AUDIT OF CONSOLIDATED ANNUAL ACCOUNTS ICO - INSTITUTO DE CRÉDITO OFICIAL (CONSOLIDATED GROUP)

2023 Audit Plan - Financial Year 2022

AUDInet Code 2023/61

PUBLIC AUDIT DIVISION I

Free translation of the auditors' report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

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AUDITOR’S REPORT OF CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY THE COMPTROLLER GENERAL OF THE STATE ADMINISTRATION (IGAE)

To the Chairman of the General Council of the Instituto de Crédito Oficial:

Opinion

The Comptroller General of the State Administration (IGAE), using the powers conferred upon it by article 168 of the General Budget Law, has audited the consolidated annual accounts of Instituto de Crédito Oficial (hereinafter, the Parent Company or the Institute) and its subsidiaries (together, the Group), which comprise the consolidated balance sheet as at December 31, 2022, and the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated notes thereto for the year then ended.

In our opinion, based on our audit and the report of the other auditors listed in Appendix I, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group, and its consolidated results and cash flows for the year then ended, in accordance with the regulatory financial reporting framework applicable to the Group (identified in note 1.2 of the consolidated annual accounts) and, in particular, with accounting principles and criteria set forth therein.

Basis for opinion

We conducted our audit in accordance with the audit regulations that apply to the Public Sector in Spain. Our responsibilities in accordance with these regulations are further described in the Auditor’s responsibilities for the audit of consolidated annual accounts section of our report.

We are independent of the Group in accordance with ethical and independence protection requirements that apply to our audit of the consolidated annual accounts for the Public Sector in Spain, as required by the regulations governing the audit activity of the Public Sector.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Estimated impairment losses of the portfolio of loans and advances</u>

The impairment estimate of Financial Assets at Amortised Cost is one of the most significant estimates in preparing the accompanying consolidated annual accounts.

To estimate credit risk allowances, provisions of Circular 4/2017, of 27 November, and other mandatory rules approved by the Bank of Spain are taken into consideration.

In general, the Institute estimates objective evidence of impairment when, after initial recognition, an event or the combined effect of several events cause a negative impact on the future cash flows from loans and advances to customers. Objective evidence of impairment is determined individually for those debt instruments that the Institute has identified as significant and collectively for the others. The Institute's collective assessment includes groups of debt instruments that have similar risk characteristics, indicative of the debtors' ability to pay principal and interest amounts, the type of instrument, the debtor's sector of activity, the type of collateral and the ageing of past due amounts, among others.

The main audit procedures carried out have included the following:

- Verifying the different internal control policies and procedures established in accordance with applicable regulatory requirements.
- Examining the different databases used, reviewing their reliability and the consistency of data sources used in calculations.
- For the detailed tests, for a sample of individualised loans, reviewing their proper accounting records and classification and, where applicable, the corresponding impairment.
- Recalculating the provisions for loans classified as Normal risk or Normal risk under Special Surveillance, valued on the basis of alternative solutions established in the Bank of Spain Circular.

Valuation criteria used and the detail of information relating to the aforementioned items are included in notes 2 and 10 of the accompanying consolidated report.

Risks associated with Information Technology

The very nature of the Institute's activity and the process of the flow of financial information greatly depends on information systems.

The overall internal control framework for information systems in relation to the processing and recording of financial information is considered key to our internal control assessment.

In this context, it is considered necessary to assess the effectiveness of General Controls over internal control on Information Technology Systems.

Our audit approach has included the following procedures:

- The evaluation of the most relevant general controls carried out by the Institute in key processes. The main procedures carried out have consisted of general control tests on the main applications, reviewing the following:

- Change management.
- Physical and logical security.

- Backups and Continuity.
- IT Systems Operations.

- Review of the existing interfaces between the main applications in the accounting reporting process.

The results of procedures have provided us with sufficient and adequate evidence to consider that our conclusion on these facts as a key matter is appropriate.

Other matter paragraph

The audit firm Mazars Auditores, S.L.P., by virtue of the contract entered into with the Ministry of Finance, at the proposal of the Comptroller General of the State Administration, has carried out the audit work referred to in the first section. In this work, the Comptroller General of the State Administration has applied the Technical Standard for relations with auditors in the public sector of December 30, 2020.

The Comptroller General of the State Administration has drawn up this report on the basis of the work carried out by the auditing firm Mazars Auditores, S.L.P.

Likewise, Mazars Auditores, S.L.P., in accordance with the stipulations of the second additional provision of Law 22/2015, of 20 July, on Auditing, has issued, on April 11, 2023, another auditor’s report on the consolidated annual accounts of the Institute and its subsidiaries, applying audit regulations in force in Spain (ISA-ES). This report, intended to meet certain requirements laid down in sectoral regulations, as well as for other commercial or financial reasons, has been issued with the prior authorisation of the Comptroller General of the State Administration, by virtue of the provisions of the collaboration contract.

The auditor’s report on the Institute's consolidated annual accounts includes the "Report on other legal and regulatory requirements - Single European Electronic Format", where the auditor expresses an opinion on the digital files examined and whether they correspond in full with the audited consolidated annual accounts, which are presented and have been marked up, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

Other information

The other information comprises the consolidated management report for the 2022 financial year, the formulation of, which is the responsibility of the Institute's management body and is not an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the management report. Our responsibility regarding the management report, in conformity with the audit regulation, consists of:

a) Verifying solely that the non-financial information statement has been provided in the form stipulated in the applicable legislation and, otherwise, reporting that fact.

b) Assessing and reporting the consistency of the other information included in the management report with the consolidated annual accounts, based on the knowledge of the Group obtained by us during the audit of the aforementioned consolidated accounts, as well as reporting whether the content and presentation of this part of the management report are compliant with applicable regulations.

If, based on the work that we have performed, we conclude that a material misstatement exists, we are required to report that fact.

On the basis of the work performed, as described in the previous paragraph, we have checked that the information referred to in section a) above is provided in the manner stipulated by the applicable regulations, and that the remaining information contained in the management report is consistent with that in the consolidated annual accounts for the 2022 financial year and that its content and presentation are in accordance with applicable regulations.

Management's responsibility for the consolidated annual accounts

The Institute's Chairman is responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the Group’s equity, financial position and results, in accordance with the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the management committee is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis, unless the management committee either intends or has a legal obligation to liquidate the Group or cease operations, or has no realistic alternative.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our work did not include audits of the annual accounts of AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A., Compañía Española de Reafianzamiento, S.M.E., S.A., and COFIDES, Compañía Española de Financiación del Desarrollo, S.A., investees; whose information is detailed in Appendix I of the consolidated annual accounts, and whose net book value represents 0.60% and 15.66% of the Group's total assets and net results, respectively.

The aforementioned annual accounts have been audited by the auditing firm Ernst & Young, S.L., in the case of AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A., and by Mazars Auditores S.L.P., in the case of Compañía Española de Reafianzamiento, S.M.E., S.A., and COFIDES, Compañía Española de Financiación del Desarrollo, S.A., and our opinion expressed in this report on the consolidated annual accounts is based, as regards the shareholding indicated, solely on the report of the other auditors.

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit regulations for the Public Sector in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence users’ economic decisions taken on the basis of the annual accounts.

As part of an audit in accordance with audit regulations for the Public Sector in Spain, we exercise our professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of the internal control relevant for the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by management.
- Conclude on the appropriateness of the management committee of the audited entity’s use of the going concern basis of accounting is appropriate and, based on the audit evidence obtained, whether a material uncertainty exists related to the events or conditions that may cast significant doubt on the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report on the related disclosures in the consolidated annual accounts or, if such disclosures are not adequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Institute's Chairman regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Institute’s Chairman, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the key audit matters.

We describe these matters in our auditor’s report unless laws or regulations preclude public disclosure about the matter.

This auditor's report was signed electronically through the CICEP.red application of the Comptroller General of the State Administration by the Audit Director and the Head of the Public Audits Division I of the National Audit Office in Madrid on April 11, 2023.

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Free translation of the auditors' report originally issued in Spanish based on our work performed in accordance with audit regulations in force in Spain and of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see note 1.2 to the accompanying consolidated annual accounts). In the event of a discrepancy, the Spanish-language version prevails.

Independent Auditors' Report on the Consolidated Annual Accounts

To the General Council of **Instituto de Crédito Oficial**

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Instituto de Crédito Oficial (hereinafter, the Parent Company or the Institute) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2022, and the consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity, consolidated cash flows statement and the consolidated notes thereto for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the regulatory financial reporting framework in Spain (identified in note 1.2 to the accompanying consolidated annual accounts).

Basis for opinion

We conducted our audit in accordance with audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of consolidated annual accounts* section of our report.

We are independent of the Group in accordance with ethical requirements, including those regarding independence, that are relevant to our audit of consolidated annual accounts in Spain pursuant to audit regulations in force. In this regard, we have not provided any services other than the audit of the annual accounts, nor have any situations or circumstances arisen that, under the aforementioned audit regulations, might have affected the required independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit matters

Most relevant audit matters are those matters that, in our professional judgement, have been assessed as the most significant risks of material misstatement in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Estimate of impairment losses in the loan portfolio and advances

The estimate of impairment of Financial Assets at Amortised Cost is one of the most significant estimates made when preparing the accompanying consolidated annual accounts.

In estimating credit risk hedges, Circular 4/2017, of 27 November, and other compulsory standards approved by Bank of Spain are considered.

In general, the Institute estimates an objective impairment evidence when, after initial recognition, there is an event or the combined effect of several events that entail a negative impact on future cash flows of loans and advances to customers. The objective impairment evidence is individually determined for debt instruments identified by the Institute as significant, and collectively for the rest. In the collective assessment, the Institute includes groups of debt instruments with similar risk features, indicating the debtors' ability to pay the amounts of principal and interests, the type of instrument, the debtor's sector of activity, the type of guarantee and the ageing of overdue amounts, among others.

The main audit procedures have included, among others, the following:

- Verification of the different internal control policies and procedures, according to applicable regulatory requirements.

- Examination of the different databases used, with a review of the reliability and coherence of data sources used in calculations.

- For tests of detail, we have reviewed, for a sample of individualised loans, their appropriate accounting registration and classification and, where applicable, the corresponding impairment.

- Recalculation of provisions for loans classified as Normal or Normal Watch-list, valued based on alternative solutions established by Bank of Spain Circular.

Valuation criteria used and disclosures related to these items are included on notes 2 and 10 to the accompanying consolidated financial statements.

Information Technology risks

The nature of the Institute's activity and the financial reporting process largely depend on Information Systems.

The Information Systems' general internal control framework related to the financial reporting processing and accounting registration is considered key in our internal control assessment.

In this context, we believe it is necessary to evaluate the effectiveness of IT general controls.

Our audit approach has included the following procedures:

- Assessment of the most relevant general controls performed by the Institute in key processes. The main procedures have consisted in general control tests on the main applications, evaluating the following:

    - Change management
    - Physical and logical security
    - Backup and Continuity
    - Information Systems' Operations

- Review of existing interfaces between the main applications in the accounting reporting generation process.

Other matters

Article 168 of Law 47/2003 General Budget allocated to the General Intervention Board of the State Administration (IGAE) the audit of the consolidated annual accounts of INSTITUTO DE CRÉDITO OFICIAL, with the consequent issuance of the auditor's report, according to International Audit Standards adapted to the Spanish Public Sector (ISA-ES-SP). The contract entered into by Mazars Auditores S.L.P. and the Ministry of Tax and Public Function, to collaborate with the IGAE in the performance of the audit of the Institute's consolidated annual accounts, establishes the issuance of the present auditor's report in application of the regulations on auditing in force in Spain, as established therein.

Other information: Management Report

Our audit opinion on the consolidated annual accounts does not cover the management report. Our responsibility regarding the management report, in conformity with the audit regulation in force in Spain, consists of:

a) Solely assessing that the non-financial information statement has been provided as established in the applicable regulations and, otherwise, reporting on that fact;

b) Assessing and reporting on the consistency of the remaining information included in the management report with the consolidated annual accounts, based on the Group's knowledge obtained by us during the audit of the aforementioned consolidated annual accounts, as well as assessing and reporting on whether the content and presentation of this part of the management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that a material misstatement exists, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information mentioned in the section a) above is provided as established in applicable regulations, and that the remaining information included in the management report is consistent with that disclosed in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the Chairman for the consolidated annual accounts

The Institute's Chairman is responsible for the preparation of the accompanying consolidated annual accounts, such that they express the true and fair view of the Group's consolidated equity, consolidated financial position and consolidated financial performance in accordance with the IFRS-EU and other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Institute's Chairman is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis unless the Institute Chairman either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Institute's Chairman.

- Conclude on the appropriateness of the use by the Institute's Chairman of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the entities' financial information or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Institute's Chairman regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Institute's Chairman, we determine those risks that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless laws or regulation preclude public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have analysed the digital files of the European single electronic format (ESEF) of Instituto de Crédito Oficial and subsidiaries of the financial year 2022, which comprise the XHTML file, which includes the consolidated annual accounts of the year, and the XBRL files with the tagging made by the Institute, which will be part of the annual financial report.

The Chairman of Instituto de Crédito Oficial is responsible for presenting the annual financial report of 2022, in accordance with the formatting and marking requirements established in the Delegated Regulation EU 2019/815, of 17 December 2018, of the European Commission (hereinafter, ESEF Regulation).

Our responsibility is to analyse the digital files prepared by the Institute's Chairman, in accordance with audit regulations in force in Spain. Such regulation requires us to plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in said digital files fully corresponds with that of the audited consolidated annual accounts, and whether their formatting and marking and that of the abovementioned files have been made, in all material respects, in agreement with requirements set in the ESEF Regulation.

In our opinion, the analysed digital files fully correspond to the audited consolidated annual accounts, and these are presented and have been marked, in all material respects, in accordance with the requirements set in the ESEF Regulation.

Madrid, 11 April 2023

Mazars Auditores, S.L.P.
ROAC Nº S1189

(signed in the original in Spanish)

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Carlos Marcos Corral
ROAC Nº17577

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Consolidated Annual Accounts at 31 December 2022 and Consolidated Management Report corresponding to 2022

Free translation of consolidated annual accounts originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

ASSETS	**2022**	**2021**
Cash, deposits at central banks and demand deposits (Note 6)	**2 637 489**	**9 379 645**
Financial assets held for trading (Note 7)	**30 637**	**10 701**
Derivatives	30 637	10 701
Memorandum item: loaned or advanced as collateral	-	-
Financial assets not held for trading obligatorily valued at fair value through profit or loss (Note 8)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 9)	**2 460 191**	**2 237 145**
Equity instruments	1 325 031	1 086 506
Debt securities	1 135 160	1 150 639
Loans and advances		-
Memorandum item: loaned or advanced as collateral		-
Financial assets at amortised cost (Note 10)	**23 866 671**	**25 327 301**
Debt securities	6 781 025	6 889 673
Loans and advances	17 085 646	18 437 628
Credit institutions	6 911 989	7 724 368
Customers	10 173 657	10 713 260
Memorandum item: loaned or advanced as collateral		
Hedging derivatives (Note 11)	**438 822**	**455 009**
Investments in joint ventures and associates (Note 12)	**84 564**	**76 277**
Joint ventures	-	-
Associates	84 564	76 277
Property, plant and equipment (Note 13)	**83 089**	**84 045**
Property, plant and equipment		
For own use	83 089	84 045
Memorandum item: Acquired under financial lease	-	-
Intangible assets (Note 14)	**6 866**	**6 555**
Other intangible assets	6 866	6 555
Tax assets (Note 15)	**178 675**	**184 907**
Current	4 330	32 435
Deferred	174 345	152 472
Other assets (Note 16)	**15 906**	**28 851**
Non-current assets and disposable groups of elements qualified as held for sale (Note 17)	**-**	**-**
TOTAL ASSETS	**29 802 910**	**37 790 436**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Expressed in thousands of Euros)

LIABILITIES	**2022**	**2021**
Financial liabilities held for trading (Note 7)	**29 714**	**10 580**
Derivatives	29 714	10 580
Financial liabilities at fair value through profit or loss	**-**	**-**
Financial Liabilities at amortised cost (Note 18)	**21 634 039**	**30 526 631**
Deposits	8 012 483	10 180 880
Central Banks	2 961 320	3 444 351
Credit Institutions	4 656 697	5 894 436
Customers	394 466	842 093
Marketable debt securities	13 374 254	20 087 210
Other financial liabilities	247 302	258 541
Hedging derivatives (Note 11)	**565 619**	**331 071**
Provisions (Note 19)	**1 764 820**	**1 390 374**
Pensions and similar obligations	770	791
Provisions for contingent exposures and commitments	59 396	48 717
Other provisions	1 704 654	1 340 866
Tax Liabilities (Note 15)	**155 134**	**81 907**
Current	1 493	6 748
Deferred	153 641	75 159
Other liabilities (Note 16)	**64 566**	**40 439**
TOTAL LIABILITIES	**24 213 892**	**32 381 002**
EQUITY		
Equity (Note 20)	**5 460 391**	**5 436 168**
Capital or endowment fund	4 314 687	4 314 480
Accumulated reserves	-	-
Revaluation reserves	18 126	19 036
Other reserves	980 746	962 791
Profit and loss for the period	146 832	139 861
Less: Dividends and remunerations		
Other accumulated comprehensive income (Note 21)	**128 627**	**(26 734)**
Elements that cannot be reclassified at profit and loss	349 635	134 557
Changes in fair value equity inst. at fair value through other comprehensive income	349 635	134 557
Elements that can be reclassified at profit and loss	(221 008)	(161 291)
Cash-Flow hedges	(192 695)	(164 931)
Changes in fair value debt inst. at fair value through other comprehensive income	(28 313)	3 640
TOTAL EQUITY	**5 589 018**	**5 409 434**
TOTAL EQUITY AND LIABILITIES	**29 802 910**	**37 790 436**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2022 AND 2021
(Expressed in thousands of Euros)

MEMORANDUM ITEM	2022	2021
Granted guarantees (Note 22)	**557 812**	**528 275**
Granted contingent commitments (Note 22)	**4 473 393**	**4 329 019**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

	2022	2021
Interest and similar income (Note 24)	**326 016**	**252 191**
Interest and similar charges (Note 25)	**(200 270)**	**(147 640)**
NET INTEREST INCOME	**125 746**	**104 551**
Dividends income (Note 26)	**480**	**18**
Profit/(loss) from entities valued through equity method (Note 27)	**3 269**	**3 961**
Fee and Commission income (Note 28)	**62 508**	**57 902**
Fee and Commission expense (Note 28)	**(9 025)**	**(7 793)**
Gains or losses from financing operations (net)	**45 543**	**42 394**
Gains or losses on financial assets and liabilities not measured at fair value through profit or loss (net) (Note 29)	1 119	(356)
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	172	-
Financial liabilities at amortised cost	947	(356)
Gains or losses on financial assets and liabilities held for trading (net) (Note 30)	(259)	364
Gains or losses on financial assets obligatorily at fair value through results (net) (Note 31)	-	-
Gains or losses resulting from hedge accounting (net) (Note 32)	44 683	42 386
Exchange differences (net) (Note 2.4)	**4 038**	**5 619**
Other operating income and expenses (Note 33)	**966**	**833**
GROSS MARGIN	**233 525**	**207 485**
Administration expenses	**(45 340)**	**(42 560)**
Personnel costs (Note 34)	(24 242)	(23 612)
Other administration expenses (Note 35)	(21 098)	(18 948)
Depreciation and amortisation	**(5 662)**	**(4 782)**
Property, plant and equipment (Note 13)	(2 167)	(2 023)
Intangible assets (Note 14)	(3 495)	(2 759)
Provisions expense or reversal of provisions (Note 19)	**(3 517)**	**(15 609)**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**23 468**	**48 435**
Financial assets at fair value through other comprehensive income (Note 9)	-	(8 767)
Financial assets at amortised cost (Notes 10)	23 468	57 202
Impairment or reversal of impairment on non-financial assets	**(77)**	**(81)**
Goodwill and other intangible assets (Note 14)	-	-
Other assets (Note 17)	(77)	(81)
Gains/ (Losses) on non-current assets and groups held for sale of elements classified as held for sale not classified as discontinued operations (Note 17)	**1 468**	**1 782**
PROFIT OR LOSS BEFORE TAX FROM ONGOING OPERATIONS	**203 865**	**194 670**
Income tax expenses (income) from ongoing operations (Note 23)	**(57 033)**	**(54 809)**
PROFIT OR LOSS AFTER TAX FROM ONGOING OPERATIONS	**146 832**	**139 861**
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**146 832**	**139 861**
Profit or loss attributable to the parent company	146 832	139 861

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

	2022	2021
Profit/(loss) for the year	**146 832**	**139 861**
Other comprehensive income	**155 361**	**98 581**
Elements not reclassified on profit and loss account	**215 078**	**61 632**
Variations in fair value equity instruments at fair value through other comprehensive income (Note 21)	307 251	88 046
Profit or loss hedge accounting		
Income tax of elements not reclassified in profit or loss	(92 716)	(26 414)
Elements that can be reclassified in profit or loss	**(59 717)**	**36 949**
Hedging of cash flows, effective portion (Note 21)	(39 663)	54 309
Debt instruments at fair value through other comprehensive income (Note 21)	(45 647)	(1 524)
Income tax of elements that can be reclassified on profit or loss	25 593	(15 836)
TOTAL RECOGNISED INCOME AND EXPENSES (global result)	**302 193**	**238 442**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

At 31 December 2022

	EQUITY											
			RESERVES									
	Capital / Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities valued through equity method	Other capital instruments	Less: Treasury shares	Profit/(loss) for the year attributable to the parent company	Less: dividends and remunerations	Total equity	Other accumulated comprehensive income	Minority shareholders	Total Equity
Closing balance at 31 December 2021	**4 314 480**		**959 963**	**21 864**			**139 861**		**5 436 168**	**(26 734)**		**5 409 434**
Total recognised income and expenses							146 832		146 832			146 832
Other variations of equity:	207		13 139	3 906			(139 861)		(122 609)	155 361		32 752
Capital increases / endowment fund	207								207			207
Capital decreases												
Transfers between equity items							(139 861)		(139 861)			(139 861)
Other increases (decreases) of equity			13 139	3 906					17 045	155 361		172 406
Closing balance at 31 December 2022	**4 314 687**		**973 102**	**25 770**			**146 832**		**5 460 391**	**128 627**		**5 589 018**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

At 31 December 2021

	EQUITY											
			RESERVES									
	Capital / Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities valued through equity method	Other capital instruments	Less: Treasury shares	Profit/(loss) for the year attributable to the parent company	Less: dividends and remunerations	Total equity	Other accumulated comprehensive income	Minority shareholders	Total Equity
Closing balance at 31 December 2019	**4 314 204**		**952 966**	**19 999**	**-**		**79 092**	**-**	**5 366 261**	**(125 315)**		**5 240 946**
Total recognised income and expenses							139 861		139 861	98 581		238 442
Other variations of equity:	276		6 997	1 865	-		(79 092)	-	(69 954)	-		(69 954)
Capital increases / endowment fund	276								276			276
Capital decreases												
Transfers between equity items							(79 092)		(79 092)			(79 092)
Other increases (decreases) of equity			6 997	1 865					8 862			8 862
Closing balance at 31 December 2021	**4 314 480**		**959 963**	**21 864**	**-**		**139 861**	**-**	**5 436 168**	**(26 734)**		**5 409 434**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

	2022	2021
A. CASH FLOWS FROM OPERATING ACTIVITIES	**(6 606 242)**	**6 654 970**
1. Consolidated profit/(loss) for the year	**146 832**	**139 861**
2. Adjustments to obtain operating cash flows	**42 743**	**26 177**
Depreciation and amortisation	5 661	4 782
Other adjustments	37 082	21 395
3. Net increase /(decrease) in operating assets	**1 431 842**	**3 278 190**
Trading portfolio	(19 935)	51 023
Other financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(67 684)	(618 151)
Financial assets at amortised cost (2019)	1 484 098	4 016 402
Other operating assets	35 363	(171 084)
4. Net increase/(decrease) in operating liabilities	**(8 221 849)**	**3 237 856**
Trading portfolio	19 134	(50 244)
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	(8 892 592)	2 766 675
Other operating liabilities	651 609	521 425
5. Collections/(payments) for income tax	**(5 810)**	**(27 114)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	**(13 161)**	**(5 231)**
6. (Payments)	**(13 161)**	**(6 931)**
Property, plant and equipment (Note 13)	(1 212)	-
Intangible assets (Note 14)	(3 806)	-
Shareholdings (Note 12)	(8 143)	(6 931)
Non-current assets and liabilities associated for sale (Note 17)	-	-
Other payments related to investing activities	-	-
7. Collections	**-**	**1 700**
Property, plant and equipment (Note 13)	-	1 345
Intangible assets (Note 14)	-	355
Shareholdings (Note 12)	-	-
Non-current assets and liabilities associated for sale (Note 17)	-	-
Debt securities at amortised cost (Note 10.1)	-	-
Other collections related to investing activities	-	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2022 AND 2021

(Expressed in thousands of Euros)

	2022	2021
C. CASH FLOWS FROM FINANCING ACTIVITIES	**(122 753)**	**276**
8. (Payments)	**(122 960)**	**-**
Dividends	-	-
Subordinated liabilities	-	-
Amortisation of own equity instruments	-	-
Acquisition of own equity instruments	(122 960)	-
Other payments related to financing activities		
9. Collections	**207**	**276**
Subordinated liabilities	-	-
Issue of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other collections related to financing activities (Note 20)	207	276
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	-
E. NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**(6 742 156)**	**6 650 015**
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**9 379 645**	**2 729 630**
G. CASH OR CASH EQUIVALENTS AT END OF THE YEAR	**2 637 489**	**9 379 645**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD		
Cash (Note 6)	**7**	**5**
Cash equivalent balances with central banks (Note 6)	**2 557 390**	**9 344 958**
Other financial balances (Note 6)	**80 092**	**34 682**
Less: bank overdrafts repayable	-	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
corresponding to the year ended at 31 December 2022

1. INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

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

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 of those provided for Article 103 of Law 40/2015 on Legal Regime of the Public Sector, pertains to the Minister of Economic Affairs and Digital Transformation, 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 purpose.

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 40/2015 on the Legal Regime of the Public Sector, through Additional Provision Six of Royal Decree-Law 12/1995, on Urgent Budget, Tax and Financial Measures; by applicable provisions of Law 47/2003, of 26 November, General Budget, by its bylaws, approved by Royal Decree 706/1999, on the adaptation of Instituto de Crédito Oficial to Law 6/1997 (14 April) and the approval of its bylaws, 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.

Concerning the Corporate Governance, in addition to the abovementioned Law 40/2015, Royal Decree 1149/2015, of 18 December, is applicable to the Institute. Since its entry into force, the General Council is made up by the President and 10 Members (9 until then), in whose appointment objective selection criteria are applied, such as the prestige and training, regulating incompatibilities, and establishing a three-year period, renewable (only once) for three more. Independent Members have double vote in financial business matters and will therefore be majority in the ICO’s General Council. The Members’ appointment and cessation is the responsibility of the Council of Ministers, at the proposal of the Minister of Economic Affairs and Digital Transformation.

The requirements to be appointed as independent Director include: recognised commercial and professional honourability, have appropriate knowledge and experience, not incurring potential permanent conflicts of interest and refrain from developing activities by self-employed or employed which involve effective competition with the ICO. Furthermore, it is required not be linked to credit institutions; financial credit establishments; investment firms; collective investment schemes, risk capital entities, its subsidiaries and the group which they belong to or associations.

The General Board members will have to perform their functions always attending to the ICO interest, as well as keeping secret on information, data, reports and confidential backgrounds to which they have had access in the performance of their duties, even after ceasing their duties. The dismissal can occur by resignation accepted by the Minister of Economic Affairs and Digital Transformation, expiry of the mandate for the independent Members or termination in the case of Members from the public sector. Unexpected lack of suitability in the case of independent members will be cause of dismissal, just like serious breach of confidentiality duties or conflict of interest.

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 Economic Affairs and Digital Transformation, subject to the rules and decisions adopted by its General Board.

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

1. Direct and mediation activities, modalities that count with a wide catalogue of financing products and collaterals through which ICO contributes to promoting feasible business projects, favouring the growth of companies, their long-term investments, and international activity, in order to promote the sustainable growth, employment generation, and wealth distribution.

2. Reciprocal Interest Adjustment Agreement (CARI for its initials in Spanish). 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 (FONPRODE 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 merger into FONPRODE.

4. Companies Internationalisation Fund (FIEM for its initials in Spanish). This Fund was established in 2010 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, 26 December, 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. Finance Fund to Local Entities, resulting from the 17/2014 Royal Decree-Law, of 26 December, measures of financial sustainability of the autonomous communities and local entities and others of economic nature, in order to ensure financial sustainability of the municipalities attached, by addressing its financial requirements. The equity of the Fund is endowed by the result of the liquidation of the Fund for the Financing of Payments to Suppliers (created by Royals Decrees 4/2012 and 7/2012), which happens in all its rights and obligations, effective January 1, 2015. 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. Finance Fund to Autonomous Communities resulting from 17/2014 Royal Decree-Law of 26 December, measures of financial sustainability of the autonomous communities and local entities and others of economic nature, in order to ensure financial sustainability of the autonomous communities attached. The equity of the Fund is endowed by the result of the liquidation of the Autonomous Region Liquidity Fund (created by Royal Decree 21/2012), which happens in all its rights and obligations, effective January 1, 2015. Also, it included in the equity part of the funding mechanism for payment to suppliers in the part corresponding to Autonomous Communities. ICO plays the trader role, without registering any of these operations on its accounting records. This activity generates for the Institute a trading commission.

8. ICO COVID-19 surety lines, established and regulated by RD Law 8/2020, of 17 March, RD Law 25/2020, of 3 July, RD Law 11/2020, of 31 March, RD Law 34/2020, of 17 November and RD Law 5/2021, of 12 March. This regulation, developed through the corresponding Agreements of the Council of Ministers, approved the establishment of several State surety lines, for an amount above 140,000 million Euros, in order to ease the maintenance of employment and palliate the economic effects of the health crisis caused by the COVID-19. Sureties are granted to financing granted by financial entities to ease the access to credit and liquidity for businesses and employers (liquidity surety lines), as well as to face the financial needs derived from the performance of new investments (investment surety lines). Additionally, specific tranches were enabled, establishing sureties in issues of promissory notes made by companies in the Alternative Fixed-Income Market (MARF). Sureties have a term of up to 8 years. Also, a surety line is contemplated for lessees, in the modality of liquidity loans, guaranteed and subsidised by the State to face the lease of the families' main residences. By Council of Ministers Agreement of June 21, 2022, the possibility of extending the maturity of guarantees managed on behalf of the State is enabled. In this activity, ICO acts on behalf of the State, exercising management and administration functions, for which the Institute accrues the corresponding commissions, registered as income in the income statement.

9. UKRAINE surety line. This line is included in the Plan to respond to the Russian war in Ukraine, and is allocated with up to 10,000 million Euros (at 2022 closing, a tranche of 5,000 million has been activated). The line is subject to the EU State aids regulation, regulated by RD Law 6/22, of 19 March, Council of Ministers Agreement of May 10, 2022 (amended by Council of Ministers Agreement of October 11, 2022) and Council of Ministers Agreement of November 22, 2022. In this activity, ICO also acts for and on behalf of the State, exercising management and administration functions for which the Institute accrues the corresponding commission,

registered as income in the income statement.

Except for the direct and mediation activity, which is included in the Institute's accounts, its remaining functions are management operations of public funds, performed by ICO as State's Financial Agency, and therefore are not included in the Institute's accounts, by virtue of regulations applicable to them.

1.2 Bases of presentation of the consolidated annual accounts

The Group presents its consolidated annual accounts according to the International Financial Reporting Standards adopted by the European Union (hereinafter, IFRS-EU), taking into account accounting principles and standards established by Circular 4/2017, of 27 November (hereinafter, Circular 4/2017), of Bank of Spain, on public and reserved information standards and models of financial statements. This Circular 4/2017 is compulsorily applicable to individual annual accounts of the Spanish Credit Institutions.

Accordingly, the preparation of the accompanying consolidated annual accounts has been based on the Group Companies' accounting records and in agreement with the International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU) and Circular 4/2017 of Bank of Spain, and subsequent amendments, and with the Commercial Code, Capital Corporations Act or other applicable Spanish regulations, to show the true and fair view of the Group's consolidated equity and consolidated financial situation at December 31, 2022 and results from its operations, changes in consolidated equity and consolidated cash flows corresponding to the year therein ended.

The information contained on in these consolidated annual accounts corresponding to 2022 is solely and exclusively presented for comparison purposes with information related to 2022 and, accordingly, does not constitute the Group's annual accounts of 2021.

Note 2 summarises the most significant accounting principles, policies and valuation criteria, applied in the preparation of the Group's annual accounts corresponding to the year ended at December 31, 2022.

Main regulatory changes during the period from January 1 to December 31, 2022

Bank of Spain Circular 3/2022, of 30 March

This standard updates Circular of Bank of Spain 2/2016, of 2 February, and completes the adaptation of the Spanish legal system to Directive 2013/36/EU and EU Regulation 575/2013, on supervision and solvency. The standard has not had a significant impact in the ICO.

Royal Decree-Law 6/2022, of 29 March

This standard adopts urgent measures within the National Plan of response to the economic and social consequences of the war in Ukraine, and creates a new public sureties for an amount of 10,000 million Euros, in order to cover the financing granted by monitored credit institutions to freelancers and employers, to be able to face liquidity needs in the current situation. The Council of Ministers Agreement of May 10, 2022 and the 2022 establish conditions for a first tranche that will be managed by ICO, for an amount of 5,000 million Euros. The Council of Ministers of December 27, 2022 agreed a new package of measures to respond to the impact caused by the war of Ukraine during 2023. These measures establish a second tranche in the surety line of 500 million Euros, which will allow gas-intensive industries to dispose of financing with public surety up to 90%.

Council of Ministers Agreement of 21 June 2022 (Covid-19 sureties)

The standard establishes the possibility to extend the maturity of sureties managed on behalf of the State (liquidity and investment COVID-19 sureties), in collaboration with operating credit institutions.

Standards and interpretations published until the date of formulation of the Group's financial statements that are not yet in force are included below. The Group intends to adopt these standards, if applicable, as soon as they become effective:

IFRS 17: "Insurance contracts"

IFRS 17 establishes the principles of registration, valuation, presentation and disclosure of insurance contracts. Its objective is to ensure that an entity provides relevant information, fairly representing such contracts. IFRS 17 substitutes IFRS 4 on insurance contracts and will enter into force for years beginning from January 1, 2023.

Modifications of IAS 1: "Presentation of financial statements"

It introduces clarifications on requirements to be applied in the classification of liabilities as current or non-current, and will enter into force in years beginning from January 1, 2023.

All compulsory accounting principles and standards with a significant effect have been applied in their preparation, including on Note 2 a summary of accounting principles and standards and the most significant valuation criteria applied on the present consolidated annual accounts. The Chairman of the Group's Parent Company is responsible for the information contained on the present consolidated annual accounts.

The Group's consolidated annual accounts of 2022 have been formulated by the Parent Company's Chairman on March 28, 2023, awaiting approval by the Institute's General Board, Group's Parent Company, expecting their approval without significant changes. The present consolidated annual accounts, unless otherwise indicated, are presented in thousands of Euros.

1.3 Responsibility for information and estimates.

The information contained in the Group's consolidated annual accounts for the year ended at December 31, 2022 and the accompanying consolidated Notes are responsibility of the Institute's Chairman. In the preparation of these annual accounts, some estimates have been made by the Group to quantify certain assets, liabilities, income, expenses, and commitments included in those statements. These estimates basically refer to the following:

- Impairment losses of financial 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 granted contingent commitments (Note 2.14).
- The fair value of certain unlisted assets (Note 2.2.3).
- Recoverability of tax assets (Note 2.11).

Although these estimates were made based on the best information available at December 31, 2022 in relation to 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 estimate of the consolidated profit and loss account for the specific years.

1.4 Transfer of assets and liabilities from the former Argentaria

The extinct entities Argentaria, Caja Postal y Banco Hipotecario, S.A., were the result of the merger between Corporación Bancaria de España, S.A., Banco Externo 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 September 30, 1998. Banco de Crédito Agrícola, S.A. (BCA), which was previously taken over by Caja Postal, S.A. and Banco de Crédito Local de España, S.A. (BCL), which also pertained to the first entity, Argentaria, maintains its legal personality.

Based on what was established in the A.C.M. on February 15, 1993, the Institute acquired on December 31, 1992, assets and liabilities pertaining to BCL, BHE, BCA and BEX derived 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 the conversion and re-industrialisation legislation). Also, exceptional loans granted to victims of floods were acquired, as well as loans granted by these entities prior to their transformation into public limited liability companies, and other assets, rights and equity investments.

Furthermore, on March 25, 1993, a management contract was signed with the relevant banks, regarding the assets and liabilities transferred, including its administration as well as its correct accounting in accordance of the current banking legislation.

On January 2019, both the management, and the administration and bookkeeping of transferred assets and liabilities was assumed by the Institute. At December 31, 2022, the balance of net assets was of 12 thousand Euros and the amount of results generated in the year was of 112 thousand Euros (17 thousand Euros of net assets and 247 thousand Euros of results at December 31, 2021).

1.5 Presentation of individual annual accounts

In accordance with Article 42nd of the Spanish Code of Commerce, the Institute has formulated, at the same date as the present consolidated annual accounts, individual annual accounts, prepared in accordance with the same accounting principles and standards and valuation criteria applied on the Group's present consolidated annual accounts. The consolidation effect on the accompanying balance sheet at December 31, 2022 and 2021, the profit and loss account, the statement of total changes in equity, the statement of recognised income and expenses, and the statement of cash flows of 2022 and 2021, implies the following differences:

	Thousands of Euros			
	2022		2021	
	Individual	Consolidated	Individual	Consolidated
Assets	29 774 943	29 802 910	37 766 136	37 790 436
Equity	5 514 563	5 589 018	5 354 004	5 409 434
Profit/(loss) for the period	127 951	146 832	122 960	139 861
Total income and expenses recognised in equity	283 312	302 194	221 541	238 442
Net increase / (Decrease) of cash and cash equivalents	(6 742 060)	(6 742 156)	6 650 111	6 650 015

1.6 Environmental impact and greenhouse gas emission rights

The Group's global transactions follow the laws on environmental protection. The Institute considers that it substantially complies with these Laws and maintains procedures designed to ensure and encourage its compliance.

Also, the Group considers that appropriate environmental protection and improvement measures have been taken, and to minimise, when possible, the environmental impact following rules regarding this matter. In 2022 and 2021, the Group has not carried out significant environmental investments and has not considered it necessary to register any provision for environmental risks and charges. Furthermore, the Institute has not considered any significant contingencies in relation to environmental protection and improvement, and has not had greenhouse gas emission rights.

1.7 Minimum coefficients

1.7.1 Minimum equity ratio

Bank of Spain, on May 22, 2008, issued Circular 3/2008 on identification and control of minimum equity. The aforesaid Circular is the final development in the field of credit institutions, on the legislation on equity and supervision on a consolidated basis of the credit institutions issued from Law 36/2007 of 16 November. It amends Act 13/1985, of 25 May, of the investment ratio, equity and information obligations of financial intermediaries and other financial system that includes the Royal Decree 216/2008, of February 15 of credit 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 June 14, 2006 concerning the business of credit institutions (recast) and 2006/49/EC of the European Parliament and the Council of June 14, 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 II), the minimum capital requirements due to credit institutions and their consolidated groups.

Law 10/2014 of 26 June, concerning management, supervision and solvency of credit institutions, has replaced, from January 1, 2014, the former legal body concerning prudential banking regulation (Law 13/1985, from 25 May, and Circular 3/2008 of the Bank of Spain). Previously, the European Union moved to its legal system Basel III accords, as of December 2010, by Regulation (EU) No 575/2013 of the European Parliament and of the Council from 26 June on the prudential requirements for credit institutions and investment services companies, amending Regulation (EU) No 648/2012 and Directive 2013/36/EU of the European Parliament and of the Council of 26 June, relating to the activity of credit institutions and the prudential supervision of credit institutions and investment services companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as transposed into our system started with Royal Decree-Law 14/2013, of 29 November, on urgent measures for adaptation of Spanish law with the norms of the European Union supervision and solvency of credit institutions.

The main purpose of Law 10/2014, of 26 June, was to adapt Spanish law to regulatory changes imposed on the international stage and the European Union, directly incorporating the provisions of Regulation (EU) 575/2013 of 26 June (CRR), and making the proper transposition of Directive 2013/36/EU of 26 June (CRD). These Community rules have led to a substantial alteration of the rules applicable to credit institutions, since aspects such as the supervisory regime, capital requirements and penalty system has been extensively modified.

The CRR and CRD regulate capital requirements in the European Union and include the recommendations set out in the Basel III capital regulatory framework or agreement, specifically:

- The CRR, which is directly applicable to Member States, contains prudential requirements for credit institutions and covers, inter alia, the following:

    - The definition of elements of eligible equity, establishing requirements for hybrid instruments to be included and limiting the eligibility of minority interests.

- The definition of prudential filters and deductions of items in each capital levels. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pension funds) and introduces changes to existing deductions. Nevertheless, it notes that the Regulation establishes a phase calendar until its final full implementation between 5 and 10 years.

- Establishment of minimum requirements (Pillar I), with three levels of equity: a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a minimum requirement total capital ratio of 8%.

- Requirement of credit institutions to calculate a leverage ratio, defined as Tier 1 capital divided by total exposure unadjusted for risk. The disclosure requirement will be applicable from 2016 onwards and the final definition was established in 2017 by supervisors.

- The aim and main purpose of the CRD, which must be transposed into national legislation by the Member States according to their criteria, is to coordinate national legislation regarding the access to the activity of credit institutions and investment firms and their governance and supervisory framework. The CRD includes, inter alia, additional capital requirements to those established in the CRR, which will be phased in gradually until 2019. Failure to comply will imply restrictions on the discretionary distributions of profit, specifically:

  - A capital conservation buffer and a countercyclical capital buffer, extending the regulatory framework of Basel III, to mitigate pro-cyclical effects of financial regulation. All credit institutions must maintain a capital conservation buffer of 2.5% above Common Equity Tier 1 and an institution-specific countercyclical capital buffer above Common Equity Tier 1.

  - A systemic risk buffer. For global systemically important institutions and other systemically important institutions to mitigate systemic or macro prudential risks; i.e., risks of disruptions in the financial system with the potential to have serious negative consequences for the financial system and the real economy in a specific Member State.

  - In addition, the CRD, within the oversight responsibilities, states that the Competent Authority may require credit institutions to maintain a larger amount of equity than the minimum requirements set out in the CRR (Pillar II).

Pursuant to Additional Provision 8th of Law 10/2014, of 26 June, on management, supervision and solvency of credit institutions, the Instituto de Crédito Oficial will apply Titles II (Solvency of credit institutions), III (Supervision) and IV (Legal penalties) of that Law, except as determined by regulations, and the provisions regarding duty of confidentiality of information.

From the period 2015, according with Circular 2/2014 of Bank of Spain, capital buffers established in this standard are applicable. To date, no amount has been established for the specific countercyclical capital buffer by the Banking Supervisor this year. ICO is not an entity of global systemic importance (EISM for its initials in Spanish) nor is it considered as a systemically important entity (EIS for its initials in Spanish).

In 2019, Regulation EU 2019/876, of 20 May, was approved, amending Regulation (EU) 575/2013 (CRR II) of Credit Entities' solvency. Although the standard will enter into force, in general, from June 28, 2021, certain provisions entered into force on June 27, 2019 (field of application, supervision powers, definitions, equity and admissible liabilities and definitions of the leverage ratio). These provisions did not affect ICO.

In 2020, Regulation EU 2020/873, of 24 June, was approved, amending Regulations EU 575/2013 and EU 2019/876 concerning certain adaptations made in response to the COVID-19 pandemic (including, among other measures, the extension of transitory provisions in relation to the effect of the IFRS 9 on provisions, for the purpose of solvency, establishment of new temporary prudential filters, and advancement of the new treatment for certain exposures, and application of the support factor to SMEs and Infrastructures). This standard's provisions have had a scarce impact in ICO.

At December 31, 2022 and 2021, the Group's computable capital is as follows:

	Thousands of Euros	
	2022	**2021**
Common Equity Tier 1 (*)	4 897 422	4 942 804
- Capital	4 314 687	4 314 480
- Reserves and prudential filters (**)	582 735	628 324
Tier 2	-	-
- Other reserves (**)	-	-
- Generic insolvency risk hedging	-	-
Total computable capital	4 897 422	4 942 804
Total minimum capital (***)	2 478 267	2 132 547

(*) The Group has no additional Tier 1.

(**) The total reserves used for the calculation of capital of the Group computable differ from those recorded in the consolidated balance sheet because in the calculation of capital are given: adjustments for intangible assets and adjustments for reserves.

(***) Calculated as 17.05% of risk-weighted assets (RWA), established by Bank of Spain for the Group for 2022 (15.95% for 2021 closing).

At December 31, 2022 and 2021, the most important data of the minimal capital of the Group are (in thousands of Euros):

	Thousands of Euros	
	2022	**2021**
Tier 1	4 897 422	4 942 804
Risk-weighted assets (RWA)	14 535 290	13 370 200
Tier 1 ratio (%)	33,69%	36,97%
Computable total Capital	4 897 422	4 942 804
Computable total Capital ratio (%)	33,69%	36,97%
Minimum computable capital ratio (%) (*)	17,05%	15,95%

(*) The total minimum capital ratio from December 31 2022, established by Bank of Spain for the ICO Group, is 17.05%, considering both the requirements established by the Regulation EU 575/2013 (8%), and additional capital needs (6.55%) and the capital buffer (2.5%).

At December 31, 2022 and 2021, the Group's computable capital exceeds minimum requirements required by applicable regulations in 2,419,155 thousand Euros and 2,810,257 thousand Euros, respectively.

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 December 31, 2022, this level was 2% of computable liabilities. On November 24, 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 was applied following the maintenance period that started on January 18, 2012.

At December 2022 and 2021, and throughout financial years of 2022 and 2021, ICO complied with minimum ratios required by applicable Spanish regulations.

1.7.3 Capital management

The Group considers as capital, for management purposes, Tier 1 and Tier 2 computable regulated by the legislation which is applicable to it for solvency purposes (EU Regulation 575/2013).

In this sense, regulatory capital requirements are incorporated directly in the management, thereof in order to maintain at all times a solvency ratio not below the minimum established for the entity by Bank of Spain. 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, on Tax, Administrative and Social Security measures, amended by aforementioned Law 42/2006, 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 2022 totals 207 thousand Euros, which will be registered in 2023.

In 2023, the Instituto de Crédito Oficial, as a State Financial Agency, has capitalised by government order new credit lines for businesses and individuals in order to provide more liquidity to the Spanish credit system and to address other needs within the framework of the Institute's objectives. The main lines approved are the following:

- ICO Companies and Entrepreneurs Facility: this ICO line provides finance to freelances and companies performing its investments within the country and that need to fulfil their liquidity needs. Individuals and property owner communities can also take advantage of this line for housing restoration.

- ICO SGR/SAECA Guarantee Facility: this ICO line provides finance to freelances and Spanish or mixed companies, which resources are mainly located in Spain, within a Reciprocal Guarantee Company (SGR for its initials in Spanish) or the state-owned corporation of Caución Agraria (SAECA for its initials in Spanish).

- ICO– MAPA SGR/SAECA Guarantee facility: financing for the activity's general needs, in view of the profitability loss caused by drought and other adverse weather events.

- ICO Commercial Facility: this ICO line provides finance to freelances and Spanish or mixed companies established in Spain, to obtain liquidity through the advance of the amount of invoices from their commercial business within the national territory.

- Línea ICO Red.es Acelera: Financing of projects for which the granting of aids by Red.es is approved, for the experimental development and promotion of digital technologies.

- ICO Red.es Kit Digital facility: financing for the delivery of digitalisation solutions within the framework of the Kit Digital Programme of Red.es.

- ICO – MITMA Sustainable Mobility facility: complementary financing for beneficiaries of competitive tender calls launched by the Ministry to decarbonise and digitalise the mobility and transportation, charged to NextGenerationEU funds.

- ICO – MITMA Rehabilitation of Residential Buildings facility: financing aimed to carry out rehabilitation works in housing buildings. Operations will have a MITMA surety.

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

- ICO Exporters Facility: this ICO line provides finance to freelances and Spanish companies that have a need of liquidity, and help them though advances in bills coming from its export activity.

- ICO International Channel Facility: Financing to support the internationalisation process for self-employed professionals and companies. The main difference between this product and ICO International Facility and ICO Exporters Facility is that the loans are applied for at local banks or international institutions that have a central office in the country where the investment projects or export activities are carried out.

As every year, during January 2023, ICO and credit institutions that submitted the application for membership of these credit lines handled the contracts' drafting and signatures.

No significant events other than those described in the previous paragraphs have occurred since the end of the reporting period (December 31, 2022) until the date these consolidated annual accounts were issued (March 28, 2023).

1.9 Information per business segment

The Group's activity is the granting of credit lines and direct loans. Therefore, in accordance with relevant legislation, it is considered that the information regarding the segmentation of operations into different lines of business at ICO is not relevant.

In addition, the Group develops its activity both inside and outside the Spanish territory. All operations are granted to fund Spanish interests.

1.10 'ICO Direct' lending activities

On June 2010, ICO launched a new business segment known as "ICO Direct", designed to provide financing to self-employed individuals, SMEs, and non-profit entities residing in Spain (which have been operating for more than one year) in order to make new investments in machinery, furniture, IT equipment and buildings. This business segment complements ICO's normal lending activities conducted through mediation lines to credit institutions and represents a broadening of the finance channels aimed at SMEs and self-employed individuals. ICO Direct line was renewed for 2011 and 2012, finishing at June 2012.

Transactions derived from ICO Direct activities were formally processed and administered by Banco Santander (BS) and Banco Bilbao Vizcaya Argentaria (BBVA). These credit institutions were awarded in the public tender held by ICO for this purpose.

The balance at December 31, 2022 of total net assets was of 35 thousand Euros (174 thousand Euros at December 31, 2021). Net results generated in 2022 have amounted to 3,816 thousand Euros (3,728 thousand Euros in 2021).

1.11 ICO local corporation lending activity in 2011

The 2011 ICO-Local Corporation Facility started as a consequence of Royal Decree-Law designed to foster the stability of public accounts and social protection approved in July 2011 by the Spanish Council of Ministers. 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 charging rights on supplies, works and services provided to local entities.

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

ICO-Local Corporation Facility was in operation from July 2011 to November 2011. During this time, the facility enabled 1,029 local, regional and inter-island town councils through Spain to settle 222,975 outstanding invoices, accounting a total amount of 967 million Euros for supplies, constructions and services provided by 38,338 self-employed individuals and SMEs during 2011. The formalisation and administration of the 2011 ICO-Local Corporation Facility operation is carried out through several EECC added to the project.

At December 31, 2022, the balance of these assets (classified as doubtful assets) has been of 2,370 thousand Euros (2,557 thousand Euros at December 31, 2021).

This line is guaranteed to the Institute with the Participation in State Income (PTE for its initials in Spanish) of the borrowing EELL. The reduction in the outstanding balance of this line, from the beginning of it and until December 31, 2022, under the PTE, is 62.97 million Euros (62.79 million Euros at December 31, 2021). Out of the 1,029 hosted entities to December 31, 2021, a total of 409 entities have had to resort to the PTE. At December 31, 2022, PTE deductions are still being claimed to 8 EELL, for an outstanding amount of 2.4 million Euros.

2. ACCOUNTING PRINCIPLES, POLICIES AND VALUATION METHODS APPLIED

During the development of the Group's consolidated annual accounts for the year ended at December 31, 2022, the following accounting principles, policies and valuation methods have been applied:

a) Going concern principle

In preparing the financial statements, it has been considered that the management of the Institute will continue in a foreseeable future. Therefore, the application of accounting standards is not designed to determine the net asset value for the purpose of global or partial transfer in the event of liquidation.

b) Accruals principle

The present annual accounts, except in relation to the statements of cash flows, have been elaborated based on the current flow of goods and services, regardless of their date of payment or collection.

c) Other general principles

The annual accounts have been prepared under the historical cost approach, but modified due to the revaluation, if any, of land and buildings (only at January 1, 2004) (Note 13), available for sale financial assets and financial assets and liabilities (including derivatives) at fair value.

2.1 Shareholdings

2.1.1 Group Companies

Subsidiaries are those over which the Institute has control. It is understood that an entity controls an investee when it is exposed, or has rights, to variable returns about its involvement with the investee and has the ability to affect those returns through the power exercised over the investee.

Consideration as subsidiaries requires:

- Power: An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities; i.e., the activities that significantly affect the investee's returns;

- Returns: An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative;

- Link between power and returns: An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

These subsidiaries' annual accounts are consolidated with the Institute's in application of the global integration method, as defined on the regulation. Consequently, all balances derived from transactions between significant companies consolidated through this method have been eliminated in the consolidation process. The Institute, the Group's parent company, represents 99% of it.

Furthermore, shareholding by third parties, if any, in:

- The Group's equity is presented on caption "Minority shareholders" of the consolidated balance sheet, there not being any balance at December 31, 2022 and 2021.

- Consolidated results of the year are presented on caption "Results attributed to minority shareholders" of the consolidated profit and loss account, there not being any balance at December 31, 2022 and 2021.

  The consolidation of results generated by subsidiaries acquired on a year only takes into account those related to the period comprised from the acquisition date and the year's closing date.

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

2.1.2 Associates

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

Shareholdings in associates are presented in these consolidated annual accounts under the heading "Investments in subsidiaries, joint ventures and associates – Associates" in the consolidated balance sheet and are valued at acquisition costs, adjusted impairment that they may have undergone.

Results generated from operations between the associate and Group Companies are written off from the percentage represented by the Group's shareholding on the associate.

Results obtained in the year by the associate, after the abovementioned write-off, increase or reduce, as applicable, the value of the investment on the consolidated annual accounts. The amount of these results is registered on the caption of "Profit/(loss) in entities valued through the equity method" of the consolidated profit and loss account (Note 27).

Variations in the associate's valuation adjustments, following the acquisition date, are registered as increase or decrease of the investment value. The amount of these variations has been registered on caption "Other accumulated comprehensive income" as valuation adjustments of the consolidated equity.

Annex I provides relevant information on these entities.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the balance sheet when the Group becomes part of the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash are recognised 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 recognised on 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 the contract or the date of settlement or delivery. Specifically, transactions effected in the foreign exchange spot market are recognised at the settlement date, transactions affected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions affected using debt instruments traded in Spanish securities markets are recognised at the settlement date.

2.2.2 Transfers and disposal of financial instruments

Transfers of financial instruments 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 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 securitisation 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 from the balance sheet, recognising both any right or obligation retained or created as a result of the transfer.

- If 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 from the balance sheet and continues being measured with the same criteria used before the transfer. However, the associated financial liability by an equal amount to the consideration received is recognised, which is then valued at amortised cost, the transferred financial asset income, but not recognised and the new financial liability costs.

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

    - If the Entity does not retain control over the transferred financial instrument, in which case it is removed off from the balance sheet and recognises 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 recognising 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 recognised. Such liabilities are subsequently valued at amortised cost, unless it meets the requirements to be classified as financial liabilities at fair value through profit or loss. To calculate the amount of financial liabilities, the amount of its financial instruments (such as asset-backed securities and loans) that constitutes funding for the entity to which financial assets have been transferred will be deducted, in the exact amount as these financial instruments finance transferred assets specifically. The net amount between transferred assets and associated liabilities will be the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or fair value of the rights and obligations retained, if the transferred asset is measured at its fair value.

  Therefore, financial assets are only removed from the balance sheet when the generated cash flows 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 generated obligations have been extinguished or when they are purchased with the purpose of being cancelled or repositioned again.

2.2.3 Fair value and amortised cost of financial instruments

<u>Financial assets</u>

The fair value of a financial instrument at a given date is understood as the amount at which it may be purchased or sold at that same date between some 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 organised, 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, if failing this, using valuation techniques that have been accepted from 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 a held-for-trading derivative financial instrument traded in organised, 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 organised markets.

The fair value of derivatives not traded in organised markets, or traded in organised markets that are not deep or transparent, 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.

Amortised cost is the acquisition cost of a financial asset or adjusted liability (upward or downward) for capital and interest repayments and, when applicable, for the (higher or lower) portion (recognised in the profit and loss account applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortised cost of financial assets also includes impairment adjustments that may have occurred.

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 4/2017, must be included in the calculation of the effective interest rate 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 this instrument as its underlying assets and are settled by their delivery, are kept at cost, adjusted, where appropriate, by impairment losses experienced.

Variations in financial assets amounts are registered, in general, with a counterpart in the profit and loss account, differentiating the ones 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 that are recorded by the net amount under the heading of "Gains or losses on financial assets and liabilities" of the profit and loss account.

However, changes in instruments' value included under the portfolio of financial assets valued at fair value through other comprehensive income are temporarily recorded on caption "Other accumulated comprehensive income", unless they come from exchange differences. Amounts on caption "Other accumulated comprehensive income" for changes in the fair value of these financial instruments remain part of net equity until they are removed from balance sheet's assets where they are originated, moment when they are registered against a profit and loss account, unless they are financial instruments which valuation changes are never reclassified to the profit and loss account.

Also, value changes of the items included under the heading "Non-current assets held for sale" are recorded under "Other accumulated comprehensive income" as valuation adjustments in consolidated equity.

Related to financial instruments, valuations at fair value reflected in the annual accounts are classified using the following fair value ranking:

i) Level I: reasonable values are obtained from quoted prices (not adjusted) 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, directly or indirectly, on 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, valuation differences are recorded taking into account the following criteria:

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

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

- In cash flow hedges, the valuation differences arising on the effective hedging of the hedging items are temporarily registered under the heading of ‘Other accumulated comprehensive income’ as adjustment in net equity.

- In net foreign investments hedging, valuation differences arising on the effective hedging of the hedging items are temporarily registered under the heading of ‘Other accumulated comprehensive income’ as adjustment in net equity.

In the last two cases, valuation differences are not included in results until hedged item’s gains or losses are recorded in the profit and loss account or until the hedged item’s expiration 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 recognised directly in the profit and loss account, whereas the gains or losses in the amount covered fair value changes, regarding the hedged risk, are recognised in “Other accumulated comprehensive income” as adjustment in financial assets by macro hedging.

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 “Other accumulated comprehensive income” as adjustment in 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 amortised cost, as defined for financial assets in the note above, except in the following cases:

- Financial liabilities included in captions ‘Financial liabilities held for trading’ and ‘Financial liabilities at fair value through profit or loss’, are recorded at fair value, as defined for financial assets in the note above. Financial liabilities covered by fair value hedging operations are adjusted, being registered those fair value variations in relation to the hedged risk covered by the hedge operation.

- Financial derivatives whose underlying assets are equity instruments whose fair value cannot be determined in a sufficiently objective and be settled by 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 income”, and those corresponding to other causes, which are recorded under the heading ‘Gains or losses on financial assets and liabilities measured at fair value through profit or loss' of the consolidated 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, included in the previous note.

2.2.4 Classification and valuation of financial assets and liabilities

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

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

- Financial assets and liabilities at fair value through profit or loss: this category is made up with financial instruments classified as trading portfolio and other financial assets and liabilities classified at fair value through profit or loss:

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

  - Financial liabilities are those liabilities included in the trading portfolio issued in order to be repurchased in the near future or that form part of a portfolio of financial instruments identified or jointly managed 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 denominated as hedge instruments, including segregated from hybrid financial instruments. The fact that a financial liability is used to finance trading assets does not entail its own inclusion in this category.

