

Investor Newsletter

ICO launches its fourth green bond to finance Spanish companies' sustainable projects

(May 2022)

Following the release of its 2021 green bond impact reporting, ICO printed its fourth green bond, a 500 million euros deal, with the aim of financing Spanish companies' sustainable projects that contribute to boosting the ecological transition in line with the objectives of the National Recovery, Transformation and Resilience Plan.

This operation brings the total volume of green bonds issued by ICO to 2 billion euros and strengthens its commitment to the development of the Green Bond market. Thanks to the funds raised with the 3 previous green bonds, ICO has so far funded 30 renewable energy and clean transport projects by Spanish companies, which have mobilized an investment of approximately 13 billion euros and will prevent the emission of more than 692,000 tons of CO2 per year.

The issue, launched in an environment of high volatility in the market, was well received, with a large participation of international accounts, among which 88% of the operation was distributed. The quality of the order book was also noteworthy, as 55% of the issue was placed among sustainable investors. At the closing, order books reached a demand of over 1.1 billion euros, which allowed the spread over the Treasury benchmark at the same maturity to be adjusted to 9 basis points, tightening by 3 basis points from the initial guidance. With a maturity of four and a half years, the deal offered investors a yield of 1.32% at issuance.



ICO held in Madrid the 6th edition of its Sustainable Bond Forum

(June 2022)



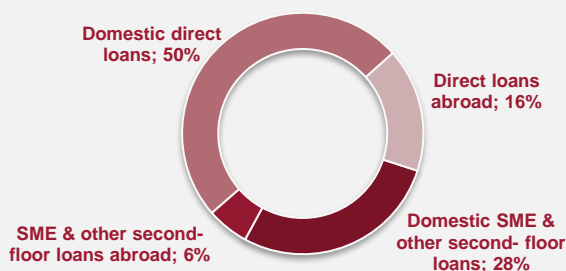
The 6th ICO Sustainable Bond Forum, organized by ICO in collaboration with BBVA, Crédit Agricole, HSBC, ING and Santander last June, brought together investors, issuers, banks, agencies and other industry experts in Madrid, to analyze not only the current situation but also the new opportunities that arise in the green, social and sustainability bond market.

The chairman of ICO, José Carlos García de Quevedo, and the Secretary General of the Treasury and International Financing, Carlos Cuerpo, opened this Forum on Sustainable Bonds, showing the public sector's support for the development of sustainable finance, which is a growing market that has become an efficient financing alternative.

After accumulating a total of 12 sustainable bond issues (8 social and 4 green), ICO consolidates its leading position in the international social and green bond markets with a total amount issued of more than 6 billion euros since 2015 and more than 15 billion euros mobilized. Sustainable bond issues are one of the key instruments in ICO's sustainability strategy, which aims to promote the financing of environmentally friendly and socially beneficial projects, in line with the priorities of the Spanish economy and the pillars of the Recovery, Transformation and Resilience Plan.

ICO in figures

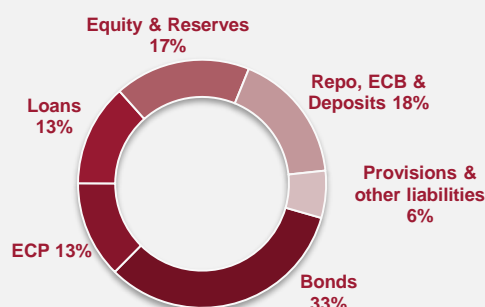
Loan Portfolio as at 30/06/2022



Financial Highlights

	2018	2019	2020	2021	30/06/2022*
Total assets (Mill. EUR)	36,237	31,823	34,386	37,766	33,756
Equity & reserves¹ (Mill. EUR)	5,246	5,257	5,202	5,354	5,789
Pre-tax profit (Mill. EUR)	112.91	149.25	97.55	171.70	122.52
Net interest income (Mill. EUR)	-96.54	-28.06	-10.63	104.55	57.07
Gross revenue (Mill. EUR)	55.23	90.53	88.22	181.86	98.70
Profitability ROA	0.28%	0.44%	0.29%	0.49%	0.70%
Tier I Ratio	40.54%	41.11%	37.21%	35.36%	34.63%
Non-Performing Loans					
Direct Loans	6.31%	4.72%	4.16%	3.81%	3.39%
Total loans incl. second floor loans	3.19%	2.43%	2.33%	2.33%	2.21%
Provision coverage ratio	154%	168%	145%	157%	160%
Efficiency					
Ordinary Expenditure/ATA	0.10%	0.12%	0.12%	0.13%	0.13%

