INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

Audit report of the consolidated financial statements 2015

National Audit Office

(This is a free translation from the original in Spanish, translation of the report and financial statements, originally issued in Spanish. In the case of a discrepancy, the Spanish language version prevails)

I. Introduction

The General Comptroller of the State Administration, through the National Audit Office and by means of the powers attributed to it by Article 168 of the General State Budget Act, has audited the attached consolidated financial statements of Instituto de Crédito Oficial and its subsidiaries, including the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated report corresponding to the year ending on that date.

The audit firm Ernst&Young has undertaken the audit work referred to in the preceding section, based on the agreement entered into with the Ministry of Finance and Public Administrations, at the proposal of the General Comptroller of the State Administration. The Technical Standard of 11 April 2007 on collaboration with private auditors in public audits was applied to this work by the General Comptroller of the State Administration.

The General Comptroller of the State Administration has drafted this report based on the work undertaken by the audit firm Ernst&Young.

The Chairman of Instituto de Crédito Oficial is responsible for producing ICO's financial statements pursuant to the financial reporting framework described in Note 1.2 of the attached report and, in particular, in accordance with accounting principles and criteria. Furthermore, the Chairman is responsible for the internal control deemed necessary to ensure that these financial statements do not contain material misstatements.

The consolidated financial statements to which this report refers were drafted by the Chairman of Instituto de Crédito Oficial on 29 March 2016 and submitted to the National Audit Office on 31 March 2016.

The information corresponding to the financial statements is contained in the file GB0721_2015_F_160331_123915_Cuentas.zip, for which the electronic summary is 0C08E89C1ECBDC61754B0B48D2A1AC932EF5B670CBAFDA01544D0EED3592AFF2. These documents have been filed in the CICEP.red application of the General Comptroller of the State Administration.

II. Purpose and scope of the work: Responsibility of the auditors

Our responsibility is to issue an opinion about whether the attached consolidated financial statements offer a true and fair view, based on the work carried out in accordance with Public Sector Auditing Standards. These standards require us to plan and carry out the audit in order to obtain reasonable, but not absolute, assurance that the consolidated financial statements are free from material misstatements.

An audit involves the use of procedures to obtain audit evidence regarding the amounts and information disclosed in the consolidated financial statements. The procedures are selected at the auditor's discretion, including the assessment of the risk of material misstatements in the financial statements. In performing these risk assessments, the auditor takes into account the corresponding internal control for preparing the consolidated financial statements by managers of the parent company, in order to design appropriate audit procedures based on the circumstances and not for the purpose of expressing an opinion regarding the effectiveness of the entity's internal control function. An audit also includes an assessment of the suitability of the accounting policies applied and the accounting assessments made, as well as an assessment of the overall presentation of the consolidated financial statements.

Our work does not include auditing the 2015 financial statements of AXIS Participaciones Empresariales, Sociedad Gestora de Entidades de Capital Riesgo, S.A., (100% owned); CERSA Compañía Española de Refianzamiento, S.A., (24.22% shareholding); COFIDES, Compañía Española de Financiación del Desarrollo, S.A., (20.31% shareholding); and EFC2E GESTIÓN, S.L. (50% shareholding). The financial statements for AXIS y COFIDES have been audited by Ernst&Young, with no audit report available for the financial statements of CERSA and EFC2E GESTIÓN, S.L. However, the net book value in the attached consolidated financial statements of the total of the aforementioned companies represents 1% of total assets.

With regards to the aforementioned shareholdings, our opinion expressed in this report on the consolidated financial statements is solely based on the report of other auditors for the cases in which this report is available.

We believe that the audit evidence that we have obtained provides a sufficient and appropriate basis for issuing our audit opinion.

III. Opinion.

In our opinion, based on our audit and the report submitted by other auditors, the attached consolidated financial statements offer a true and fair view of the consolidated equity and consolidated financial position of Instituto de Crédito Oficial and its subsidiaries at 31 December 2015 in all material aspects, and of its consolidated results and consolidated cash flows corresponding to the year ending on that date, pursuant to the applicable financial reporting regulatory framework and in particular, the accounting principles and criteria contained therein.

IV. Report on other legal and regulatory requirements.

Pursuant to its bylaws, Instituto de Crédito Oficial must prepare a Management Report that contains the explanations considered appropriate concerning ICO's situation and evolution and does not form an integral part of the financial statements.

Our work has been limited to checking that it has been prepared pursuant to the corresponding regulations and that the accounting information matches the details provided in the audited consolidated financial statements.

This audit report has been affixed with an electronic signature via the CICEP.red application of the General Comptroller of the State Administration by the Head of Division at the National Audit Office and by a National Auditor Team Manager, in Madrid on 22 April 2016.

INSTITUTO DE CRÉDITO OFICIAL

Consolidated Financial Statements at 31 December 2015
and Consolidated Management Report for 2015

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014
(Expressed in thousand euros)

ASSETS	2015	2014
Cash and deposits at central banks (Note 6)	**60 025**	**21 786**
Trading portfolio (Note 7)	**153 890**	**309 550**
Debt securities	-	-
Equity instruments	-	-
Trading Derivatives	153 890	309 550
Memorandum item: loaned or advanced as collateral	-	-
Other financial assets at fair value through profit and loss	**-**	**-**
Available-for-sale financial assets (Note 8)	**1 990 899**	**912 678**
Debt securities	1 588 278	590 575
Other equity instruments	402 621	322 103
Memorandum item: loaned or advanced as collateral	-	-
Loans and receivables (Note 9)	**46 986 642**	**66 441 205**
Deposits at credit institutions	27 325 231	38 788 520
Customer loans	14 913 314	19 700 715
Debt securities	4 748 097	7 951 970
Memorandum item: loaned or advanced as collateral	-	-
Held-to-maturity investment portfolio (Note 10)	**10 810 652**	**13 948 582**
Memorandum item: loaned or advanced as collateral	-	-
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	**-**	**-**
Hedging derivatives (Note 11)	**1 755 253**	**1 951 138**
Non-current assets held for sale (Note 12)	**-**	**-**
Investments (Note 13)	**55 929**	**54 275**
Associates	55 929	54 275
Jointly control Entities	-	-
Subsidiaries	-	-
Insurance contracts linked to pensions	**-**	**-**
Tangible assets (Note 14)	**84 198**	**85 528**
Property, plant and equipment	84 198	85 528
For own use	84 198	85 528
Memorandum item: Acquired under finance lease	-	-
Intangible assets (Note 15)	**8 996**	**8 507**
Other intangible assets	8 996	8 507
Tax assets (Note 16)	**248 339**	**265 661**
Current	19 958	12
Deferred	228 381	265 649
Other assets (Note 17)	**29 770**	**10 153**
TOTAL ASSETS	**62 184 593**	**84 009 063**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014
(Expressed in thousand euros)

LIABILITIES	2015	2014
Trading Portfolio (Note 7)	**148 649**	**289 999**
Derivates held for trading	148 649	289 999
Other financial liabilities at fair value with changes in the income statement	**-**	**-**
Financial Liabilities at amortised cost (Note 19)	**56 039 918**	**78 065 372**
Central bank deposits	**-**	6 899 167
Credit Institution deposits	11 633 435	11 081 862
Customer funds	1 056 619	2 839 377
Money market operations through	41 835 142	55 143 517
Subordinated debt Financing	-	-
Other financial liabilities	1 514 722	2 101 449
Adjustment to financial liabilities due to macro-hedging	**-**	**-**
Hedging derivatives (Note 11)	**271 857**	**351 153**
Liabilities associated with non-current assets for sale	**-**	**-**
Provisions (Note 20)	**335 917**	**327 289**
Provisions for pensions and similar obligations	343	216
Provisions for taxes and other legal contingencies	-	-
Provisions for contingent exposures and commitments	19 540	24 385
Other provisions	316 034	302 688
Tax Liabilities (Note 16)	**40 416**	**21 782**
Current	1 246	3 955
Deferred	39 170	17 827
Other Liabilities (Note 18)	**6 162**	**26 792**
Capital Classified as financial liabilities	**-**	**-**
TOTAL Liabilities	**56 842 919**	**79 082 387**
EQUITY		
Valuation adjustments (Note 21)	**54 223**	**(13 146)**
Available-for-sale financial assets (Note 8)	201	4 423
Cash-Flow hedging	54 022	(17 569)
Exchange differences	**-**	-
Own funds (Note 22)	**5 287 451**	**4 939 822**
Capital or endowment fund	4 311 855	3 960 893
Reserves	-	
Accumulated reserves	941 752	898 190
Retained earnings	941 752	898 190
Other equity instruments	-	-
Profit and loss for the period	33 844	80 739
Less: Dividends and remunerations	-	-
	-	
TOTAL EQUITY	**5 341 674**	**4 926 676**
TOTAL EQUITY AND LIABILITIES	**62 184 593**	**84 009 063**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014
(Expressed in thousand euros)

MEMORANDUM ITEM	2015	2014
Contingent risks (Note 24)	**972 700**	**1 319 047**
Financial guarantees	972 700	1 319 047
Contingent commitments (Note 24)	**3 562 167**	**3 641 474**
Drawable by third parties	3 562 167	3 183 070
Other commitments	-	458 404

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE RECOGNIZED FOR THE YEARS

ENDED 31 DECEMBER 2015 AND 2014

(Expressed in thousand euros)

	2015	2014
Interest and similar income (Note 25)	**1 458 187**	**2 389 876**
Interest and similar charges (Note 26)	**(1 359 036)**	**(1 811 004)**
NET INTEREST INCOME	**99 151**	**578 872**
Return on equity instruments (Note 27)	**353**	**568**
Share of results of entities accounted for using the equity method (Note 28)	**1 901**	**1 616**
Fee and commission income (Note 29)	**54 885**	**36 211**
Fee and commission expense (Note 29)	**(8 436)**	**(26 384)**
Gains or losses on financial assets and liabilities (net) (Note 30)	**(68 371)**	**(36 740)**
Derivates held for trading	(11 581)	(26 178)
Available-for-sale financial assets (Note 8)	-	6 665
Loans and receivables (Note 9.2)	-	(17 227)
Financial liabilities at amortised Cost (Note 19.6)	(56 790)	
Exchange differences (net) (Note 2.4)	**1 532**	**6 171**
Other operating income (Note 33)	**1 619**	**2 399**
Other operating expenses	**(3)**	**-**
GROSS OPERATING INCOME	**82 631**	**562 713**
Administrative expenses:	**(37 728)**	**(34 628)**
Personnel expenses (Note 31)	(20 797)	(19 780)
Other administrative expenses (Note 32)	(16 931)	(14 848)
Depreciation and amortization	**(4 940)**	**(4 966)**
Tangible assets (Note 14)	(2 490)	(2 506)
Intangible assets (Note 15)	(2 450)	(2 460)
Provisions expense (net) (Note 20)	**52 349**	**(54 742)**
Financial asset impairment losses (net)	**17 651**	**(336 446)**
Credit investments(Note 8, 9,and 10)	17 651	(336 446)
NET OPERATING PROFIT	**52 349**	**131 931**
Losses for impairment of other assets (net)	**(107)**	**(18 538)**
Goodwill and other intangible assets(Note 15)	-	-
Other assets (Note 12)	(107)	(18 538)
Gains/ (Losses) on disposal of assets not class. As non-current assets held for sale	**475**	**560**
Negative difference on business combinations	**-**	**-**
Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	**-**	**-**
PROFIT BEFORE TAX	**52 717**	**113 953**
Income tax (Note 23)	**(18 873)**	**(33 214)**
PROFIT FOR THE PERIOD FROM ONGOING OPERATIONS	**33 844**	**80 739**
CONSOLIDATED NET PROFIT FOR THE YEAR	**33 844**	**80 739**
Profit attributable to the parent company	33 844	80 739
Profit attributable to minority interest	-	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

I. CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE RECOGNIZED FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014

(Expressed in thousand euros)

	2015	2014
Profit for the year	**33 844**	**80 739**
Other income and expenses recognized	**67 369**	**41 274**
Available-for-sale financial assets	**(6 032)**	**9 830**
Profit/loss valuation	(6 032)	9 830
Amounts transferred to profit and loss account (Note 21)	-	-
Reclassifications	-	-
Hedging of cash flows	**102 273**	**49 132**
Profit/loss valuation	**102 273**	**49 132**
Amounts transferred to profit and loss account (Note 21)	-	-
Amounts transferred to initial carrying amount of hedged items	-	-
Reclassifications	-	-
Hedges of net investments in foreign	-	-
Profit/loss valuation	-	-
Amounts transferred to profit and loss account	-	-
Income tax	-	-
Exchange differences	-	-
Gains/losses on conversion	-	-
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Non-current assets for sale	-	-
Valuation gains	-	-
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Gains (Losses) in pension actuarial	-	-
Other income and expenses recognized	-	-
Income tax	(28 872)	(17 688)
TOTAL RECOGNIZED INCOME AND EXPENSES	**101 213**	**122 013**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