  - Other financial assets or liabilities at fair value through profit or loss are the following:

    - Financial assets that, not being included in the Trading portfolio, are considered as hybrid financial assets and are valued at fair value, and those that are jointly managed 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 jointly managed with financial liabilities and derivatives in order to reduce the overall exposure to interest rate risk.

    - Financial liabilities designated at its initial recognition by the entity or when recognising them more relevant information is obtained because:

      - With it, inconsistencies in the recognition or appreciation arising from the asset or liabilities valuation or recognising the gains and losses will be deleted or significantly reduced, using different criteria.

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

- Assets valued at amortised cost. This category includes the following:

    - Debt securities with fixed maturities and cash flows of a determined or determinable amount. Debt securities included in this category are initially valued at fair value, adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognised in the profit and loss account using the effective interest method, defined in applicable accounting legislation as of Bank of Spain, 4/2020. They are subsequently valuated at amortised cost, based on the effective interest ratios.

    - Loans and receivables: this category includes financing provided to third parties arising from the ordinary credit and loan activities carried out by the Institute and debts incurred by asset buyers and by service users. It also includes financial lease transactions in which entities act as lessors.

    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 as of Bank of Spain, 4/2020, must be recognised in the profit and loss account using the effective interest rate method. Once these assets are acquired, they are valued at amortised cost.

    Assets acquired at discount are registered for the amount paid and the difference between the repayment value and that cash amount is recognised as a financial income, applying the effective interest rate method until maturity.

    The accrued interest for assets included in this category, calculated using the effective interest rate method, is recognised in the caption “Interest and similar income” in the profit and loss account. Exchange differences on securities denominated in foreign currency, other than the euro included in this portfolio, are accounted as it is mentioned 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.

- Financial assets at fair value through other comprehensive income: this category includes debt securities not classified as instruments at amortised cost or at fair value through profit or loss, owned by the Institute, as well as equity instruments owned by the Institute corresponding to entities which are not subsidiaries, joint ventures or associated entities, which have not been classified as at fair value through profit or loss.

    Instruments included in this category are initially measured at fair value, adjusted for transaction costs directly related to the acquisition of the financial asset, which are recognised in the profit and loss account using the effective interest rate method defined in applicable accounting legislation as of Bank of Spain, 4/2020, to maturity, unless the financial assets have no fixed maturities. In such cases, they are taken to the profit and loss account, when they become impaired or are written off the balance sheet. Subsequently, financial assets included in this category are valued at fair value.

    Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective way are valued at cost in these annual accounts, net for impairment calculated as explained in Note 2.7.

    Products corresponding to interests or dividends accrued from these financial assets are registered with counterpart on captions “Interests and similar income” (calculated using the effective interest rate method) and “Dividends income” in the profit and loss account, 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 accounted 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.

The remaining changes in the fair value of financial assets from acquisition are registered with counterpart in the Institute's equity under caption "Other accumulated comprehensive income" as valuation adjustments, until the financial asset is written off, moment at which the balance registered on such caption is booked on the profit and loss account under caption "Profit and loss for write-off of financial assets and liabilities valued at fair value through profit or loss".

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

  Financial liabilities included in this category are initially carried at fair value, adjusted for transaction costs directly attributable to the issue of the financial liability, which will be recognised in the profit and loss account using the effective interest rate method, defined in applicable accounting legislation (Bank of Spain Circular 4/2017) to maturity. Subsequently they are measured at amortised cost, calculated by applying the effective interest rate method defined in applicable accounting legislation (Bank of Spain Circular 4/2017).

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

Nevertheless, those financial instruments that must be classified as non-current assets held for sale, in accordance with the provisions of Rule Thirty-Four of Circular 4/2017, Bank of Spain, are included in the annual accounts as explained in Note 2.16.

The classification of financial instruments in these categories will be based in two elements: (i) the entity's business model to manage financial assets; (ii) the characteristics of financial assets' contractual cash flows:

- A financial asset is classified on the portfolio of financial assets at amortised cost when two conditions are met: (i) it is managed with a business model which objective is to hold financial assets to perceive contractual cash flows; and (ii) contractual conditions lead to cash flows at specified dates, which always are payments of principal and interests on the amount of the outstanding principal;

- A financial asset is classified on the portfolio of financial assets at fair value through other comprehensive income when the two following conditions are met: (i) it is managed with a business model which objective combines the perception of the financial assets' contractual cash flows and the sale; (ii) contractual conditions lead to cash flows at specified dates, which always are payments of principal and interests on the amount of the outstanding principal;

- A financial asset is classified on the portfolio of financial assets held for trading or financial assets obligatorily at fair value through profit or loss, as long as, due to the entity's business model for their management or to the characteristics of its contractual cash flows, it cannot be classified in any of the portfolios above.

  Nonetheless, the entity shall opt, at initial recognition and in an irrevocable manner, for including on the portfolio of financial assets at fair value through other comprehensive income investments in equity instruments which should not be classified as held for trading and which would be classified as financial assets obligatorily at fair value through profit or loss. This option will be exercised on an instrument basis.

Also, the entity shall opt, at initial recognition and in an irrevocable manner, for designating any financial asset at fair value through profit or loss if thus valuation or recognition incoherencies are eliminated or significantly reduced (also called «accounting asymmetry») which would otherwise derive from the valuation of assets or liabilities, or recognition of profit or loss, on different bases. When there are accounting asymmetries, this option shall be exercised regardless of the entity's business model for its management and the characteristics of the contractual cash flows.

Additionally, and regardless of the above, the entity shall opt, at initial recognition or subsequently, for designating any financial asset as belonging to the portfolio of financial assets at fair value through profit or loss, as long as requirements established on Circular 4/2017 are met.

Reclassifications between financial instruments portfolios are made exclusively, according to the following assumptions**:**

- When an entity changes its business model for the management of financial assets, it will reclassify all financial assets according to the following sections. Such reclassification will be prospectively performed from the reclassification date, not requiring a restatement of previously recognised profit, loss or interests. In general, changes in the business model are rare.

- If the entity reclassifies a debt instrument from the portfolio of amortised cost into fair value through profit or loss, the entity must estimate its fair value at reclassification date. Any profit or loss generated for the difference between the previous amortised cost and the fair value will be recognised on the profit and loss account. If the entity reclassifies a debt instrument from the portfolio of fair value through profit or loss into amortised cost, the asset's fair value at reclassification date will be its new gross carrying amount.

- If the entity reclassifies a debt instrument from the portfolio of amortised cost into fair value through other comprehensive income, the entity must estimate its fair value at reclassification date. Any loss or profit generated for differences between the prior amortised cost and the fair value will be recognised in other comprehensive income. The effective interest rate and the estimate of expected credit losses will not be adjusted as a consequence of the reclassification.

- If a debt instrument is reclassified from the portfolio of fair value through other comprehensive income into amortised cost, the financial asset will be reclassified at the fair value at reclassification date. The accumulated profit or loss at reclassification date in other accumulated comprehensive income of equity will be cancelled using as counterpart the asset's carrying amount at reclassification date. Thus, the debt instrument will be valued at reclassification date as if it had been valued at amortised cost. The effective interest rate and the estimate of expected credit losses will not be adjusted as a result of the reclassification.

- If the entity reclassifies a debt instrument from the portfolio of fair value through profit or loss to fair value through other comprehensive income, the financial asset will continue being valued at fair value, without modification of the registration of previously registered value changes.

- If the entity reclassifies a debt instrument from the portfolio of fair value through other comprehensive income into fair value through profit or loss, the financial asset will continue being valued at fair value. The profit or loss previously accumulated in «other accumulated comprehensive income» of equity will be transferred to profit or loss of the period at reclassification date.

- When the investment in a subsidiary, joint venture or associate is no longer classified as such, the retained investment, if any, will be measured at its fair value at reclassification date, recognising all profits or losses generated for the difference between its carrying amount prior to the reclassification and such fair value in profit or loss or in other comprehensive income, as applicable, based on the subsequent valuation of the retained investment.

- The investment in an entity prior to its qualification as subsidiary, joint venture or associate will be valued at fair value until the date when control, joint control or significant influence is obtained. At this last date, the entity must estimate the fair value of the prior investment, recognising any profit or loss generated for the difference between its carrying amount prior to the reclassification and such fair value, in profit or loss or in other comprehensive income, as applicable. Where applicable, the accumulated profit or loss in other accumulated comprehensive income of equity will be maintained until the investment is written off from the balance sheet, moment at which it will be reclassified into an item of reserves.

- The entity will not reclassify any financial liability.

- For the purpose of sections above, changes derived from the following circumstances are not considered as reclassifications:

    - When an element that previously was a designated and efficient hedging instrument in a cash flow hedging or net investment hedging in a foreign business ceases complying with requirements to be considered as such.
    - When an element becomes a designated and efficient hedging instrument in a cash flow hedging or net investment hedging in a foreign business.
    - When there are changes in the valuation of financial instruments because they are designated, or cease being designated, at fair value through profit or loss.

There has been no reclassification during 2022 or 2021.

2.3 Financial derivatives

Financial derivatives are instruments that provide a loss or gain, and 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 Institute uses financial derivatives traded in bilateral organised or negotiated markets being the counterpart out of organised 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 Rules Thirty-first and thirty-second of Circular 4/2017, Bank of Spain such operations are considered as “hedging”.

When the Group designates a transaction as a hedge, it does so from the initial moment 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 covered and the criteria or methods followed by the Group to measure the efficiency of the hedge over its life, taking into account the risk that it must cover.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A Hedge 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 beginning 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 regard to the results of the hedged item.

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 profit and loss account.
- Cash-flow hedges: they 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, which may affect the consolidated profit and loss account.

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

- 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 profit and loss account.
- Cash flows hedges: valuation differences arisen on the efficient hedging portion of hedging elements are transitorily registered on caption “Other accumulated comprehensive income” as valuation adjustments for cash flows hedged. Hedged financial instruments in this kind of hedging operations are registered according to criteria explained on Note 2.2 without any modification for the fact of being considered as such hedged instruments.

In the last case, measurement differences are not recognised as results until the gains or losses on the hedged item are recorded in the profit and loss account, or until maturity.

Differences in the valuation of the hedge instrument, corresponding to the inefficient part of the hedging cash flow operations, are directly registered as “Gains or losses on financial assets and liabilities measured at fair value” in the consolidated profit and loss account.

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.

Where fair-value hedge accounting is interrupted as stated in the preceding paragraph, in the case of hedged items carried at amortised cost, the value adjustments made for hedge accounting purposes are recognised in the profit and loss account until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

In the situations in which a cash-flow hedge transaction is interrupted, the accumulated gain or loss from the hedge is registered under the heading "Other accumulated comprehensive income" in the balance sheet and it will remain under this heading until the planned hedge transaction takes place, time at which it will be taken to the consolidated profit and loss account, 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 "Other accumulated comprehensive income" relating to that transaction is immediately recognised in the profit and loss account.

2.4 Foreign currency transactions and functional currency

The Group'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 is the equivalent value of financial assets and liabilities denominated in foreign currency held by ICO, as Group's parent company, at December 31, 2022 and 2021 (in thousands of Euros):

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Pounds Sterling	380 614	529 340	438 109	1 070 233
US Dollars	2 406 034	7 228 720	2 262 411	9 439 591
Swiss Francs	8	258 079	11	245 988
Japanese Yens	741	35 687	800	99 860
Other currencies	435 683	61 838	190 516	66 324
	3 223 080	8 113 664	2 891 847	10 921 996

The equivalent value in Euros of assets and liabilities denominated in foreign currency (in thousands of Euros), classified by nature, recorded by the Institute, at December 31, 2022 and 2021 is as follows:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Loans to Credit Institutions	1 284 125		1 191 461	-
Loans to Customers	1 924 671		1 682 310	-
Other financial assets	14 284		18 076	-
Deposits in Credit Institutions		2 865 741	-	2 269 222
Debt securities issued		5 247 278	-	8 650 215
Other financial liabilities		645	-	2 529
	3 223 080	8 113 664	2 891 847	10 921 996

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 annual accounts 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) Income 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 consolidated profit and loss account. 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 “Other accumulated comprehensive income”, the component of the exchange rate relating to the revaluation of the non-monetary element is broken down.

Exchange rates used by the Group to convert balances denominated in the main foreign currencies in which it operates, for the purpose of the elaboration of the consolidated annual accounts, are the market rates at December 31, 2022 and 2021 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 4,038 thousand Euros profit at December 31, 2021 (5,619 thousand Euros losses at December 31, 2021).

2.5 Recognition of income and expenses

Below, there is a summary of the most significant accounting policies used by the Group to recognise income 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 legislation. Dividends received from other companies are recognised when consolidated companies 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 profit or loss, are recognised in the consolidated profit and loss account 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 profit or loss are recognised in the profit and loss account at the payment date.
- Amounts arising from long-term transactions or services are recognised in the profit and loss account over the term of the transactions or services.
- Amounts relating to a one-off event are recorded in the profit and loss account when that event takes place.

2.5.3 Non-financial income and expenses

These amounts are accounted on an accruals basis.

2.5.4 Deferred collections and payments

They are registered on accounts by the amount resulting from financially updating at market rates expected cash flows.

2.6 Offsetting 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 consolidated balance sheet at their net amount.

2.7 Impairment of financial assets

The carrying value of financial assets is generally adjusted against the consolidated profit and loss account 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 takes place, are recognised 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 Group 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 analysed to determine the credit risk to which the Group is exposed and to estimate hedging requirements for impairment in value. For the annual accounts preparation, the Group classifies its operations in terms of its credit risk by analysing, 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 Group believes will receive during the instrument's life. All relevant information which provides data about the possibility of future recovery of contractual cash flows that is available at the time of annual accounts elaboration is considered in this estimate. Also, in estimating instruments with security's future cash flows, are taken into account the flows that would result from its realisation, less the amount of costs for its acquisition and subsequent sale, irrespective of the probability of the guarantee.

In the calculation of the present value of estimated future cash flows, 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 annual accounts 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 Group 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 Group'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 consolidated profit and loss account, 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 4/2017. 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 regulation, 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 consolidated profit or loss 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 annual accounts, calculated using statistical methods, that have yet to be assigned to specific transactions.

In this sense, the Group 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 hedging 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 applicable regulation, and which change depending on the risk classification of the financial instruments established by the abovementioned regulation.

In general, impairment of debt instruments is calculated by applying the following percentages to the outstanding risk not covered by the amount to be recovered from the effective collateral, based on the risk segment to which the operation belongs and the seniority of past due amounts:

	From 90 days to 6 months	From 6 to 9 months	From 9 months to 1 year	From 1 year to 15 months	From 15 to 18 months	From 18 to 21 months	More than 21 months
Non-credit institutions and individual entrepreneurs							
Special Financing							
Construc. and property develop.	70	75	85	90	95	100	100
Construc. civil work	55	65	70	80	95	100	100
Other espec. financing	55	65	75	90	95	100	100
Non-special Financing							
Large companies	55	65	75	90	95	100	100
SMEs	65	70	75	85	90	95	100
Individual entrepreneurs	35	45	60	65	80	95	100
Houses							
House purchase							
Main residence unpaid (LTV) <80% guarantee	45	50	65	70	85	95	100
Main residence unpaid (LTV) >80% guarantee	45	50	65	70	85	95	100
Secondary residence	45	50	65	70	85	95	100
Consumer credit (inc. credit card debts)	55	65	80	85	95	100	100
Other	55	65	80	85	95	100	100

Generic provisions for operations classified as normal risk, will be different to that calculated for regular risk in the watch-list. Both are calculated by applying the following percentages to the outstanding exposure not covered with effective guarantees:

	Normal risk	Normal risk in watch-list
Non-credit institutions and individual entrepreneurs		
Special Financing		
Construc. and property develop.	1.9	30.0
Construc. civil work	2.0	18.8
Other especial financing	0.6	9.6
Non-special Financing		
Large companies	0.6	9.6
SMEs	1.1	17.8
Individual entrepreneurs	1.4	13.9
Home		
Home purchase		
Main home unpaid (LTV) <80% guarantee	0.7	18.0
Main home unpaid (LTV) >80% guarantee	0.7	18.0
Secondary residence	0.7	18.0
Consumer credit	1.8	20.2
Which from: credit card debts	1.0	11.6
Other	1.8	20.2

In estimating effective collateral, for the purpose of calculating hedges, the following estimated discounts on the reference value of such collateral will be applied:

TYPE OF REAL GUARANTEE	Discount over reference value (%)
Mortgage guarantees (first charge)	
Buildings and finished building elements	
Homes	30
Offices, commercial premises and warehouses	40
Other	45
Urban and developable land ordered	40
Other immovable property	45
Posted collateral of financial instruments	
Money deposits	0
Other marketable financial instruments	10
Other non-marketable financial instruments	20

Other real guarantees (for example. second mortgages, movable assets)	50

The Institute has constituted the corresponding provisions at December 31, 2022 with extreme caution, and thus to be able to strengthen its balance sheet, with a detailed analysis of each borrower, when needed, and taking into account uncertainties underlying the financing, due to the macroeconomic environment.

In the case of real estate assets foreclosed or received in payment of debts, for the purposes of valuation of the hedging that may correspond, the following discounts will be applied on the reference value for said assets:

TYPE OF FORECLOSED PROPERTIES	Discount over reference value (%)
Buildings and finished building elements	
Homes	25
Offices, commercial premises and warehouses	30
Other	32
Urban and developable land ordered	35
Other immovable property	40

The recognition in the consolidated profit and loss 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.

The amount of impairment losses incurred in debt securities and equity instruments included under Financial assets at fair value through other comprehensive income 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 profit and loss account.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses, recognised directly under ‘Other accumulated comprehensive income’ as adjustment in net equity, are recorded immediately in the profit and loss account. If, subsequently, all or part of the impairment losses are recovered, the amount involved is recognised, in the case of debt securities, in the profit and loss account for the recovery period, and, in the case of equity instruments, under ‘Other accumulated comprehensive income’ as adjustment in net equity.

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

For shareholdings in Associates, joint ventures and subsidiaries, the Institute estimates impairment losses by comparing the recoverable amount with their carrying value. Such impairment losses are recorded in the profit and loss account for the period in which they arise while subsequent recoveries are recorded in the profit and loss account for the recovery period.

In the case that the probabilities of recovery any amount recorded, like impairment, were considered impossible, 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 a debt instrument, 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 recognises them under the heading "Other financial liabilities" at fair value plus transaction costs, which are directly attributable to its issuance, except for contracts issued by insurance companies.

Initially, 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 Group with similar term and risk. Simultaneously, it will be recognised 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 recognised 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 contingent exposures and commitments".

2.9 Accounting for leases

2.9.1 Financial leases

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

Whenever the Group acts as lessor of an asset in a financial 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 consolidated balance sheet, in accordance with the nature of the lessee.

When the Group acts as the lessee in a financial lease transaction, the cost of the leased assets is recorded in the consolidated 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 financial leases is credited and charged, respectively, to the consolidated profit and loss account captions "Interest and similar income" and "Interest and similar charges", applying the effective interest rate method on the lease to estimate its accrual, calculated according to the applicable regulations.

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 consolidated companies act as the lessor in operating lease agreements, the acquisition cost of the leased asset is registered under “Property, plant and equipment” in “Property investments” 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 consolidated profit and loss account on a straight-line basis in the caption “Other operating income”.

When the Institute acts as lessee in operating lease agreements, a lease liability is included at the current value of payments to be performed (fixed, variable, exercise of call option, and others), as the contract’s initial valuation, and a right-of-use asset valued at cost.

2.10 Personnel costs

2.10.1 Short-term remunerations

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 personnel 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 Group, referring to those acquired by the Institute with regard to employees, are reflected in the collective wage agreement in force and correspond to defined contribution commitments.

The Institute’s 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 Employment 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 1 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).

Amounts to be contributed are those approved in the General State Budget for each year. Under the heading “Personnel costs” of the consolidated profit and loss account, there is no cost registered for this year at December 31, 2022 and neither for the previous one at December 31, 2021.

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 annual accounts, after deducting any actuarial loss, less any actuarial gain, the cost of past services yet to be recognised 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 recognised.

At December 31, 2022 a provision was recorded by the Group for post-employment commitments amounting to 770 thousand Euros (791 thousand Euros at December 31, 2021).

2.10.4 Severances

Severances are recorded under the heading “Personnel costs” and the accompanying consolidated profit and loss account crediting the accounts “Provisions for pensions and similar obligations” under the heading “Provisions” in the accompanying consolidated balance sheet, only when the Group 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 December 31, 2022 and 2021, 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 under the heading of “Income tax” of the consolidated 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 Institute 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 recognised for all taxable temporary differences. Despite the above, no deferred tax liabilities are recorded based on the recognition of goodwill.

The Group only recognises 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 recognised in the case that the Group 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 recognised 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 financial 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 consolidated profit and loss account and basically equals the following depreciation rates (calculated based on the estimated average useful life of the assets concerned):

	Annual percentage
Buildings	2%
Plant	4 to 15%
Furnishings and office equipment	10%
Data – processing equipment	25%
Transport elements	16%

At 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 or reversal of impairment on non-financial assets” in the consolidated profit and loss account.

Similarly, when there are indications that the value of impaired property, plant and equipment has been recovered, the Institute recognises the reversal of the impairment loss recorded in prior years by crediting the heading “Impairment or reversal of impairment on non-financial assets” in the consolidated profit and loss account 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 recognised 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 consolidated profit and loss account 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 administration expenses” in the consolidated profit and loss account. The financial expense incurred as a result of financing property, plant and equipment for own use is charged against the profit and loss account at the time of accrual and these expenses do not form part of their acquisition cost.

2.12.2 Property investments

The consolidated balance sheet heading “Property investments” recognises 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.

Criteria applied for recognising the acquisition cost of property investments for depreciation, for the estimate of their respective useful lives and for recording any possible impairment losses, match with those described with regard 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 Group. 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 recognised for accounting purposes.

Intangible assets, other than goodwill, are recognised in the balance sheet at their acquisition or production cost, adjusted to accumulated amortisation 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 amortised, 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 consolidated profit and loss account 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 “Impairment or reversal of impairment on non-financial assets” in the consolidated profit and loss account. 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 consolidated annual accounts, 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 Group’s control.

The Group’s annual accounts include all significant provisions for obligations classified as probable. Contingent liabilities are not recognised in the consolidated annual accounts, but information is provided in accordance with requirements of Circular 4/2017 of Bank of Spain (Note 19).

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 2022 and 2021 year end, a number of legal procedures and claims had been initiated against the Group, arising in the ordinary course of business. The Group’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 consolidated annual accounts 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 consolidated profit and loss account caption “Provisions expense or reversal of provisions”.

2.15 Statements of cash flows

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 held for sale and associated liabilities

The caption of “Non-current assets held for sale” of the consolidated balance sheet includes the carrying value of individual items which sale is highly likely, under these assets’ current conditions, within the term of one year to be counted from the date of the annual accounts.

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 held 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 Group, are deemed non-current assets held for sale, unless the Group has decided to use these assets on an on-going basis.

Symmetrically, “Liabilities associated with non-current assets held for sale” include the credit balances associated with groups or for interruption in the operations of the Group.

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 not 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 “Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated profit and loss account. 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 “Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated profit and loss account.

The results from the sale of non-current assets held for sale are presented under “Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated 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 July 24, 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 credit institutions. Regarding this Service, and although the Group is not obligated to have a customer service department, the Institute 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 Group decided to create a Unit in December 2006 to centralise the reception, processing, and a response to all complaints and suggestions received from suppliers, users and clients of ICO.

In 2022, a total of 289 complaints were received (537 in 2021), of which were addressed within an average of 3.2 working days (much lower than the established deadline of 15 working days). 81% of the total are related to credit transactions in the COVID-19 Surety Lines, and were therefore passed on to the relevant credit institutions. 16% were related to Mediation Lines, and the remaining 3% related to other issues, unrelated to products or services managed by ICO.

4. DISTRIBUTION OF RESULTS

The distribution of 2022 results of the Group's Parent Company, at the date of formulation of these consolidated annual accounts, has not been established by the Ministry of Economic Affairs and Digital Transformation. Such distribution will adjust to the Bylaws.

5. RISK EXPOSURE AND OTHER INFORMATION ON THE INSTITUTE, AS GROUP'S PARENT COMPANY

5.1. Risks. 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, which must be identified, measured and monitored in order to operate efficiently. This is done according to the Risk Policy Manual approved by the General Board, which contains the different methods, applicable legislation, procedures and organisational structure.

5.2. Risks – Organisational structure

In order to cover the entire risk spectrum, within its organisational structure, the Institute (according to Presidential Organisational Circular 5/2022 of 1 December), has created specialised units under the Directorate for Risk, which reports to the General Directorate for Risk and Finance.

The Directorate for Risk's functions include, among others, drafting and proposing internal risk policies and methods for analysing, managing and monitoring the Institute's financial and credit risks, 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 specialised Risk areas are Methodology and Acceptance department and the Global Risks Control area, each one with specific duties.

The primary duties of the Global Risk Control area are the following:

- Preparing, proposing and controlling financial risk measurement methodologies applied by the Institute.
- Overseeing the correct compliance of the limits of financial risks and policies previously approved.
- Elaborating regulatory reports on interest rate, exchange rate and liquidity.
- Analyse, monitor and review periodically credit counterparty lines, analyse them, and monitor levels with the mediating entities and counterparts.
- Defining and reviewing measurement, back-testing and stress-testing systems.
- Proposing criteria for market valuation of new financial products, establishing methodologies, risk measurement and potential risk (Add-on).
- Analysing the adaptation of national and international legislation regarding risks within its competency.
- Value at market price new products and structures and their potential risk (Add-on).
- Supervise the correct application of approved methodologies risks.
- Analysis of credit risk in Liquidity Lines Securitisation Funds operations.
- Propose new Liquidity, Market, Credit and New Products risk limits.
- Reporting and diagnosis of the risk situation for Assets and Liabilities Committee, Operations Committee, Monitoring Committee and General Council.
- Report statements of interest rate risk, liquidity, large risks and Basel ratios for Bank of Spain.
- Update and maintain the Risk Adjusted Profitability tool (RAR).
- Update and maintain the ICO Price Control tool in RORAC
- Control of Risk Appetite Framework (MAR) indicators, and attending to meeting to report the situation to the Board.
- Analyse, study and report on ICO's participation in securitisation operations.

The Methodology and Credit Risk department, from which the Risk Methodology and Policies Area and the ESG Acceptance and Risk Area depends, has the following functions, among others:

- Developing and maintaining applicable methodologies, in order to assess the risk of new products and regulatory developments linked to the credit risk, developing the corresponding regulations, as necessary.

- Proposing, maintaining and managing risk assessment and direct credit risk rating tools, concentration limits per group, country and sector risk. Whenever necessary, providing or receiving technical assistance to/from other Management units.

- Monitoring the Institute's Direct Risk classified as normal risk for companies and their economic groups, the country and sector risk, accounting reclassification of operations in normal risk that have been impaired, and assisting Management in the documentation and necessary actions to attend the Monitoring Committee and the Board's requirements with regard to risks.

- Based on applicable regulations and the market practice, developing, together with the Acceptance and ESG Risks Area, a model to assess ESG Risks and to include them in the analysis of direct financing operations that affect the credit risk.

- Analysing risks of direct financing operations, including those that arise with resources from COVID-19 surety and similar facilities, requiring, together with the assessment of the company's risk profile or Project financing, a specific complementary analysis on the financing needs at the short term, the liquidity position, and levers for actions available in the company to mitigate the impact derived from the health crisis, and study of refinancing operations.

- Carrying out an analysis of issuer risks (companies) in the Alternative Fixed Income Market (MARF) and corporate bonds market, as alternative corporate financing instrument, by ICO's underwriting of promissory notes and bonds in the different issues. This analysis includes the valuation of the maximum risk amount to be assumed by the issuer, the issuer's evolution in the market and the valuation of the presentation, under the Companies' Direct Financing Programme, through MARF debt, or under the corporate bonds programme, in force at each moment.

- Based on applicable regulations and the market practice, developing, together with the Acceptance and Risks Area, a model to assess ESG Risks and to include them in the analysis of direct financing operations that affect the credit risk.

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

Community legislation and its development in Spain in this matter only establish general requirements for the measurement, control and management systems of liquidity risk in entities, and are contained in the following normative texts:

- Directive 2013/36/EU of 26 June, related to the access to the activity of credit institutions and to the prudential supervision of credit institutions and investment companies.

- Regulation (EU) No. 575/2013 of 26 June, on prudential requirements of credit institutions and investment services companies, part six.

- Implementing Regulation 680/2014 of 16 April, establishing the technical implementing rules in accordance with Regulation No. 575/2013, chapters 7, 7 bis and 7 ter.

- Law 10/2014 of 28 June, on the management, supervision and solvency of credit institutions, Articles 41, 42 and Additional Provision Eighth.

- RD 84/2015 of 13 February, which develops Law 10/2014, Article 53.

- Delegated Regulation (EU) 2015/61 of the Commission from October 10, 2014, completing Regulation 575/2013 with regard to the Liquidity Hedging Requirement (LCR).

- Circular 2/2016 of 2 February, which establishes accounting standards, annual accounts, public annual accounts and reserved statistical information of securitisation funds that replaces Circular 3/2008 of 22 May (repealed), rule 51, DT6 and Annex VII.

- Execution Regulation (EU) 2016/313 of the Commission, of 1 March, amending the Execution Regulation (EU) 680/2014 with regard to Additional Control parameters for the purpose of information on liquidity (ALMM).

- Execution Regulation (EU) 2017/2114, of 9 November, amending Regulation (EU) 680/2014 and 2016-31 with regard to templates and technical instructions on the regulatory statements of additional parameters of control for the purpose of information on the liquidity risk (ALMM).

- Circular 4/2017 of 27 November, standards 59 and 60.

- Delegated Regulation (EU) 2018/1620 of 13 July, amending several Articles of the Delegated Regulation (EU) 2015/61, concerning definitions of requirements on qualifications of liquidity levels and liquid assets.

- Delegated Regulation (EU) 2019/0876 of 20 May, amending Regulation (EU) 575/2013 in several aspects, among others, definitively regulating the NSFR liquidity risk requirement.

- Execution Regulation (EU) 2020/429 of 14 February, substantially amending Execution Regulation (EU) 2016/322, concerning technical execution standards concerning the communication of information for supervision purposes on the Liquidity Coverage requirement (LCR), and also amending Execution Regulation (EU) 2017/2114, concerning templates and technical instructions on regulatory statements of additional control parameters for the purpose of information on the liquidity risk (ALMM)

- Execution Regulation (EU) 2021/451 of the Commission, of December 17, 2020, establishing technical execution standards for the application of the Regulation (EU) no. 575/2013 of the European Parliament and the Council in relation to the communication of information for supervision purposes by entities, and repealing Execution Regulation (EU) no. 680/2014.

- Execution Regulation (EU) 2022/2365 of 2 December, updating the list of ECAI authorised by the EU, a well as the homogenisation per credit quality levels of the different ratings of each ECAI.

In general, there is no specific requirement for capital for liquidity risk beyond a set of action standards to be followed (qualitative requirements) contained in Fifty-first Rule of chapter six of risk treatment of Circular 2/2016 where it is also mentioned the need to report on the actions carried out in the process of capital self-assessment and supervisory review contained in chapter 5, all in order to assess whether its internal capital is sufficient to cover its current and future activities.

Currently, with the publication of the updated version of the Basel III liquidity and solvency documents: Global regulatory framework to strengthen banks and banking systems and Basel III: International framework for measurement, the standardisation and monitoring of liquidity risk is a new step in the direction of guaranteeing more efficient parameters in the measurement and control of liquidity. As of January 1, 2013, the Basel Committee published: The liquidity Hedging Ratio and liquidity risk monitoring tools, which advance the definition and monitoring of the short-term liquidity ratio, and complemented this work with the publication on January 12, 2014 of the Guidance for Supervisors on Market-Based Indicators of Liquidity.

In this sense, on January 17, 2015 the Delegate Regulation 2015/61 was published, amending Regulation CRR 575/2013 of the European Parliament and of the Council is complete with regard to this ratio (LCR) and by calendar that starts on October 1, 2015 with an obligatory 60%, 70% as of January 1, 2016, 80% as of January 1, 2017, and which entered fully in effect (100%) from January 1,2018.

On January 2014, “Basel III: Net Stable Financing Ratio” (NSFR) consultation document was published for the definition and calculation of the ratio of long-term liquidity, which after a consultation phase, which lasted until April 11, 2014, led to the publication of the final document in October 2014. As a result, it is necessary to calculate a minimum net stable financing ratio. After the publication, on June 2019, of Regulation 876/2019 is applicable since the end of June 2021.

During 2013 and following years, the Institute, calculated 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 would be applied in the future.

Furthermore, prospectively throughout 2015 and in following years, based on the document published by the BIS “Basel III: the Net Stable Financing Ratio” of October 2014, and with definitions and criteria in force at each moment, the results have been calculated quarterly, which provide the ICO balance with the introduction of different scenarios handled one year ahead (2023), in relation to the NSFR ratio.

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, and one, three and 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, for an annual financing plan, sufficiently in advance.

Likewise, approved by the General Board on February 27, 2018, there is a liquidity Contingency Plan that establishes a priority order as reference when resorting to financing sources in stress scenarios. This Contingency Plan was updated and presented, for the last time, to the Committee of Assets and Liabilities (COAP) last July 2022.

In general, 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.

It should be noted that the financial crisis that affected 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 by this crisis.

In this sense, due to the existing situation, decisions have been taken throughout 2022, as done previously, 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 also does not anticipate any liquidity shortages in 2023.

Maturity Analysis of trading and hedging derivatives

The following table shows, by notional, the contractual maturities for euro-denominated derivatives, recognised as financial assets and financial liabilities at December 31, 2022 and 2021, 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 31 December 2022:

	Thousands of Euros					
	Up to 1 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	145.386	210.951				356.337
-Of which: credit commitments considered as derivatives						
Hedging derivatives	4.602.312	3.477.182	2.198.053	619.739	52.882	10.950.168
	4.747.698	**3.688.133**	**2.198.053**	**619.739**	**52.882**	**11.306.505**

At 31 December 2021:

	Thousands of Euros					
	Up to 1 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	1.021.100	273.500				1.294.600
-Of which: credit commitments considered as derivatives						
Hedging derivatives	11.046.877	2.693.694	2.184.951	617.000	70.689	16.613.212
	12.067.977	**2.967.194**	**2.184.951**	**617.000**	**70.689**	**17.907.812**

In relation to the information included in charts above, the following must be highlighted:

- 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 December 31, 2022 and 2021, respectively;

Liquidity GAP analysis

The purpose of the liquidity management is to ensure that the entity maintains appropriate liquidity levels to cover its needs, both at the short and long terms, optimising the impact that the maintenance of its liquid funds could have in the profit and loss account.

On a daily basis, the liquidity profile on the balance is monitored for the purpose of control, information to management, and analysis of funds' needs for at least the following twelve months, additionally incorporating scenarios with the analysis of funds' needs to cover the activity foreseen for such period.

As explained above, ICO's liquidity management is based on the analysis of the difference between inflows and outflows generated by contractual maturities of operations of its balance (liquidity gap) and cash flows generated from activity forecasts. This analysis provides the necessary information on the volume of funds that will be necessary to gain, resorting to different financing sources available for the entity.

Moreover, the Institute maintains a buffer of high-quality liquid assets that will allow, where necessary, obtaining liquidity immediately through its discount on the European Central Bank. The balance of assets that may be used by the Institute as liquidity reserve has sufficient capacity to cover its negative liquidity gaps, for two purposes:

- Contribute flexibility when planning the volume and timing of the gaining of necessary funds to cover liquidity gaps.
- Security buffer to face possible tensions or crisis situations in markets.

The tables below compare liquidity inflows and outflows at different maturities (partial and accumulated liquidity gaps). Inflows and outflows in foreign currency are shown at their equivalent value in such currency.

Additionally, the evolution of the balance of liquid assets and their level of coverage over liquidity gaps are incorporated for the different terms.

At 31 December 2022 (thousands of Euros):

	Up 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Inflows equivalent value Euros	3 872 472	980 073	1 679 182	2 230 049	4 242 749	9 811 713	8 215 213
Outflows equivalent value Euros	(3 337 960)	(4 948 520)	(1 464 627)	(3 014 567)	(3 521 332)	(4 696 093)	(4 026 557)
Partial liquidity gaps	534 512	(3 968 447)	214 555	(784 518)	721 417	5 115 620	4 188 656
Accumulated liquidity gaps	**5346 512**	**(3 433 935)**	**(3 219 380)**	**(4 003 898)**	**(3 282 481)**	**1 833 139**	**6 021 795**
Buffer of highly-liquid assets	**3 487 724**	**3 634 960**	**4 282 028**	**4 033 395**	**3 405 504**	**1 076 291**	**-**
Difference between buffer and negative accumulated gaps	n.a.	201 025	1 062 648	29 497	123 023	n.a.	n.a.
Coverage % of buffer over negative accumulated gaps	n.a.	106%	133%	101%	104%	n.a.	n.a.

At 31 December 2021 (thousands of Euros):

	Hasta 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Inflows equivalent value Euros	14 281 775	4 604 928	4 237 272	4 833 758	7 188 852	14 306 385	9 596 546
Outflows equivalent value Euros	(7 018 343)	(9 247 844)	(4 411 996)	(7 676 236)	(8 940 109)	(9 979 363)	(3 958 298)
Partial liquidity gaps	7 263 432	/4 642 915)	(174 726)	(2 842 479)	(1 751 257)	4 327 021	5 640 248
Accumulated liquidity gaps	**7 263 432**	**2 620 517**	**2 445 791**	**(396 688)**	**(2 147 945)**	**2 179 076**	**7 819 324**
Buffer of highly-liquid assets	**4 247 930**	**3 383 157**	**3 038 475**	**3 915 407**	**2 454 763**	**1 232 868**	**-**
Difference between buffer and negative accumulated gaps	n.a.	n.a.	n.a.	3 518 719	306 818	n.a.	n.a.
Coverage % of buffer over negative accumulated gaps	n.a.	n.a.	n.a.	987%	114%	n.a.	n.a.

As it may be seen in these charts, negative accumulated liquidity gaps are covered by the available buffer of liquid assets.

In addition to highly liquid assets, there is another series of eligible pledged assets in the ECB policy as coverage for provisions of funds in TLTRO III which volume at December 31, 2021 is of 2,995,000 thousand Euros.

In relation to the liquidity hedging ratio, a chart is presented below with quarterly averages of the ratio based on observations at the end of the month in the twelve previous months for each quarter of the period of 2022, indicating the averages of total liquid assets and averages of net liquidity outflows, liquidity outflows and liquidity inflows.

	LIQUIDITY COVERAGE RATIO (LCR) 2022 Quarterly average (% and thousands of Euros)			
	1Q	**2Q**	**3Q**	**4Q**
LCR RATIO	**348.62%**	**231.10%**	**301.96%**	**327.39%**
TOTAL LIQUID ASSETS	11 543 626	8 829 832	6 460 429	6 135 091
NET LIQUIDITY OUTFLOWS	3 330 255	3 803 032	2 184 838	2 233 751
Liquidity outflows	(7 063 337)	(7 654 479)	(6 639 563)	(5 778 281)
Liquidity inflows	3 733 083	4 052 189	4 454 725	3 544 530

Lastly, the following information chart shows the net stable financing ratio at the end of each calendar quarter of the period of 2022, additionally showing the stable financing available at the end of each quarter and the financing required at those dates.

	NET STABLE FINANCING RATIO (NSFR) 2022 Quarterly average (% and thousands of Euros)			
	1Q	**2Q**	**3Q**	**4Q**
NSFR RATIO	121.31%	110.82%	110.39%	116.09%
AVAILABLE STABLE FINANCING	20 214 603	19 023 954	18 625 223	18 758 955
REQUIRED STABLE FINANCING	16 664 101	17 167 085	16 871 696	16 159 037

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 accounting 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 Interest Margin or 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) **Methodology.** In order to measure balance sheet risks relating to the Financial Margin, the weighted partial maturity gap method was used before 2015, 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 was used before 2015. 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.

   Both methods were replaced in mid-2014 by other simulations based on Interest Income and Net Asset.

   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) **Risk degree.** 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.

For the purpose of assessing a sensitivity limit of the Financial Margin, it will be estimated based on implicit rates, calculated on the basis of the market curve and on the one on which increases or decreases are applied by +/- 200 bps, applying in the decreasing scenario a floor in -1%. The difference between both calculations, in absolute value, will be the estimated sensitivity, which amount cannot imply a decrease of the simulated Financial Margin above 35% of the Gross Margin, provided that it does not exceed 65% of the Financial Margin established in the annual budget. in any case, a reduction of 35 million Euros shall be admitted as limit.

In order to determine the sensitivity of the Financial Margin for variations of the exchange rate in currencies Euro/US Dollar and Euro/Pound Sterling, variations of +/- 10% will be assumed.

The exchange rate risk shall not exceed, in any case, 25% of the global limit established for the Financial Margin.

As a result of applying these movements of +/- 200 bps, with these shifts in interest rates, the sensitivity of the balance of ICO to December 31, 20202was -58.137 million Euros in total, distributed as follows: -52.281 Euros for the balance in Euros, -1.921 thousand Euros of the balance in US Dollars, and -0thousand Euros of the balance in British Pounds Sterling. Exchange rate (with variations of +/-10% on exchange in USD/EUR and GBP/EUR) was -3,641 million Euros in Dollars and -294 thousand Euros in Pounds.

Likewise, the sensitivity of the ICO's Financial Margin at December 31, 2021 was of 8,273 million Euros, representing 23.64% of the self-imposed limit of -35 million Euros (in force at such moment), with the following distribution: -4.350 for interest rate of the balance sheet in Euros, -0.802 for interest rate of US Dollar, and -0.630 for interest rate of the balance sheet in Pound Sterling. Per exchange rate (variations of +/-10% in interest rates USD/EUR and GBP/EUR), it was of -2.097 million Euros in Dollars and -394 thousand Euros in Pounds.

For the purpose of establishing a limit in the sensitivity of the net asset value, current values of our balance will be calculated through a market curve and another to which increases or decreases are applied by +/- 200 bps with a floor, in the scenario of decrease of rates, by -1% for immediate maturities, which floor will increase in 5 bps per year, until 0% is reached for maturities in 20 or more years. Such absolute floor is displacement. The difference between both values will be considered as the sensitivity of the net asset value of our balance in absolute value. The percentage (%) implied by this variation on the net asset value shall not represent a decrease above 10% of the estimated net asset value.

In order to determine the sensitivity of the net asset value for exchange rate variations in currencies Euro/US Dollar and Euros/Pound Sterling, movements of +/- 10% will be assumed.

At December 31, 2022, the values of the sensitivity of the ICO Net Asset reached -4.23% in value added with a distribution on balances as follows: -3.69% for Euro interest rate, -0.23% in the US Dollar, and -0.05% in the British Pound. Exchange rate for Dollar presented a sensitivity of -0.25% and -0.00% for Pounds.

At December 31, 2021 sensitivity values of ICO's Net Asset Value were of -3.08% with a balance distribution of: -2,42% for interest rate of Euro, -0,21% in the balance of US Dollars and -0.03% in the balance of Pound Sterling. Per exchange rate, sensibilities were of -0.36% in Dollars and -0.06% in Pounds.

In addition to the abovementioned sensibilities and results, the ICO has established a regular system integrated with the application for the risk measurement, management and control, in order to verify the impact that could derive from different scenarios of evolution of relevant financial variables in the Financial Margin or in the Net Asset Value and, on a monthly basis, other sensitivity estimates are performed, based on different assumptions of variations of interest rates. For instance, we note the sensitivity based on estimates of variation of interest rates provided by the Service of Studies at a one-month horizon, variations of the 5-year historical series of variations of interest rates or a stressed variation (6 times), historical variations, conversion to a positive rate curve or inversion of the curve.

Moreover, on a quarterly basis, and following EBA guidelines of interest rate risk management of the balance in activities other than negotiation GL/2018/02, the variation of the Economic Value of Equity (EVE) is calculated at least for each currency, when assets or liabilities denominated in such currency represent 5% or more of total financial assets (excluding property, plant and equipment) or financial liabilities of the banking book, or less than 5% if the sum of assets or liabilities included in the calculation is below 90% of total financial assets o financial liabilities of the banking book, in each of the 6 scenarios marked by it (parallel movement upwards or downwards of 200 basic points, positivisation, flattening, rising short rates, falling short rates).

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 Balance Management Department, the General Finance and Strategy Management or the Operations Committee.

The main currencies used by ICO to present its balance sheet at December 31, 2022 are the Euro and the US Dollar.

If we look at the assets of the balance sheet, the Euro concentrates approximately 89.13% of the total, the US Dollar being of 7.96%, while other currencies distribute the remaining amount.

Liabilities concentrate around 94.34% of the total balance sheet, with a total of approximately 64.62% in Euros, and 29.72% in US Dollars.

For 2021 closing, the ICO's main currencies in its activity also were the Euro and the US Dollar. In this case, both of them together represented around 98.18% of total assets, where the Euro represented 92.28% and the Dollar the remaining 5.90%, while they represent 92.26% of liabilities, distributed in 63.10% in Euro and 29.16% in Dollar

Regarding currencies other than the euro and Dollar with which the Institute operates, its balance sheets are virtually 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.

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 credit 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 counterparty 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 periodically reviewed, 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 Board on a half-yearly basis and is performed an individualised analysis of them. 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 such as, for example, lines of Businesses and Entrepreneurs or Internationalisation.

Transactions involving derivatives contracted by ICO have counterparties with high credit ratings, so that a very high percentage of these, almost 100%, maintain an Agency rating investment grade. These counterparty institutions operate at the national and international level.

ICO's activities with credit institutions, in the area of both second-floor and direct facilities, are carried out with counterparties that, in almost 92% of cases, have an investment grade rating.

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

At the Acceptance stage, the Institute performs an analysis of companies and transactions based on an 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 Board, 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 by a permanent control, with periodic reviews of the economic and financial situation of the same and keeping support tools updated for decision-making and it allow for detect warning signs; as well as promoting action plans against problematic risks in order to maximise the repayment of financing granted.

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 the 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. Rating agency and OECD-CESCE evaluations are used as a source of information when classifying countries into risk groups.

5.6. Operating risk at ICO

Measuring and controlling operating is increasingly important, especially bearing in mind the Capital Accord (Basel III). 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 Credit risk exposure with companies

5.7.1 Classification per sector

Taking into account a classification by sector, the distribution of the risk exposure (*) is as follows:

	Millions of Euros			
	2022		2021	
	Amount	% s/total	Amount	% s/total
Property investment	**413**	**4%**	**452**	**4%**
Construction of social housing for sale	5	0%	5	0%
Construction of social housing for rent	298	3%	323	3%
Acquisition and development of land	101	1%	117	1%
Others	9	0%	7	0%
Investment property, plant and equipment	**8,161**	**70%**	**8,512**	**72%**
Renewable energies	1,742	15%	1,407	12%
Water infrastructures	93	1%	118	1%
Electricity infrastructures	1,053	9%	1,831	15%
Gas and fossil fuel infrastructures	939	8%	714	6%
Transport infrastructures	3,016	26%	3,232	27%
Tourism and leisure	151	1%	134	1%
Social-health infrastructures	89	1%	86	1%
Telecommunications	108	1%	100	1%
Audio-visual production and exhibition	32	0%	27	0%
Business parks and other constructions	30	0%	22	0%
Other	661	6%	635	6%
Research and Development material investment	247	2%	206	2%
ICO Finance lines AA.CC. Agencies	-	-	-	-
Acquisitions of companies	**603**	**5%**	**628**	**5%**
General corporate needs	**1,421**	**12%**	**834**	**7%**
Restructuring of liabilities	**407**	**3%**	**709**	**6%**
General State Budgets	**673**	**6%**	**764**	**6%**
	11,678	100%	11,899	100%

(*) Including customer loans and advances without valuation adjustments or impairment losses (except for "other financial assets"). Also includes financial guarantees for customers and debt securities of resident Public Administrations classified as loans and advances receivable.

At December 31, 2022 and 2021 the total exposure is mainly concentrated in the sector of "Investment property, plant and equipment", which account for 70% of total risk in 2022 (72% in 2021). Also, the weight over the total risk of sectors "Transport Infrastructures" (26% of the total in 2022 and 27% in 2021), "Renewable energies" (15% of total balance in 2022 and 12% in 2021) and "Gas infrastructures and hydrocarbons", 8% of total risk in 2022 (6% in 2021), is to be noted.

5.7.2 Classification by geographic location of financial investments

The total risk at December 31, 2022 is distributed as follows: 69% in transactions financing investments in Spain amounting to 8,108 million Euros (72% at 2021 with 8,608 million Euros) and 31% in transactions aimed at financing investment projects in other countries.

The risk distribution for investment projects in the national territory per Autonomous Communities in 2022 is the following: Catalonia with 6%, Valencia and Madrid with 5%, and Andalusia with 2% (7%, 5%, 6%, 5% and 3%, in 2021, respectively).

Transactions taking place in the international market at December 31, 2022 and 2021 are distributed as follows:

	Millions of Euros			
	2022		2021	
	Amount	Percentage	Amount	Percentage
European Economic Community	1,126	32%	1,168	35%
Latin America	858	24%	827	25%
United States	246	7%	146	4%
Rest of Europe (non-EU)	30	1%	30	1%
Other	1,308	36%	1,120	35%
	3,568	100%	3,291	100%

5.8 Information on payment deferrals to suppliers

The information required by the third additional Provision of Law 15/2010, of 5 July, is detailed below:

	2022	2021
(Days)		
Average payment period to suppliers	6.75	6.75
Ratio of paid operations	7	7
Ratio of operations payable	3.5	3.5
(Thousands of Euros)		
Total settled payments	30,649	30,266
Total outstanding payments	1,744	666
Amount paid in a period below the maximum established in default regulations	30,649	30,266
(No. invoices)		
Invoices paid in a period below the maximum established in default regulations	3,160	2,659
(Percentage)		
Amount paid in a period below the maximum established in default regulations over total amount of payments to suppliers	100%	100%
paid in a period below the maximum established in default regulations over total invoices to suppliers	100%	100%

By virtue of Law 3/2004, the maximum payment term is of 30 days, extendable if agreed by the parties, to a limit of 60 calendar days.

The third additional provision of Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures against late payment in commercial transactions, amended by the final second provision of Law 31/2014, of 3 December, and article 9 of Law 18/2022, of 28 September, establishes the duty of unlisted companies that cannot present abridged annual accounts to expressly include in the notes on their financial statements the average payment period to suppliers, the monetary volume and number of invoices paid in a period below the maximum established by default regulations, and their percentage over the total number of invoices and the total monetary amount of payments to suppliers.

For the purpose of an appropriate understanding of the information contained in this note, as established on ICAC Resolution of January 29, 2016, on information concerning late payment to suppliers in commercial transactions to be included in the Notes to annual accounts, it should be noted that "Suppliers" are understood as those who, by nature, are trade payables due to suppliers of goods and services.

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 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. Nor is any information provided concerning payments to suppliers excluded from the scope of this mandatory disclosure pursuant to the provisions of the aforementioned ICAC Resolution, such as suppliers of fixed assets that are not considered to be trade creditors. When elaborating the information above, payments corresponding to intercompany credits and debits have been excluded.

For the purpose of elaborating this information, and based on the nature of the Entity's activities and operations, when calculating the days of payment and outstanding payment days, the period between the date of invoice (which in practice is usually the same as or very close to the date of receipt of the goods or services from the supplier) and the date of actual payment or the year-end date, respectively, has been taken into account.

5.9 Risk concentration and other specific regulations of the ICO

At December 31, 2022 and 2021, the Group is exempt from the limits on large exposures set out in the applicable regulations (Part IV of EU Regulation 575/2013 and Circular 3/2008 of the Bank of Spain, respectively), according the provisions of the bylaws of the Institute.

Royal Decree-Law 12/2012, of March 31, 2012, established the treatment of exposures to credit 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:

	2022			2021		
	Gross amount	**Excess over value of collateral**	**Specific allowance**	**Gross amount**	**Excess over value of collateral**	**Specific allowance**
Property financing	415 527	-	182 991	445 717	-	198 244
Out of which doubtful	96 570	-	94 156	102 905	-	100 312
Memorandum item						
Defaulted assets	-	-	-	-	-	-

	Thousands of Euros	
	2022	**2021**
Memorandum item:		
Total loans to clients, excluding public administrations	8 539 773	8 427 818
Total assets	29 774 943	37 766 136
Total general allowance for normal risk	192 885	145 886

Total finance for construction and property development at December 31, 2022 represents 1.40% of the total balance sheet (1.18% at December 31, 2020).

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

	Thousands of Euros	
	2022	**2021**
1 Without mortgage collateral	**101 679**	**115 800**
2 With mortgage collateral	**313 849**	**329 917**
2.1 Finished buildings	305 665	324 324
2.1.1 Homes	305 665	324 324
2.1.2 Other	-	-
2.2 Buildings under constructions	8 184	5 593
2.2.1 Homes	8 184	5 593
2.2.2 Other	-	-
2.3 Land	-	-
2.3.1 Developed land	-	-
2.3.2 Other land		
TOTAL	**415 527**	**445 717**

- Home purchase loans:

	Thousands of Euros			
	2022		2021	
	Gross amount	**Of which: doubtful**	**Gross amount**	**Of which: doubtful**
Home loans	12 371	-	11 864	-
Without mortgage collateral	11 790	-	11 154	-
With mortgage collateral	581	-	710	-

-

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

  At 31 December 2022:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	302	73	206	-	-
- Of which doubtful					

  At 31 December 2021:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	435	-	275	-	-
- 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 17) 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

Presented in the next table, there is the detailed information related to those refinanced and restructured operations as of December 31,, 2022 and 2021 (gross amounts), as requirement of Bank of Spain 6/2013 Circular, about financial public and reserved information rules:

At December 31, 2022 (gross amounts, in thousands of Euros):

	With real guarantee	No real guarantee	TOTAL amounts	TOTAL hedging
Public Administrations	-	101 679	101 679	57 185
Doubtful		38 435	38 435	38 435
Finance companies (finance assets)	-	-	-	-
Doubtful				
Non Finance companies and Industrial Business	303 375	120 046	423 421	189 963
Doubtful	167 412	26 460	193 872	174 977
Non-doubtful	8 617	-	8 617	5 960
Property doubtful	4 822	-	4 822	4 822
Rest of individuals	229	40	269	-
TOTALS	**303 604**	**221 765**	**525 369**	**247 148**

At December 31, 2021 (gross amounts, in thousands of Euros):

	With real guarantee	No real guarantee	TOTAL amounts	TOTAL hedging
Public Administrations	40 428	75 372	115 800	62 928
Doubtful	40 428	-		40 428
Finance companies (finance assets)	-	-	-	-
Doubtful				
Non Finance companies and Industrial Business	377 919	37 291	415 210	211 988
Doubtful	214 311	11 342	225 653	202 491
Non-doubtful	38 986	-	38 986	5 808
Property doubtful	118 487	-	118 487	113 406
Rest of individuals	351	-	351	-
TOTALS	**418 698**	**112 663**	**531 361**	**274 916**

6. CASH, DEPOSITS AT CENTRAL BANKS AND DEMAND DEPOSITS

The composition of this caption of the consolidated balance sheet at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	2021
Cash at hand	7	5
Cash in Bank of Spain	2 557 390	9 344 958
Mandatory to comply with minimum reserve ratios	2 557 390	9 344 958
Other demand deposits	80 092	34 682
	2 637 489	9 379 645

7. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The total balance under this heading in the consolidated balance sheets at December 31, 2022 and 2021 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.

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 December 31, 2022 and 2021:

	Thousands of Euros					
	Notional		Assets		Liabilities	
	2022	2021	2022	2021	2022	2021
By type of market						
Organised markets	-	-	-	-	-	-
Non – organised markets	356 337	1 294 600	30 637	10 701	29 714	10 580
	356 337	**1 294 600**	**30 637**	**10 701**	**29 714**	**10 580**
By type of product						
Swaps	356 337	1 294 600	30 637	10 701	29 714	10 580

	356 337	**1 294 600**	**30 637**	**10 701**	**29 714**	**10 580**
By counterparty						
Credit institutions	233 288	1 147 217	348	-	29 714	10 580
Other credit institutions	-	-	-	-	-	-
Other sectors	123 049	147 383	30 289	10 701	-	-
	356 337	**1 294 600**	**30 637**	**10 701**	**29 714**	**10 580**
By type of risk						
Exchange risk	221 264	257 282	30 481	9 411	29 580	8 541
Interest rate risk	135 073	1 037 318	156	1 290	134	2 039
	356 337	**1 294 600**	**30 637**	**10 701**	**29 714**	**10 580**

The fair value has been calculated for the 100% of the cases, both in 2022 and 2021, taking the implicit curve of the money markets and the public debt as a reference.

At December 31, 2022 and 2021 the trading portfolio classification, stated at fair value and taking the hierarchical order into account as shown in Note 2.2.3, is as follows:

						Thousands of Euros
	2022			**2021**		
	Level I	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Derivatives held for trading of assets	-	30 637	-	-	10 701	-
Derivatives held for trading of liabilities	-	29 714	-	-	10 580	-

The following chart shows amounts registered on profit and loss accounts of 2022 and 2021 (Note 30) for variations in the fair value of the Institute's financial instruments included on the trading portfolio, corresponding to unrealised capital gains and losses, distinguishing between financial instruments which fair value is determined by taking as reference listings published in active markets (Level 1), is estimated using a valuation technique which variables are obtained from data observable in the market (Level 2) and others (Level 3):

						Thousands of Euros
	2021			**2020**		
	Profit	**Loss**	**Net**	**Profit**	**Loss**	**Net**
Level 1	-	-	-	-	-	-
Level 2	81 400	(81 141)	(259)	147 721	147 357	364
Level 3	-	-	-	-	-	-

In 2022 and 2021, changes in the fair value of derivatives classified as level 2 were solely the result of purchase, sales and changes in fair value arising from the application of the valuation techniques described, with no reclassifications between levels.

8. FINANCIAL ASSETS NOT HELD FOR TRADING OBLIGATORILY VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS

The breakdown of the amount included in this chapter, in the balance sheet at December 31, 2022 and 2021, is as follows:

	Thousands of Euros	
	2022	2021
Equity instruments	-	-
Debt securities	-	-

At December 31, 2022 and 2021, this caption includes a debt instrument, classified as doubtful risk, with accounting hedging of 100% (amount of 40,167 thousand Euros); therefore, it is fully recorded as provision in both years.

