

# ANNUAL REPORT 2015

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## LETTER FROM THE CHAIRWOMAN



In 2015, the expansion in the Spanish economy that began in the second half of 2013 picked up speed, with GDP growth of 3.2%, double the eurozone average. This dynamism has been driven by the strength of domestic demand, underscored by significant job growth and an improvement in financing conditions. However, external demand also remained strong in 2015. Exports continued to grow at a solid pace and there was a surplus in the current account balance for the third year in a row, an unprecedented performance in our recent

economic history. The strong performance during the past year can also be partly attributed to the drop in oil price, the ECB's expansionary measures and the depreciation of the euro; however, the significant reform efforts undertaken in recent years - a key factor in our outstanding growth compared to the eurozone - was also a decisive aspect.

A noteworthy development in 2015 was the significant rebound in credit flows. Transactions with SMEs - which have been positive since the end of 2013 - grew by 13% in 2015. This positive trend has happened in parallel to the economic recovery, driven by the improvement in our financial sector following its restructuring and reform, the decisive action by the ECB and the implementation of Banking Union. The improvement in financing conditions has also been accompanied by clear progress in reducing financial fragmentation. The reduction in the difference between borrowing costs for our SMEs compared to German SMEs over recent years is evidence of this: this difference is now at relatively modest levels.

The mission of the Institute is to support Spanish companies by offering financing instruments that enable them to undertake their productive activities: in doing so, it performs an important counter-cyclical role. During the most difficult stages of the crisis in terms of restricted credit, ICO's support played an important role in reactivating lending. The current improvement in economic and loan market conditions is reflected in the Institute's activities, resulting in a gradual decrease in its balance sheet to €62.173 billion in December 2015. This makes ICO the seventh largest credit institution in Spain by asset volume.

Against the current backdrop of economic recovery, ICO continues to serve as a reference point in terms of business financing, placing a strong emphasis on medium- and long-term investment, promoting the internationalisation of Spanish companies and the diversification of their sources of financing by supporting their capitalisation through venture capital. The Institute's leading activities include commitment to collaborating in the Investment Plan for Europe, also known as the "Juncker Plan". In

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turn, the financing of internationalisation is gradually gaining importance, currently representing 32% of total funding compared to an average of 2% prior to 2012.

During 2015, more than 166,000 loan transactions were approved, for a total amount of €10.92 billion. The majority of these transactions (more than €9.67 billion) were lending facility loans: i.e. loans to SMEs and the self-employed channelled through commercial banking. This support has been significant, but, as already mentioned, is now gradually adjusting, logically, to reflect the current environment in which private lending is returning to normal. This trend is expected to continue in the near future, given the context of abundant liquidity and new stimuli announced by the ECB in March 2016.

AXIS, ICO's venture capital subsidiary, has continued to develop its main project, FOND-ICO Global. This "fund of funds" completed five calls prior to the end of 2015, approving investment commitments amounting to €876 million through 35 different funds. This has the potential to mobilise investments in the capital of Spanish companies of €3.2 billion, which represents an important multiplier effect. At year-end, these funds had invested in around 130 companies in Spain. Given the success of this initiative, in November, it was decided to increase FOND-ICO Global's assets by €300 million, to €1.5 billion.

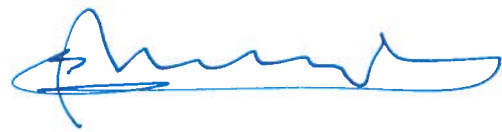
To cover all its activities, the Institute raised medium- and long-term funds in the amount of more than €5.76 billion. A total of 63% of these funds were raised by issuing securities on capital markets. The remaining 37% were obtained from bilateral agreements entered into with multilateral organisations, particularly the European Investment Bank. One of the challenges faced by the Institute last year was the first issue of social bonds destined to finance SMEs in the regions of Spain with below average GDP per capita. This €1 billion issue of social bonds was the largest to date in the euromarket, keeping ICO at the forefront of current trends in international capital markets.

In addition to its role as a state-owned bank, ICO also performs an important role providing services as a State Financial Agency, managing State funds off its balance sheet in areas such as local authority and regional financing, in addition to supporting exports and assisting development. This role has been reinforced in recent years given the very significant increase in the volume of funds managed; as a result, by the end of 2015, the Institute was managing more than €141 billion, a year-on-year increase of 35%.

2015 was also a significant year because of the improvements in the Institute's corporate governance, bringing them into line with the highest standards in the European Union. During the year, ICO undertook by-law reforms and welcomed four independent members to its General Board, reinforcing good governance and autonomy at the Institute. ICO's commitment to best banking practices has, once again, enabled the Institute to end the year with strong coverage and solvency ratios, which are above average for the Spanish finance sector.

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None of this would have been possible without the collaboration of everyone working at ICO. Without their dedication and professionalism, ICO would not have been able to play its valuable role. And so, I would like to thank them for their work at the service of our institute and, as a result, of Spanish society as a whole.



Emma Navarro  
Chairwoman of ICO

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## ICO's OBJECTIVES AND LEGAL STATUS

Instituto de Crédito Oficial (ICO) is a public corporate entity under the Ministry of Economy and Competitiveness through the Secretary of State for the Economy and Business Support, which has the legal status of a credit institution, and is considered a State Financial Agency, with its own legal status, assets and treasury, as well as having independent management to carry out its activities.

ICO's main objectives are to sustain and promote economic activities that contribute to the growth and development of the country and the improved distribution of national wealth, guided by the principle of financial equilibrium. These objectives are accomplished by ICO in its dual role of Specialised Credit Institution and State Financial Agency.

As a Specialised Credit Institution it acts in two ways: through so-called second-floor facilities, in which ICO finances small and medium-sized companies and the self-employed through loans granted by private lenders, which assume the credit risk; and directly funding large, public or private productive investment projects by Spanish companies in Spain or abroad, assuming the risk of the operations.

As a State Financial Agency, by express instruction of the Government, it finances situations of serious economic crisis, natural disasters or similar situations and manages funds for the official support of internationalisation and development.

ICO is not financed by the general state budget, but in the capital markets and via loans. It has the Spanish government guarantee on debts and liabilities incurred by raising such funds.

In 2015, following the application of Royal Decree 1149/2015, of 18 December, a number of concepts in ICO's by-laws were adapted with a view to improving its corporate governance and the running of the Institute. This Royal Decree implements Law 40/2015, of 1 October, on the regulation of the public sector, which resulted in the inclusion of four independent board members on the General Board of the Institute, the governing body responsible for overseeing the entity's management and administration, for the first time.

This Royal Decree set out objective criteria for the appointment of board members, such as professional standing and training, in addition to conflicts of interest and grounds for termination. It also changes the system for adopting resolutions by the General Board, adapting this for the new structure and promoting the adoption of resolutions that lead to more transparent and independent operations at the entity.

Following the change to its by-laws, the composition and functioning of ICO's governing body has been brought into line with the best European standards mentioned in the Communication from the European Commission to the European Parliament and the Council of July 2015, regarding the role of national promotional banks (NPBs) in supporting the Investment Plan for Europe (known as the "Juncker Plan").

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## GENERAL BOARD AND MANAGEMENT TEAM

(On 31 December 2015)

### CHAIRWOMAN:

**EMMA NAVARRO** <sup>(1)</sup>

### MEMBERS OF THE GENERAL BOARD:

#### **JAIME IGLESIAS**

Director General of Budgets

Ministry of Finance and Public Administrations

#### **JUAN MIGUEL BÁSCONES**

Director General of Economic Programming and Budgets

Ministry of Public Works

#### **ADOLFO DÍAZ-AMBRONA**

Technical Secretary General <sup>(2)</sup>

Ministry of Agriculture, Food and Environmental Affairs

#### **ANTONIO FERNÁNDEZ-MARTOS**

Director General of International Trade and Investments

Ministry of Economy and Competitiveness

#### **RODRIGO MADRAZO** <sup>(3)</sup>

Director General of Economic Policy

Ministry of Economy and Competitiveness

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(1) Since 14 November 2015, replacing Ms. Irene Garrido Valenzuela, who resigned from the position on the same date.

(2) Left the post RD 29/12/2015 – BOE 30/12/2015.

(3) Since 24/07/2015

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## **ALBERTO MARTÍN DEL CAMPO** <sup>(4)</sup>

Assistant Director General of Legislation and Financial Policy

Ministry of Economy and Competitiveness

## **JOSÉ MARÍA ESPÍ** <sup>(5)</sup>

Independent Board Member

## **RAFAEL PAMPILLÓN** <sup>(5)</sup>

Independent Board Member

## **JAIME REQUEIJO** <sup>(5)</sup>

Independent Board Member

## **JOSÉ MANUEL REYERO** <sup>(5)</sup>

Independent Board Member

### **SECRETARY TO THE GENERAL BOARD:**

#### **LAURA DE RIVERA**

State Counsel

Assistant Director for Legal Counsel to the Instituto de Crédito Oficial (ICO)

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(4) Since 09/03/2015

(5) Since 30/10/2015



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## MEMBERS OF THE GENERAL BOARD WHO OCCUPIED POSITIONS DURING 2015:

### CHAIRWOMAN:

**IRENE GARRIDO**, left post on 14/11/2015

### MEMBERS OF THE GENERAL BOARD:

**JAIME PONCE**, left post on 03/03/2015

**IGNACIO MEZQUITA**, left post on 24/07/2015

**FELIPE MARTÍNEZ**, left post on 27/07/2015

**CARMEN CÁRDENO**, left post on 30/10/2015

**EMMA NAVARRO**, left post on 30/10/2015

### MANAGEMENT TEAM

#### **FERNANDO NAVARRETE**

Chief Financial Officer

#### **JOSÉ MARÍA GEFAELL**

Chief Investment Officer and Director General of Business

#### **GERARDO GIMENO**

Chief Risk Officer

#### **MARÍA TERESA MOGÍN**

Chief Human Resources Officer

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## ACTIVITY REPORT

Economic activity in Spain picked up speed in 2015, ending the year with Gross Domestic Product up 3.2%, compared to a 1.4% in 2014. The main driver of this growth was domestic demand, particularly household consumption, although investment in capital goods was particularly strong throughout the year. Activity in the eurozone was also on the path to recovery, although growth was lower than in Spain.

European Central Bank (ECB) monetary policy contributed in no small measure to this economic growth. In 2015, the measures announced by the ECB to address inflation and support economic growth were rolled out in full; amongst these measures, the expanded asset purchasing programme is worth particular mention. This programme, which includes the purchase of guaranteed bonds, asset-backed securities and public sector securities, in which ICO is involved, injected liquidity of €650 billion in 2015, contributing to the continued improvement in financing conditions.

### ***Significant improvement in financing conditions and reduction in non-performing loans in the system***

In Spain, the improvement in financing conditions was underpinned by the restructuring and reforms to the financial sector undertaken in recent years, in addition to the measures adopted by the ECB. This favourable trend in financing conditions has gradually been reflected by credit institutions in the cost of bank loans granted to companies and families. Interest rates charged to companies for new loans of less than one million euros (which we use to approximate lending to SMEs) had fallen to 2.99% at the end of the year, compared to 4.03% at the start of 2015.

This increase in economic dynamism and improvement in financing conditions has led to a continued recovery in new lending to families and companies, which grew by almost 10% over the year. This growth was accompanied by further falls in the non-performing loan rate for the Spanish financial sector as a whole, which ended the year at 10.12%, compared to 12.51% at the end of 2014. This is the lowest rate since July 2012.