II. CONSOLIDATED STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Expressed in thousand euros)

At December 31,2015	SHAREHOLDERS EQUITY									
	Capital / endowment fund	Share premium	Reserves (losses) accumulated	Other equity instruments	Less: Treasury shares	Net profit for the year	Less: Dividends and remuneration	Total Own Funds	Valuation adjustments	Total Net Equity
Ending Balance at December 31, 2014	**3 960 893**	**-**	**898 190**	**-**	**-**	**80 739**	**-**	**4 939 822**	**(13 146)**	**4 926 676**
Total income and expenses recognized	-	-	-	-	-	33 844	-	33 844	67 369	101 213
Other changes in net worth:	**350 962**	**-**	**43 562**	**-**	**-**	**(80 739)**	**-**	**313 785**	**-**	**313 785**
Increases in capital endowment	350 962	-	-	-	-	-	-	350 962	-	350 962
Transfers between equity	-	-	43 562	-	-	(80 739)	37 177	-	-	-
Other increases (decreases) in equity	-	-	-	-	-	-	(37 177)	(37 177)	-	(37 177)
Ending Balance at December 31,2015	**4 311 855**	**-**	**941 752**	**-**	**-**	**33 844**	**-**	**5 287 451**	**54 223**	**5 341 674**

At December 31,2014	SHAREHOLDERS EQUITY									
	Capital / endowment fund	Share premium	Reserves (losses) accumulated	Other equity instruments	Less: Treasury shares	Net profit for the year	Less: Dividends and remuneration	Total Own Funds	Valuation adjustments	Total Net Equity
Ending Balance at December 31, 2013	**3 609 855**	**-**	**857 001**	**-**	**-**	**79 040**	**-**	**4 545 896**	**(54 420)**	**4 491 476**
Total income and expenses recognized	-	-	-	-	-	80 739	-	80 739	41 274	122 013
Other changes in net worth:	**351 038**	**-**	**41 189**	**-**	**-**	**(79 040)**	**-**	**313 187**	**-**	**313 187**
Increases in capital endowment	351 038	-	-	-	-	-	-	351 038	-	351 038
Transfers between equity	-	-	41 189	-	-	(79 040)	-	(37 851)	-	(37 851)
Other increases (decreases) in equity	-	-	-	-	-	-	-	-	-	-
Ending Balance at December 31,2014	**3 960 893**	**-**	**898 190**	**-**	**-**	**80 739**	**-**	**4 939 822**	**(13 146)**	**4 926 676**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Expressed in thousand euros)

	2015	2014
A. CASH FLOWS FROM OPERATING ACTIVITIES	**(3 468 481)**	**(6 642 567)**
1. Consolidated income for the year	**33 844**	**80 739**
2 Adjustments to result:	**11 549**	**429 360**
Depreciation and amortization	4 940	4 966
Other adjustments	6 609	424 394
3. Net increase /decrease in operating assets	**18 708 272**	**11 506 360**
Trading portfolio	155 660	91 221
Other financial assets at fair value with changes in the income statement	-	-
Available-for-sale financial assets	(1 078 221)	192 209
Credits, loans and discounts	19 454 563	11 661 239
Other operating assets	176 270	(438 309)
4 Net increase/decrease in operating liabilities	**(22 258 102)**	**(18 642 187)**
Trading portfolio	(141 350)	(108 115)
Other financial liabilities at fair value with changes in the income statement	-	-
Financial liabilities at amortised cost	(22 025 454)	(18 594 768)
Other operating liabilities	(91 298)	60 696
5. Collections/payments for income tax	**35 956**	**(16 839)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	**3 177 935**	**6 295 589**
6. Payments	**(17 597 686)**	**(11 809 293)**
Tangible assets	(1 265)	(472)
Intangible assets	(7 216)	(4 015)
Shareholdings	(1 654)	(941)
Other business units	-	-
Non-current assets and liabilities associated for sale	-	-
Held-to-maturity investment portfolio	(17 587 551)	(11 379 940)
Other payments related to investing activities	-	(423 925)
7. Collections	**20 775 621**	**18 104 882**
Tangible assets	681	376
Intangible assets	4 301	2 460
Shareholdings	-	-
Other business units	-	-
Non-current assets and liabilities associated for sale	-	-
Held-to-maturity investment portfolio	20 725 481	18 102 046
Other collections related to investing activities	45 158	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2015 AND 2014
(Expressed in thousand euros)

	2015	2014
C. CASH FLOWS FROM FINANCING ACTIVITIES	**328 785**	**351 038**
8. (Payments)	**(37 177)**	**-**
Dividends	(36 888)	-
Subordinated debt financing	-	-
Equity instruments amortizations	-	-
Own equity instruments purchased	-	-
Other finances received	(289)	-
9. Collections	**365 962**	**351 038**
Subordinated debt financing	-	-
Issue own equity instruments	-	-
Disposal own equity instruments	-	-
Other finances charged	365 962	351 038
D. EFFECT OF EXCHANGE RATE FLUCTUATIOS	-	-
E. NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**38 239**	**4 060**
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**21 786**	**17 726**
G. CASH OR CASH EQUIVALENTS AT END OF THE YEAR	**60 025**	**21 786**
MEMORANDUM ITEM	-	-
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD	-	-
Cash (Note 6)	**11**	**9**
Cash equivalent balances with central banks (Note 6)	**60 014**	**21 777**
Other financial balances	-	-
Less: bank overdrafts repayables	-	-

INSTITUTO DE CRÉDITO OFICIAL AND DEPENDENT ENTITIES

Notes to the consolidated financial statements for the year ended 31 December 2015

1. INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

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

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

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

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

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

At the end of 2015, the Council of Ministers approved the Royal Decree 1149/2015, December 18, whereby modify certain precepts of the Instituto de Crédito Oficial (ICO) statutes in order to introduce improvements of corporate governance operation. In October of the same year the Public Sector legal regime law was developed by this standard, which gave input for the first time to four independent directors in the State Financial Agency. Now objective selection criteria are set such as the prestige and training, incompatibilities, and the mandate is for three years renewable only once for three more. In the case of Financial Matters of the own business the independent directors will have double vote, therefore, they will be majority in the Council.

The Public Sector Act Legal Regime (October 2015) modifies the Royal Decree Law which is regulating the ICO, and established that the General Council is composed of the president and 10 vowels (up to then 9). Of these, four members must be independent (non Public Sector personnel) and renewable once for three years. Furthermore it was established that the appointment and dismissal of all the members corresponds to the Council of Ministers, on the proposal of the Minister of Economy and Competitiveness. These members have double vote on decisions related to financial transactions of assets and liabilities own ICO business.

The Royal Decree approved by the Council of Minister develops these modifications. Regarding to the requirements to be appointed independent advisor are included: recognized commercial and professional honorability, 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, so on Risk Capital Entities; as well as to its subsidiaries, group to which they belong or associations.

The General Council 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 their duties have ceased. The dismissal can occur by resignation accepted by the Minister of Economy and Competitiveness, expiry of the mandate for the independent members or termination in the case of the members from the public sector. The suitability unexpected absence in the case of the independent will also be a cause of time off, as well as for non serious duties of confidentiality or have incurred in 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 Finance, subject to the rules and decisions adopted by its General Council.

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

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

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

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

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

4. Firms Internationalization Fund (FIEM for its initials in Spanish). This Fund was established in 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, December 26th; of the 2008 General State Budget to fund water and sanitation projects under the financing arrangements with the national authorities of the Latin America Countries, considered a priority for the Spanish cooperation.

6. Finance Fund to Local Entities, resulting from the December 26th 17/2014 Royal Decree-Law, 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 Regional Liquidity Fund (created by Royals Decrees 4/2012 and 7/2012), which happens in all its rights and obligations, effective January 1st, 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 the December 26th 17/2014 Royal Decree-Law, 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 Regional Liquidity Fund (created by Royal Decree 21/2012), which happens in all its rights and obligations, effective January 1st, 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.

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

1.2 Basis of presentation of the financial statements

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

Consequently, the accompanying consolidated financial statements have been prepared from the accounting records of the entities Group and in accordance with the requirements established by International Financial Reporting Standards adopted by the European Union (NIIF-UE) and by Bank of Spain Circular 4/2004 of December 22, and subsequent amendments, the Spanish Code of Commerce, the Capital Enterprises Act or other Spanish legislation that is applicable, so that they present fairly the net worth and financial situation of the Group at 31 December 2015 and the results of its operations, of changes in equity and consolidated cash flows for the year ended on that date.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Groupós financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective

- **IFRS 9 ñFinancial Instrumentsò**

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

a) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis.

b) Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

- **NIIF 15 Revenue from contracts with customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisationò

The amendments clarify that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- **Amendments to IAS 27: Equity method in the separate financial statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Groupôs consolidated financial statements.

- **Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an investor and its Associate or Joint Venture"**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investorsô interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements *2012-2014 Cycle*

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

- **IFRS 7 Financial Instruments: Disclosures**

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- **Amendments to IAS 1 Disclosure Initiative**

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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

The consolidated financial statements for the year 2015 of the Group have been prepared by the Chairwoman of the Institute dated on March 29th, 2016, still pending approval by the General Council of the Institute, parent entity of the Group, which is expected to approve them without significant changes. These consolidated financial statements, unless otherwise stated, are presented in thousands of Euros.

1.3 Responsibility for information and estimates made.

The information contained in the financial statements for the year ended 31 December 2015 and the accompanying Notes regarding those financial statements are responsibility of the Chairwoman. During the preparation of these financial statements, some estimations have been made by ICO to quantify certain assets, liabilities, income, expenses, and commitments included in those statements. These estimations basically refer to:

- Impairment losses on certain assets (Note 2.7).

- Assumptions used in actuarial calculations of liabilities and commitments related to post-employment benefits and other long-term commitments with employees. (Note 2.10.2).

- Useful life of fixed assets and intangible assets (Notes 2.12 y 2.13).

- Losses on future obligations derived from contingent risks. (Note 2.14)

- The fair value of certain unlisted assets. (Note 2.2.4)

- Recoverability of deferred tax assets (Note 16).

Although these estimations were made based on the best information available at December 31st, 2015 in relation with the analysed facts, future events could lead significant adjustments to be made (upward or downward) in coming years. These changes would be made prospectively, to recognise the impact of the change in the estimation of the income statement for the specific years.

1.4 Transfer of assets and liabilities from the extincted Argentaria

The extinct entities Argentaria, Caja Postal and Banco Hipotecario, S.A., were the result of the merger between Corporación Bancaria de España, S.A., Banco Exterior de España, S.A. (BEX), Caja Postal, S.A. and Banco Hipotecario de España, S.A. (BHE), in accordance with the public merger document dated 30 September 1998. Banco de Crédito Agrícola, S.A. (BCA), 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, maintains its legal personality.

Based on what was established in the A.C.M. the 15th February 1993, the Institute acquired the 31st December 1992, the 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-industrialization legislation). Also they were acquired exceptional loans granted to victims of floods, the loans granted by these entities prior to their transformation into public limited liability companies, as well as other assets, rights and equity investments.

Furthermore, on 25th march 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. Management commissions accrued from the past years 2015 and 2014 were a total of 408 thousands of euros, for both years.

At 31 December 2015 and 2014, the breakdown by nature of the transferred assets and liabilities that were managed at those dates by BBVA (the entity resulting from the integration of all of the above, among others), is set out below:

	Thousands of euros	
Assets and liabilities managed by BBVA	**2015**	**2014**
Credit Institutions	9	9
Loans to Spanish Public Administrations	297	368
Loans to other resident sectors	36	55
Doubtful assets	2 074	2 146
Non-current assets	370	333
Sundry accounts	191	3
Total assets	**2 977**	**2 914**
Sundry accounts	225	225
Connection account with ICO	2 605	2 254
Profit of the year	147	435
Total liabilities	**2 977**	**2 914**

1.5 Presentation of individual financial statements

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

A summary is set out below of the individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement of Instituto de Crédito Oficial for the years ended 31 December 2015 and 2014, prepared under the same accounting principles and standards as applied by the Group in consolidated financial statements:

a) Individual balance sheets at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Cash and balances with Central Banks	60 024	24 193
Financial assets held for trading	153 890	309 550
Available-for-sale financial assets	1 990 899	912 678
Loan and receivables	46 986 482	66 438 619
Held-to-maturity investment portfolio	10 810 652	13 948 582
Hedging derivatives	1 755 253	1 951 138
Non-current assets for sale	-	-
Shareholdings	44 446	44 446
Tangible assets	84 180	85 496
Intangible assets	8 978	8 490
Tax assets	248 339	265 649
Other assets	29 462	9 790
Total assets	**62 172 605**	**83 998 631**
Financial liabilities held for trading	148 649	289 999
Financial liabilities at amortised cost	56 050 982	78 086 781
Hedging derivatives	271 857	351 153
Provisions	335 917	327 245
Tax liabilities	40 416	21 782
Other liabilities	4 761	25 468
Total Liabilities	**56 852 582**	**79 102 428**
Valuation adjustemtns	54 223	(13 146)
Own funds:	5 265 800	4 909 349
Capital or endowment fund	4 311 855	3 960 893
Reserves	911 568	874 679
Profit and loss for the period	42 377	73 777
Total equity	**5 320 023**	**4 896 203**
Total equity and liabilities	**62 172 605**	**83 998 631**
Contingent risks	972 700	1 319 003
Contingent commitments	3 562 167	3 641 474
Total memodandum item	**4 534 867**	**4 960 477**

b) Individual income statements for the years ended 31 December 2015 and 2014:

	Thousands of euros	
	2015	2014
Interest and similar income	1 458 170	2 389 798
Interest and similar charges	(1 359 036)	(1 811 004)
Net interest income	**99 134**	**578 794**
Return on equity instruments	15 353	568
Fee and commissions income	45 126	26 126
Fee and commissions expense	(8 436)	(26 384)
Gain or losses on financial assets and liabilities (net)	(68 371)	(36 740)
Exchange differences (net)	1 532	6 171
Other operating income	1 619	2 399
Other operating expenses	-	-
Gross operating income	**85 957**	**550 934**
Administrative expenses	(34 327)	(32 150)
Depreciation and amortization	(4 908)	(4 920)
Provisions expenses (net)	(5 266)	(54 742)
Financial asset impairment losses (net)	17 651	(336 446)
Net operating profit	**59 107**	**122 676**
Losses for impairment of other assets (net)	(107)	(18 536)
Gains / losses on disposal of assets not class. As non-current assets held for sale	475	560
Negative difference on business combinations	-	-
Gains / losses on non-current assets held for sale not classified as discontinued operations	-	-
Profit before tax	**59 475**	**104 700**
Income tax	(17 098)	(30 923)
Profit for the period from ongoing operations	**42 377**	**73 777**
Profit / Loss from discontinued operations (net)	-	-
Profit for the year	**42 377**	**73 777**

c) Statement of changes in equity. Statements of individual income and expense recognized for the years ended 31 December 2015 and 2014

	Thousands of euros	
	2015	2014
Profit for the year:	42 377	73 777
Other income and expenses recognized:	67 369	41 274
Available ï for ï sale financial assets	(6 032)	9 829
Financial liabilities at fair value with changes in equity	-	-
Hedging of cash flows	102 273	49 134
Hedges of net investments in foreign	-	-
Exchange differences	-	-
Non ï current assets for sale	-	-
Income tax	(28 872)	(17 689)
Total recognized income and expenses	**109 746**	**115 051**

d) Statement of changes in equity. Individual statements of changes in equity for the years ended 31 December 2015 and 2014:

At December 31, 2015	SHAREHOLDERS EQUITY									
	Capital /Endowment Fund	**Share premium**	**Reserves**	**Other equity instruments**	**Less: Treasury shares**	**Profit for the year**	**Less: Dividends and remuneration**	**Total Own Funds**	**Valuation adjustments**	**TOTAL NET EQUITY**
Ending Balance at December 31, 2014	3 960 893	-	874 679	-	-	73 777	-	4 909 349	(13 146)	4 896 203
Total income and expenses recognized	-	-	-	-	-	42 377	-	42 377	67 369	109 746
Total Income and expenses recognized										
Other changes in the increases in capital endowment	350 962	-	-	-	-	-	-	350 962	-	350 962
Transfers between equity	-	-	36 889	-	-	(73 777)	36 888	-	-	-
Other increases (decreases) in net worth	-	-	-	-	-	-	(36 888)	(36 888)	-	(36 888)
Total other increases (decreases) in net worth	350 962	-	36 889	-	-	(73 777)	-	314 074	-	314 074
Ending Balance at December 31, 2015	4 311 855	-	911 568	-	-	42 377	-	5 265 800	54 223	5 320 023

At December 31, 2014	SHAREHOLDERS EQUITY									
	Capital /Endowment Fund	**Share premium**	**Reserves**	**Other equity instruments**	**Less: Treasury shares**	**Profit for the year**	**Less: Dividends and remuneration**	**Total Own Funds**	**Valuation adjustments**	**TOTAL NET EQUITY**
Ending Balance at December 31, 2013	3 609 855	-	839 063	-	-	71 232	-	4 520 150	(54 420)	4 465 730
Total income and expenses recognized	-	-	-	-	-	73 777	-	73 777	41 274	115 051
Total Income and expenses recognized										
Other changes in the increases in capital endowment	351 038	-	-	-	-	-	-	351 038	-	351 038
Transfers between equity	-	-	35 616	-	-	(71 232)	35 616	-	-	-
Other increases (decreases) in net worth	-	-	-	-	-	-	(35 616)	(35 616)	-	(35 616)
Total other increases (decreases) in net worth	351 038	-	35 616	-	-	(71 232)	-	315 422	-	315 422
Ending Balance at December 31, 2014	3 960 893	-	874 679	-	-	73 777	-	4 909 349	(13 146)	4 896 203

e) Individual cash ï flow statements for the years ended 31 December 2015 and 2014.

	Thousands of euros	
	2015	**2014**
Net cash ï flows from operating	**(3 489 627)**	**(6 646 212)**
activities: Profit for the year	42 377	73 777
Adjustments for cash flows from operating activities	(5 258)	427 023
Net increase/decrease in operating assets	18 705 790	11 500 140
Net increase/decrease in operating liabilities	(22 268 480)	(18 630 313)
Collections/payments for income tax	35 944	(16 639)
Net cash flows for investing activities:	**3 211 384**	**6 301 063**
Payments	(17 596 029)	(11 803 805)
Collections	20 807 413	18 104 868
Net cash flows for financing activities	**314 074**	**351 038**
Effect of exchange rate fluctuations	**-**	-
Net increase/decrease in cash or cash equivalents	**35 831**	**5 889**
Cash or cash equivalents at beginning of the year	24 193	18 304
Cash or equivalents at end of the year	60 024	24 193

1.6 Environmental impact

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

The Institute considers that the Group has taken appropriate environmental protection and improvement measures and for minimizing, when possible, the environmental impact following the rules regarding this matter. In 2015 and 2014 the Group has not carried out significant environmental investments and neither has it considered it necessary to register any provision for environmental risks and charges. Furthermore, the Institute has not considered any significant contingencies in relation with environmental protection and improvement.

1.7 Minimum coefficients

1.7.1 Minimum equity ratio

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

The Law 10/2014 from June 26, concerning management, supervision and solvency of credit institutions, has replaced, from 1st January 2014, the former legal body concerning prudential banking regulation (Law 13/1985, from May 25 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 June 26th, 2013 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 June 26 2013, 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 financial institutions.

The main purpose of the Law 10/2014, of June 26th, has been adapting Spanish law to regulatory changes imposed on the international stage and the European Union, directly incorporating the provisions of Regulation (EU) 575/2013 of June 26th (CRR), and making the proper transposition of Directive 2013/36/EU of June 26th (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 own funds, 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 l between 5 and 10 years.

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

    - Requirement of financial 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 2015 onwards. The final leverage ratio will be tested during the monitoring period until 2017 when the Committee will decide on the final definition and calibration.

- 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 financial institutions must maintain a common capital buffer of 2.5% above Common Equity Tier 1 and an institution-specific countercyclical 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 own funds than the minimum requirements set out in the CRR (Pillar II).

Pursuant to the D.A. 8th of Law 10/2014, of June 26, on management, supervision and solvency of banks, 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.

At December 31, 2015 and 2014, the ICO Group's computable equity is as follows:

	2015	2014
Capital level 1 ordinary (*)	5 184 303	4 826 784
- Capital	4 311 855	3 960 893
- Reserves and prudential filters (**)	872 448	865 891
Capital level 2 ordinary	118 513	120 731
- Other reserves (**)	-	-
- Generic insolvency risk coverage	118 513	120 731
-		
Total computable capital	**5 302 816**	**4 947 515**
Total minimum capital (***)	**1 289 988**	**1 655 981**

(*) The Group has no additional Capital Level 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 8% of risk-weighted assets (RWA), according to EU Regulation 575/2013

At December 31, 2015 and 2014, the most important data of the minimal resources of the Group are (in thousands Euros):

	2015	2014
Capital level 1	5 184 303	4 826 784
Risk-weighted assets (RWA)	16 124 853	20 699 756
Capital level 1 ratio (%)	32,15%	23,32%
Computable total Capital	5 302 816	4 947 515
Computable total Capital ratio (%)	32,89%	23,90%
Minimum computable capital ratio (%) (*)	9,5%	9,5%

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

At December 31, 2015 and 2014, computable Capital of the Group, calculated, where appropriate, on a consolidated basis, exceeds the minimum requirements required by applicable regulations on 4,012,828 thousand euros and 3,291,534 thousand euros, respectively.

1.7.2 Minimum reserves ratio

The Institute must maintain a minimum level of funds deposited in a central bank of an euro country to cover the minimum reserve requirements. At 31 December 2015, this level was 2% of computable liabilities. On 24 November 2011, Regulation (EU) No 1358/2011 came into effect, requiring 1% for additional computable liabilities (time deposits of over two years drawable subject to a notice period of more than two years, sales under repurchase agreements and securities other than shares with maturities of over two years). This amendment was applied following the maintenance period that started on 18 January 2012.

At December 2015 and 2014, and throughout 2015 and 2014, The Group complied with the minimum ratios required by applicable Spanish regulations.

1.7.3 Capital management

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

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

1.8 Post-balance sheet events

In accordance with Additional Provision of Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security measures, amended by 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 2015 totals ú590 thousands, which will be registered in 2016.

As in previous years, chapter VIII of the General State Budgets for 2016 envisages a new contribution to ICO's equity amounting to 175 million euros in order to increase the Institute's equity and adapt it to its operations.

In 2016, the Instituto de Crédito Oficial, as a State Financial Agency, has capitalized 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 objectives. The main lines approved are:

- Línea ICO Empresas y Emprendedores 2016: 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 landlord communities can also take advantage of this line for housing restoration.

- Línea ICO Garantía SGR 2016: 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).

- Línea ICO Pagarés y Bonos de Empresas 2016: A credit line oriented to Spanish firms that issue promissory notes and bonds, in the primary market, in organized markets or in multi-lateral negotiation systems in Spain.

- Línea ICO Crédito Comercial 2016: 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 the invoices from their commercial business within the national territory.

- Línea ICO Fidelidad y Crecimiento 2016: this ICO line provide finance to freelances, public and private companies, spanish or foreign entities, owners and individuals, who want to cancel a loan from the ICO lines and formalize a new one to improve their financial conditions.

- Línea ICO Internacional 2016: 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.

- Línea ICO Exportadores 2016: 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.

The total amount of these lines increases up to 12,000 million euros. During January 2016, the ICO and credit institutions that submitted the application for membership of these credit lines, handled the drafting and signatures of the contracts.

No significant events other than those described in the previous paragraphs have occurred since the end of the reporting period (31 December 2015) until the date these financial statements were issued (29 March 2016).

1.9 Information per business segment

The Group's principal 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 the Group 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 đCO Directoôlending activities

In 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 financial institutions and represents a broadening of the finance channels aimed at SMEs and self-employed individuals. The 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 and Banco Bilbao Vizcaya Argentaria (BBVA). These financial institutions were awarded in the public tender held by ICO for this purpose.

The breakdown by nature of ICO Direct's assets and liabilities at 31 December 2015 and 2014 the corresponding managing entity is as follows:

	Thousands of euros			
	2015		2014	
Assets and liabilities of ICO Direct	**BBVA**	**BS**	**BBVA**	**BS**
Loans and advances to other resident sectors	24 617	33 048	38 268	51 793
Distressed assets	-	-	-	-
Other	-	-	-	-
Total assets	**24 617**	**33 048**	**38 268**	**51 793**
Sundry accounts	-	-	-	-
Connection account with ICO	23 052	30 871	34 992	49 417
Profit for the year	1 565	2 177	3 276	2 376
Total liabilities	**24 617**	**33 048**	**38 268**	**51 793**

1.11 ICO local corporation/entities lending activity in 2011

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

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

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

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

The breakdown by nature of ICO Directõs assets and liabilities at December 31, 2015 and December 31, 2014 disaggregated by management entities are as follows:

ICO EELL 2011 Assets and Liabilities Balance sheet	**Thousands of euros**	
	2015	**2014**
Loans and Advances to Spanish Public Administrations	10 908	89 566
Distressed Assets	7 391	10 087
Other	-	-
Total assets	**18 299**	**99 653**
Connection account with ICO	18 191	83 777
Profits for the year	108	15 876
Total liabilities	**18 299**	**99 653**

This line is guaranteed to the ñInstitutoò with the Participation in State Income (PIE in spanish) of the borrowing EELL. The reduction in the outstanding balance of this line, from the beginning of it and until December 31, 2015, under the PTE, is 55,74 million euros (44,59 million euros at December 31, 2014). Of the 1,029 hosted entities have had to resort to the PTE, to December 31, 2015, a total of 44 entities. At December 31, 2015 are still claiming deductions of PTE to 44 entities, for an outstanding amount of 9,3 million euros.

2. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT METHODS APPLIED

During the preparation of Group's consolidated financial statements for the years ended 31 December 2015 and 31 December 2014, the following accounting principles, policies and measurement methods have been applied:

a) Going concern principle

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

b) Accruals principle

The financial statements, except what is related to the cash flow statements, have been prepared on the basis of the real flow of goods and services, regardless the date of payment or collection.

c) Other general principles.

The financial statements have been prepared under the historical cost approach, but modified due to the revaluation, in the case of, land and buildings (only at 1 January 2004) (Note 14), financial assets available for sale financial assets and liabilities (including derivatives) at fair value.