In 2022, no results have been registered for the fair value valuation in the Profit and Loss Account of an amount for this concept (none in 2021) (Note 31).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The detail of this caption of the balance sheet at December 31, 2022 and 2021, per investment, is the following:

	Thousands of Euros	
	2022	2021
Equity instruments:		
FONDICO Pyme (1)	106 212	97 273
FONDICO Infraestructuras II (2)	114 840	131 392
FONDICO Global (3)	994 168	748 437
FONDICO Next Tech (4)	20 893	123
FONS MEDITERRANEA FCR (5)	3 549	6 330
FONDO MARGUERITTE MEH (6)	42 019	72 504
FONDO AFS CESCE (7)	12 040	8 579
FEI (8)	29 627	21 667
SWIFT (9)	6	6
EDW (10)	194	195
INVESTMENTS GROUP QUABIT (11)	-	-
INVESTMENTS CELTIC ROADS WATERFORD (12)	-	-
MARGUERITTE III INVEST EU FUND (13)	1 483	-
	1 325 031	1 086 506
Debt securities (14)	1 135 160	1 150 639
	2 460 191	2 237 145

The balance, net of the tax effect, of caption “Other accumulated comprehensive income” as changes in the fair value of these financial instruments at December 31, 2022 and 2021, is the following (Note 21):

	Thousands of Euros	
	2022	2021
Debt instruments	(28 313)	3 640
Equity instruments	349 635	134 557
	321 322	138 197

Variations, during 2022 and 2021, in the caption of Financial assets at fair value through other comprehensive income are shown below:

	Thousands of Euros	
	2022	2021
Initial balance	2 237 145	1 618 994
Purchase additions	310 006	2 625 740
Sales and amortisations	308 000	(2 061 564)
Variations for changes in fair value (Note 21)	221 051	60 565
Allocation impairment provision	-	(8 767)
Variations for impairment losses (application)	(11)	2 177
Closing balance	2 460 191	2 237 145

(1) FONDICO Pyme. Venture capital fund constituted on May 1993 and in which the Institute is the sole participant, managed by Axis Participaciones Empresariales. No net contributions in 2022. In 2021, the Institute made a new contribution to the Fund by 15,025 thousand Euros. The amount payable and committed by ICO is of 58,000 thousand Euros at December 31, 2022.

(2) FONDICO Infraestructuras. Venture capital fund constituted on 2019, fully invested by the Institute and managed by Axis Participaciones Empresariales. In 2022, the Institute's contributions amounted to 32,472 thousand Euros (19,000 thousand Euros in 2021) and returns of 61,000 thousand Euros (no returns in 2021). The amount payable and committed by ICO is of 50,000 thousand Euros at December 31, 2022.

(3) FONDICO Global. Venture capital fund created in 2014, fully invested by the Institute and managed by Axis Participaciones Empresariales. In 2022, the Institute's contributions amounted to 210,000 thousand Euros (160,000 thousand Euros in 2021). In 2022, the Fund has decreased equity through refund of contributions by 247,000 thousand Euros (124,000 thousand Euros in 2021). The amount committed by ICO and to be reimbursed amounts to 586,000 thousand Euros at December 31, 2022 (679,000 thousand Euros at December 31, 2021).

(4) FONDICO Next Tech. Venture capital fund created in 2021, wholly owned by the Institute and managed by Axis Participaciones Empresariales. In 2022, the Institute's contributions amounted to 24,300 thousand Euros (965 thousand Euros in 2021). The amount payable and committed by ICO is of 103,000 thousand Euros at December 31, 2022.

(5) FONS MEDITERRANEA. 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 hedging of 30% of the total real capital (without including fair value changes) amounting 1,270 thousand Euros at December 31, 2022 (1,270 thousand Euros at December 31, 2020). No net contributions in 2022 or 2021.

(6) FONDO MARGUERITTE MEH. With the participation of leading European public credit 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 policies. The Fund is managed by ICO, although the final result from its eventual liquidation would not affect the Institute's balance sheet, since it is fully guaranteed by the Spanish Ministry of Tax, which provides funds to finance the Fund.

In 2022, contributions amounted to 630 thousand Euros (no contributions in 2021) and no returns of participations were registered (no returns in 2021).

(7) FONDO AFS CESCE. Participation of 9.96% in Fondo AFS Sicav, which main activity is the discount of commercial invoices with CESCE guarantee. In 2022, contributions amounted to 1,500 thousand Euros (none in 2021). In 2022, there has not been any return of contributions (none in 2021).

(8) FEI. Participation equal to 0.66% of the total of the European Investment Fund, at December 31, 2022 (0.66% at December 31, 2021). There have not been any contributions at 2022 or 2021. At December 31, 2022, an amount remained payable by 39,200 thousand Euros (23,500 thousand Euros at December 31, 2021).

SWIFT. Participation of the Institute in 1 share of this entity as a full member of the same from 2008.

(9) EDW. A 3.57% participation in European Datawarehouse GmbHG, from March 2012.

(10) PARTICIPACIONES GROUP QUABIT. In 2019, as payment for several loan operations, ICO foreclosed several shares of QUABIT group, for a foreclosure amount of 5,700 thousand Euros. In 2022, part of them were disposed of, for an amount of 311 thousand Euros. These shares are fully covered by accounting provisions, and therefore their net value is null (provision of 4,846 thousand Euros at December 31, 2022).

(11) PARTICIPACIONES CELTIC ROADS WATERFORD. In 2021, the ICO was awarded a number of shares in this entity in payment for various loan operations, for a net awarding amount of 6,589 thousand Euros. These participations are 100% covered by accounting provisions (provision of 6,589 thousand Euros at December 31, 2022).

(12) FONDO MARGUERITTE III INVEST EU. At the end of 2022, ICO acquired shares in this fund, for an amount of 1,483 thousand Euros, as Implementing Partner of the European Commission, within InvestEU, the European Commission's Guarantee Programme. This investment is guaranteed by the EC to ICO by 50%.

(13) As part of its liquidity management policy and business models, the ICO is able to invest in debt instruments, classified as financial assets at fair value through other comprehensive income. In general, they are fixed income securities, issued by the State (Public Debt).

The detail of these assets per maturities is the following:

	Thousands of Euros	
	2022	**2021**
Maturity up to 1 year	448 520	-
Maturity from 1 to 2 years	531 671	458 238
Maturity from 2 to 3 years	154 969	565 842
Maturity over 3 years	-	126 559
	1 135 160	1 150 639

At December 31, 2022 and 2021, the classification of financial assets at fair value through other comprehensive income, taking the hierarchical level into account as shown in Note 2.2.3., is as follows:

	Thousands of Euros					
	2022			2021		
	Level I	Level II	Level III	Level I	Level II	Level III
Debt securities	1 135 160			1 150 639		
Equity instruments		1 325 031			1 086 506	

During 2022, the Institute has not registered on the income statement results from the write-off of financial assets at fair value through other comprehensive income (none in 2021) (Note 28).

10. FINANCIAL ASSETS AT AMORTISED COST

The composition of this caption on the consolidated balance sheets at December 31, 2022 and 2021 is the following (including impairment losses and other valuation adjustments):

	Thousands of Euros	
	2022	2021
Debt securities (Note 10.1)	6 781 025	6 889 673
Loans and advances:	17 085 646	18 437 628
Credit institutions (Note 10.2)	6 911 989	7 724 368
Customers (Note 10.3)	10 173 657	10 713 260
	23 866 671	25 327 301

The variation of impairment losses registered for the credit risk coverage and their accumulated amount at the beginning and closing of 2022 and 2021 of the portfolio of financial assets at amortised cost has been the following:

	Thousands of Euros			
	Provision for Country risk	Provision for doubtful risk and normal risk in watch-list	Provision for normal risk	Total
Balance at 1 January 2021	2 848	581 514	96 830	681 192
Allocations charged to results	196	25 212	49 758	75 166
Recoveries against results	(2 321)	(79 003)	(799)	(82 123)
Application of funds	-	(27 949)	-	(27 949)
Other variations	-	-	-	-
Adjustments for exchange differences	174	(41)	97	230
Balance at 31 December 2021	897	499 733	145 886	646 516
Allocations charged to results	1 025	26 894	47 562	75 481
Recoveries against results	-	(56 818)	(475)	(57 293)
Application of funds		(16 077)		(16 077)
Other variations				
Adjustments for exchange differences	(3)	(97)	(88)	(188)
Balance at 31 December 2022	1 919	453 635	192 885	648 439

The following table details provisions for doubtful risks and normal risks in watch-list based on determination criteria:

	Thousands of Euros 2022	Thousands of Euros 2021
Provision for doubtful risks (with defaults):	328 666	355 631
Default	16 456	17 210
Other than default	312 210	338 421
Provision for normal risk in watch-list	124 969	144 102
TOTALS	453 635	499 733

The provision for normal risk in watch-list corresponds to credit assets for an amount of 626,319 thousand Euros at December 31, 2021 (741,024 thousand Euros at December 31, 2021).

The table below provides a breakdown of financial assets classified as loans and receivables considered impaired due to their credit risk at December 31, 2022 and 2021, 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 10.3.

Impaired assets at 31 December 2022

	Thousands of Euros								
	Without delay	**3-6 months**	**6-9 months**	**9-12 months**	**12-15 months**	**15-18 months**	**18-21 months**	**More than 21 months**	**TOTAL**
By counterparty category -									
Non-financial companies	359 189		421	-	-	-	-	16 162	375 772

Impaired assets at 31 December 2021

	Thousands of Euros								
	Without delay	**3-6 months**	**6-9 months**	**9-12 months**	**12-15 months**	**15-18 months**	**18-21 months**	**More than 21 months**	**TOTAL**
By counterparty category -									
Non-financial companies	390 457	194	-	-	-	-	-	17 104	407 755

As of December 31, 2021 there is a balance of assets impaired by country risk of 91,641 thousand Euros, with a hedging per country risk of 1,919 thousand Euros (28,852 thousand Euros at December 31, 2021 with a hedging of 897 thousand Euros).

The amount of non-impaired past due assets for 2022 and 2021 was of 32,339 thousand Euros and 16,347 thousand Euros, respectively, with an age in both years of between one and three months.

The movement of the impaired financial assets derecognised from the asset when their recovery is deemed to be remote (failed) is as follows:

	Thousands of Euros 2022	Thousands of Euros 2021
Opening balance	1 525 753	1 658 430
Additions:	1 392	36 994
Balance recovery	1 392	22 644
Other causes	-	14 350
Recoveries:	(67 686)	(172 437)

Cash collection without additional financing	(41 656)	(50 246)
Asset allocation		
Others	(26 030)	(122 191)
Definitive write-offs: other causes:		
Net variation for exchange difference	2 223	2 766
Closing balance	1 461 682	1 525 753

The net amount included on the accompanying consolidated profit and loss account of 2022 and 2021 as a consequence of the variation of assets which recovery is deemed remote (failed assets) amounts to profits by 41,656 thousand Euros and 50,201 thousand Euros, respectively (caption "Impairment or reversal of impairment on financial assets").

10.1 Debt securities

The caption "Debt securities" includes the amount of fixed-income financial assets valued at amortised cost, and supported with securities.

At the end of 2013, the Institute's Operations Committee approved the document Annex V to the ICO Contract Mediation lines framework 2015, to regulate the conditions and operations to which the conversion operation is subject to the conversion to bonds of loans made by Entities in ICO lines in 2015. Such approval included the general specifications for conversion susceptible lines, amounts, interest accruals, eligible entities, schedule and compensation to credit institutions were included. Debt securities resulting from the conversion of loans mediation are also included in the heading "Debt securities".

The composition of this caption of the consolidated balance sheet at December 31, 2022 and 2021, based on the counterparty category, is the following:

	Thousands of Euros	
	2022	**2021**
Per counterparty category -		
Resident Public Administrations	4 537 261	5 444 417
Resident Credit Institutions	2 270	3 394
Other resident sectors	2 034 102	1 260 802
Other non-resident sectors	207 392	181 060
	6 781 025	6 889 673

The detail per maturity terms at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	**2021**
Per maturity		
Up to 1 year	1 552 664	3 050 281
From 1 to 2 years	303 174	1 216 829
From 2 to 3 years	548 999	285 439
From 3 to 4 years	331 955	353 323
From 4 to 5 years	2 024 225	264 239
More than 5 years	2 020 008	1 719 562
	6 781 025	6 889 673

At December 31, 2022, these assets accrued an annual interest rate of 0.92% (0.53% at December 31, 2021).

Interest accrued by these assets in 2022 and 2021 amounted to 60,526 thousand Euros and 41,396 thousand Euros, respectively, included under caption “Interests and similar income” of the profit and loss account (Note 24).

The Institute has coverage for credit risk at December 31, 2022 (normal risk) of 42,522 thousand Euros for these assets (21,651 thousand Euros at December 31, 2021).

In 2021, the ICO was awarded debt securities in payment for several loan operations, for an awarding amount of 2,177 thousand Euros. These securities, classified as doubtful assets, are fully covered by accounting provisions, and therefore their net value is nil.

Variations undergone during 2022 and 2021 in caption of Debt securities at amortised cost are the following:

	Thousands of Euros	
	2022	**2021**
Opening balance	6 889 673	7 347 498
Purchase additions	6 003 297	2 819 753
Variations for impairment losses	(20 870)	(14 516)
Amortisations and sales	(6 091 075)	(3 263 062)
Closing balance	6 781 025	6 889 673

At December 31, 2022, the Institute has not registered results from financial operations derived from the write-off of assets included in the caption of “Debt securities” for an amount of 172 thousand Euros (no results at December 31, 2021) (Note 29).

10.2 Loans and advances to Credit Institutions

The composition of this caption of the consolidated balance sheet at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	**2021**
By nature -		
Deposits in credit institutions (Note 10.2.1)	661 014	661 771
National mediation loans (Note 10.2.2)	5 184 441	6 130 929
International mediation loans (Note 10.2.3)	1 051 361	931 123
Other loans to credit institutions (Note 10.2.4)	3 819	8 002
	6 900 635	7 731 825
	(4 006)	(3 016)
Impairment losses	15 360	(4 441)
	6 911 989	7 724 368

(*) Valuation adjustments mainly correspond to the accrual of interests and similar revenues, as well as a correction for financial commissions.

10.2.1 Deposits in credit institutions

The following table details the balance of “Deposits in credit institutions”, grouped by maturity, at December 31, 2022 and 2021:

	Thousands of Euros	
	2022	2021
Up to 1 year	661 014	661 771
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	661 014	661 771

During 2022, the caption “Deposits in credit institutions” accrued an average annual interest of 0.77% (-0.30% during 2021). All deposits included are time deposits as of December 31, 2022 and 2021.

Interests accrued during 2022 and 2021 for these loans have amounted a total of 4,475 and (1,763) thousand Euros, respectively, which are included under the heading “Interest and similar charges” of the consolidated profit and loss account (Note 25).

10.2.2 National mediation loans

These operations in the Group, implanted since 1993, has the aim to help finance small and medium enterprises in the national territory. These lines are instrumented through loans granted by the Institute to various credit institutions, which formalise loans with the respective companies. Thus, each year, different lines are approved for different amounts and objectives, always focusing on the Spanish SMEs.

In general, in these lines, the Group does not assume any risk of insolvency of final borrowers. Occasionally, the ICO, as the Group’s parent company, assumed a part of the risk in certain liquidity lines 2009-2012, with no risk exposure at December 31, 2022 and 2021. During the years 2022 and 2021 no new lines have been approved in which the Institute assumes risk from final borrowers.

The detail of the balance of national mediation loans at December 31, 2022 and 2021 per years of maturity is the following:

	Thousands of Euros	
	2022	2021
Up to 1 year	1 510 188	2.011.747
From 1 to 2 years	1 121 629	1.359.034
From 2 to 3 years	785 381	920.470
From 3 to 4 years	579 293	571.806
From 4 to 5 years	391 803	403.195
More than 5 years	796 147	864.677
	5 184 441	6 130 929

At December 31, 2022 and 2021, mediation loans accrued an annual average interest rate of 0.95% and 0.64%, respectively.

Interests accrued during 2022 and 2021 for national mediation loans have amounted to 39,592 and 42,587 thousand Euros, respectively, included on caption “Interests and similar income” of the profit and loss account (Note 24).

10.2.3 International mediation loans

International mediation loans are a new activity in the Group, launched in 2018, in order to support the internationalisation of the Spanish company through financing banks, instead of through investment.

The detail of the balance of international mediation loans at December 31, 2022 and 2021 detailed per years of maturity is the following:

	Thousands of Euros	
	2022	2021
Up to 1 year	205 045	216.037
From 1 to 2 years	209 092	126.947
From 2 to 3 years	109 576	129.946
From 3 to 4 years	88 025	101.369
From 4 to 5 years	61 890	70.453
More than 5 years	377 733	286.371
	1 051 361	931 123

At December 31, 2022 and 2021, international mediation loans accrued an annual average interest rate of 0.95% and 0.64%, respectively.

Interests accrued during 2022 and 2021 by international mediation loans have amounted to 21,981 thousand Euros and 9,101 thousand Euros, respectively, which are included in the caption "Interests and similar income" of the consolidated profit and loss account (Note 24).

This caption includes an amount of impairment losses, for risk of bad debt (normal credit risk and country risk), for a total amount of 4,006 thousand Euros (3,016 thousand Euros at December 31, 2021) (Note 10.2).

10.2.4 Other loans to credit institutions

This caption includes balances for direct loan operations (without mediation) to credit institutions, resident and non-resident.

The detail of the balance of these loans at December 31, 2022 and 2021 detailed per years of maturity is the following:

	Thousands of Euros	
	2022	2021
Up to 1 year	2 539	4.309
From 1 to 2 years	1 280	2.455
From 2 to 3 years	-	1.238
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	3 819	8 002

At December 31, 2022 and 2021, loans to credit institutions accrued an annual average interest rate of 0.33% and -0.30%, respectively.

Interests accrued during 2022 and 2021 by these loans have amounted to 22 thousand Euros and 10 thousand Euros, respectively, included on caption “Interests and similar income” of the consolidated profit and loss account (Note 24).

10.3 Customer loans and advances

The composition of this caption of the consolidated balance sheet at December 31, 2022 and 2021, based on the counterparty category, is the following:

	Thousands of Euros	
	2022	2021
Counterparty category -		
Resident Public Administrations	1 639 593	2 212 678
Non-resident Public Administrations	89 852	167 919
Other resident sectors	7 285 523	7 481 816
Other non-resident sectors	1 703 318	1 377 052
Other financial assets	25 055	29 628
	10 743 341	11 269 093
Impairment losses	(601 911)	(621 849)
Other valuation adjustments (interests accrued and commissions)	32 227	66 016
	10 173 657	10 713 260

The value of certain investments in some Economic Interest Groupings is included in "Other resident sectors" (20,695 thousand Euros at December 31, 2022 and 17,806 thousand Euros at December 31, 2021) considering that are assured-return structures. Profitability of these shares has 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 (22,707 thousand Euros at December 31, 2022, 14,923 thousand Euros at December 31, 2021) (Notes 19 and 23).

Interests accrued, during 2022 and 2021, for these loans have amounted to 181,789 thousand Euros and 127,804 thousand Euros, respectively, which are included on caption "Interests and similar income" of the consolidated profit and loss account (Note 24).

Of the above balances, information is provided below regarding transactions guaranteed by the Public Sector, 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 and advances' at December 31, 2022 and 2021:

	Thousands of Euros	
	2022	2021
Balances included under "Resident Public Administrations"		
Loans to the national government	1 010 415	1 476 973
Loans to regional governments	629 178	735 705
Valuation adjustments	(120 789)	(124 183)
	1 518 804	2 088 495
Balances included under "Other resident sectors"		
Doubtful assets	5 294	5 400
Loans to other public entities	1 888 578	2 149 358
Loans to other sectors	161 751	134 025
	2 055 623	2 288 783
Total operations guaranteed by the State	3 574 427	4 377 278

The breakdown of “Loans to the national government”, excluding valuation adjustments, is as follows at December 31, 2022 and 2021:

	Thousands of Euros	
	2022	2021
Loans to the State and its Autonomous Entities	1 008 901	1 475 009
Accounts receivable from the Public Treasury	1 514	1 964
	1 010 415	1 476 973

The caption of “Accounts receivable from the Public Treasury” includes amounts liquidated by the Group to the Public Treasury, pending from being effective under the concept of Subsidiaries, for the adjustment of interest rates differentials in mediation loans. These accounts, which are carried at their nominal value, do not accrue any interest.

Interest and similar income contributed to the consolidated profit and loss by public sector entities for 2022 and 2021 (Note 24) are the following:

	Thousands of Euros	
	2022	2021
Central government	9 322	7 726
Regional governments	4 613	6 610
Other public sector entities	20 162	16 586
	34 097	30 922

The breakdown of the main amounts of loans included under the heading ‘Customer loans and advances’, including measurement adjustments, and set out by maturity date at December 31, 2022 and 2021, is as follows:

	Thousands of Euros	
	2022	2021
Maturities		
Up to 1 year	1 489 245	1.343.331
From 1 to 2 years	1 344 673	886.246
From 2 to 3 years	1 262 703	1.307.310
From 3 to 4 years	1 154 056	1.511.308
From 4 to 5 years	1 270 986	1.281.432
More than 5 years	4 253 905	5.005 482
	10 775 568	11 335 109

At December 31, 2022 and 2021, loans to clients accrued an annual average interest rate of 1.58% and 0.98%, respectively.

At December 31, 2022, the Group has not registered profits or losses on the consolidated income statement for financial operations derived from the write-off of assets included on caption “Loans and receivables” (neither at December 31, 2021) (Note 29).

11. HEDGING DERIVATIVES

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

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.

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.

Total notional values of derivatives and fair values of financial derivatives designated as "Hedging derivatives" at December 31, 2022 and 2021, by counterparty and risk (all contracted in non-organised OTC markets), are as follows:

	Thousands of Euros					
	Notional		**Assets**		**Liabilities**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
By type of hedging						
Fair value hedges	6 240 506	10 691 453	348 572	433 655	200 090	76 949
Cash flow hedges	4 709 662	5 921 759	90 250	21 354	365 529	254 122
	10 950 168	**16 613 212**	**438 822**	**455 009**	**565 619**	**331 071**
By type of product						
Swaps	10 950 168	16 613 212	438 822	455 009	565 619	331 071
	10 950 168	**16 613 212**	**438 822**	**455 009**	**565 619**	**331 071**
By counterparty						
Credit institutions	10 950 168	16 613 212	438 822	455 009	565 619	331 071
Other credit institutions	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-
	10 950 168	**16 613 212**	**438 822**	**455 009**	**565 619**	**331 071**
By type of risk						
Risk of exchange	5 780 660	11 672 765	191 002	368 356	319 081	222 099
Interest rate risk	5 169 508	4 940 447	247 820	86 653	246 538	108 972
	10 950 168	**16 613 212**	**438 822**	**455 009**	**565 619**	**331 071**

At December 31, 2022 and 2021, the classification of hedging derivatives, valued at fair value, based on level hierarchies established on Note 2.2.3., is the following:

	Thousands of Euros					
	2022			**2021**		
	Level I	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Assets hedging derivatives	-	438 822	-	-	455 009	-
Liabilities hedging derivatives	-	565 619	-	-	331 071	-

The fair value of these items has been calculated in 100% of the cases, both in 2021 and in 2020, taking as reference the implicit curves of the money.

Once the IFRS 13 of January 1, 2013 has become effective, the Group included for the derivative instruments valuation, the corresponding risk valuation adjustments from counterparties and its own (Notes 7 and 30).

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The variation of this caption of the consolidated balance sheets during 2022 and 2021 is the following:

	Thousands of Euros
	Associates
Balance at 1 January 2021	**69 346**
Additions	3 306
Withdrawals	-
Other variations	3 625
Impairment	-
Balance at 31 December 2021	**76 277**
Additions	4 867
Withdrawals	
Other variations	3 420
Impairment	
Balance at 31 December 2022	**84 564**

Annex I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at December 31, 2022 and 2021.

The caption "Other variations" includes consolidation adjustments.

13. PROPERTY, PLANT AND EQUIPMENT

The variation during 2022 and 2021 in accounts of property, plant and equipment and their corresponding accumulated amortisation, has been the following:

	Thousands of Euros			
	Buildings of own use	**Furniture, vehicle and other assets**	**Property investments**	**Total**
Cost				
Balances at 1 January 2022	114 933	16 785		131 718
Additions	1 017	194		1 211
Disposals and other write-offs		(595)		(595)
Balances at 31 December 2022	115 950	16 384		132 334
Accumulated amortisation -				
Balances at 1 January 2022	38 425	8 597		47 022
Allocations	1 814	758		2 572
Transfers and other variations		(1 000)		(1 000)
Balances at 31 December 2022	40 239	8 355		48 594
Impairment losses				
At 31 December 2022	-	651	-	651
Net property, plant and equipment				
Balances at 31 December 2022	75 711	7 378		83 089
Cost				
Balances at 1 January 2021	114 605	16 473		131 078
Additions	328	350		678
Disposals and other write-offs		(38)		(38)
Balances at 31 December 2021	114 933	16 785		131 718
Accumulated amortisation -				

Balances at 1 January 2021	36 702	8 335		45 037
Allocations	1 723	300		2 023
Transfers and other variations		(38)		(38)
Balances at 31 December 2021	38 425	8 597		47 022
Impairment losses				
At 31 December 2021	-	651	-	651
Net property, plant and equipment				
Balances at 31 December 2021	76 508	7 537		84 045

At December 31, 2022, there are fully-depreciated property, plant and equipment for own use for a gross amount of 19,673 thousand Euros (18,488 thousand Euros at December 31, 2021).

In compliance with Institute's policy, as the Group's parent company, all property, plant and equipment are insured at December 31, 2022 and 2021.

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 31, 2022 amounted to 18,026 thousand Euros (19,036 thousand Euros at December 31, 2021) (Note 20).

The table below presents the fair value of certain items of the Group's property, plant and equipment at December 31, 2022 and 2021 by category, along with the related carrying amounts at those dates:

	Thousands of Euros			
	2022		**2021**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Property, plant and equipment for own use	83 089	113 025	84 045	109 151
Buildings	75 256	105 192	76 058	101 164
Other	7 378	7 378	7 537	7 537
Fixed assets under construction	455	455	450	450
Property investments	-	-	-	-

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 December 31, 2022 and 2021.

14. INTANGIBLE ASSETS

The breakdown of Intangible assets in the consolidated balance sheet at December 31, 2022 and 2021 relates exclusively to the account named ‘other intangible assets’.

	Estimated useful life	Thousands of Euros 2022	2021
With indefinite useful life	-	-	-
With defined useful life	3 to 10 years	52 406	48 703
Gross total		52 406	48 703
Of which:			
Internal developments	3 years	46 215	42 997
Remainder	10 years	6 191	5 706
Accumulated depreciation		(43 403)	(40 011)
Impairment losses		(2 137)	(2 137)
		6 866	6 555

All intangible assets at December 31, 2022 and 2021 related to computer software. Fully amortised intangible assets at December 31, 2022 amounted to 42,096 thousand Euros (36,418 thousand Euros at December 31, 2021).

15. TAX ASSETS AND TAX LIABILITIES

The detail of Tax Assets and Tax Liabilities at December 31, 2022 and 2021 is the following:

	Thousands of Euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Current taxes:	4 330	32 435	1 493	6 748
Corporate income tax (Note 23)	3 847	32 258	-	5 810
VAT	483	177	31	35
Personal income tax withholdings	-	-	1 041	553
Social Security contributions	-	-	421	350
Deferred taxes:	174 345	152 472	153 641	75 159
Impairment losses on credits, loans and discounts	91 761	81 787	-	
Measurement of cash-flow hedges (Note 21)	82 584	70 685	-	-
Restatement of property	-	-	15 932	15 932
Restatement of financial assets at fair value through OCI (Note 21)	-	-	137 709	59 227
	178 675	184 907	155 134	81 907

Variations undergone, during 2022 and 2021, on balances of deferred tax assets and liabilities are shown below:

	Thousands of Euros			
	Assets		Liabilities	
	2022	2021	2022	2021
Opening balance	152 472	148 123	75 159	49 203
Impairment losses on credits, loans and discounts	9 974	20 641	-	-
Valuation of cash flow hedges (Note 21)	11 899	(16 292)	-	-
Restatement of property		-	-	-
Restatement of financial assets held for sale (Note 21)		-	78 482	25 956
Closing balance	174 345	152 472	153 641	75 159

16. OTHER ASSETS AND OTHER LIABILITIES

The composition of this caption in the consolidated balance sheet at December 31, 2022 and 2021 is the following:

OTHER ASSETS	Thousands of Euros	
	2022	2021
Other assets	5 108	17 719
Accruals	10 798	11 132
	15 906	28 851

The heading “Accruals” includes, among other items, the accrual of fees receivable by the Group, for the Management of Operational mechanisms Fund for the Financing of Payments to Suppliers and operational management of Autonomous Region Liquidity Fund and for the operational management of the Financing Fund to Autonomous Communities (Note 1.1). In 2022, the overall amount of these fees receivable for ICO is 5 million Euros per year (5 million Euros at December 31, 2021), also recorded in the consolidated income statement for these amounts within the section of 'Fee and commission income'“ (Note 27).

This caption also includes commissions paid by the ICO for the COVID guarantee of operations owned by the Group (paid to the Fund RDL 12/95, by virtue of applicable regulations) and to be accrued in the Institute’s consolidated income statement (2,141 thousand Euros at December 31, 2022 and 2,877 thousand Euros at December 31, 2021).

The composition of the balance of “Other liabilities” of the balance sheet at December 31, 2022 and 2021 is the following:

OTHER LIABILITIES	Thousands of Euros	
	2022	2021
Other liabilities	1 235	1 025
Accruals	63 331	39 414
	64 566	40 439

Under the heading “Accruals” includes the amounts accrued and unpaid, for commissions to be paid to credit institutions by the concepts of “rappel 2022 mediation lines” by 750 thousand Euros (500 thousand Euros in 2021). It also includes fees for the management of COVID sureties, which have been charged to the Fund RDL 12/95 (by virtue of applicable regulations) and which are pending accrual in the Group’s consolidated income statement (57,094 thousand Euros at December 31, 2022 and 34,354 thousand Euros at December 31, 2021).

17. NON-CURRENT ASSETS HELD FOR SALE

The totality of the balance in this caption corresponds to foreclosed assets. None of these foreclosed assets recorded on this heading at December 31, 2021 and December 31, 2020 comes from any funding related neither to Property development land nor to any other property development business.

Movements for years 2022 and 2021 in the balances under this balance sheet heading are shown below:

	Thousands of Euros		
	Cost	Impairment	Total
Balance at 1 January 2021	65 916	(65 916)	-
Additions	119	(119)	-
Withdrawals/Applications	(3 431)	3 431	-
Transfers	-		
Balance at 31 December 2021	62 604	(62 604)	-
Additions	1 882	(1 882)	-
Withdrawals/Applications	(4 026)	4 026	-
Transfers			
Balance at 31 December 2022	60 460	(60 460)	-

Out of the total amount of "Non-current assets held for sale" at December 31, 2022 and 2021, 48,678 thousand Euros correspond to a single asset, which is fully provisioned.

In 2022, impairment allocations of these non-financial assets have been registered, for an amount of 78 thousand Euros (81 thousand Euros in 2021).

In 2022, profits from the sale of non-current assets held for sale were registered, for an amount of 1,468 thousand Euros (profits of 1,848 thousand Euros in 2021).

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

Pursuant to the standard 60th of Circular 4/2017 of the Bank of Spain, non-current assets held for sale are classified into broad categories: soil, urban and urbanising splitting rustic and constructions, distinguishing between residential, industrial and commercial uses. On the following chart are included Appraisal Companies, its methodology to appraise the assets and the amount given to each of it (company/agency):

		RESIDENTIAL USE BUILDINGS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
6	ALIA TASACIONES	COMPARISON
31	COHISPANIA	COMPARISON
585	EUROVALORACIONES	COMPARISON
69	EUROVALORACIONES	COST
9	GESVALT	COMPARISON
5	JLL	COST
13	JUDICIAL	COMPARISON
379	GROUP TASVALOR	COMPARISON
1,097		

		TERTIARY USE BUILDINGS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
784	EUROVALORACIONES	COMPARISON
81	EUROVALORACIONES	COST
30	EUROVALORACIONES	RESIDUAL DYNAMIC
14	JLL	COMPARISON
909		

		RUSTIC LAND
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
31	EUROVALORACIONES	RENT UPDATE
91	EUROVALORACIONES	COMPARISON
38	GROUP TASVALOR	RENT UPDATE
43	GROUP TASVALOR	COMPARISON
203		

		URBAN AND DEVELOPABLE LANDS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
6,117	EUROVALORACIONES	RESIDUAL DYNAMIC
105	GROUP TASVALOR	RESIDUAL DYNAMIC
44	GROUP TASVALOR	OTHER
40	UVE VALORACIONES	RESIDUAL DYNAMIC
6,306		
TOTAL		
8,515		

18. FINANCIAL LIABILITIES AT AMORTISED COST

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

	Thousands of Euros	
	2022	2021
Counterparty categories		
Deposits from Central Banks (Note 18.1)	2 961 320	3 444 351
Deposits from credit institutions (Note 18.2)	4 656 697	5 894 436
Deposits from customers (Note 18.3)	366 292	842 093
Issued debt securities (Note 18.4)	13 374 254	20 087 210
Other financial liabilities (Note 18.5)	247 302	258 541
Monetary market operations (Note 18.6)	28 174	-
	21 634 039	30 526 631

18.1 Deposits in Central Banks

In 2019 and 2020, ICO, as parent company, responded to several LTRO and TLTRO calls from the European Central Bank. The amount of this caption corresponds to such operations.

18.2 Deposits in credit institutions

The composition of this caption of the balance sheets at December 31, 2022 and 2021 based on the nature of operations is the following:

	Thousands of Euros	
	2022	**2021**
By nature:		
Loans from the European Investment Bank	3 970 102	4 476 130
Interbank loans	159 392	178 645
Loans from other credit institutions	526 848	1 211 001
Valuation adjustments – accruals	(245)	28 660
	4 656 097	5 894 436

Interbank deposits fall due within less than one year from December 31, 2022 and 2021, respectively.

Loans from the European Investment Bank present the following final repayment schedule:

	Thousands of Euros	
	2022	**2021**
Up to 1 year	822 513	1.377.669
From 1 to 2 years	591 713	808.872
From 2 to 3 years	811 362	579.904
From 3 to 4 years	454 854	782.349
From 4 to 5 years	137 281	440.059
More than 5 years	1 152 379	487.277
	3 970 102	4 476 130

The breakdown by maturity date of “Loans from other credit institutions” is as follows:

	Thousands of Euros	
	2022	**2021**
Up to 1 year	78 750	853.338
From 1 to 2 years	78 750	59.042
From 2 to 3 years	78 750	77.493
From 3 to 4 years	30 000	77.493
From 4 to 5 years	198 760	47.972
More than 5 years	61 838	95.663
	526 848	1 211 001

18.3 Customer deposits

The composition of this caption of the consolidated balance sheets at December 31, 2022 and 2021 based on the sector is the following:

	Thousands of Euros	
	2022	**2021**
By counterparty category		
Public Administrations	348 650	659 130
Other resident sector (1)	17.131	182 923
Other non-resident sectors	-	-
Valuation adjustments – accruals	511	40
	366 292	842 093

(1) Out of which, at December 31, 2022 and 2021, 17,131 thousand Euros and 169,423 thousand Euros, respectively, were demand accounts

At December 31, 2022 and 2021, the detail by nature of the balance registered on "Public Administrations" is the following:

	Thousands of Euros	
	2022	2021
Reciprocal Interest Adjustment Agreement (C.A.R.I.)	8 634	25 304
Public Administration Current Accounts and other items	340 016	633 826
	348 650	659 130

18.4 Issued debt securities

The detail of this caption at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	2021
Bonds and debentures issued	13 351 201	20 070 571
Valuation adjustments (*)	23 053	16 639
	13 374 254	20 087 210

(*) Including transaction costs and value corrections for accounting hedging

Variations of this caption, during 2022 and 2021, have been the following:

	Thousands of Euros	
	2022	2021
Opening balance	20 070 571	15 049 917
Issues	23 490 046	28 023 011
Amortisations and depreciations	(30 648 144)	(23 529 344)
Exchange differences	438 728	526 987
Closing balance	13 351 201	20 070 571

Detailed below are debenture issues outstanding at December 31, 2022 and 2021, grouped per currency:

Number of issues			Thousands of Euros	
2022	2021	Currency	2022	2021
59	89	US Dollar	4 575 090	7 511 081
61	63	Euro	7 683 423	10 414 189
1	1	Swiss Franc	253 884	241 990
10	23	Australia Dollar	452 347	948 978
0	1	Sweden Krone	-	48 779
10	10	Pound Sterling	350 909	867 205
1	1	Yen	35 548	38 349
			13 351 201	20 070 571

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

In 2022, the total financial cost of debenture loans in both Euros and foreign currency recorded under the heading 'Interest and similar charges' in the consolidated income statement was 562,607 thousand Euros, which is an average annual interest rate of 3.65% (0.51% with the effect of accounting hedges). In 2021, financial costs amounted 241,044 thousand Euros, which was an average annual interest rate of 2.40% (0.59% with accounting hedges) (Note 25).

As of 2022, the Institute has recorded results for financial operations derived from the repurchase of financial liabilities at amortised cost (bonds and debentures issued by the ICO), with profits of 947 thousand Euros (losses of 356 thousand Euros in 2021), included on caption 'Gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net' (Note 29).

18.5 Other financial liabilities

The composition of this caption of the consolidated balance sheets at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	**2021**
Treasury Funds	170 495	239 391
Other concepts	76 807	19 150
	247 302	258 541

"Treasury funds" include funds received by the Group and repayable under the attaching terms of each. Detailed information on the lines associated with each of these funds can be found on the Institute's website www.ico.es .

Funds associated with the most important lines are the following:

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

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

- 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 of the Group's mediation lines, which are funded through market fundraising by 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 unamortised 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.

Balances at December 31, 2022 and 2021 of such funds are shown below:

	Thousands of Euros	
	2022	2021
FOMIT – Renove Turismo	28 012	49 903
Préstamos Renta Universidad	80 717	93 684
Futur E	511	4 336
Others	138 062	110 618
	247 302	258 541

18.6 Monetary market operations

This caption includes temporary assignments of assets, entirely securities representing Public Debt.

19. PROVISIONS

At December 31, 2022 and 2021 the detail of this caption of the accompanying consolidated balance sheet is the following:

	Thousands of Euros	
	2022	2021
Provisions for pensions and similar obligations	770	791
Provisions for contingent risks and commitments	59 396	48 716
Other provisions	1 704 654	1 340 867
	1 764 820	1 390 374

The composition of the caption of “Other provisions” of the consolidated balance sheets at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	2021
Fund Royal Decree – Law 12/1995	1 672 132	1 316 127
Fund for amounts recovered from BBVA	200	160
Fund Prestige Facility	8 297	8 312
Fund to compensate AIE shareholdings results (Note 10.3)	22 707	14 923
Other funds	1 318	1 345
	1 704 654	1 340 867

Royal Decree- Law 12/1995

Royal Decree- Law 12/1995 (28 December), published in the Official State Gazette (BOE) on 30 December 1995 and taking effect on January 1, 1996, it is stipulated that Instituto de Crédito Oficial 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 of Euros 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 12/1995 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 Group’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 is credited, in addition to the initial allocation, with future allocations that the Instituto de Crédito Oficial makes out of profits obtained and any made or authorised by the State when assuming or offsetting losses, or through any other appropriate system . Similarly, the Fund is credited with the amounts of 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 2022 and 2021 amounted to 15 thousand Euros and 5 thousand Euros, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2022 and 2021, amounted to (7,688) thousand Euros and (5,073) 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 at July 30, 2004.

As a consequence of the COVID-19 health crisis and of the implementation of the State’s surety lines to support the private sector’s financing, the financial entities pay surety commissions to ICO which, by virtue of procedures established for such purpose, are registered as direct credits to the Fund RDL 12/95. Also, costs for the necessary contracts entered into by the Institute to manage this activity are also charged to the Fund RDL 12/95. The purpose of these allocations is to face future defaults that may derive from the execution of granted sureties and which, in any case, shall not affect the Institute’s equity (in case of insufficiency of funds, the State shall directly provide ICO with the necessary amounts).

This fund’s variations in 2022 and 2021 included on caption of “Other provisions” of the consolidated balance sheet at December 31, 2022 and 2021 are the following:

	Thousands of Euros
Balance at 1 January 2021	626 471
Capitalisation of interests	(5 073)
State Contributions	-
Application ICO results 2020	70 188
Loan recoveries (principal and interests)	1
Applications	-
Credits COVID lines commissions (net of contracting expenses)	624 540
Balance at 31 December 2021	1 316 127
Capitalisation of interests	(7 688)
State Contributions	-
Application ICO results 2021	122 960
Loan recoveries (principal and interests)	1 227
Applications	-
Credits COVID lines commissions (net of contracting expenses)	239 506
Balance at 31 December 2022	1 672 132

In 2022, an extraordinary contribution to the Fund of 122,960 thousand Euros has been registered, as part of the net profit distributed by ICO for 2021.

Fund for amounts 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 regard to the heading “Funds for amounts 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, in 2022, there is a provision by 200 thousand Euros (160 thousand Euros at December 31, 2021).

Prestige Line Fund

The Prestige Line Fund has its origins in the ROL 7/2002, 22 November, which authorises to charge on the Fund Special Provision 12/1995 ROL, the default amounts from loans Prestige line, with credit to this fund specific provision.

Fund to offset results AIE shareholding results

Heading Fund to offset AIE shareholdings includes the provision in order to adjust its profit to the transactions performance conducted through the Economic Interest Groupings (Note 10.3). This provision has been recognised under the rubric of corporate income tax of the income account for an amount of 7,785 thousand Euros and 8,922 thousand Euros, respectively in the years 2022 and 2021 (Note 23).

The following chart shows variations of the caption of Provisions in 2022 and 2021:

	Thousands of Euros				
	Provision for taxes	**Fund for pensions and similar obligations**	**Provisions for risks and contingent commitments**	**Other provisions**	**Total**
Balances at 1 January 2021	-	656	27 855	658 234	686 745
Allocations (1)	-	135	20 730	5 220	26 085
Recoveries (1)	-	-	(143)	(180)	(323)
Application of funds	-	-	-	-	-
Transfers and other variations (2)	-	-	65	677 592	677 657
Exchange differences	-	-	210	-	210
Balances at 31 December 2021	-	791	48 717	1 340 866	1 390 374
Allocations (1)	-	-	15 537	8 194	23 971
Recoveries (1)	-	(21)	(4 818)	-	(4 839)
Application of funds	-	-	-	-	-
Transfers and other variations (2)	-	-	-	355 594	355 594
Exchange differences	-	-	(40)	-	(40)
Balances at 31 December 2022	-	770	59 396	1 704 654	1 764 820

(1) Transfers and other movements mainly include credits to the Fund RDL 12/95 for the collection of commissions for COVID-19 sureties (239,506 thousand Euros at December 31, 2022 and 624,540 thousand Euros at December 31, 2021) and for the provision to the Fund to offset results from investments in AIE (Note 23) (7,785 thousand Euros at December 31, 2022

and 8,922 thousand Euros at December 31, 2021).

20. OWN FUNDS

The reconciliation of the opening and closing carrying value in 2022 and 2021 of the heading “Equity” in the consolidated balance sheets is the following:

	Thousands of Euros				
	Share Capital	Restatement reserves	Other reserves	Profit/(loss)	Total
Balance at 1 January 2021	4 314 204	19 948	953 017	79 092	5 366 261
Distribution of results				(79 092)	(79 092)
Other variations of reserves		(912)	9 774		8 862
Profit/(loss) for the period				139 861	139 861
Other variations	276				276
Balance at 31 December 2021	4 314 480	19 036	962 791	139 861	5 436 168
Distribution of results				(139 861)	(139 861)
Other variations of reserves		(910)	17 955		17 045
Profit/(loss) for the period				146 832	146 832
Other variations	207				207
Balance at 31 December 2022	4 314 687	18 126	980 746	146 832	5 460 391

At December 31, 2022, the caption of “Distribution of results” includes an amount of 122,960 thousand Euros (70,188 thousand Euros at December 31, 2021), as part of the distribution of previous year’s results, for contribution to the Fund RDL 12/95 (Note 19).

The caption of “other variations” mainly includes the annual contribution to equity, by virtue of Law 24/2001, of 27 December, for an amount of 207 thousand Euros in 2022 (276 thousand Euros in 2021). According to the Additional Eleventh Provision of such Law, amounts recovered after the cancellation of debts contracted by the State with the ICO, as a consequence of certain credits and sureties granted by former Official Credit Entities and by the Institute will become part of the Institute’s equity.

20.1 Reserves of fully or proportionally consolidated entities

The detail per consolidated companies of balances of the equity caption “Equity – Reserves – Accumulated reserves” of the consolidated balances sheets at December 31, 2022 and 2021, in the portion of such balance originated from the consolidation process and excluding revaluation reserves, detailed per fully or proportionally consolidated companies on the consolidated financial statements, is the following:

	Thousands of Euros	
	2022	2021
AXIS Participaciones Empresariales, S.A.	29 804	16 665
Instituto de Crédito Oficial	925 172	924 262
	954 976	940 927

20.2 Reserves of entities valued through the equity method

The detail per consolidated companies of balances of the equity caption “Equity – Reserves – Reserves of entities valued through the equity method” of the consolidated balance sheets at December 31, 2022 and 2021, in the portion of such balance revealed as part of the consolidation process, detailed per company valued through the equity method in the consolidated financial statements, is the following:

	Thousands of Euros	
	2022	2021
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	25 715	21 807
CERSA, Compañía Española de Reafianzamiento, S.A.	55	57
Other entities	-	-
	25 770	21 864

21. OTHER ACCUMULATED COMPREHENSIVE INCOME (valuation adjustments)

The balance of this caption detailed by gross and net amount of the tax effect is the following:

	Thousands of Euros					
	2022			2021		
	Gross	Tax effect (Note 15)	Net	Gross	Tax effect (Note 15)	Net
Financial assets at fair value through other comprehensive income (Note 9)	459 032	(137 710)	321 322	197 425	(59 228)	138 197
Cash flow hedging of assets and liabilities	(275 279)	82 584	(192 695)	(235 615)	70 684	(164 931)
TOTAL	183 753	(55 126)	128 627	(38 190)	11 456	(26 734)

The balance of this heading relates to the concepts of available-for-sale financial assets at fair value through OCI and cash flow hedge derivatives in the accompanying balance sheets. The first account records the net amount of changes in the fair value of the assets at fair value through OCI that, in accordance with Note 2.2.4, must be included as part of the Institution's equity. The second account records the net amount of changes in the fair value of the cash flow hedge instruments.

	Thousands of Euros	
	2022	2021
Opening balance	(26 734)	(125.315)
Change in fair value of financial assets at fair value through other comprehensive income (Note 9)	183 125	60 565
Reclassification to financial assets at fair value through profit or loss		
Cash flow hedges	(27 764)	38 016
Closing balance	128 627	(26 734)

22. GRANTED GUARANTEES AND CONTINGENT COMMITMENTS

These headings in the balance sheets record the amounts that ICO must pay on behalf of third parties in the event that the obligated parties do not do so, in response to commitments acquired during the normal course of its business (granted guarantees) and amounts available to third parties (contingent commitments).

The detail of this caption at December 31, 2022 and 2021 is the following:

	Thousands of Euros	
	2022	2021
Granted guarantees		
Financial guarantees	557 812	528 275
	557 812	528 275
Granted contingent commitments		
Available by third parties:		
Credit institutions	223 259	473 654
Public Administrations sector	1 966 824	1 739 361
Other resident sectors	1 029 980	1 130 718
Non-resident sector	337 399	189 070
Other contingent commitments	79 998	93 716
Subscribed values pending disbursement:	835 933	702 500
	4 473 393	4 329 019
	5 031 205	4 857 294

Income obtained from guarantee instruments (guarantees and other sureties) are recorded under the heading “Commissions received” in the consolidated income statement.

23. TAX POSITION

The Institute is effectively taxed for the Corporate Income Tax, under general regime, since 1999 (previously, it was exempt, by virtue of specific regulations).

The reconciliation of the accounting Institute’s profit, as the Parent firm of ICO, as the Group’s parent company, for 2022 and 2021 with the corporate income tax basis is as follows:

	Thousands of Euros	
	2022	2021
Accounting profit before income tax	178 112	171 698
Permanent differences		
Foreign taxes paid	482	554
Non-accounted accounting income		-
Tax-loss carry forwards attributed to invested companies	(36 023)	(38 096)
Deductible expenses from previous years		
	142 571	134 156
Temporary differences:		
Due to impairment losses and provision non-deductible	67 378	84 614
Due to the reversal of temporary differences arising in other years	(34 128)	(15 814)
	33 250	68 800
Tax assessment basis	175 821	202 956
Gross tax payable (30%)	52 746	60 887
Deductions and allowances	(395)	(431)
Withholdings and interim payments	(56 198)	(54 646)
Tax payable (Note 15)	(3 847)	5 810
Corporate income tax	42 376	39 816
Adjustments CIT expense allocated investees’ bases (Note 19)	7 785	8 922
Other adjustments		
Corporate income tax expense	50 161	48 738

In the year, the allocation of tax losses carried forward in the AIE, in which ICO invests in different capital proportions, is incorporated: 36,023 thousand Euros in 2022 (allocation of tax losses by 38,096 thousand Euros in 2021). The allocation of basis has been based on information supplied by the entities. It was decided to allocate these concepts in the same year of the closing of AIE's balances.

There are no tax losses carried forward at 2022 closing.

No tax incentive deductions applied in the year 2022 nor in 2021. There is an international double tax deduction (taxes borne) amounting to 395 thousand Euros and 431 thousand Euros, respectively. There are not international double taxation deductions at 2022 closing.

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

Taxes and other tax obligations applicable to the Institute are open to inspection by the tax authorities during last four years.

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 crystallising is remote and in any event, the tax debt that may derive from them would not significantly affect the accompanying annual accounts.

24. INTERESTS AND SIMILAR INCOME

The detail of interests and similar income of 2022 and 2021, based on their origin, is the following:

	Thousands of Euros	
	2022	**2021**
Financial assets at fair value through other comprehensive income	204	99
Financial assets at amortised cost	322 656	224 924
Derivatives, hedge accounting	(7 876)	(12 173)
Other assets	254	312
Interests and similar income from liabilities	10 778	39 029
	326 016	252 191

25. INTERESTS AND SIMILAR CHARGES

The detail of this caption of the profit and loss account during 2022 and 2021 is the following:

	Thousands of Euros	
	2022	**2021**
Financial liabilities at amortised cost	665 632	306 947
Derivatives, hedge accounting	(487 030)	(181 953)
Other liabilities	-	-
Interests and similar charges from assets	21 668	22 646
	200 270	147 640

26. INCOME FROM DIVIDENDS

The totality of yields obtained for this concept corresponds to the variable income portfolio, for an amount of 480 thousand Euros in 2022 (18 thousand Euros in 2021).

27. PROFIT/(LOSS) FROM ENTITIES VALUED THROUGH THE EQUITY METHOD

The totality of results from entities valued through the equity method, included on this caption of the consolidated profit and loss account, amounts in 2022 and 2021 to profits by 3,269 thousand Euros and profits by 3,961 thousand Euros, respectively. Annex I includes the detail of shareholdings, as well as their most relevant data at December 31, 2022 and 2021.

28. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this caption of the consolidated profit and loss account is the following:

	Thousands of Euros	
	2022	**2021**
Commissions received		
Contingent risks	6 462	5 319
Availability commissions	5 875	3 219
Management commissions COVID sureties	7 482	6 946
Other commissions	42 689	42 418
	62 508	57 902
Commissions paid		
Signature risk	(5 834)	(96)
Other commissions	(3 191)	(7 697)
	(9 025)	(7 793)
Net Commissions for the year	53 483	50 109

The heading "Other commissions" of commissions income, at December 31, 2022, includes 5,000 thousand Euros related to commissions of the Autonomous Communities' Financing Fund and of the Local Entities' Financing Fund, for the management of both funds (5,000 thousand Euros at December 31, 2021) (Note 16).

29. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

The detail of this caption of the consolidated profit and loss account, based on the origin of its items is the following:

	Thousands of Euros	
	2022	**2021**
Financial assets at fair value through other comprehensive income (Note 9)	-	-
Financial assets at amortised cost, loans and receivables (Note 10.3)	-	-
Financial assets at amortised cost, debt securities (Note 10.1)	172	-
Financial liabilities at amortised cost (Note 18.4)	947	(356)
	1 119	(356)

30. PROFIT OR LOSS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET

The detail of this caption of the consolidated profit and loss account, based on the origin of its items is the following:

	Thousands of Euros	
	2022	2021
Trading derivatives (Note 7)	(259)	364
	(259)	364

Following the entry into force of IFRS 13 (January 1, 2013), the Group did not incorporate the corresponding adjustment for counterparty and equity credit risk (CVA-DVA) for the valuation of the derivative instruments. The adjustment made under this heading (including this caption) at December 31, 2022 amounts to profits by 1,452 thousand Euros (profits of 357 thousand Euros at December 31, 2021).

31. PROFIT OR LOSS FOR FINANCIAL ASSETS AND LIABILITIES OBLIGATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

The detail of this caption of the profit and loss account is the following:

	Thousands of Euros	
	2022	2021
Equity instruments at fair value through profit or loss (Note 8)	-	-
	-	-

32. PROFIT OR LOSS RESULTING FROM HEDGE ACCOUNTING, NET

The detail of this caption of the profit and loss account is the following:

	Thousands of Euros	
	2022	2021
Hedging derivatives (Note 11)	44 683	42 386
	44 683	42 386

This caption includes results from the variation of fair value both of hedging elements and of hedged elements.

33. OTHER OPERATING INCOME. OTHER OPERATING EXPENSES

The detail of this caption of the consolidated profit and loss account is the following:

	Thousands of Euros	
OTHER OPERATING INCOME	2022	2021
Income from exploitation of estates	818	34
Other concepts (*)	149	800
	967	834

(*) It mainly includes expenses recovered from returns of supplies and advances performed for the management of assets by BBVA

OTHER OPERATING EXPENSES	Thousands of Euros 2022	2021
Other concepts	(1)	(1)
	(1)	(1)

34. PERSONNEL COSTS

The composition of this caption of the consolidated profit and loss account of 2022 and 2021 is the following:

	Thousands of Euros 2022	2021
Wages and salaries	18 388	17 879
Employee benefits expense	4 256	4 218
Other expenses	1 598	1 515
	24 242	23 612

The number of the Group's employees at December 31, 2022 and 2021, distributed per professional categories and gender, has been the following:

	Payroll distribution			
	Men		Women	
	2022	2021	2022	2021
Management	13	13	17	16
Managers and technicians	114	110	155	151
Administrative staff	6	7	49	48
	133	130	221	215

The average number of the Group's employees in 2022 and 2021, distributed per professional categories and gender, has been the following:

	Payroll average distribution			
	Men		Women	
	2022	2021	2022	2021
Management	13	13	16	16
Managers and technicians	108	112	152	151
Administrative staff	7	8	48	46
	128	133	216	213

The average number of the Group's employees, in 2022, with disability above 33% has been of 4 persons (4 persons in 2020).

Remunerations and other benefits for the General Board

In 2022 and 2021, the Group recorded in the consolidated income statement 134 thousand Euros and 127 thousand Euros (on the section of "Other administration expenses"), respectively, in respect of remuneration accrued by the members of the General Board in respect of wages, allowances and other remunerations. These were paid to the Treasury, according to the applicable regulation law, in the case of General Board members considered as Senior Positions in the Civil Service.

Remunerations perceived by the President and Senior Management of the Institute, as the Group's parent company, during 2022 and 2021, are the following:

Financial year 2022:

	Salaries and wages Thousands of Euros			
No. persons	Fixed	Variable	Other Remunerations Thousands of Euros	Total Thousands of Euros
6	720	95	18	833

Financial year 2021:

	Salaries and wages Thousands of Euros			
No. persons	Fixed	Variable	Other Remunerations Thousands of Euros	Total Thousands of Euros
6	695	70	17	782

At December 31, 2022 and 2021 there were no loans granted to the executive members of the Group's General Board. At December 31, 2022, loans granted under internal regulations on loans to staff, had an outstanding amount of 13,100 thousand Euros and the average interest rate was 2.51% (12,524 thousand Euros at December 31, 2021, with an average interest rate of 2.51%).

In addition, at such date, no pension or life insurance obligations had been acquired with regard to current or former members of the General Board.

35. OTHER ADMINISTRATION EXPENSES

The detail of this caption of the consolidated profit and loss account is the following:

	Thousands of Euros	
	2022	2021
Buildings, installations and materials	973	713
Computers	5 409	4 979
Communications	2 210	2 089
Advertising and publicity	2 646	1 427
Rates and taxes	1 500	1 573
Other general administration expenses	8 360	8 167
	21 098	18 948

Audit expenses

The annual accounts audit has been made by the General Intervention of the State Administration (IGAE for its initials in Spanish). Consequently, there are no remunerations to auditors for this concept, as they are assumed by the General Intervention (Ministry of Treasury and Public Administrations).

The amount invoiced by Mazars Auditores S.L.P. for the audit of CERSA and COFIDES, Group's associates, of 2022 and 2021, which is attributable to the Group's consolidation (that is to say, fees accrued for the Group's shareholding percentage in CERSA) is of 11 thousand Euros in 2022 and 12 thousand Euros in 2021.

The amount invoiced by companies under the Mazars trademark (who audit, by virtue of a contract formalised with the IGAE to deliver a collaboration service in the performance of the audit of the annual accounts of 2022 and 2021), for audit-related services delivered to the ICO amounted to 10 thousand Euros (5 thousand Euros for audit services of the individual annual accounts and 5 thousand Euros for the consolidated accounts); the amount invoiced for non-audit services during 2022 has been of 42.5 thousand Euros, taxes not included (42.5 thousand Euros in 2021).

36. 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 amortised cost, except those included in the trading portfolio.

Part of the assets registered under “loans and receivables” and liabilities registered under the heading “Financial Liabilities at amortised cost”, from the consolidated balance at December 31, 2022 and 2021, 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 consolidated balance. 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 31, 2022 and 2021, for the Institute as the Group’s parent company, is as follows:

	Thousands of Euros			
	Carrying value		Fair value	
ASSETS	**2022**	**2021**	**2022**	**2021**
Financial assets at amortised cost	23 866 671	25 327 301	23 994 327	25 694 336
LIABILITIES				
Financial liabilities at amortised cost	21 681 827	30 558 851	21 759 973	30 605 063

Fair value has been calculated, in all cases, both in 2022 and in 2021, taking as reference implicit curves in monetary and Public Debt markets.

37. OPERATIONS WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Company’s balances at December 2022 and 2021 related to Joint Ventures and Associates are as follows:

CERSA

- Deposits to customers (financial liabilities at amortised cost): 216,988 thousand Euros at December 31, 2022 (110,500 thousand Euros at December 31, 2021).

38. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules. In the event of a discrepancy, the Spanish-language version prevails.

INSTITUTO DE CRÉDITO OFICIAL

MANAGEMENT REPORT

Financial environment and frame of action

The Spanish economy maintained the pace of growth in 2022, despite the adverse environment.

In the set of 2022, the Spanish economy maintained the strong economic growth registered in 2021 (5.5% with regard to the previous year). The important advance of the GDP has been surprising, in a year marked by the outbreak of the Ukraine war, the high inflation and increases of interest rates, while the activity recovered after the Covid-19 crisis. Indeed, the growth has exceeded the successive forecasts by the different bodies and reflects a greater resilience, backed by measures adopted to face the energy crisis, the strong upturn of tourism and the dynamism of private consumption, also backed by the positive evolution of the labour market. For 2023, the economic growth is expected to continue, although at a slower pace, due to the lower global growth, the still high inflation, and high interest rates, although the Spanish economy will continue leading the growth among the large Eurozone countries.

Throughout 2022, the GDP increased by 5.5%, which was also the rate growth registered in 2021, thus extending the recovery path after the GDP fall in 2020. The growth in 2022 was founded over an expansive behaviour both of domestic demand, which summed a positive contribution of 2.8 percentage points (pp), although it was lower by 2.4 pp than in 2021, and of the foreign sector, which had a positive contribution of 2.6, much higher than the contribution in 2021 (0.3 pp). Within the domestic demand, in 2022, the private consumption and the investment in machinery and capital goods continued growing at high rates, and the investment in properties increased again. On the other hand, the public expense decreased in 2022, after the increases registered in 2021 and 2020 to face the Covid-19 crisis.

