until than moment, were excluded from. Also, during the 2013, it was possible to successfully complete the reform process agreed with the European authorities, in the frame of the Financial Assistance Program explained in the Understanding Memorandum of July 2012.

The success of the recapitalization and sanitation process of the financial entities, as well as the improvement of the financial fragmentation started in 2012, due to the explained reasons, have allowed to keep reducing debt costs of the Spanish economy: the interest rate of the 10 years sovereign bond started in 2013 in the 5.3% and ended up in the 4,1% which supposed an important decrease from the 7% maximum reached in the summer 2012. The differential with the German, which measures the risk prime of our economy, also strongly decreased along the year, going through almost 400 basis points at the beginning of the 2013 and starting around 220 basis points at the end.

This minor financing costs from the sovereign, were transferred to the rest of the economic agents, which gradually were having a better and easier access to capital markets. Financial entities in particular, which are responsible for transmitting it to the rest of the economy, through the credit bank: As the ECB estatistic said, the interest rate for new loan operations of an amount lower than a million euros.(proxy of SME loans) of Spanish Banks which ended up 2013 in the 4,83% when had initiated the year in 5.15%.

In all this normalization process, the ECB role was still important, not only with extraordinary operations as LTROs, which were produced in 2012, but with its support to the economic recovering process and the financial normalization: During 2013, two reference interest rate decreases were relevant, in May and in November, until be in the minimum of 0,25%. Also, it highlighted the start, in this case in a bigger decision frame, of the Unique Supervision Mechanism, which will allow a unified supervision of the principal banks of the euro zone. In this sense, the steps they took, and keep taking, through a genuine bank unification. Also they positively affect to the irreversibility of the euro as a common project, which favored to keep advancing in the financial normalization.

The economic recovery of our country, which was more visible at the end of the year, also had it results in the improvement of certain credit market indicators, as the Bank Loans Inquiry of the ECB.
The best position of the entities, allowed, in the last 2013 wave, there were shown more open to relax the concession conditions and, something more important, they started observing and waiting for the new months certain increase in the credit demand.

However, even positive signs are oriented to the credit market reactivation, like the fact that new operations lower than 1 million ended up 2013 with inter-annual positive rates from the beginning of the crisis, the truth is that the deleveraging of the entities keeps its path. In that way, the outstanding credit amount from the Spanish financial entities to non-financial societies, ended up 2013 with a 14.1% and below December's amount. Also, the morosity kept increasing, and ended 2013, in the 13.6% of the credit total to other resident sectors.

In summary, 2013 can be considerated, in many aspects, as the inflexion point in which the tendency change was consolidated, at activity level, and reforms started kept increasing their effects, with which financial normalization kept advancing.

Activity

In 2013, through mediation lines, ICO has granted 13.884.296 thousand euros in 190.168 operations to SMES and autonomous. The granted volume this year has supposed a significant increase (21%) respect to 2012, observing a increasing evolution of the realized dispositions, specially intense from the middle of the year, and which has been consolidated in the fourth quarter.

ICO finance is oriented to micro firms and freelances, and most of the loans are lower than 25.000 euros, showing the spectrum of the ICO loans, which are issued also to very small firms.

Principal mediation lines have been 'ICO- Empresas y Emprendedores' and 'ICO- Internalización', which acumulate a 99.4% of the total yearley operations.

- Changed to the ICO-Empresas y Emprendedores Line, they have been granted 175.140 operations for an amount of 12.113.747 thousand euros.

- Also, through the ICO internacionalización and ICO exports at short term, they have been formalized 1.675.074 thousand euros in loans to 13.898 freelances and SMES, in order to promote projects for the abroad expansion and the export activity in Spanish firms.

Apart from the mediation lines, ICO during 2013, has granted direct finance, for an amount of 1.015.349 thousand euros, being highlighted :

- Mayor Bank: They have been mobilized a total of 554.529 thousand euros in loans, designated to finance big investment projects in Spanish firms.

- 'Fund for Financing Supplier Payments': ICO has granted 450.000 thousand euros to this fund.

With all of the above, the Institute has kept gaining weight during 2013 inside the Spanish credit entities group: At the end of the year, the asset of the Institute represents a 3.5% of the system and the outstanding credit amount, to firms with a deadline higher than a year, is 11.4% of the total.

Moreover, the Institute grants endorsements and manages funds instructed by the Government. The amount of these funds has experienced an increase of 54% compared to 2012, reaching a volume of 81.062.289.

- FLA, in which the ICO acts as financial manager, presents an outstanding amount, at the end of the 2013, of 39.090.787 thousand euros.

- Fund for Financing Supplier Payments: through this mechanism, it has been subscribed a total amount of 6.1 million of receips to suppliers from Local Entities and Autonomous Communities. The total amount of this fund at the end of the year increases up to 33.341.511 thousand euros, which supposes an increment of 23% respect the previous year.
- Estate Funds for the internationalization: the outstanding amount of this portfolio (CARI, FIEM, and FONPRODE), at closing is 8.630.000 thousand euros.

In order to carry out the credit activity, during 2013, the ICO has catch finance for an amount of 10.671.900 million euros. From this, the 88% has been obtained through the issues in the capital markets. The other 22% was caught through bilateral loans coming from multilateral organizations.(Investment European Bank, Corporación Andina de Fomento, and Europe's Council Bank) and foreign institutions kindred to ICO(KFW)

In 2013 there have been realized an important effort in order to achieve a bigger diversification in the investor base; so, a 47% of the issues have been located between foreign investors, against a 41% from 2012.

Moreover, the Institute has caught finance for the short term for an amount of 1.410.160 thousand euros, in order to attend to credit activity for deadlines lower than 1 year.