2.1 Shareholdings

2.1.1 Subsidiaries

Subsidiaries are those over which the Bank has control. It is understood that an entity controls a participated 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 participated.

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.

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

Additionally, third-party interests in the:

Å Group's equity is presented in "Minority interests" in the consolidated balance sheet, without balance at 31 December 2015 and 2014.

Å Consolidated results for the year are presented in "Surplus attributed to minority interests" in the consolidated income statement, without balance at 31 December 2015 and 2014.

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

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

2.1.2 Associated entities

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

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

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

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

Appendix I provide relevant information on these entities.

2.2 Financial Instruments

2.2.1 Initial recognition of financial instruments

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

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

2.2.2 Disposal of financial instruments

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

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

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

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

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

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

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

2.2.3 Fair value and amortised cost of financial instruments

Financial assets:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities:

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

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

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

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

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

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

2.2.4 Classification and measurement of financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Å In exceptional circumstances, unless the assets could have been included in the category of credits, loans and discounts. Exceptional circumstances are those that arise from a particular event, which is unusual and unlikely to occur in the foreseeable future.

Å When the Institute has the intention and financial ability to maintain the financial asset in the foreseeable future or until maturity, when in its initial recognition it has met with the investment credit definition.

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

During 2015 and 2014, there has been no reclassification mentioned in this section.

2.3 Financial derivatives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Foreign currency transactions

2.4.1 Functional currency

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

Set out below are the total assets and liabilities denominated in foreign currency held by the Institute, at 31 December 2015 and 2014 (thousands of units of each foreign currency):

	Thousands of euros			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Pounds sterling	122 218	284 973	141 234	796 623
US Dollars	1 655 117	5 598 610	1 372 694	4 518 808
Canadian dollars	71 946	650 002	71 014	650 000
Swiss Francs	284	970 256	278	1 170 295
Norwegian kroner	-	3 450 004	-	4 451 719
Japanese Yen	127	73 816	132	164 607
Australian dollars	122	-	121	-
Other traded currencies	29 186	-	35 288	96 618
Other non-traded currencies	121 027	-	130 624	914

The equivalent value in Euros of assets and liabilities denominated in foreign currency, classified by nature, recorded by the Institute, at 31 December 2015 and 2014 is as follows:

	Thousands of euros			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Spanish credit institutions in Spain	554 165	-	267 652	-
Spanish credit institutions abroad	29 700	-	25 748	-
Foreign credit institutions abroad	222 443	467 774	15 927	1 220 184
Loans/Deposits Spanish Public Administrations	-	-	-	-
Loans to/deposits with other resident sectors	564 600	-	637 933	-
Loans/Deposits non-resident Public Admin	27 187	-	33 203	-
Loans/Deposits, other non-resident sectors	482 751	-	543 049	-
Provisions denominated in foreign currency	-	-	-	-
Issued bonds and others	5 064	7 310 912	6 072	6 683 310
	1 885 910	**7 778 686**	**1 529 584**	**7 903 494**

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

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

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

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

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

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

The exchange rates used by the Group to convert balances denominated in the main foreign currencies in which it operates are the market rates at 31 December 2015 and 2014 published by the European Central Bank at each of those dates.

The net amount of exchange differences arising from the conversion of receivables and payables denominated in foreign currency, arises up to 1,532 thousand euros profit at 31 December 2015 (6,171 thousand euros profit at 31 December 2014).

2.5 Recognition of revenue and expense

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

2.5.1 Interest income and expense, dividends and similar items:

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

2.5.2 Commissions, fees and similar items:

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

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

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

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

2.5.3 Non-financial income and expense:

These amounts are accounted on an accruals basis.

2.5.4 Deferred collections and payments:

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

2.6 Offset of balances

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

2.7 Financial asset impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Institute has used the parameters established by the Bank of Spain, based on its sector experience and information, which determine the method and amount to be used to cover inherent impairment losses incurred in debt instruments and contingent risks classified as normal risks, which are changed regularly on the basis of the development of the data in question. This method of determining the coverage for impairment losses is based on the application of certain percentages set in the applicable accounting legislation, which vary based on the risk classification of financial instruments as established in the said legislation.

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

Age of past-due amount	Percentage of cover
Up to 180 days	25%
More than 180 days and less than 270	50%
More than 270 days and less than 1 year	75%
More than 1 year	100%

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

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

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

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

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

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

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

  a) In the case of underlying assets coming from finished real estate businesses such as houses financing other houses, without having been the lender's regular residence. The percentage referred in section 32, a) (foreclosed assets as debt payment instruments) will be 25% and its minimum hedging percentages, depending on how long it has been recorder in balance sheet's section 35, will be the followings:

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

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

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

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

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

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

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

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

In the case that the probabilities of recovery any amount recorded, like impairment, were considered 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 an instrument of debt, regardless of their legal form, which can be, inter alia, of a surety, financial guarantee insurance contract or credit derivative.

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

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

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

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

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

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

2.9 Accounting for leases

2.9.1 Finance leases

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

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

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

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

2.9.2 Operating leases

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

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

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

2.10 Staff costs

2.10.1 Short-term remuneration

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

2.10.2 Post-employment commitments

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

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

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

Å The professional group to which the employee pertains.

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

The amounts to be contributed are those approved in the General State Budget for each year. Under the heading ñStaff Costsò, there is no cost registered for this year at 31st December 2015 and neither for the previous one at 31st December 2014.

2.10.3 Death and disability benefits and retirement bonuses

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

At 31 December 2015 a provision was recorded for post-employment commitments amounting to 343 thousand euros (216 thousand euros at 31 December 2014).

2.10.4 Termination benefits

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

At 31 December 2015 and 2014, the Group has not recorded any provisions regarding this aspect as there is no plan or agreement that would require such an allocation.

2.11 Corporate income tax

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

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

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

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

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

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

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

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

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

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

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

2.12 Property, plant and equipment

2.12.1 Property, plant and equipment for own use

Property, plant and equipment for own use includes those assets that are owned or acquired under finance leases that the Institute holds for its own current or future use for administrative purposes or for the production or supply of assets and when they are expected to be used for more than one financial year. Among other things, this category includes property, plant and equipment received by the Group for the total or partial settlements of financial assets that represent debt claims against third parties which are expected to be used on a continuous and internal basis.

Property, plant and equipment for own use is carried in the balance sheet at acquisition cost, which consists of the fair value of any compensation paid plus any monetary payments made or promised, less accumulated depreciation and, if appropriate, any estimated losses that result from comparing the net value of each item with the relevant recoverable amount.

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

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

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

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

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

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

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

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

2.12.2 Real estate investments

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

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

2.13 Intangible assets

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

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

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

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

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

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

2.14 Provisions and contingent liabilities

When preparing the financial statements the Group differentiates between:

- Provisions: creditor balances that cover obligations that exist in the balance sheet date, deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.

- Contingent liabilities: possible obligations deriving from past events which may materialise subject to one or more future events beyond the control of the Group.

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

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

At the 2015 and 2014 year end, a number of legal procedures and claims had been initiated against the Instituto, arising in the ordinary course of business. ICO's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the financial statements for the years in which they finalise.

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

2.15 Cash-flow statements

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

- Cash flows: Inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.

- Investing activities: acquisition, sale or disposal through other means of noncurrent assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

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

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

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

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

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

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

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

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

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

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

3. CUSTOMER SERVICE

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

In 2015 a total of 138 complaints were received, (157 in 2014) of which were addressed within an average of 3.8 working days (5.1 days in 2014). The 84% of the total are related to credit transactions in the intermediary line and were therefore passed on to the relevant financial institutions. Another 8% were related to repayments or resolutions about ICOdirect operations.

4. RESULTS DISTRIBUTION

The distribution of 2015 profits, which arises up to 33,844 thousand euros and It is at the date of preparation of these consolidated pending to decide the distribution by the General Council of each Entity of the Institute. Such distribution will be following the statutes.

5. RISK EXPOSURE

5.1 Risk - General aspects

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

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

Å 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.

Å 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.

Å 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.

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

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

5.2 Organisational structure

In order to cover the entire risk spectrum, within its organisational structure, the Institute (according to Presidential Organizational Circular 1/2015 of July 27), has created specialised units under Sub-Directorate for Risk, which reports to the General Directorate for Risk and Finance.

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

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

The primary duties of the Global Risk area are:

Å Preparing, proposing and controlling financial risk measurement methodologies applied by the Institute.

Å Overseeing the correct compliance of the limits of financial risks and policies previously approved.

Å Analyze, monitor and review periodically credit counterparty lines and monitor levels with the mediating entities.

Å Defining and reviewing measurement, back-testing and stress-testing systems.

Å Proposing criteria for market valuation of new financial products, establishing methodologies, risk measurement and potential risk (Add-on).

Å Analysing the adaptation of national and international legislation regarding risks within its competency.

Å Value at market price new products and structures and their potential risk (Add-on).

Å Supervise the correct application of approved methodologies risks.

Å Analysis of credit risk in Liquidity Lines Securitisation Funds operations.

Å Propose new Liquidity, Market, Credit and New Products risk limits.

Å Reporting and analysis of the situation of risk for Assets and Liabilities Committees, Operations and Council.

Å Report states of interest rate risk, liquidity and Basel ratios for Bank of Spain.

Å Analyse the adaptation of EU Directives and national legislation regarding risks within its competence.

The primary duties of the Risk Acceptance area are:

Å Evaluating the risk admissibility for new asset products and direct credit operations not included in automated procedures.

Å Analyze under the assessment of eligibility of direct credit risk limits approved by ICO with clients and economic groups.

Å Analysing and evaluating risks assumed by ICO, under any proposed modification to transactions already formalised, that require the approval of decision-making bodies

Å Analyze adaptation to national and international standards regarding risks within its competence.

Å Propose for approval by the ICO internal organs of decision direct credit risk policies and / or, where appropriate, policy changes already approved at the ICO.

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

Å Analyze and evaluate, from the point of view of ICO credit risk, the proposed mediation lines.

Å Monitor and verify compliance with the conditions for ICO mediation lines distributed by partner financial institutions to final beneficiaries, proposing, if necessary, corrective action upon detection of breaches.

Å Establish and maintain a system of internal rating, country risk rating, operational risk methodology and credit risk limit methodology for direct ICO economic groups clients. Perform control and reporting of large risk exposures.

Å Ensuring the quality of the ICO portfolio, using all the information needed.

Å Coordinate the Monitoring Committee of the portfolio of direct loans from the ICO.

Å Propose risk provisions of substandard and doubtful for reasons other than the default risk.

Å Participate in the Credit Committee in which are discussed and adopted agreements concerning the granting of new direct loans from the ICO, as well as modifications of already formalized operations.

Å Promote, in coordination with corresponding Legal & business areas appropriate recuperative actions regarding financing transactions that are in arrears, settled and failed.

Å Respond to requests from regulatory agencies (rating agencies, internal and external auditors, Court of Auditors, the Bank of Spain, etc.).

Å Analyze adaptation to national and international standards regarding risks within its competence.

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

Å To analyse financial operations viability regarding the targeted segment.

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

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

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

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

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

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

5.3 Liquidity risk at ICO

National legislation contains several recommendations to be taken into consideration in order to adequately managing this risk. In addition, together with the 30th November, 4/2011 Circular publication, is introduced in the 3/2008 Circular, Liquidity Information, Liquidity Statements LQ monthly elaborated and presented to Bank of Spain. There are also international recommendations, such as those established in the document published by the Basel Committee on Bank Supervision in February 2000 (Sound Practices for Managing Liquidity in Banking Organizations), which contains guidelines that must be taken into consideration when establishing a system for measuring, managing and monitoring liquidity risk. The establishment of new solvency and liquidity requirements from Basel III: Global Regulatory framework to reinforce banks and the banking system and Basel III: (International framework for liquidity risk measurement, standards and monitoring, and a global regulatory framework for more resilient banks and banking systems) represents a new step in the direction of guaranteeing more efficient parameters in liquidity measurement and control. During the first days of January 2013, Basel III: The liquidity Coverage Ratio and liquidity risk monitoring tools, is published and moves forward in the definition and short term liquidity ratio tracking, completing this work with the publication on 12 January 2014 of the document Guidance for Supervisors on Market-Based Indicators of Liquidity.

In this sense, on January 17th, 2015 is published the Delegate Regulation 2015/61 amending Regulation CRR 575/2013 of the European Parliament and of the Council is complete with respect 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, enter fully in effect as of January 1, 2018.

In 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 will be necessary to calculate and maintain a minimum net stable financing ratio from 1 January 2018.

During the year 2013 and 2014, 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 will be applied in the future.

Furthermore, prospectively throughout 2015 and, based on the document published by the BIS "Basel III: the net stable funding ratio" of October 2014 have been calculated the results, quarterly, provide the ICO balance with the introduction of different scenarios handled one year ahead (2016), 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, three or six month's periods. There is a percentage over the total of Institute's liabilities that cannot be exceeded for each period: one week-period: up to 0.5%, one month period: up to 1%, three month period: up to 2.5% and six month period: up to 5%.