Liabilities breakdown as at 30/06/2022



(1) Eligible capital for solvency purposes.
* 2022: Unaudited figures
Source: ICO

Funding Policy for 2022

- **Expected total funding in 2022: around EUR 4 bn**
- **Promotion of the sustainability bond market: further issuance of Social and Green Bonds**
- **EUR benchmark transactions**
- **Short to medium maturities**

Funding activity

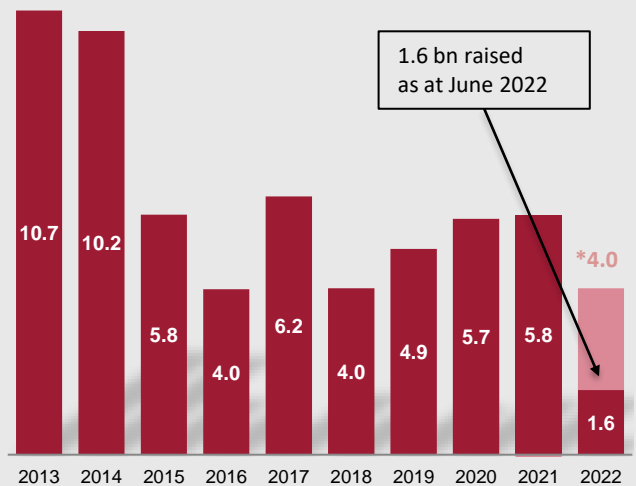
ICO enjoys the **guarantee** from the Kingdom of Spain which is defined in its bylaws as:

Explicit
Irrevocable
Unconditional
Direct

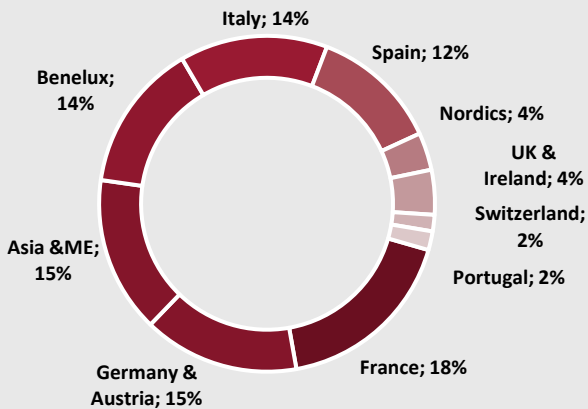
ICO's long term ratings

DBRS **A / Stable**
Fitch **A- / Stable**
S&P **A / Stable**
Moody's **Baa1 / Stable**

Funding Activity EUR bn

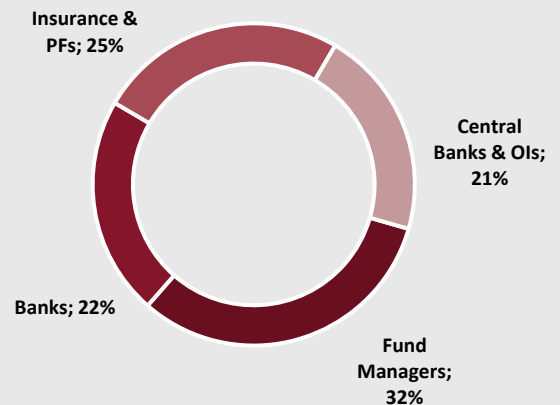


By region



Borrowing profile 2022 (benchmark transactions)