Another of the principal strategic actuation line, made by the ICO Group in this period, has been the launch of the first FON-ICO Global.
This capital risk fund, managed by AXIS, the credit risk management entity for the ICO group, has a grant of 1.200.000 thousand euros, and it is the first Spanish public " Fund of Funds".

Balance

The amount of the ICO balance has been multiplied, practically by for since 2005. The ICO, is nowadays, the seventh bank of the country based on asset's size.

At 31st December 2013, the outstanding amount from the credit investment, without including accruals and valuation adjustments, increased up to 77.671.404 thousand euros, a 14% less than the one registered on 2012.

This decrease of the credit investment amount is explained, mostly, by operations, non-related to the proper credit investments of the ICO. Concretely, during the 2013 the amortization of some credit lines to Titulization Funds has taken place, for a total amount of 6.836.856 thousand euros and has been reduced the repos portfolio in 2.065.129 thousand euros.

With the objective of maintaining a prudent liquidity position and to reduce risk that could may be derived from markets perturbations, the ICO has one financial portfolio which outstanding amount was 21.556.806 thousand euros at the end of the year.

External resources to the ICO, without accruals and valuation adjustments, increase up to 93.985.329 thousand euros at the end of 2013, which supposes a 92% of the balance. Of this amount, a 96% are medium and long term liabilities and 4% short-term liabilities.

Institute's Equity, has been increased in a 8% in 2013, mainly because of the capital contribution made by the Estate of an amount of 378.136 thousand euros and which locates the solvency rate of the ICO in 19,76%, higher than the minimum regulated.

Risk management Policy

The actions developed by the Institute regarding credit risk, liquidity , market and operational management, are described in the Note 5.3, corresponding to the Annual Account Memo.

Results

The interest margins achieved by the ICO in 2013, was 727.276 thousand euros, a 4% lower than the one registered in 2012. However, the good performance of the commissions and the financial operations results, have made possible that the ordinary gross margin (before operating expenses) locates in 816.554 thousand euros, a 2% greater than the previous year.

During 2013, operating expenses have been reduced a 2%. As a result, the Institute's efficiency rate has been a 4.39% at the end of the year.

Result before provisions achieves an amount of 779.540 thousand years, which has allowed the Institute to make net contributions of provisions of 678.752 thousand euros, and achieve a high cover for the doubtful loans at 132%. At closing, the morosity ratio was 5.25%, lower than the Spanish Financial entities sector average.

Even the important amount contributed to provision, the benefit before taxes at closing, 101.075 thousand euros, has been a 20% greatere than the one achieved in 2012.

Research and Development Expenses

Along the year there has not been R+D activity.

Own Actions

Not applicable for the ICO.

Personnel

The average number of employees of the Institute in 2013 is 312, against the 310 from 2012.

Subsequent Events

ICO in 2014 will keep developing the freelances and SMES loan program through different Mediation Lines, specially supporting the internationalization of the Spanish firm, financing external investments and exports.

Another subsequent events are detailed in the point 1.8 of this document.

Appendix I

Shareholding at 31.12.2013 and 31.12.2012
(Direct and indirectly)

The relevant information to the shareholding in associates and subsidiaries on December 31st, 2013 and 2012 as follows:

At December 31st,2013:

			% of shareholding			Cost value of the shareholding			Entity data		
	Address	Activity	Direct	Indirectly	Total	Gross	Impairment	Net	Assets	Net Equity	Profit/Loss
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Released of guarantee operations provided by the SS.GG.RR	24.15%	-	24.15%	34,039		34,039	381,176	216,432	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132 - Madrid	Financial support to private projects with interest Spanish carried out in developing countries	20,31%	-	20,31%	8,465		8,465	99,142	94,520	13,677
EFC2E GESTIÓN S.L.	Paseo del Prado, 4 - Madrid	Asset management Purchase and leasing of aircraft	50.00%	-	50.00%	2		2	564	293	32
Subsidiaries						**42,506**		**42,506**			
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investment	100%	-	100%	1,940		1,940	17,271	16,859	5,015
						44 446		**44,446**			

Economic information non audited referred to December 31st, 2013

Appendix I

Shareholding at 31.12.2013 and 31.12.2012
(Direct and indirectly)

At December 31st,2012:

			% of shareholding			Cost value of the shareholding			Entity data		
	Address	**Activity**	**Direct**	**Indirectly**	**Total**	**Gross**	**Impairment**	**Net**	**Assets**	**Net Equity**	**Profit/Loss**
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Released of guarantee operations provided by the SS.GG.RR	24.15%	-	24.15%	34,038	-	34,038	395,546	229,270	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132 - Madrid	Financial support to private projects with interest Spanish carried out in developing countries	25.25%	-	25.25%	10,525	-	10,525	88,442	82,018	8,300
EFC2E GESTIÓN S.L.	Paseo del Prado, 4 - Madrid	Asset management Purchase and leasing of aircraft	50.00%	-	50.00%	2	-	2	718	261	257
						44,565	**-**	**44,565**			
Subsidiaries											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investment	100.00%	-	100.00%	1,940	-	1,940	12,708	12,502	1,833
						46,505	**-**	**46,505**			

Economic information non audited referred to December 31st, 2012

INSTITUTO DE CRÉDITO OFICIAL

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31st, 2013

In accordance with prevailing legislation, the Chairman hereby approves the Institute's consolidated financial statements and dependent entities referring to year 2013, the consolidated management report and the Result Distribution Proposal relative to the year 2013, consisting of the documents prior to this page and comprising 115 sheets.

Madrid, March 31st, 2014

D. Román Escolano Olivares
Chairman