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

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

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

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

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

Due to this new situation, decisions were taken throughout 2015, 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 does not anticipate any liquidity shortages in 2016.

Maturities of ICO's assets and liabilities

The following table shows the classification, by residual maturity of assets and liabilities, net of valuation adjustments and amounts in foreign currency of ICO at 31 December 2015:

	Thousands of euros							
ASSETS	**Upon demand**	**Up to 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**1 - 5 years**	**More than five years**	**Total**
Cash and balances with central Banks	**60 024**	**-**	**-**	**-**	**-**	**-**	**-**	**60 024**
Deposits and credit institutions	**362 626**	**149 360**	**629 060**	**1 321 703**	**2 040 527**	**15 269 163**	**6 727 562**	**26 500 001**
Loans at credit institutions	**49 053**	**1 083**	**262 987**	**194 479**	**329 640**	**4 493 322**	**10 494 982**	**15 825 546**
- Spanish public administration	25 277	-	-	18 289	48 991	1 177 828	2 319 601	3 589 986
- Other resident sectors	23 569	1 083	262 987	176 190	280 649	3 272 466	7 950 501	11 967 445
- Non-residents	207	-	-	-	-	43 028	224 880	268 115
Debt securities	**372 193**	**2 127 353**	**787 892**	**1 763 903**	**3 401 386**	**7 571 790**	**1 122 510**	**17 147 027**
Other assets with agreed maturity	**3 007**	**-**	**-**	**1 306**	**142**	**179**	**565**	**5 199**
	846 903	2 277 796	1 679 939	3 281 391	5 771 695	27 334 454	18 345 619	59 537 797

LIABILITIES	Upon demand	Up to 1 month	1 ï 3 months	3 ï 6 months	6 ï 12 months	1 - 5 years	More than five years	Total
	Thousands of euros							
Deposits central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deposits from credit institutions	**54 367**	**-**	**-**	**-**	**6 088**	**1 973 480**	**9 030 004**	**11 063 939**
Deposits from other creditors	**1 044 635**	**130**	**-**	**-**	**18 543**	**4 000**	**-**	**1 067 308**
- Spanish public administration	947 989	-	-	-	-	-	-	947 989
- Other resident sectors	96 646	130	-	-	18 543	4 000	-	119 319
- Non-residents	-	-	-	-	-	-	-	-
Debt certificates including bonds	**-**	**3 508 160**	**2 311 583**	**2 747 247**	**3 895 839**	**16 949 516**	**3 821 036**	**33 233 381**
Other assets with agreed maturity	**-**	**-**	**-**	**-**	**1 463 553**	**-**	**-**	**1 463 553**
	1 099 002	3 508 290	2 311 583	2 747 247	5 384 023	18 926 996	12 851 040	46 828 181

The following table shows the classification by residual maturity of assets and liabilities, net of valuation adjustments and amounts in foreign currency of ICO at 31 December 2014:

ASSETS	Upon demand	Up to 1 month	1 ï 3 months	3 ï 6 months	6 ï 12 months	1 - 5 years	More than five years	Total
	Thousands of euros							
Cash and balances with central banks	**24 193**	**-**	**-**	**-**	**-**	**-**	**-**	**24 193**
Deposits at credit institutions	**343 872**	**1 970 113**	**605 604**	**1 748 259**	**5 543 670**	**20 768 132**	**7 957 995**	**38 937 645**
Loans and advances to other debtors	**319 924**	**147 935**	**411 397**	**1 694 331**	**1 009 774**	**5 085 755**	**11 416 919**	**20 086 035**
- Spanish Public Administrations	277 105	-	319 257	1 410 250	63 702	585 310	3 031 314	5 686 938
- Other resident sectors	42 819	147 935	92 140	284 081	946 072	4 460 433	8 138 906	14 112 386
- Non-residents	-		-	-	-	40 012	246 699	286 711
Debt securities	**-**	**3 607 455**	**2 226 741**	**1 952 570**	**3 387 326**	**11 029 847**	**287 642**	**22 491 581**
Other assets with agreed maturity	**17 306**	-	**(61)**	**2**	**13**	**697**	**703**	**18 660**
	705 295	5 725 503	3 243 681	5 395 162	9 940 783	36 884 431	19 663 259	81 558 114

LIABILITIES	Upon demand	Up to 1 month	1 ï 3 months	3 ï 6 months	6 ï 12 months	1 - 5 years	More than five years	Total
	Thousands of euros							
Deposits from central banks	**-**	**-**	**6 800 000**	**-**	**-**	**-**	**-**	**6 800 000**
Deposits from credit institutions	**6 259**	**-**	**129**	**-**	**155 178**	**1 976 508**	**7 649 987**	**9 788 061**
Deposits from other creditors	**2 757 583**	**19 363**	**36 000**	**25 000**	**18 543**	**4 000**	**-**	**2 860 489**
-Spanish Public Administrations	2 686 401	-	-	-	-	-	-	2 686 401
- Other resident sectors	71 182	19 363	36 000	25 000	18 543	4 000	-	174 088
- Non-residents	-	-	-	-	-	-	-	-
Debt certificates including bonds	**-**	**114 998**	**3 118 302**	**3 044 454**	**7 499 804**	**27 597 155**	**4 855 655**	**46 230 368**
Other liabilities with agreed maturity	**-**	**-**	**-**	**-**	**2 094 571**	**-**	**-**	**2 094 571**
	2 763 842	134 361	9 954 431	3 069 454	9 768 096	29 577 663	12 505 642	67 773 489

Maturity Analysis of trading and hedging derivatives denominated in euro

The following table shows by notional, the contractual maturities for euro-denominated derivatives, recognised as financial assets and financial liabilities at 31 December 2015 and 2014 (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 2015

	Thousands of euros					
	Up to one year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	**Total**
Derivatives held for trading	**999**	**8 667**	**48 045**	**14 406**	-	**72 117**
- Of which: credit commitments considered as derivatives	-	-	-	-	-	-
Hedging derivatives	**13 564 278**	**16 185 455**	**3 514 415**	**486 277**	**200 000**	**33 950 425**
	13 565 277	**16 194 122**	**3 562 460**	**500 683**	**200 000**	**34 022 542**

At 31 December 2014

	Thousands of euros					
	Up to one year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	**Total**
Derivatives held for trading	**56 350**	**13 266**	**49 452**	**15 312**	-	**134 380**
- Of which: credit commitments considered as derivatives	-	-	-	-	-	-
Hedging derivatives	**14 751 175**	**27 455 578**	**2 550 907**	**667 798**	**243 527**	**45 668 985**
	14 807 525	**27 468 844**	**2 600 359**	**683 110**	**243 527**	**45 803 365**

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

Where a counterparty can choose when an amount should be paid, the derivative is assigned in the first period, in which the payment to the Institute may be demanded;

The amounts included in the charts, correspond to undiscounted contractual amounts. Interest-rate swaps are shown at their net amount if settled by differences, loan commitments considered derivatives at their gross amount and all remaining financial derivatives at their contractual amount of exchange unsettled by differences;

For derivatives with a non-stated contractual amount at the reporting date, e.g. because they depend on the performance of an index, the residual maturity, considered for classification purposes in the preceding tables, was determined based on prevailing conditions at 31 December 2015 and 2014, respectively.

Liquidity GAP analysis

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

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

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

At 31 December 2015

	Thousands of euros			
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Equivalent inflows in Euros	4 405 382	4 545 397	10 903 080	12 660 205
Equivalent outflows in Euros	(4 981 647)	(4 385 992)	(8 384 807)	(10 252 688)
Partial GAP	(576 265)	159 405	2 518 273	2 407 517
Cumulative GAP	(576 265)	(416 860)	2 101 413	4 508 930

At 31 December 2014:

	Thousands of euros			
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months
Equivalent inflows in Euros	5 891 137	9 187 604	11 384 261	17 462 770
Equivalent outflows in Euros	(6 276 326)	(10 821 186)	(8 035 716)	(11 271 713)
Partial GAP	(385 190)	(1 633 581)	3 348 545	6 191 057
Cumulative GAP	(385 190)	(2 018 771)	1 329 774	7 520 831

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 Financial Margin.

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

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

2) The **methodology**. In order to measure balance sheet risks relating to the Financial Margin, the weighted partial maturity gap method is used, above 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 is used. Based on these modified methods, above 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) **Degree of risk**. The decision regarding the degree of risk assumed by ICO is the Senior Management's responsibility, which based on the proposal of the Directorate for Risks and Accounting, establishes the acceptable limits based on the particular characteristics of the ICO. These limits are reviewed regularly and, at least, on an annual basis.

During 2014, as consequence of the ICO adopted as a way to establish the sensitivity of its net interest margin a calculation thereof from the base curve variations of +/- 200 bp with a floor of 0% in June 2014, the results are as follows.

As a result of applying these movements in interest rates, the sensitivity of the balance of ICO to December 31, 2015 was 5.16% of the total, distributed as follows: 0% for the balance in euros, 3.27 % of the balance in US dollars and 0% of the British Pound. Exchange rate (with movements of +/- 10% on changes in USD / EUR and GBP / EUR) was 1.89% in the dollar and 0.01% in Pounds.

Similarly, for the establishment of the sensitivity of Equity, variations on the market curve established +/- 200 bp with floor at 0%.

At December 31, 2015 the values of the sensitivity of the ICO Net Asset reached 2.41% in value added with a distribution on balances as follows: 2.12% for euro interest rate, 0.09% in the US dollar and 0.03% in the British Pound. Exchange rate for Dollar presented a sensitivity of 0.16% and 0.01% for Pounds.

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

The principal currencies used by ICO to present its balance sheet at 31 December 2015 are the Euro, US dollar and Pound sterling, which account for a 98% of the total balance sheet and off-balance sheet transactions, of which approximately a 91% is in Euros, 8% in US dollars and the remaining 1% in Pounds sterling.

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

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

5.5 Credit risk at ICO

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

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

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

The basic criteria for establishing counterparty lines are also approved by ICO's General Council on a half-yearly basis and is performed an individualized 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 operating in Spain such as, for example, lines of Businesses and Entrepreneurs or Internationalization.

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

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

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

The Monitoring process has the purpose of making the Institute's credit portfolio to achieve the highest quality, i.e. ensures that our loans are being repaid on a timely basis, on the agreed dates. The basic monitoring unit is the client, not the transaction, such that any incident affecting a transaction affects the rating of a client and its group. This is achieved 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 maximize the repayment of financing granted.

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

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

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

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

The following chart shows the maximum credit risk exposure assumed by the Institute at December 31, 2015 and 2014 without deducting collateral or other credit enhancements received to ensure compliance of debtors:

	Thousands of euros					
	December 31,2015					
Types of instruments	Available for sale financial assets	Credit, loans and discounts	Held to maturity investment portfolio	Hedging derivatives	Off Balance Sheet Items	Trading portfolio
Debt instruments	-	-	10 810 652	-	-	-
Credit institutions deposits	-	27 325 078	-	-	-	-
Securities	1 990 899	-	-	-	-	-
Customer loans	-	19 661 404	-	-	-	-
Contingent risks: guarantees	-	-	-	-	972 700	-
Financial derivatives	-	-	-	1 755 253	-	153 890
Other instruments	-	-	-	-	-	-
TOTAL	**1 990 899**	**46 986 482**	**10 810 652**	**1 755 253**	**972 700**	**153 890**

	Thousands of euros					
	December 31,2014					
Types of instruments	Available for sale financial assets	Credit, loans and discounts	Held to maturity investment portfolio	Hedging derivatives	Off Balance Sheet Items	Trading portfolio
Debt instruments	-	-	13 948 582	-	-	-
Credit institutions deposits	-	38 785 941	-	-	-	-
Securities	912 678	-	-	-	-	-
Customer loans	-	27 652 678	-	-	-	-
Contingent risks: guarantees	-	-	-	-	1 319 003	-
Financial derivatives	-	-	-	1 951 138	-	309 550
Other instruments	-	-	-	-	-	-
TOTAL	**912 678**	**66 438 619**	**13 948 582**	**1 951 138**	**1 319 003**	**309 550**

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

	2015		2014	
	Amount	**%**	**Amount**	**%**
External ratings				
Credit quality level 1 (AAA)	-	-	-	-
Credit quality level 2 (AA, AA+)	-	-	-	-
Credit quality level 3 (A)	575	1%	575	1%
Others				
Not assigned amounts (without rating)	19 660 829	99%	27 652 103	99%
	19 661 404	**100%**	**27 652 678**	**100%**

5.6 Operating risk at ICO

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

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

5.7 Active credit risk with companies

5.7.1 Classification by sector

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

	Millions of euros			
	2015		2014	
	Amount	% s/total	Amount	% s/total
Outstanding risk by sector				
Investment properties	**990**	**5%**	**1 072**	**4%**
Construction of social housing for sale	33	0%	38	0%
Construction of social housing for rent	612	3%	671	3%
Acquisition and development of land	278	1%	336	1%
Other	67	0%	27	0%
Investment intangible assets	**-**	0%	**20**	**0%**
Investment tangible assets	**11.090**	**55%**	**12 134**	**48%**
Renewable energies	1.220	6%	1 353	5%
Water infrastructures	484	2%	581	2%
Electricity infrastructures	995	5%	1 187	5%
Gas and fossil fuel infrastructures	1.029	5%	1 184	5%
Transport infrastructures	5.944	30%	6 475	25%
Tourism and leisure	45	1%	81	0%
Social-health infrastructures	225	0%	322	1%
Telecommunications	-	0%	3	0%
Audiovisual production and exhibition	35	0%	43	0%
Business parks and other constructions	13	0%	22	0%
Other	789	4%	575	2%
Research and Development material investment	20	0%	5	0%
ICO Finance lines AA.CC. Agencies	291	1%	303	1%
Acquisitions of companies	**539**	**3%**	**694**	**3%**
General corporate needs	**874**	**4%**	**726**	**3%**
Restructuring of liabilities	**681**	**3%**	**685**	**3%**
General State Budgets	**2.340**	**12%**	**4 283**	**17%**
Financial intermediary services	**3.576**	**18%**	**5 799**	**23%**
	20 090	**100%**	**25 413**	**100%**

At December 31, 2015 and 2014 the total exposure is mainly concentrated in two sectors: "Material Investment", which account for 55% of total risk in 2015, compared with 48% in 2014; and on the other hand, the sector of "financial intermediation", which includes the balance of the total contributed by ICO to the Fund for the Financing of suppliers payment, with an impact in 2015 of 18% and 23% in 2014.