Concerning the labour market, after the recovery in 2021 of pre-pandemic employment levels, the labour market continued showing its strength during 2022. According to the data of the Active Population Survey (EPA), in 2022, 279,000 work posts were created, equivalent to an employment increase of 1.4%. The unemployment rate was of 12.9% in the fourth quarter of 2022, against the rate of 13.3% in the fourth quarter of 2021. Thus, in 2022, the dynamism in the employment creation observed in 2021 continued, although with certain moderation with regard to that year’s vigour. In terms of the number of workers registered in the Social Security, the data are also positive, exceeding the pre-pandemic levels since mid-2021, and with an increase of registration in 2022 of 2.4% with regard to 2021, i.e., an increase of 471,000 registered workers.

In the set of the Eurozone, the growth was lower than in Spain, in particular by 3.5% in 2022, moderating its growth with regard to 2021 (5.2%). Despite the delicate context, the home consumption and investment mainly boosted the advance of the activity.

In 2022, the inflation continued escalating in a generalised manner among the economies, as observed throughout 2021, as a consequence of the effects from the bottlenecks of supplies and the increase of the energy prices, but aggravated with the outbreak of the war in Ukraine. The inflation upturn intensified to unprecedented levels in several decades in the different jurisdictions, given the acceleration of energy prices and the cost increase of many raw materials, although these started to slightly moderate at the end of the summer, in Spain, and since November in the Eurozone, thanks to measures implemented and to the lower pressure of some of the causes. In Spain, the average inflation was of 8.4% in 2022, after reaching 3.1% in 2021, and the general CPI closed 2022 with a y-o-y rate of 5.7% at December. Similarly, the underlying CPI (excluding energy goods and unprocessed food, which are components with a greater price variability) also showed an upward trend and above

2021, closing the year in 7%, with an annual average of 5.2%. In the Eurozone, the trend was similar to Spain. The underlying rate of the Eurozone closed 2022 in levels as high as Spain (6.9% in the Eurozone); however, the general inflation rate was higher in the Eurozone at the end of 2022 (9.2%), given that the moderation of the last months of the year was greater in Spain.

The main analysists and institutions' forecasts, both in Spain and for the set of the Eurozone, point that, in 2023, inflationary pressures will continue to weaken and the path of price moderation that started at the end of 2022 will redirect prices during 2023, although still at levels above the monetary policy objectives.

The ECB started a standardisation process of its monetary policy in 2022 with overwhelming increases of interest rates, among other measures.

In this context of ongoing increase of the inflation and high inflation expectations at the mid term, and as the economies recovered from the most acute phase of the pandemic, the Governing Council of the ECB started the progressive standardisation process of its monetary policy in 2022.

The first step was the withdrawal of the extraordinary monetary stimulus implemented at the beginning of the pandemic, for which, on March 2022, the net asset purchases ended within the PEPP (Pandemic Emergency Purchase Programme) framework.

On June, the ECB Board concluded that the conditions established in the forward guidance to start increasing interest rates had been met, and communicated their intention to increase rates on July, and again on September, and announced that net purchases in the framework of the asset purchase programme (APP) would end at the beginning of July. That month, official rates increased by 50 basic points, the first increase of interest rates in 11 years, and the Board announced the new Transmission Protection Instrument, TPI. In particular, the TPI guarantees the fluent transfer of the policy's guidelines to all countries within the Eurozone, and the volume of purchases in the framework of the TPI depends on the seriousness of risks to transfer the policy.

On September, the Board approved an unprecedented increase of 75 basic points, which was applied again on October. These rises were due to excessively high inflation levels and that would probably remain above the ECB's objective of 2% at the mid term, during an extended period of time.

The Governing Council also decided, on its meeting of October, to modify the conditions of the third series of targeted longer-term refinancing operations (TLTRO III) and decided to establish the remuneration of minimum reserves in the interest rate of the ECB's deposit facility.

At the end of 2022, the ECB increased again its official rates in 50 basic points and announced the beginning of the reduction of its security holdings acquired under the APP programme from March 2023.

Lastly, the ECB decided on its meeting of February 2023 to apply the same increase as at December (50 basic points) to its three official interest rates. With that decision, the interest rate of the main financing operations and interest rates of the marginal credit facility and of the deposit facility amount to 3.00%, 3.25% and 2.50%, respectively, with effect from February 8, 2023.

Also, the ECB has anticipated that, on its coming March meeting, official interest rates will be additionally increased by 50 basic points, responding to pressures on the underlying high inflation. After the March meeting, the ECB indicates that the future path of its monetary policy will be assessed. In any case, the ECB expects maintaining rates at restrictive levels to reduce inflation over time, by moderating the demand, to an objective of 2% at the mid-term. Moreover, these high rates will allow preventing a persistent upward shift of inflation expectations.

Additionally, the majority of Central Banks have also carried out a forceful turn in the direction of their monetary policy, making 2022 a turning point year that has put an end to more than a decade of low rates and of ultra-accommodative policies in most economies. In particular, in the USA, the Federal Reserve made its first increase of rates on May 2022 and, since June, the balance reduction process started. After successive interest rate increases, on February 2023, they range from 4.50% to 4.75%. In the United Kingdom, the Bank of England applied its first rate increase on December 2021 and, after consecutive increases, on February 2023 rates of reference amount to 4%.

At institutional level, during 2022, the management of European funds from the instrument Next Generation EU (NGEU), which aims mobilising unprecedented resources to boost the economic growth, continued. The Member States have continued presenting their plans to use the resources made available, which have been accompanied by the corresponding disbursements. In the specific case of Spain, in 2022, the second disbursement was perceived, for an amount of 12,000 million Euros, and on November the third disbursement was formally requested, for a value of 6,000 million Euros, linked to the compliance with 29 milestones and objectives (23 milestones and 6 objectives), that had been complied with throughout the first half of 2022. On February 2023, the European Commission has authorised this third disbursement and, thus, Spain became the first Member State that received the authorisation for the third disbursement, bringing to light that it is the most advanced country in the fund execution.

On December 2022, the Government approved the addendum to the Recovery Plan, which will allow additionally mobilising more than 94,300 million Euros to boost the country's strategic reindustrialisation, and which incorporates three important developments: assigning additional transfers corresponding to Spain, entailing additional grants of 7,700 million, assigning loans of the Recovery and Resilience Mechanism, from which Spain may request up to a maximum of 84,000 million Euros from the European Commission, and assigning funds of the REPowerEU Plan*,* which objective is saving energy, increasing clean energy production, and diversifying European energy sources, with an assignment of 2,600 million Euros. The addendum will continue ambitious reforms and investments of the Recovery Plan, in line with its objectives (ecologic transition, digital transformation, social and territorial cohesion and gender equality), focusing on the strategic autonomy through strategic projects, known as PERTE. The Government expects these funds to have an effect over the Spanish GDP close to 3 percentage points in 2023, increasing in 2024 to 3.5 pp with the sum both of reforms and of investments linked to funds.

Interest rates applied to companies increased in 2022 as a consequence of the monetary policy's standardisation process

The ECB's official rate increases, within a context of a quicker standardisation of the monetary policy in the Eurozone than expected, in view of the strong inflation increase, have been reflected in interest rates applied to households and companies during 2022, as these have undergone increases, in particular during the second half of the year. Thus, the average interest rate applied to the companies in operations of less than 1 million Euros, which may be taken as approximation of the rate applied to SMEs, increased from 1.59% at December 2021 to 3.49% at December 2022. This interest rate was maintained throughout the year below the rate applied in Germany to these same operations and, also, this differential with Germany has increased to a greater extent in the last months of the year as a consequence of the higher rate increase in Germany. Thus, the Spanish rate is 54 basic points below the German rate at December 2022, while at December 2021 it was of 32 basic points. In comparison with the average of the set of the Eurozone, the differential was lower, throughout 2022, but the differential was negative every month, except in January; thus, on December 2022, the Spanish rate was 21 basic points below the European average.

Interest rates for operations of a lower amount (up to 250 thousand Euros) also increased in 2022, from 1.69% at December 2021 to 3.53% at December 2022, also remaining below the German rate throughout the year, so that, at December, the Spanish rate was 68 basic points lower. Additionally, the Spanish interest rate was also lower than the Eurozone rate in these operations throughout the year, being 35 basic points lower at December.

Concerning the financial sector activity, during 2022, the volume of new companies' loan operations grew by 19.9%, with regard to 2021; however, this growth slowed down, towards the end of the year. Operations below 250 thousand Euros increased by 15.7% with regard to the previous year; those below 1 million increased by 14.1% in 2022; and operations above 1 million increased even further, by 25.7%.

In any case, total credit exposure with companies remain virtually stable during 2022, according to Bank of Spain data.

Non-performing loans continued decreasing in 2022

Non-performing loan ratio the Spanish credit institutions continued reducing in 2022. On December 2022, it amounted to 3.5% with regard to 4.3% at December 2021. Thus, the ratio reached its lowest rate since December 2008. This decrease is explained by the intensification of the fall of the volume of credit rated as doubtful. In relation to credit to productive activities, this ratio amounted to 4.43% (at September 2022).

Activity

The Institute works to contribute added value to the financing of the Spanish business fabric and to respond to the needs and challenges posed by the different economic scenarios in a flexible manner, in order to contribute to the sustainable growth, the employment generation, and the wealth distribution through its three main functions:

- National Promotion Bank: to boost the economic growth and the business activity.

- Financial Economic Policy Instrument: in order to channel the European Union (EU) funds in their different modalities and to collaborate with Administration bodies, to transfer resources towards the companies in order to reach economic policy and sector objectives.

- State's Financial Agent: managing on behalf of the State different funds and instruments of a different nature and purpose, as well as carrying out functions entrusted in the different economic scenarios to provide an efficient response to the companies' financing needs.

- All of the Institute's actions in 2022 are framed within its Strategy 2022-2027 and take as reference the EU Financial Framework 2021-2027 and the Recovery, Transformation and Resilience Plan, which articulate the Government's economic policy around green and digital transition, social and territorial cohesion and equality.

As **National Promotion Bank**, the Instituto has a comprehensive catalogue of bank financing products, guarantees and complementary financing for all types of companies and entities, adapted to their needs and aimed to boost their activity both in Spain an in international markets.

This offer is specified in different instruments designed by ICO to accompany and provide support to Spanish companies, articulated through the fund distribution in collaboration with credit institutions operating in Spain (ICO mediation lines) and through the different financing programmes and guarantees in which the Instituto acts directly with the clients.

The financing and issue of ICO guarantees to companies, entrepreneurs and territorial administrations during 2022 amounts to 5,034,233 thousand Euros. 31.0% of this amount (1,560,965 thousand Euros) corresponds to credit disposals made through the different ICO mediation lines, by means of 12,394 operations; 70% aimed to micro-SMEs (companies up to nine workers) and 38% correspond to loans for an amount equal or below 25,000 Euros.

Two differentiated strategic areas of action are distinguished in the mediation activity:

- National: to finance business activities and investment projects related to the activity in Spain. In 2022, 11,247 operations have been granted, for an amount of 1,181,750 thousand Euros, representing 76% of the total amount of mediation lines.

- International: these lines are aimed to finance the internationalisation and exporting activity of Spanish companies. In 2022, 1,147 operations have been granted, for an amount of 379,215 thousand Euros, in the different lines.

Concerning the direct activity, during 2022, ICO has complemented financing operations through loans and issue of sureties with the acquisition of other corporate debt instruments.

In particular, bonds issued by Spanish companies to facilitate the financing to carry out investment plans at the mid and long term (corporate bonds); project bonds, as financing instrument linked to large infrastructure operations; and bonds and business promissory notes issued through the Alternative Fixed-Income Market (MARF), aimed to ease the access to financing of issuers, particularly of SMEs, to cover their short and mid-term liquidity needs.

By means of these direct financing modalities and guarantees, during 2022, funds have been disposed of and sureties have been issued, for an amount of 3,473,268 thousand Euros, attending the companies' investment and liquidity needs, and continuing with the promotion of large long-term investment projects both in Spain and abroad, as a complement to the private initiative. The detail of direct activity volumes made available to the companies is the following:

- Through the direct banking activity, loans and credits have been disposed of, for an amount of 1,774,826 thousand Euros, and sureties have been issued, for an amount of 141,474 thousand Euros.

- Through the direct complementary activity, corporate bonds and MARF bonds at mid and long term have been acquired, for an amount of 354,790 thousand Euros, and MARF promissory notes at short term, for an amount of 1,202,178 thousand Euros.

Another of the Institute's main strategic lines of action as National Promotion Bank is carried out through AXIS, the **venture capital** subsidiary of the ICO Group. Axis acts in public-private collaboration with the venture capital sector in all activity fields. Currently, commitments have been assumed to manage up to 9,000 million Euros in its four funds: Fond-ICO Global, Fond-ICO Next Tech, Fond-ICO SMEs, and Fond-ICO Sustainability and Infrastructures. These commitments will allow a joint mobilisation of public and private resources of more than 18,000 million Euros in the next five years, based on the private sector's capacity to absorb resources and materialise projects.

Fond-ICO Global is the first public venture capital "fund of funds" created in Spain, which objective is to promote the creation of private management venture capital funds that carry out investments in Spanish companies, in order to facilitate alternative financing lines, complementary to banking lines, and to promote their capitalisation and growth.

This fund, with an initial allocation of 1,200 million Euros, has been extended, given its positive evolution, and currently reaches 4,500 million Euros.

On September 2022, the board of directors of AXIS approved the launch of the 15th call of Fond-ICO Global, where seven funds were selected, in which ICO will invest a maximum of 410 million Euros.

Through all the 15 calls resolved until December 31, 2022, investments have been approved for a maximum amount of 3,427 million Euros, with a target investment volume of 11,474 million Euros in Spanish companies. For each Euro of public capital invested by Fond-ICO Global, the private funds will invest a minimum of 3.3 Euros in Spain.

Fond-ICO SMEs, allocated with 250 million Euros, has as objective to boost the business fabric and create employment through the participation in Spanish SMEs with capital and quasi capital instruments. It currently focuses on investment in funds that invest in strategic or innovating activity segments, such as sustainability and social impact or the entrepreneurial ecosystem, also promoting the financing complementary to banking, through business angels or diversified debt (crowdlending/crowdfunding).

During 2022 the Board of directors of Axis has approved Fond-ICO SMEs participations by 35,400 thousand Euros.

Through Fond-ICO Infrastructures II, ICO has continued with the objective to invest directly or through other funds in sustainable infrastructure projects in Spain and abroad with Spanish companies, contributing to national objectives for ecologic transition. The fund provides financing to companies through minority shares in capital, subordinated debt and participating loans.

During 2022, the Board of directors of Axis has approved participations through this fund by 55,000 thousand Euros.

On July 2021, AXIS and the State's Secretary for Digitalisation and Artificial Intelligence (SEDIA) launched Fond-ICO Next Tech. This fund makes investments in funds, corporate vehicles and companies that boost innovating high-impact digital projects and the investment in growing companies (scale-ups).

The board of directors of AXIS has approved in 2022 the fund's capital increase in 1,500 million Euros, reaching an amount of 2,000 million Euros.

The objective of Fond-ICO Next Tech is to invest both in funds (venture capital funds, corporate funds or other investment vehicles) and in Spanish growing companies of the technological sector. The objective is to mobilise joint resources in public-private collaboration of 4,000 million Euros (half of public funds and the other half of private investment) in an initial period of four years.

In 2022, ICO has approved the participation of Fond-ICO Next Tech in three funds, reaching a public investment of 270 million Euros that will mobilise investments in public-private collaboration in Spain of at least 540 million Euros in digital companies and projects.

Also, in 2022, the participation of Fond-ICO Next Tech in the European Tech Champions Initiative (ETCI) was approved, where Spain will contribute 1,000 million Euros to a new European fund that will provide financing to European emerging companies to create an entrepreneur ecosystem that will allow the development of cutting-edge projects with global power.

As Financial Economic Policy Instrument, ICO supports the Spanish economy in two ways: enhancing its role as a channel of EU resources in their different modalities and developing functions entrusted to implement the Government's economic policy measures.

The Institute uses its different fund distribution mechanisms as National Promotion Bank to boost the recovery, transformation and strengthening process of the growth model of Spain, according to priorities defined in the Recovery, Transformation and Resilience Plan approved by the Government and in line with the Next Generation EU Programme and the Multiannual Financial Framework 2021-2027 of the European Union.

For this purpose, ICO cooperates by channelling financial resources associated to economic policy measures together with Ministries, Autonomous Communities, Local Corporations and their dependent bodies and channels European Union resources towards Spanish companies and projects with Spanish interest.

In its role as **State Financial Agency**, ICO manages official funds and financing instruments to exportation and development, facilitates the sustainability of autonomic and local administrations and, since 2020, through an efficient public-private collaboration model, manages on behalf of the State the public surety lines implemented as a consequence of the health crisis of the COVID 19 and the war in Ukraine.

Concerning the activity managed by surety lines associated to the COVID-19 crisis, the State has guaranteed 108,073,024 thousand Euros from the beginning to the end of the validity of the lines on June 30, 2022, with the following distribution:

- Liquidity loans facility, for a guaranteed amount of 92,880,311 thousand Euros, corresponding to 1,020,575 loans for an amount of 122,377,914 thousand Euros. 98% correspond to freelancers and SMEs.

- Investment loans facility. 171,909 operations were granted, for an amount of 18,358,748 thousand Euros, with a guaranteed amount of 14,306,600 thousand Euros.

- Guarantee facility for MARF promissory note issues. 858,536 thousand Euros were guaranteed, corresponding to 119 issues which nominal amounted to 1,255,300 thousand Euros.

During 2021 and 2022, the management of new surety operations requested by credit institutions has been complemented with the ICO's implementation of different measures agreed by the Government in relation to previously formalised surety operations. In particular, Royal Decrees Law 34/2020, of 17 November, and 5/2021, of 12 March, established extraordinary measures to support the business solvency, aimed to continue protecting the productive fabric and prevent a structural impact in the economy and the employment.

Through these measures, the reimbursement term for guaranteed operations was extended, and a Code of Best Practices was approved, which is allowing ICO to accompany credit institutions in restricting processes of the financial debt with public guarantee. Some of these measures, such as the reduction of debt through transfers, remains in force until June 30, 2023.

Additionally, the Council of Ministers, on meeting held on June 21, 2022, adopted an agreement to allow the extension of the term of guarantees granted to freelancers and businesses, charged to ICO COVID surety facilities, after June 30, after the expiry of the deadline of the Temporary State Aid Framework approved by the European Commission. The extension of the deadline may be requested for the entire life of the operations.

Moreover, Royal Decree-Law 6/2022, of 29 March, adopting urgent measures in the framework of the National Plan of response to the economic and social consequences of the war in Ukraine, establishes that the Ministry of Economic Affairs and Digital Transformation may grant sureties for an amount up to 10,000 million Euros for the partial coverage, on behalf of the State, of the financing granted by credit institutions to businesses and freelancers.

The Council of Ministers adopted in 2022 the following agreements, in relation to this Surety facility: to establish the terms and conditions of a first tranche, for an amount up to 5,000 million Euros charged to the surety facility, aimed to guarantee the financing granted to businesses and freelancers and to incorporate some changes in the facility's conditions to adapt it to the European Union's temporary state aid framework, among which is the extension of the term to file for sureties until December 1, 2023.

Finally, the Council of Ministers of December 27, 2022 agreed a new package of measures to respond to the impact of the war in Ukraine during 2023. Among the agreed measures is a second tranche of the surety facility, for an amount of 500 million Euros, which will allow gas-intensive industries to obtain financing with a public surety of up to 90%.

The guaranteed amount at December 2022 closing is of 649,122 thousand Euros, corresponding to 3,999 loan operations for an amount of 838,860 thousand Euros.

In addition to sureties of the facilities for the COVID-19 and Ukraine crisis, in 2022, the Institute has continued managing on behalf of the State other funds and instruments in three areas of action: financing the State's peripheric administration through Territorial Funds of Autonomous Communities and Local Entities, on behalf of the Ministry of Finance; promoting the Spanish companies' internationalisation through the Fund for the Business Internationalisation (FIEM) and the Reciprocal Interest Adjustment Agreement (CARI), on behalf of the Ministry of Industry, Trade and Tourism; and the financial cooperation to the development, through the Development Promotion Fund (FONPRODE) and the Water Fund (FCAS), on behalf of the Spanish Agency of International Cooperation to Development (AECID).

At the end of the financial year 2022, the total balance managed by ICO corresponding to these funds is of 198,951 million Euros:

- The Financing Fund for Autonomous Communities has an outstanding balance of 185,779 million Euros.
- State funds for the internationalisation and financial cooperation to the development (CARI, FIEM, FONPRODE and FCAS) present a joint balance of 6,920 million Euros.
- The Financing Fund to Local Entities has closed 2022 with a balance of 6,252 million Euros.

Fundraising

The Institute finances its activity at the mid and long term mainly through debt issues in capital markets and through bilateral loans of multilateral credit institutions. The ICO is not financed through the General State Budgets and does not gain deposits from individuals.

During 2022, resources were obtained at mid and long term, for an amount of 4,329 million Euros. Out of this amount, 1,000 million Euros through two issues of sustainable bonds: one of green bonds and another of social bonds.

On May, the four issue of green bonds was launched, for an amount of 500 million Euros. Raised funds will be applied to financing Spanish companies' sustainable projects to boost the ecologic transition. The operation rises to 2,000 million Euros the global volume issued by ICO in green bonds and consolidates the Institute's commitment to the market development for this typology of transactions.

On September, the ninth issue of social bonds was launched, for an amount of 500 million Euros. Funds obtained will be applied to financing, in public-private collaboration, projects that promote the social and territorial cohesion and generate a positive impact in the employment.

ICO continues consolidating as role as issuer of reference in the market of sustainable bonds, with thirteen transactions (nine social and four green transactions) for a global amount of 6,550 million

Euros, until December 2022. Through these issues, ICO commits to promote investments that generate a positive social and environmental impact, in line with objectives established in the Recovery, Transformation and Resilience Plan.

Balance sheet

ICO Group occupies a prominent position within the Spanish financial system and has an important role in the Spanish economy.

The Institute's balance sheet reaches 29,802,910 thousand Euros at 2022 closing (37,790,436 thousand Euros at 2021 closing). The cause of the variation with regard to the previous year mainly responds to a reduction of the caption of cash, deposits at central banks and demand deposits.

The outstanding amount of financial assets at amortised cost has amounted to 23,866,671 thousand Euros (25,327,301 thousand Euros at December 31, 2021):

- Loans to credit institutions amount to 6,911,989 thousand Euros (7,724,368 thousand Euros in 2021). This caption mainly includes outstanding balances from mediation operations.

- Loans to customers close the year with a balance of 10,173,657 thousand Euros with regard to 10,713,260 thousand Euros in the previous year.

- Debt securities amount to 6,781,025 thousand Euros; 6,889,673 thousand Euros at 2021 closing.

The outstanding balance of the portfolio of debt securities at fair value through other comprehensive income, aimed to cover possible liquidity needs, amounts to 1,135,160 thousand Euros (1,150,639 thousand Euros at December 31, 2021) and the balance of equity instruments is of 1,325,031 thousand Euros (1,086,506 thousand Euros at 2021 closing). This caption mainly includes the Institute's shares in venture capital funds managed by AXIS Participaciones Empresariales S.G.E.I.C., S.A., S.M.E, managing entity fully owned by Instituto de Crédito Oficial.

During 2022, there has been a decrease of the balance of financial liabilities at amortised cost, closing the year in 21,634,039 thousand Euros (30,526,631 thousand Euros in 2021).

Equity in ICO amounts to 5,589,018 thousand Euros at 2022 closing, 18.75% of the balance sheet. The Institute's solvency coefficient at year-end closing amounts to 33.70%, much higher than regulatory minimums.

Risk management policy

The Institute's actions with regard to liquidity, market, credit and operational risk management are described on the corresponding Notes 5.3 to 5.6.

Results

Net interest income at the end of December 2022 amounted to 125,746 thousand Euros, an increase of 21,195 thousand Euros with regard to 2021.

In the same line, gross margin in 2022 has increased, with regard to 2021 (233,525 thousand Euros and 207,485 thousand Euros, respectively).

Operating expenses (administration and depreciation) amounted to 51,002 thousand Euros, above figures in 2021 (47,342 thousand Euros).

It should be noted that the financial year 2022 ended with net provision allocations of 3,517 thousand Euros and a reversal of the value of financial assets not measured at fair value of 23,468 thousand Euros.

As a result, profit before tax amounted to 203,865 thousand Euros.

Research and development expenses

No research or development activities were carried out in 2021.

Treasury stock

Not applicable to the Institute.

Personnel

The ICO Group's average payroll, in 2022, amounts to 344 employees, with regard to 346 in 2021.

Post-balance sheet events

The coming years will be crucial to consolidate the process of recovery, transformation and strengthening of Spain's growth model, as well as to deal with the economic consequences that may arise from the war in Ukraine. The priorities of the European Union, embodied in the Multiannual Financial Framework 2021-2027 and the European recovery plan Next Generation EU, have been transferred to our country through the Recovery, Transformation and Resilience Plan. The Plan, in which ICO is expected to gain a relevant role as loan conduit, constitutes a roadmap aimed to achieve sustainable inclusive growth through a consistent and coordinated strategy, from the time standpoint and also in relation to the set of national and community economic policy instruments.

The transformations that our economy will undergo in the coming years mean that companies will have to rely on different financing sources, which will require the mobilisation of financial resources in different modalities.

In this area, the ICO Group will have to play a very important role in collaboration with the private banking system, consolidating the process of recovery and transformation of the Spanish economy, environmental and social sustainability, as well as business growth as a source of innovation, competitiveness and job creation.

Other significant events that occurred after the reporting date are detailed in Note 1.8.

Non-financial information statement

By virtue of Law 11/2018 of 28 December, on non-financial information and diversity, the Institute has elaborated the non-financial information statement related to 2022, which is included as a separate document accompanying the management report of 2022, in compliance with article 44 of the Code of Commerce.

The relevant information on shares in associates and subsidiaries at December 31, 2022 and 2021 is the following:

At 31 December 2022:

			Shareholding%			Investment's carrying value			Entity's details		
	Address	**Activity**	**Direct**	**Indirect**	**Total**	**Gross**	**Impairment**	**Net**	**Assets**	**Equity**	**Results**
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Supporting guarantee of guarantee operations granted by the SGR	24. 39%	-	24. 39%	47 060	-	47 060	817 669	647 074	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe de Vergara, 132 - Madrid	Financial support to private projects with Spanish interest performed in developing countries	20.31%	-	20.31%	8 466	-	8 466	191 444	184 516	16 099
Subsidiaries						55 526	-	55 526			
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investments	100.00%	-	100.00%	1 940	-	1 940	48 657	47 356	20 612
						57 466	**-**	**57 466**			

Non-audited economic information, referring to 31 December 2022

At 31 December 2021:

	Address	Activity	Shareholding% Direct	Indirect	Total	Investment's carrying value Gross	Impairment	Net	Entity's details Assets	Equity	Results
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Supporting guarantee of guarantee operations granted by the SS.GG.RR.	24. 34%	-	24. 34%	42 193	-	42 193	654 482	501 474	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe de Vergara, 132 - Madrid	Financial support to private projects with Spanish interest performed in developing countries	20.31%	-	20.31%	8 466	-	8 466	174 369	167 580	18 490
						50 659	-	50 659			
Subsidiaries											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investments	100.00%	-	100.00%	1 940	-	1 940	32 841	31 752	18 146
						52 599	**-**	**52 599**			

Non-audited economic information, referring to 31 December 2021

Annex II

ANNUAL BANKING REPORT

The present Annual Banking Report has been prepared in compliance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions. According to this Article, from January 1, 2016, credit institutions must provide Bank of Spain and annually publish, as a report accompanying the audited financial statements according to the regulation on auditing, per country where they are established, the following consolidated information for each year:

a) Denomination, nature and geographic location of the activity.
b) Turnover.
c) Number of FTE employees.
d) Gross profit/(loss) before tax.
e) Income tax.
f) Public grants or aids received.

The criteria used in the preparation of the annual banking report of 2022 and 2021 are detailed below:

a) Denomination, nature and geographic location of the activity

This information is available on Section 1 of the Group's Notes to the Consolidated Financial Statements. In the case of Instituto de Crédito Oficial, the main activity developed by the Group is the direct and mediation credit activity, developing such activity exclusively under Spanish jurisdiction, not having establishments or subsidiaries outside our borders.

b) Turnover

For the purpose of the present report, turnover is total net operating results, as defined and presented on the consolidated profit and loss account that is part of the Group's consolidated annual accounts.

c) Number of FTE employees

Data on FTE employees have been obtained from the Group's average payroll.

d) Gross profit/(loss) before tax

For the purpose of the present report, gross profit/(loss) before tax is profit/(loss) before tax, as defined and presented on the Group's consolidated profit and loss account.

e) Income tax

The corresponding amount of accrued tax has been included and registered on the caption of income tax of the consolidated profit and loss account.

f) Public grants or aids received

In the context of information requested by the legislation in force, this term has been interpreted as any aid or grant in line with the Guidelines of Estate's Aids of the European Commission and, in such context, the Group companies have not received any public grant or aid in 2021 or 2020.

The detail of the information corresponding to 2022 and 2021 is the following (amounts in thousands of Euros):

At 31 December 2022:

				Thousands of Euros
JURISDICTION	Turnover	Average no. Employees	Gross profit/(loss) before tax	Income tax
Spain	233 525	344	203 865	(57 033)

At 31 December 2021:

				Thousands of Euros
JURISDICTION	Turnover	Average no. Employees	Gross profit/(loss) before tax	Income tax
Spain	207 485	346	194 670	(54 809)

At December 31, 2022, the Group's return on assets (ROA) (net consolidated profit divided by total average assets) has been estimated at 0.38%.

NON-FINANCIAL INFORMATION STATEMENT 2022

(Law 11/2018)

March 2023

Contents

1 THE ICO GROUP, ITS STRATEGY AND ENVIRONMENT

1.1 COMPOSITION

The ICO Group is made up of:

- Instituto de Crédito Oficial, Entidad Pública Empresarial (ICO)
- AXIS Participaciones Empresariales, S.G.E.I.C., S.A., S.M.E. (hereinafter referred to as AXIS), a company wholly owned by ICO
- Fundación ICO, whose sole sponsor is ICO.

ICO Consolidated Group has been defined by considering Group entities as those over which the Institute has the capacity to exercise control; this capacity is generally, but not exclusively, manifested by the ownership, directly or indirectly, of 50% or more of the voting rights of the investee entities or, even if this percentage is lower or zero, if, for example, there are agreements with shareholders of these entities that give the Institute control. In accordance with the provisions of the regulations, control is understood to be the power to direct the financial and operational policies of a company, in order to obtain benefits from its activities.

The annual accounts of the subsidiary are consolidated with those of the Institute using the full consolidation method as defined in the regulations. Consequently, all significant balances arising from transactions carried out between the companies consolidated using this method have been eliminated in the consolidation process.

The Institute, the Group's parent company, accounts for 99% of the Group's consolidated balance sheet.

All three entities are based in Madrid and therefore only operate in Spain.

1.2 NATURE AND FUNCTIONS

A. <u>Activity</u>

Instituto de Crédito Oficial is a Corporate State-Owned Entity that has the legal status of a credit institution and is considered a State Financial Agency. It has its own corporate status, assets and treasury, as well as management autonomy to fulfil its goals. ICO is financed in the capital markets and through loans. It has the Spanish State's guarantee for the debts and obligations it incurs for fundraising.

Attached to the Ministry of Economic Affairs and Digital Transformation, the State Secretariat for Economy and Business Support is responsible for the strategic management of ICO, as well as the evaluation and control of the results of its activity.

ICO's legal nature and framework, as well as its aims and functions, are defined in its Statutes, approved by Royal Decree 706/1999, as amended by Law 40/2015 on the Legal Framework of the Public Sector, Royal Decree 1149/2015 and Royal Decree 390/2011.

The organisation chart is included in point 7 of this document.

➢ **Mission**

The aims of the Instituto de Crédito Oficial are the support and promotion of economic activities that contribute to the growth and improvement of the distribution of national wealth and, in particular, those which, due to their social, cultural, innovative or ecological importance, deserve to be encouraged, as defined in Art. 2 of the Statutes.

- **Vision**

These objectives are carried out by the Institute in its triple role as a National Promotional Bank, a Financial Instrument of Economic Policy and a State Financial Agency.

- To extend the public-private partnership model, strengthening it where possible.
- The capacity to anticipate, adapt and scope its actions to the needs of companies and the self-employed at all times and to transform the business fabric and economic policy guidelines.
- With a long-term perspective, contributing to the mobilisation of resources needed for economic transformation, generating added value and transferring the competitive conditions for resource mobilisation.
- In a relationship of complementarity and coherence with other public policies, generating synergies.
- In a transversal manner, ICO's activity is structured by elements that permeate all its internal and external actions, mainly linked to sustainability in a broad sense and digitalisation.

ICO seeks to be a leading international organisation and a national institution of reference in terms of transparency, solvency and credibility, to be recognised, especially by SMEs and financial institutions, as an ally for the growth of wealth and employment, and to be made up of a highly qualified, motivated, efficient and committed team that carries out its functions in an atmosphere of trust and collaboration.

- **Functions**

According to its Statutes, they are as follows:
• Contribute to alleviating the economic effects produced by situations of serious economic crisis, natural catastrophes or other similar events, in accordance with the instructions of the Council of Ministers or the Delegate Commission of the Government for Economic Affairs.
• To act as an instrument for the implementation of certain economic policy measures in accordance with the fundamental lines that are established by the Council of Ministers, the Delegate Commission of the Government for Economic Affairs or the Minister for Economic Affairs and Digital Transformation, and subject to the rules and decisions agreed upon by its General Board.

INSTITUTO DE CRÉDITO OFICIAL, CORPORATE STATE-OWNED ENTITY (ICO)
NIF (Tax ID): Q-2876002-C Paseo del Prado, 4. 28014 MADRID www.ico.es Twitter @ICOgob

B. AXIS

AXIS is a state limited trading company as provided for in art. 2.2(c) of Law 47/2003, on the General Budget, in art. 166(c) of Law 33/2003, on the Assets of the Public Administrations, and in art. 111 of Law 40/2015 on the Legal Framework of the Public Sector.

As stated in its Statutes, the Company's main corporate purpose is the administration and management of venture capital funds and the assets of venture capital companies, as well as the control and management of their risks. In addition, the Company may perform the functions described in Article 42.4 of Law 22/2014 of 12 November regulating Venture Capital Companies, Other Collective

Investment Companies and Management Companies of Collective Investment Institutions (hereinafter "Law 22/2014"). As a complementary activity, the Company may carry out advisory tasks to non-financial companies defined in Article 7 of Law 22/2014.

Axis acts in the interests of the funds it manages and of its sole participant and shareholder, Instituto de Crédito Oficial, in the investments and assets of these funds, in accordance with the provisions of Law 22/2014 and other applicable legislation.

The organisation chart is included in point 7 of this document.

➢ **Mission**

The purpose of AXIS is to promote the dynamisation and consolidation of the private venture capital ecosystem, both early-stage: venture capital, incubation and technology transfer and business angels, as well as expansion, growth and debt, thus supporting the creation and growth of highly innovative and technology-based companies.

➢ **Functions**

- Serve as a catalyst for the creation of venture capital entities with a majority of private capital with the ultimate aim of providing SMEs with alternative financing to bank financing.
- To directly support companies in their expansion plans to contribute to the development of the business fabric, job creation and the revitalisation of the economy.
- To mobilise the greatest possible amount of private sector resources through investments in co-investment schemes with other private venture capital funds.
- To improve the quality and security of Spanish infrastructure as a key piece in the country's economic growth and modernisation.

AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A., S.M.E.
NIF (Tax ID): A78290269 c/ Los Madrazo, 38 2ª planta 28014 MADRID www.axispart.com

C. FUNDACIÓN ICO

Fundación ICO is a state-owned public sector foundation created in 1993 with a permanent character and non-profit making aim that develops its activity with the main sponsorship of ICO. It has corporate status and its own assets.

➢ **Mission**

To contribute to the development of society in areas related to ICO's activity and assets.

➢ **Vision**

To be a leader in the promotion and dissemination of knowledge, with an international vocation and on two axes: Sustainable Economy and Finance and Sustainable Art and Architecture.

➢ **Functions**

In 2022, the Foundation's Economics and Internationalisation areas were merged into a single area, called Sustainable Economics and Finance.

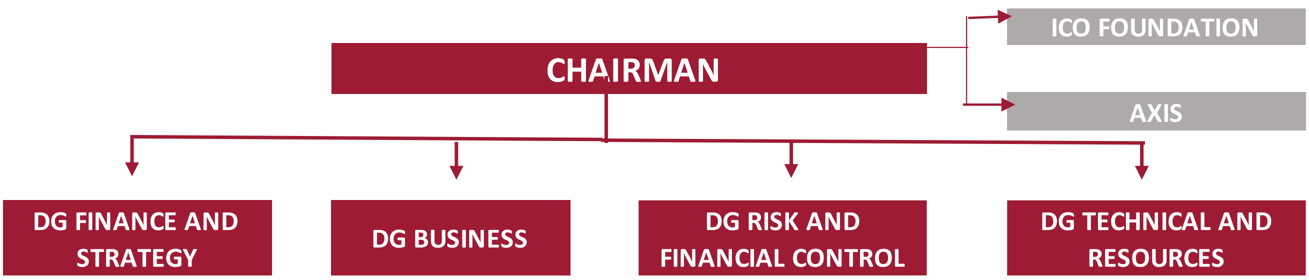
- **Area of Art and Sustainable Architecture:** It includes the management, conservation and dissemination of the ICO Art collections, as well as the management of the ICO Museum and its temporary exhibitions and catalogues for each exhibition, and the organisation of educational and inclusive activities that make the ICO Museum a learning space for everyone.
- **Area of Sustainable Economy and Finance:** It concentrates its action on the following four thematic areas:
    - Financial and Economic Education and dissemination of economic and financial research and knowledge;
    - Sustainability and Circular Economy. Sustainable finance;
    - Financing and business growth. Alternative finance;
    - Economic and Monetary Union and international economic and financial relations, with a special focus on Latin America.

FUNDACIÓN ICO
NIF G-80743503 Paseo del Prado, 4. 28014 MADRID www.fundacionico.es Twitter: @FundacionICO

The organisation chart is included in point 7 of this document.

1.3 GOVERNANCE AND MANAGEMENT STRUCTURE

The Chairman of ICO is also Chairman of Axis and Fundación ICO.



A. Activity

The governing structure of Instituto de Crédito Oficial is set out in its statutes, approved by Royal Decree 706/1999, as amended by Law 40/2015 on the Legal Regime of the Public Sector, Royal Decree 1149/2015 and Royal Decree 390/2011. It is completed by the operating and internal control bodies, approved by ICO's Chairman within the scope of the powers conferred on him by the Statutes. The internal rule in force as of 31 December is the Collegiate Bodies Circular 4/2022 and the Organisational Circular 5/2022, both dated 1 December.

As defined in the Statutes, the governing bodies are the General Board and the Chairman. The rest are management bodies as defined in the above-mentioned Circular on Collegiate Bodies. These include the Operations Committee and the Steering and Strategy Committee, whose main functions are described below. The complete list of bodies is as follows:

GOVERNING BODIES	
General Board	**Chairman**

MANAGEMENT BODIES	
Steering and Strategy Committee	Operations Committee
Credit Committee	Assets and Liabilities Committee
Monitoring Committee	Committee on International and EU Affairs
Sustainability Committee	Procurement Committee
Audit and Compliance Committee	Technical Committee on Regulatory Compliance
Information Security Committee	Business Continuity Committee
Code of Ethics and Conduct Compliance Committee	

GOVERNING BODIES

GENERAL BOARD

The composition of ICO's General Board, its functions, meetings and agreements are defined in the Statutes, approved by Royal Decree 706/1999.

Law 40/2015 and Royal Decree 1149/2015 incorporate and develop the role of the General Board's independent directors, reinforcing the Institute's autonomy and its alignment with the best European standards. The figure of the independent director plays a key role in the functioning of the Board, as he/she has a double vote for the operations of the Institute's financial business, which means that he/she can obtain a majority.

Structure and composition

The General Board is made up of the Chairman of the entity and ten members and is assisted by the secretary and, if necessary, by the deputy secretary. The Secretary is not considered to be a Director, so therefore attends the meetings with the right to speak but not to vote.

Following the amendment by Law 40/2015 to Royal Decree-Law 12/1995 and by Royal Decree 1149/2015 of 18 December, the appointment and removal of the members of the General Board is the responsibility of the Council of Ministers, by means of an Agreement, at the proposal of the Minister of Economic Affairs and Digital Transformation, who shall appoint them from among persons of recognised prestige and professional competence in the ICO's field of activity.

Members shall be appointed in accordance with the following terms:

- Four members shall be independent, understood as those that are not Public Sector staff. The independent members' mandates will be three years, and they can only be re-elected once.
- Six members shall be appointed who are Public Sector staff with recognised competence. A maximum of two members shall come from the Ministry of Finance and Public Administration, while at least two public members shall come from the Ministry of Economic Affairs and Digital Transformation.

As of 31 December 2022, the General Board of ICO consisted of:

NAME	POSITION	BODY	APPOINTMENT
Javier Sánchez Fuentefría	Director General of Budgets	Ministry of Finance and Public Administration	29.03.2022
Cristina Tarrero Martos	Director General of Economic Programming and Budgets	Ministry of Transport, Mobility and Urban Agenda	29.03.2022
Elena Aparici Vázquez de Parga	Director General of Economic Policy	Ministry of Economic Affairs and Digital Transformation	18.02.2020
César Veloso Palma	Member of the Cabinet of the Minister of Finance	Ministry of Finance and Public Administration	05.10.2018
Andrés Barragán Urbiola	Director of the Technical and Financial Analysis Department	Ministry of Economic Affairs and Digital Transformation	28.09.2021
Ignacio Mezquita Pérez-Andújar	Deputy Director-General for Foreign Investment	Ministry of Industry, Trade and Tourism	22.09.2020
Enrique Feás Costilla	Independent Director	--	01.11.2021
Silvia Iranzo Gutiérrez	Independent Director	--	16.11.2018

Rafael Fernández Sánchez	Independent Director	--	11.07.2022
Blanca Montero Corominas	Independent Director	--	14.07.2021
José Carlos García de Quevedo Ruiz	Chairman of ICO and the Board	Instituto de Crédito Oficial (ICO)	Royal Decree 683/2018 of 22 June (BOE 23.06.2018)
Cayetana Lado Castro-Rial	Board Secretary	Instituto de Crédito Oficial (ICO)	22.02.2021
Gerardo Harguindey Valero	Board Deputy Secretary	Instituto de Crédito Oficial (ICO)	25.01.2016

Changes to the composition of the General Board in 2022
During the financial year 2022, the following directors left the board:

NAME	POSITION	BODY	DATE OF TERMINATION
Jaime Iglesias Quintana	Director General of Budgets	Ministry of Finance and Public Administration	02.03.2022
María del Carmen García Franquelo	Director General of Economic Programming and Budgets	Ministry of Transport, Mobility and Urban Agenda	02.03.2022
Clara García Fernández-Muro	Independent Director	--	11.07.2022

To replace these directors, the following appointments were made:

NAME	POSITION	BODY	APPOINTMENT
Rafael Fernández Sánchez	Independent Director	--	11.07.2022
Cristina Tarrero Martos	Director General of Economic Programming and Budgets	Ministry of Transport, Mobility and Urban Agenda	29.03.2022
Javier Sánchez Fuentefría	Director General of Budgets	Ministry of Finance and Public Administration	29.03.2022

Equality and diversity in the General Board
As of 31 December 2022, four of the ten members of the ICO's General Board were women (40%). 50% of the independent board members are women.

In terms of age, as of 31 December 2022, 3 directors are under 50 years of age, while 1 director is over 60 years of age. The average age of the directors at year-end was 52.4 years (55.4 years for female directors and 50.7 years for male directors).

Although the independent directors represent 36.4% of the board, they have a double vote in the most important decisions. Consequently, in these cases, independent directors represent 53.3% of the total possible votes. In this context, women's votes represent 40.0% of the total votes on the Board. On the basis of age and taking into account the double value of the vote of independent directors, those under 50 years of age hold 20% of the total votes.

Directors' expenses policy
Royal Decree 462/2002, of 24 May, on compensation due to service, provides for the payment of compensation for attending meetings of Public Administration and agency collegiate bodies.

In accordance with article 10 of Royal Decree 706/1999, on the adaptation of Instituto de Crédito Oficial to Law 6/1997, of 14 April, on the organisation and operation of the General State Administration and approval of its Statutes, the General Board's members, Secretary and Deputy Secretary shall be entitled to receive the economic compensation corresponding to their attendance of meetings, to be determined by the Board itself, according to what is provided for by the regulations on compensation due to service for Public Administration staff. Notwithstanding the foregoing, when the director has the status of senior officer, the remuneration for attending board meetings shall be paid into the Public Treasury.

The per diem for attendance at the Board was 1,089.48 euros, with no difference for reasons of gender or age. The total accrued in 2022 for the members of the ICO General Board (except for the Chairman) was 123,111.24 euros (127,469.16 euros in 2021), 68,637.00 euros accrued by men and 54,474.00 euros by women, due to the greater presence of men on the Board. The average annualised remuneration is identical for women and men: 11,984.28 euros. There is no variable or target-related remuneration.

The members of the General Board are not beneficiaries of loans or any other social benefit granted by ICO. They are subject to the rules on incompatibilities and conflicts of interest set out in the regulations in force.

CHAIRMAN

The Chairman is the chief executive of the entity, with the functions and under the terms provided for in the Statutes[1].

Appointed by Agreement of the Council of Ministers of 22 June 2018 (Royal Decree 683/2018), José Carlos García de Quevedo Ruiz holds a degree in Economics and Business Studies from the Complutense University of Madrid and is a Commercial Technician and State Economist.

[1] https://www.boe.es/buscar/act.php?id=BOE-A-1999-10738

Previously, he held the position of Executive Director of Invest in Spain at ICEX, España Exportación e Inversiones, and was responsible for attracting and promoting direct foreign investment in Spain and obtaining international financing for new investment projects.

The positions that he has previously held include Director General of Trade and Investments in the State Secretariat for Trade of the Ministry of Economy and Competitiveness, Head Economic and Trade Advisor at the Permanent Representation of Spain to the European Union in Brussels and Director General for Insurance and Pension Funds at the Ministry of Economy and Finance.

He has been a member of Management Committees and Boards of several companies and funds, including: ICO, ICEX, CESCE, COFIDES, FIEM, Crédito y Caución, Consorcio de Compensación de Seguros and Repsol gas

He has written and published several articles about economics, finance, trade and investment and he speaks at business and professional conferences and forums both in Spain and abroad.

MANAGEMENT BODIES

STEERING AND STRATEGY COMMITTEE

The Steering and Strategy Committee is the body that assists the Chairman in the exercise and development of the functions and powers belonging to him, and facilitates coordination between ICO's different Directorates General.

The Steering Committee’s functions, structure and composition are defined in the Chairman’s Circular concerning management and internal operation and control bodies.

Functions

The Steering and Strategy Committee’s functions are essentially to manage ICO’s actions by determining, fostering and coordinating:

- ICO’s objectives, as well as the management of processes for their implementation.
- The Institute’s strategic lines, for which the Operations Commander is responsible for implementing in concrete actions.
- The programmes of action of ICO’s various organisational units, and the evaluation of their results in order to fulfil ICO’s purposes and functions.
- The positioning of ICO at both the national and international level.
- Organisational, HR and IT Systems strategies will be discussed in the Steering and Strategy Committee to achieve greater motivation and professional performance in achieving the approved objectives.

Structure and composition

The Steering and Strategy Committee is made up of the Chairman, the Institute’s Directors General, the Department of Legal Counsel, the Department of the Chairman’s Cabinet and the Directorate General of Axis. As of 31 December 2022, the composition was as follows:

NAME	POSITION
José Carlos García de Quevedo Ruiz	Chairman

Antonio Cordero Gómez	Director General of Finance and Strategy
Rosario Casero Echeverri	Director General of Business
Miguel López De Foronda Perez	Director General of Risks and Financial Control
José Manuel Pacho Sánchez	Director General of Technical Issues and Resources
Cayetana Lado Castro-Rial	Director of Legal Counsel
Begoña Amores Serrano	Director of the Department of Communication and Cabinet
Guillermo Jiménez Gallego	Director General of AXIS
Lucinio Muñoz Muñoz	Director of Fundación ICO

Changes in 2022
During the financial year 2022, there was one replacement in the Chairman's Office. Begoña Amores Serrano replaced Alfonso Noriega Gómez.

Remuneration system
The Steering and Strategy Committee's members do not receive specific remuneration for attending meetings.

ICO's Chairman holds a "high office" (Law 3/2015 of 30 March 1984, governing the exercise of the high office of the General State Administration). The remuneration scheme of ICO's Chairman is determined by the State Secretariat for Budgets and Expenditure of the Ministry of Finance and Civil Service. The gross annual remuneration of ICO' Chairman for the financial year 2022 amounts to 145,693.80 euros, an amount that includes all the remuneration to be received for the performance of his duties, except for any seniority that may correspond to him in accordance with current legislation and including, if applicable, any remuneration in kind.

ICO has four Directorate General posts and one Legal Counsel Directorate post which are considered as "senior management" posts. The remuneration of ICO's senior management is governed by Royal Decree 451/2012, of 5 March, which regulates the emoluments of heads and managers in the public business sector and other entities. The responsibility for setting remuneration lies with the Ministry to which ICO is attached, which must take into account the basic remuneration and the limits established in the Ministerial Order of 12 April 2012 of the Ministry of Finance and Public Administrations approving the classification of public business entities and other entities governed by public law.
The regulations governing the remuneration policy for senior management staff guarantee equal pay for men and women. The five senior management positions at ICO received an average gross annual remuneration of 132,962 euros in 2022. These positions, like the rest of the staff, receive food vouchers, health insurance and life insurance coverage. The amount indicated does not include amounts received in respect of seniority, if any.

The total remuneration accrued by senior management in 2022, including this remuneration in kind, except for the seniority that may correspond to the holder of the post in accordance with current regulations, amounted to 680,369 euros.

OPERATIONS COMMITTEE

This collegiate management body exercises decision-making and counsel powers in the terms and limits that are assigned to it by the General Board or by the Chairman.

Structure and composition

On 31 December 2022, the composition of the Operations Committee was as follows:

NAME	POSITION
José Carlos García de Quevedo Ruiz	Chairman
Antonio Cordero Gómez	Director General of Finance and Strategy
Rosario Casero Echeverri	Director General of Business
Miguel López De Foronda Perez	Director General of Risks and Financial Control
José Manuel Pacho Sánchez	Director General of Technical Issues and Resources

B. AXIS

In accordance with Article 13 of the Company's Statutes, the General Meeting of Shareholders, the Board of Directors and its Chairman hold the powers of governance, administration and representation of the Company.

BOARD OF DIRECTORS

It is the governing body responsible, among other functions, for the judicial and extrajudicial representation of the Company and the full management and administration of all matters relating to the corporate purpose and its assets and business, being empowered to enter into and grant all kinds of civil and commercial acts and contracts of administration and ownership, whatever the nature of the assets to which they refer and the person or entity they affect, and to approve investment and divestment decisions.

According to the Company's statutes, the Board of Directors shall be composed of a minimum of three and a maximum of nine members.

Composition of the Board as at 31.12.2022:

NAME	POSITION	DATE OF APPOINTMENT
José Carlos García de Quevedo Ruiz	Chairman ICO Chairman	27 June 2018

Rosario Casero Echeverri	Deputy Chairman Chief Investment Officer of ICO	23 July 2018
Blanca Gloria Navarro Pérez	Member Director of Strategy and Sustainability of ICO	19 September 2018
Mª Elena Aranda García	Member Head of Mediation and SMEs	25 May 2017
Luis Javier Morales Fernández	Member Director of Budget and Financial Control of ICO	25 May 2017
Jaime Cervera Madrazo	Member Head of ICO's Operations Administration Department	29 September 2015
Antonio Bandrés Cajal	Member ICO Director of International Finance and EU Affairs	27 April 2017
Begoña Amores Serrano	Member Head of the Communications and Cabinet Department of ICO	14 September 2022
Fernando Hernández Domínguez	Member Adviser in the Cabinet of the Secretary of State for Economic Affairs and Business Support	19 October 2022
Cayetana Lado Castro-Rial	Non-Director Secretary ICO's Legal Counsel Director	22 February 2021

Changes in the composition of the Board during the financial year 2022

Begoña Amores Serrano and Fernando Hernández Domínguez joined the Board in 2022.

Equality and diversity on the Board of Directors
As of 31 December 2022, there were 5 women on the AXIS Board of Directors (55.6%).

Directors' expenses policy
The members of the Board of Directors receive remuneration for attending Board meetings, except for the Chairman and Vice-Chairwoman, who, as they hold senior management and senior executive contracts, respectively, may not receive attendance fees for attending Board meetings, in accordance with the legislation in force applicable to them in each case. The maximum remuneration for attending the Board of Directors' meetings is established by Ministerial Order of the Ministry of Finance.

In 2022, the annual remuneration received by each member of the Board of Directors amounted to 6,809.77 euros, the same amount as in 2021. There is no wage gap between women and men in the remuneration of the AXIS Board of Directors.

In 2022 the Company did not have any pension obligations towards former or current members of the Board of Directors and senior management, nor did it have any obligations assumed on their behalf under guarantee. Nor were there any loans or advances to members of the Board of Directors and Senior Management.

Incompatibilities
No director of the management company (AXIS) is a director of another company in which AXIS has an interest through the managed funds.

Prohibitions on the exercise of office
No member of the Board of Directors has informed the Company during 2022 that he or she has been prosecuted, or that a court order has been issued against him or her, for any of the offences referred to in Article 213 of the Law on Capital Companies.

COMMITTEES

AUDIT AND CONTROL COMMITTEE. Specialised body set up within the Board of Directors to provide technical support and assistance in the field of monitoring.

INVESTMENT COMMITTEES. There is one for each of the following funds: FOND-ICOpyme, F.C.R., FOND-ICO Next Tech, F.C.R. and FOND-ICO Infraestructuras II, F.I.C.C., whose members are mainly appointed by Axis or ICO and include at least two independent members. These are the bodies responsible for giving investment and disinvestment operations the green light before they are presented to the Board of Directors.

C. FUNDACIÓN ICO F.S.P.

Fundación ICO has two governing bodies: the Board of Trustees and the Executive Committee.

GOVERNING BODIES
BOARD OF TRUSTEES
It is the governing, administrative and representative body of the Foundation. It consists of a minimum of six members. The Chairman of the Board of Trustees is the Chairman of ICO. It also has a secretary, a position held by the Secretary of ICO's General Board.

As of 31 December 2022, the Board of Trustees was made up of nine personalities from the economic, cultural and scientific world, five of whom are men and four of whom are women.

NAME	POSITION	POST
José Carlos García de Quevedo Ruiz	Chairman	ICO Chairman
Antonio Cordero Gómez	Deputy Chairman and Trustee	Director General of Finance and Strategy, ICO

Eva María González Díez	Trustee	Director of the Legal Department of Grupo Mutua Madrileña
Pedro Nueno Iniesta	Trustee	Technical Architect, Industrial Engineer and Doctor in Business Administration from Harvard University
Concepción Osácar Garaicoechea	Trustee	Managing Partner of Azora
Cecilia Pereira Marimón	Trustee	Commissioner of Xacobeo 2021 and Managing Director of SA do Plan Xacobeo
Juan José Toribio Dávila	Trustee	Emeritus Professor of Economics and President of the International Center for Financial Research (CIIF) of the IESE Business School
Pablo Vázquez Vega	Trustee	University Professor of Applied Economics
Marta de la Cuesta González	Trustee	Professor of Applied Economics (UNED)
Lucinio Muñoz Muñoz	Non-Trustee Director of the Foundation	Director of Fundación ICO
Cayetana Lado Castro-Rial	Non-Trustee Secretary	Secretary of ICO's General Board and ICO Director of Legal Counsel

Changes in the composition of the Board of Trustees during the financial year 2022
The following changes occurred during the financial year 2022:
Alfonso Noriega was removed as trustee and vice-chairman of the board of trustees, while Antonio Cordero Gómez was appointed trustee and vice-chairman of the board of trustees. Marta de la Cuesta González was also appointed as trustee.

Equality and diversity in the Board of Trustees
As of 31 December 2022, there were 4 women on the Board of Trustees of Fundación ICO (44%).

Per diem policy of the members of the Board of Trustees
The members of the Board of Trustees do not receive any economic retribution in the performance of their duties.

COMMITTEES

EXECUTIVE COMMITTEE. The Executive Committee is the body in charge of studying and proposing Fundación ICO's programmes and specific actions to the Board of Trustees. It is set up as a resolution and agreement body in those matters that for reasons of urgency so require, except for the approval of accounts, action plan and functions attributed to the Board of Trustees that cannot be delegated.

The Executive Committee is chaired by the Chairman of the Board of Trustees and consists of a minimum of three trustees and a maximum of five.

As of 31 December 2022, the Executive Committee was composed of the following members of the Board of Trustees:

NAME	POSITION
José Carlos García de Quevedo Ruiz	Chairman
Eva María González Díez	Member
Pablo Vázquez Vega	Member
Antonio Cordero Gómez	Member

The Director of Fundación ICO attends the meetings of the Executive Committee, with the right to speak but not to vote.

Changes in the composition of the Executive Committee during the financial year 2022
During the 2022 financial year, there was a change in the composition of the Executive Committee, with Antonio Cordero replacing Alfonso Noriega.

ART ADVISORY COMMITTEE. Its functions are to advise on the design of the programming of the Museo ICO museum. It consists of:

- **Franscico Javier Martín Ramiro**, Director General for Housing and Land Secretary General of the Urban Agenda and Housing. Ministry of Transport, Mobility and Urban Agenda.
- **Museo Nacional Centro de Arte Reina Sofía**, represented by its Director, Manuel J. Borja-Villel.
- **Martha Thorne,** Associate Dean of External Relations at IE School of Architecture and Design.
- **Jorge Ribalta,** photographer and exhibition curator.

ADVISORY COMMITTEE OF FUNDACIÓN ICO – BECAS CHINA PROGRAMME. Its functions are to advise on the evaluation and selection of scholarship candidates. It consists of:

- **Taciana Fisac Badell,** Professor of East Asian Studies, specialising in Chinese Language and Literature, and Director of the Centre for East Asian Studies at the Autonomous University of Madrid.
- **Ana Wang Wu,** CEO of Fenix Globe Consulting (Spain-Asia). Former Director for Asia-Pacific at Banco Santander.
- **Javier Serra Guevara**, Director General of Business Internationalisation of ICEX España Exportaciones e Inversiones. Economic and Commercial Adviser in Beijing during the years 2002 - 2007 and 2010 - 2016.

1.4 MATERIALITY ANALYSIS

The ICO Group has conducted a materiality study that starts with an exhaustive process of internal and external analysis to identify relevant aspects, trends and reference frameworks.