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## ***ICO's counter-cyclical role as a financial support to the Spanish economy***

ICO plays an important counter-cyclical role as a financial support to the Spanish economy in periods of crisis, in particular, by contributing resources to finance SMEs and the self-employed. Thus, at the most difficult stages of the crisis, the Institute significantly increased funding for its second-floor facilities to facilitate the granting of loans to companies and entrepreneurs. 2014 set a historic record for the more than 20 years in which such facilities have been available, with loans granted reaching €21.469 billion.

In 2015, ICO activities returned to normal, as the lending offered by private financial institutions gradually increased, with demand for funds via second-floor facilities at around the average level for the years prior to the crisis.

## ***ICO continues to offer firm support for Spanish businesses and their internationalisation***

The Institute continues to play an important role in the Spanish financial system, providing added value to the business sector and supporting SMEs and the self-employed in their ventures abroad. At the end of 2015, the outstanding balance of loans granted by ICO to non-financial companies at terms of over one year represented 9.5% of the Spanish credit system. Thus, the Institute continues to provide support in response to the main challenges faced by the Spanish economy, supporting the consolidation of growth, job creation and the competitiveness of our companies.

In 2015, €9.671 billion in loans were distributed through ICO facilities, providing financing for 165,998 transactions with the self-employed and SMEs. The SMEs and Entrepreneurs facility was still the most popular line, with €6.528 billion distributed through 121,853 transactions.

Our business internationalisation facility continues to grow rapidly, accounting for 32.1% of all loans granted, compared to 24.2% in 2014, 12.1% in 2013 and 2.1% in 2012. Channelled funds in 2015 grew to €3.106 billion, financing 43,834 transactions aimed at promoting expansion projects abroad and the export activities of the self-employed and SMEs. In 2015, 9% of Spanish exporters obtained financing through the ICO Exporters facility.

## ***High degree of capillarity in ICO facilities***

As in previous years, the main beneficiaries of ICO financing in 2015, were micro-businesses (between 1 and 9 employees) and the self-employed, accounting for 66.5% of the transactions completed. Furthermore, it is worth noting that the majority of operations (54.3%) involved sums of €25,000 or less.

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## ***ICO's direct lending activity was reanimated in 2015***

During the financial crisis, ICO focused its resources on mitigating the significant drop in loans to SMEs, via its second-floor facilities, as already mentioned; in 2015, as its activities returned to normal, direct lending for large investment projects sprang back to life. This financing is aimed at medium and large companies or investment projects that have a positive carry-over effect on the Spanish economy and employment, prioritising sustainable growth and the internationalisation of Spanish companies. In 2015, the Institute formalised transactions amounting to €1.25 billion, an increase of 70% compared to the previous year. The majority of these transactions were linked to corporate financing, with the main projects being in the infrastructure and transport sectors.

## ***ICO's active role in the Investment Plan for Europe***

In 2015, the Investment Plan for Europe covering the 2015-2017 period, known as the "Juncker Plan" came into force. This initiative seeks to mobilise public and private resources, targeting investment and contributing to the reactivation of the European economy. ICO plays an active role in this plan, prioritising it within its lines of activity with a view to promoting investment in strategic infrastructure, education, research, innovation, renewable energy and energy efficiency projects. At the end of the year, the Institute was participating in two financing projects in Spain organised by the European Strategic Investment Fund.

## ***ICO at the forefront in using innovative instruments in capital markets***

Over 2015, the Institute raised a total of €5.762 billion. Of this, 63% was raised by issuing medium and long-term bonds on the capital markets. The remaining 37% was obtained from loans offered by a range of multilateral organisations. These loans enabled ICO to expand the Spanish economy's access to financing on preferential terms, passing these terms on in loans granted to SMEs.

In 2015, ICO issued its first "Social Bonds" in Spain, amounting to €1 billion. This positioned the Institute at the forefront of trends on international capital markets, expanding its investor base by drawing in funds that prioritise investment in such bonds. The objective of this initiative is to provide financing via second-floor facilities to SMEs in regions with lower per capita Gross Domestic Product than the Spanish average, in order to protect employment and support job creation.

## ***Significant increase in funds managed by ICO***

In addition to lending and providing guarantees, as a State Financial Agency, ICO manages and administers instruments and funds under instruction from the Government. Some of the most

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noteworthy activities in this regard include financial support for the internationalisation of companies (Companies Internationalization Fund, FIEM and Reciprocal Interest Adjustment Agreement System, CARI), official support for development (Fund for the Promotion of Development, FONPRODE and the Water and Sanitation Cooperation Fund, FCAS), financing for regional governments (Regional Governments Financing Fund, FFCCAA) and financing for local authorities (Local Authorities Financing Fund, FFEELL).

This activity is undertaken on behalf of the State and is not included in the Institute's financial statements. At the end of 2015, the outstanding balance of transactions granted with State funds amounted to €141.016 billion, an increase of 35.0% compared to the end of 2014, strengthening ICO's role as a State Financial Agency.

Combining its own operations and those undertaken on behalf of the State gives an outstanding balance of €186.461 billion at 31 December 2015, a year-on-year increase of 10.8%.

## ***Contribution to the orderly deleveraging of the business sector: non-bank financing***

In addition to the efforts undertaken by the Institute to assist with the internationalisation of Spanish businesses, ICO's work to foster venture capital activity in 2015 is also noteworthy.

Through its AXIS venture capital subsidiary, ICO launched Fond-ICO Global in October 2013, the first public venture capital 'Fund of Funds' created in Spain, to promote the creation of privately managed funds, investing in companies, mainly in Spain, at every stage of their development.

Given the positive performance of FOND-ICO Global since its launch and its contribution to revitalising the venture capital sector in Spain, its original allocation of €1.2 billion was expanded to €1.5 billion in November 2015.

Since the Fund was opened at the end of 2015, a total of five calls have been run, obtaining €876 million in investment commitments in 35 funds, both in Spain and abroad. These commitments will generate investment of more than €10 billion, of which around €3.2 billion will go to Spanish companies.

These figures show the importance of this fund of funds in two highly significant aspects for the Spanish Economy - as a model for public-private partnerships and as a driver of alternative financing options for Spanish companies.

## ***Management indicators have continued to perform positively***

ICO activities in 2015 had a solvency ratio of 32.8% at the end of the year, compared to 23.9% for the previous year. The Institute's pre-tax profit for 2015 amounted to €59.5 million.

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## A. ICO'S LENDING ACTIVITY IN 2015

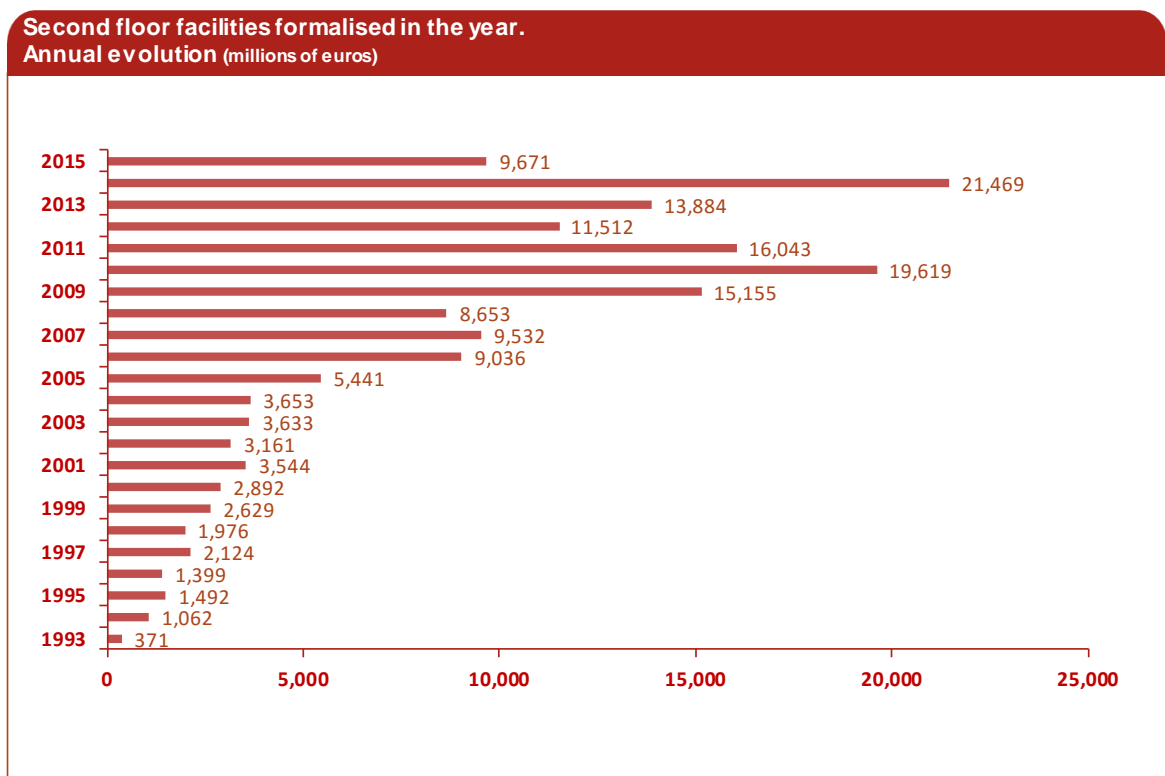
### A.1 LINES OF FINANCING DISTRIBUTED THROUGH SECOND-FLOOR FACILITIES

Over the course of 2015, ICO continued to provide financing and guarantees to companies and entrepreneurs to cover their liquidity and investment needs, through what it calls second-floor facilities. These are the lines of financing through which the Institute channels funds through the commercial network of credit institutions operating in Spain, establishing the main financial characteristics and conditions thereof. In turn, these institutions are responsible for processing, studying and approving transactions, assuming the risk of default.

The facilities are targeted at the self-employed, companies and public and private institutions. They have a wide range of financing terms, running from the short term (less than 1 year) to the very long term (20 years).

***In 2015, demand for funds returned to annual levels seen before the financial crisis***

ICO played an important counter-cyclical role in the worst years of the financial crisis. However, in 2015, following the increase in the supply of credit by private financial institutions, its activities started to return to normal, returning to average levels of financing witnessed in the years before the crisis (2006-2008). In 2014, the Institute reached a record level of financing through second-floor facilities, which it has been operating since 1993.