By investor type



Spanish Economy: latest figures and comments

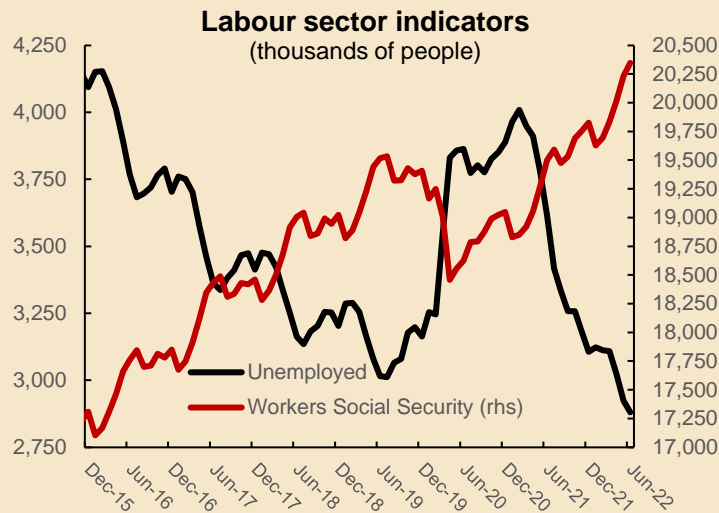
Employment has already **recovered its pre-pandemic level**, according to Social Security data. **Official records** reflect that the number of **workers reached 20.35 million people** in June 2022, a historical maximum high. The latter meant a growth rate of 4.3% yoy in June. Unemployment data is also in a positive trend, as the **number of unemployed people were 2.88 millions in June 2022**, the lowest since the end of 2008. Unemployment decreased at a rate of 20.3% yoy in June.

Besides employment, other indicators, such as **public sector income** through taxes, are **signaling the strength of the recovery**. Income from VAT grew until the end of May at a rate of 21.6% yoy, comparing the income of the first five months of 2021 with those of 2022. Overall public income grew by 16.6% in the period from January to May 2022, compared to the same period of 2021. This growth has occurred despite the rebates applied in several taxes to compensate the growth in inflation, specially in some energy related taxes.

The positive evolution of employment and income points to a continuation of growth in 2022, despite the uncertainty generated by the war in Ukraine and the surge of inflation. In accordance with the current global situation, growth in 2022 will be slightly below the 2021 growth rate. Nevertheless, **growth in Spain will be well above the growth in both the Euro Area (EA) and the European Union (EU)**. Spanish GDP will grow by 4.0% in 2022 and by 2.1% in 2023, according to the last forecast of the European Commission, well above the forecasts of the Commission for the EA and the EU.

The **Bank of Spain has also updated its macroeconomic forecast**. The expected growth for 2022 is very similar to the European Commission forecast but it provides more information about how this growth will be, which will be broadly balanced between domestic demand and net exports.

Inflation remains as one of the main economic concerns. CPI grew by 10.2% in June, but it is expected to moderate in the coming months, specially in 2023, when the Commission foresees that the average inflation will be well below the EA and the EU averages. The **Spanish Government has approved some measures in response to this inflation surge**, including rebates in taxes, linked to electricity supply, and discounts in both motor fuels and public transports. Spain, in coordination with Portugal and the EU institutions, has also approved a temporary gas price cap that is starting to help to contain electricity prices and, consequently, inflation.



Source: Ministry of Employment and Ministry of Social Security of Spain

	Real GDP (% change)			Consumer Prices (% change)		
	2021	2022	2023	2021	2022	2023
Spain	5.1	4.0	2.1	3.0	8.1	3.4
Euro Area	5.3	2.6	1.4	2.6	7.6	4.0
EU	5.4	2.7	1.5	2.9	8.3	4.6

Source: European Economic Forecast - Summer 2022

MAIN FEATURES OF SPAIN FORECAST

	2022	2023	2024
GDP real (% change)	4.1	2.8	2.6
Private Consumption Expenditure	1.4	4.9	2.8
Government Consumption Expenditure	-0.2	0.4	1.2
Gross Fixed Capital Formation	6.5	2.1	2.4
Exports	12.5	2.9	3.5
Imports	7.0	4.0	3.1
Domestic demand (contribution to GDP growth)	2.1	3.2	2.4
Net foreign balance (contribution to GDP growth)	2.0	-0.4	0.2
GDP nominal (% change)	7.2	5.8	5.0
Harmonised CPI	7.2	2.6	1.8
Total employment (worked hours % change)	4.6	1.5	1.1
Unemployment rate: % labour force	13.0	12.8	12.7
Net lending/borrowing of the Nation (% of GDP)	3.1	3.2	3.0
General Government lending/borrow. (% of GDP)	-4.6	-4.5	-4.2
General Government debt (% of GDP)	114.9	113.2	112.5

Source: Bank of Spain

Contact us

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Please contact us via e-mail with any queries or requests you may have: investors@ico.es

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