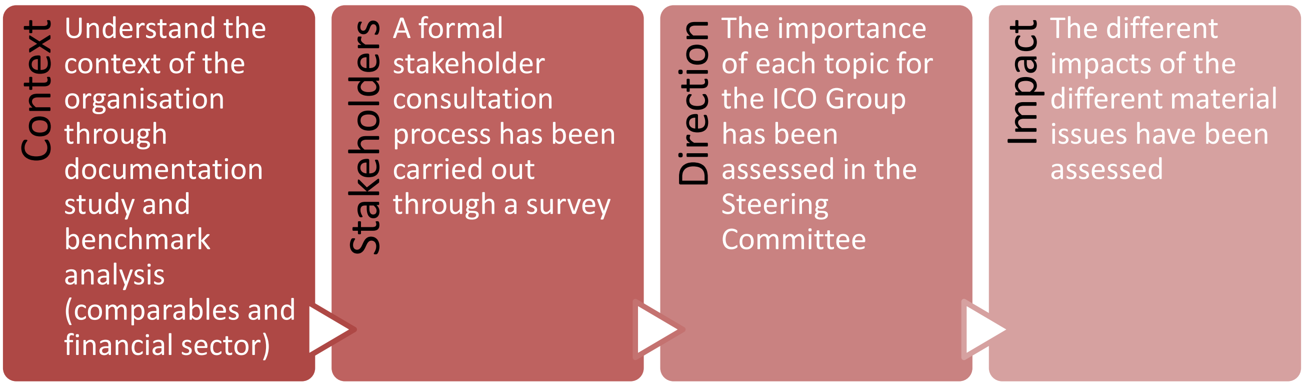
In line with the best standards in the field, the study is carried out from a **dual materiality** and impact assessment perspective. The methodology takes into account, on the one hand, the actual and potential impacts of the Group's activity externally (outward) and the actual and potential impacts that material issues may have on the Group (inward).

An essential element of the analysis is stakeholder consultation, which has been carried out in a formalised way through surveys. Responses from 480 surveys were taken into consideration. The stakeholders taken into consideration were the following:

- Workers
- The Self-employed and companies of all sizes
- Financial Institutions
- Analysts, consultants, auditors
- Investors
- Business and sectoral associations
- Public Administrations
- Social organisations
- Media.

This formalised consultation exercise complements the Group's regular approach to stakeholder engagement, which is carried out on an ongoing basis through different channels as detailed in the document.

In addition, an exercise has been carried out to identify the impacts associated with each of the issues on the economy, the environment and people. Taking into account the severity and probability of occurrence, a prioritisation of issues is established through the results of both the outside-in and inside-out exercise.



Based on the methodology used, 17 issues have been identified that have exceeded the materiality threshold and are therefore considered **material issues for the ICO Group**

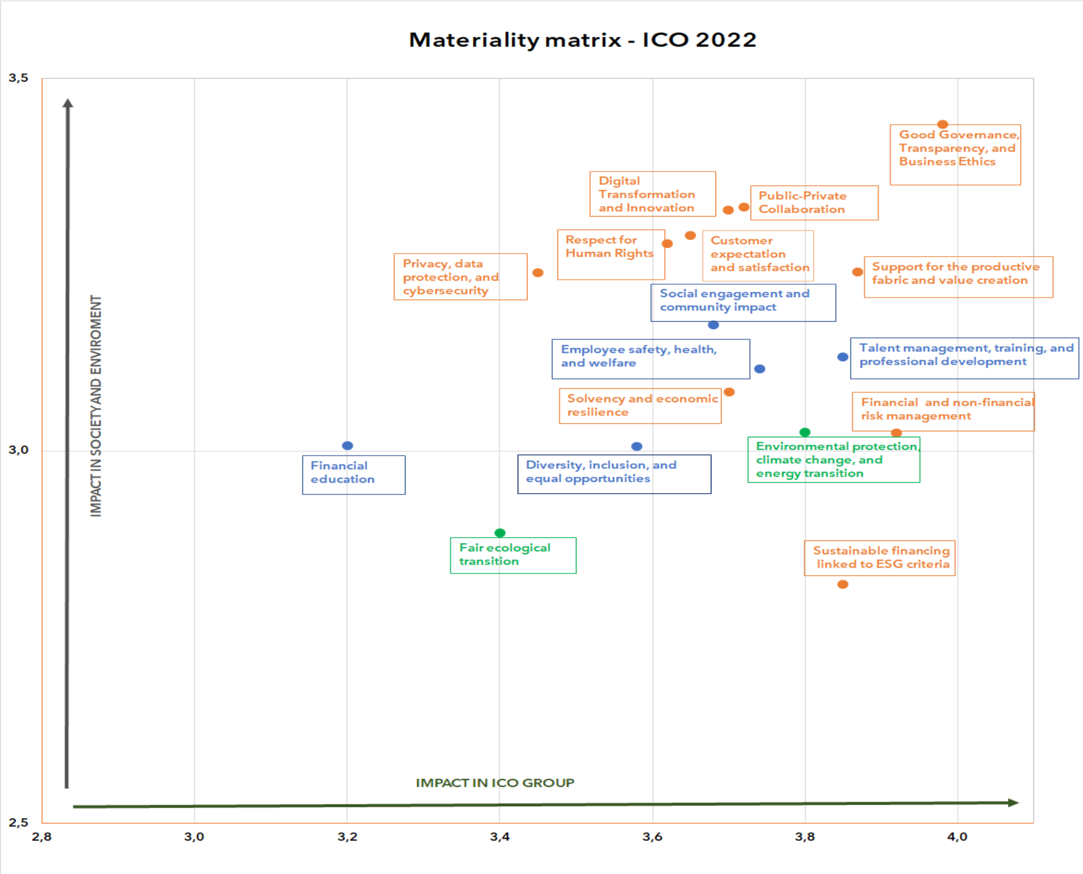
MATERIAL TOPICS ICO GROUP 2022	DESCRIPTION
TM1 - Good Corporate Governance, Transparency and Business Ethics	Maintaining good corporate governance, ethics and transparency requirements builds trusting relationships with the institution and reduces reputational risks. The management of this aspect has a direct impact on investors, as proper risk management provides security and protection of their capital. For other stakeholders,

	such as employees or society, this aspect translates into greater job stability and wealth generation.
TM2- Financial and non-financial risk management	Appropriate risk management favours the confidence of the different stakeholders towards the entity, offers peace of mind to investors and customers by protecting and creating value to achieve the proposed objectives, improves its competitiveness, shows the organisation's proactivity and enhances its reputation.
TM3 - Sustainable financing linked to ESG criteria	The integration of ESG (Environmental, Social and Governance) criteria in ICO's activity, together with traditional financial and risk criteria, allows us to offer customers long-term financing, investment and savings products that contribute to preventing and mitigating climate change, fostering the transition to a carbon-neutral economy and promoting social development, with the consequent positive impact on all stakeholders and the environment.
TM4- Economic Solvency and Resilience	Maintaining a good performance in this aspect has an impact on all of the entity's stakeholders, generating value, wealth and security for them.
TM5 - Privacy, data protection and cyber-security	Implementing a rigorous privacy and data protection policy is essential to guarantee customers, investors and society in general control over their personal data, its use and destination in order to prevent its unlawful and harmful processing of their personal rights and freedoms. In addition, boosting cyber security enables all employees to work safely and securely, directly impacting their productivity.
TM6 - Digital transformation and innovation	Digitalisation is one of the main vectors for promoting competitiveness, productivity, sustainable economic growth and job creation, as well as providing the productive fabric with greater resilience to face future shocks and dynamism to take advantage of new opportunities. ICO provides the Spanish business community with different mechanisms to promote the investments needed to undertake the digital transformation of companies, especially SMEs and start-ups, and industry in terms of R&D&I. It is also a relevant aspect for the rest of the stakeholders as it contributes to fostering social cohesion.
TM7 - Public-Private Partnership	As stated in SDG 17, public-private partnerships are essential to improve the effectiveness and impact of business activity, as well as to accelerate progress towards the Sustainable Development Goals set out in the 2030 Agenda, which directly impacts all stakeholders.
TM8 - Support for the productive fabric and value creation	Support for the productive fabric is a key enabler for boosting our country's economic activity and promoting shared prosperity. It has a direct impact on job creation, financial stability and the stimulation of economic activity through the various financial formulas and initiatives made available to companies and the self-employed.
TM9- Respect for Human Rights	Respect for human rights must be at the heart of the sustainability strategy of any organisation, regardless of its size and sector. The 2030 Agenda is closely linked to human rights, so avoiding impacts on those rights in the value chain and with stakeholders can be synonymous with important contributions to the SDGs. Human rights are necessary to protect and preserve the humanity of each individual to ensure that all people can live a life of dignity.

TM10 -Customer Experience and Satisfaction	Offering a service that meets customer demands has a direct impact on building long-term relationships. In the rest of the stakeholders, the impact on investors stands out, where quality and excellence translate into higher profitability. For their part, employees and suppliers perceive a high level of demand and need for specialisation. The bank's good performance in these areas has a direct impact on stakeholders by maintaining their confidence in the ICO and protecting their interests.
TM11 - Talent management, training and development of its professionals	Attracting and retaining talent, in turn, helps to ensure good financial results for investors and a higher level of service, resulting from high levels of employee satisfaction. It also has an impact on improving employee performance, behaviour and the working environment, which leads to increased staff satisfaction and therefore overall productivity. Training activities have a direct impact on ICO employees, enabling them to grow professionally and providing them with the tools they need to achieve their professional goals. In turn, specialisation leads to higher profitability through better results and an improvement in the level of service perceived by customers.
TM12 - Employee safety, health and welfare	The objective of implementing Occupational Health and Safety is to anticipate, recognise, evaluate and control risks that may affect the safety and health of the organisation's employees, which directly impacts on promoting the maintenance of the physical, mental and social well-being of employees.
TM13- Diversity, inclusion and equal opportunities	A diverse and inclusive work environment makes employees feel happier and more confident, improving their well-being, self-esteem and pride in belonging. It also has a direct impact on under-represented groups, as inclusion is the basis of a society's prosperity, of its economic, political and social development.
TM14 - Financial education	Education is a basic pillar for financial inclusion and for the protection of users of financial services. By teaching financial concepts, it helps people make better decisions on how to manage their resources, thus contributing to the safety and security of their finances. It has a direct impact on improving understanding of economic concepts, reducing information asymmetries between customers and providers of financial services, protecting the most vulnerable through targeted approaches and supporting market stability.
TM15 - Social engagement and community impact	Carrying out activities under the prism of social commitment and positive impact on the community contributes to the development of local economies and different collectives, through the generation of employment and financial empowerment. It also improves the image that customers have of the institution as a responsible institution, has an impact on its positioning, intensifies the relationship and commitment with its employees, increases the likelihood of finding new investors and improves its relationship with all stakeholders.
TM16 - Protecting the environment, combating climate change and energy transition	Focusing the purpose of the operations financed and to be financed in the coming years, among others, on green finance related to sustainable mobility; the development of renewable energies, renewable hydrogen; energy efficiency; the circular economy, water treatment, improved energy efficiency and sustainability of buildings, improved accessibility in buildings/housing, urban and rural regeneration and renovation, transport infrastructure projects or construction and rehabilitation of social or affordable housing, has a direct impact on the environment and society.

TM 17 - Just ecological transition	Contributing to a just ecological transition is a key line of action proposed by the International Labour Organisation and the United Nations Framework Convention on Climate Change, to maximise benefits in activity and employment and minimise the negative impacts of the ecological transition and decarbonisation.

These material issues have been prioritised according to the criteria of impact and relevance, resulting in the following materiality matrix where the aspects furthest away from the source are those to be considered as most relevant for the organisation.



There is a relationship between the material issues and the strategic axes and action plans contemplated on to the Sustainable Development Goals, as can be seen in the following summary table of the most significant ones.

Catalogue of material themes 2022	STRATEGIC AXIS 2022-2027	SDG
TM1	EJE 4. - Governance	
TM2		
TM9		
TM7	AXIS 1 - Business growth	

	AXIS 3 - Digitalisation	
TM4	AXIS 1- Business growth AXIS 4 - Governance	
TM3	AXIS 1 - Business growth AXIS 3 - Sustainable finance	
TM5	AXIS 2– Digitalisation AXIS 4 - Governance	
TM6		
TM10		
TM8	AXIS 1 - Business growth AXIS 2 - Digitalisation AXIS 3 - Sustainable Finance	
TM16	EJE 3. - Sustainable finance	
TM17		
TM11	EJE 4. - Governance	
TM12		
TM13		
TM15	EJE 4. - Governance	
TM14		

This materiality study was discussed in the Sustainability Committee and, when incorporated into this document, will be approved in the terms described in section 6.

With regard to the year 2021, there has been an update of the material issues considered until then. It moves from seven more general topics (with some subtopics) to the catalogue of 17 discussed above, by updating the methodology to respond to existing and expected standards, formalising communication with stakeholders and assessing impacts in a more sophisticated way.

1.5 ICO GROUP STRATEGY

ICO Group Strategy 2022-2027

The ICO Group's Strategy for the period 2022-2027 was approved by the General Board in 2021. It is structured around the **ICO** as a credit institution, **AXIS**, as a private equity fund management entity wholly owned by the ICO, and the **ICO Foundation**, as a state public foundation that carries out its activities under the sole sponsorship of the Instituto de Crédito Oficial.

The ICO Group has demonstrated its capacity **to anticipate and adapt** in order to support the business fabric, contributing to the achievement of economic policy objectives and driving growth, job creation and the transformation of the Spanish economy.

Over the coming years, ICO will continue to provide an **effective response to the needs of Spanish companies**, in order to collaborate in promoting the process of recovery, transformation and strengthening of Spain's growth model, in accordance with the priorities defined in the Spanish Government's **Recovery, Transformation and Resilience Plan**, and in line with the **Next Generation EU Programme** and the **European Union's Multiannual Financial Framework 2021-2027**.

The ICO Group's Strategy 2022-2027 establishes **4 strategic axes** and 20 action plans to contribute to the mobilisation of resources at national level and from the EU through a **broad and flexible set of financial instruments**, in collaboration with the private sector and the rest of the Public Administrations, to enable the development of transformational and driving business projects to consolidate the process of recovery and transformation of the Spanish economy towards a **more sustainable and digital growth model** , with a greater capacity for **innovation, competitiveness and generation of quality employment**.

Business growth and competitiveness. Boosting the business growth, competitiveness, and resilience of the Spanish economy and the generation of employment.

Digital Transformation. Boosting the digital transformation of the Spanish productive fabric

Sustainable finance. Promoting the ecological transition and the environmental, social and governance (ESG) sustainability of the Spanish business fabric.

Corporate Governance. Strengthening governance and digital/technological resources, driving organisational transformation and expanding institutional, communication and CSR activity

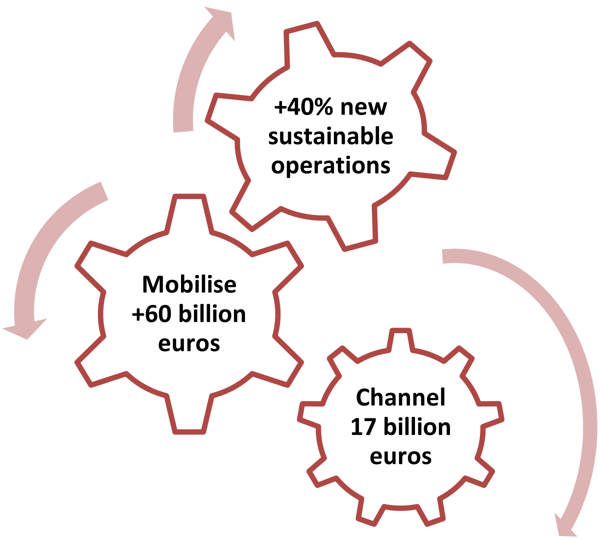
Our purpose

Facilitating public-private collaboration between the ICO and the Spanish financial and business sector	Financing business growth and job creation	Facilitating the internationalisation of companies
Channelling European funds towards the Spanish business fabric	Financing the transformation of the economy towards a sustainable growth model	Promoting digitalisation and innovation in Spanish companies.
Collaborating with other public administrations at all levels and with the European Union	Boosting and consolidating the private venture capital fund ecosystem	Offering complementary financing

The Strategy 2022-2027 in figures

During the **period 2022-2027**, the ICO Group aims to **channel 17 billion euros** directly **with its own resources** and **mobilise more than 60 billion euros in public-private partnerships** to contribute to the transformation of the growth model of the Spanish economy and the business fabric and entities of the social economy.

At least **40%** of all new operations in the period 2022-2027 will be **sustainable**.



The ICO is financed through various instruments in the capital markets and always under market criteria, not through the General State Budget. It has the explicit, irrevocable, unconditional and direct guarantee of the Spanish State for the debts and obligations it incurs by raising funds. ICO's objective is to be present in the capital markets through its regular issues, mainly through **green and social bonds**.

1.6 ICO INVESTEES

Instituto de Crédito Oficial has shareholdings in the following entities:

- **Axis Participaciones Empresariales SGEIC, S.A. S.M.E. (AXIS)**, venture capital fund manager established in 1986. ICO owns 100% of the share capital.

- **Compañía Española de Reafianzamiento, S.A (CERSA)**. ICO owns 24.39% of the share capital. This is a state-owned trading company, attached to the Ministry of Industry, Trade and Tourism. Its goal is to make it easier for SMEs and the self-employed to obtain all kinds of financing, especially start-up companies and smaller companies. CERSA provides support through its refinancing to the Sistema de Garantía Recíprocas (Mutual Guarantee System) in Spain, consisting of CERSA itself, 20 Guarantee Associations and SAECA.

- **Compañía Española de Financiación del Desarrollo, COFIDES, S.A, S.M.E**. ICO holds 20.31% of the share capital. This is a state-owned trading company, attached to the Ministry of Industry, Trade and Tourism. It aims to finance private and viable investment projects overseas in the medium- and long-term where there is some kind of Spanish interest, in order to contribute, with profitability criteria, both to the development of recipient countries of investments, as well as to the internationalisation of the economy and Spanish companies.

- **The European Investment Fund (EIF).** ICO has been a partner since its foundation in 1994 and currently has a holding of 0.66% in the capital. The main shareholder is the EIB. Its main objective is to facilitate financing for SMEs in Europe through venture capital and debt products, such as portfolio guarantees and securitisation.

- **European Datawharehouse (EDW), GmbH**. ICO's shareholding is 3.57%. EDW is a repository of securitisations registered with ESMA and the FCA that collects data on the loans that make up securitised portfolios for use by investors and other market participants in their analysis, providing the market with greater transparency. Through EDW data, users can analyse underlying portfolios and compare portfolios systematically.

- **Society for Worldwide Interbank Financial Telecommunication, SCRL (SWIFT)**. ICO has had a stake in this company since 2008. SWIFT was created in 1986 under Belgian law, which aims to provide a secure network that allows financial institutions around the world to send and receive information on financial transactions. The society has around 2,400 partners worldwide, of which 27 are Spanish financial institutions. This participation allows ICO to use this platform to perform financial transactions in a secure, standardised and reliable environment.

1.7 PUBLIC-PRIVATE PARTNERSHIPS AND ALLIANCES

Collaboration with other economic agents is a hallmark of the ICO Group's activity. Such alliances can be grouped into several clusters:

- Business alliances **for the better distribution of financial products**: this includes agreements with intermediary financial institutions, collaboration with other banks in syndicated loans, the network of collaborating agents, agreements with foreign institutions within the framework of the International Channel, liability agreements with international institutions for better financing and collaboration with Funds participating in initiatives promoted by AXIS.
- **Sustainability** partnerships. The ICO Group plays a very active role in relevant sustainability partnerships, as detailed in point 3.2.4 below

- Also very relevant are the agreements with **other Spanish public sector entities** for the launch of joint sectoral initiatives as detailed in this document, in many cases to channel funds within the framework of the Recovery, Transformation and Resilience Plan.
- For their part, **agreements with European institutions** are an essential part of the ICO Group's role in channelling funds, in the context of the Multiannual Financial Framework in force at any given time, with initiatives such as the management of InvestEU guarantees, among others.
- There is also a permanent dialogue and collaboration with **business and sectoral associations and third-sector entities**. The process of dialogue with chambers of commerce, general and sectoral business associations, bank employers' associations and third-sector associations or entities allows a channel of communication and cooperation to be established so that information on the ICO Group's activity is known and disseminated, and to gather concerns. Also through the establishment of partnerships that are translated into concrete initiatives.
- In general, there is also fluid collaboration in formal and informal forums with other **national promotional banks** at the international level, which has led to joint initiatives in different areas. It also participates in **international associations** such as NEFI (The Network of European Financial Institutions for Small and Medium Sized Enterprises) or ELTI (European Long-Term Investors Association) where joint initiatives and collaborations are promoted in their fields of action.

Information on agreements signed by the ICO within the framework of Law 40/2015 of 1 October is available on the Transparency Portal accessible from the ICO website[2].

In short, the ICO Group's network of alliances and contacts allows for a variety of formal and informal communication channels with different stakeholders.

1.8 ECONOMIC AND FINANCIAL ENVIRONMENT FOR ACTION

The general economic and financial situation in which the ICO Group carries out its activity is very relevant insofar as it is the context in which it has to develop its activities, but at the same time it determines, to a large extent, the guidelines that the Group adopts to provide the best response at all times to the needs of the Spanish economy and its productive fabric.

The Spanish economy maintained the pace of growth in 2022 despite the adverse environment.

In 2022 as a whole, the Spanish economy maintained the strong economic growth recorded in 2021 (5.5% compared to the previous year). The significant rise in GDP came during a year marked by the outbreak of war in Ukraine, causing a rise in inflation and interest rate hikes, while activity was still recovering after the Covid-19 crisis. In fact, growth has been above successive forecasts by different agencies and reflects greater resilience supported by the measures taken to tackle the energy crisis, the strong rebound in tourism and the dynamism of private consumption, also supported by the positive evolution of the labour market.

In 2022 as a whole, GDP grew by 5.5%, which was also the growth rate recorded in 2021, thus extending the recovery path after the fall in GDP in 2020. Growth in 2022 was underpinned by an expansionary performance of both domestic demand and the external sector. Within domestic demand in 2022, the private consumption and investment in machinery and equipment continued to grow at high rates and construction investment returned to growth. In contrast, public spending decreased in 2022 after increases in 2021 and 2020 to cope with the Covid-19 crisis.

With regard to the labour market, after pre-pandemic employment levels were recovered in 2021, the labour market continued to show strength during 2022 according to both the EPA and the data on enrolment and registered unemployment.

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[2] https://www.ico.es/web/guest/contratos-convenios-y-subvenciones

2022 was marked by inflation

In 2022, inflation continued to escalate across the board among economies, which had already been observed throughout 2021 as a result of the effects of supply bottlenecks and rising energy prices, but which was exacerbated by the outbreak of war in Ukraine. The pick-up in inflation intensified to levels not seen in several decades in the different jurisdictions due to the acceleration of energy prices and the rise in the price of many commodities, although it began to moderate slightly at the end of the summer in Spain and, since November, in the Eurozone thanks to the measures implemented and the reduced pressures from some of the causes. The forecasts of the main analysts and institutions for both Spain and the Eurozone as a whole suggest that, in 2023, inflationary pressures will continue to weaken and that the path of price moderation initiated in the last part of 2022 will bring prices back to levels above the monetary policy targets during 2023, although still at levels above the monetary policy targets.

The ECB began the process of normalising its monetary policy in 2022 with sharp interest rate hikes, among other measures.

Against this background of continued increases in inflation and elevated medium-term inflation expectations, and as economies recovered from the most acute phase of the pandemic crisis, the Governing Council of the ECB initiated the process of gradual normalisation of its monetary policy in 2022. This process began with the withdrawal of the extraordinary monetary stimulus implemented during the pandemic, as net asset purchases under the PEPP ended in March 2022. In June, the ECB Council concluded that the conditions for starting interest rate hikes had been met, announcing its intention to raise rates from the summer onwards and to end the purchases. Successive hikes brought the benchmark rate to 2.5% by the end of 2022, while the holdings of securities in the purchase programme were already being reduced. In 2023, monetary tightening has continued as the ECB plans to keep rates at restrictive levels in order, through moderating demand, to bring inflation down over time to the medium-term target of 2%. These high rates will also help to avoid a persistent upward drift in inflation expectations.

This new monetary context has an impact on ICO's financial activity, both from the point of view of the cost of its liabilities and of their pass-through to intermediaries and end customers.

In addition, most central banks have also made a sharp shift in the direction of monetary policy, making 2022 a turning point, ending more than a decade of low rates and ultra-accommodative policies in most economies.

The momentum of European funds continues

At the institutional level, the management of European funds from the Next Generation EU (NGEU) instrument, which aims to mobilise unprecedented resources to boost economic growth, continued during 2022. In the case of Spain, the second disbursement of 12 billion euros was received in 2022 and the third disbursement of 6 billion euros was formally requested in November, linked to the fulfilment of 29 milestones and targets (23 milestones and 6 targets), which had been met during the first half of 2022. In February 2023, the European Commission authorised this third disbursement, making Spain the first Member State to receive authorisation for the third disbursement, demonstrating that it is the most advanced country in the implementation of the funds. In December 2022, the Government approved the addendum to the Recovery Plan, which will mobilise more than 94.3 billion euros to boost the country's strategic reindustrialisation and which incorporates three important new features: allocating the additional transfers corresponding to Spain, which means additional subsidies of 7.7 billion euros; allocating the loans from the Recovery and Resilience Mechanism, of which Spain may request up to 84 billion euros from the European Commission; and allocating funds from the REPowerEU Plan, which aims to save energy, increase the production of clean energy and diversify Europe's energy sources, with an allocation of 2.6 billion euros. The addendum will continue the ambitious reforms and investments of the Recovery Plan, in line with the strategic objectives of the Recovery Plan (green transition, digital transformation, social and territorial cohesion and gender equality) with a focus on strategic autonomy through strategic projects, known as PERTE.

The ICO Group plays a very important role as it participates in different instruments associated with these funds, as discussed in the following pages.

Government forecasts anticipate that these funds will have an impact on Spanish GDP of close to 3 percentage points in 2023, which would increase in 2024 to 3.5 pp with the sum of both the reforms and the investments linked to the funds.

Business rates increased in 2022 as a result of monetary policy normalisation process

The tightening of monetary policy has been reflected in the interest rates applied to households and firms during 2022, as they have been rising especially during the second part of the year. Thus, the average interest rate applied to companies in transactions of less than 1 million euros, which can be taken as an approximation of the interest rate applied to SMEs, went from 1.59% in December 2021 to 3.49% in December 2022.
Interest rates for smaller transactions (up to 250 thousand euros) also increased in 2022. This rate increased from 1.69% in December 2021 to 3.53% in December 2022.
In terms of financial sector activity during 2022, the volume of new business lending grew by 19.9% compared to 2021, however, some slowdown in growth was observed towards the end of the year. Transactions of less than 250 thousand euros increased by 15.7% compared to the previous year, transactions of less than 1 million increased by 14.1% in 2022 and transactions of more than 1 million recorded an even higher increase of 25.7%.

Against this background, bank asset quality has not deteriorated. The NPL ratio of Spanish credit institutions continued to decline in 2022. In December 2022, it stood at 3.5% compared to 4.3% in December 2021. NPL assets thus stood at their lowest rate since December 2008. This decrease is explained by an intensification of the fall in the volume of credit classified as doubtful. In relation to credit to productive activities, this ratio stood at 4.43% (data as of September 2022).

The demand for corporate credit as perceived by banks in the bank lending survey did not change significantly during 2022, however, what did tighten were the approval criteria according to the same source. By 2023, this behaviour is expected to continue.

. The extraordinary injection of liquidity provided by the State guarantee lines managed by ICO launched in 2020 continues to have an impact on the Spanish business fabric and the financial sector, having made it possible to maintain activity and employment in Spain and to face the challenges of the present from a better position.

The new context of higher interest rates and the withdrawal of the abundant liquidity provided by monetary stimulus is both a challenge and an opportunity for ICO as part of the Spanish financial system. In its role through intermediary entities, the ICO will continue to transfer advantageous conditions so that financing continues to flow towards the productive fabric, while at the same time it will continue to provide direct financing through the different modalities with greater emphasis on priority activities in accordance with the reference frameworks and the Group's Strategy. Also through the other initiatives and activities.

2 OUR MODEL FOR CONTRIBUTING VALUE TO SOCIETY: *DRIVING SUSTAINABLE GROWTH*

Economic transformation

The ICO Group's activity has always had a transformative vocation towards the Spanish productive fabric, as an economic policy tool with the capacity to drive sustainable economic growth through the different financial initiatives that support companies and the self-employed in their business growth, investments and in the ecological and digital transition, with a greater capacity to create quality employment.

Global approach

To this end, the ICO Group develops financing and collaboration schemes with the private sector and other public administrations and bodies to improve or develop its instruments, products and new initiatives, making them available to Spanish companies of all sectors and sizes for their activities and investments both in Spain and in international markets.

Adaptation and anticipation

The capacity to adapt and anticipate the needs of the Spanish economy has been demonstrated in the different stages our economy has gone through. The best example of our vocation for rapid, effective and efficient support was the deployment, in record time, of the State guarantee lines in the framework of the Covid-19 pandemic, which constituted an unprecedented model of public-private collaboration, with more than one million operations guaranteed and more than 140 billion euros mobilised.

Through a variety of instruments

In addition to the traditional products, different initiatives have been incorporated in an attempt to respond to the needs of the moment. Specific products for specific purposes complement the general financial offer, which has also been adapted and made more flexible according to the moment. It can also act as a channel for European or national resources or as a state fund manager.

Long-term vision

Our activity responds to the needs of the moment, but does not forget the long-term objectives. The consolidation of the **process of recovery and transformation** of the Spanish economy, with the boost to the ecological transition and digital transformation, as well as the promotion of environmental and social sustainability and governance, in line with the Sustainable Development Goals, are essential elements of our actions. Not forgetting the objective of business growth as a source of innovation, competitiveness and job creation.

Contribution to the economy and society

This has a positive impact on society at large and on communities. Not only through financial instruments but also through a range of other initiatives with a positive social impact.

Sustainability

Sustainability and the transition to a low-carbon, more resource-efficient and circular economy that safeguards climate balance, biodiversity and human rights are key to ensuring long-term competitiveness and our development as a society.

For this reason, for the ICO Group, sustainability, which takes into account environmental, social and corporate governance factors, is a basic pillar integrated in all its activity in a transversal manner, both in its asset and liability operations and in the internal management of the organisation, from the perspective of governance and corporate social responsibility. ICO's sustainability commitments are set out in the 2020 Sustainability Policy, which will be reviewed and updated during 2023.

2.1 REFERENCE FRAMEWORKS

The ICO Group, its activity and its strategic orientations discussed in previous sections are consistent with the various frameworks of reference that the Group has adopted as its own: The European Union's priorities, embodied in **the EU's Multiannual Financial Framework 2021-2027** and the European recovery plan **Next Generation EU**, will drive profound economic transformations. Its translation to Spain, through the **Recovery, Transformation and Resilience Plan** and its Addendum, also determines the direction of our country's economic policy in the short, medium and long term, to which the ICO Group will contribute and support in a decisive manner.

In addition, Law 7/2021 of 20 May on climate change and energy transition defines the National Integrated Energy and Climate Plan as the national strategic planning tool that integrates energy and climate policy.

There are also a number of thematic or sectoral economic policy guidelines to which the ICO Group contributes through its activity. Initiatives, such as the Plan for the Internationalisation of the Spanish Economy 2021-2027, Digital Spain 2026 and the National Circular Economy Strategy, determine the priorities and actions planned in these areas.

More specifically, in the area of sustainability, the ICO Group takes the multiple global, EU and national initiatives as a reference when defining its sustainability objectives and strategy.

GLOBAL FRAMEWORKS

Sustainable Development Goals: 17 interconnected global goals designed to "achieve a better and more sustainable future for all". 2015 UN Resolution called **Agenda 2030**

Global Compact - Through the UN mandate to promote the SDGs in the business sector

The Paris Agreement: COP 21
art. 2c. *"to bring financial flows to a level consistent with a trajectory leading to low-emission climate-resilient development"*

United Nations Climate Change Conferences (COP)
COP25 (Madrid), COP26 (Glasgow), COP27 (Egypt), COP28 (Dubai)

UN - Environment Programme: the coherent implementation of the environmental dimension of sustainable development in the UN system

Coalition of Finance Ministers for Climate Action (CAPE) - forum of economic policymakers to lead the climate response

GLOBAL FINANCIAL SECTOR FRAMEWORKS

UN environment programme finance initiative	**UNEP - financial sector**: alliance of banks, insurers, and investors to catalyse financial activity for sustainable development
NGFS	**Network of Central Banks and Supervisors for Greening the Financial System:** it aims to contribute to strengthening the global response needed to meet the objectives of the Paris Agreement.
FSB FINANCIAL STABILITY BOARD	**Task Force on Climate Disclosure.** Dissemination of information on climate risks and opportunities
BIS	**Basel Committee on Banking Supervision - High Level Task Force on Climate-related Financial Risks.** Studies on transmission channels and impact of climate risks on the banking sector
EQUATOR PRINCIPLES	**Equator Principles:** a framework for environmental risk management in Project Finance
ICMA International Capital Market Association	**ICMA:** International Capital Market Association. Green Bond (GBP), Social Bond (SBP), Sustainability Linked Bond (SLBP) and Sustainable Bond (SBG) Standards

At the **European Union** level, initiatives with a sustainable component are very important, as well as their translation into specific instruments in which the ICO Group can play a relevant role. Firstly, the European Green Deal is a major regional commitment that will transform the EU, ensuring that:

- no net greenhouse gas emissions by 2050
  - ➔ Target 55 - at least 55% by 2030
- economic growth is decoupled from the use of fossil resources
- no people or places are left behind

More specifically, **REPowerEU** is the European Commission's plan to make Europe independent of Russian fossil fuels well before 2030. It is a plan to: save energy, produce clean energy and diversify our energy supplies.

To boost growth in the aftermath of the covid-19 crisis, **Next Generation EU** was launched, an exceptional temporary recovery instrument approved in 2020, endowed with €750 billion for all Member States. The two largest instruments of which it is composed are:

- The Resilience and Recovery Mechanism (MRR)
- The REACT-EU Fund
  - ➔ Invest EU: attracting private investment in support of a sustainable recovery and contributing to building a greener, more digital and resilient European economy, where ICO has a relevant role as an accredited *Implementing Partner* of the European Commission.

Also at the European level, there are a number of reference frameworks of relevance to the financial sector. Firstly, it is necessary to mention the **European Union Taxonomy**: which is the European Commission's regulatory development that aims to link the financial sector to the achievement of the objectives of decarbonisation of the European economy.

It defines sustainable as an economic activity that contributes substantially to the achievement of one or more of the **six** environmental **objectives**: climate change mitigation; climate change adaptation; use of water and marine resources; transition to a circular economy; pollution control; and protection of biodiversity. This initiative is part of the European Commission's **Sustainable Finance Action Plan**, which is the strategy for the financial system to support the EU's climate and sustainable development agenda.

Other bodies, such as the **European Banking Authority**, have established their ***Sustainable Finance Roadmap*** which defines the objectives and agenda for the achievement of mandates and supervisory requirements in ESG risk management. The **European Central Bank**, for its part, has established its ***Climate Center***, whose work focuses on three objectives: (i) managing climate risks, (ii) supporting the green transition, and (iii) driving broader actions, such as engagement and knowledge generation.

The recent adoption of the Corporate Sustainability Reporting Directive**(CSRD**) in December 2022 is a very relevant frame of reference that should be taken into consideration even if it is not yet fully implemented. The standards **EFRAG** is working on are also a reference for the entire financial sector.

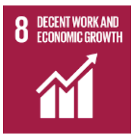
There are also a number of working groups to promote sustainability, many of which the ICO Group is a member and which are discussed below. We highlight here FinResp, which is the Centre for Sustainable and Responsible Finance in Spain, which seeks to contribute to a more sustainable and responsible economic and financial activity, or Spainsif, an association that promotes sustainable investment.

Finally, the **Collective Commitment for Climate Action**, signed during COP 25 in Madrid in 2019 by the Spanish banking associations and ICO, is relevant. This is a commitment to reduce the carbon footprint on banks' balance sheets.

All these frameworks, initiatives, agreements and plans are taken into consideration by the ICO Group when designing its strategic lines and when deploying its initiatives and products, as well as in the methodologies followed for the presentation of sustainability and impact indicators.

THE ICO GROUP AND THE SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda and the Sustainable Development Goals must be fundamental pillars of all public action. The ICO Group aligns its actions fully with these objectives, both at the level of its financial activity, in other initiatives with external projection as well as in its internal management.



By the nature of our core business, the direct impact of our activities stems from one main purpose: to contribute as much as possible to SDG8 on decent work and sustainable economic growth.

Support for projects and activities that promote SDG8 is complemented by the contribution to other relevant SDGs through different actions, such as 7 and 13, which are particularly relevant to our financial activity. In any case, all the SDGs to which we contribute are interconnected and mark the roadmap that the ICO Group offers towards sustainability and social responsibility.

Our main contribution is made through direct and intermediated financing activity. This contribution is quantified under heading 2.3. This is the main contribution which is complemented by other activities, as described in sections 2.2 and 2.4, as well as internal management in chapters 4 and 5 of this document.

In addition, and in order to encourage SMEs to know, apply and promote the Sustainable Development Goals, in 2019 a joint initiative was launched with the Spanish Global Compact Network and with the support of the High Commissioner for the 2030 Agenda https://icopymeods.ico.es/ . This initiative aims to involve Spanish SMEs in their alignment with the SDGs, as well as the business opportunities it can bring them.

With this initiative, the ICO Group takes another step forward in its commitment to the sustainability of Spanish SMEs, informing them of the changes that companies must adopt to align themselves with the 2030 Agenda, offering a series of resources to build a strategy oriented towards the SDGs.

2.2 IN ITS FINANCING ACTIVITY: SUPPORT FOR THE PRODUCTIVE FABRIC

As part of its current strategy, the ICO Group carries out its activities with significant positive impacts on the Spanish economy in general and on the productive fabric in particular. These positive effects are multiple, varied and interrelated. The most important of these are presented below.

- **SUPPORTING ALL COMPANIES THROUGH ITS BROAD PORTFOLIO OF PRODUCTS AND INITIATIVES**

ICO GROUP PRODUCTS AND INITIATIVES

National Promotion Bank
Financing of companies, SMEs and the self-employed in Spain and internationally

ICO Mediation Lines (second-floor facilities)

National
ICO Companies and Entrepreneurs
ICO SGR/SAECA Guarantee
MAPA-ICO SAECA SGR/SAECA Guarantee
ICO Trade Credit
ICO Red.es Acelera
ICO Red.es Kit Digital
ICO MITMA Sustainable Mobility
ICO Residential building refurbishment

International
ICO International
ICO Exporters
ICO International Channel

Direct loans and guarantees

National
Corporate loans
Institutional loans
National guarantees

International
Corporate loans
Institutional loans
International guarantees

Supplementary funding
Corporate bonds
Project bonds
MARF bonds
MARF Promissory Notes
Asset-backed securities

Private Equity (AXIS)
Fond-ICO Global
FOND-ICO PYME
Fond-ICO Infrastructure / ESG
Fond-ICO Next Tech

Financial Instrument for Economic Policy
As a channel for EU resources and the implementation of government economic policy measures.

Digitisation
ICO RED.es Kit Digital (Digital Kit)
ICO Red.es Acelera ('Accelerate')
Fond-ICO Next Tech
ICO-RTVE Agreement

Sustainability
ICO-MITMA Sustainable Mobility Line/Programme
Housing and Urban and Rural Regeneration Programme
ICO-MITMA line Residential building refurbishment guarantees
ICO Water Projects Financing Programme

Business growth and competitiveness
ICO - FOCIT line (Tourism Competitiveness Fund) (in process)
MAPA - ICO - SAECA Line / SRG/SAECA GUARANTEE

EU Programmes
CEF - Alternative Fuels Infrastructure Facility (AFIF)
Connecting Europe Facility (CEF) - CONNECT
InvestEU Programme

Other PRTR-related initiatives

State Finance Agency
Management of funds on behalf of the State (off-balance sheet)

ICO Guarantee Lines COVID-19

Guarantee Lines Ukraine

Internationalisation
FIEM
CARI

Development Cooperation
FONPRODE
FCAS

Territorial Funds
Autonomous Communities
CCLL

The ICO Group offers a comprehensive range of financing and guarantees through which it contributes to promoting viable business projects, favouring the growth of companies, their long-term investments and their international activity, with the aim of fostering sustainable growth, job creation and the distribution of wealth. This wide range is dynamic and adaptable to the needs of each moment, with the launch of new products or the modification of existing ones to best serve the productive fabric.

Through its wide range of products and financing initiatives, ICO Group supports companies of all sizes, especially SMEs, the self-employed and entrepreneurs, providing full geographical and sectoral coverage, with special attention to sectors and companies aligned with ICO's strategic axes, with the priorities of the Spanish Government's Recovery, Transformation and Resilience Plan, the Next Generation EU Programme and the European Union's Multiannual Financial Framework 2021-2027. The ICO Group has added new financing modalities to its catalogue, aimed at sustainability, energy transition and digital transformation.

The ICO Group's activity is largely carried out through strong public-private partnerships with the financial and business sector, which allows it to mobilise greater resources and generate synergies and added value.

- **WITH A SPECIAL FOCUS ON SMES AND, WITHIN THEM, ON SMALLER ONES**
  - ✓ **12,388 operations financed in 2022 with ICO Mediation Lines in Spain**
  - ✓ **99% of operations to companies with less than 250 employees**
  - ✓ **70% of operations to companies with less than 10 employees**

A large part of the ICO Group's financing is aimed at small and medium-sized enterprises and the self-employed in all sectors, since most of the business fabric in Spain is made up of this type of company. Specifically, SMEs and the self-employed accounted for 99.8% of the total number of companies in Spain and generated 64% of total business employment, with data as of 31 December 2022. Moreover, bank loans are the main source of financing for smaller Spanish companies, and they may find it more difficult to access external financing, especially in times of worsening economic prospects or with a tightening of the conditions applied to bank loans.

PROVISIONS FOR ICO MEDIATION LINES IN SPAIN 2022 BY COMPANY SIZE (*)		
COMPANY SIZE	No. of OPERATIONS	% OF TOTAL LOANS
Less than 10 employees	8,659	70%
Between 10 and 49 employees	2,827	23%
Between 50 and 149 employees	603	5%
Between 150 and 249 employees	150	1%
More than 250 employees	149	1%
Total	**12,388**	**100%**

* Excluding International Channel (6 operations)

Simplicity of processing and favourable terms and conditions are characteristic of the ICO Mediation Lines. The catalogue of Mediation lines is constantly evolving and adapting to the needs of companies and the self-employed, with traditional lines such as Companies and Entrepreneurs and other newly launched lines with specific objectives, which are discussed below.

In its **national mediation activity**, the ICO reinforces its commitment to **sustainable financing** with the approval of the following three new lines of credit that contribute directly to sustainability. They are explained in more detail in the Sustainability section of this document.

- ICO MAPA SGR / SAECA Guarantee line: positive social impact through its support for economic sectors affected by drought and other climatic risks.
- ICO MITMA Sustainable Mobility Line: positive environmental impact through its contribution to the implementation of low-emission zones, transformation of public transport towards zero emissions and, in general, contributing to sustainable mobility.
- ICO residential building refurbishment line: positive environmental impact through its contribution to improving the energy efficiency of residential buildings.

- **ALSO SUPPORTING LARGE INVESTMENT PROJECTS**
  - ✓ **3.856 million in provisions in 2022, largely for major projects**
  - ✓ **Strong support for direct financing of operations with a sustainable component**

The ICO, as a national promotional bank, offers direct financing on its own account to Spanish companies for the development of large long-term investment projects, both in Spain and abroad, always respecting the principle of complementarity with private initiative, supporting the maintenance and promotion of economic activities that contribute to growth and the improvement of the distribution of national wealth and, in particular, those which, due to their social, cultural, innovative or ecological importance, deserve to be encouraged.

It should be noted that ICO's direct financing activity for larger companies has a drag and pull effect on the value and supply chains of Spanish content, expanding the activities of medium-sized companies and SMEs, mobilising additional complementary financing resources and the contribution of companies' own funds.

The ICO's product catalogue includes complementary financing instruments so that companies can diversify the means of obtaining resources to carry out their development plans and boost their growth. Through the development of these instruments, ICO contributes added value to corporate financing, expanding the range of products on offer and promoting additional sources of financing. These products are detailed below.

The ICO's new financing activity and issuance of own-account guarantees for companies, entrepreneurs and local authorities amounted to 5,417 million euros in 2022, of which 1,561 million euros were drawn down through ICO Mediation Lines and 3,856 million euros were drawn down through direct activity (including direct loans, guarantees, corporate bonds, project bonds, MARF bonds and notes, and securitisation bonds, both nationally and internationally).

DIRECT ACTIVITY			Provisions 2022 Millions of euros	
Direct loans and guarantees				**1,916**
	National			***1,145***
		Corporate loans	*829*	
		Institutional loans	*297*	
		National guarantees	*19*	
	International			***771***
		Corporate loans	*633*	
		Institutional loans	*16*	
		International guarantees	*122*	
Supplementary funding				**1,939**
		Corporate bonds	*319*	
		Project bonds	*25*	
		Asset-backed securities	*383*	
		MARF bonds	*10*	
		MARF Promissory Notes	*1,202*	
		TOTAL		**3,856**

ICO's **direct financing activity** contributes to its **commitment to sustainable economic development**, both nationally and internationally, aligning itself with the 17 Sustainable Development Goals of the United Nations 2030 Agenda, with the Paris Climate Agreement (COP 21), with the United Nations Guiding Principles on Business and Human Rights and with the EU Sustainable Finance Action Plan, among others, all of which have been signed by Spain and implemented at European and national level.

Within the framework of **direct financing to large companies**, ICO has **various financial instruments** specifically designed to encourage investment in activities that **contribute to the**

achievement of sustainability objectives, such as green and social loans, loans linked to sustainability objectives, the acquisition of sustainable bonds or green securitisations.

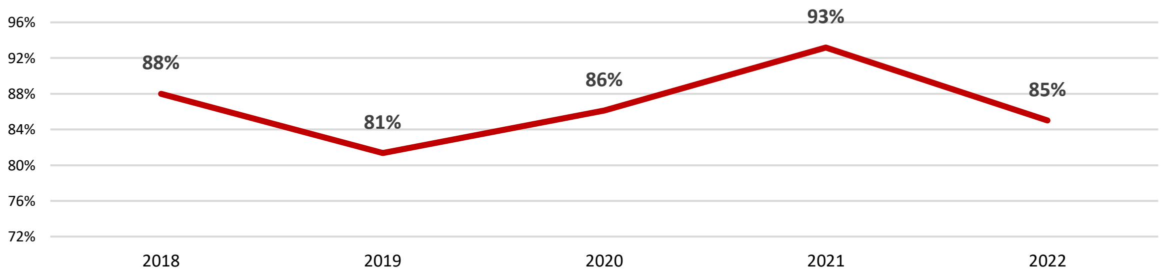
In 2022, the **ICO continued to promote sustainability** by approving direct financing operations with a positive environmental and social impact. Further details on the sustainability component of our financing activity can be found in the Sustainability section of this document.

- **PROMOTING MEDIUM- AND LONG-TERM FINANCING**
  - ✓ **85% of new formalisations in 2022 are medium to long term**

One of the main added values of the ICO focuses on trying to boost long-term financing for companies and the self-employed, so that they have sufficient financial leeway to undertake projects that generate sustainable growth, competitiveness and stable, quality employment. ICO facilitates access to this type of financing, which may be more difficult for some companies.

The new direct financing (including own guarantees) and ICO Mediation formalised during 2022, with maturities of 4 years or more, represents a high percentage of the total new lending activity formalised in the medium and long term, having reached 85% in 2022 and above 80% in the last 5 years. This figure shows the strong contribution of the ICO in boosting long-term investment by Spanish companies that may find it more difficult to finance themselves at longer maturities.

New lending activity entered into for terms of 4 years or more (including guarantees) over total new lending activity entered into in the medium to long term (including guarantees)



It is worth noting that, overall, the provisions of the ICO Mediation Lines are carried out especially in the medium and long term (94% of the total in 2022), which defines ICO's commitment to contribute to the financing of companies of all sizes with a long-term perspective.

- **CAPILLARITY, BROAD TERRITORIAL DISTRIBUTION AND SUPPORT FOR ECONOMIC CONVERGENCE:**
  - ✓ **53% Mediation + Direct in Spain to Autonomous Regions with <GDP per capita**
  - ✓ **40% Mediation + Direct in Spain to Autonomous Regions with >unemployment rate**
  - ✓ **+2,300 municipalities in Spain financed with ICO Mediation Lines**
  - ✓ **Supporting territorial cohesion through social/affordable housing programmes**

One of ICO's main objectives is to provide financing to all Spanish regions, intensifying social and territorial cohesion programmes, such as the construction or rehabilitation of social rental housing with Autonomous Communities and Local Corporations, and promoting initiatives, in public-private collaboration, in those regions most affected by depopulation to finance projects that contribute to reducing the territorial gap.

ICO's financing through the ICO Mediation Lines and direct financing in Spain has reached all Spanish regions during 2022. From the point of view of the contribution to economic development and cohesion between territories, it should be noted that 728 million of the Mediation lines were channelled to companies located in Autonomous Communities with a GDP per capita below the national average in 2021, which represents 57% of the total amount made available. Regarding regions with above-average unemployment rates in 2022, Mediation provisions amounted to 472 million euros, which represents 37% of the total distributed in Spain.

ICO Mediation Lines 2022*. Amounts available		
	Amount *(Millions €)*	**%/Total**
To regions with lower GDP per capita than average	728	57%
To regions with a higher unemployment rate than average	472	37%

* Does not include International Channel

As for the regional distribution of ICO's direct financing to Spanish companies at the end of 2022, an amount of 1,389 million euros, representing 51% of total financing, was allocated to Autonomous Communities with a GDP per capita below the national average and an amount of 1,123 million euros, representing 42% of the total, to those with an unemployment rate above the national average.

Direct Financing 2022*. Amounts available		
	Amount *(Millions €)*	**%/Total**
To regions with lower GDP per capita than average	1,389	51%
To regions with a higher unemployment rate than average	1,123	42%

* Excluding asset-backed securities

In the total of intermediated and direct financing, an amount of 2,117 million euros, representing 53% of the total drawn down, has been directed to regions with a GDP per capita below the Spanish average and an amount of 1,595 million euros, representing 40% of the total drawn down, to those with a higher than average unemployment rate.

ICO Mediation + Direct Financing Lines 2022*. Amounts available		
	Amount *(Millions €)*	**%/Total**
To regions with lower GDP per capita than average	2,117	53%
To regions with a higher unemployment rate than average	1,595	40%

* Excludes International Channel and asset-backed securities

ICO has extensive experience in **financing projects** to increase the stock of social or affordable rental housing in different Spanish autonomous communities with the aim, among others, of offering **the most vulnerable social groups** better options for access to housing. This funding is provided through collaboration agreements and housing agreements with the Ministry responsible at any given time.

ICO also has specific programmes and initiatives to support **territorial cohesion and sustainable activity**, such as the ICO-Housing and Urban and Rural Regeneration Programme, which enables it to finance projects aimed at, among other things, promoting the construction, rehabilitation and conservation of rental housing, improving energy efficiency, decarbonisation, housing sustainability, improving accessibility to housing and the regeneration and renovation of urban and rural areas. The granting of direct ICO financing is additional to the aid that, where appropriate, is granted under the State Housing Plan 2022-2025, the Programmes in force within the general framework of the Recovery, Transformation and Resilience Plan or other Programmes that may be approved in the field of housing.

- **BROAD SECTORAL DISTRIBUTION**
  - ✓ **All sectors of activity are covered by ICO financing**
  - ✓ **Special attention in 2022 to sectors most affected by the current economic context, drought and war in Ukraine**

The funds lent through ICO Mediation Lines in 2022 have had a broad sectoral distribution, with a greater contribution (51% of the total amount drawn down and 56% of total operations) to those sectors most affected by the consequences of the drought in Spain, such as agriculture, livestock and fisheries, as well as those most affected by the consequences of the current economic context and the war in Ukraine, with more energy-intensive activities such as transport, construction and infrastructure, industrial products and the chemical industry.

ICO MEDIATION PROVISIONS 2022. ACTIVITY SECTOR	Amount (millions of euros)	% W/O AMOUNT	No. of OPERATIONS	% W/O FINANCING
AGRICULTURE, LIVESTOCK AND FISHING	128	10.1%	2,325	18.8%
TOURISM, LEISURE AND CULTURE	127	10.0%	1,285	10.4%
TRANSPORT AND LOGISTICS	109	8.6%	1,285	10.4%
CONSTRUCTION AND INFRASTRUCTURE	101	8.0%	1,021	8.2%
CAPITAL GOODS AND INDUSTRIAL PRODUCTS	90	7.1%	817	6.6%
CHEMICAL INDUSTRY	88	6.9%	180	1.5%
OTHER SECTORS	625	49.3%	5,475	44.2%
TOTAL	**1,268**	**100.00%**	**12,388**	**100.00%**

* Does not include International Channel

As for the distribution by sector through direct activity, in 2022 it also shows a wide diversity of economic activities, with a greater weight in activities that require large investment projects, such as the construction and infrastructure sectors, as well as those that promote the energy transition, thus avoiding greenhouse gas emissions, such as the energy and environment-related sectors.

DIRECT ACTIVITY PROVISIONS 2022*. ACTIVITY SECTOR	Amount (millions of euros)	%/Total
CONSTRUCTION AND INFRASTRUCTURE	717	20.6%
ENERGY	498	14.3%
BUSINESS, PROFESSIONAL AND ADMINISTRATIVE SERVICES	448	12.9%
ENVIRONMENT	426	12.3%
OTHER SECTORS	1,383	39.9%
TOTAL	**3,473**	**100.0%**

* Excluding asset-backed securities

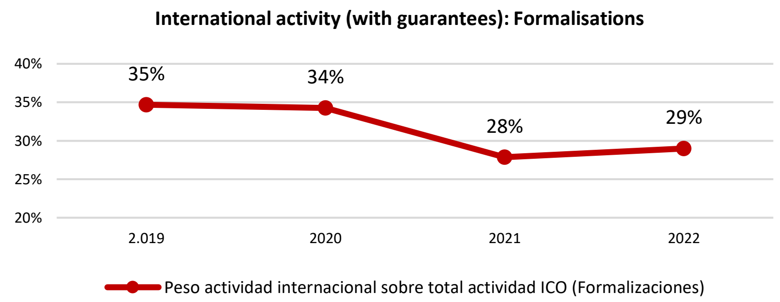
- **BOOSTING INTERNATIONALISATION**
  - ✓ **2,039 million approved in 2022 of direct activity + mediation**
  - ✓ **29% of total new activity formalised for outward investment by 2022**

Boosting the international activity of Spanish companies and attracting foreign investment is one of ICO's priorities, helping to strengthen the foreign sector and consolidating its role as a driving force in the growth, recovery and transformation of the Spanish economy. In fact, ICO is part of and actively contributes to the Strategy for the Internationalisation of the Spanish Economy 2017-2027.

ICO offers a comprehensive range of financing to promote the international activity of companies of all sizes and in all sectors, their export and investment activity, including the ICO Mediation Lines (ICO International, ICO Exporters and ICO International Channel), direct activity for companies through structuring, syndications, Project Finance and corporate debt acquisitions, and the important role of the Institute in granting guarantees in international bidding processes.

The weight of operations formalised for investment outside Spain has been above 28% in recent years, taking into account both direct activity and activity carried out through the ICO Mediation Lines.

Internationalisation	Approved 2022 *Millions of euros*
	2,039
Direct activity (with endorsements)	*1,261*
ICO Mediation Lines	*778*



In terms of ICO's direct activity, new approvals of direct international financing (with international guarantees) amounted to 1,261 million euros at the end of 2022, the purpose of which is to promote projects abroad.

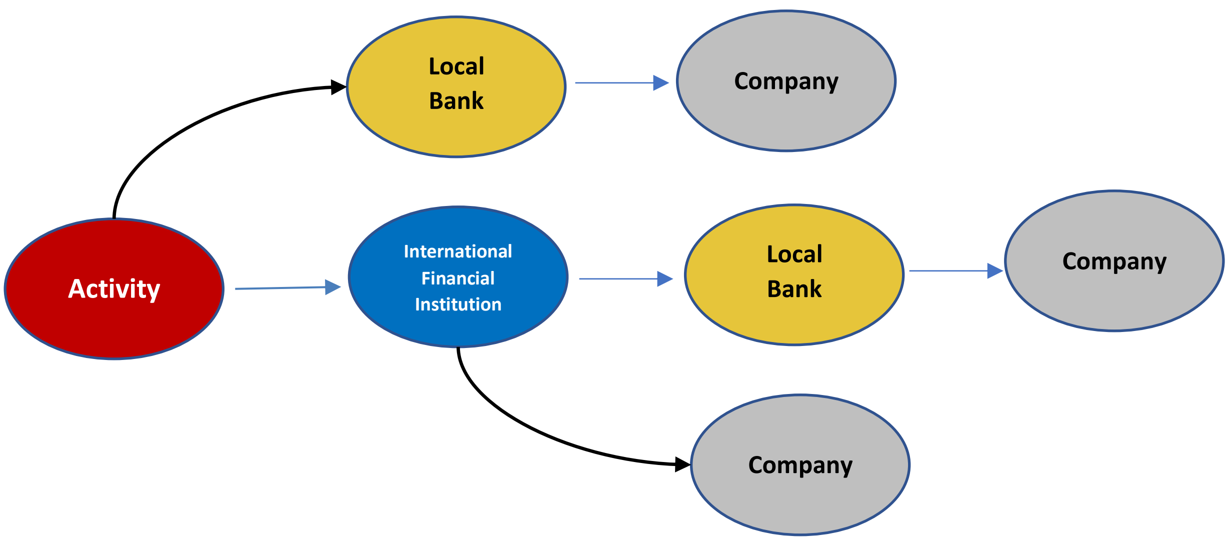
As for ICO's intermediary activity through financial institutions, an amount of 778 million euros has been approved in 2022, earmarked for investments outside the national territory. The following Lines are aimed at the internationalisation of Spanish companies:

- **ICO International Line**, which is aimed at financing investment projects and/or general business needs of the self-employed, companies and Spanish public and private entities, both those domiciled in Spain and those domiciled abroad, with Spanish interest and repayment terms of up to 20 years.

- **ICO Exporters line**, which provides short-term financing to the self-employed and companies for advances on invoices from the company's commercial activity abroad, as well as the company's liquidity needs to cover the costs of production and preparation of the goods or services to be sold abroad.

- **ICO International Channel Line**, which has become increasingly important in ICO's internationalisation activity, with an amount of 293 million euros available in 2022 in 6 contracts with 6 international entities, whose scope of application is located in the LATAM and NAFTA (free trade area between Canada, the United States and Mexico) geographic areas. The aim of the ICO International Channel Line is to promote the activity and financing of projects of companies with Spanish interest with international presence in third markets, through intermediation with institutions. This programme shifts the operating scheme of ICO Lines to multilateral, public promotional or private banks located abroad. This facilitates the application process for companies and incorporates the institution's knowledge of the local market as an added value. In addition, it allows Spanish companies operating in third markets to finance their projects in local currency in the countries where the investment projects or commercial activity is carried out.

Functional diagram



Since the launch of this funding programme in 2015, a volume of close to €3.3 billion has been approved through 31 operations corresponding to 16 different counterparties. The cumulative amount formalised under the programme is €3.1 bn euros and the volume drawn down is €1.9bn.

- **PROMOTING DIGITISATION**
  - ✓ **7.4 billion euros mobilisable, in public-private partnership, towards Spanish companies investing in digital transformation**

One of the strategic axes of the ICO Group is to provide financing to the Spanish productive fabric to make the investments they need in their digital transformation process, which will allow them to increase their competitiveness, productivity, resilience and territorial and social cohesion.