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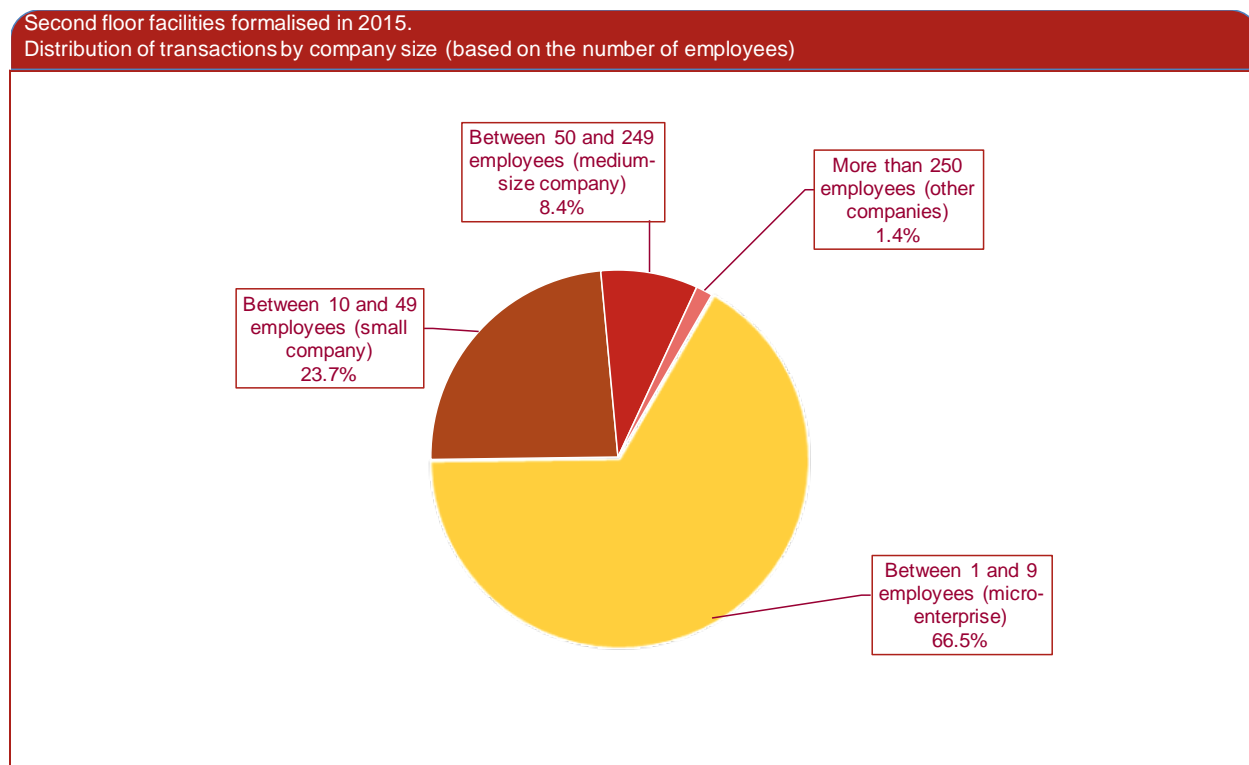
## *ICO remains a benchmark for the financing of Spanish SMEs*

The Institute continued to play a very important role for the Spanish financial system in 2015, providing added value to the business sector and supporting SMEs and the self-employed in their ventures abroad.

In 2015, ICO facilities distributed €9.671 billion in loans, providing financing for 165,998 transactions. 66.5% of these transactions involved micro-enterprises of between 1 and 9 employees. This percentage increases to 90.2% when companies employing up to 49 people are included.

Second floor facilities formalised in 2015.  
Distribution of transactions by company size (based on the number of employees)

	2015			
	Loan amount (€ millions)	%/Total Credit	No. of transactions	%/Total Transactions
Between 1 and 9 employees (micro-enterprise)	4,199	43.4%	110,322	66.5%
Between 10 and 49 employees (small company)	2,942	30.4%	39,385	23.7%
Between 50 and 249 employees (medium-size company)	1,875	19.4%	13,923	8.4%
More than 250 employees (other companies)	655	6.8%	2,368	1.4%
<b>Total</b>	<b>9,671</b>	<b>100%</b>	<b>165,998</b>	<b>100.0%</b>

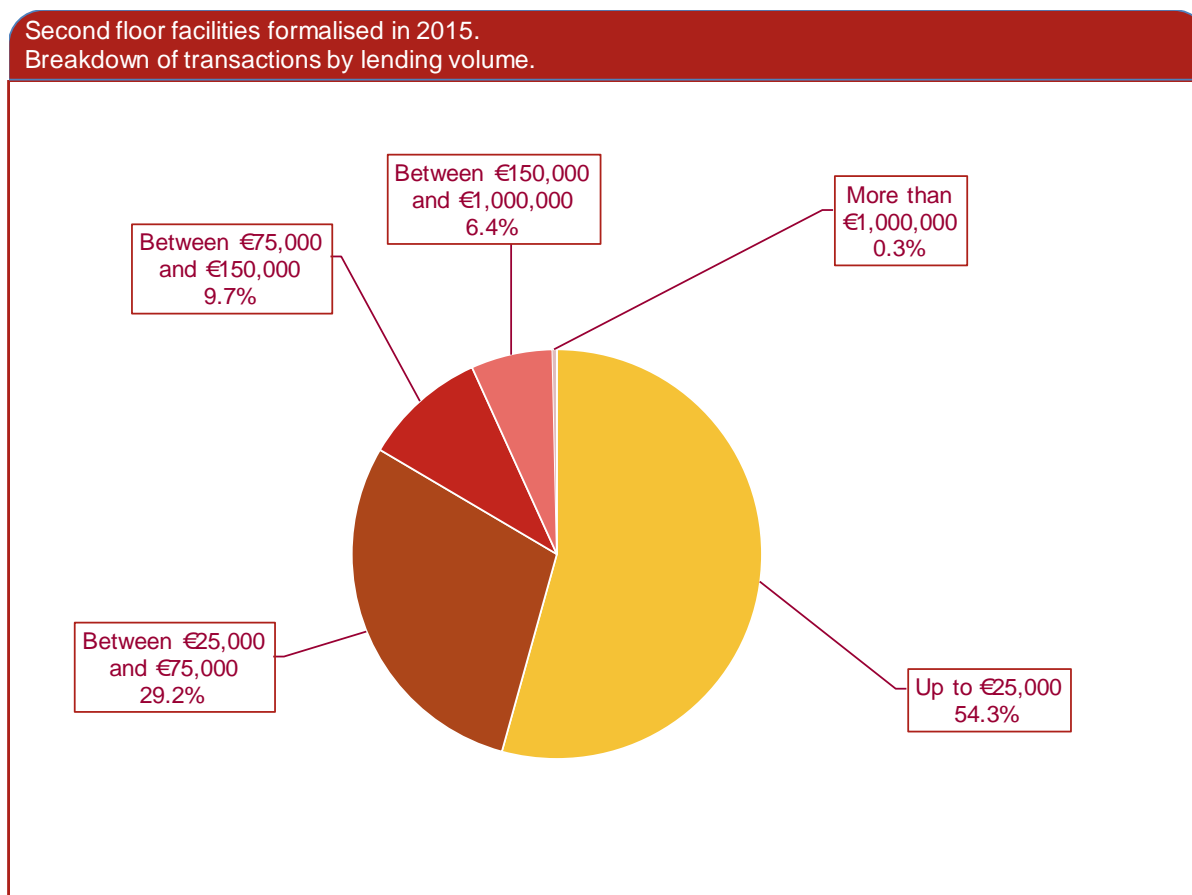


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54.3% of the loans granted were for €25,000 or less, and 83.5% for less than €75,000. These indicators demonstrate the extent of the "trickle-down" effect of ICO loans, which are mainly offered to self-employed individuals and small companies, positioning the Institute as a benchmark institution in the financing of SMEs.

Second floor facilities formalised in 2015.  
Breakdown of transactions by lending volume.

	2015			
	Loan amount (€ millions)	%/Total Credit	No. of transactions	%/Total Transactions
Up to €25,000	1,156	12.0%	90,165	54.3%
Between €25,000 and €75,000	2,106	21.8%	48,424	29.2%
Between €75,000 and €150,000	1,716	17.7%	16,157	9.7%
Between €150,000 and €1,000,000	3,476	35.9%	10,687	6.4%
More than €1,000,000	1,217	12.6%	565	0.3%
<b>Total</b>	<b>9,671</b>	<b>100.0%</b>	<b>165,998</b>	<b>100.0%</b>





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In terms of national distribution, in 2015, 50.2% of the total volume of ICO loans went to companies in regions with per capita GDP below the national average.

Appendices II and III include details on the distribution of second-floor transactions formalised in 2015 by regions (based on the corporate head office of the loan holder) and by activity sectors.

## ***Financing for investment abroad and to promote export activities continues to gain prominence in terms of the total volume of financing arranged***

In terms of the geographical destination of second-floor facility loans, in 2015, 67.9% of the funds were used to finance liquidity and investment projects in Spain and 32.1% to finance investment abroad and boost export activities to 170 countries. In 2015, 9% of Spanish exporters obtained financing through the ICO Exporters facility.

International activities continue to gain strength in terms of the total volume arranged through ICO facilities, accounting for 24.2% in 2014, 12.1% in 2013 and 2.1% in 2012.

Second floor facilities formalised in 2015. Distribution by geographic destination of the investment (millions of euros).	
	2015
Spain	6,565
Abroad	3,106
Total	9,671

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The following table shows the distribution by target countries.

Second floor facilities formalised in 2015. Distribution by investment by destination country (millions of euros).		
	Amount	%/Total
France	526	16.9%
Germany	328	10.6%
Italy	290	9.3%
United Kingdom	254	8.2%
Portugal	191	6.1%
USA	165	5.3%
Netherlands	90	2.9%
Mexico	72	2.3%
China	71	2.3%
Morocco	63	2.0%
Belgium	56	1.8%
Switzerland	54	1.7%
Brazil	52	1.7%
Poland	44	1.4%
Saudi Arabia	39	1.2%
Chile	38	1.2%
Algeria	34	1.1%
Norway	32	1.0%
Cuba	31	1.0%
Mozambique	27	0.9%
United Arab Emirates	26	0.8%
Sweden	26	0.8%
Czech Republic	25	0.8%
Russia	24	0.8%
Japan	24	0.8%
Others (*)	525	16.9%
<b>Total</b>	<b>3,106</b>	<b>100.0%</b>

(\*) Includes transactions with 145 destination countries.

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## ***Industry and trade are the main sectors of borrowing***

Although the financing formalised is distributed across a number of sectors, more than half of all loans finance the investment or liquidity needs of SMEs and the self-employed involved in industry and trade.

Second floor facilities formalised in 2015. Distribution by sectors of activity (%/total amount arranged)	
Industry	30.4%
Commerce	24.8%
Infrastructure and transport	15.1%
Financial, professional, scientific and public administration activities	9.2%
Other services	5.6%
Agriculture, livestock and fishing	5.9%
Hospitality	5.2%
Healthcare and social services	1.9%
Energy	1.1%
Education	0.8%
<b>TOTAL</b>	<b>100.0%</b>

## ***Distribution of funds amongst ICO facilities***

ICO offers a variety of financing facilities divided into two strategic areas: Companies and Entrepreneurs, and Internationalisation.

**Companies and Entrepreneurs.** The objective of these facilities is to provide financing to the Spanish self-employed and companies for investments in Spain and to meet their liquidity needs. This category includes following facilities:

- ICO SMEs and Entrepreneurs Facility: designed to finance up to 100% of investments in Spain, in addition to the liquidity needs of companies. This facility also offers financing to freeholder associations and private individuals for projects involving the rehabilitation or renovation of buildings and homes.
- ICO SGR/SAECA Facility: designed to provide companies with an SGR or SAECA guarantee with financing.
- ICO Promissory Notes and Bonds Facility: this facility finances the acquisition of bonds and/or promissory notes issued by Spanish companies admitted for trading on regulated markets or multilateral trading systems in Spain.
- ICO Innovation Technological Fund Facility: co-financed with ERDF funds, offering loans at preferential rates to innovative companies that embark upon new investment projects.

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Second floor facilities formalised in 2015. Distribution of ICO SMEs and Entrepreneurs facility (millions of euros and No. of transactions)		
	Amount	No. of transactions
<b>Companies and Entrepreneurs</b>		
ICO Companies and Entrepreneurs Facility	6,528	121,853
ICO SGR/SAECA Facility <sup>(1)</sup>	25	293
ICO Promissory Notes and Corporate Bonds Facility	4	2
ICO Innovation Technological Fund Facility	1	2
<b>Total</b>	<b>6,558</b>	<b>122,150</b>

(1) SGR: Reciprocal Guarantee Companies

SAECA: Sociedad Anónima Estatal de Caución Agraria

**Internationalisation.** Since 2012, ICO has been promoting a catalogue of products designed to facilitate the foreign ventures of Spanish companies, in order to cover their financing needs and provide them with guarantees. In 2015, 43,834 transactions were approved for a total amount of €3.106 billion. The following facilities are marketed as part of this strategic area:

- ICO Exporters facility: designed to provide exporters with liquidity by means of advance payment of invoices for export activity in the short term, in addition to covering their liquidity needs for the cost of producing the goods to be exported.
- ICO International facility: this product offers companies financial resources to undertake investments outside Spain and cover their liquidity needs. It also promotes the export activities of companies by offering medium- and long-term financing, through both buyer credit and supplier credit.