Inside the ñ Material Investmentò sector, it is important to highlight the impact of the sub-sector named ñTransports Infrastructuresò on the sector, with a 30% of weight over the risk of 2015 (25% at 2014).

5.7.2 Classification by geographic location of financial investments

The total risk at 31 December 2015 is distributed as follows: 91% in transactions financing investments in Spain ascending to 18,375 million of euros (92% at 31 December 2014 with 23,362 million of euros) and 8% in transactions aimed at financing investment projects in other countries.

The distribution of outstanding risks by autonomous region is as follows: Catalonia is the autonomous region with the highest concentration of risk, 11% (19% in 2014) followed by Valencia and Andalucia with 6% (9% and 6% respectively in 2014). Regardless of all the risks attributed to the generic national, concerning operations which, by their nature, are not located in a specific geographical area, but they extend throughout the territory area.

Transactions taking place in the international market at 31 December 2015 and 2014 are distributed as follows in accordance with the active foreign risk:

	Millions of euros			
	2015		2014	
	Amount	%	Amount	%
European Economic Community	388	23%	453	22%
Latin America	458	27%	520	25%
United States	538	31%	680	33%
Rest of Europe (not EEC)	24	1%	6	0%
Other	307	18%	392	20%
	1 715	**100%**	**2 051**	**100%**

5.8 Information on late payments to suppliers

In compliance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures against late payment in commercial transactions, developed by the by the Resolution of 29 January 2016 of the Spanish Audit and Accounting Institute (ICAC) on information concerning late payment to suppliers in commercial transactions to be included in the Notes to financial statements, we should point out the following:

- Given ICO's core business (financial activity), the information presented in this Note concerning late payment, is exclusively related to payments to services suppliers and sundry suppliers to ICO 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.

- Regarding the information required by Law 15/2010, of 5 July corresponding to the Institution's commercial and service suppliers and considering what it is included in the article 6 of ICAC Resolution of 29 January 2016, presented below, with the scope defined in the preceding paragraph, the information required by those regulations:

	2015
(in days)	
Ratio paid operations	6,5
Ratio of outstanding payment transactions	8
Average payment period to suppliers	**7**
(in thousand euros)	
Total amount of payments	29 069
total amount of outstanding payments	1 134

Payments for payables and receivables among Spanish entities of the Bankia Group have been excluded from the above data In accordance with this single additional provision of 29 January 2016, comparative information for 2014 is not provided in the 2015 financial statements.

5.9 Risk concentration

At December 31, 2015 and 2014, 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 ñInstitutoò.

Royal Decree-Law 12/2012, of 30th March 2012, established the treatment of exposures to financial institutions resident in EU member states.

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

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

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

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

Information on construction and property development finance is as follows:

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

	Thousands of euros					
	2015			2014		
	Gross amount	Excess over value of collateral	Specific allowance	Gross amount	Excess over value of collateral	Specific allowance
Property loans:	1 243 428	1 242 444	608 861	1 430 111	1 430 111	669 248
Of which doubtful	496 105	495 121	481 500	564 530	564 530	529 284
Of which substandard	747 323	747 323	127 359	865 581	865 581	139 964
Memorandum item:						
Defaulted loans	-	-	-	-	-	-

	Thousands of euros	
	2015	2014
Memorandum item:		
Total loans and advances to other debtors excluding regional governments	11 359 630	13 970 547
Total assets	62 172 605	83 998 631
Total general allowance	118 513	120 731

Total finance for construction and property development at 31 December 2015 represents a 2.00% of the total balance sheet (1.7% at 31 December 2014).

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

	Thousands of euros	
	2015	**2014**
1 Without mortgage collateral	**470 747**	**628 943**
2 With mortgage collateral	**772 681**	**801 168**
2.1 Finished buildings	563 394	789 404
2.1.1 Homes	563 394	582 368
2.1.1 Other	-	207 036
2.2 Buildings under constructions	2 235	11 748
2.2.1 Homes	2 235	11 748
2.2.2 Other	-	-
2.3 Land	207 052	16
2.3.1 Developed land	26 164	16
2.3.2 Other land	180 888	-
TOTAL	**1 243 428**	**1 430 111**

- Home purchase loans

	Thousands of euros			
	2015		**2014**	
	Gross amount	**Of which: doubtful**	**Gross amount**	**Of which: doubtful**
Home loans	18 116	-	19 562	-
Without mortgage collateral	16 518	-	17 664	-
With mortgage collateral	1 598	-	1 898	-

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

At 31 December 2015:

	Thousands of euros				
	LTV<40%	**40%<LTV<60%**	**60%<LTV<80%**	**80%<LTV<100%**	**LTV>100%**
Gross amount	944	654	-	-	-
Of which: doubtful					

At 31 December 2014:

	Thousands of euros				
	LTV<40%	**40%<LTV<60%**	**60%<LTV<80%**	**80%<LTV<100%**	**LTV>100%**
Gross amount	1 383	515	-	-	-
Of which: doubtful					

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

None of the foreclosed assets on the Institute's balance sheet (Note 12) comes from financing granted to construction companies and property 54 developers, or mortgage loans to households for home purchases, nor do they consist on equity instruments, investments and finance to non-consolidated companies holding the assets.

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

Presented in the next table, there is the detailed information related to those refinanced and restructured operations as of 31st December, 2015 (gross amounts), as requirement of Bank of Spain 6/2012 Circular, about financial public and reserved information rules:

At 31 December 2015 (gross amounts)

	Real estate mortgage's guarantees	Rest of guarantees	No actual guarantee	TOTAL amounts	TOTAL specific hedges
Public Administrations					
Regular	-	-	-	-	-
Substandard	-	-	146 929	146 929	36 717
Doubtful	-	-	-	-	-
Companies and business owners					
Regular	-	137 996	332 593	470 589	-
Substandard	5 779	591 903	266 995	864 677	205 361
Doubtful	241 463	684 956	179 436	1 105 855	1 020 511
- From which: property development finance					
Regular	-	-	-	-	-
Substandard	-	-	8 667	8 667	1 300
Doubtful	202 053	60 778	77 110	339 941	287 464
Rest of individuals					
Regular	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
TOTALS	**247 242**	**1 414 855**	**925 954**	**2 588 051**	**1 262 589**

At 31 December 2014 (gross amounts)

	Real estate mortgage's guarantees	Rest of guarantees	No actual guarantee	TOTAL amounts	TOTAL specific hedges
Public Administrations					
Regular	-	-	-	-	-
Substandard	-	28 750	124 946	153 696	47 845
Doubtful	-	-	-	-	-
Companies and business owners					
Regular	4 615	187 264	373 195	565 074	-
Substandard	-	403 153	304 738	707 891	161 156
Doubtful	220 059	779 894	215 342	1 215 295	1 096 797
- From which: property development finance					
Regular	-	-	-	-	-
Substandard	-	-	1 700	1 700	1 700
Doubtful	202 053	60 778	77 272	340 103	340 103
Rest of individuals					
Regular	-	-	-	-	-
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
TOTALS	**224 674**	**1 399 061**	**1 018 221**	**2 641 956**	**1 305 798**

6. CASH AND DEPOSITS AT CENTRAL BANKS

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Cash on hand	11	9
Deposits at Bank of Spain	60 014	21 777
Mandatory to comply with minimum reserve ratios	59 981	21 714
Not mandatory	-	-
Accrued interest	33	63
	60 025	**21 786**

7. TRADING PORTFOLIO

The total balance under this heading in the balance sheets at 31 December 2015 and 2014 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 31 December 2015 and 2014:

	Thousands of euros					
	Notional		Assets		Liabilities	
	2015	2014	2015	2014	2015	2014
By type of market						
Organised markets	-	-	-	-	-	-
Non – organised markets	3 180 141	4 309 917	153 890	309 550	148 649	289 999
	3 180 141	**4 309 917**	**153 890**	**309 550**	**148 649**	**289 999**
By type of product						
Swaps	3 180 141	4 309 917	153 890	309 550	148 649	289 999
	3 180 141	**4 309 917**	**153 890**	**309 550**	**148 649**	**289 999**
By counterparty						
Credit institutions	1 630 160	2 749 714	-	19 779	148 649	289 999
Other financial institutions	-	-	-	-	-	-
Other sectors	1 549 981	1 560 203	153 890	289 771	-	-
	3 180 141	**4 309 917**	**153 890**	**309 550**	**148 649**	**289 999**
By type of risk						
Exchange risk	3 108 024	4 175 537	146 486	301 483	140 895	279 522
Interest rate risk	72 117	134 380	7 404	8 067	7 754	10 477
	3 108 141	**4 309 917**	**153 890**	**309 550**	**148 649**	**289 999**

The fair value has been calculated for the 100% of the cases, both in 2015 and 2014, taking the implicit curve of the money markets and the public debt as a reference.

At December 31st, 2015 and 2014 the trading portfolio classification, stated at fair value and taking the hierarchical order into account as shown in Note 2.2.3, was as follows:

	Thousands of euros					
	2015			2014		
	Level I	Level II	Level III	Level I	Level II	Level III
Held-for-trading-derivatives assets	-	153 890	-	-	309 550	-
Held-for-trading-derivatives of liabilities	-	148 649	-	-	289 999	-

The following table shows the amounts recognised in the income statements in 2015 and 2014 (Note 30) regarding fluctuations in the fair value of the Institute's financial instruments, included in the trading portfolio related to unrealised gains and losses, differentiating between financial instruments whose fair values are measured considering quoted prices in active markets (Level 1), those estimated using valuation techniques whose inputs are observable (Level 2) and the rest (Level 3):

	Thousands of euros					
	2015			2014		
	Gains	Losses	Net	Gains	Losses	Net
Level 1	-	-	-	-	-	
Level 2	300 723	312 304	(11 581)	290 634	316 812	(26 178)
Level 3	-	-				

Once the IFRS 13 from 1st January 2013 has become effective, the Group makes the appropriate valuation adjustments regarding derivatives valuation and their credit, own and counterparty's, risk (CVA-DVA). The adjustment made the 31 December 2015 increased up to 2,594 (loss of 17,247 thousand euros at December 31, 2014 thousand euros, being charged to results. (Note 30).

8. AVAILABLE-FOR SALE FINANCIAL ASSETS

The breakdown of the amount included in this chapter, in the balance sheet at December 31, 2015 and 2014, investment is as follows:

	Miles de euros	
	2015	2014
FONDICO PYME (antes FESPYME Fondo de Capital Riesgo) (1)	128 042	130 959
FONDICO Infraestructuras (2)	69 073	55 103
FONDICO Global (3)	137 301	70 328
FONS MEDITERRANEA Fondo de Capital Riesgo (4)	10 577	10 005
FONDO PYMEX Fundación Empresa y Crecimiento (5)	-	-
FONDO DE CARBONO POSTKYOTO (6)	-	-
FONDO MARGUERITTE (7)	43 668	43 668
FONDO CARBONO EMPRESAS ESPAÑOLAS (8)	74	74
FEI Fondo Europeo de Inversiones (9)	12 536	11 861
SWIFT (10)	3	3
EDW (11)	161	102
GAM General de Alquiler y Maquinaria (12)	1 186	-
HABITAT Inmobiliaria (13)	-	-
Fixed income portfolio (14)	1 588 278	590 575
	1 990 899	912 678

The amount of Valuation Adjustment of equity epigraph at December 31, 2015 and 2014 composed by changes in the fair value of the items included under the heading of financial assets available for sale is as follows:

	Thousands of euros	
	2015	2014
Equity instruments	(11 631)	(7 432)
Debt instruments	11 832	11 855
	201	**4 423**

Movements experienced during the years 2015 and 2014 under the heading of financial assets available for sale are listed below:

	Thousands of euros	
	2015	2014
Initial balance	912 678	1 104 887
Purchase additions	1 389 118	428 234
Amortizations and sales	(304 997)	(628 049)
Fair value fluctuations movements	(4 222)	6 881
Impairment losses movements	(1 678)	725
Balance at the end of the year	**1 990 899**	**912 678**

(1) Fund formed in May 1993, in which the Institute, the Group's Parent entity, is the sole participant managed by Axis Participaciones Empresariales. The fund is fully paid at December 2015 and December 2014.