The ICO Group has experience in financing and channelling resources, in public-private collaboration with the financial sector and the Administration, aimed at the digital transformation of economic activity in Spain, particularly SMEs. All of this is in line with the European digital strategy and the Spain Digital Agenda 2026.

Within the ICO Group's extensive catalogue of products and initiatives, the following, more specific to digital transformation, should be highlighted:

Product of the ICO Group	Purpose	Endowment Millions of euros
ICO-Red.es Kit Digital Line Non-repayable aid for small enterprises, micro-enterprises and the self-employed	Collaboration between Red.es and the ICO to promote access to ICO financing through financial institutions for beneficiary companies and digitalisation agents, for those projects that have received aid from Red.es within the Digital Kit Programme.	3,000 M€
ICO-Red.es 'Acelera' Line ICO will finance up to 100% of the amount of the project approved by Red.es minus the amount of the grant advance	Loans through an ICO Mediation Line in collaboration with financial institutions to finance the digitalisation process of SMEs and establish measures to support the creation of technological solutions for their digitalisation	Up to 300 M €
Next Tech Fund Holdings and underwriting commitments in companies and funds specialising in digital and artificial intelligence sectors	Venture capital fund to promote the development of innovative high-impact digital projects and investment in scale-ups in collaboration with SEDIA, with the potential to mobilise up to €4 billion in public-private partnerships with the Spanish venture capital sector.	2,000 M€
ICO-RTVE Agreement	ICO direct financing programme for the production of new audiovisual works, such as feature and short films, films for television, documentaries and animated series and other European works of a cultural nature	Up to 100 M €

➢ DEPLOYING SPANISH AND EUROPEAN INITIATIVES

✓ **+25 billion euros with existing initiatives and addendum to the RTR Plan (Spanish Recovery, Transformation and Resilience Plan) to channel budgetary resources and European funds into public-private partnerships**

ICO has experience in products that combine financing with the granting of aid or subsidies or guarantees (blending) from national and European bodies, multiplying the effect and creating synergies when it comes to promoting certain activities and mobilising financial resources to make them available to companies and investment and transformation projects.

ICO promotes collaboration with sectoral Ministries, Autonomous Communities and their dependent bodies in channelling budgetary resources and European funds in support of the business fabric, within the framework of the Recovery, Transformation and Resilience Plan.

Initiatives aligned with the Recovery, Transformation and Resilience Plan

ICO-Red Accelerate SME
(300 million euros in aid)
Accelerating the digitalisation process of SMEs and establish measures to support the creation of technological solutions for their digitalisation

ICO-Red.es Kit Digital
(3,000 million euros in aid)
Accelerating the digital transformation process of SMEs and the self-employed

ICO-MITMA Sustainable Mobility (1,460 million euros in aid)
Implementing of low-emission zones and digital and sustainable transformation of transport. Financing for companies and municipalities

ICO-MITMA Housing Renovation
(1.1 billion euros in guarantees)
Encouraging refurbishment works in residential buildings that contribute to improving energy efficiency

ICO-Tourism FOCIT (220 million euros in aid) - *in the pipeline-.*
Digitalisation, innovation and modernisation of tourism enterprises for energy efficiency and circular economy projects

ICO-MAPA SAECA (Line=220 million euros; Guarantees=20 million euros))
Financing for general business needs following loss of profit due to drought and other adverse climatic phenomena

The ICO Group has extensive experience in channelling European funds (such as the Juncker Plan), collaborating with the European Commission, the EIB and the EIF in mobilising European resources for companies and projects of Spanish interest. It is worth mentioning ICO's accreditation in 2020 as an Implementing Partner of the European Commission, which has since enabled it to finance projects through the Connecting Europe Facility (CEF), CEF - Alternative Fuels Infrastructure Facility (AFIF) and InvestEU.

EU Programmes

CEF - Alternative Fuels Infrastructure Facility (AFIF)	CEF - CONNECT	InvestEU Programme
• AFIF combines ICO financing in the form of equity or debt up to 100% of the project with a minimum of 10 million euros and a grant from the EC up to 30% of the investment to finance projects related to the switch to cleaner alternative fuels and without dependence on the EU's external environment, in the framework of sustainable and multimodal mobility for the modernisation of the European transport network (Ten-T). Funding will be available, among others, for alternative refuelling infrastructure projects (hydrogen, liquefied natural gas and electricity) and for the production, storage and transport of green hydrogen, within the framework of the Ten-T network.	• It combines ICO funding up to 100% of the project with a minimum of 5 million euros and a grant from the EC for projects related to digitisation in the framework of the EU digital interconnection. The total amount of the CEF-Connect Programme 2021-2027 amounts to 2 billion euros and will be used, among others, for widespread 5G access, fibre interconnections, high-speed networks and integrated data centres.	• EC guarantee for equity or quasi-equity products, intermediation financing or direct financing to facilitate access to finance for Spanish companies through 4 windows of action: sustainable infrastructure, research, innovation and digitalisation, SMEs, social investment and training. The maximum EC guarantee will be 50% of the investment in direct operations, up to 75% in equity and 80% in mediation.

CEF- AFIF approvals 2022

€10 millions for **green hydrogen**production

€8.5 millions for the installation of 160 **electric vehicle charging points** in Spain and Portugal

€20 millions for **LNG storage**

€15 millions for the production, storage and distribution of **renewable hydrogen**

CEF - CONNECT approvals 2022

CEF-Connect **Work Program and Administrative Agreement** under development.

Total amount of the CEF-Connect Programme 2021-2027: **€2.000 millions. ICO amount: €100 millions**

InvestEU Programme approvals 2022

A **150 million euros** investment in Spanish and/or European **funds** focused on **sustainable infrastructure sectors (50% InvestEU guarantee)**

The addendum to the Recovery, Transformation and Resilience Plan presented by the Spanish government in December 2022 will focus the transfers and loans allocated to Spain on boosting strategic industrialisation. The ICO Group will channel up to 19 billion euros (15 billion through ICO and 4 billion through Axis) in financial instruments to finance green investments by companies and reinforce financial support to SMEs, which will enable them to adapt to the new economic framework of sustainability and improve their competitiveness.

- **LEVERAGING NEW FUNDING THROUGH COMPLEMENTARY FINANCE**
  - ✓ **Nearly 2 billion euros of additional funding to be made available in 2022**

In recent years, ICO has promoted other complementary sources of financing, which allow diversification of financial resources with alternative sources to banking through bonds, promissory notes and securitisations with the aim of supporting the growth of companies in all sectors and of all sizes, with a special focus on small and medium-sized enterprises.

These complementary sources of funding include:

	Provisions of 1,939 million euros in 2022	
CORPORATE BONDS		**Direct financing programme for companies through the acquisition of bonds and debentures** issued by Spanish companies to finance their medium and long-term investment plans. Preference will be given to companies that are certified as responsible emitters or listed on sustainability indices, favouring activities and projects that improve environmental performance.
PROJECT BONDS		**Project bond purchase programme** as a medium and long-term financing instrument especially linked to large infrastructure financing operations
MARF BONDS AND PROMISSORY NOTES		**ICO's direct financing programme for companies through the subscription of MARF promissory notes and bonds** to inject liquidity and finance the medium and long-term investment plans of Spanish companies with issuance programmes registered in the Alternative Income Market (MARF).
ASSET-BACKED SECURITIES		**General framework for investing in securitisation assets** that have an impact on new lending to the productive fabric, as well as alignment with its objectives, for example, in terms of sustainability. The ICO requires as a condition for its participation a commitment from the originating institution to generate new financing for companies and the self-employed in Spain.

DIRECT ACTIVITY. SUPPLEMENTARY FUNDING	Provision 2022 Millions of euros
Corporate bonds	*319*
Project bonds	*25*
MARF bonds	*10*
MARF Promissory Notes	*1,202*
Asset-backed securities	*383*
TOTAL	**1,939**

- **MANAGING STATE GUARANTEE LINES**
  - ✓ **ICO-Covid19 guarantee line: 107.187 billion euros of guarantees granted in 1,192,484 operations to almost 675,000 companies and the self-employed since its launch, with a positive impact on maintaining activity and employment**
  - ✓ **Ukraine Guarantee Line: 649 million in guarantees granted in almost 4,000 operations to more than 3,600 companies during 2022, liquidity tensions due to price increases**

The **ICO-Covid19 Guarantee Lines** to support companies and the self-employed, launched in 2020 by the Spanish Government as a result of the situation generated by the Covid-19 pandemic, have been managed by ICO, allowing the provision of liquidity and the financing of investments in the Spanish productive fabric, thus avoiding a negative structural impact on the economy and employment. In addition, flexibility measures have been adopted within the scope of ICO management to adapt the conditions of guaranteed loans and improve business solvency, including, among others, extensions of the maturities of operations, aimed at alleviating the financial burden of the self-employed, SMEs and companies. The Covid-19 Guarantee Lines, managed by ICO, have constituted an unprecedented model of public-private collaboration that has enabled close to 675,000 self-employed workers and companies, mainly SMEs, in 1,192,484 guaranteed operations to access financing to cover their liquidity and investment needs, mobilising, in public-private collaboration, slightly more than 140,000 million euros since its launch, making it the most effective programme in the European Union as a whole. The deadline for granting these guarantees was 30 June 2022, although the ICO continues to carry out the financial management of the amounts guaranteed during the term of the loans.

ICO also manages the **Ukraine Guarantee Line**, included in the Response Plan to Russia's war in Ukraine approved by the Spanish government in 2022 and endowed with up to 10,000 million euros to cover financing granted through financial institutions to companies and the self-employed affected by liquidity tensions due to the increase in energy and other raw material prices as a result of the war in Ukraine. During 2022, guarantees for an amount of 649 million euros have been requested, which has mobilised financing of 839 million euros, through financial institutions, in nearly 4,000 operations to more than 3,600 companies and self-employed people belonging to all productive sectors, with the exception of the financial and insurance sector, and which have been affected by the economic effects of the war in Ukraine. The guarantees will be granted until 31 December 2023.

MANAGING STATE GUARANTEE LINES FOR COMPANIES AND THE SELF-EMPLOYED. Closing data 2022

GUARANTEE LINES	GUARANTEE REQUESTED Millions of euros	AMOUNT MOBILISED Millions of euros	No. of OPERATIONS	No. of COMPANIES
ICO- Covid Guarantee Lines19 (from start of Line)	107,187	140,737	1,192,484	674,922
Ukraine Guarantee Line	649	839	3,999	3,638

➢ MANAGING FUNDS ON BEHALF OF THE STATE

- ✓ **198,951 million managed by ICO on behalf of the State at the end of 2022, in addition to the State guarantee lines**
- ✓ **Support for the internationalisation of Spanish companies, Spanish development cooperation and the financial sustainability of Autonomous Regions and local entities.**

In addition to the management of the aforementioned ICO-Covid19 and Ukraine Guarantee Lines, as a State Financial Agency, the ICO carries out financial services to manage, off-balance sheet and on behalf of other Ministries, certain funds and instruments aimed at **supporting internationalisation** (through FIEM and CARI), **supporting development cooperation** (through FONPRODE and FCAS) and facilitating the **sustainability of regional and local administrations** (through FFCCAA and FFEELL).

SUPPORT FOR INTERNALISATION

ICO acts on behalf of and under the direction of the Secretary of State for Trade of the Ministry of Industry, Trade and Tourism.

Within this framework, ICO manages:

Fondo para la Internacionalización de la Empresa (FIEM) (Corporate Internationalisation Fund)

The fund promotes the export operations of Spanish companies, as well as Spanish direct investment abroad, by financing operations and projects of special interest for the internationalisation strategy of the Spanish economy. Financing may also be made available for the technical assistance that these operations and projects need, in both developed and developing countries.

Reciprocal Interest Adjustment Contract (CARI)

This is a financial instrument that resembles a certain type of interest, which aims to promote Spanish exports, encouraging the granting of fixed-interest loans by financial institutions.

SUPPORT FOR DEVELOPMENT COOPERATION

ICO acts under the instructions of the Secretary of State for International Cooperation of the Ministry of Foreign Affairs, EU and Cooperation, managing:

Fund for the Promotion of Development (FONPRODE)

Its aim is the eradication of poverty, the reduction of social inequalities and inequities between people and communities, gender equality, the defence of human rights and the promotion of human and sustainable development in impoverished countries.

Cooperation Fund for Water and Sanitation (FCAS)

Its purpose is to grant aid, mainly non-refundable and, where appropriate, loans to finance projects in the fields of water and sanitation, under the co-financing scheme with the national authorities of Latin America and the Caribbean.

FINANCIAL SUSTAINABILITY OF REGIONAL AND LOCAL GOVERNMENTS

ICO manages in the name and on behalf of the Ministry of Finance:

Financing Fund for Autonomous Communities (FFCCAA)

Its purpose is to provide these administrations with liquidity. Among the functions of ICO as financial manager of the fund are the formalisation of financial operations with the Autonomous Communities and the provision of technical instrumentation, accounting, cash, paying agent and monitoring services.

FUND FOR FINANCING LOCAL ENTITIES (FFEELL)

Its function is to provide liquidity and ensure the financial sustainability of municipalities by meeting their financial needs.

At the end of 2022, ICO had managed funds on behalf of the State, including the total amounts formalised under the State Guarantee Lines, with a total balance of **306,787 million euros**.

State Financial Agency *Management of funds on behalf of the State (off-balance sheet activity)*	**2022 Balance** *Millions €*
ICO Guarantee Lines COVID-19	107,187
Guarantee Lines Ukraine	649
Internationalisation (FIEM + CARI)	6,507
Development Cooperation (FONPRODE + FCAS)	413
Territorial Funds (CCAA + CCLL)	192,031
Total	**306,787**

- **ENERGISING THE PRIVATE EQUITY SECTOR**
  - ✓ **Axis manages 4 venture capital funds with 7.15 billion under management**

The ICO promotes complementary financing for companies through Axis, its 100%-owned venture capital manager, in public-private partnership. AXIS' activity is carried out through investments in private equity and venture capital funds aimed at promoting the creation and growth of companies throughout the entire investment life cycle, from the early stages (business angels, incubation, technology transfer), to start-up, scale-up, expansion and growth capital (equity) and debt. Axis currently manages four funds registered with the CNMV, (Spanish Securities and Exchange Commission), whose sole participant is the ICO, with a total amount of 7.15 billion euros:

Fond-ICO GLOBAL 4.500 M€

Fond-ICO Global

A fund endowed with 4.5 billion euros. It is the first public venture capital/private equity "fund of funds" created in Spain and aims to promote the creation of privately managed venture capital funds that invest in Spanish companies at all stages of their development. Through the 15 Fond-ICO Global calls resolved until the end of 2022, investments in Spanish companies have been approved for an amount of 3,427 million euros with an invested volume of 11,474 million euros (multiplier of 3.3x).

Fond-ICO PYME 250 M€

FOND-ICO PYME

Fund endowed with 250 million euros. Its objective is to invest in funds that invest in strategic or innovative segments of activity such as sustainability and social impact or the entrepreneurial ecosystem, also promoting complementary financing to banking through business angels or diversified debt (crowdlending/crowdfunding).

Fond-ICO Infraestructuras ESG 400 M€

Fond-ICO Infrastructure ESG

Fund endowed with 400 million euros. It acts as a minority investor facilitating the development and construction of projects that contribute to a more sustainable and decarbonised economy, prioritising strategic niches within the energy, mobility, environment and social infrastructure sectors, always seeking a clear positive impact for people, the climate and the environment.

Fond-ICO Next Tech 2.000 M€

Fond-ICO Next Tech

2 billion fund with the possibility of mobilising up to 4 billion euros in public-private partnerships with the Spanish venture capital industry. Fond-ICO Next Tech is a joint initiative of ICO and Axis with the Secretary of State for Digitalisation and Artificial Intelligence (SEDIA), included in the National Recovery, Transformation and Resilience Plan, with the aim of promoting the development of innovative, high-impact digital projects and investment in scale-up companies.

During 2022, Axis has approved commitments of 1.79 billion euros through its four funds:

DIRECT ACTIVITY: Private Equity AXIS	Fund size Millions €	Approved commitments 2022 Millions €
FondICO Global.	*4,500*	*410*
FondICO Pyme:	*250*	*35*
FondICO Infrastructure / ESG	*400*	*55*
*FondICO Next Tech**	*2,000*	*1,290*
Total	**7,150**	**1,790**

* Including the European Tech Champions Initiative (ETCI), to be realised through Fond-ICO Next Tech with an ICO commitment approved in Dec/2022 of 400 million euros, to be increased to 1 billion euros in 2023.

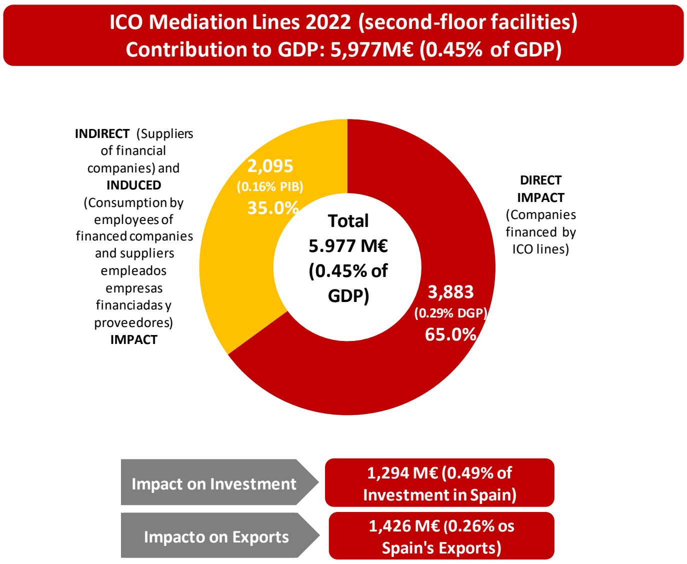
Axis' actions complement those of the Institute and reinforce the ICO Group's clear positioning in favour of **sustainability**. A total amount of 673 million euros in sustainable investments has been approved in 2022, as explained in more detail in the Sustainability section of this document.

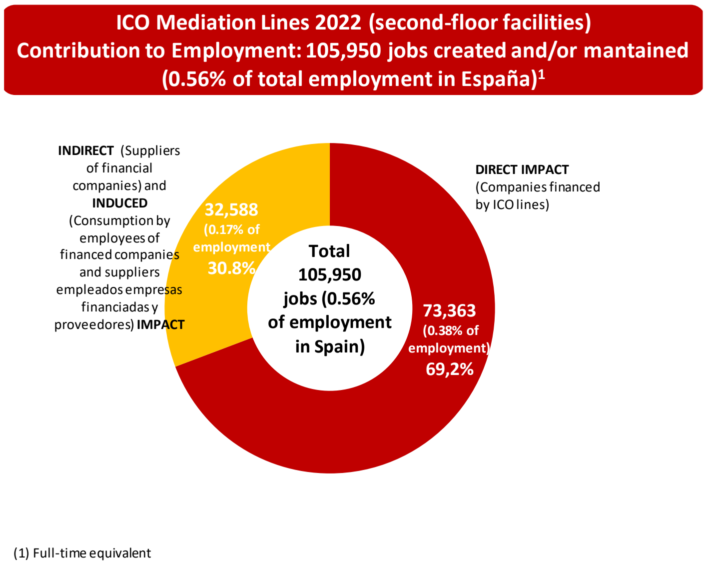
2.3 POSITIVE MACROECONOMIC IMPACT ON THE SPANISH ECONOMY

- **MEDIATION ACTIVITY (SECOND-FLOOR FACILITIES): IMPACT ON GDP AND EMPLOYMENT**

ICO has developed an analysis to quantify the macroeconomic impact of its financing activity. This analysis, based on a methodology that uses the National Accounts' Input-Output Tables combined with statistical and econometric techniques, shows that ICO's important role in the Spanish financial sector has a significant impact on the economy, generating a significant contribution to certain macroeconomic variables such as GDP, exports, investment or employment.

With regard to the impact on economic activity of the financing distributed by the ICO in 2022 through the Mediation lines, estimates place it at 5,977 million euros in terms of GDP, equivalent to 0.45% of GDP. In the same way, this financing activity led to 1,294 million euros in investment, representing 0.49% of the total gross fixed capital formation (GFCF) made in Spain in 2018. In relation to exports, the impact generated by ICO-mediated financing, estimated at 1,426 million euros, represented 0.26% of the total volume of Spain's exports.





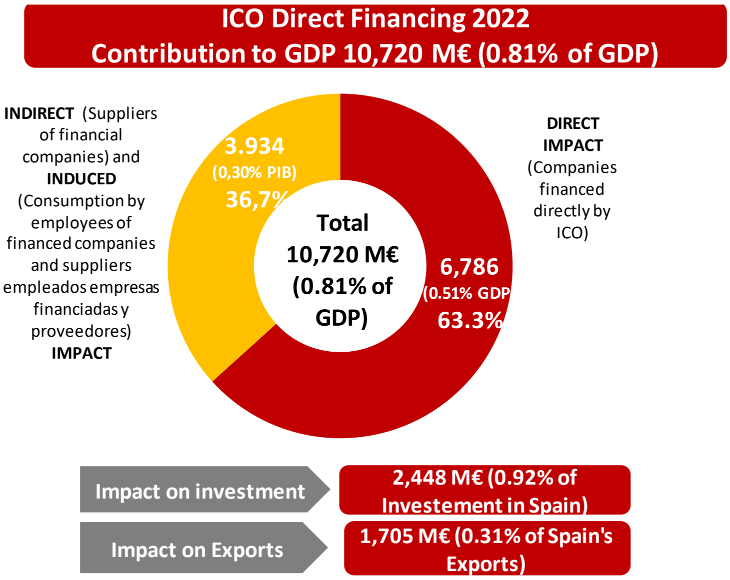
In turn, there is a significant impact on employment. The estimated employment generated and/or maintained as a result of ICO activity in 2022 through Mediation lines is estimated at 105,950 jobs, representing 0.56% of the total volume of full-time equivalent employment.

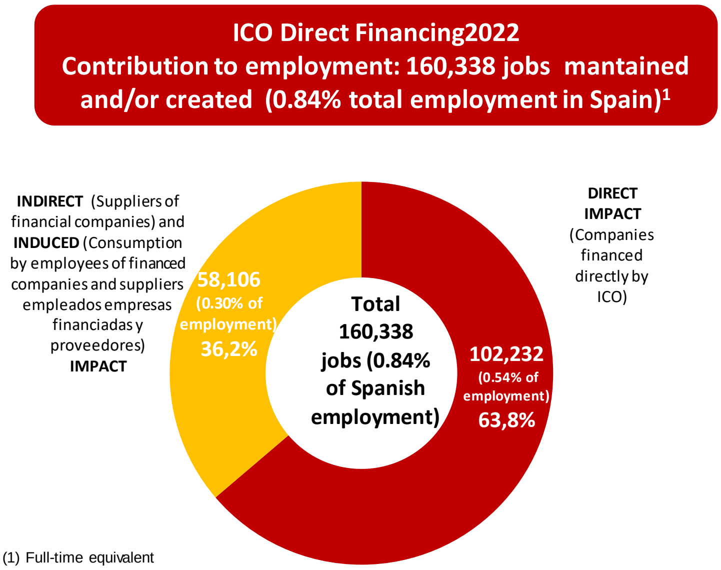
- **DIRECT FINANCING ACTIVITY: IMPACT ON GDP AND EMPLOYMENT**

Using the same methodological procedure, the ICO estimates the impact on certain macroeconomic variables of its activity as a direct financier.

The estimated impact on economic activity generated by the ICO's direct financing operations formalised in 2022 is estimated at 10.72 billion euros in terms of GDP, equivalent to 0.81% of GDP.

Similarly, these direct financing operations have meant 2,448 million euros in investment, which represents 0.92% of the total gross fixed capital formation (GFCF) in Spain in 2022, and have generated an impact on exports, estimated at 1,705 million euros, which represents 0.31% of the total volume of Spanish exports.





(1) Full-time equivalent

The quantification, in terms of employment generated and/or maintained as a result of these direct financing operations, amounts to 160,338 jobs, which represents 0.84% of the total volume of full-time equivalent employment.

2.4 THE PRIORITY: DRIVING SUSTAINABILITY IN OUR FUNDING ACTIVITY

The ICO as a national promotional bank has, among others, a double challenge:

- **Signalling paper**. The role of the ICO Group goes beyond the mere financing of investments for a sustainable economy. In its own activity and in collaboration with other financial actors, ICO aims to contribute to setting standards and generating benchmarks, both in its operations (assets) and in the capital market (liabilities), as venture capital, by playing a signalling role and being at the forefront of the other actors, collaborating with them, accompanying companies or financial institutions, defining standards, acting as a force that leads the way in pioneering initiatives and offering our experience to all stakeholders.
- **Support for structural change**. The ICO Group translates this transformative process into supporting the evolution of its clients towards a Just and Sustainable transition, acting in all sectors and business dimensions, facilitating the transition of the business fabric, leaving no one behind

In recent years, the ICO Group has given a strong impetus to financing companies for sustainable projects - environmental and social - as a means of promoting the transformation of the Spanish economy towards a more sustainable and fairer model.

The ICO Group has a Sustainability Policy which establishes a general framework for action that is complemented by the rest of the internal policies that govern the Institute's activity, such as the Environmental Policy, the Direct Financing Policy, the CSR Policy, the Equality Plan, the Code of Ethics and Conduct and the Internal Code of Conduct in the Securities Market.

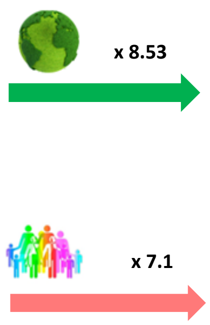
ICO Group promotes growth through the financing of business activities that contribute to the generation of employment and economic development, both in Spain and in third countries, aligning itself, among others, with the 17 Sustainable Development Goals of the United Nations 2030 Agenda, with the Paris Climate Agreement (COP 21), with the United Nations Guiding Principles on Business and Human Rights and with the EU Sustainable Finance Action Plan, all signed by Spain and implemented at European and national level.

- **CONTRIBUTING TO SUSTAINABLE BUSINESS FINANCING**
  - ✓ **At least 40% new sustainable financing by 2022-2027**
  - ✓ **4,946 million euros of net balance of direct sustainable operations at the end of 2022 with positive environmental and social impact, 43% of the total direct portfolio**
  - ✓ **40,477 million euros of investment mobilised, in public-private partnerships**

ICO finances directly, or through financial institutions or Axis (its venture capital manager), projects that promote the ecological transition and the environmental, social and governance (ESG) sustainability of the business fabric. The purpose of the operations to be financed focuses, among others, on sustainable mobility, development of renewable energies, renewable hydrogen, energy efficiency, circular economy, water treatment, improvement of energy efficiency and sustainability of buildings, improvement of accessibility in buildings and housing, urban and rural regeneration and renovation, transport infrastructure projects, hospitals, homes for the elderly or education with public and private companies and construction and rehabilitation of social or affordable housing.

Detail of the Direct Financing portfolio, total and sustainable, at the end of 2022:

Categorisation Sustainability	No. of Operations	Net balance (millions €)		Mobilised Investment (millions €)
Environment	**131**	**3,721**	**32.6%**	**31,772**
Climate Change	118	3,589	31.4%	30,374
Water and Marine Resources	12	110	1.0%	1,337
Circular Economy	1	22	0.2%	61
Social	**289**	**1,225**	**10.7%**	**8,705**
COVID measures	54	814	7.1%	3,110
Subsidised Housing	223	187	1.7%	696
Social and health infrastructure	11	208	1.8%	4,764
Development Cooperation	1	16	0.1%	135
Goals	**420**	**4,946**	**43.3%**	**40,477**
Not determined	**471**	**6,470**	**56.7%**	**76,101**
Total	**891**	**11,417**	**100%**	**116,578**



- **Eligibility of the loan portfolio under European Taxonomy at the end of 2022 (Green Assets Ratio)**
  - **25.71% of exposure to eligible economic activities**
  - **14.49% exposure to non-eligible economic activities**
  - **59.80% exposure in borrowers not subject to NFRD**

The ICO has voluntarily calculated the percentage of exposure to eligible economic activities in accordance with the indications set out in Regulation (EU) 2021/2178. The calculation of the ratio is an approximation of the methodology set out in the above-mentioned Regulation (EU). The main improvement compared to the previous year's calculation is based on access to the information disclosed by the counterparties subject to reporting obligations. For generalist operations, the percentage of CAPEX eligibility of counterparties has been used. For the finalist operations, an operation-by-operation analysis has been carried out according to the list of eligible activities defined in Taxonomy. For the eligibility analysis, only the balance of lending activity has been considered.

- **New sustainable direct activity in 2022**
    - **180 sustainable operations approved by 2022**
    - **2,223 million approved with a positive environmental and social impact, 55% of total new direct operations**
    - **15,931 million euros of investment to be mobilised, in public-private partnership**

In the framework of direct financing to companies with Spanish interest, ICO relies on the following financial instruments to incentivise investment in activities that contribute to the achievement of sustainability objectives: green and social loans, loans linked to sustainability objectives, acquisition of sustainable bonds and green securitisations.

During 2022, ICO continued to drive sustainability by approving operations with a positive environmental and social impact. The **sustainable share** represents **55% of the new direct operations approved**, which translates into a volume of 2,223 million euros of approved financing and mobilised investment of 15,931 million euros.

The amount of operations approved during 2022 with an **environmental impact** totals **1,407 million euros**, with a **mobilised investment of 10,465 million euros**. The largest volume of funding is concentrated in support for the fight against climate change, with a total amount of 1,402 million euros allocated.

The amount of approved operations with a **social impact** totals **816 million euros**, with a **mobilised investment of 5.466 million euros**. The largest volume of funding, totalling 363 million euros, corresponds to operations approved to meet liquidity and working capital needs as a result of the economic impact of COVID-19. Secondly, operations contributing to social inclusion were financed to the tune of 304 million euros. Finally, within the ICO Housing and Urban and Rural Regeneration Programme 2022-2025 for the financing of operations that promote social housing, operations amounting to 149 million euros have been approved.

Detail of new approved direct activity, total and sustainable, at the end of 2022:

Categorisation Sustainability	No. of Operations	Amount (millions €)	%		Mobilised Investment (millions €)
Environment	**48**	**1,407**	**34.6%**	**x 7.43**	**10,465**
Climate Change	47	1,402	34.5%		10,459
Water and Marine Resources	1	5	0.1%		5
Circular Economy	-	-	-		-
Social	**132**	**816**	**20.1%**	**x 6.69**	**5,466**
COVID measures	125	363	8.9%		1,224
Housing	5	149	3.7%		155
Social and health infrastructure	2	304	7.5%		4,087
Development Cooperation	-	-	-		-
Sustainability	**180**	**2,223**	**54.7%**		**15,931**
Not determined	**345**	**1,843**	**45.3%**		**14,970**
Total	**525**	**4,066**	**100%**		**30,901**

During 2022, work has continued on the standardisation of the sustainability information included in the operations proposal, which includes, among other fields, identification of the contribution to taxonomy and SDG targets, compliance of sustainable financing with international standards, compliance with Equator principles, which has been completed on a voluntary basis during this financial year. In addition, clauses are being incorporated in asset deal contracts to include sustainability reporting obligations.

- **New direct activity aligned with SDGs by 2022**
  - **Impact of operations on 11 SDGs**
  - **Decent work, energy transition and sustainable mobility are the most important**

ICO's activity is aligned with the sustainability objectives established by the United Nations in the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda.

During 2022, ICO's direct activity has contributed to a large part of the 17 SDGs, with a greater weight in those SDGs that focus on inclusive and sustainable economic growth, energy and climate transition, and sustainable mobility:

- **SDG 8** Decent work and economic growth, with an approved amount of **2.49 billion euros** and a mobilised investment of 18.058 billion euros.

- **SDG 7** Affordable and clean energy, **and SDG 13**. Climate Action, with an approved amount of **845 million euros** and a mobilised investment of 6,083 million euros.

- **SDG 11** Sustainable Cities and Communities, with an approved amount of **376 million euros** and a mobilised investment of 3,058 million euros. This objective is promoted through the funded sustainable mobility projects, and the operations of the Housing and Urban and Rural Regeneration Programme.

Detail of new direct activity approved according to SDGs at the end of 2022:

SDG		Approvals (millions €)	%
SDG 1	No poverty	-	-
SDG 2	Zero hunger	3	0.1%
SDG 3	Good health & well-being	25	0.6%
SDG 4	Quality education	5	0.1%
SDG 5	Gender equality	76	1.9%
SDG 6	Clean water and sanitation	3	0.1%
SDG 7	Affordable and clean energy	159	3.9%
SDG 8	Decent work and economic growth	2,490	61.2%
SDG 9	Industry, innovation and infrastructure	212	5.2%
SDG 10	Reduced inequalities	-	-
SDG 11	Sustainable cities and communities	376	9.2%
SDG 12	Responsible consumption and production	33	0.8%
SDG 13	Climate action	686	16.9%
SDG 14	Life below water	-	-
SDG 15	Life on land	-	-
SDG 16	Peace, justice and strong institutions	-	-
SDG 17	Partnerships to achieve the goals	-	-
TOTAL		4,066	100%

x 7.25

SDG		Mobilised Investment (millions €)
SDG 8	Decent work and economic growth	18,058

x 7.19

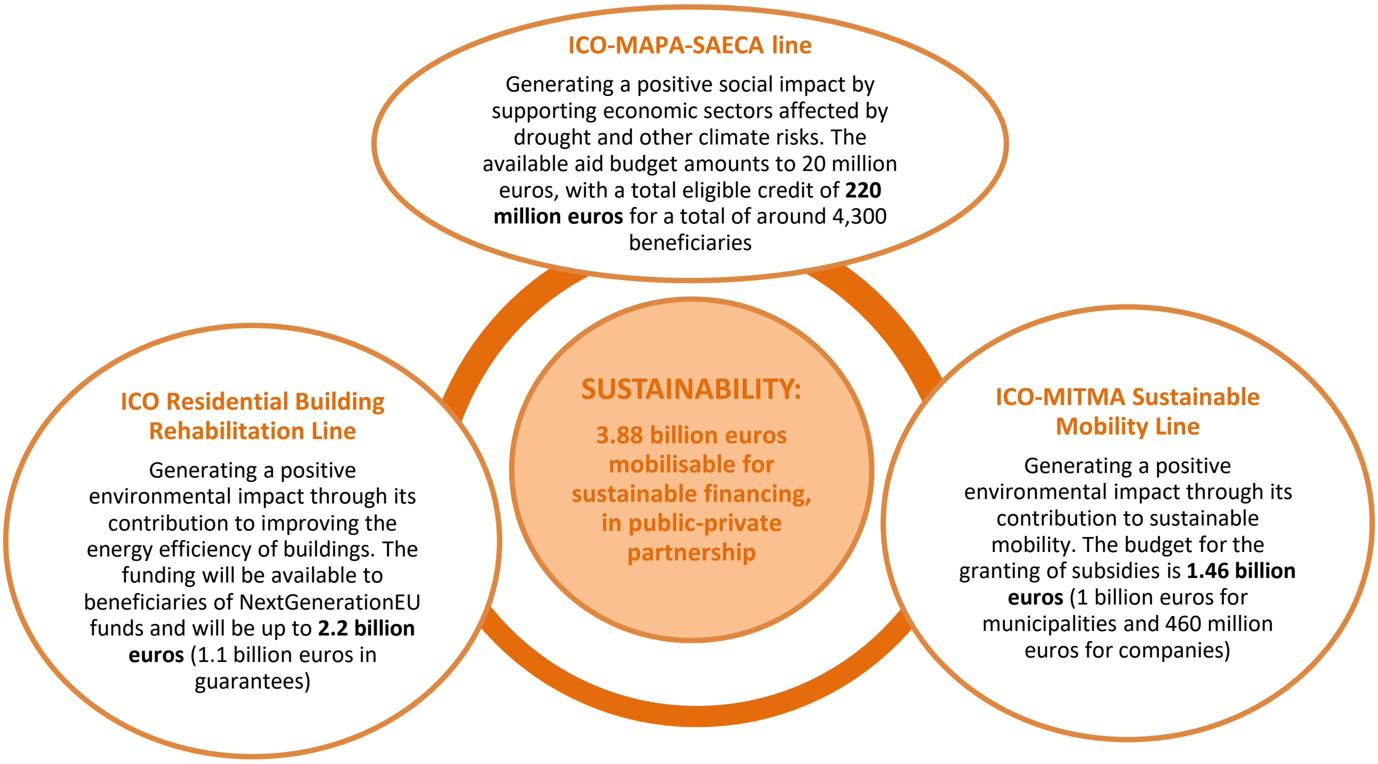
SDG		Mobilised Investment (millions €)
SDG 7+13	Affordable and clean energy Climate action	6,083

x 8.13

SDG		Mobilised Investment (millions €)
SDG 11	Sustainable cities and communities	3,058

- **ICO lines of credit for sustainability mediation**
  - **3.88 billion euros mobilisable for sustainable investments, in public-private partnership**

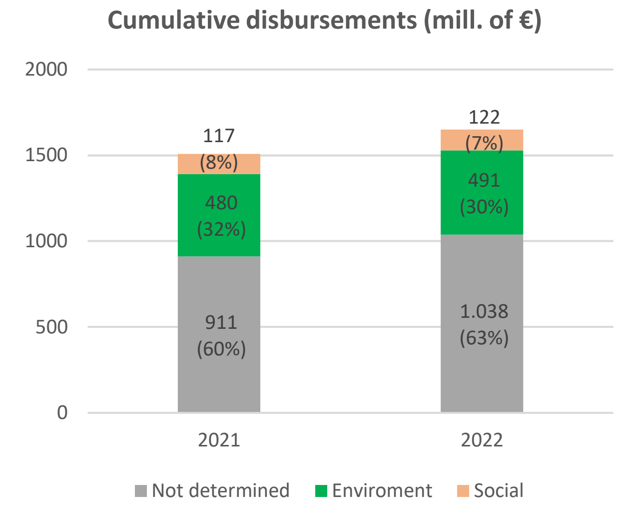
During 2022, ICO has collaborated with other Ministries in the implementation of the following lines to channel budgetary resources and European funds. ICO's objective in managing the lines, in public-private collaboration, is to encourage Spanish companies to finance sustainable projects.

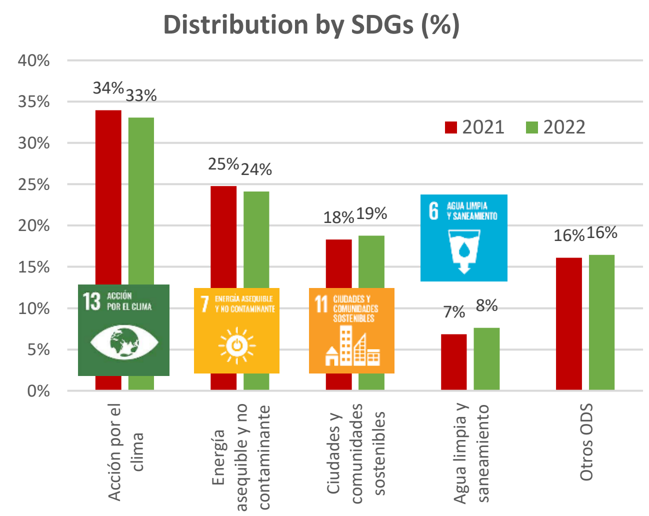


In addition, at the close of 2022, ICO began processing the ICO-Tourism FOCIT line to finance energy efficiency and circular economy projects in tourism companies, which is expected to come into operation in 2023.

The activity of the ICO International Channel Line is aligned with the ICO Group's Strategy and with ICO's various cross-cutting priority lines of action, including environmental and social sustainability. In **terms of commitment to sustainability**, it should be noted that 37% of the cumulative disbursements of the ICO International Channel Line have been categorised as sustainable at the end of 2022, of which 30% is environmental and 7% is social. A categorisation by main contributions to SDGs has also been made, as shown below.

ICO International Channel Line: Cumulative disbursements and distribution by SDGs





During 2022, ICO has implemented the Sustainability Annex in the 2022 ICO Mediation Lines, which will allow obtaining sustainability information from SMEs in a very capillary way. In line with ICO's commitment to financing operations that contribute to the transition towards an inclusive and environmentally responsible economy, the 2023 ICO Mediation Lines will include the reporting of information from entities to ICO on the portfolio financed through the Mediation Lines, including especially data on the sustainability of operations to identify companies and projects aligned with the goal of sustainable development. During 2022, the reporting of information on sustainable activities and projects has been voluntary for financial institutions, becoming mandatory in 2023, to encourage awareness and identification of sustainability in the SME segment, as well as to ensure alignment with ICO's strategic objectives.

- **AXIS (venture capital manager of the ICO Group) in the field of sustainability**
  - **77% sustainable of new AXIS approvals by the end of 2022**
  - **673 million euros of sustainable approved amount in 2022**

Axis' actions complement those of the Institute and reinforce the ICO Group's clear positioning in favour of sustainability. In the financial year 2022, Axis has approved a total amount of 673.4 million euros in sustainable investments through venture capital activity.

Axis implements sustainability criteria through the following financial instruments:

Fund	Target achieved in 2022	Approvals 2022
Fond-ICO Global	In its last two calls for proposals, the digitalisation and ESG sustainability criteria of companies and projects have been included as qualitative criteria to be assessed for the selection of funds	380* million euros
Fond-ICO Infra II	Focused on participation in sustainable infrastructure projects in the transport, energy, social and service sectors, with a clear positive impact on people, climate and the environment. During 2022, a total of 50 million euros has been invested in three funds under Article 9 of the SFRD Regulation (EU), whose investments will be used for activities and projects contributing to the objectives of Climate Change Mitigation and/or Transition to a Circular Economy	50 million euros

Fond-ICO Next Tech	200 million has been approved in 2022 for investment in two sustainable funds. One of these funds, under Article 9 of the SFDR Regulation (EU), targets sustainable investments in the Green Tech, AgriTech & Sustainable Food, and Circular Economy sectors. The other fund, under Article 8 of the SFDR Regulation (EU), is dedicated to investments in eHealth, financial technology, consumer, new smart mobility, logistics and energy. Furthermore, 20 million euros has been approved for investment in companies with business models that have a positive social and/or environmental impact	220 million euros
FOND-ICO PYME	In 2022, 20 million euros have been invested in two funds that make investments with social impact and 3.4 million euros in companies that promote social and/or environmental sustainability through their activities	23.4 million euros

* Transactions pending registration as Chapter 8

- **Channelling European funds on a sustainable basis: InvestEU, CEF and MRR Addendum**
  - **ICO finances renewable hydrogen projects and charging points for electric vehicles**
  - **It also invests in green infrastructure venture capital funds**

ICO, as an *implementing partner* of the EC, collaborates with various ministries, organisations and entities channelling resources from European programmes, including the European Commission's InvestEU Programme. Through this European programme, based on guarantees and which includes sustainable infrastructures (SIW) as one of its main lines of action, ICO will be able to facilitate Spanish companies' access to financing for sustainable investments.

During 2022, ICO has approved up to 250 million euros in InvestEU Programme initiatives, participating as an investor in Green Deal Infrastructure Funds (InvestEU for Green Deal Infrastructure Funds), within the InvestEU SIW window.

One of the investments will consist of ICO's participation with 100 million euros, together with the main European National Promotional Banks, the EIF and private investors, in the newly created Marguerite III fund. This fund will be the first operation under the product presented under the InvestEU programme. In addition, ICO will be able to participate with up to 150 million euros in green funds under InvestEU's Sustainable Infrastructure Window.

In addition, during 2022 ICO has approved long-term financing operations, which will be submitted to the European Commission to obtain the CEF-AFIF mechanism subsidy, to finance, among others, investments linked to the production, storage and distribution of renewable hydrogen, as well as electric vehicle charging points at stations in Spain and Portugal.

The ICO Group will channel up to 19 billion euros (15 billion through ICO and 4 billion through Fond-ICO Next Tech managed by Axis) in financial instruments to finance green investments by companies and reinforce financial support to SMEs, which will enable them to adapt to the new economic framework of sustainability and improve their competitiveness.

- **BOOSTING AND EXPANDING THE SPANISH AND EUROPEAN SUSTAINABLE BOND MARKET**
  - ✓ **13 issues until 2022 (4 green and 9 social) for an amount of 6.55 billion euros**
  - ✓ **Promote projects that generate a positive social and environmental impact**

The Institute finances its medium and long-term activity mainly through debt issues in the capital markets and through bilateral loans from multilateral financial institutions. During 2022, medium- and long-term funds of 4,329 million euros were raised, of which 1 billion euros were sustainable issues (23% of the total). ICO channels the funds raised through these operations to the business fabric through its direct financing programmes, the ICO Mediation Lines and funds managed by AXIS.

The ICO issued its **fourth green bond in May 2022** for an amount of **500 million euros** to finance sustainable projects carried out by Spanish companies that contribute to boosting the **ecological transition**. The green bond financed 8 projects in the categories of renewable energies and clean transport, which will help to avoid the emission of 114,111 tonnes of CO_2. The green bond issues launched by the ICO accumulate an issued volume of 2 billion euros, which strengthens its commitment to the development of the market for this type of transaction. Thanks to the funds raised in these operations, ICO has so far promoted 30 renewable energy and clean transport projects by Spanish companies, which have mobilised an investment of approximately 13 billion euros and will prevent the emission of more than 692,000 tons of CO_2 per year.

In addition, ICO issued its **ninth social bond in September 2022** for an amount of **500 million euros**, which will be used to finance, in public-private partnership, projects that promote **social and territorial cohesion** and generate a positive impact on employment. The funds obtained through the social bonus reported in 2022 (eighth) financed 5,004 projects, which allowed the creation or retention of around 38,000 jobs. In addition to the category of financing to SMEs in regions with below average GDP per capita, funds have also been allocated to provide financing to companies facing natural or health disasters, to provide access to health care through the construction of a hospital, to socio-economic promotion and empowerment through the financing of a project that has provided job opportunities for more than 300 people with disabilities and, finally, to social housing, with the construction of 81 homes to incorporate them into the rental market for vulnerable groups.

With these two new issues in 2022, the Institute has issued **9 social bonds** totalling **4,550 million euros** and **4 green bonds** totalling **2 billion euros**, thus consolidating ICO's position as one of the benchmark issuers in this market at European level.

SUSTAINABLE BONDS: 13 issues up to 2022 (4 green and 9 social) for a total amount of 6.55 billion euros		
GREEN BONDS		
Emissions	**Impact**	**Sector**
4 emissions*	More than 13 billion euros mobilised	Renewable energy
2 billion euros in total, including 500 million euros in 2022	More than 692,241 mt CO_2 avoided 30 projects supported	Energy efficiency Mobility Circular economy Water treatment
SOCIAL BONDS		
Emissions	**Impact**	**Sector**
9 emissions	69,204 projects funded	Economic and territorial cohesion
4.550 million euros in total, of which 500 million euros in 2022	444,812 positions created or maintained 300 job opportunities for people with disabilities 81 social housing units 1 hospital with a capacity for 339,494 patients	Depopulation Autonomous Regions with GDP per capita below the average Social housing Education Healthcare

*The fifth green bond was issued in February 2023 for an amount of 500 million euros.

Transparency towards investors remains a cornerstone for ICO. In 2022, the impact reports corresponding to the social bonus and green bonus issued in 2021 have been published. Through these reports, ICO provides information to investors about the destination of the funds raised and the impact generated.

- **PROMOTING VARIOUS SUSTAINABILITY INITIATIVES**
  - ✓ **Ensuring a more sustainable and inclusive economic growth model**

❖ Equator Principles

In keeping with its values and its mission to promote a more sustainable economy, ICO signed up to the Equator Principles in October 2016 with the aim of improving its risk management system for large financing projects and to identify and mitigate the possible negative impacts on the environment, people and the climate that these projects could cause.

In the projects it finances, both nationally and internationally, ICO applies the Equator Principles, categorising projects according to risk and encouraging the implementation of environmental and social management systems and plans by clients and borrowers in the planning and execution of projects.

ICO voluntarily adopts the Equator Principles and undertakes to be a benchmark in their management and compliance, including the publication of all projects financed within its scope, on an annual basis and following the reporting guidelines indicated in the Principles themselves.

❖ Progress in measuring the carbon footprint of our portfolio - PCAF

In its commitment to decarbonisation, and aware of the weight that greenhouse gas emissions represent for a credit institution, the ICO Group has begun the process of calculating the carbon footprint of its lending and investment portfolio, as a first challenge to be able to set targets for reducing its CO2 emissions. To quantify these financed emissions, the ICO has chosen the PCAF (Partnership for Carbon Accounting Financials) methodology, based on the GHG Protocol, as it is an internationally recognised standard. Work is progressing well and is expected to produce quantitative results in 2023.

❖ International Climate Finance Strategy Task Force

ICO is part of the International Climate Finance Strategy working group, whose main objective is to increase Spain's commitment to international climate finance, with an increase of up to 1.35 billion euros from 2025. To this end, specific objectives include setting up a working group to identify cooperation and investment opportunities in developing countries and an inter-ministerial unit to implement reporting obligations under the EU and the United Nations Framework Convention on Climate Change (UNFCCC)/Paris Agreement. Spain must send annually to the EU, and every two years to the UNFCCC, updated information on its climate finance to non-Annex I countries under the UNFCCC.

❖ Participation in the pilot project of a tool for measuring the contribution to SDGs

ICO has participated, through the Climate Change Office, in the pilot project to evaluate the user experience of the tool for the contribution of public companies to the 2030 Agenda carried out by the Ministry of Finance for a systematic alignment of the General State Budgets to the SDGs. Through this tool, the contributions of different initiatives to the different Goals were systematically assessed through the proposed methodology.

❖ Joint initiatives with other National Promotional Banks

- **Joint Initiative on Circular Economy (JICE):** ICO has been part of this initiative since 2019, together with other national promotional banks (BGK in Poland, CDC in France, CDP in Italy and KfW in Germany) and the EIB, aiming to prevent and eliminate waste, increase resource efficiency and foster innovation by promoting circularity in all sectors of the economy. The JICE involves a common funding commitment for the initiative for the period (2019-2023) of 10 billion euros (2 billion euros/year). ICO has committed 120 million euros per year and 600 million euros in total.

- **Clean Oceans Initiative (COI):** From 2020, ICO will participate in this initiative together with the EIB, AFD, KFW, CDP and EBRD (new partner from 2022) to support projects in Asia, Africa and Latin America that reduce ocean pollution, with a special focus on plastics and other solid waste through projects for the collection, treatment, recovery and recycling of this waste. The initiative was extended to 4 billion euros in early 2022 (more than double the initial amount). By August 2022, 53 operations have been formalised between the six partners of the initiative for an amount of 2,104 million euros of financing, which represents more than 50% of the target achieved (the IOC's target is 4 billion euros by 2025), with 3 years remaining until the end of the initiative in 2025. By sector, 60% is wastewater treatment, 21% is solid waste treatment and 19% is storm treatment.

3 COMMITMENT TO SOCIETY: BEYOND OUR FINANCIAL ACTIVITY

The ICO Group's activity is eminently financial, and therefore projects its effects on Spanish society and the Spanish economy mainly through its financial initiatives. These impacts are those developed above. However, not all of the Group's contribution to society is through its financial products. Through different initiatives and projects, the ICO Group contributes directly to the development and prosperity of communities in a sustainable way, not only economically but also socially and culturally. The Corporate Social Responsibility Policy and the Sustainability Policy specify the Group's strategic orientations.

The bulk of the Group's non-financial activities with an impact on society are carried out through the ICO Foundation, whose activity is summarised in the specific section, which has an impact on multiple fronts of support for culture, knowledge and sustainability in general. But these actions are not exhausted here, as there are positive contributions through human rights policies, the treatment of customers and suppliers or specific initiatives such as corporate volunteering. Finally, the ICO Group also contributes to the support of public expenditure through the generation of profits from its activity and the payment of the corresponding taxes in Spain.

3.1 ICO FOUNDATION. PROMOTING CULTURE AND KNOWLEDGE

A. <u>AREA OF ART AND SUSTAINABLE ARCHITECTURE</u>

- ICO COLLECTIONS (€24.475,10)

The ICO Collections represent the most important artistic contributions of the 20th century in Spain. It continued to loan its works to national and international cultural institutions in 2022 to further consolidate the dissemination of this exceptional collection. We also undertook a comprehensive review of the ICO Collections and implemented the usual preventive conservation actions.

- COLLABORATION AGREEMENT WITH THE MUSEO NACIONAL CENTRO DE ARTE REINA SOFÍA

Within the framework of the collaboration agreement signed by the Fundación ICO and the Reina Sofía National Museum and Art Centre (MNCARS) on 30 August 2012, which has been extended twice, seven works from the ICO Collections have been on deposit at the MNCARS since 9 July 2013.

- TEMPORARY LOANS

During the year 2022, three requests for temporary loans from the ICO Collections were dealt with.

- ICO COLLECTIONS ON THE CER.ES NETWORK

Since 2016, the ICO Collections have been part of the Digital Network of Spanish Museum Collections (CER.ES). This is a network managed by the Ministry of Education, Culture and Sport, which allows the online dissemination of the collections belonging to the ICO Collections.(http://ceres.mcu.es).

- ICO MUSEUM EXHIBITIONS (€804,675.57)

The Fundación ICO, in addition to being entrusted by the ICO with the management of its art collections, is in charge of the temporary exhibition programme of the ICO Museum, which since 2012 has specialised in the research and dissemination of Architecture as an artistic and cultural discipline.

Throughout 2022, the exhibition activity offered to the public at the ICO Museum was as follows:

“Anna Heringer. La belleza esencial” [Anna Heringer. Essential beauty], "Juan Baraja. Contra todo lo que reluce: efectos del tiempo (PHE22)” [Juan Baraja. Against All That Glitters: Effects of Time (PHE22)] y “Amaneceres domésticos. Temas de vivienda colectiva en la Europa del siglo XXI” [Domestic dawns. Collective housing issues in 21st century Europe].

A catalogue was published for all these exhibitions, which were visited by a total of 38,718 people, an increase of 27% compared to 2021.

- 20/XXI. IMAGES OF SPAIN (6.804,65 €)

The conceptual phase of this wide-ranging photographic project, which aims to open a debate on the current situation in Spain and generate a new and important public heritage, was completed in 2022. In addition, as a pilot project, the photographer Juan Baraja was commissioned to add 16 works from his series "Y vasca / Euskal Y" to the ICO Collections.

- COMPLEMENTARY ACTIVITIES (€68,687.28) AND INCLUSION AND ACCESSIBILITY (€57,828.31)

This section includes guided tours and cultural mediation, workshops for schools, families and young people, and workshops for people with cognitive functional diversity. All these activities are offered to the interested public free of charge.
Special attention has been devoted to issues of inclusion and accessibility, working on activities especially with deaf people and people with cognitive diversity, aimed at facilitating access to the ICO Museum for all types of public. Special mention should also be made of the *Empower Parents* programme for families with children with Autism Spectrum Disorder.

B. <u>SUSTAINABLE ECONOMY AND FINANCE AREA</u>

The Economics Area promotes activities aimed at generating and disseminating knowledge in economic and financial matters, mainly through shared reflection and debate between experts and agents in these fields, with a special focus on Circular Economy and sustainable finance.

- **PUBLICATIONS**

Classics of Spanish economic thought
During 2022, work was carried out on the preparation of new works within the collections of classics of international and Spanish economic thought, which will be published in 2023.

EURO Yearbook 2022 (€11,198)

https://www.fundacionico.es/economia/anuarios/anuario del euro

Published under the title "The Euro in 2022. Good Policies, a Gap Year on Reforms".
On 17 February, a presentation was made at a virtual event organised in collaboration with the European *think tank* Bruegel, with the participation of the Secretary of State for the Economy and Business Support, Gonzalo García Andrés, the Governor of the Bank of Spain, Pablo Hernández de Cos, María Demertzis, Deputy Director of the think tank Bruegel, Fernando

Fernández, Director of the Yearbook, and the Presidents of the ETF, Jorge Yzaguirre, and of the ICO Foundation, José Carlos García de Quevedo.
A dissemination campaign was also carried out through social networks and four videos "Dialogues on the euro" were recorded with the participation of Sofía Rodríguez, Antonio Carrascosa, Enrique Feás and Ignacio Torreblanca.

In addition to this Yearbook, the website of the Competition Yearbook has also been maintained with the repository of all issues published from 1996 to 2019 and work has been carried out on two books on Public Banking and Company Valuation in collaboration with the Fundación de Estudios Bursátiles y Financieros, to be published in 2023.

Sustainable finance publications (46,251.21€)

Work began on the creation of a new publication, the "ICO Foundation's Sustainable Finance and Circular Economy Notebooks" through a call for tenders, which was won by International Financial Analysts (IFA). During 2022, work was carried out on the contents of the first issue, focusing on the impact of climate risks on the financial sector, which was presented to the public in January 2023.

The publications are conceived as a biannual publication on relevant and topical issues related to sustainable finance and the circular economy in Spain and the EU, with a practical and useful approach for the different audiences, institutions and sectors concerned.

- **TRAINING**

FUNDACIÓN ICO - CHINA SCHOLARSHIP PROGRAMME

Call 2022-23 (*Budget pending the closure of the 2022-23 programme: €192,000)

The Foundation's China Scholarship Programme, initiated in 2003, has trained approximately 400 young Spanish professionals in Chinese language, culture and economy through an academic and immersion programme, with very good results. As of March 2020, the Programme was affected by restrictions on international mobility, with courses being held online and no longer possible to travel to Beijing.

The 2021-22 scholarship holders completed their studies in June 2022.
The 12 students of the 2022-23 call started online classes in September 2022 at the three universities with which the agreement is maintained. It is expected that during the second semester, they will finally be able to travel and continue their studies in person.

MUSEOGRAPHY SCHOLARSHIP (12.043,62€)

It has existed as such since 2006. It is aimed at graduates in Art History, with knowledge of English and, preferably, specialised training in museology and museography.

On 30 November 2022, the two-year period of enjoyment of the Museography Scholarship ended for Marina Domínguez Natal**,** who joined the Foundation on 1 December 2020.
The 2022 grant was launched and the management of the whole process was carried out. The new grant holder joined the Art Department in March 2023 and will spend a full year in training.

E-FP PROGRAMME (*Budget pending closure of the programme: €30,000)

This collaboration was maintained with the Créate Foundation and the Spanish Chamber of Commerce, through the contracting of the Programme Coordination services, which ensure the quality of the contents, the fluidity of contacts between the agents involved, the preparation and analysis of indicators and attention to the network of mentors.

FINANCIAL EDUCATION (*Budget pending programme closure): €33,000)

It is articulated through two main activities:

- Financial Education Plan
  We have collaborated by publicising the Financial Education Day celebrations on social networks and by participating in the Assembly of Collaborators that took place on 16 September 2022.
- "Training course on financial education for primary school teachers".
  Through an agreement signed with the Universitat de Barcelona and the Universitat Autònoma de Barcelona, work has continued on the creation of the *online* course aimed at primary school teachers, in order to provide them with the knowledge and tools that will enable them to teach the essential concepts of financial education to their pupils.