Second floor facilities formalised in 2015. Distribution of internationalisation facilities (€ millions and number of transactions)		
	Amount	No. of transactions
<b>Internationalisation</b>		
ICO Exporters facility	2,934	43,416
ICO International facility	172	418
<b>Total</b>	<b>3,106</b>	<b>43,834</b>

In addition to the two main lending facilities (ICO SMEs and Entrepreneurs Facility and ICO Internationalisation), ICO also markets others to benefit specific sectors or activities: ICO Retail Trade Facility and ICO-ICAA Facility (Instituto de la Cinematográfica y de las Artes Audiovisuales). The following table shows a breakdown of the volume arranged under these facilities in 2015.

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Second floor facilities formalised in 2015. Distribution of other facilities (€ millions and number of transactions)		
	Amount	No. of transactions
Others		
ICO Retail Trade Facility	1	3
ICO-ICAA <sup>(1)</sup> Film Production Facility	7	8
<b>Total</b>	<b>8</b>	<b>11</b>

(1) Instituto de la Cinematografía y de las Artes Audiovisuales

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## ■ A.2 LOANS GRANTED DIRECTLY BY ICO

Most of ICO's lending activity is aimed at small companies, through the second-floor facility system. The Institute also offers a range of financial solutions to promote large investment projects both in Spain and for Spanish companies abroad. ICO participates in loans and collaborates in the structuring of transactions, sharing credit risk with commercial banks and preserving the principle of complementarity.

In terms of products and companies, ICO takes a comprehensive approach, supporting all the financial needs of projects and, at an overall level, both in Spain and abroad, places a specific emphasis on internationalisation, through corporate loans, project finance, guarantees, bridge loans, specific venture capital funds, etc. The main added value offered by the Institute through these transactions involves: institutional support and foreign recognition and long-term financing.

### *ICO resumed direct financing in 2015*

Given the improvement in the economic cycle in 2014 and 2015, the Institute has started to finance large projects once again, focussing efforts on long-term financing and the international activities of Spanish companies as a key factor in improving competitiveness. It has also focused in particular on projects that promote the image of Spain abroad and have a carry-over effect in terms of the internationalisation of SMEs that assist large Spanish companies in undertaking their investment projects.

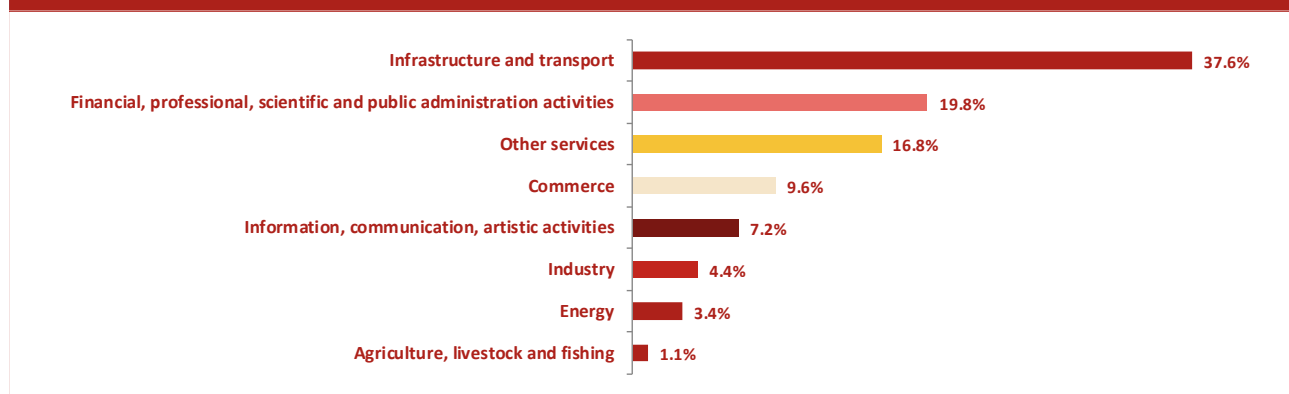
In 2015, transactions were arranged for a total of €1.25 billion, of which €1.132 billion correspond to loans and €118 million to guarantees. Of the total amount, 46.3% was set aside for projects abroad.

Direct loans and guarantees formalised in the year 2015. Distribution by geographic destination of the investment (millions of euros).	
	2015
Spain	671
Abroad	579
Total	1,250

By sectors of activity, infrastructure and transport account for 37.6% of the total amount arranged.

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Direct loans and guarantees formalised in the year 2015.  
Distribution by sectors of activity (%/amount arranged).



## ***ICO has continued to foster collaboration agreements with international institutions and organisations***

In order to strengthen its international activities, and in addition to its lending operations, in 2015 the Institute continued to enter into collaboration agreements with similar institutions in other countries and multilateral organisations. In essence, these agreements cover joint cooperation activities with a view to exchanging information, and financing and supporting SMEs in each of the signatory countries, in addition to co-financing investment projects of shared interest.

In 2015, ICO signed four agreements. Three of these serve to establish a cooperation framework with other institutions to carry out joint programmes and projects: Finéa (Grupo CDG) in Morocco; BPI France in France; and Instituição Financeira de Desenvolvimento (IFD) in Portugal. The fourth agreement was with the Latin American Association of Development Financial Institutions (ALIDE), seeking to foster technical and financial cooperation to increase business and investment in Latin America and the Caribbean.

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## ICO PARTICIPATION IN THE “*JUNCKER PLAN*”

The Investment Plan for Europe (known as the “*Juncker Plan*”) is a European Union initiative that seeks to boost investment. The Plan aims to mobilise at least €315 billion in public and private investment over the 2015-2017 period with a view to driving investment, increasing productivity and supporting long-term economic growth in the European Union.

Spain expects to contribute €1.5 billion through ICO to co-invest in and co-finance projects organised under the umbrella of the European Strategic Investment Fund, the financial pillar of the “*Juncker Plan*”.

In January 2015, four specific working groups were set up to develop cooperation proposals: these groups involve the national promotional banks of the countries involved, depending on the experience and interests of each institution. ICO has participated in the four specific working groups and intends to play an active role in the implementation of the Plan, prioritising projects with strong potential for job creation and growth, in particular in the energy and transport infrastructure sectors.

At the end of 2015, the Institute was involved in two infrastructure and innovation projects financed by the EIB: one invests in biotechnological development with a view to increasing competitiveness through innovation in green/clean energy technologies and the environment; the other finances transport, energy and social infrastructure projects in the target countries of the “*Juncker Plan*”.



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## B. FUNDING

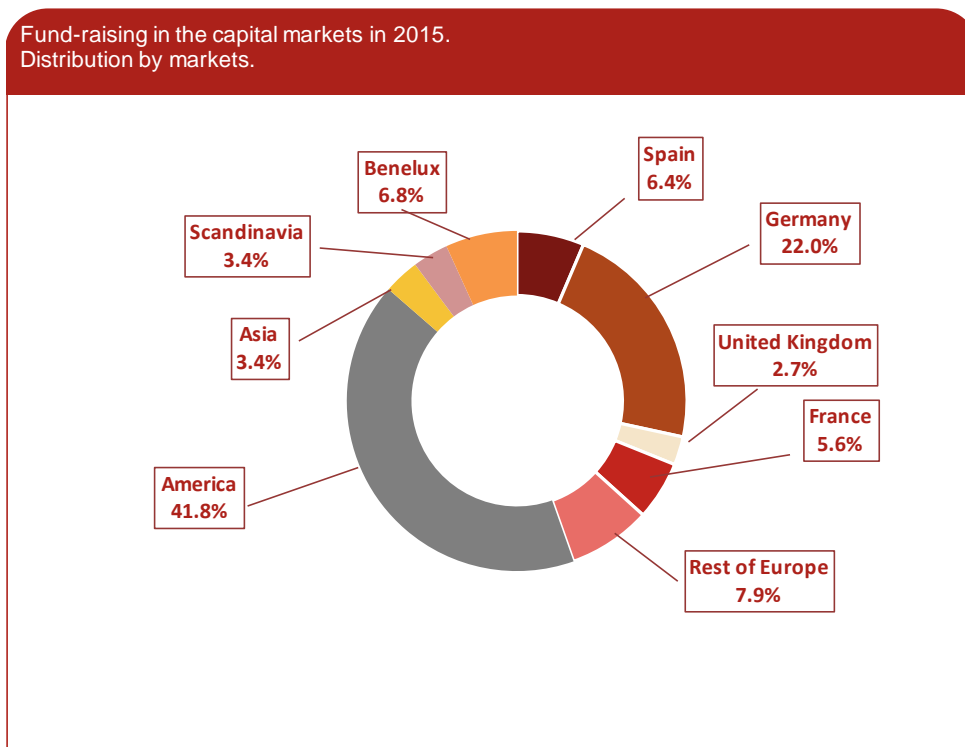
The Institute obtains financing by issuing debt on capital markets and by means of loans. In 2015, it raised €5.762 billion of financing for its activities. Of this, 63.4% (€3.654 billion) was obtained from issues on capital markets and the remaining 36.6% from bilateral loans from multilateral organisations.

For the most part, ICO financing from capital markets in 2015 was obtained by issuing bonds in public transactions and structured, private placements. The Institute is the second largest Spanish public institution, after the Spanish Treasury, in terms of debt issues. The debts and other liabilities it incurs in raising funds are underwritten by the Spanish State. This guarantee is explicit, irrevocable, unconditional and direct.

### ***Work has continued to diversify the investor base***

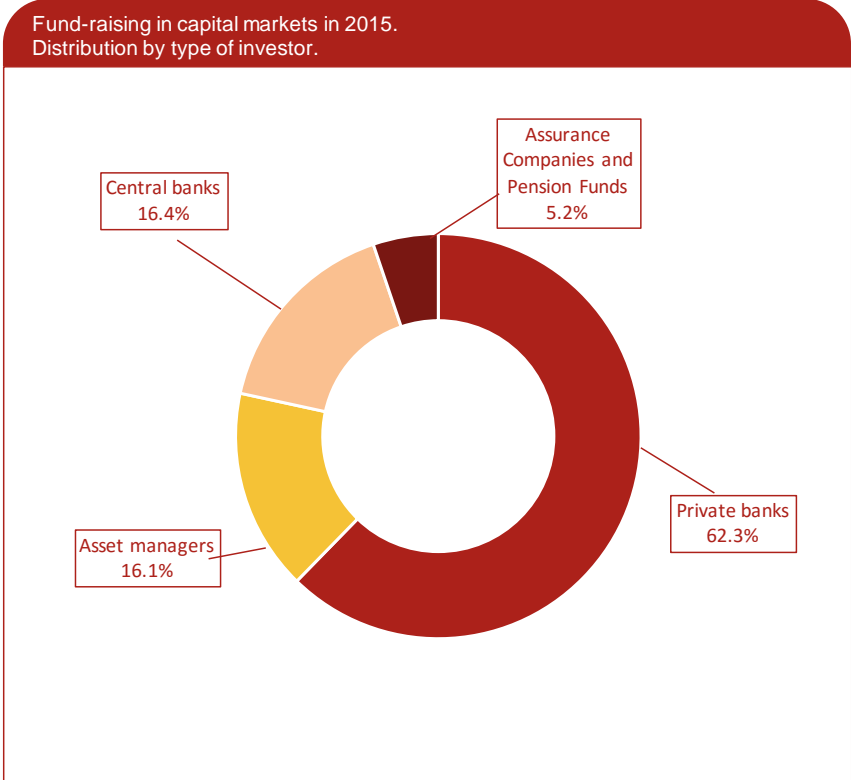
93.6% of issues have been placed with foreign investors, compared to 80.1% in 2014 and 47.2% in 2013, thus confirming the return to normal of capital markets for Spanish issuers.