(2) Investment fund constituted in 2012, 100% owned by the ñInstitutoò and managed by Axis Business Units. In 2015 the contributions of the ñInstitutoò were 12,561 thousand euros (32,122 thousand euros in 2014).

(3) Investment fund created in 2014, 100% owned by the ñInstitutoò and managed by Axis Business Units. In 2014 the contributions of the ñInstitutoò were 80,000 thousand euros (70,000 thousand euros in 2014).

(4) Fund constituted in October 2005 and in which the Institute participates with other public and private entities. The Fund was created to invest in projects developed by Spanish companies in the African Maghreb. The allocations for this fund have a provision coverage of 30% of the total real capital (without including fair value changes) amounting 2,914 thousand euros at 31st December 2015(being 2,758 thousand euros the 31st December 2014).

(5) Fund constituted in May 2003 by the Enterprise Foundation and Growth, in collaboration with the BID and Nacional Financiera SNC, which objective is to take temporary stakes in the capital of non-financial firms located in Mexico. The fund was liquidated in 2015.

(6) Fund constituted in September 2007 in which ICO participates with the BEI, KfWand other public financial institutions in Europe, in the market for the C02 emissions beyond 2012. The fund was liquidated in 2015.

(7) Participation in the Marguerite Fund. With the participation of leading European public financial institutions, this is a European equity fund which seeks to promote investment in infrastructures, in order to implement the key policies of the European Union in the fight against climate change, with the aim of combining the principle of return to investors based on market policies and the objectives set by public policy. In 2014 there has not been contributions of the ICO to the Fund (3,500 thousand euros in 2014).

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

(9) Participation equal to 0.72% of the share capital, at December 31, 2015, after disbursements in that year (0.72% at December 31, 2014). In there have not been contributions of the ICO (8,427 at December 31, 2014). At December 31, 2014 the disbursement of an amount of 9,193 thousand euros (5,990 at December 31, 2014) was pending.

(10) Participation of the ĩInstitutoòin 1 share of this entity as a full member of the same from 2008.

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

(12) Equity securities of the non-financial company GAM, which was acquired by 2015 as a result of its adjudication in partial payment of a loan of the Institute operation. The ICO participation percentage in the entity is 1.49% at December 31, 2015. These securities are listed for traiding on an official secondary market.

(13) Equity securities of the non-financial company real estate Habitat, which was acquired by 2015 as a result of its adjudication in partial payment of a loan of the Institute operation. The gross value of this investment (1,749 thousand euros at December 2015, 31) which are not listed in secondary markets, is fully provisioned in accounting.

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

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

	Thousands of Euros	
	2015	**2014**
Maturity of 1 year	196 543	-
Maturity between 1 and 2 years	509 949	590 575
Maturity between 2 and 3 years	881 786	-
Maturity over 3 years	-	-
	1 588 278	590 575

At December 31, 2015 and 2014, the classification of financial assets available for sale stated at fair value and taking the hierarchical level into account as shown in Note 2.2.3., was as follows:

	Thousands of Euros					
	2014			**2013**		
	Level I	**Level II**	**Level III**	**Level I**	**Level II**	**Level III**
Debt securities	1 588 278	-	-	590 575	-	-
Other capital instruments	-	402 621	-	-	322 103	-

During 2015 they have not been recorded in the income statement for the ñInstitutoò profits or losses as trading gains arising from the sale of debt securities classified in the portfolio of financial assets available for sale (profit of 6,665 thousand euros in 2014) (Note 30).

9. CREDIT, LOANS AND DISCOUNTS

The breakdown by type and status, of Investment Credit, loans and discounts at December 31, 2015 and 2014, adjusted for value changes due to assets impairment, is as follows:

	Thousands of euros	
	2015	**2014**
By mode and location:		
Commercial credit		-
Debtors with mortgage	32 697	35 748
Debtor with other security	3 918	26 829
Assets temporary acquisitions	-	1 332 463
Other term debtors	45 103 963	62 989 397
Advances on demand and other	5 586	45 200
Doubtful assets	1 746 127	1 807 016
Valuation adjustments	94 351	204 552
	46 986 642	**66 441 205**

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

The structure of the total amount of this chapter of the balance sheet at December 31, 2015 and 2014, classified by type of counterparty, is as follows:

	Thousands of euros	
	2015	**2014**
By counterparty categories		
Credit institutions (Note 9.1)	27 304 717	38 727 065
Acquisition of assets from counterparties under resale agreements (Note 9.2)	-	522 462
Resident public administrations (Note 9.2)	3 589 985	5 686 938
Non-resident public administrations (Note 9.2)	48 034	54 278
Other resident sectors (Note 9.2)	12 551 277	14 778 338
Other non resident sectors (Note 9.2)	841 599	899 814
Other financial assets (Note 9.3)	10 256	24 733
Credit debt securities investment (Note 9.2)	4 748 097	7 951 970
	49 093 965	68 645 598
(Impairment losses)		
Other measurement adjustments (*)	(2 201 674)	(2 408 945)
By counterparty categories	94 351	204 552
	46 986 642	**66 441 205**

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

Set out below are the movements for 2015 and 2014 in impairment losses recorded to cover the credit risk and the accumulated amount of such losses at the beginning and end of those years on the portfolio of loans and discounts:

	Thousands of euros			
	Country risk	**Specific provisions**	**General provision**	**Total**
Balance as at January 1, 2014	**-**	**1 885 954**	**261 575**	**2 147 456**
Appropriations charged to income	-	548 553	-	548 553
Recoveries	-	(38 313)	(160 200)	(198 513)
Application of funds	-	(93 300)	-	(93 300)
Other movements	-	-	-	-
Adjustments for exchange differences	-	4 749	-	4 749
Balance as at December 31, 2014	**-**	**2 307 570**	**101 375**	**2 408 945**
Appropriations charged to income	-	106 889	-	106 889
Recoveries	-	(122 686)	(2 218)	(124 904)
Application of funds	-	(196 905)	-	(196 905)
Other movements	-	-	-	-
Adjustments for exchange differences	-	7 649	-	7 649
Balance as at December 31, 2015	**-**	**2 102 517**	**99 157**	**2 201 674**

The net amount carried in the accompanying income statements for 2015 and 2014 as a result of movements affecting assets whose recovery is deemed remote, arises up to 1,541 thousand Euros and 2,869 thousand Euros, respectively.

The heading "Other movements", included in variations for 2015 and 2014 in the specific provision, records different amounts reclassified by the Group, taking into account the nature of the transactions covered, broken down mainly as follows. There are no movements in 2015 neither in 2014.

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

	Thousands of euros	
	2015	**2014**
Determined:		
Exclusively to customer arrears	1 487 230	1 579 228
Other than customer arrears	565 611	649 387
	921 619	929 841
Substandard	615 287	728 342
TOTAL	**2 102 517**	**2 307 570**

The substandard specific provision corresponds to credit assets for an amount of 2,784,315 thousand euros at December 31, 2015 (3,316,556 thousand euros at December 31, 2014).

At 31 December 2015 and 2014, there are not specific provisions for housing operations, chapters 42 and 43 of Anejo IX from the Spanish Circular 4/2004, from the Bank of Spain. The total amount of the specific provision has been reclasificated into provisions for impaired assets or substandard provisions, (73,039 thousands euros).

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

	Thousands of euros	
	2015	2014
Initial balance	865 689	841 338
Additions:	162 059	30 628
By remote recoveries	-	27 365
By other causes	162 059	3 263
Recoveries:	(1 541)	(2 869)
By refinancing or restructuring	-	-
By collecting cash without additional funding	(1 541)	(2 869)
For asset allocation	-	-
Others	-	-
Definitive write-off:	(17 732)	(8 436)
By forgiveness	-	-
By expiry	-	-
By other causes	(17 732)	(8 436)
Net Exchange fluctuation	3 838	5 028
Final balance at the year end	**1 012 313**	**865 689**

The table below provides a breakdown of financial assets classified as loans and receivables considered to be impaired due to their credit risk at 31 December 2015 and 2014, by counterparty and period elapsed from the amount unpaid at said dates and the age of the risk. Impaired assets guaranteed by the State are disclosed in Note 9.2.

Impaired assets at December 2015

	Thousands of euros				
	Up to 6 months	**Between 6 and 9 months**	**Between 9 and 12 months**	**Over 12 months**	**Total**
By counterparty categories					
Other resident and non-resident sectors	1 181 189	4 124	-	560 814	1 746 127
	1 181 189	**4 124**	**-**	**560 814**	**1 746 127**

Impaired assets at December 2014

	Thousands of euros				
	Up to 6 months	**Between 6 and 9 months**	**Between 9 and 12 months**	**Over 12 months**	**Total**
By counterparty categories					
Other resident and non-resident sectors	1 159 620	2 858	2 421	642 117	1 807 016
	1 159 620	**2 858**	**2 421**	**642 117**	**1 807 016**

There were no impaired assets due to country risk at 31 December 2015 and 2014.

The amount of the unimpaired matured assets relating to 2015 and 2014 totals arises up to 5,462 thousand Euros and 44,847 thousand euros, respectively, with a seniority, in both years, between one and three months.

9.1 Deposits at credit institutions

An Analysis of the amounts of this section of the balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
By nature -		
Deposits at financial institutions (Note 9.1.1)	971 438	496 838
Mediation loans (Note 9.1.2)	25 657 479	37 007 498
Temporary assets acquisition (Note 9.1.3)	-	810 001
Other demand accounts (Note 9.1.3)	675 800	412 728
	27 304 717	38 727 065
(Impairment losses)	-	-
Other measurement adjustments (*)	20 514	61 455
	27 325 231	**38 788 520**

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

9.1.1 Deposits at financial institutions

During the year 2015, the headings "Deposits in financial institutions" accrued an average annual interest of 0.37 % (0.14% during 2014). All deposits included are time deposits as of December 31, 2015 and 2014.

"Time deposits" grouped by maturity date at 31 December 2015 and 2014 broken down as follows:

	Thousands of euros	
	2015	**2014**
Up to 1 year	971 438	496 838
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	971 438	**496 838**

The interest accrued during 2015 and 2014 for these loans have amounted a total of 846 thousand euros and 1,154 thousand euros, respectively, which are included under the heading "Interest and similar income - of credit institutions" of the profit and loss account. (Note 25)

9.1.2 Mediation loans

The Agreement of the Council of Ministers of February 26, 1993, opened a mediation loan line in the ĩInstitutoò to help finance small and medium enterprises. This line is instrumented through loans granted by the Institute to various financial institutions, which formalized the loans with the respective companies. During successive years this policy has continued, approving each year different lines for different amounts and objectives, always focusing on the Spanish SMEs.

In the operations classified as mediation loans granted until December 31, 1997, the ICO assumed a percentage of credit risk that the entity receiving the funds holds, in turn, with the ultimate borrowers. Since that date, the ñInstituteò does not assume any risk of insolvency of final borrowers, except in certain liquidity lines 2009-2012.

Inside mediation lines implemented between 2009 and 2012 and amounting to total exposure of 829 million euros at December 31, 2014 (1,667 at December 31, 2014) are certain ICO lines with liquidity risk, for SMEs. In these lines, the ICO assumes a generic and comprehensive risk presented by the failed mediators financial institutions, up to 5% of the amount of the provisions made for lines granted in 2009 and 2010, while for the lines granted in 2011 and 2012, the maximum risk assumed is the average default of financial institutions sector excluding real estate finance transactions. During the years 2015 and 2014 no new lines have been approved in which the ñInstitutoò assume risk.

For all ICO risk mediation lines, the ñInstitutoò has established a provision at December 2015, 170,989 thousand euros (152,822 thousand euros at December 31, 2014) (Note 20). The allowances have as initial reference the interest income generated for the Institute by these lines of mediation, adjusting exceptionally as expected developments failed to take by ICO. In the event that finally recognized provisions are insufficient to cover the failed submitted, the difference will be charged directly to the RDL Fund 12/95, without generating any losses for the ICO.

Interest accrued during 2015 and 2014 by mediation loans amounted to 667.577 thousand euros and 1,065,274 thousand, respectively, which are included in "Interest and similar income credit institutions" of the profit and loss.

The breakdown of mediation loans at December 31, 2015 and 2014 broken down by maturity is as follows:

	Thousands of Euros	
	2015	**2014**
Up to 1 year	9 971 721	16 095 646
From 1 to 2 years	6 237 719	7 717 973
From 2 to 3 years	3 440 145	5 190 076
From 3 to 4 years	2 239 542	2 730 449
From 4 to 5 years	1 133 533	1 869 889
More than 5 years	2 634 819	3 403 465
	25 657 479	**37 007 498**

At December 31, 2015 and 2014, the mediation loans paid an average annual interest rate of 2.08% and 2.66% respectively.

9.1.3 Reverse repos and other deposit accounts

The amounts included under the heading of "Reverse repos" are formalized repo transactions with financial institutions, with a term of maturity less than three months.