- **CIRCULAR ECONOMY** (14,410€)

MOOC on circular economy

In December 2022, the MOOC that had opened in March and was aimed at SMEs, carried out together with UNED (corresponding to the 2021 budget), ended. 542 people have enrolled in the course, of which 18.82% have completed it (considered a very good completion rate). The final survey shows a high level of satisfaction.
https://iedra.uned.es/dashboard

Circular economy podcast series

As part of this collaboration with the UNED, a series of podcasts were created in 2022 to bring the knowledge and tools developed to an even wider audience. They are broadcast on **Radio3** and in them, SMEs and funding bodies talk about their experience in two areas: their contribution and participation in the processes of the circular economy and the aspects linked to the financing of these processes. They can be heard at https://canal.uned.es/

INSTITUTIONAL PROGRAMMES AND PARTNERSHIPS

Fundación ICO promotes and collaborates in platforms for debate that encourage reflection and analysis by experts through the creation of work forums and the exchange of experiences and knowledge on highly specialised subjects, most of which are complementary to the activities carried out by ICO, thus enhancing the Institute's image.

- **Training Programme: Sustainable Suppliers** (50,000)

Programme created by the UN Global Compact Spain (UN Global Compact), Fundación ICO and ICEX Spain Export and Investment. This is an international programme aimed at training the supply chains of large Spanish companies, partners of the initiative in Spain, in the field of sustainability, taking as a reference the Ten Principles of the UN Global Compact and the Sustainable Development Goals (SDGs).

- **Sustainable finance in Spain: an analysis from a risk and public finance perspective (12,000€)**

This study is carried out with the UCM (Complutense University of Madrid), through the ICEI, and aims to present an analysis of sustainable finance in Spain, the role of public banking in its development and to propose a regionalised indicator of direct and indirect financial risks in the different economic sectors. The Chair, Prof. D. Emilio Cerdá Tena, is the coordinator of the research team.

- Fundación ICO collaborates with **Fundación SERES**, Fundación Sociedad y Empresa Responsable, as a partner (€7,900).

SERES activities and products are designed to boost and measure the social impact of business activity, contributing to the promotion of corporate social engagement. Thus, the SERES Social Footprint Index© is a methodology that allows companies to identify the relevant (material) social contributions of their projects, the identification of metrics that enable their comparability and, above all, provides a framework of transparency in the award criteria for NextGen grants linked to the value not only of the environmental impact of the projects but also their objective social contribution.

- **VII Meeting of Multilatin Companies** (12,000€)

Organised by the Fundación Iberoamericana Empresarial, it was held at the headquarters in Santander on 13, 14 and 15 July 2022. This edition was dedicated to analysing the global panorama and the main challenges facing Ibero-America in the aftermath of the covid-19 pandemic, given the effects it has had on all aspects of life, highlighting the fundamental role of multi-Latin companies in the development and integration of the region.

- **X German-Spanish Forum** (620€)

Co-organised by the Liz Mohn Centre of the Bertelsmann Stiftung and Telefónica, with the support of the ICO Foundation, it was held in Berlin on 18 October under the theme "Building a Digital and Sustainable Future Together".

The aim of the Forum was to strengthen bilateral ties between the two countries, as well as to exchange views on the challenges in the fields of sustainability and digitalisation in Europe and to develop joint solutions to shape this transformation, gaining in competitiveness.

Inaugurated by HM King Felipe and the President of the Federal Republic of Germany, Frank-Walter Steinmeier, it was part of the official visit of the Spanish monarchs to Germany, which highlights the excellent relationship between the two countries.

- **BRUEGEL Membership** (50,000€)

The ICO Foundation is a member of this Brussels-based non-profit organisation, whose mission is to contribute to improving the quality of economic policies through research, analysis and open debate.

- **Fundación Carolina** (*Budget pending project closure): €45,000)

In November, a collaboration agreement was signed with the Carolina Foundation with the aim of holding an international seminar in January 2023, under the title "Spain, the EU and Latin America: a renewed cooperation for sustainable development", as well as to prepare and publish a book compiling the sessions and the conclusions.

3.2 OUR ROLE IN SOCIETY

3.2.1 HUMAN RIGHTS

ICO recognises that respect for human rights and, therefore, the protection of people's dignity, well-being and development, is a basic and unavoidable pillar on which to build and manage all its activities.

As explained in point 4 of this document, in its internal management, the ICO Group ensures the protection of Human Rights by integrating mechanisms for the Prevention of Money Laundering and Terrorist Financing, the Internal Code of Conduct in the Securities Market and the Group's Code of Ethics and Conduct, as well as multiple internal procedures to prevent any type of corruption or bribery.

ICO also integrates the protection of human rights by providing its staff with appropriate training, awareness-raising and initiatives. In this respect, ICO is especially and expressly committed to:

- The Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities between men and women and the fight against all forms of discrimination.
- Reconciling work, family and personal life.
- Professional development and training.
- Workplace health and safety.
- Balancing professional activity with respect for the environment.
- The socio-occupational inclusion of groups with functional diversity.
- Corporate volunteering.

In its role as a financier, ICO promotes development and social welfare by expressly prohibiting the financing of any activity that could have the effect of violating human rights. In addition, ICO, in its commitment to the United Nations Guiding Principles on Business and Human Rights, ensures that its financing incorporates the protection, respect and redress of potential harm that its financial activity may cause and will ensure that its borrowers or counterparties do not allocate funds received from ICO to activities that may be related to the violation of Human Rights.

As a signatory to the Ecuador Principles, it relies on due diligence processes to determine and avoid the impact of its major funding projects on Human Rights.

In its relationship with suppliers and in compliance with the requirements of the Public Sector Contracts Law, ICO prohibits the contracting of individuals or legal entities convicted of terrorism, constitution or integration of a criminal organisation or group, illicit association, illegal financing of political parties, human trafficking, corruption in business, influence peddling, bribery, fraud, crimes against the Public Treasury and Social Security, crimes against workers' rights, prevarication, embezzlement, negotiations prohibited to civil servants or money laundering. Procurement systems ensure compliance with procurement conditions without the need to have a specific supplier monitoring and auditing system. No supply chain non-compliance has been detected in 2022.

In addition, social responsibility criteria are incorporated into contracting and tendering mechanisms to ensure that suppliers comply with human rights and labour standards.

Within the scope of its business relations and as a complement to its commitment to promote the SDGs and the 2030 Agenda, it also promotes the 10 Global Compact Principles which, in terms of Human Rights, determine that companies should support and respect the protection of fundamental Human Rights within their sphere of influence, and that companies should ensure that their employees are not complicit in violations of Human Rights.
With regard to its environment and society, ICO's own purpose and the performance of its professional activity promote the development of people and the positive impact on the sustainable progress of the economy, fighting against poverty and social differences and, therefore, collaborating in minimising Human Rights violations.

Specifically, ICO promotes social development and employment through its direct lending activity and second-floor facilities to support SMEs, entrepreneurs and the self-employed, by issuing social and green bonds or through the management of financing instruments in its role as the State Financial Agency.

Finally, the ICO has a channel for external reports, complaints or suggestions, and an Information area that manages, transfers and resolves, in internal coordination with the necessary departments, any communications received from third parties and the different stakeholders.

During 2022, no complaints were received in relation to human rights violations in the course of ICO's business, its business partners or its suppliers.

3.2.2 SUPPLIERS

The ICO Group is governed by Law 9/2017, of 8 November, on Public Sector Contracts, although to a different extent depending on the legal nature of each of the entities that form part of the ICO Group. Thus, Instituto de Crédito Oficial and Fundación ICO have the status of contracting authority and do not have the status of public administration. Therefore, the procurement of both entities is to a large extent governed by the aforementioned law in the terms established for entities with this status in accordance with the provisions of articles 316 et seq. of the aforementioned law.

Furthermore, ICO, as a Corporate State-Owned Entity, is subject to centralised procurement rules, which means that a series of goods and services have been declared centralised by Ministerial Order EHA/1049/2008, of 10 April, and must be procured through the Directorate General for the Streamlining and Centralisation of Procurement.

For its part, AXIS does not have the status of contracting authority, and is governed by the provisions of Articles 321 and 322 of the aforementioned Law. In compliance with this, it has approved the Internal Contracting Instructions that regulate procurement procedures, guaranteeing the application of the principles of publicity, competition, transparency, confidentiality, equality and non-discrimination.

In accordance with the provisions of Law 9/2017, of 8 November, on Public Sector Contracts, the ICO Group analyses whether environmental and social requirements can be incorporated in accordance with the object of the contract. In this sense, each procedure includes a report from the human capital and CSR area that analyses the relevance of the possible incorporation of this type of clause.

The economic and technical solvency of suppliers is analysed in accordance with the provisions of the Contracts Act and the specifications for each contract, and due diligence procedures are carried out with suppliers in accordance with the regulations in force.

All tenders and contracts signed are accessible through the Public Procurement Platform.

In 2022, 48 tendering processes were launched for the procurement of goods and services for a total amount of 35.8 million euros, of which 33.8 million euros corresponded to the 11 tendering processes subject to harmonised regulation.

During the financial year 2022, payments were made to suppliers amounting to 30.65 million euros, of which 30.45 million euros corresponded to suppliers resident in Spain (99.3%).

3.2.3 CLIENTS

- **Measures for the health and safety of consumers**

The ICO Group, due to its financial services activity, does not have a significant impact on consumer health. Therefore, given the nature of the ICO Group's business, there were no significant impacts on customer health in 2022 through any of the categories of products and services offered. Therefore, there were no incidents or cases of non-compliance in this area either.

In terms of consumer safety, the only area identified is the protection of consumers' personal data as described in point 4.3 above

- **Claims systems, complaints received and their resolution**

Communication with our stakeholders and, in particular, with our customers, is considered by the ICO Group to be one of the main tools for continuous improvement and for gathering information to define our future lines of action.

The ICO Group, through the centralised action of its information area, has three channels for communication with the public:

- Written customer service is provided through the corporate website (https://www.ico.es/web/ico/contact), where those interested may request further information about the products or express their complaints or suggestions. This tool also allows us to ascertain the actions and information that the institutions' offices have on the ICO Group's facilities. This tool also enables clients to learn about other ICO Group activities not necessarily related to financing products.

- There is a call centre, managed by the firm Konecta, which communicates through telephone calls, the Click to Call application, and through Web Chat, a communication channel with customers implemented in 2020.

- The ICO Group has implemented face-to-face customer service to assist all clients who decide to request information or make their complaints and suggestions directly at the Institute's premises.

During 2022, there has been an overall decrease in the number of telephone and written contacts from citizens compared to 2021 (13% overall), as a result of the reduced need for secured funding from companies. The increase in interest in the Mediation Lines has meant that the drop was not as sharp as it was in 2021 compared to 2020.

Face-to-face care experienced a significant increase in 2022 due to the fact that in 2021 it was not provided until the last quarter of the year due to covid-19 health restrictions.

Support channel	2022	2021	Variation (%)
In writing			
Complaints	289	537	-46%
Requests for information	3,536	5,231	-32%
Suggestions	6	7	-14%
Call Centre			
Telephone support	13,708	15,485	-11%
Click to Call	1,713	905	89%
Web chat	2,378	2,235	6%
Direct care	567	152	273%
Total	**22,115**	**24,552**	**-10%**

The financial solvency measures enabled by the Code of Best Practices (CBP) approved by RD-law 5/2021, as well as the extensions approved by the Agreement of the Council of Ministers in June 2022, have maintained the interest and enquiries of the clients of the Covid-19 Guarantee Line. Telephone enquiries and petitions on the Business and Entrepreneur Line have increased by almost 40% compared to 2021, while complaints have been reduced by 60%. Citizens have shown a lot of interest in it and it seems that, in 2022, banks have offered it to their customers more than in 2021.

The number of incidents reported on the handling of banks has been reduced in 2022 and, as in 2021, the main problems were related to incidents in the processing and denial of CBP Extensions and Transfers.

The average response time was 3.2 days for complaints (4.4 in 2021), as they required third-party checks, and 1.41 days for requests for information (1.75 in 2021).

In addition, an annual survey is conducted among the credit institutions mediating ICO loans to ascertain their expectations of demand for these products, the reasons for their evolution, and opportunities for improvement. The latest survey showed that banks expect a greater demand for credit from the Spanish business community.

3.2.4 COLLABORATION WITH STAKEHOLDERS ON SUSTAINABILITY ISSUES

Specifically, and apart from the joint initiatives mentioned in point 2.4 (Equator Principles, JICE and CEO), it plays an active role in several associations or groups that promote sustainability in different areas, as a demonstration of its commitment to sustainability.

Among the agreements with national and international institutions in the field of sustainability, we would highlight the collaboration with the **Spanish Network of the United Nations Global Compact**, of which ICO has been a member since 2005 and signatory of its principles, and has been part of its executive committee for 8 years, to promote the important work of this organisation in the dissemination of the SDGs and the Ten Principles of the Global Compact in the areas of human rights, labour, environment and anti-corruption.

ICO is also an active member of associations aimed at promoting sustainable finance. Since 2021, the Institute has been a member of the Spanish Sustainable Finance Observatory (**OFISO**), a meeting, information and debate forum for companies, financial institutions, public administrations, investors and other agents of the financial industry, as well as a platform to give visibility and notoriety to its commitment to Sustainable Finance. It is also a member of **SPAINSIF**, where in 2022 ICO was a member of the Board of Directors and Executive Committee, holding the vice-presidency of Group I, which represents the group of Financial Institutions. We also participate in **FINRESP** (Centre for Responsible and Sustainable Finance), which aims to address the difficulties and needs of the business community, in particular Spanish SMEs, to contribute positively to the commitments of the 2030 Agenda

In addition, it is a member of **FORETICA**, from where ICO led the launch of the CSR Action Group for public companies. In 2022, ICO continued to co-lead the working group, which has 30 public entities with a vocation to advance towards the achievement of the 2030 Agenda, in which public companies exchange knowledge, implement individual and joint actions for the integration of the SDGs and promote best management practices in the field of Sustainability and CSR. As an additional objective, this Group aims to serve as an example and guide to act as a driving force and lever for change for the rest of the economic and social actors. In 2022, the Group directed its efforts towards carbon neutrality in public companies and towards promoting health and well-being in the workplace

ICO is one of the 18 public companies that signed in 2021 the **collaboration agreement** with the Secretary of State for the 2030 Agenda. A collaboration agreement that facilitates the exchange of good practices in the implementation of the SDGs and their targets, and the development of joint projects in the field, including certification of goods and services. In addition, this partnership also supports outreach and awareness-raising activities for the achievement of the 2030 Agenda. Throughout 2022, through this Working Group, ICO has been involved in the promotion of relevant issues such as responsible public procurement, Human Rights and Due Diligence, Sustainability Indicators and Reports, Circular Economy, among others.

ICO is firmly committed to the important role that women and female talent must play in the development of our economy, which is why, in 2019, ICO has joined the **"Women and Internationalisation"** working group, promoted by the Secretary of State for Trade, with the aim of promoting the role of women in the development and internationalisation of the Spanish economy and laying the foundations to advance in a committed, firm and coordinated manner in the incorporation of women in international trade.
Within the framework of this working group, in 2022, ICO presented different initiatives to strengthen the role of women in its different fields of action:

- Endorsement of the European Parliament's **#WhereAreThey**
  ICO is committed to the promotion of female talent and the participation of women in conferences and debates.
  In 2022, it was agreed to include a clause in all ICO Group collaboration or sponsorship agreements to encourage the participation of women in the conferences and debates organised within the framework of each sponsorship or agreement, promoting gender equality in the different events organised, with greater importance being given to those in which ICO Group representatives participate.

- **ASCRI Diversity Club**. The ICO Group, through AXIS, its Venture Capital manager, is adhering to this initiative whose objective is to promote measures in the Venture Capital & Private Equity industry that promote gender equality, diversity, parity and talent.

- **Level 20**. The ICO Group, through AXIS, its venture capital manager, is a member of the Spanish Level20 Committee. A non-profit organisation that aims to have women occupy 20% of senior management positions in the private equity industry. It represents a network with a presence in several countries through its 12 committees.

  The objective of the Spanish Committee is to work with the private equity industry in Spain to:

  a. Attract more women to the sector.
  b. Ensure that there is support to retain as many women as possible in the industry.
  c. To help those women who have the ability and determination to reach the highest levels of the profession to do so.

- **UN Women's Empowerment Principles (Global Compact and UN Women).**

- **Promoting gender equality in SMEs**. Through the initiative icopymeods.ico.es

In addition, ICO's participation in the sustainable bond market is not only limited to that of issuer of this type of debt instrument; it also actively collaborates in the development and promotion of the sustainable bond market as an active member of the working groups of the **International Capital Market Association (ICMA)**, to whose principles we adhere. Since its launch in 2019, ICO has been a member of the Advisory Council of the GBP and SBP Executive Committee of ICMA.

Updated information on the different initiatives and commitments can be found on the website: https://www.ico.es/web/guest/sostenibilidad/compromisos-y-estrategias

3.2.5 CORPORATE VOLUNTEERING

Corporate volunteering enables the ICO Group, through the solidarity, dedication and vocation of its staff, to contribute directly to the maintenance of social cohesion and development of the local community, through local social entities.

Through its Corporate Social Responsibility (CSR) policy, ICO is committed to contributing to the social purpose of third-sector entities by signing alliances and collaboration agreements. This commitment is materialised in the annual preparation and development of a corporate volunteering plan in which actions are carried out to support the activities of third-sector organisations and training actions in which ICO employees contribute their experience and knowledge to entrepreneurs and groups at risk of social and employment exclusion.

Throughout 2022, this commitment materialised in a series of activities carried out in collaboration with the following entities:

- **Fundación Leucemia y Linfoma** (Leukaemia and Lymphoma Foundation)→ collaborated in the 13th edition of the Leukaemia and Lymphoma Foundation Basketball Tournament and the Gifts with Heart campaign, both organised to raise awareness in society of the need to take an active role in the fight against leukaemia, lymphoma and myeloma by donating bone marrow. In total, a contribution of €2,000 was made.

- **Gmp Foundation** → participated in the 22nd Solidarity Paddle Tennis Tournament for Companies, which raised funds for the project developed with the Fundación Sin Daño, aimed at providing robotic arms ("Armeo Spring") to the Niño Jesús University Children's Hospital in Madrid. Thanks to this technology, children with brain damage or cerebral palsy will be able to work on movements and therapeutic exercises in an interactively and visually, thus improving their recovery and quality of life. A contribution of €1,750 was made.

- **Madrid Golf Federation** → participation in the 2022 edition of the Adapted Golf Tournament to promote awareness and participation in support activities that favour the social integration of people with intellectual disabilities and disadvantaged groups. A contribution of €1,000 was made.

- **Rafael del Pino Foundation** → workshops given by ICO employees in schools in the Community of Madrid to raise awareness of the 10 Principles of the Global Compact and the SDGs among high school students. No monetary contribution was made.

- **Clowns Without Borders Foundation** → In 2022, a children's Christmas party for employees' children was organised with the support of the Clowns Without Borders Foundation. The funds were donated to the Caravana de Risas project in Mexico to provide emotional support to refugee and displaced children in Mexico. A contribution of €5,500 was made.

- **International Cooperation** → The ICO Group took part in the 10th Inter-company Charity 7-a-side Football Tournament organised by Cooperación Internacional to help children at risk of social exclusion. This project focuses on promoting the comprehensive socio-educational development of minors through educational reinforcement activities and the development of skills that favour healthy lifestyles, social inclusion and child and youth participation, through prevention and intervention actions complementary to standard educational, leisure and social services. A contribution of 1,500 euros was made.

3.2.6 RESULTS, TAX AND SUBSIDY INFORMATION

The ICO Group is taxed only in Spain. Profit before tax in 2022 (consolidated data for ICO and AXIS): 203.86 million, profits earned in Spain. The corporate income tax accounted for amounted to 57.03 million euros.

There is a Fiscal Management procedure on which the tax compliance approach is based. The ICO is taxed under all applicable taxes, without any speciality as a credit institution and as a public law entity. The tax strategy consists of complying with all legal obligations.

GRI INDICATORS - YEAR 2022 (ICO and AXIS):

Economic value generated: 233 million euros (gross margin)

Economic value distributed: 102 million euros (including staff costs, other administrative costs and contributions and taxes)

Fundación ICO prepares its accounts separately from the other entities of the ICO Group. The profit before tax in 2022 was 24,436.71 euros. The Foundation does not pay tax on the profits arising from its foundational activities, by virtue of the provisions of Law 49/2002, of 23 December, on the Tax Regime for Non-Profit Entities and Tax Incentives for Patronage.

In 2022, Fundación ICO received a grant of 60,000 euros from the Ministry of Transport, Mobility and Urban Agenda under the General State Budget Law for 2022, within the budget application 17.10.261O. 78714 "Capital transfers to Families and Non-Profit Institutions". ICO and AXIS do not receive public grants.

4 OUR WAY OF DOING THINGS: RESPONSIBLE MANAGEMENT

The ICO Group is a modern organisation with internal management systems that enable it to meet the challenges it faces. The ICO Group has developed management and corporate governance tools that ensure the ethical behaviour, sustainability and transparency of ICO's activity in all its areas of activity and internal management.

As a credit institution, risk management is a core element of its activity, with an approach that goes beyond traditional credit risk management to adopt a much more comprehensive approach that takes into account the impacts that the Group's operational and financial activity has on society and the economy, as well as the impacts that the environment can have on the Group. In this regard, all due diligence procedures are applied to our business as provided for in the applicable legislation and our internal regulations.

Of particular relevance is sustainability, where environmental, social and corporate governance factors are taken into account, and which constitutes a basic pillar integrated in all the activity in a transversal manner, both in its asset and liability operations as well as in the internal management of the organisation, from the perspective of governance and corporate social responsibility.

4.1 RISK MANAGEMENT: IDENTIFICATION AND MONITORING

The identification, management, and control of risks is a priority task for ICO. This section describes the main instruments available to the ICO Group for identifying and monitoring the different types of risks, as well as the management mechanisms that enable them to be kept under control. ICO's status as a credit institution means that it is subject to certain regulatory requirements; however, policies and procedures are not exhausted by regulatory mandates, but rather there are a number of elements that ICO adopts voluntarily as a commitment to better management practices.

- **COMPLETE SYSTEM FOR RISK MANAGEMENT**
  - ✓ **Involvement of the General Board**
  - ✓ **The Risk Map sets out the guiding principles in this area**
  - ✓ **Coherence between risk treatment instruments**

The General Board of ICO approved during 2022 the **ICO's Strategic Risk Management Framework (Risk Map)**, with the aim of setting the guiding principles for risk control, hosting the risk map and establishing guidelines to ensure the alignment of all risk control tools across the ICO Group as a whole. The Risk Map is in line with the provisions of the Capital and Liquidity Self-Assessment Report (CLAR) and the Risk Appetite Framework (RAF). The ICO Group is exposed to **financial risks** (credit, liquidity and market) and **operational risks**. Other typologies such as **reputational risk, strategic risk, business risk, environmental risk and technological risk are also considered**.

At a general level, risks are characterised on the basis of the so-called "three lines of defence":

- 1st line of defence. The units of the Directorate General Business have the main responsibilities for risk identification, recognition and management.
- 2nd line of defence. The risk management function should oversee the effectiveness of risk management, being responsible for identifying, measuring, monitoring and disclosing risk at the enterprise level, independent of the first line of defence. It also includes the compliance function which is responsible, inter alia, for ensuring that the bank operates with integrity and in accordance with applicable laws, regulations and internal policies.

- 3rd line of defence. The internal audit function conducts both risk-based and more general audits and reviews to ensure that the overall governance framework, including the risk governance framework, is effective and that policies and processes are in place and consistently applied, providing independent and objective advice.

Financial risks

ICO possesses appropriate methodologies and procedures adapted to its specific nature that enable the identification, management, monitoring and control of financial risks, which allows them to be monitored and followed up. In particular, ICO has a Risk Policy Manual approved in 2013 and amended on several occasions since then (most recently in October 2022) which sets out in detail the treatment of these risks, which in this manual are grouped into three main categories: liquidity, market and credit (which is the one that receives the most detailed treatment). This risk treatment is carried out in accordance with existing regulations, both in terms of Bank of Spain circulars or recommendations and international standards, such as the Basel II Capital Accord.

Operational risks

With regard to operational risk, ICO has monitoring policies and activity indicators, also adapted to its specificities, relating to the development of internal processes and procedures, the definition of policies for monitoring customers and operations and internal control of incidents, and the existing contingency plan. In addition, there are also a number of periodic controls on procedures and operations, which are carried out by the various internal and external audit services.

Climate/environmental risks

As regards climate and environmental risks, in line with ICO's strategic plan, sustainability is transferred to the entity's risk management through the implementation and incorporation of the environmental performance ratio. This level III indicator (according to the classification included in the Risk Appetite Framework described below) is not linked to capital, so the thresholds are defined according to the Institute's strategic criteria that allow the development of a business plan aligned with international and national commitments in environmental matters, seeking to promote the sustainable economic growth of companies and achieve a portfolio in which the sectors with the greatest environmental risk gradually lose weight, limiting the physical and transition risk of the portfolio. For the categorisation of operations that can be included as environmental, categories are identified according to internal criteria, including, among others, the Taxonomy[3] of Objectives approach developed to date, and internationally recognised standards such as the *Green Loan Principles* (Loan Market Association and Asia Pacific Loan Market Association) and the *Sustainability Linked Loan Principles* (Loan Syndications and Trading Association).

➢ REGULATORY RISK MANAGEMENT TOOLS: CAPITAL AND LIQUIDITY SELF-ASSESSMENT REPORT (CLAR) AND RISK APPETITE FRAMEWORK (RAF)

- ✓ **Required by Bank of Spain in accordance with banking supervision regulations**

Without prejudice to the other mechanisms and policies discussed below, the following two instruments stand out as key elements in risk management

The **Capital and Liquidity Self-Assessment Report (CLAR)**is one of the existing tools in this area. The ICO is required to prepare the CLAR, a document in which institutions identify, measure and aggregate their risks in order to determine the capital and liquidity needed to cover them and in which they plan their capital and liquidity levels over the medium term. Since 2016, a multidisciplinary ICO team has been in charge of preparing the Institute's CLAR every year. Over the last few years, the

[3] The methodology for the Taxonomy will be incorporated into the categorisation as and when the Taxonomy regulation comes into force.

ICO's risk profile has remained at low to medium-low levels. This report includes three stress tests (macroeconomic, business and liquidity) on the ICO's baseline scenario, with a time horizon of 3 years. The tests serve to determine the ICO's capital needs in the event of the different scenarios envisaged in the tests, determining its ability to cope with crisis situations. In addition, the liquidity stress scenario will also analyse the evolution of different metrics related to the Institute's liquidity. Once this has been done, the ICO's General Board must take cognizance of and approve the CLAR, which is then submitted to the Bank of Spain.

The **Risk Appetite Framework (RAF)** defines a series of indicators (29 in total) at three different levels according to their importance in the management of the Institute:

- **3 indicators of Level I:** two of them required by the Regulator, which measure the capital and liquidity position, and a third one, which measures the impact on the income statement in a stress scenario on ICO's 5 main direct borrowers.
- **5 indicators of Level II:** regulatory or basic indicators that develop the previous ones for the most relevant risks of ICO, whose objective is to measure the impact on capital and liquidity and their evolution.
- **21 indicators of Level III:** monitoring and management indicators, which make it possible to control the evolution of the ICO's current activity, including those related to environmental risk and technological risk.

The RAF is reviewed annually and is adapted according to the results of the CLAR.

4.2 GENERAL INSTRUMENTS FOR RESPONSIBLE MANAGEMENT

All of the ICO Group's internal regulations are focused on the correct monitoring of the various types of risks it faces and on appropriate management in accordance with the best standards. The approach is always a holistic one in which the entire organisation is involved in order to ensure that management is always conducted with the highest ethical and corporate social responsibility standards, applying due diligence in its actions. Both the **General Board and senior management are involved and receive regular information on these matters**. The most relevant policies are approved at General Board level and the General Board receives regular feedback on performance in terms of business, sustainability, internal control and anti-fraud. There are units and collegiate bodies with specific functions, the most important of which are detailed below, in addition to those described in the previous section.

- **THE STRUCTURE OF THE ICO INCLUDES APPROPRIATE RISK MANAGEMENT UNITS**
  - ✓ **The Internal Audit and Compliance units cover functions that are fundamental to the treatment of risks**
  - ✓ **In any event, the General Board is involved in the management of the**

- **Internal Audit Department and Audit Committee**. The ICO has a policy, called "Internal Control Functions", which sets out the internal control bodies of the Institute and the internal control functions performed by them. As set out in the policy, the ICO has risk measurement methodologies in place, which allow for an appropriate analysis of the various risk factors to which it is exposed. Furthermore, the identification, quantification, control and continuous monitoring of risks allow an appropriate relationship to be established between the profitability obtained from the transactions carried out and the risks assumed, and an adequate internal control environment.

  In accordance with the Basel Committee on Banking Supervision's Principles of Corporate Governance for Banks, the ICO has in place a sound corporate governance framework with well-defined organisational responsibilities for risk management, commonly referred to as the "three lines of defence" mentioned above: - The Business Line. - A Risk Management and Compliance function independent of the first line of defence and - An Internal Audit function independent of the first and second line of defence.

Internal control in the ICO Group with regard to corporate governance is carried out by the internal operational bodies with competence in the regulatory area of the activities.

In accordance with the Audit Guidelines approved by the General Board, the Internal Audit Function at the ICO is exercised by the Audit and Compliance Committee and the Internal Audit Department. This department audits business and operational procedures, risk management and the internal control system on an ongoing basis. The internal control carried out by the Internal Audit Department is reinforced by the work of the Audit and Compliance Committee, whose functions include proposing measures to speed up and facilitate compliance with recommendations. In order to comply with article 43.2 of Royal Decree 84/2015, of 13 February, which implements Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, the Internal Audit function reports periodically to the General Board of ICO on the verification work carried out by the Internal Audit function.

Externally, the ICO Group periodically submits its actions to the control of external experts and different national bodies (Intervención General de la Administración del Estado -IGAE, Inspección de los Servicios del Ministerio de Asuntos Económicos y Transformación Digital, Tribunal de Cuentas, Banco de España and, more recently, the Independent Authority for Fiscal Responsibility - AIREF) and those EU bodies that are competent to do so. In 2022, 26 audit reports were issued, with no significant findings.

- **Regulatory Compliance Area and Regulatory Compliance Technical Committee**. The Regulatory Compliance Area was created to protect the Institute's reputation and integrity, to promote the applicable ethical standards and to strengthen accountability and transparency. It is also responsible for identifying and evaluating compliance with regulations related to the prevention of money laundering and the financing of terrorism, and for coordinating the internal policies and procedures implemented in this field. It is also involved in identifying, assessing and controlling risks that could affect the ICO Group's integrity and reputation arising as a consequence of the breach or failure to comply with the rules or measures recommended by policies or the ICO Group's internal regulations or external recommendations or standards that may apply.

  For its part, the Technical Committee on Regulatory Compliance also performs functions in the processing of issues related to the prevention of money laundering and the financing of terrorism and due diligence measures, as well as those matters referring to the correct application of the data protection policy. It is also aware of and analyses new regulations that may apply to the ICO and proposes relevant training actions in this area. Finally, it also ensures the implementation of the decisions taken by the Audit and Compliance Committee.

4.3 SPECIFIC ETHICAL AND RESPONSIBLE MANAGEMENT TOOLS

Without prejudice to the global nature of the measures and tools described so far and the interrelation between them, the main tools available for ethical and responsible management are grouped thematically below. The ICO Group has developed management and corporate governance tools that ensure ethical behaviour, sustainability and transparency in all its areas of activity and internal management.

- **FIGHT AGAINST FRAUD, CORRUPTION, MONEY LAUNDERING AND TERRORIST FINANCING**
  - ✓ **In compliance with applicable regulations and with a cross-cutting approach for the entire organisation**

In all the Group's actions, undesirable conduct, such as that described above, is prevented through due diligence. Prior to approval, all direct operations are screened for these risks. In 2022, 525 operations were analysed in COPER. Specific tools include:

- **Code of Conduct, Internal Code of Conduct for the Securities Market and Ethical Channel**. The purpose of ICO's Code of Ethics and Conduct is to define and develop the basic foundations of behaviour and the necessary guidelines for action so that the Institute's principles are manifested in the individual actions of its employees, managers and directors, in internal and external relations with customers, suppliers and third parties, as well as in its actions in the markets. Therefore, the Code of Ethics and Conduct is applicable to all ICO staff and members of the General Board, as well as to trainees in training at the Institute; 100% of them receive it upon joining the Institute. In the case of suppliers, the service provider will be required to comply with the code for those of its employees who provide services for ICO. This section on the regulation of ethical conduct also includes internal policies relating, among other issues, to Social Responsibility, Corporate Gifts, Travel, Representation Expenses and Corporate Credit Cards.

  Securities Market Conduct identifies the units of the ICO Group that carry out activities related to the securities market and defines the separation they must adopt to avoid potential conflicts of interest or insider trading. The version in force was approved by the General Board in February 2017 and has been last revised in February 2022. No breaches of the code of conduct were recorded in 2022.

  The Code of Conduct and the Internal Code of Conduct of the Securities Market are public and accessible through the website[4].

  The Ethics Channel allows employees to report potentially significant irregularities with respect to the Code of Ethics and Conduct on a confidential, non-anonymous basis. There is a compliance committee that receives such communications and processes them. Among its functions is to report to the General Board on non-compliance: in 2022 there was no non-compliance. In 2022, one complaint was received through the Ethics Channel, of a labour nature, which was handled and resolved by HR.

- **Prevention of money laundering and terrorist financing**. The ICO Group is aware of the important role that financial institutions play in prevention and therefore collaborates with the competent authorities and joins forces with the rest of the Spanish financial system in the fight against all forms of money laundering and terrorist financing. The Prevention of Money Laundering policy, the latest version of which was approved by the General Board in December 2022, sets out the rules of action and control and communication systems to prevent access to the institution by undesirable persons or groups, and establishes the criteria for accepting customers. The aforementioned Policy is developed in a procedure called Money Laundering and Terrorist Financing Prevention Management, incorporating the latest regulatory developments at national and European level. In compliance with the aforementioned Policy and the Group's Training Plan, in 2022 a training action was carried out in which a total of 149 people from the ICO Group took part, called: "The prevention of money laundering: Royal Holder in Legal Entities", given by the Analysis and Communication Unit of the Centralised Body for the Prevention of Money Laundering. General Board of Notaries.

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[4] https://www.ico.es/en/web/guest/políticas-internas-de-funcionamiento
https://www.ico.es/web/guest/sostenibilidad/compromisos-y-estrategias

In addition, following the recommendations of the External AML/CFT Expert, a physical mailbox was installed at the ICO's headquarters, managed by the Regulatory Compliance area, to facilitate the anonymous submission of internal complaints and reports of irregularities, which, should they occur, would be handled either directly through the Regulatory Compliance area or through communication to the Ethics Channel. This mailbox is located in an accessible area of the ICO's headquarters, but is free of security cameras and not directly associated with the Regulatory Compliance area. No notifications were received through this mailbox in 2022.

- **Anti-Fraud Measures Plan.** The Ministry of Economic Affairs and Digital Transformation has updated the Anti-Fraud Measures Plan within the scope of the Recovery, Transformation and Resilience Plan in order to comply with EU requirements on the prevention, detection and correction of fraud, corruption, conflict of interest and double funding. These measures are applicable to the ICO Group, and imply a commitment to the highest standards of legal, ethical and moral compliance and to the strictest principles of integrity, objectivity and honesty, so that its activity is perceived by all its stakeholders as being opposed to fraud and corruption in any form.

All internal regulations are in line with the general aim of preventing fraud or other undesirable conduct. For example, the Direct Funding Policy contemplates a series of exclusions from funding to potential clients operating in non-cooperative jurisdictions in tax matters, subject to sanctions or other assumptions such as human rights violations.

- **DATA PROTECTION AND CYBERSECURITY**
  - ✓ **To comply with legal obligations and to ensure the highest standards of protection**

- **Protection of personal data**. The ICO has approved a personal data protection policy adapted to EU Regulation 2016/679 and Law 3/2018, which is developed and implemented in the internal processes and processing carried out at the Institute itself. Furthermore, it has a Register of Processing Activities and its website provides information on the ICO's policy on the protection of personal data. In addition, the ICO Group has a data protection officer who oversees, confidentially and independently, compliance with personal data protection regulations within the Group. There were no data protection incidents in 2022.

- **Information Security Committee**. **Information Security Policy.** Information security management is carried out in an integrated and coordinated manner with the requirements inherent to the nature of our activity in order to prevent potential threats. All of this in accordance with current legislation and, in particular, with the National Security Scheme. Specifically, the National Security Status Report (INES) periodically assesses the security status of systems as a method of security governance, and no significant deficiencies have been detected.

- **SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY**
  - ✓ **Sustainability is an overarching principle for the whole of activity**

In accordance with the ICO Group's Strategy 2022-2027, the Group's actions are aimed at transforming the growth model of the Spanish economy towards a more sustainable and digital model with a greater capacity to generate quality employment. In this way, sustainability has become a strategic axis that permeates the ICO Group's activity as a whole. In this way, sustainability is reflected both in terms of assets and liabilities, as well as in all aspects of the Group's activities. This commitment to sustainability at all levels includes continuous reporting of regulatory developments, benchmarks, actions taken and metrics to the General Board on a regular basis.

- **Sustainability Policy**. The Sustainability Policy, approved by the General Board in February 2020 and which will be reviewed and updated in 2023, establishes sustainability as a basic guiding pillar of the ICO Group's actions, both for its asset and liability operations, as well as in the internal management of the organisation, also from the perspective of governance and Corporate Social Responsibility (CSR). Therefore, it involves all areas of the organisation and its activity, acting as a foundation of management that allows it to fulfil its mission as a public and promotional bank. The effects of this orientation spill over into other policies, such as direct funding, which envisages the impossibility of financing projects with potential negative social or environmental impacts where there is no adequate mitigation.

- **Sustainability Commission**. This committee meets every three months, or more frequently if deemed appropriate, and its functions include defining the concept of sustainability adopted by the ICO Group, as well as raising awareness and communicating it to the entire workforce. This committee, chaired by the Chairman of ICO and comprising members from all Directorates General, AXIS and the ICO Foundation, is also in charge of preparing and monitoring ICO's position on the activity considered sustainable by the ICO Group. It also identifies regulatory developments on sustainability that affect the ICO Group and, where appropriate, is responsible for the implementation of such standards. Finally, it also promotes and coordinates the initiatives on sustainability that are carried out in the ICO Group, as well as any other issue on sustainability that may arise outside the scope of the above.

- **Environmental Policy**. In order to guarantee a respectful and preventative approach towards the environment, the ICO Group has approved and documented an environmental policy that has been fully adapted to the requirements of the ISO 14001 Environmental Management Systems standard since 2020 and a code of good environmental practices. ICO, as a signatory of the 10 Principles of the Global Compact, the Equator Principles and the Spanish Collective Commitment to Climate Action signed with the AEB, CECA and other Spanish financial institutions, and in its alignment with the 17 Sustainable Development Goals for the 2030 Agenda and the Paris Climate Agreement (COP-21), is committed to the control and management of its direct and indirect environmental impacts. In 2021, the Environmental Management System was certified by European Quality Assurance as detailed in section 4.4.5 on Certifications.

- **Corporate Social Responsibility Policy**. The ICO Group has approved and published a CSR policy with the aim of being a transparent and socially committed entity that incorporates ethical, social and environmental values and that applies the principles of good governance and thus is recognised for its activity and for its relationship with its stakeholders. To this end, the principles that govern its activity are established: good governance and transparency, respect for the environment and the 10 principles of the United Nations Global Compact.

➢ **STAFF MANAGEMENT**

✓ **With respect for workers' rights**

- **Labour relations**. The staff policies applied in the ICO Group are based on respect for employees' human rights and industrial rights, and the implementation of actions to facilitate and enhance their ability and professional development. Equal opportunities, non-discrimination policies, diversity and work-life balance are fundamental principles in the development and implementation of industrial relations between ICO and its staff. The following chapter provides details on the management of ICO Group staff.

- **Management by objectives**. Management model implemented to effectively direct and improve ICO's performance, establishing strategic and general objectives and helping to generate a culture of valuing the professional merits of employees. Management by objectives holds great value due to its uniqueness within the Administration; it allows the efforts of different areas to align with the road map, and improves the quality of work and professional performance, rewarding effort and achievement of objectives. The adoption of the strategic objectives proposed by the Steering Committee are subject to the approval of the Ministry of Economic Affairs and Digital Transformation. All employees receive an annual performance appraisal.

The Management by Objectives System, which enables variable remuneration to be linked to the achievement of objectives, also incorporates those directly related to sustainability and digitalisation, fostering their integration into the culture of the organisation with full alignment of this system with that established in the Group's Strategy. Thus, in 2022, in line with the Strategy for the period 2022-2027, a specific target for direct sustainable activity was set, which, as in 2021, was met.

➢ **ORGANISATION AND QUALITY**
  ✓ **To ensure effective and accountable management**

- **Quality Policy**. The ICO has implemented a process management model and approved a Quality Policy fully adapted to the ISO 9001 standard. This Policy is the appropriate framework for the development of the procedures and tools necessary for the establishment of quality objectives and the implementation of an effective Quality Management System, based on the requirements of ISO 9001. It aims to identify and satisfy the needs and requirements of ICO's internal and external customers and stakeholders. The ICO is also geared towards operational excellence, with the implementation and application of efficient processes and products, carried out with the full involvement of all employees.

- **Regulatory map.** The ICO Group has a comprehensive, coherent and systematic body of rules and regulations, geared towards ensuring that the overall operation of the ICO is in line with the best standards in the industry and with all the ethical and responsible management practices discussed in this section.

➢ **TRANSPARENCY**
  ✓ **To provide society with information on its activities**

- **Transparency**. The ICO Group provides its stakeholders with all the relevant information relating to its organisational structure and activity. In addition, and in accordance with the provisions of the Transparency Law, it provides direct access to the Transparency Portal of the Spanish Government, through a link available at the website www.ico.es. In this way, it makes it easier for the user to consult all available data. Every year, the Auditors' Report on the "Consolidated Annual Accounts and Consolidated Management Report" is prepared and published on the website, with all the economic information and information relating to its activity as a financial institution, including this Non-Financial Information Statement (NFIS). The annual accounts are audited by an independent expert. This NFIS is prepared in accordance with the GRI Standards and the requirements of Law 11/2018 on non-financial reporting and diversity. This NFIS is also subject to independent expert verification to increase stakeholder confidence. In this spirit, the ICO Group has produced a Progress Report in relation to the United Nations' 10 Global Compact Principles.

  In addition, in order to increase public awareness of the Group's activities, intense communication and dissemination work is carried out, as detailed in section 4.4.4

4.4 MAIN RESULTS OF INTERNAL MANAGEMENT

These internal management issues lead to the results discussed below. The ICO Group, like any entity, consumes resources as detailed below, including the estimated carbon footprint for 2022. It also refers to the communication of the activity and, finally, to the certifications obtained that demonstrate the effectiveness of the current management systems.

4.4.1 RESPONSIBLE USE OF NATURAL RESOURCES

The ICO Group identifies the following environmental aspects in the development of its activity in the corporate facilities:

- **Consumption of resources**. ICO carries out regular awareness-raising campaigns on the consumption of electricity, water and paper in order to ensure the responsible use of these resources by employees in the workplace and that these habits can be transferred to the personal sphere.
- **Atmospheric emissions**. A relevant objective for ICO is to avoid and reduce greenhouse gas emissions as much as possible. This is done through the implementation of energy-saving measures and the use of energy from renewable sources in the heating and air conditioning of its offices. In addition, in order to reduce its carbon footprint per employee, it promotes the use of alternative means to travel, such as video conferencing, and seeks to minimize travel as much as possible.
- **Waste generation**. ICO has at its facilities the necessary means to segregate and recycle the waste generated in the development of its activity and seeks to use ecological and recycled materials.
- **Biodiversity protection**: ICO only operates in Madrid in locations that do not generate negative impacts on biodiversity and land use.

With regard to the consumption of natural resources, the ICO Group consumes the resources necessary for the performance of its activity, with a lower impact than other sectors of activity. In any case, an annual consumption measurement is carried out in order to analyse the impact of the measures implemented.

The return of employees to a higher degree of presence in the 2021 financial year led to an increase in electricity consumption. In 2022, this electricity consumption decreased compared to the previous year, but was still above the consumption in 2020. All energy consumption comes from electricity consumption. As a measure to promote sustainable mobility through the use of electric vehicles instead of fossil fuel vehicles, in 2022, ICO maintained 8 electric vehicle charging points located in the parking spaces made available to ICO employees. These 8 recharging points can serve up to 19 vehicles in a shift system. For the allocation of parking spaces, the criterion of the environmental categorisation of the vehicle is included in the scoring scale.

On the other hand, the ICO Group does not have fleet cars, so it does not generate indirect energy consumption.

Water consumption has recovered in 2022 after the low consumption of the previous two years, due to the increased presence of staff at ICO Group sites.

Paper consumption has maintained a downward trend due to the greater use of digital formats to the detriment of physical formats in work documentation.

NATURAL RESOURCE	UNIT	2022	2021	2020
ELECTRICITY	kWh	1,997,767	2,204,474	1,892,489
WATER	m^3	2,274	1,352	1,461
PAPER	kg	4,229	5,613	7,200

4.4.2 CIRCULAR ECONOMY AND WASTE MANAGEMENT

The segregation of waste at the plant is one of the objectives defined by the ICO Group within its environmental management system. From 2021, the ICO Group has had *environmental islands* equipped with containers for waste segregation. These areas are installed on the office floors. In each of them there are 3 islands that allow the proper segregation of the waste generated in the workplace. These areas have been completed with containers for the collection of Covid-19 related waste (masks, gloves, etc.) installed since 2020 and present throughout the year 2022. Due to the activity carried out, food waste is not relevant and there are no specific measures.

Saving measures for the consumption of paper, toner and other materials include the following:

- ✓ The digitalisation of signatures in daily operations
- ✓ The allocation of laptops to all staff, allowing double monitors at workstations, reducing the need for paper documents.
- ✓ Programming printers to print double-sided by default, and restricting colour printers to centralised services.
- ✓ Use of recycled paper in all printers available on each floor.
- ✓ Printer equipment that incorporates a standby power saving system, which allows for greater energy efficiency.

Below are the figures for the main consumptions in 2022 and the two previous years:

WASTE MANAGED	UNIT	2022	2021
Paper and cardboard	Litres (estimated)	38,400	38,400
Plastic and packaging	Litres (estimated)	38,400	40,000
Organic waste	Kg. (estimated)	288	288
Toner and ink cartridges	Units	99	63
Fluorescent tubes	Units	310	305
Batteries	Units	384	694
Batteries	Units	3	127

It also provides data on the evolution of consumption per employee of the ICO Group:

WASTE MANAGED	UNIT	2022	2021
Paper and cardboard	litres per employee	109	109
Plastic and packaging	litres per employee	109	113
Organic waste	Kg per employee	0.81	0.82

Toner and ink cartridges	Units per employee	0.28	0.18
Fluorescent tubes	Units per employee	0.88	0.86
Batteries	Units per employee	1.09	1.97
Batteries	Units per employee	0.01	0.36

Consumption of paper and cardboard as well as plastics and packaging remained in line with the previous year in 2022 after lower consumption data in the atypical year 2020. Similarly, the consumption of toners and ink cartridges also recovered in tandem with the recovery of a higher level of attendance. Other consumptions, such as fluorescent tubes, batteries and accumulators, are conditioned by the placing of orders of different amounts due to the less uniform nature of their consumption, which has an impact on the figures presented.

4.4.3 POLLUTION. EMISSIONS. INTERNAL CARBON FOOTPRINT

The products and services offered by the ICO Group do not themselves generate greenhouse gas emissions that seriously affect the environment. In other words, the carbon footprint is the one that comes from the development of its activity (carbon footprint inherent to an organisation).

With regard to pollution, the products and services offered by the ICO Group **do not generate noise pollution that could substantially affect the environment**. **Neither does it generate light pollution that could substantially affect** the environment. There are therefore no specific measures in these two areas.

The ICO's activity is mainly carried out in the offices of its only headquarters in Madrid, located at Paseo del Prado, 4, and in its annex building, Calle los Madrazo 36, 38, so the emissions generated correspond mainly to electricity consumption, maintenance and recharging of air-conditioning equipment and fuel for a generator set. Additionally, the building has a photovoltaic panel installation on its rooftop, however, this installation has not been taken into account to reduce the calculation of emissions, as the energy produced is discharged into the electricity grid and is not destined for self-consumption. In 2022, this facility generated 2,243 kWh, well below the figure of 5,834 kWh in 2021 and previous years due to a breakdown that caused the facility to be out of service during peak production months, although the facility was restored within the same year 2022.

The ICO Museum (Calle Zorrilla 3 - Madrid 28014) hosts different exhibitions, and the management of this activity and space also generates electricity and refrigerant gas consumption.

In addition, the ICO has a warehouse located in the Gitesa Industrial Estate in Daganzo de Arriba (Madrid), which serves as logistical support and documentation archive, and which generates emissions from electricity consumption and refrigerant gases.

Finally, the ICO Group does not have a fleet of vehicles, nor does it need one to carry out its activities, which are mainly carried out at the offices at Paseo del Prado, 4 - 28014 Madrid. However, it does have a vehicle that Parque Móvil del Estado makes available to the Chairman of the ICO for his business trips, the management, maintenance and fuel of this vehicle being the responsibility of Parque Móvil del Estado, and therefore this vehicle has been excluded from the calculation of ICO's emissions to avoid double-counting.

Below is an estimate of total emissions for the year 2021 (adjusted from previous reports) and 2022. This carbon footprint includes in its calculation direct emissions (scope 1) and indirect emissions from the purchase of electricity and other energy (scope 2). In direct emissions, the amount of CO2 equivalent is calculated by taking into account both the CO_2 emissions themselves and the CH_4 and N_2O emissions of the installations, according to the table of emission sources below.

With regard to Scope 3, an estimate has been made in relation to employee business travel. All calculations have been carried out in accordance with the indications published by the Ministry for Ecological Transition and Demographic Challenge (MITECO), using the calculator published by MITECO for scopes 1 and 2 and the ZeroCO2 initiative calculator for scope 3[5].

For the year 2022, a provisional calculation of the carbon footprint including scopes 1, 2 and 3 (of the employee commuting part) has been made. The same tools have been used for the calculation as for the 2021 calculation, as they were available at the date of this report.

EMISSIONS (t CO2e)	**2022**	**2021**
Direct emissions (Scope 1)	168.21	137.01
Indirect emissions purchased energy (Scope 2)	542.49	597.31
Indirect emissions from business travel (Scope 3)	64.37	11.21
Total	775.07	**745.53**

Scope 3 indirect emissions (from employee business travel) indicate a significant increase in estimated emissions in 2022, compared to the 2021 estimate, due to the gradual normalisation of travel activity following the Covid-19 pandemic. The widespread use of videoconferencing tools, the use of which the Group encourages, means that the number of trips remains significantly below pre-pandemic figures.

The evolution of emissions (referring to scopes 1 and 2) shows a reduction of the carbon footprint of 3.3% in 2022 compared to the previous year. Below is a summary of the carbon footprint results for the last two years. Given the virtual stability of the average number of ICO Group employees over the last two years, the decrease in the carbon footprint per employee (3.03%) was almost equal to the aforementioned decrease in the aggregate carbon footprint.

	2022	2021
Carbon footprint (t CO2e). Scope 1 and 2	710.70	734.32
Footprint per employee (t CO2e)	2.0190	2.0802

In the above calculations, the following elements have been taken into account, valued according to the location of the various ICO Group facilities:

Location	**Emission sources**	**Scope 1**	**Scope 2**
Edificio Paseo de Prado, 4 – 28014 Madrid	Air conditioning equipment	Possible refrigerant gas recharges	-
	Electricity	-	Electricity consumption

[5] https://www.ceroco2.org/sobre-nosotros

	Generator set	Diesel B	-
Edificio los Madrazo 36, 38 – 28014 Madrid	Air conditioning equipment	Possible refrigerant gas recharges	-
	Electricity	-	Electricity consumption
	Generator set	Diesel B	-
ICO Museum - Calle Zorrilla 3 - 28014 Madrid	Air conditioning equipment	Possible refrigerant gas recharges	-
	Electricity	-	Electricity consumption
Polígono Industrial Gitesa - Daganzo de Arriba (Madrid)	Air conditioning equipment	Possible refrigerant gas recharges	-
	Electricity	-	Electricity consumption

Based on the carbon footprint data of recent years, ICO is in a position to register its carbon footprint and apply for the MITECO "Calcula" [Calculate] and "Compensa" [Compensate] labels. In this sense, the possibility of implementing some kind of emissions compensation system is being assessed. In fact, an **Emission Reduction and Offset Plan is being considered**, based on the consistent measurement and comparison of ICO's carbon footprint in previous years.

4.4.4 COMMUNICATION FOR SUSTAINABLE GROWTH

The ICO Group's 2022-2027 strategy focuses on promoting activities that contribute to the transformation of the Spanish production model, boosting business growth, innovation and digitisation, internationalisation and environmental, social and governance sustainability.

For the ICO Group, it is a priority to contribute to a model of recovery and sustainable growth in all the actions it carries out, in line with the guidelines set by the Government in the Recovery, Transformation and Resilience Plan for the Spanish economy, which reflects the priorities established in the European Next Generation EU programme and the Multiannual Financial Framework 2021-2027.

These strategic objectives have been integrated as a priority focus in the Institute's current communication policy and are conveyed externally through the different channels we use.

During the year 2022, in addition to the usual communication actions, efforts have been focused on:

1. **Updating the ICO website to align it with the ICO Strategy 2022-2027**, reinforcing and creating specific content on our priorities through the sections on Business Growth, Sustainability and Digitalisation.

   In 2021, the design, architecture and content of the ICO Group's websites were revamped to align them with the Institute's strategic objectives and adapt them to the provisions of Royal Decree 1112/2018 of 7 September 2018 on accessibility of public sector websites and applications for mobile devices.

   In 2022, we went a step further and have worked on updating the architecture and expanding the content to align it with the ICO Strategy 2022-2027, reinforcing and creating content specific to our priorities through the sections on Business Growth, Sustainability and Digitalisation.

In addition, a new version of the website has been created in English, transferring the same contents as the Spanish website and the new sections linked to the ICO Strategy 2022-2027. In this way, the user will enjoy an easy navigation and homogeneous content in both languages.

2. **Creation of new audiovisual and digital material**, with content aligned with the ICO Strategy 2002-2027 to reinforce communication. Several interactive videos and infographics have been produced for use on the web, social networks...

a. <u>Other communication actions carried out in 2022</u>

1 **NATIONAL ADVERTISING CAMPAIGN.** An adaptation of the 2021 campaign has been made, with three different materials:

General | ICO Lines National | ICO Lines International

The advertising agency and the media centre that carried out the campaign were selected through a public tender.

The campaign concentrated on a single round from 17 November to 20 December 2022. In media planning, digital media insertion has been increased. The media in which the ICO was present were press, radio, outdoor, and internet.

The main metrics show a good performance of the ICO Funding and ICO Lines 2022 advertising campaign in the online channel. The data for the fourth quarter, when the campaign was implemented, compared to the previous quarter are as follows:

- SESSIONS → **+120.96 %**
- PAGE VIEWS → **+57.96 %**
- NEW USERS → **+167.01 %**

2 **INTERNATIONAL ADVERTISING CAMPAIGN**

"ICO GREEN AND SOCIAL BONDS. Supporting Sustainable Growth in Spain"'

In the international arena, ICO is also carrying out an advertising campaign with the dual objective of supporting the Institute's role as an issuer in the capital markets and reinforcing ICO's identification as one of the benchmark players in the development of the social and green bond market.

The campaign was focused on two phases during the months of May-June and September-October. The campaign included on-line and off-line advertisements in economic magazines, magazines specialised in the financial sector - with special attention to issues dedicated to sustainable financing - and the on-line part was promoted with presence in specialised information terminals and international economic websites.

3 ON-LINE COMMUNICATION CHANNELS

One of ICO's priority objectives in recent years has been to increase activity in the various online communication channels.

In addition, in recent years the **ICO Newsletter** has been consolidated as ICO's communication channel with the self-employed and SMEs to publicise the activity, the main products and financing programmes of the ICO Group, as well as the success stories of our client companies. The newsletter is published monthly (11 issues) and is distributed by e-mail to the ICO database (approximately 380,000 contacts), with an **average opening rate of around 36.34%**. On the website, the Newsletters received **85,878 visits (2.12% more than in 2021)**.

On the other hand, an **Investors Newsletter** is published quarterly, which offers updated information of interest to investors. The newsletter is written in English, published on the ICO website and sent by email to the Institute's investor database (over 1,500 records).

In terms of **social networks**, the **@ICOgob**profile **on Twitter** is noteworthy. Twitter has established itself as one of the main online channels for ICO to publicise its activity.

- ✓ In 2022, the number of **own tweets and retweets** published on the official Twitter profile @ICOgob amounted to **588**, 30.09% more than in 2021.
- ✓ Of the total number of tweets published in 2022, **9 out of 10** tweets were accompanied by graphic or audiovisual material (photographs, infographics, videos).
- ✓ The **interaction rate** stood at **3.72%**, an increase of more than 24% over the previous year.

4.4.5 CERTIFICATIONS

As a result of the application of the entire policy structure and management instruments, ICO has obtained several certifications confirming compliance with the highest standards.

- A certification of its **Environmental Management System** was obtained in 2021, in accordance with the requirements of the **ISO 14001** standard. This certification guarantees to third parties that ICO follows good practice standards to help protect and respect the environment at all levels of its activity. The certification of the environmental management system is an objective established in the Environmental Policy of the Instituto de Crédito Oficial, and affects the procedures for the identification and evaluation of environmental aspects, the identification and treatment of environmental risks and opportunities, as well as the procedures for the management, control, monitoring and evaluation of environmental performance in the development of our activity. The ICO Group's Environmental Management System develops the Environmental Policy, which, in order to guarantee environmentally friendly action, includes the following commitments, among others:

  - Identify environmental aspects and control the associated environmental impact.
  - Identify and assess compliance with legal requirements and other environmental and biodiversity protection requirements voluntarily subscribed to by ICO (Equator Principles, 10 Principles of the Global Compact, Paris Agreement).
  - Identify and assess the risks and opportunities that its activity and its products and services have on the environment.
  - Measure GHG emissions and carrying out prevention, reduction and remediation actions.
  - Facilitate the segregation and management of the waste generated in its facilities, and promote awareness among its professionals so that waste segregation practices are also applied in their daily lives.
  - Formalise agreements that promote circular economy practices for the reuse of waste.
  - Implement tools for environmental protection and pollution prevention.
  - Promote sustainable and responsible consumption of natural resources, and define energy efficiency and improvement plans.

  Precautionary principle: ICO has implemented an environmental management system that meets the requirements of ISO 14001. This management system is certified by European Quality Assurance (EQA). The control and monitoring of the management system is the responsibility of the general services and heritage unit, which is equipped with the necessary resources to carry out this function. As the environmental impact is insignificant, there is no specific provision or guarantee in the income and expenditure budget to cover environmental damage.

- In April 2022, ICO obtained a certification that its quality management system complies with the requirements set out in the international standard **ISO 9001:2015**. The quality management system applies to the development of all the activities carried out by the ICO, both management and support, in its triple role as National Promotion Bank, Financial Instrument for Economic Policy and State Financial Agency. The international ISO 9001 standard regulates the quality process in all areas of development, implementation and improvement, and is consistent with ICO's Quality Policy. This certification, also issued by EQA, demonstrates to stakeholders ICO's commitment to quality and to the procedures established in this ISO 9001 standard.