Amongst the markets on which debt has been issued, the US (41.8%) and Germany (22.0%) are worth particular mention.



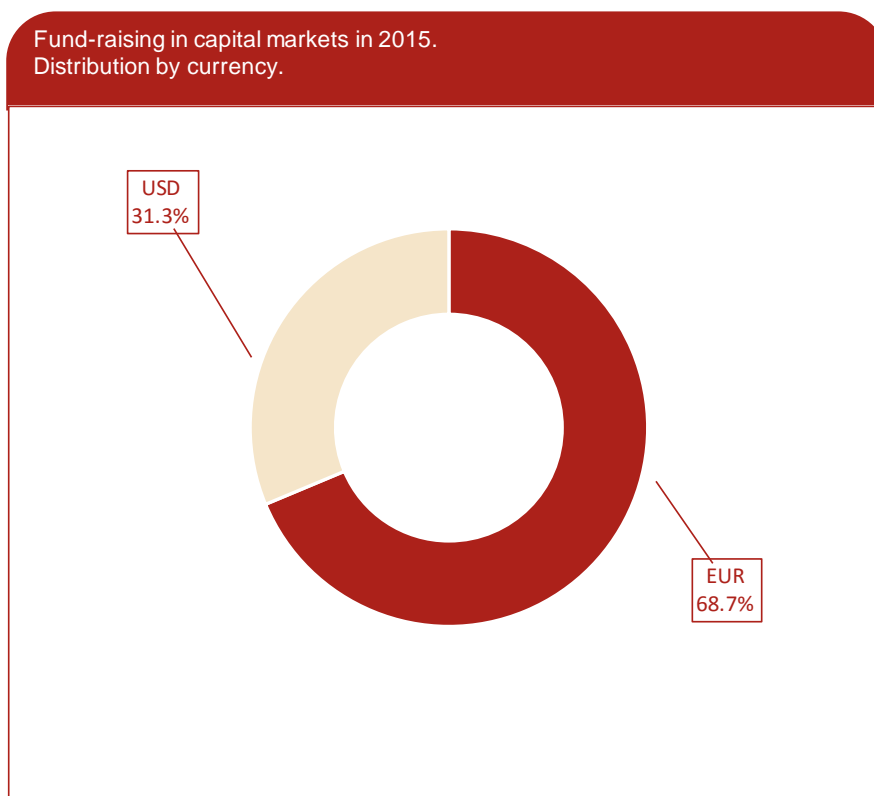
In terms of distribution by investor type, private banks are noteworthy, accounting for 62.3%, in addition to central banks, which accounted for 16.4% of funds raised in 2015.

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When broken down by currency, 68.7% was issued in euros and the remaining 31.3% in dollars (USD).



## ***First Spanish issuer to issue benchmark social bonds***

In January 2015, ICO issued the first social bond in Spain in the amount of €1 billion, the largest amount issued to date in the euromarket. As a result of this issue, ICO has placed itself at the forefront in terms of using the most innovative capital-market instruments

Social bonds form part of what are known as "Sustainability Bonds" in the international capital markets. This type of bond issue is used to finance operations that generate a positive social or environmental impact.

The funds raised by the social bond serve to create or preserve employment in the most economically disadvantaged regions of Spain. ICO, through its second-floor facilities, is committed to financing SMEs

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located in regions with GDP per capita below the national average, highlighting the social impact that the Institute's lending activities have on Spanish SMEs.

The issue raised significant interest amongst investors, with strong levels of diversity noted both in the type of investor and their geographic location.

## ***Maintenance of external financing on preferential terms***

In addition to financing on capital markets, in 2015 we also placed increased emphasis on obtaining loans from international financial institutions and multilateral organisations. These agreements have made it possible to reduce the cost of ICO financing, which translates to lower interest rates for companies receiving loans through second-floor facilities. Thus, ICO has expanded the Spanish economy's access to financing on preferential terms.

In 2015, €2.107 billion were contracted through bilateral loans with multilateral organisations and foreign institutions similar to ICO: the European Investment Bank (€1.967 billion) and the Council of Europe Development Bank (€140 million).

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## C. TRANSACTIONS MANAGED FOR THE STATE

ICO, as a State Financial Agency, manages certain transactions on behalf of the State, under instructions from the Government. The Institute arranges and manages these transactions and performs all related financial activities.

These transactions are booked separately and their balances do not form part of ICO's financial statements.

In 2015, ICO continued to foster this role as a State Financial Agency, with a 35.0% increase in the volume of funds managed compared to the previous year. At year-end, the outstanding balance amounted to €141.016 billion, more than two and a half times the 2012 balance.

Funds managed for the State. Outstanding balance at the end of the year (millions of euros)				
	2015	2014	2013	2012
Regional Governments Financing Fund	125,674	-	-	-
Local Authorities Financing Fund	7,217	-	-	-
Regional Liquidity Fund (FLA) <sup>(*)</sup>	-	62,443	39,091	16,656
Fund for Financing Payments to Suppliers (FFPP) <sup>(*)</sup>	-	33,842	33,342	27,372
Companies Internationalisation Fund (FIEM)	5,240	5,169	5,115	5,168
Reciprocal Interest Adjustment Agreement (CARI)	2,126	2,339	2,703	2,761
Fund for the Promotion of Development (FONPRODE)	756	670	812	833
Water and Sanitation Cooperation Fund (FCAS)	2	-	546	506
<b>TOTAL</b>	<b>141,016</b>	<b>104,463</b>	<b>81,608</b>	<b>53,296</b>

(\*) The Regional Liquidity Fund and the Fund for Financing Payments to Suppliers have been merged in the new Local Authority and Regional Governments Financing Funds, pursuant to the provisions of Royal Decree-Act 17/2014, of 30 December.

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## REGIONAL GOVERNMENTS FINANCING FUND (FFCCAA)

Royal Decree-Act 17/2014, on financial sustainability measures for the regions and local authorities, created the Regional Governments Financing Fund as a mechanism to support the liquidity of the regions of Spain. Furthermore, this Royal Decree-Act ended the Regional Liquidity Fund (FLA) and the Fund for Financing Supplier Payments (FFPP). FLA and FFPP assets corresponding to the regions of Spain have been transferred to the new FFCCAA fund, which succeeds the former funds in all rights and obligations.

In the aforementioned Royal Decree-Act, ICO is designated the financial manager of the Fund and is responsible, in addition to other duties, for arranging financial transactions with the regions of Spain and providing technical instrumentation, accounting, cash, payment-agent and monitoring services, in addition to other financial services relating to authorised transactions charged to the Fund.

In 2015, 1.4 million invoices were paid to more than 108 companies for a total of €17.258 billion, charged to the FFCCAA. The outstanding balance of the Fund at 31 December 2015 came to €125.674 billion.

## LOCAL AUTHORITIES FINANCING FUND (FFEELL)

Royal Decree-Act 17/2014, also created the Local Authorities Financing Fund, with a view to providing liquidity and ensuring the financial sustainability of local councils by serving their financing needs. This fund has been endowed with the assets corresponding to local authorities from the now defunct Fund for Financing Supplier Payments (FFPP). Furthermore, ICO has been appointed as the financial agent for the fund, with the same responsibilities as those stipulated for the FFCCAA.

At 31 December 2015, the outstanding balance of the FFEELL was €7.217 billion.

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## COMPANIES INTERNATIONALISATION FUND (FIEM)

The Companies Internationalization Fund (FIEM) is the official support instrument for the internationalisation of Spanish companies, promoting export activities and direct Spanish investment abroad. The Fund is managed by the State Secretariat for Trade, which reports to the Ministry of Economy and Competitiveness, and which complements private market activities. The Fund achieves this by financing projects at concessionary or market terms, on a repayable basis, involving the acquisition of Spanish goods and services or the execution of investment projects of Spanish or national interest.

ICO executes the corresponding credit, loan or donation agreements linked to the FIEM, in representation of the Spanish government and on behalf of the State. Furthermore, it provides technical instrumentation, accounting, cash, payment-agent and control services, in addition to a whole range of financial services linked to authorised operations charged to the FIEM.

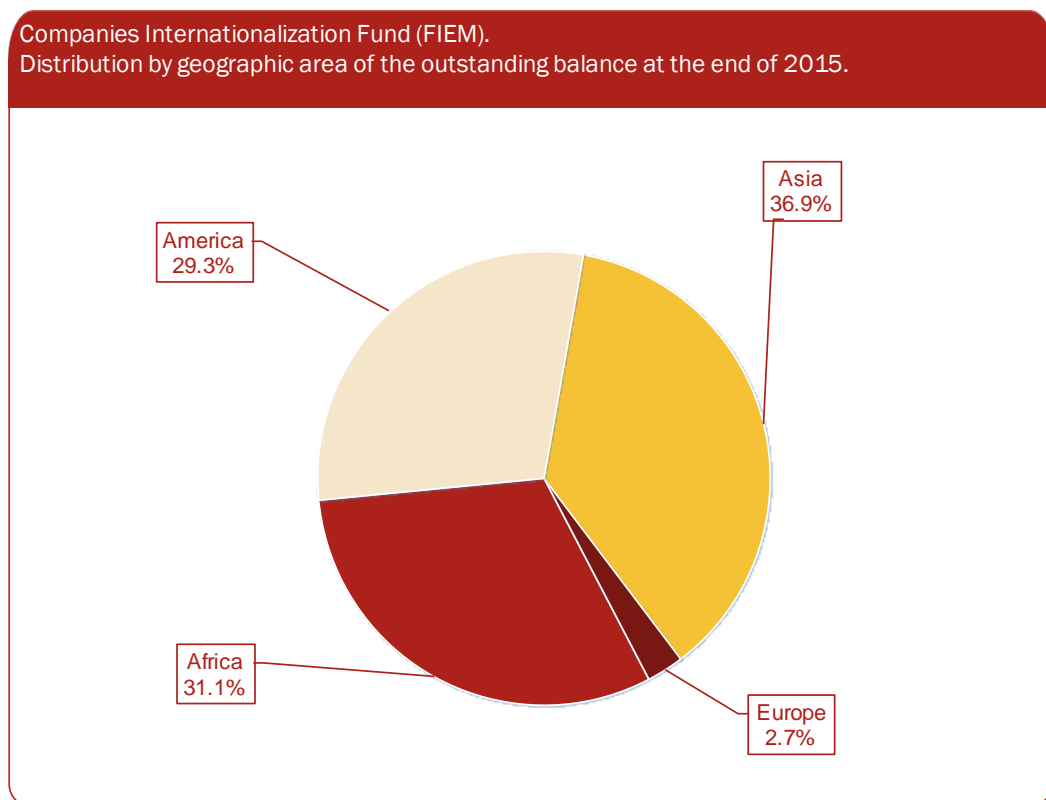
In addition to internal management tasks, ICO provides advice to the Ministry of Economy and Competitiveness in certain international forums: the Paris Club, the Export Credit Group with official support from the Council of Europe and the Group of OECD Participants.

In 2015, 21 operations were formalised for the amount of €328 million and charged to the FIEM, an increase of 332% on the previous year.

Companies Internationalization Fund (FIEM). Transactions approved and arranged in the year (millions of euros)	
	2015
Loans approved	179
Loans formalised	328

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The outstanding balance of the credit portfolio at 31 December 2015 was €5.24 billion, corresponding to 835 operations, distributed geographically as shown in the following chart:



## RECIPROCAL INTEREST ADJUSTMENT AGREEMENT (CARI)

CARI is a financial instrument similar to an interest rate insurance policy, the purpose of which is to promote Spanish exports, fostering the granting of long-term credit at a fixed interest rate by financial institutions.

The interest adjustment contracts assure lenders receipt of a certain net interest on the outstanding balance of each loan received into the system, eliminating the risks arising from the difference between the fixed rate of the loan and the cost conventionally attributed to the resources that it finances. When the difference is negative, the State, through ICO, pays these lenders the amount of said difference. When the result is positive, the lenders deposit the calculated differences with ICO.



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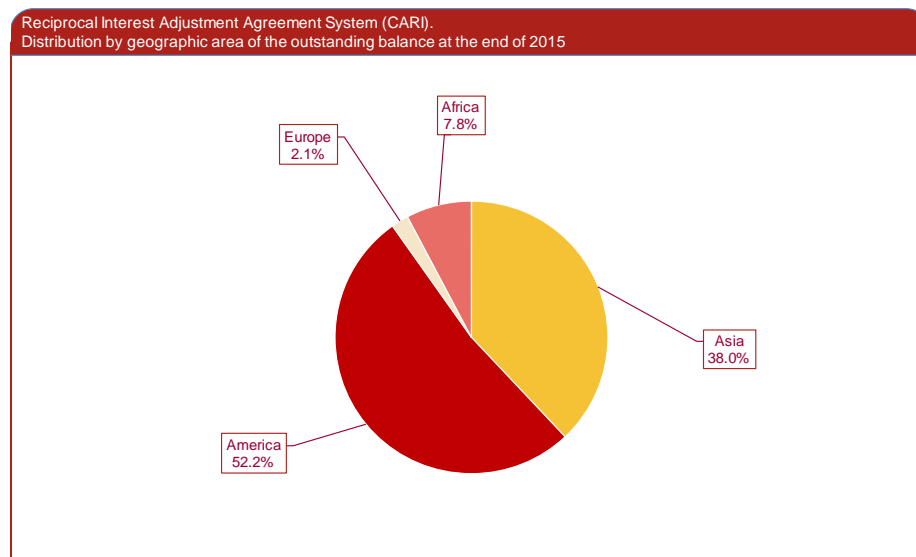
This financial instrument offers flexibility to the bank and the exporter, as it adapts to the construction period, the disbursement period, the number of disbursements and the repayment schedules. On the other hand, there is always listing regardless of the currency used or the size of the transaction; in addition, it is covered by CESCE (Spanish export credit insurance company).

One of the conditions necessary for use of the system is that the interest rates set for the operations by lending institutions are those listed in the Consensus of the Organisation for Economic Cooperation and Development (OECD).

CARI activities have increased notably in recent years. In 2015, CARI transactions were arranged in the sum of €234 million, compared to €22 million in 2014.

Reciprocal Interest Adjustment Agreement System (CARI). Transactions approved and arranged in the year (millions of euros).	
	2015
Transactions approved	362
Transactions arranged	234

The outstanding balance of the CARI portfolio at 31 December 2015 came to €2.126 billion. Of the total portfolio, 76.5% corresponds to operations signed in dollars and 23.5% in euros. The geographic distribution of transactions is shown in the following chart:



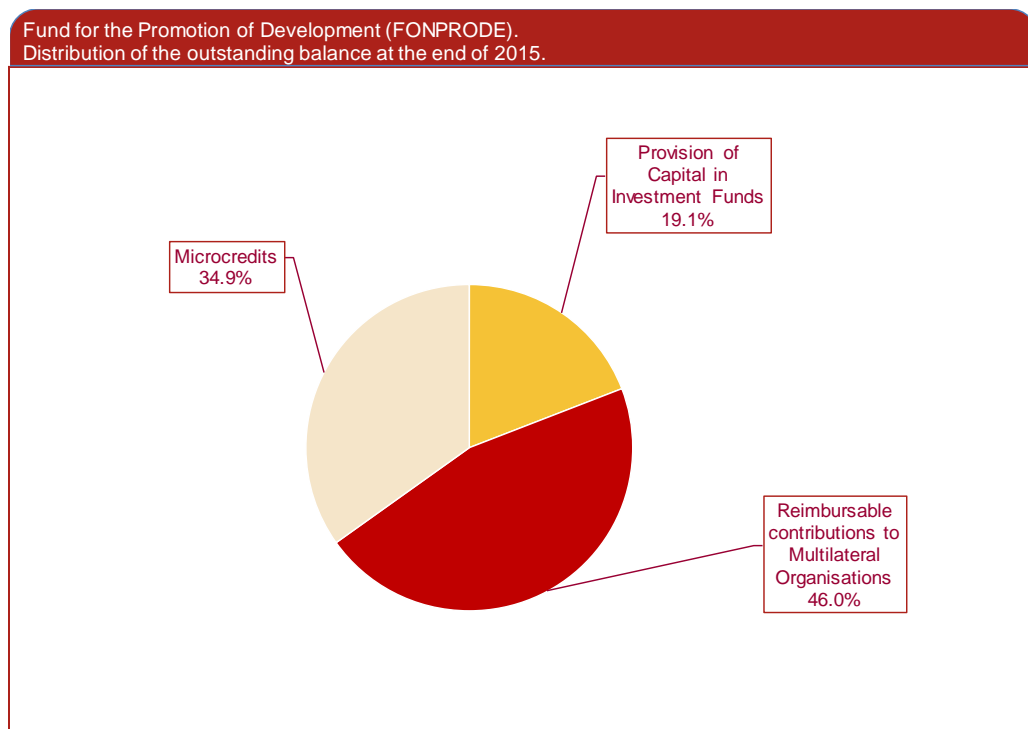
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## FUND FOR THE PROMOTION OF DEVELOPMENT (FONPRODE)

The Fund for the Promotion of Development is a development cooperation instrument managed by the Ministry of Foreign Affairs and Cooperation through the Spanish Agency for International Development Cooperation (AECID), which forms part of the Secretariat of State for International Cooperation. The purpose of FONPRODE is to eradicate poverty, reduce inequalities and social inequities between individuals and communities, promote gender equality, the protection of human rights and the promotion of sustainable growth in developing countries. These objectives are attained by granting microcredit transactions, refundable contributions to multilateral organisations and the provision of capital through investment funds.

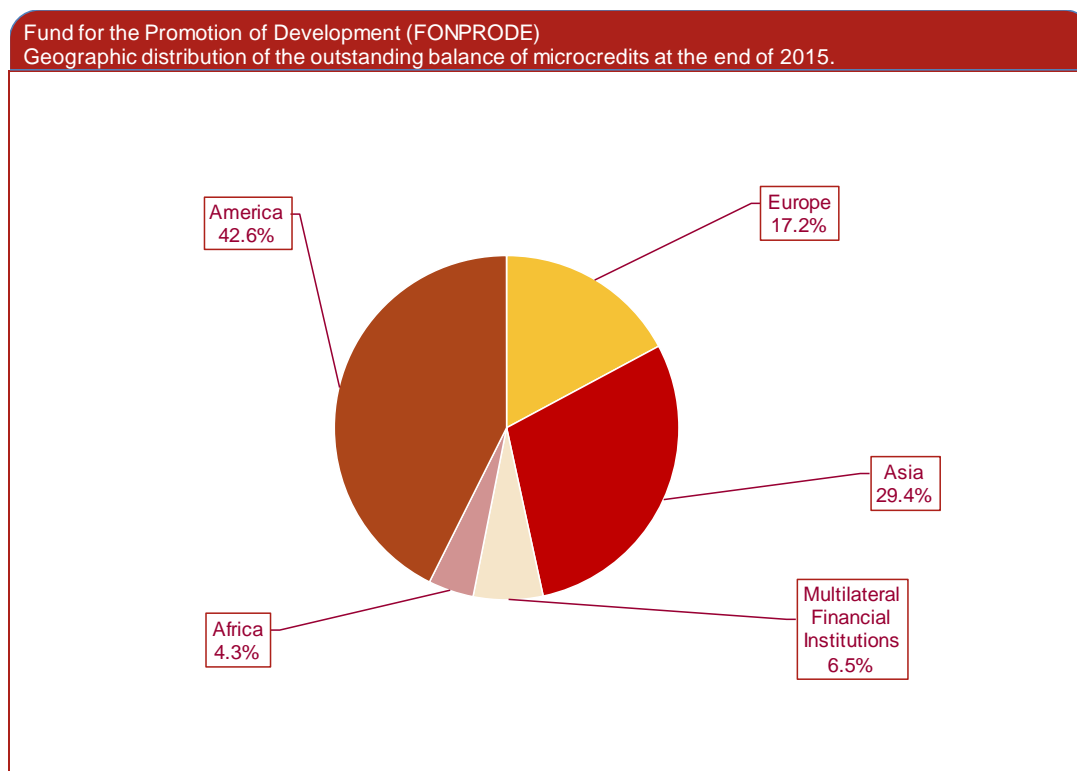
ICO acts in representation of the Spanish government and on behalf of the State, formalising the agreements entered into with beneficiaries. It provides technical instrumentation, accounting, cash, payment-agent and control services, in addition to a whole range of financial services linked to authorised operations charged to FONPRODE.

The outstanding balance of the FONPRODE loans portfolio at 31 December 2015 came to €756 million, as follows:



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The geographic distribution of microcredits is as follows:



## WATER AND SANITATION COOPERATION FUND (FCAS)

Law 51/2007, of 26 December, on the General State Budget for 2008 created the Water and Sanitation Cooperation Fund (FCAS) as an instrument that sought to finance activities, within international development cooperation policies, with a view to facilitating access to water and sanitation to the public in Latin American countries. The Fund is managed through the Directorate of Sector and Multilateral Cooperation of the Spanish Agency for International Development Cooperation (AECID).

The main purpose of the Fund is to contribute to access to water and sanitation as an essential element for social development and human well-being. To fulfil this purpose, non-refundable aid charged to the Fund may be granted, as may loans under the co-financing system with national authorities in beneficiary countries, with supranational organisations or private institutions.

Instituto de Crédito Oficial executes the corresponding FCAS financing agreements, in representation of the Spanish government and on behalf of the State. It also provides technical instrumentation, accounting, cash, control and collection and recovery services, in addition to a whole range of financial services linked to authorised operations charged to the Fund.

## D. INVESTMENTS IN CAPITAL, QUASI-CAPITAL AND GUARANTEE FUNDS

In 2015, ICO also focused its activities on the development and consolidation of new products providing an alternative to traditional banking products, improving access to credit for companies and contributing to the structured deleveraging of the Spanish business sector. In this regard, in 2015, ICO promoted the various funds in which it invests, some managed through its 100% holding, Axis Participaciones Empresariales S.G.E.I.C., S.A.U., others by the Institute itself or other institutions or companies.