- As mentioned in chapter 2, the ICO Group plays a very important role in the management of various instruments in the framework of the European Union. A large part of this activity is done thanks to the accreditation obtained by ICO in 2020 as ***Implementing Partner* of the European Commission** for the management of European programmes, in particular InvestEU. This accreditation followed a comprehensive review of ICO's policies, processes and actions in the 9 pillars defined by the European Commission (*Pillar Assessment*), which include aspects such as internal control, accounting, external audit, management of financial instruments, contracting procedures, data protection or exclusions from funding, among others. This test was passed by ICO in its entirety, which on the one hand allows for the management of European funds and guarantees and on the other hand demonstrates that it complies with EU management standards.

- There are also extra-financial ratings by specialised and independent rating agencies that categorise the ESG performance and risk of ICOs and whose ratings can be found at https://www.ico.es/web/guest/sostenibilidad/evaluacion-divulgacion-y-trasnparencia

- ICO is also certified as a **Family-Responsible Company (EFR)** by the Másfamilia Foundation. This EFR certification shows the ICO Group's firm commitment to progress in the area of work-life balance in order to improve the quality of life of its employees, and it is one of the first companies in the public sector to have this certification. In order to obtain the certificate, a thorough process of diagnosis and external audit was carried out to accredit the implementation of processes that promote quality employment, equal opportunities and cohesion between family and professional life, based on the legislation in force. This certification is also subject to periodic review, the last renewal having taken place in December 2022.

5 HUMAN RESOURCES AND DIVERSITY MANAGEMENT

ICO's most important asset is its human and intellectual capital, committed professionals who drive the organisation every day towards achieving its mission in an environment of collaboration and trust.

In its relationship with the professionals who make up the organisation, ICO is committed to:

- The Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities between men and women and the fight against all forms of discrimination.
- Reconciling work, family and personal life.
- Professional development and training.
- Workplace health and safety.
- Balancing professional activity with respect for the environment.
- The inclusion of groups with functional diversity in social and work contexts.
- Corporate volunteering, developed through collaboration agreements with social entities.

ICO's commitments to its staff are set out in the Sustainability Policy approved in 2020, and are embodied in the personnel policies and procedures and in the actions carried out in each of its areas.

5.1 STAFF DATA

A. STAFF DISTRIBUTION

1) Distribution of ICO Group staff by age, gender and professional groups.

During 2022, the average number of staff of the ICO Group was 352. Of these, 93% carry out their professional activity at ICO, while 5% work at AXIS and 2% at Fundación ICO.

As of 31 December, the ICO Group's staff numbered 364 people, with this month being the largest in terms of staff size as a result of the incorporation of people selected through the Institute's job offer. The staffing percentages of each of the 3 entities of the group remained the same in December as the annual average.

By age group, occupational group and gender, the average distribution of the workforce in 2022 was as follows:

ICO GROUP	AVERAGE 2022			
	Under 30 years of age	Between 30 and 50 years of age	Older than 50 years old	TOTAL
Management staff		**5**	**12**	**17**
Women		3	3	6
Men		2	9	11
Middle managers		**32**	**25**	**57**
Women		22	8	30
Men		10	16	26
Technical Staff	**11**	**105**	**104**	**220**
Women	7	67	62	136
Men	4	38	42	84
Administrative Staff		**13**	**44**	**57**
Women		12	38	50
Men		1	6	7
TOTAL ICO	**11**	**156**	**185**	**352**
Women	7	105	111	223
Men	4	51	74	129

In line with the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, as well as national and international regulations, the ICO Group does not employ any under-age employees.

In addition, the ICO Group was supported by 28 young university graduates participating in the SEPI Foundation's practical training scholarship programme. Of these, 97% were in the under-30 age group, and 52% were women.

The high specialisation of the products and services offered by ICO Group entities is reflected in the distribution of staff by professional group. As a result, 63% of the workforce is in the professional group of Technicians.

With regard to the distribution of the workforce according to age, most of the workers are in the "Over 50" age bracket, with an average of 185 people in this age bracket (52% of the workforce).

Given the nature of ICO as a national Public Business Entity, 100% of our staff carry out their professional activity in Spain.

Stability in the workforce is a characteristic feature. Compared to 2021, there has been a decrease by two persons.

2) ICO Group staff new hires and terminations

During 2022, 47 employees joined the ICO Group's workforce, 53% of whom are women. 15 of the discharges were under 30 years of age and the remaining 32 were between 30 and 50 years of age.

34 employees (47% women) left the company, the most common cause being leave of absence (58%). In 2022, there were no dismissals due to redundancy.

In 2022, there was one voluntary departure in management (male), none in middle management and one in administrative staff due to termination of contract (female). The breakdown of technical staff is as follows:

		DISTRIBUTION OF LEAVES 2022							
	TOTAL	Retirement	Dismissal	Leave of absence	Voluntary Terminatio n	Dismissal	Termination of Contract	Absolute Permanent Incapacity	Other Causes
TECHNICIAN	32	2	0	19	2	0	8	0	1
Women	15	0	0	10	2	0	3	0	0
Men	17	2	0	9	0	0	5	0	1

Note: All of the terminations recorded (34) in 2022 correspond to ICO. There were no terminations at AXIS or at Fundación ICO.

Of the total number of leaves, 4 were under 30 years old, 24 were between 30 and 50 years old and 6 were over 50.

3) Employees with disabilities

There are 5 people with a recognised disability (functional diversity/physical disability) on the staff, 80% of whom are women and 20% men.

In addition, ICO has signed an agreement with the A LA PAR Foundation through which 2 people with disabilities completed their studies by doing internships at ICO during the year 2022.

Likewise, since November 2021, ICO has been authorised by the Regional Ministry of Economy, Finance and Employment of the Community of Madrid to comply with the disability quota on an exceptional basis by adopting alternative measures by contracting with Special Employment Centres for the provision of certain services. During the year 2022, 6 contracts were maintained with these centres. The services associated with these contracts are provided by 16 people with disabilities working at the ICO Group's headquarters, of whom 8 are women and 8 are men.

5.2 CONTRACT MODALITIES

A. DISTRIBUTION OF CONTRACTS

1) Total number and distribution of employment contracts. Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification

As of 31 December 2022, the average number of ICO Group staff working under permanent contracts was 327 (93% of the total). In 2022, staff working under temporary contracts represented 5%, these contracts were signed exclusively to cover temporary disability leave, maternity/paternity leave and vacant positions until they are filled indefinitely through public employment offers. Also, in 2022, staff working part-time due to retirement accounted for 2%.

Activity	AVERAGE 2022		
	Under 30 years of age	Between 30 and 50 years of age	Older than 50 years old
PERMANENT	**9.3**	**145.1**	**171.8**
Women	**5.3**	**95.5**	**103.7**
Men	**4.0**	**49.6**	**68.2**
Management staff	**-**	**5.0**	**12.3**
Women	-	3.3	3.0
Men	-	1.7	9.3
Middle managers	**-**	**32.2**	**24.5**
Women	-	21.8	8.3
Men	-	10.3	16.2
Technical Staff	**9.3**	**97.8**	**99.3**
Women	5.3	61.2	61.4
Men	4.0	36.6	37.9
Administrative Staff	**-**	**10.2**	**35.7**
Women	-	9.2	30.9
Men	-	1.0	4.8
PART-TIME	**-**	**-**	**8.6**
Women	**-**	**-**	**4.7**
Men	**-**	**-**	**3.9**
Technical Staff	**-**	**-**	**3.9**
Women	-	-	2.9
Men	-	-	3.7
Administrative Staff	**-**	**-**	**3.3**
Women	-	-	1.8
Men	-	-	0.3
TEMPORARY	**2.2**	**11.1**	**3.4**
Women	**19.0**	**9.4**	**2.7**
Men	**7.0**	**1.7**	**0.8**
Technical Staff	**2.2**	**7.8**	**1.3**
Women	1.6	6.1	0.6
Men	0.6	1.7	0.8
Administrative Staff	**-**	**3.3**	**2.1**
Women	-	3.3	2.1
Men	-	-	-

5.3 AVERAGE SALARIES AND PAY GAP

A. AVERAGE SALARIES

1) Average salaries and their evolution by gender, age and professional classification.

For the calculation of these data, the total remuneration (salary, in kind and non-wage) of the workforce at 31 December 2022, annualised, has been taken into account to avoid deviations due to the date of incorporation, including the variable remuneration regardless of its accrual, and is broken down by professional group, age and gender.

GENERAL METRICS (EUROS)	2022	2021
Salary expenditure	17,540,886	16,382,466
ICO average salary	52,205	50,720
ICO median salary	47,649	45,441
Minimum interprofessional salary	14,000	13,300

The average wage increased by 2.9% in 2021 compared to the previous year.

ICO AVERAGE SALARIES (EUROS)	2022	2021	% growth	WOMEN 2022	MEN 2022	DIFFERENCE (W-M)
Average salary of senior management	98,150	95,497	2.8%	97,996	98,305	-0.2%
Average salary Head of Department	85,755	82,921	3.4%	85,878	85,685	0.1%
Average salary Area Manager	68,561	67,225	2.0%	67,776	69,565	-1.1%
ICO average salary Technicians	48,846	47,991	1.8%	49,889	47,327	2.1%
ICO average salary Administrative	38,129	36,748	3.8%	38,262	36,832	0.3%
ICO minimum salary Technicians (entry level)	30,380	29,352	3.5%	30,380	30,380	0.0%
ICO minimum salary Administrative (entry level)	20,678	19,979	3.5%	20,678	20,678	0.0%

Note: For the calculation, the salary expenditure of the Chairman and Senior Management has not been considered, as this information can be found in section 1.3. Governance and Management Structure. Middle management is broken down between departments and areas as they are categories with differentiated salary authorisations.

GRI INDICATORS:

- The Chairman's salary is 3.06 times the median salary of the rest of the organisation
- The 2022 salary increase for the Chairman was identical to that of all employees
- The ratio between the basic wage and the average wage is:
  - 185% for women and 178% for men in administrative groups
  - 164% for women and 156% for men in technical groups
  - 223% for women and 229% for men in area leadership positions
  - 283% for women and 282% for men in department leadership positions
  - 323% for women and 324% for men in management positions

Activity	AVERAGE 2022			
	Average ICO	Under 30 years of age	Between 30 and 50 years of age	Older than 50 years old
Management staff	98,150.49	-	97,888.90	98,324.88
Women	97,995.91	-	97,618.14	98,562.57
Men	98,305.07	-	98,701.17	98,206.04
Department Heads	85,755.38	-	85,920.55	85,660.99
Women	85,878.09	-	85,597.78	86,719.00
Men	85,685.26	-	86,888.84	85,484.66
Heads of area	68,561.42	-	65,621.43	73,155.16
Women	67,775.71	-	64,368.34	74,164.51
Men	69,565.40	-	67,501.07	74,186.67
Technical Staff	48,845.79	33,947.08	41,899.40	58,872.83
Women	49,888.91	34,406.36	43,134.04	59,646.54
Men	47,327.49	33,430.39	40,047.44	57,750.96
Administrative Staff	38,129.24	-	32,596.67	39,544.55
Women	38,261.67	-	33,080.94	39,590.06
Men	36,831.50	-	27,753.95	39,100.89
TOTAL ICO	52,205.02	33,947.08	47,877.68	57,823.60

The average remuneration of the groups reflected in this table in 2022 was 52,205.02 euros. Comparatively, 3.7 times higher than the Spanish minimum wage of 14,000 euros in 2022.

The remuneration of the ICO Group staff has been updated in accordance with the provisions of the budget regulations, which in 2022 authorised an increase of 3.5% over the remuneration in force on 31 December 2021. The process of setting remuneration is subject to the applicable budgetary rules.

The average salary at AXIS, at the end of 2022, was of 55,495.53 euros. On the other hand, the average salary of the ICO Foundation at the end of the year was 40,086.16 euros.

In both cases, given the small size of the staff, the average salary broken down by professional group and gender is not provided as such information would violate personal data protection legislation.

B. SALARY GAP

From the analysis of the salary record data, it can be concluded that **there are no significant salary differences between men and women** at the ICO.

In 2022, in compliance with the provisions of art. 28.2 of the Workers' Statute and Royal Decree 902/2020, of 13 October, on equal pay for men and women, and in line with the commitments made in the 2nd Equality Plan, ICO drew up a wage register at the end of the 2022 financial year.

This wage register makes it possible to analyse the wage gap between women and men and thus determine whether there is a gender pay gap.

The concept of positions of equal value is reflected in the calculation of the pay gap, which compares the total remuneration received by men and women in positions of equal value in the Group. For this purpose, it has been decided to classify the staff subject to the collective agreement according to professional group and salary level, following the job structure agreed with the legal representation of the workers. With regard to the staff excluded from the scope of application of the agreement, a distinction has been made within middle management between the posts of area manager and department manager. In addition, a comparison of salaries of upper management (Management, Senior Management and Chairman's Office) has been carried out.

For each of the above positions, the median of the total pay received by all men and women in these positions is calculated. The salary gap is calculated as the percentage resulting from dividing the difference of the median male pay minus the median female pay by the median male pay. The total salary gap is calculated as the weighted average of the gaps obtained for each job.

As of 31 December 2022, the ICO salary gap for positions of equal value is 0.15%.

The regulations governing the remuneration policy for management and middle management positions are set by the Ministry of Finance and Civil Service and guarantee equality between men and women in remuneration. Likewise, the collective agreement establishes pay levels for staff covered by the collective agreement (belonging to the professional groups of Technicians and Administrative staff) that guarantee equal salaries for people with the same pay level. Pay grade promotion is linked to performance appraisal.

5.4 WORK ORGANISATION

A. TYPES OF WORKING DAY

As of 31 December 2022, the average number of the ICO Group's staff working under the split working day regime amounted to 324 persons (92% of the total). Staff working a continuous working day accounted for 1% and those working a reduced working day due to work-life balance reasons such as partial retirement, relief contract, care of ascendants or descendants 7%.

ICO GROUP	AVERAGE 2022		
	Under 30 years of age	Between 30 and 50 years of age	Older than 50 years old
SPLIT	**11.3**	**142.8**	**169.9**
Women	**6.8**	**92.5**	**103.0**

Men	**4.5**	**50.3**	**66.9**
Management staff	**-**	**5.0**	**12.3**
Women	-	3.3	3.0
Men	-	1.7	9.3
Middle managers	**-**	**32.2**	**24.5**
Women	-	21.8	8.3
Men	-	10.3	16.2
Technical Staff	**11.3**	**94.1**	**96.5**
Women	6.8	55.8	59.8
Men	4.5	37.3	36.7
Administrative Staff	**-**	**12.5**	**36.6**
Women	-	11.5	31.8
Men	-	1.0	4.8
CONTINUOUS	**-**	**-**	**3.0**
Women	**-**	**-**	**1.0**
Men	**-**	**-**	**2.0**
Technical Staff	**-**	**-**	**3.0**
Women	-	-	1.0
Men	-	-	2.0
Administrative Staff	**-**	**-**	**-**
Women	-	-	-
Men	-	-	-
REDUCED	**-**	**13.4**	**8.9**
Women	**-**	**12.4**	**4.3**
Men	**-**	**1.0**	**4.6**
Technical Staff	**-**	**11.4**	**3.9**
Women	-	11.4	0.3
Men	-	1.0	3.7
Administrative Staff	**-**	**1.0**	**5.0**
Women	-	1.0	4.1
Men	-	-	0.9

Telework has proven to be a key tool in modernising and making work management more flexible. For its effective operation, the ICO Group is subject to the rules and regulations of the State Administration. In 2022, the ICO Group implemented its Distance Working Plan within the framework of energy saving and efficiency measures for the General State Administration and state public sector entities, approved by the Council of Ministers Agreement of 24 May 2022.

The measures contemplated in the plan include facilitating the provision of public services by public employees through different organisational formulas that fully guarantee attention to citizens. In particular, it established the strengthening of remote working, through the voluntary implementation of a remote working system to reduce the energy impact and make it possible to reduce travel, with the consequent energy savings, as well as a significant reduction in consumption in the work centres.

In this context, the ICO Group approved its distance working plan. As of 31 December 2022, 325 employees have joined, 36% men and 64% women, representing 89% of the total ICO Group workforce.

Employees who are members of the Distance Working Plan			
	No. of applications	No. of employees	% applications
Activity	305	339	90%
AXIS	15	18	83%
FUNDACIÓN ICO	5	7	71%
TOTAL ICO GROUP	**325**	**364**	**89%**

5.5 WORK-LIFE BALANCE

1) Measures aim to facilitate the enjoyment of work-life balance and encourage the co-responsible exercise of work-life balance by parents.

The Institute's commitment to work-LIFE balance responds to the search for the well-being of the people who form part of ICO, our main source of value. Work-life balance seeks to balance the achievement of work and private life objectives using flexible formulas that allow for the development and success of both. Therefore, it is not just about paid leave. It is a way of organising the working environment that makes it easier for men and women to carry out their work, and personal and family responsibilities.

ICO has been certified as a Family-Responsible Company by Fundación Másfamilia since December 2014, by the efr 1000-1 standard, and has been renewed in December 2022. This management and work organisation model provides a simple and effective work-life balance methodology and enables progress to be made in the implementation of a social, work and, business culture based on flexibility, respect, and mutual commitment. For the effective implementation of this model, ICO has an efr Model Reconciliation and Equality Management Procedure.

As a driver of well-being and in response to the commitment of the people who make up the organisation, ICO's management model aims to:

- Contribute through its policies to eliminate of barriers that hinder the participation of women and men in their personal lives and the company's processes.
- Promote a work environment compatible with personal development, allowing its professionals to balance the fulfilment of their work responsibilities in a public institution such as ICO with the needs of their personal and family life.

ICO GROUP	AVERAGE 2022		
	Under 30 years old	Between 30 and 50 years old	Over 50 years old
Upstream care			**1.0**
Administrative Staff			**1.0**

Women			1.0
Offspring care		**12.4**	
Administrative Staff		**1.0**	
Women		1.0	
Technical Staff		**11.4**	
Women		11.4	
Men		1.0	
Partial retirement			**7.9**
Administrative Staff			**4.0**
Women			3.1
Men			1.3
Technical Staff			**3.9**
Women			1.0
Men			3.7

To guarantee and ensure that the values and principles underlying ICO's commitment to work-life balance are properly complied with, an external communication channel has been set up so that ICO staff, as an efr certified entity, can express their complaints and claims regarding work-life balance directly to the Fundación Másfamilia. It guarantees the absolute confidentiality of the information received through this channel. During 2022, the Fundación Másfamilia has not received any complaints or claims through this channel.

The ICO has 91 conciliation measures divided into 4 blocks. For those measures that go beyond the current legislation (44), employees have been consulted to assess their degree of satisfaction with them. All of them are equally applicable to all staff. The results of this survey are shown below.

Employee voice	Quality of employment	Flexibility in time and space	Family support	Personal and professional development
Knowledge	95%	97.5%	94%	94.9%
Use	60.9%	69%	32.3%	51.2%
Satisfaction (0-10)	7.3	8.9	7.7	7.3
Relevance (0-10)	7.2	8.4	7.3	7.3

	Data 2022			Data 2021		
	Men	Women	Total	Men	Women	Total
Total number of employees who have been entitled to parental leave	6	7	13	4	5	9

Total number of employees who have taken parental leave	6	7	13	4	5	9
Total number of employees who have extended their parental leave with parental leave in 2022	1	4	5	0	3	3
Return to work rate (employees who returned to work after parental leave in the year over the total number of those who were due to return) (%)	100%	100%	100%	100%	100%	100%
Retention rate (employees retained 12 months after return out of the total number of returnees) (%)	100%	100%	100%	100%	100%	100%

The ICO also has an ethics channel available to its staff for reporting breaches of its code of conduct and a Compliance Committee that keeps a record of all reports received through the ethics channel or any other means that the person making the report considers appropriate. The Compliance Committee guarantees the confidentiality of the complaints received. In 2022, one complaint was received, which was dealt with and resolved following the procedure.

2) Implementation of digital disconnection policies in the work environment

Within the framework of the remote work plan approved in the ICO Group in 2022, the right to digital disconnection outside working hours is recognised under the terms established in article 88 of Organic Law 3/2018, of 5 December, on Personal Data Protection and guarantee of digital rights. Following the implementation of the remote working regime, a specific policy is expected to be approved within the framework of the new work organisation in 2023. In addition, the corporate email tool invites you to schedule emails sent outside normal working hours to be received the following day within normal working hours.

5.6 HEALTH AND SAFETY

The ICO Group considers it essential to strengthen and control the occupational health and safety of its staff, as expressed at the highest level in the Sustainability Policy approved by the General Council, which includes occupational health and safety as a commitment to employees.

The management of health and safety in the workplace affects 100% of the workforce, and is developed through two main lines of action: (A) technical prevention refers to the specialities of safety at work, industrial hygiene, ergonomics, and applied psycho-sociology, which includes occupational risk assessments, action plans to eliminate or minimise the risks detected, monitoring the implementation of action plans, the preparation and implementation of emergency and evacuation plans, health and safety training and the coordination of preventive activities; and B) occupational medicine, with the performance of medical check-ups for staff, the protection of particularly sensitive employees and the adaptation of workstations with specific ergonomic material, as well as programming preventive activities and campaigns to maintain and improve the health of workers and encouraging the development of both a preventive culture and healthy habits among the workforce.

In 2022, the prevention service was carried out in collaboration with Grupo MPE Prevención de Riesgos Laborales, as an external prevention service, which also holds ISO 9001 and ISO 14001 certifications for its quality and environmental management system. AXIS and the Foundation have their external prevention services.

Occupational health and safety is monitored by the Health and Safety Committee, made up of 3 representatives from the Company and 3 from the Workers' Legal Representation, and by the Medical Service (company doctor) and the External Prevention Service (prevention technician). The Health and Safety Committee meets quarterly. During 2022, 4 meetings were held, recorded in minutes, which dealt with issues related to the appointment of alarm and evacuation teams and first intervention teams, training in occupational risk prevention for office staff (including teleworking), certification of COVID-19 protocols and monitoring of the impact of COVID-19 on the workforce and accidents at work. This body participates in the elaboration, implementation, and evaluation of the risk prevention plans and programmes in the company. No risks of major injuries have been identified and no such events have occurred. Workers can report any risks or incidents directly to HR or through union representatives.

In 2022, 193 medical check-ups were carried out in the ICO Group, representing 55% of the group's average workforce. In addition, a course entitled "Prevention of occupational risks for office staff" was given to 215 people, all of them from ICO.

There is a procedure for the coordination of business activities in compliance with R.D. 171/2004, which details the functions and measures to be adopted in these situations.

In addition, as part of its commitment to the health of its employees, the ICO Group has a medical service available to all its employees at the work centre, from Monday to Friday mornings, for medical, nursing, and physiotherapy consultations. The health service for the medical care of ICO staff is authorised by the Health Department of the Community of Madrid. This measure promotes health care, conciliation, flexibility, and the reduction of absenteeism by facilitating medical consultation and assistance for ICO staff at the workplace.

During 2022, 1,565 medical consultations were provided, which means an average of 130 consultations per month, 32% to men and 68% to women. Of the total assistance, 48% was provided by a medical professional, 42% by a nursing professional, and 10% by the physiotherapy service. An average of 82 workers per month have been assisted. By type of assistance, 84% was due to common illnesses, 1% to non-occupational accidents and the remaining 15% to health campaigns. In 2022, two health campaigns were carried out, a vaccination campaign to prevent seasonal flu and a campaign to prevent cardiovascular risk. A total of 207 professionals benefited from these campaigns, which were aimed at the entire workforce.

In addition, the ICO collaborates annually with the blood donation campaign promoted by the Red Cross. In 2022, 22 volunteers were able to donate blood at the work centre. This helped to improve the lives of 66 people, as each donation saves three lives.

Sick leave and absenteeism

On the other hand, 4,368 days of sick leave were recorded, 72% for common illness and 28% for maternity or paternity. In addition, there were 6 accidents on the way to and from work, 5 were women and 1 man, all of them minor (4 of them without medical leave). The 2 occupational accidents requiring medical leave affected women. In 2022, no occupational illnesses or deaths due to occupational accidents were recorded. Due to the nature of the ICO Group's activities, there is no risk of occupational illnesses covered by current legislation, as assessed by the prevention service.

The number of absenteeism hours recorded in 2022 was 26,442, bringing the absenteeism rate at ICO to 5%. This rate represents a slight upturn compared to 2021, when it stood at 4%, but remains at lower levels than in 2019.

ICO	2022			2021		
	Total	Men	Women	Total	Men	Women
Number of days off work	4,368	1345	3023	3768	1075	2693
Number of absence hours	26,442	5,899	20,543	24,310	8,162	16,143
Number of total occupational accidents	6	1	5	1	0	1
Number of occupational accidents in itinerary	6	1	5	0	0	0
Number of occupational accidents requiring time off work	2	0	2	1	0	1
Frequency rate (%)	0	0	0	0	0	0
Incidence rate (%)	0.62	0	0.62	0.31	0	0.31
Absenteeism rate (%)	5	3	6	4	5	6

The frequency rate does not include accidents on the way to and from work. The calculation is based on one million hours.
At AXIS and Fundación ICO, no occupational accidents or occupational diseases were recorded in 2022.

Health certifications

In 2021, following an exhaustive audit process, the ICO Group obtained AENOR certification of protocols for action against COVID-19. This certification extended to all the Group's activities and facilities, explicitly including ICO, AXIS, ICO FOUNDATION, and ICO MUSEUM, and has remained in force during the 2022 financial year.

The AENOR certificate is a formally recognised external guarantee of the effectiveness of the measures implemented in the Group, the suitability of the protocols, and compliance with the guidelines laid down by the Ministry of Health and the Community of Madrid, both in the work centre where the offices are located and in the ICO Museum facilities, thus guaranteeing the safety of the staff providing services in the facilities and of visitors to them.

It should also be noted that the AENOR certification process requires the ICO Group to undergo periodic audits in which the correct application, maintenance, and updating of the existing protocols are verified, which further reinforces the ICO Group's commitment to complying with its high standards of safety and prevention. In short, the AENOR certification endorses all the measures that have been implemented by the ICO Group since March 2020, under appropriate and effective risk management, which has enabled the Group to continue its activity in the best health and safety conditions for people accessing its facilities and to conclude the process of returning to normality that has been achieved in 2022, without incident.

5.7 SOCIAL RELATIONS

A. ORGANISATION OF SOCIAL DIALOGUE

In line with Principle 3 of the Global Compact, ICO respects the right of its staff to join trade unions according to their needs and to form their Works Council.

At ICO, the Works Council acts as a collegiate body representing the workers and interacts with the company through its autonomous functioning, and its participation in different committees (Joint Committee, Health and Safety Committee, Training and Professional Promotion Committee, and Social Affairs Committee), in addition to the working groups and specific negotiating committees that may be set up to deal with specific issues that may require it.

To carry out its functions, ICO has provided the Works Council with its own physical space to meet and keep documentation, as well as its e-mail address to receive queries and a space on the Intranet to publish its information.

B. PROCEDURES FOR INFORMING, CONSULTING, AND NEGOTIATING WITH EMPLOYEES

Concerning the existing means of informing staff, the ICO, in addition to sending general and personalised communications by e-mail, has a channel on its Intranet for announcements, new developments, and news items related to the institution's activities. This channel also encourages the participation of all employees in the institution's development, either by providing comments on the news published or through the suggestions channel, Aporta Tu Idea (Contribute Your Idea).

1) Percentage of employees covered by collective bargaining agreements by country

The VI Collective Bargaining Agreement, published in the BOCM on 11 January 2014 (http://w3.bocm.es/boletin/CM_Orden_BOCM/2014/01/11/BOCM-20140111-3.PDF), which applies only to ICO staff, and is currently in force.

The social benefits are stipulated in the Collective Bargaining Agreement and apply to all staff on equal terms.

The agreement applies to 80% of ICO's staff, excluding the Chairman, the management team, and the professional group of middle managers, whose employment relationship is governed by the terms of their contracts.

2) Review of collective bargaining agreements, particularly in the field of occupational health and safety

The ICO Works Council has 13 members, representing 3 different trade unions. 46% of the members of the Works Committee are women.

During the 2022 financial year, 9 meetings of the Joint Committee and the Health and Safety Committee were held and 1 agreement was reached. In addition, dialogue tables were set up with employee representatives to address issues relating to the working conditions of greatest concern to the workforce.

5.8 TRAINING

A. POLICIES IMPLEMENTED IN THE FIELD OF TRAINING

Training and empowering staff are key to contributing to the Sustainable Development Goal: "Decent work and economic growth". The ICO Group encourages the improvement of the knowledge, skills, and abilities of its human and intellectual capital and, at the same time, by its mission to promote the growth and development of the country, it responds to the training needs of other groups, such as young people and people with intellectual disabilities, to help them enter the labour market.

This commitment of the ICO Group to professional development and training is included in the Sustainability Policy and is materialised in the Training Policy and in the Training Plan on which planned and unplanned training actions are developed annually in response to needs identified throughout the year.

In 2022, the Institute has maintained its demanding level of staff training hours, given that it has been adjusted by 15% less than in 2021, taking into account the exceptional increase in 2021 to return to the pre-pandemic situation. This has been reduced from 18,508 to 15,750 hours from 2021 to 2022, respectively, and the investment has decreased by 28% from €155,592 to €111,874 from 2021 to 2022, respectively.

This commitment to the professional development of ICO's human and intellectual capital is reflected in the fact that investment in training represents 1.10% of ICO's salary expenditure in 2022. It is also reflected in the average number of hours per employee, which stands at 42 hours in 2022, 19.23% less than in 2021 in ICO and AXIS. The year 2021 saw an exceptional increase due to the pandemic in 2020, although the current number of hours is back in line with the average for the two years before the pandemic (45.75 hours per employee, average for 2018 and 2019).

The ICO Training Plan includes training objectives that are materialised with the number of hours and investment in the following areas: training in sustainability, in the Systems Plan, on-the-job training related to the ICO's activity and regulations, language learning and improvement, and the development of personal skills useful for the performance of jobs.

In line with the above, 64% of the investment made is devoted to language learning and improvement, 17% to on-the-job training, 7% to sustainability training, 3% to systems plan training, and 9% to skills training and postgraduate training, and certifications.

DISTRIBUTION OF TRAINING HOURS BY OCCUPATIONAL GROUP - ICO GROUP						
	2022	2021	WOMEN 2022	MEN 2022	HOURS PER PERSON (TOTAL)	HOURS PER PERSON (WOMEN)
MANAGERS	758	431	255	503	44.5	42.5
MIDDLE MANAGERS	1,693	2,379	1,109	583	29.7	37.0
TECHNICIANS	11,458	12,964	8,235	3,223	52.1	60.6
ADMINISTRATIVE	2,050	2,387	1,997	53	36.0	39.9
GRANT HOLDERS	124	347	76	49	--	--
TOTAL	**16,083**	**18,508**	**11,672**	**4,411**		

DISTRIBUTION OF INVESTMENT IN TRAINING BY TYPE OF COURSE - ICO GROUP					
	2022	2021	Increase	WOMEN	MEN
LANGUAGES	74,384	74,334	0%	54,601	19,784
ON-THE-JOB TRAINING	18,966	74,001	-74%	14,424	4,542
SUSTAINABILITY	8,003		-	3,746	4,257
SYSTEMS PLAN	3,600	1,200	200%	2,250	1,350
SKILLS TRAINING	327	791	-59%	327	0
ACADEMIC TRAINING, POSTGRADUATE STUDIES, AND CERTIFICATIONS	9,772	5,266	86%	9,022	750
TOTAL	**115,052**	**155,592**	**-26%**	**84,369**	**30,682**

The differences between women and men must be interpreted as the weight of each sex in the workforce or category as a whole.

This year, in line with the Training Plan, training in sustainability has been differentiated from on-the-job training, where it was located in the previous year. Likewise, the training in new technologies has been called the Systems Plan, to facilitate the adaptation of the human team to the new technological tools needed to implement the projects developed by ICO, also promoting training in useful skills for digital transformation.

Lastly, it should be noted that the ICO Group plans to offer voluntary access to the training activities contained in its Training Plan to professionals who are on childbirth and childcare leave, breastfeeding leave, or leave of absence to care for children or family members so that their absence is not a barrier to professional progress. **53%** of the professionals who have taken any of these leaves wanted to participate in the training programme during this period.

5.9 UNIVERSAL ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

A. ACCESSIBILITY FOR PEOPLE WITH DISABILITIES

The ICO Group has facilities, tools, and workstations adapted to allow accessibility for people with reduced mobility or other types of functional disabilities who carry out their professional activity at ICO or who visit the facilities. Thus, the staff includes 5 people with recognised disabilities (functional diversity/physical disability), 80% of whom are women.

The ICO Foundation holds the Accessible Tourism badge awarded to the ICO Museum for incorporating universal accessibility measures in its establishment and for its commitment to welcoming and attending to people with disabilities and with accessibility needs in general, developed through the provision of adapted, easy-to-read material on the Museum's exhibitions or the organisation of activities with a sign language interpreter.

The ICO's corporate portal is designed to comply with Royal Decree 1112/2018 of 7 September on Accessibility of Public Sector Websites and Applications for Mobile Devices. Thus, a practical and accessible corporate portal is made available to society, guaranteeing access to the information and services on its pages to all users without any limitation or restriction based on disability, medium, or context through which this portal is accessed.

At the same time, the www.ico.es portal aims to adapt to the standards and regulations in force about accessibility, complying with the double A (AA) verification points defined in the Web Content Accessibility Guidelines (WCAG 2.1) specification belonging to the W3C.

B. INTEGRATION OF PEOPLE WITH DISABILITIES

Since 2016, ICO has been hosting several students from the ALAPAR Foundation who are part of the CAMPVS educational project aimed at young people with functional diversity who, after completing their formal training, wish to access higher education to develop a higher degree of personal, social and professional competence.

With this programme, these young people specialise in the administrative branch, acquiring general knowledge of business, information technologies, economics, law, financial culture, and English, as well as working on personal autonomy and socio-labour skills. The studies last three years and end with a six-month training internship in the company, a stage in which ICO helps them to complement their training with practical experience and to acquire the knowledge and skills necessary to function fluently in the work environment.

Since the start of the collaboration with the ALAPAR Foundation, ICO has taken in a total of 13 students, of whom 7 have found employment, 3 of them are preparing for competitive examinations and the rest of the students are continuing their training to improve their employability.

5.10 EQUALITY AND DIVERSITY

A. EQUALITY

One of the guiding principles on which the responsible management of the ICO Group is based is equal opportunities, in a broad sense, which is evident both in the public employment offer processes and in tenders for the purchase of goods or the contracting of services.

In the previous sections, we can see the breakdown of the workforce by gender, and how women have greater participation in practically all professional groups. In terms of female representation on governing bodies, it is worth highlighting the representation achieved on the General Council of ICO (37% women and 63% men), on the Board of Directors of AXIS (56% women and 44% men), and the Board of Trustees of the ICO Foundation (44% women and 56% men).

B. MANAGEMENT OF DIVERSITY AND THE FIGHT AGAINST INEQUALITIES AND DISCRIMINATION

1) Measures for Women Empowerment

In the third year of the II Equality Plan, approved at the end of 2019, actions were carried out in the seven axes that structure the Plan. Of the 45 measures of which the II Equality Plan consists, 43 (96%) have been fulfilled in 2022 and another 2 are in progress. In total, 108 actions have been carried out

In 2020, ICO joined the Where Are They? Manifesto, an initiative launched by the European Parliament to promote and strengthen the presence of women in discussion forums and conferences. During 2022, ICO participated in 220 conferences as a speaker (both in person and online), organised in collaboration with various institutions, sectoral associations, and collaborating agents, covering the entire country. Of the total number of conferences, the President of the ICO participated as a speaker in 57 of them. In the remaining 163 conferences, 85 women participated in the representation of the ICO (52%).

2) Protocols against sexual and gender-based harassment

The prevention of sexual and gender-based harassment, 2nd ICO Equality Plan has a procedure against harassment in the workplace available to all employees that specifically includes the prevention of sexual and gender-based harassment. To date, this has not been activated at any time.

In addition, as part of the commitments made in the Equality Plan, ICO has joined the Ministry of Equality's Red de Puntos Violeta (Purple Points Network) initiative to combat gender-based violence and to disseminate, on a massive scale, the information needed to know how to act in the event of violence against women.

3) Measures adopted to promote employment

The ICO, as a public sector entity and by the provisions of the Basic Statute of the Public Employee, promotes access to employment under the principles of equality, merit, and ability through periodic competitive examination procedures with public notice, reserving a quota of no less than 5% of vacancies to be filled by people with disabilities.

Internally, the ICO encourages professional development and internal job mobility among its employees through the system of promotion by filling vacancies established in the institution's Collective Bargaining Agreement.

In addition, the ICO has signed a collaboration agreement with the SEPI Foundation whose objective is to organise and develop a programme of practical training scholarships in the work centres of the ICO Group, under the supervision of suitable tutors, aimed at young people with recent university degrees to facilitate and prepare them for their access to the world of work, enabling them to acquire practical knowledge, maturity, employability, status and vision of the business world. In 2022, the ICO Group welcomed 18 scholarship holders from the SEPI Foundation, whose scholarships have a maximum duration of 18 months.

At the end of the scholarship, ICO surveys to find out their degree of satisfaction. In 2022, the average level of satisfaction of the 25 scholarship holders who completed their scholarship at ICO was 8.84 out of 10, highlighting the success of the programme. Another noteworthy fact is that many of them, once they have finished their scholarship, take part in the selection processes organised to recruit permanent staff. In fact, in the last two ICO Job Offers, 6 of the selected candidates were previously ICO scholarship holders of the SEPI Foundation.

Collaterally, there are further advantages in broadening the framework of participation in the company by involving the professionals in the successful implementation of the Fellowship Programme. Although some act as tutors and others as trainers, they all have the opportunity to participate in the orientation and integration of the trainees. In addition to the practical training, they are offered the possibility of attending training actions that are tailor-made for ICO staff, as long as places are available.

In 2022, ICO has received a grant to participate in the "First Professional Experience Programme in Public Administrations" within the framework of the Transformation and Resilience Recovery Plan, which aims to hire young unemployed people in the form of an internship contract, so that they can acquire their first experiences in employment, as well as social and professional competences and skills. The grant will enable the recruitment of 25 young people on 12-month training contracts in 2023.

All this results in a better social reputation for ICO, which offers real opportunities for labour market insertion by increasing the employability of young people.

6 ABOUT THE REPORT

This report forms part of the Management Report of the Consolidated Annual Accounts of the ICO Group, per articles 44.1 and 6 of the Code of Commerce, as amended by Law 11/2018 on Non-Financial Information and Diversity.

This report has been prepared following the Global Reporting Initiative (GRI) standard for the preparation of sustainability reports, as well as taking into account the reference frameworks described throughout the document and, in particular, the Sustainable Development Goals. The GRI methodology allows reporting on the most relevant issues about the sustainability of the company and its management.

In the following point of the document, the concordance of the different reporting requirements by GRI, Law 11/2018, the Global Compact Principles, and their relationship with the SDGs are detailed in table form.

For the drafting of the Statement of Non-Financial Information, information has been gathered from all available and timely internal and external sources, and internal documents of the organisation such as the Strategic Plan, relevant Policies and Procedures, as well as all internal reporting and monitoring information have been taken into account to give a true picture of the company's performance in terms of sustainability and social responsibility.

- **SCOPE AND APPROVAL**

The Statement of Non-Financial Information forms part of the management report of the consolidated annual accounts of the ICO Group and therefore follows the same approval procedure, i.e., it is drawn up by the Chairman in March each year and subsequently approved by the Operations Committee, the highest governing and management body of the ICO Group, and endorsed by the General Council in its capacity as the Institute's highest governing body.

The information in this document refers, among others, to the broad sustainability performance of the ICO Group between 1 January and 31 December 2022, based on the materiality study described in section 1.4. Where possible, data has been provided on a consolidated level. Where the information does not refer to all the companies included in the scope, this is expressly stated. This report is prepared on an annual basis.

- **PRINCIPLES FOR THE PREPARATION OF THE STATEMENT OF NON-FINANCIAL INFORMATION**

The principles contained in the European Commission's guidelines (2017/C 215/01) have been taken into account in preparing this NFS, in particular, the principles according to which the information disclosed should be meaningful; faithful, balanced, and understandable; and complete but concise.

In this respect, the ICO Group's NFI contains the information necessary to understand its performance, results, and situation, as well as the impact of its activity, relating at least to environmental and social issues, as well as personnel, respect for human rights and the fight against corruption and bribery. The non-financial information provided enables a true and fair view to be obtained of the aspects developed, providing information that is comparable with other entities or with previous years where applicable.

Likewise, the content of the non-financial information statement has been defined taking into account the stakeholders and the material aspects identified. In this respect, the ICO Group has carried out a materiality study through an exhaustive process of internal and external analysis to identify the relevant aspects. The study has been carried out from a dual materiality and impact assessment perspective, and includes the different aspects ordered by priority, with more specific explanations as to why they are relevant.

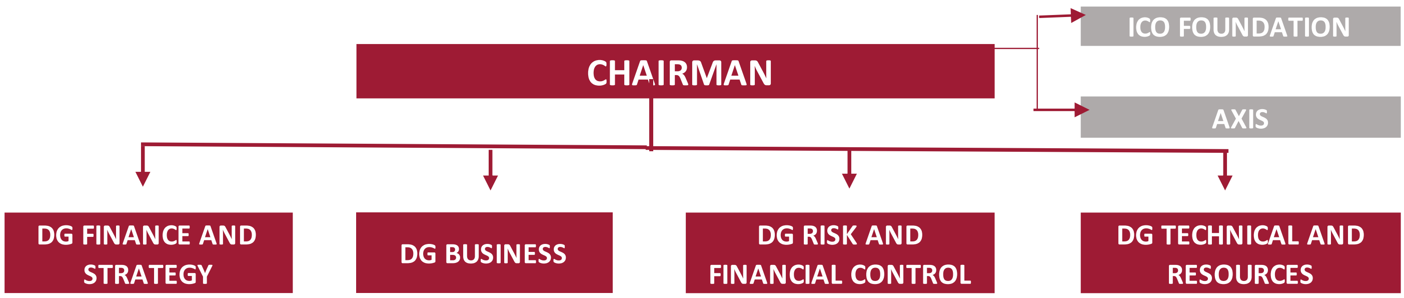
The annual accounts and financial information of the ICO Group have been audited by the Intervención General de la Administración del Estado (IGAE) through Mazars Auditores, S.L. Concerning the Statement of Non-Financial Information, the ICO Group has submitted its content to verification by independent experts to increase the confidence of stakeholders, which was carried out by CAVALA Gabinete de Asesoría Empresarial, S.L. During the verification process, it was verified that the structure of the document allows the information to be read quickly and clearly. Furthermore, the veracity of the information and the reliability of the sources used have been checked.

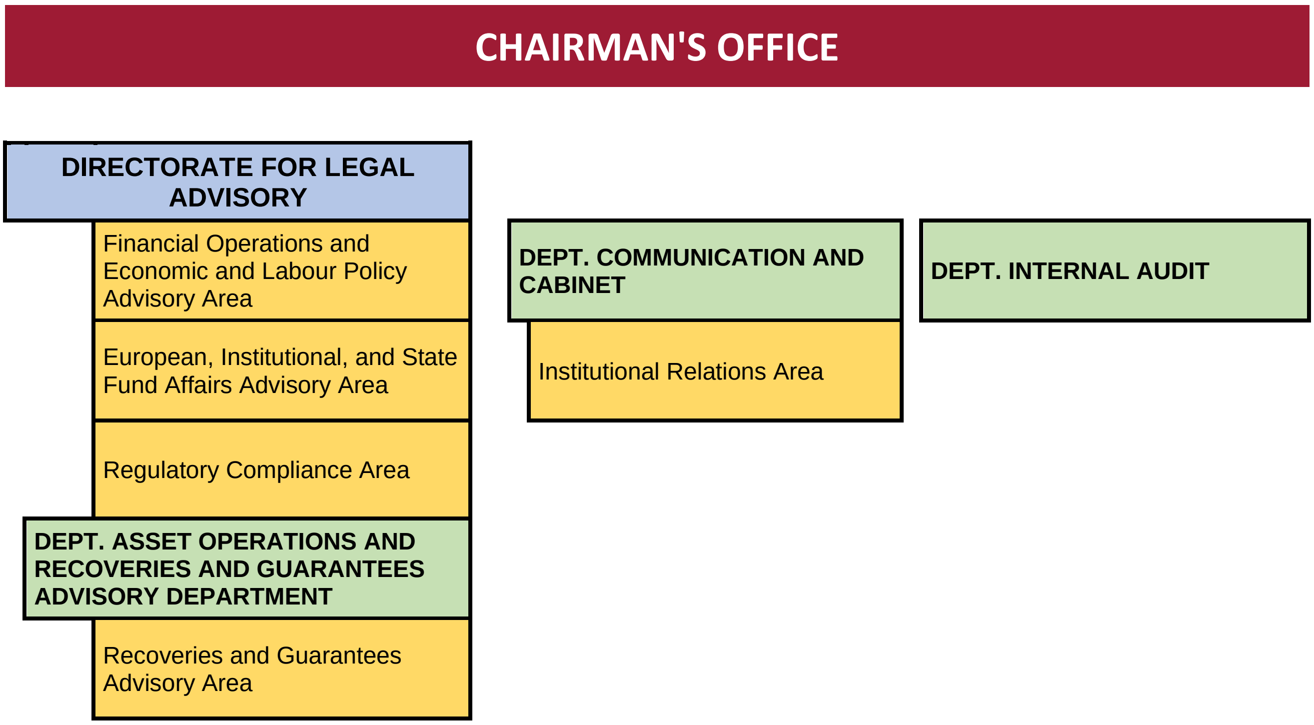
- **CONTACT**

For any questions regarding the content of this report, please contact: estudios.evaluacion@ico.es.

7 ORGANISATIONAL CHART

The organisational chart of the entities that make up the ICO Group is as follows.





DIRECTORATE GENERAL FOR FINANCE AND STRATEGY

DIRECTORATE FOR STRATEGY AND SUSTAINABILITY

- Sustainability Development Area
- Sustainability Methodologies and Measurement Area
- Research and Evaluation Area

DIRECTORATE OF FINANCING AND TREASURY

- Financial Operations Management Area
- Capital Markets Are
- Treasury Area
- Securitisation and Investee Management Area

DEPT. BALANCE SHEET MANAGEMENT

GENERAL BUSINESS MANAGEMENT

DIRECTORATE OF INTERNATIONAL MANAGEMENT FOR STATE FUNDS

- Transaction Restructuring Area
- EIF Management Area
- EIF Administration Area

DIRECTORATE OF INTERMEDIATION AND SME'S

- Mediation with Financial Institutions Area
- Information Area
- **DEPT. SME FINANCING AND GUARANTEES**
  - Guaranteed Lines Management Area

DIRECTORATE OF CORPORATE AND INSTITUTIONAL FINANCE

- Territorial State Funds Area
- Corporate Finance Area
- **DEPT. CORPORATE FINANCING**
  - Medium-Sized Company Financing Area

DIRECTORATE OF INTERNATIONA L FINANCING AND EUROPEAN UNION

- Guarantees and International Financing Area

DEPT. PRODUCT DEVELOPMENT

DIRECTORATE GENERAL FOR RISK AND FINANCIAL CONTROL

DIRECTORATE FOR RISK MANAGEMENT
- Global Risk Control Area
- **DEPT. METHODOLOGY AND CREDIT RISK**
  - Admission and ESG Risks Area
  - Risk Methodology and Policies Area

DIRECTORATE OF MONITORING AND RECOVERIES
- Wholesale Monitoring and Recovery Area
- Retail Monitoring and Recovery Area

DIRECTORATE FOR BUDGET AND FINANCIAL CONTROL
- Information Management Area
- Budgeting and Management Control Area
- Management Control Methodologies and Analysis Area
- **DEPT. ACCOUNTING**
  - Accounting and Solvency Management Area
  - Financial Reporting and CIRBE Area

DEPT. OPERATIONS MANAGEMENT
- Direct Operations Administration Area
- Issue and Treasury Management Area
- Mediation Operations Administration Area

GENERAL TECHNICAL AND RESOURCES DEPARTMENT

DIRECTORATE FOR INFORMATION SYSTEMS
- Applications Development Area
- Platforms Area
- Digital Solutions Area

DEPT. HUMAN RESOURCES AND CSR
- Human Capital and CSR Area
- Labour Relations Area

- Organisation and Quality Area
- General Services and Assets Area

CHAIRMAN'S OFFICE

VICE-CHAIR

ADDRESS OF THE ICO FOUNDATION

SUSTAINABLE ART AND ARCHITECTURE AREA

SUSTAINABLE ECONOMY AND FINANCE AREA

CHAIRMAN'S OFFICE

VICE-CHAIR

AXIS GENERAL MANAGEMENT

PORTFOLIO MANAGEMENT AREA

FINANCIAL AREA

LEGAL ADVISORY AREA

INTERNATIONAL RELATIONS AREA

8 TABLE OF CONTENTS LAW 11/2018 AND GRI

Table of contents Law 11/2018		
	Description Law 11/2018	**Chapter**
Business Model	Brief description of the group's business model - Business environment - Organisation and structure - Markets in which it operates - Objectives and strategies - Factors and trends likely to affect its future development	1. The ICO Group, its Strategy, and Environment
Policies Applied	- Policies applied by the group in non-financial aspects,due diligence procedures applied, and actions taken - Results of these policies accompanied by key non-financial performance indicators	4.1. Risk management: identification and monitoring 4.2. General tools for responsible management
Main risks	- Main risks related to non-financial aspects linked to the group's activities - Procedures used to identify, assess and manage these risks - Impacts identified on the main risks in the short, medium, and long-term	4.1. Risk management: identification and monitoring
Non-Financial KPIs	Non-financial key performance indicators that are relevant to the specific business activity, and that meet the criteria of comparability, materiality, relevance, and reliability.	2.2. In its financial activity: support for the productive fabric 2.3. Positive macroeconomic impact on the Spanish economy 2.4. The priority: boosting sustainability in our financial activity 3.2. 6. Results, fiscal and subsidy information 4.4. Key internal management results 5. Human resources and diversity management
Environmental Management	- Current and foreseeable effects of the company's activities on the environment, health, and safety. - Environmental assessment or certification procedures - Resources dedicated to environmental risk prevention - Application of the precautionary principle - Amount of provisions and safeguards for environmental risks	4.4. Key internal management results
Pollution	Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment, taking into account any form of activity-specific air pollution, including noise and light pollution.	4.4. 3. Pollution. Emissions. Internal carbon footprint

Circular Economy and Waste Prevention and Management	- Waste prevention, recycling, reuse, or other forms of recovery and disposal measures. - Actions to combat food waste		4.4. 2. Circular Economy and Waste Management
Sustainable Use of Resources	- Water consumption and water supply by local constraints - Consumption of raw materials and measures taken to improve the efficiency of raw material use - Direct and indirect energy consumption - Measures to improve energy efficiency - Use of renewable energy		4.4. 1. Responsible use of natural resources 4.4. 2. Circular Economy and Waste Management 4.4. 3. Pollution. Emissions. Internal carbon footprint
Climate Change	- Significant elements of GHG emissions generated as a result of the company's activities, including the use of the goods and services it produces. - Measures to adapt to the consequences of climate change - Voluntary medium- and long-term reduction targets set to reduce GHG emissions - Means implemented to reduce GHG emissions		4.4. Key internal management results 2.4. The priority: boosting sustainability in our financial activity
Biodiversity Protection	- Measures to preserve or restore biodiversity - Impacts caused by activities or operations in protected areas		4.4. Key internal management results 2.4. The priority: boosting sustainability in our financial activity
Employment	- Total number and distribution of employment contracts, the average annual number of permanent contracts, temporary contracts, and part-time contracts by gender, age, and occupational classification. part-time contracts by gender, age, and occupational classification - Number of dismissals by sex, age, and occupational classification - Average earnings and their evolution broken down by sex, age, and occupational classification or equal value - Pay gap, the remuneration of equal or average jobs in the company - Average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payments to long-term savings schemes, and any other payments disaggregated by gender. - Implementation of policies of disconnection from work - Employees with disabilities		5.1. Staff data 5.2. Types of contracts 5.3. Average earnings and the wage gap 5.9. Universal accessibility for people with disabilities 1.3. Governance and Management Structure

Work organisation	- Organisation of working time - Number of hours of absenteeism - Measures aimed at facilitating the enjoyment of work-life balance and encouraging co-responsibility on the part of both parents.		5.4. Work organisation 5.5. Work-life balance
Health and Safety	- Health and safety conditions at work - Accidents at work (frequency and severity) and occupational diseases, disaggregated by gender		5.6. Health and safety
Social Relations	- Organisation of social dialogue, including procedures for informing, consulting, and negotiating with employees - Percentage of employees covered by collective agreements by country. - Balance of collective agreements, particularly in the field of health and safety at work		5.7. Social relations
Training	- Policies implemented in the field of training - Total number of training hours by occupational category		5.8. Training
Universal Accessibility for People with Disabilities	Measures implemented by the organisation to facilitate accessibility (physical and digital) for people with disabilities		5.9. Universal accessibility for people with disabilities
Equality	- Measures to promote equal treatment and opportunities between women and men - Equality plans - Measures to promote employment - Protocols against sexual harassment and harassment based on sex - Integration and universal accessibility for people with disabilities - Anti-discrimination and diversity management policy		5.10. Equality and diversity
Respect for Human Rights	- Implementation of human rights due diligence procedures - Prevention of risks of human rights abuses and measures to mitigate, manage and redress potential abuses committed - Denunciation of cases of human rights abuses - Promotion of and compliance with the provisions of the International Labour Organisation's core conventions related to		3.2. 1. Human rights

	respect for freedom of association and the right to collective bargaining - Elimination of discrimination in respect of employment and occupation - Abolition of forced or compulsory labour - Effective abolition of child labour		
Combating Corruption and Bribery	- Measures to prevent corruption and bribery - Measures to combat money laundering - Contributions to foundations and non-profit organisations		3.2. 1. Human rights 4.3. Specific tools for ethical and responsible management
Company Commitments to Sustainable Development	- Impact of the company's activity on employment and local development - Impact of the company's activity on local populations and the territory - Relations maintained with local community stakeholders and the modalities of dialogue with them - Partnership or sponsorship actions		2.3. Positive macroeconomic impact on the Spanish economy 2.2. In its financial activity: support for the productive fabric 2.4. The priority: boosting sustainability in our financial activity 3.1. ICO Foundation Promoting culture and knowledge 3.2. Our role in society
Subcontracting and Suppliers	- Inclusion of social, gender equality, and environmental issues in the procurement policy. - Consideration in relations with suppliers and subcontractors of their social and environmental responsibility. - Monitoring and audit systems and results of audits		3.2. 2. Suppliers
Consumers	- Consumer health and safety measures - Claims systems, complaints received, and their resolutions		3.2. 3. Customers:
Tax Information	- Profits earned country by country - Taxes on profits paid - Public subsidies received		3.2. 6. Results, Tax, and Subsidy Reporting

GRI Content Index with references to Global Compact Progress Report and SDGs

Statement of Use	The ICO Group has prepared the report following the GRI Standards for the period from 1 January 2022 to 31 December 2022.
GRI 1 used	GRI 1: Fundamentals 2021
Applicable GRI Sector Standards	Not applicable as there is no sectoral standard developed for the banking sector.

	Standards GRI	Description	Global Compact Progress Report Ref.	SDG Ref.	Page / Link / Omissions
	General Content				
	The organisation and its reporting practices				
GRI2: General Contents 2021	GRI 2-1	Organisational details	General Information		1.1. Composition - p.4 1.2. Nature and Functions - p.4
	GRI 2-2	Entities covered by sustainability reporting	General Information		1.1. Composition - p.4 6. About the Report – p.109
	GRI 2-3	Reporting period, frequency, and contact point	General Information		6. About the Report - p.109
	GRI 2-4	Updating of Information	General Information		4.4.3. Pollution, Emissions, Internal Carbon Footprint - p. 84
	GRI 2-5	External Verification	General Information		6. About the Report - p.109
	Activities and employees				
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ANNEX GLOSSARY OF ABBREVIATIONS

AEB	Spanish Banking Association
AFD	Agence Française de Développement
AFIF	Alternative Fuel Infrastructure Facility
AIREF	Independent Authority for Fiscal Responsibility
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
APP	Asset Purchase Programme
ASCRI	Association for Capital, Growth, and Investment
BGK	Bank Gospodarstwa Krajowego - The National Promotional Bank of Poland
BIS	Bank for International Settlements
CAPE	Coalition of Finance Ministers for Climate Action
CAPEX	Capital Expenditure
CARI	Reciprocal Interest Adjustment Contract
CBP	Code of Best Practices
CDC	Caisse des Dépôts et Consignations Group - French National Promotional Bank
CDP	Cassa Depositi e Prestiti - Italian National Promotional Bank
CECA	Spanish Confederation of Savings Banks
CEF	Connecting Europe Facility
CERSA	Compañía Española de Reafianzamiento
CESCE	Spanish Export Credit Insurance Company
CNMV	Spanish Securities and Exchange Commission
COFIDES	Spanish Development Financing Company
COI	Clean Oceans Initiative
COP	United Nations Climate Change Conferences
COPER	Operations Committee
CSRD	Corporate Sustainability Reporting Directive
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EDW	European Datawharehouse, GmbHG
EFR	Family-Responsible Company
EFRAG	European Financial Reporting Advisory Group
EIB	The European Investment Bank
EIF	European Investment Fund.
ELTI	European Long-Term Investors Association
EPA	Labour Force Survey
EQA	European Quality Assurance
ESG	Environmental, Social, and Governance
ESMA	European Securities and Markets Authority
FCA	Financial Conduct Authority
FCAS	Cooperation Fund for Water and Sanitation
FFCCAA	Financing Fund for Autonomous Communities
FFEELL	Local Entities Financing Fund

FIEM	Fund for the Internationalisation of Enterprise
FINRESP	Spanish Sustainable and Responsible Finance Centre
FOCIT	State Financial Fund for Tourism Competitiveness
FONPRODE	Fund for the Promotion of Development
FSB	Financial Stability Board
GHG Protocol	Greenhouse Gas Protocol
GRI	Global Reporting Initiative
IACL	Capital and Liquidity Self-Assessment Report
ICEI	Complutense Institute of International Studies
ICEX	Spanish Institute for Foreign Trade
ICMA	International Capital Market Association
IGAE	General Intervention of the State Administration
INES	National Status of Security Report
JICE	Joint Initiative on Circular Economy
KFW	Kreditanstalt für Wiederaufbau - National Promotion Bank of Germany-
MAPA	Ministry of Agriculture, Fisheries and Food
MAR	Risk Appetite Framework
MARF	Alternative Fixed Income Market
MITECO	Ministry for Ecological Transition and the Demographic Challenge
MITMA	Ministry of Transport, Mobility, and Urban Agenda
MOOC	Massive Online Open Courses
MRR	Resilience and Recovery Mechanism
NAFTA	North American Free Trade Agreement
NEFI	Network of European Financial Institutions for Small and Medium Sized Enterprises
NFRD	Non-Financial Reporting Directive
NGEU /NextGen	Next Generation EU
NGFS	Network of Central Banks and Supevisors for Greening the Financial System
OFISO	Spanish Observatory for Sustainable Finance
PCAF	Partnership for Carbon Accounting Financials
PEPP	Pandemic Emergency Purchase Programme
PERTE	Strategic Projects for Economic Recovery and Transformation
PNIEC	National Integrated Energy and Climate Plan
SAECA	State Agricultural Guarantee Company
SDG	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SGR	Mutual Guarantee Societies
SIW	Sustainable Infrastructure Window
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UCM	Complutense University of Madrid
UIMP	Menéndez Pelayo International University
UNED	National University of Distance Education
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change