Axis, ICO's wholly owned venture capital entity, is one of the most active operators in the market. It has come a long way since its foundation and first entry in 1986, consolidating itself as the benchmark institution in its sector. Axis has invested more than €400 million in more than 160 companies and funds. Its main objective has always been based on maintaining the financial balance of the funds it manages at all times to ensure their continuity. Axis offers companies a wide range of capital and quasi-capital instruments to finance their growth. Currently, it manages the following funds: FOND-ICO Global, FOND-ICOpyme and FOND-ICOinfraestructuras. ICO is the sole participant in these funds.

### FOND-ICO Global

The first fund of funds financed with Spanish public capital, responding to one of the main concerns in the venture capital sector, which was asking for greater public sector involvement in alternative funding channels to bank financing for businesses. This initiative is part of the measures in the “Economic Stimulus and Enterprise Support Plan” approved by the Government in February 2013.

The purpose of this fund is to promote the creation of privately managed venture capital funds which invest in companies at all stages of development. From the outset, this fund has been based on the principles of private fund management and a broad spectrum of investments, both in terms of the development stage of the companies and the sectors they operate in.

The fund invests in projects that combine innovation and entrepreneurship by investing in companies at their initial stage of development, in addition to those that have reached a higher degree of maturity. Indirectly, FOND-ICO Global seeks, in particular, to promote the creation of employment, attract international investors and drive the internationalisation of Spanish companies.

Given the positive evolution of the fund, the large number of applicants and its significant contribution to revitalising the venture capital sector in Spain, its original allocation was increased by €300 million from €1.2 billion to €1.5 billion in November 2015.

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The funds' selection process undertaken by Axis, is structured under the basic principles of public tender processes: advertising, competition, equality and transparency. For the purposes of selection, public tenders are run, inviting funds to apply to participate in the categories into which the initiative is divided. At the end of 2015, five calls had been completed and the sixth had been launched.

Investment commitments amounting to €876 million in a total of 35 national and international funds have been approved in the five completed calls. Of these: 14 are in the *Capital Expansion* category, 13 in *Venture Capital*, 6 in *Incubation* and 2 in *Debt*. These funds mainly invest in SMEs, in any sector and stage of development, from the seed, start up and development phases, through to growth and internationalisation. At the end of 2015, these funds had invested in 143 companies, of which 83.2% were SMEs and 90.2% were Spanish companies.

In turn, the selected funds will invest around €3.2 billion in Spanish companies, with the total investment commitment amounting to over €10 billion.

FOND-ICO Global (millions of euros)			
Calls	Target Fund	Target investment volume in Spain	Commitment FOND-ICO Global
December 2013	685	660	189
May 2014	3,785	665	248
November 2014	4,125	669	194
March 2015	756	573	124
November 2015	650	606	121
<b>TOTAL</b>	<b>10,001</b>	<b>3,173</b>	<b>876</b>

This instrument has revitalised venture capital in Spain, and has gained the recognition in the sector itself. In July 2015, at the 8th Venture Capital Awards (organised by ASCRI, Deloitte and the IESE Business School), FOND-ICO Global received the “*Driving Venture Capital*” Award of Honour for its contribution to dynamising the sector in Spain.

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## FOND-ICOpyme, FCR.

The FOND-ICOpyme Venture Capital Fund has maximum available resources of €250 million and matures in 2022. This is a general-purpose fund focusing mainly on companies which, having reached a certain degree of maturity, wish to finance their expansion, growth and/or internationalisation, and, to a lesser extent, companies in early stages which, having survived the initial stages, need resources to continue their development.

Through FOND-ICOpyme, Axis has supported companies in their expansion plans for almost 30 years, promoting the development of the business sector, the creation of employment and dynamism of the economy. It seeks to mobilise the greatest amount of private sector resources possible. The fund's resources are employed in two ways to enhance efficiency. On the one hand, it uses direct investment to facilitate the long-term growth of companies that are leaders in their market segment, applying financial criteria without replacing the entrepreneur/management team. This is done mainly on a co-investment basis. On the other hand, it is also indirectly present in the funds in which FOND-ICOpyme participates, to attain greater reach in the distribution of its resources.

Among others, FOND-ICOpyme is involved in internationalisation projects or those with a strong innovative component, regardless of the sector to which they belong.

FOND-ICOpyme, FCR Portfolio of arranged investments Balance at 2015 (millions of euros)	
	Amount (millions of euros)
Capital (shares and holdings)	36
Participating loan agreements	14
Venture capital entities	49
<b>TOTAL</b>	<b>98</b>

Additionally, in order to cover the even earlier phases associated with entrepreneurship, in 2012, FOND-ICOpyme, together with the EIF and NEOTEC initiative, formed the “Fondo Isabel La Católica - European Angels Fund” to support Business Angel investment. This fund was established with an original amount of €30 million. It is managed by the European Investment Fund. 2015 was a year of consolidation, with co-investment agreements with seven Business Angels, which invested €11.5 million in 21 companies.

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## FOND-ICOinfraestructuras, FCR

This fund was established with maximum available provisions of €250 million and matures in 2034. This fund invests primarily in sustainable greenfield transport infrastructure projects, and energy and environmental projects, both in Spain and abroad. The fund's original mission was to mitigate the gap between banking finance and internal funds for such projects.

The objective of FOND-ICOinfraestructuras is to contribute to the development, construction and co-management of infrastructure projects, focusing on public-private partnership schemes.

In this sense, this fund's objectives include strengthening the capitalisation of projects accompanying minority interests in capital or quasi-capital in infrastructure management companies. It acts over a stable long-term investment commitment horizon and under market profitability criteria.

In 2015, this fund participated in the financing of energy, highway and infrastructure projects in Colombia and Chile involving Spanish companies.

At 31 December 2015, FOND-ICOinfraestructuras was involved in six projects, having committed a total of €78 million, contributing to a total investment of €982 million. By sector, 41% of the investment has been allocated to transport projects, 38% to social infrastructure projects and the remaining 21% to energy projects.

## JEREMIE FUND

ICO manages the JEREMIE (Joint European Resources for Micro to Medium Enterprises) Fund, which was created in December 2009. This Fund comes under the ERDF operating programme, and is an initiative promoted by the European Commission in order to facilitate the use of structural funds to fund RD&I activities carried out by companies. The initial provisions of the Fund were €70 million, €47 million of which were contributed by the European Union through the Technological Fund, the remainder coming from ICO.

The Fund, which matured on 31 December 2015, was designed to establish a guarantee facility for offering bank endorsements to companies that carry out RD&I projects qualifying for aid from the Centre for Industrial Technological Development (CDTI) in the framework of the Technological Fund. Thanks to this guarantee facility, advances have been offered to beneficiary companies so they can get access to up to 75% of financing right from the start of the project.

Since the start of the fund's activities, 692 projects have been arranged for a sum of €222 million.

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## OTHER CAPITAL FUNDS

ICO also contributes different amounts to the following capital funds:

- **Fons Mediterrània Capital**, a venture capital fund with a general and diversified investment mission, carrying out investment operations in Morocco, Tunisia and Algeria. It is currently in the process of divestment.
- **FC2E, Carbon Fund for Spanish Companies**, promoted by Instituto de Crédito Oficial and Santander Investment. It is the first mixed-capital carbon fund managed in Spain. It was created to help Spanish companies comply with greenhouse gas emissions regulations.

To achieve this objective, the fund supports clean projects carried out in emerging countries under the mechanisms established in the Kyoto Protocol, i.e., the Clean Development Mechanism (CDM) and Joint Implementation (JI) by buying the carbon credits generated by these projects.

- **Post-Kyoto Carbon Fund**, created in 2008 by five European public financial institutions: European Investment Bank, Caisse des Dépôts, Instituto de Crédito Oficial, KfW Bankengruppe and the Nordic Investment Bank. Its objective is to buy and sell carbon credits generated after 2013 by significant environment projects. Its liquidation began in April 2015.
- **Marguerite Fund**, a European capital fund, designed to mitigate the lack of capital in the European infrastructure projects market. Currently, an expansion to the sectors and products covered is being discussed to adapt the fund to current market weaknesses and the “*Juncker Plan*”. ICO handles the investment of the Spanish Treasury in this fund.

The Marguerite Fund is managed by an independent team in charge of identifying and evaluating potential investments in the following sectors:

- Transport: the Trans-European Transport Networks, in particular.
- Energy: with a special focus on the Trans-European Energy Networks.
- Renewable energy: production of sustainable energy, clean transport infrastructures, energy distribution and systems for hybrid, geothermal, biomass, biogas, hydraulic energy transport and projects for converting waste into energy.



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## E. INVESTMENTS IN COMPANIES

Instituto de Crédito Oficial owns shareholdings in the companies listed below.

- It 100% of the capital of **Axis Participaciones Empresariales S.G.E.C.R, S.A.U.**, manager of venture capital funds incorporated in 1986.
- It has a 24.15% capital holding in **Compañía Española de Reafianzamiento, S.A (CERSA)**. CERSA is a state-owned trading company, under the Ministry of Industry, Energy and Tourism. Its activity is based on refinancing or partial coverage of risk assumed by the Mutual Guarantee Societies with small and medium-sized companies that require additional guarantees to solve their financial problems, prioritising the financing of investments and innovative projects, as well as micro companies and new or recently created companies.
- ICO owns 20.31% of the share capital of **Compañía Española de Financiación al Desarrollo, S.A (COFIDES)**. Its purpose is to provide medium- and long-term financing for viable private investment projects abroad where there is a Spanish interest of some kind, to help with profitability criteria, both in the development of the countries receiving investments as well as the internationalisation of the economy and Spanish companies.
- 50% stake in the capital of **EFC2E Gestión**. This organisation is engaged in the management of the assets of the Carbon Fund for Spanish Companies (FC2E).

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## F. BALANCE SHEET AND INCOME STATEMENT FOR THE YEAR

Total assets at the end of 2015 amounted to €62.173 billion. ICO is the seventh largest Spanish credit institution by asset volume.

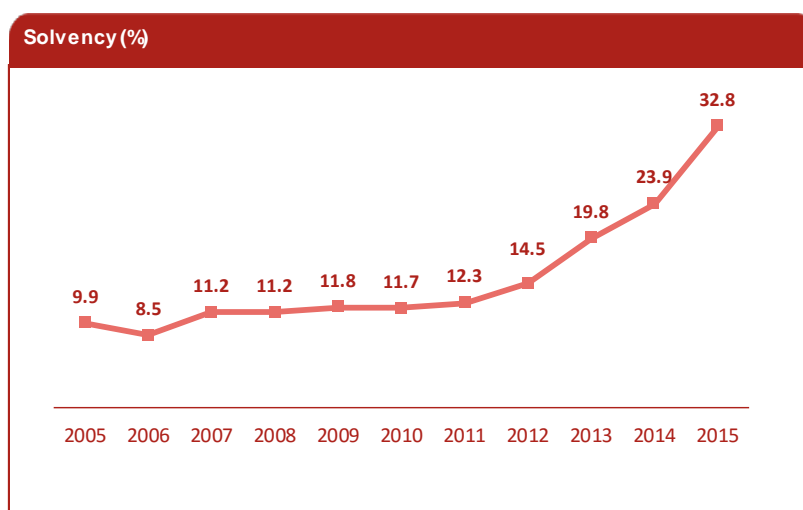
Balance sheet Balance at year-end (millions of euros)	
	31/12/2015
Cash and deposits with central banks	60
Trading portfolio	154
Financial assets available for sale	1,991
Loans and receivables	46,986
Held-to-maturity investment portfolio	10,811
Hedging derivatives	1,755
Non-current assets for sale	-
Shareholdings	44
Tangible and intangible assets	93
Other assets	278
<b>Total Assets</b>	<b>62,173</b>
Trading portfolio	149
Financial liabilities at amortised cost	56,051
Hedging derivatives	272
Provisions	336
Other liabilities	45
<b>Total Liabilities</b>	<b>56,853</b>
Own Funds	5,266
Valuation Adjustments	54
<b>Total Net Equity</b>	<b>5,320</b>
<b>Total Net Equity and Liabilities</b>	<b>62,173</b>

The outstanding balance of ICO's loans and receivables amounts to €46.986 billion, with a non-performing loan ratio 8.8% , which is below the sector average (10.1%), and a coverage ratio of 134.4%, comfortably above the sector average (59.2%).

The Institute's own funds come to €5.266 billion and are of the highest quality: capital and reserves it has generated itself. It has not issued any hybrid debt instruments. In 2015, capital increased by €350 million to €4.312 billion.

The Institute's solvency ratio at the end of the year stood at 32.8%, significantly higher than at the end of 2014 and comfortably above regulatory minimums.

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**Income Statement by margins.**  
Balance at the end of the year (millions of euros)

	31/12/2015
Interest received and similar income	1458
Expenses and similar charges	(1,359)
Net Interest Income	99
Other products and ordinary costs	(13)
Gross margin	86
Labour cost	(20)
Other general administration charges	(15)
Amortisation	(5)
Allocations to provisions (net) and losses due to the deterioration of financial assets	12
Operating income	59
Losses due to impairment of other assets	(0)
Other profit and loss	0
Pre-tax income	59
Tax on profits	(17)
<b>PROFIT FOR THE YEAR</b>	<b>42</b>

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## G. HUMAN RESOURCES

Instituto de Crédito Oficial is a credit institution and must always be ready to adapt to the evolution of the financial sector, marked by increased competition, unification of markets and new technological challenges. To fulfil its role as State Financial Agency, the Institute must be able to address the challenges that are demanded from the various social agents with a total guarantee of success.

### CHARACTERISTICS OF THE WORKFORCE

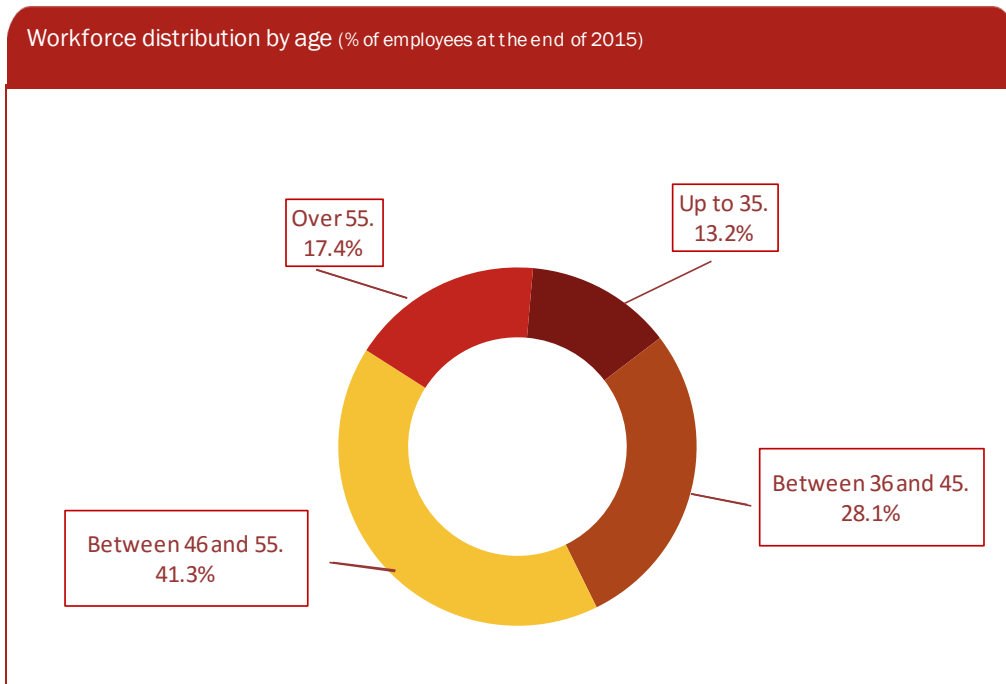
At 31 December 2015, the ICO workforce consisted of 317 employees. Distribution by professional groups is reflected in the following table:

Workforce distribution by professional groups (No. of employees at end of 2015)		
	No. Employees	%/Total employees
Management team	14	4.4%
Middle management	45	14.2%
Technical staff	203	64.0%
Clerical staff	55	17.4%
<b>TOTALS</b>	<b>317</b>	<b>100.0%</b>

The level of professionalism of ICO employees is very high: excluding the management team, 78.2% of the staff are in the professional expert category.

The average age of the workforce is 46.7. 69.4% of the employees are in the range of 36 to 55 years old. Women account for 61.2% of the workforce and 35.7% of senior management positions.

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## TRAINING AS A LEVER FOR PROFESSIONAL DEVELOPMENT

In 2015, ICO maintained its commitment to education and training as a key tool for improving the skills, abilities and development capabilities of its workforce. This training strategy is aligned with ICO's overall objectives, focusing on supporting the internationalisation and specialisation of ICO as a financial institution and facilitating improvements in its management as a State Financial Agency.

### ***On average, each employee received 52 hours of training in 2015***

In 2015, 274 training measures were run in different fields, with an emphasis on language programmes and workplace-specific training.

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No. of training measures during 2015		
	No. measures	%/Total
Languages	148	54.0%
Training in the post	97	35.4%
New technologies	19	6.9%
Training for development	2	0.7%
Skills training	6	2.2%
Conferences	2	0.7%
<b>TOTAL</b>	<b>274</b>	<b>100.0%</b>

These training actions involved 15,045 classroom hours and 923 individuals.

Number of hours of training broken down by training areas during 2015			
	Attendees	Hours	% hours/total
Languages	291	9,767	65%
Training in the post	408	2,664	18%
New technologies	110	1,377	9%
Training for development	2	291	2%
Skills	69	849	6%
Conferences	43	96	1%
<b>TOTAL</b>	<b>923</b>	<b>15,045</b>	<b>100%</b>

## WORKFORCE EXCHANGE COLLABORATION AGREEMENTS

As part of the professional development of the Institute's employees, ICO has signed temporary workforce exchange agreements with similar institutions and multilateral organisations. The objective of this initiative is to increase knowledge of the working procedures of such organisations and institutions, improve institutional relations and broaden experience for the common good.

Within the framework of these agreements, 15 workforce exchanges were carried out in 2015 with the German KfW Bankengruppe (Kreditanstalt für Wiederaufbau), the Italian CDP (Cassa Depositi e Prestiti), and the EIF (European Investment Fund).

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## MANAGEMENT BY OBJECTIVES SYSTEM

In 2007, the Management by Objectives (MBO) system was implemented at ICO to establish a system for defining, implementing and monitoring the Institute's objectives. Work continued on its development in 2015, making it possible to measure the contribution of each employee to reaching our objectives and reward their efforts by means of a pre-defined variable remuneration scheme

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## APPENDICES

### APPENDIX I FINANCING INVESTMENTS IN SPAIN

Direct loans and second-floor facilities arranged in the year.  
Distribution by regions, depending on the geographic location of the investment.

€ Millions

	Total	Second-floor facilities	Direct loans
Andalusia	969	959	10
Aragon	216	216	-
Asturias	195	195	-
Balearic Islands	192	192	-
Canary Islands	293	293	-
Cantabria	62	62	-
Castile-La Mancha	226	226	-
Castile and León	485	432	52
Catalonia	1,122	1,122	-
Ceuta	7	7	-
Valencian Community	737	737	-
Extremadura	86	82	4
Galicia	364	364	-
La Rioja	42	42	-
Madrid	1,180	1,109	70
Melilla	8	8	-
Navarra	74	74	-
Basque Country	268	268	-
Murcia	175	175	-
National (*)	535	-	535
<b>TOTAL</b>	<b>7,237</b>	<b>6,565</b>	<b>671</b>

(\*) Loans for which more than one region is the destination of the investment.



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## APPENDIX II

### SECOND-FLOOR FACILITIES

Value of loans made available in the year. Distribution by purpose

€ Millions

2015	Companies and entrepreneurs		Internationalisation	
	Amounts Made Available	%/total	Amounts Made Available	%/total
Agriculture, Livestock, Forestry and Fishing	438	6.7%	132	4.3%
Mining	38	0.6%	20	0.6%
Food industry	283	4.3%	355	11.4%
Textile industry	136	2.1%	199	6.4%
Paper industry	82	1.2%	37	1.2%
Chemical industry	137	2.1%	181	5.8%
Mfg. IT, Elect. and optical products	23	0.3%	29	0.9%
Other manufacturing industries	409	6.2%	703	22.6%
Power, electricity, gas and water	88	1.3%	23	0.7%
Construction	375	5.7%	52	1.7%
Wholesale trade	892	13.6%	861	27.7%
Retail trade	611	9.3%	38	1.2%
Transport and storage	810	12.3%	220	7.1%
Hospitality	483	7.4%	24	0.8%
Information, communication and artistic and recreational activities	267	4.1%	35	1.1%
Financial, professional and scientific activities	719	10.9%	169	5.5%
Real Estate activities	314	4.8%	15	0.5%
Education	71	1.1%	4	0.1%
Health and social services	181	2.8%	3	0.1%
Other services	207	3.2%	6	0.2%
<b>TOTAL</b>	<b>6,565</b>	<b>100.0%</b>	<b>3,106</b>	<b>100.0%</b>

- "SMEs and Entrepreneurs" includes the following facilities: ICO SMEs and Entrepreneurs, ICO SGR/SAECA Facility, ICO Retail Trade Facility, ICO Promissory Notes and Bonds, ICO Film Production, ICO technological Fund and ICO Loyalty and Growth.

-"Internationalisation" includes the ICO International and ICO Exporters facilities.

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## APPENDIX III SECOND-FLOOR FACILITIES

Value of loans made available in the year. Distribution by region, depending on the corporate head office of the beneficiary.

€ Millions

2015	Companies and entrepreneurs	Internationalisation	Total	%/Total
Catalonia	1,122	410	1,532	15.8%
Madrid	1,109	269	1,378	14.3%
Valencian Community	737	525	1,263	13.1%
Andalusia	959	291	1,250	12.9%
Basque Country	268	367	634	6.6%
Galicia	364	241	605	6.3%
Castile and León	432	93	526	5.4%
Aragon	216	148	363	3.8%
Canary Islands	293	36	329	3.4%
Murcia	175	148	323	3.3%
Castile-La Mancha	226	95	322	3.3%
Asturias	195	108	303	3.1%
Navarra	74	167	241	2.5%
Balearic Islands	192	43	235	2.4%
Extremadura	82	52	134	1.4%
Cantabria	62	31	93	1.0%
La Rioja	42	35	78	0.8%
Other Countries <sup>(*)</sup>	-	46	46	0.5%
Melilla	8	0	8	0.1%
Ceuta	7	-	7	0.1%
<b>TOTAL</b>	<b>6,565</b>	<b>3,106</b>	<b>9,671</b>	<b>100.0%</b>

- "SMEs and Entrepreneurs" includes the following facilities: ICO SMEs and Entrepreneurs, ICO SGR/SAECA Facility, ICO Retail Trade Facility, ICO Promissory Notes and Bonds, ICO Film Production, ICO technological Fund and ICO Loyalty and Growth.

- "Internationalisation" includes the ICO International and ICO Exporters facilities.

(\*) Loans to companies residing abroad with mainly Spanish share capital.



PASEO DEL PRADO, 4 - 28014

[www.ico.es](http://www.ico.es)