The "Other accounts" heading, includes balances in favor of the ñInstitutoò in cash accounts opened in other financial institutions.

During 2015 no Interest of "Reverse repos" has been accrued (120 thousand euros in 2014). This amounts are included in "Interest and similar income credit institutions" in the income statement (Note 25).

9.2 Customer loans

The breakdown of this balance sheet heading at 31 December 2015 and 2014, based both on the category of counterparty and the currency concerned, is as follows:

	Thousands of euros	
	2015	**2014**
By counterparty categories		
Acquisition of assets from counterparties under repurchase agreements	-	522 462
Resident Public Administrations	3 589 985	5 686 938
Non-resident Public Administrations	48 034	54 278
Other resident sectors	12 551 277	14 778 338
Other non-resident sectors	841 599	899 814
Other financial assets	10 256	24 733
	17 041 151	21 966 563
(Impairment losses)	(2 201 674)	(2 408 945)
Other measurement adjustments (*)	73 837	143 097
	14 913 314	**19 700 715**

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

The book value of certain investments in some Economic Interest Groupings is included in ñOther resident sectorsò (27,355 thousand euros at December 31st 2015 and 23,651 thousand euros at December 31st 2014) considering that are assured-return structures (Note 20).

This mentioned sharing have a fiscal-financial component due to the fact that these entities negative taxable bases are included in the Instituteøs 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 (Notes 20 and 23).

Of the above counterparty balances, it is provided below some information regarding the transactions guaranteed by the State, set out by counterparty and type of instrument, included under ñOther resident sectorsò and ñResident Public Administrationsò, which are classified under the heading Customer loans at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Balances included under ñResident Public Administrationsò		
Loans to the national government	820 262	846 977
Loans to regional governments	2 769 723	4 839 961
Valuation adjustments	(94 898)	(36 131)
	3 495 087	5 650 807
Balances included under ñOther resident sectorsò		
Doubtful assets secured by the State	196 908	197 591
Loans to other public entities	4 014 059	4 408 672
Loans to other sectors guaranteed by the State	785 831	913 084
	4 996 798	5 519 347
Total transactions guaranteed by the State	**8 491 885**	**11 170 154**

The breakdown of ñLoans to the National governmentò, excluding valuation adjustments, is as follows at 31 December 2015 and 2014:

	Thousands of euros	
	2015	2014
Loans to the State and its Autonomous Entities	546 627	569 931
Accounts receivable from the Public Treasury	266 283	269 148
Other accounts receivable from the State	7 352	7 898
	820 262	**846 977**

The heading ñAccounts receivable from the Public Treasuryò records, at 31st December 2015, the amount of 248,607 thousand euros (248,607 thousand euros at December 2014) derived from the formalisation of the ñICO Innovación Fondo Tecnológico 2014-2015, included in the operative Programme FEDER regarding the i+d+i and the firms benefitsò. Additionally, the satisfied amounts by the Institute to the Public Treasury, which are pending from being effective under the concept of Subsidiaries, for the adjustment of interest rates differentials in mediation loans

The heading ñOther accounts receivable from the Stateò records the Instituteôs CARI operations amounts.

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

Interest and similar income contributed to the profit and loss by public sector entities for the years 2015 and 2014 (Note 25) is:

	Thousands of euros	
	2015	2014
Central government	10 324	10 655
Regional governments	78 626	235 306
Other public sector entities	73 753	90 982
	162 703	**336 943**

Under the heading ñLoans granted to Territorial Administrationsò, are included the direct loans granted to Autonomous Communities. On 14th February 2013, the Government council for Economic Matters (CDGAE), decided to train the ICO in the principal quotes deferment, forecasted for the year 2013, between the ICO and the different AACC that asked for these loans. The total amount of AACC assigned to this line benefited the postponement of the share capital of the financial year 2013, supposed for the Institute an amount of 1,630,600 thousand euros. During 2015 and 2014, there have not been incidents in the payments of this credit line, corresponding, exclusively to interest clearance. At 31 December 2015 all the operations are liquidate.

The breakdown of the principal amounts of loans included under the heading "Customer loans", including measurement adjustments, and set out by maturity date at 31 December 2015 and 2014, is as follows:

	Thousands of euros	
	2015	**2014**
By maturity		
Up to 1 year	2 440 793	4 931 984
From 1 year to 2 years	1 649 693	2 323 268
From 2 to 3 years	2 304 164	3 095 205
From 3 to 4 years	1 517 848	2 535 558
From 4 to 5 years	1 571 157	1 455 924
More than 5 years	7 631 333	7 767 721
	17 114 988	**22 109 660**

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

Loans and advances to other debtors at 31 December 2015 and 2014 carried annual interest of 1.71% and 2.47%, respectively.

At December 31st, 2015 has recorded any benefits neither losses at the income statement on financial assets classified as loans and receivables (losses amounting to 17,227 thousand Euros at 31 December 2014, as a result of restructuring and / or sale of certain) (Note 30).

9.3 Debt securities

Under the heading of Debt securities, , registered as credit investment, there are included the financial assets amount, no negotiable, which was converted, along the 2013, into a syndicated loan of the óInstituto al Mecanismo del Fondo de Financiación para el Pago de Proveedoresô, and which at the end of 2012, was included under ñClients credit- Resident Public Administrationsò.

On the other hand, in late 2013, the Operations Committee of the ñInstitutoò approved the document Annex 5 to the ICO Contract Mediation lines framework 2014, to regulate the conditions and operational to which the conversion operation is subject to the conversion to bonds of loans made by Entities in ICO lines in 2014. Such approval included the general specifications for conversion susceptible lines, amounts, interest accruals, eligible entities, schedule and compensation to financial institutions were included. Debt securities resulting from the conversion of loans mediation are also included in the heading "Debt securities" within lending.

The total amount of this part of the balance, classified by type of counterparty at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
By type of counterparty		
Resident Public Administrations	3 583 198	5 797 828
Credit institutions	1 164 899	2 154 142
	4 748 097	7 951 970
(Loses from impairment)	-	-
Valuation Adjustments	-	-
	4 748 097	**7 951 970**

The breakdown of the principal operations classified under "debt securities- resident AAPP", including valuation adjustments, and without considering changes regarding assets impairment, by maturity terms at 31 December 2015 and 2014, is the following:

	Thousands of euros	
	2015	**2014**
By maturity		
Up to 1 year	2 288 385	2 213 668
From 1 year to 2 years	1 219 503	2 288 999
From 2 to 3 years	75 310	1 219 830
From 3 to 4 years	-	75 331
From 4 to 5 years	-	-
More than 5 years	-	-
	3 583 198	**5 797 828**

At 31st December 2015 these assets, accrued an annual interest rate of 4.90% (5.14% at December 2014).

The breakdown of the main operations classified under "Debt - Credit Institutions" in lending, including valuation adjustments and excluding value adjustments for impairment of assets, for maturity at December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2013**
By maturity		
Up to 1 year	749 474	884 867
From 1 year to 2 years	185 367	802 282
From 2 to 3 years	166 223	204 695
From 3 to 4 years	31 114	184 183
From 4 to 5 years	27 292	38 641
More than 5 years	5 429	39 474
	1 164 899	**2 154 142**

At December 31, 2015 these assets earned an average annual interest rate of 2.42% (3.10% at 31st December 2014).

10. HELD-TO-MATURITY INVESTMENT PORTFOLIO

The breakdown by counterparty of the held-to-maturity investment portfolio at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
By counterparty		
Spanish public administrations	8 091 062	11 678 805
Resident credit institutions	2 715 521	2 266 157
Other resident sectors	4 069	4 074
Doubtful assets	-	-
	10 810 652	13 949 036
Impairment Losses	-	-
Value adjustments for impairment	-	(454)
	10 810 652	**13 948 582**

The average rate of compensation for the portfolio was 1.78% (2.18% in 2014).

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

The ñInstitutoò has provided any amount at December 31th, 2015 nor December 31th, 2014, to cover impairment losses attributed to credit risk in the maturity investment securities portfolio to date.

Movements experienced during the years 2015 and 2014 under the heading of Held-to-maturity investment portfolio are shown below:

	Thousands of euros	
	2015	**2014**
Balance at the beginning of the year	13 948 582	20 660 688
Additions from acquisitions	17 587 551	11 379 940
Movements for impairment	-	10 000
Redemptions and sales	(20 725 481)	(18 102 046)
Balance at the end of the year	**10 810 652**	**13 948 582**

The breakdown by term residual maturity of December 31, 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
On demand	1 761 070	1 304 667
Up to 3 months	1 370 893	5 106 110
Between 3 months and 1 year	3 114 036	2 581 092
Between 1 and 5 years	4 538 289	4 905 549
Over 5 years	26 364	51 164
TOTAL	**10 810 652**	**13 948 582**

11. HEDGING DERIVATIVES (DEBTORS AND CREDITORS)

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

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

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

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

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

The total notional values of derivatives and fair values of financial derivatives designated as ñHedging derivativesò at 31 December 2015 and 2014, by counterparty and risk, are as follows:

	Thousands of euros					
	Notional		Assets		Liabilities	
	2015	2014	2015	2014	2015	2014
By type of market						
Organised markets		-		-		-
Non-organised markets	42 755 512	53 330 405	1 755 253	1 951 138	271 857	351 153
	42 755 512	**53 330 405**	**1 755 253**	**1 951 138**	**271 857**	**351 153**
By type of product						
Swaps	42 755 512	53 330 405	1 755 253	1 951 138	271 857	351 153
	42 755 512	**53 330 405**	**1 755 253**	**1 951 138**	**271 857**	**351 153**
By counterparty						
Credit institutions	42 755 512	53 330 405	1 755 253	1 951 138	271 857	351 153
Other financial institutions	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-
	42 755 512	**53 330 405**	**1 755 253**	**1 951 138**	**271 857**	**351 153**
By type of risk						
Exchange risk	4 648 727	5 072 446	896 221	720 584	168 539	229 639
Interest rate risk	38 106 785	48 257 959	859 032	1 230 554	103 318	121 514
	42 755 512	**53 330 405**	**1 755 253**	**1 951 138**	**271 857**	**351 153**

As of December 31, 2015 and 2014, the classification of hedging derivatives, measured at fair value and taking into account the hierarchical level set out in Note 2.2.3., was as follows:

	Thousands of euros					
	2015			2014		
	Level I	Level II	Level III	Level I	Level II	Level III
Held-for-trading-derivatives assets	-	1 755 253	-	-	1 951 138	-
Held-for-trading-derivatives of liabilities	-	271 857	-	-	351 153	-

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

12. NON ï CURRENT ASSETS FOR SALE

The entire amount in the heading ñNon-current assets for saleò includes assets awarded in foreclosed. None of these foreclosed assets recorded on this heading at December 31st 2015 and December 31st 2014 comes from any funding related neither to Property development land nor to any other property development business.

Movements for years 2015 and 2014 in the balances under this balance sheet heading are shown below:

	Thousands of euros		
	Cost	Impairment	Total
Balance as at January 1, 2014	**64 914**	**(64 914)**	**-**
Additions	8 660	(8 660)	-
Disposals / Applications	(579)	579	-
Transfers	-	-	-
Balance as at December 31, 2014	**72 995**	**(72 995)**	**-**
Additions	135	(107)	28
Disposals / Applications	(242)	214	(28)
Transfers	-	-	-
Balance as at December 31, 2015	**72 888**	**(72 888)**	**-**

Over the total amount of "Non-current assets held for sale" at 31 December 2015 and 2014, 48,678 thousand euros corresponds to a single asset, which is fully provisioned.

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

Pursuant to paragraph 55 of the standard 60th of Circular 4/2004 of the Bank of Spain, non-current assets held for sale are classified into broad categories: soil, urban and urbanizing 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 BUILDINGS

Last appraisal (thousand euros)	Appraisal Company	Appraisal Methodology
3	ALIA TASACIONES	DYNAMIC RESIDUAL
117	TASACIONES HIPOTECARIAS	DYNAMIC RESIDUAL
564	ALIA TASACIONES	COST AND COMPARISON
17	GESVALT	COST AND COMPARISON
130	TASVALOR	COST AND COMPARISON
405	JUDICIAL	JUDICIAL
1,236		

INDUSTRIAL BUILDINGS

Last appraisal (thousand euros)	Appraisal Company	Appraisal Methodology
2,296	GESVALT	COST AND COMPARISON
2,296		

CONSTRUCTION COMMERCIAL USE

Last appraisal (thousand euros)	Appraisal Company	Appraisal Methodology
11	TASVALOR	COMPARISON
794	ALIA TASACIONES	COST AND COMPARISON
51	VALMESA	COST AND COMPARISON
5,181	SOCIEDAD DE TASACIÓN	DYNAMIC RESIDUAL AND RENTS UPDATING
131	TASVALOR	STATIC RESIDUAL AND COST
6,168		

URBAN AND DELVELOPABLE LAND

Last appraisal (thousand euros)	Appraisal Company	Appraisal Methodology
12,315	ALIA TASACIONES	DYNAMIC RESIDUAL
535	SOCIEDAD DE TASACIÓN	DYNAMIC RESIDUAL
1,953	TASVALOR	DYNAMIC RESIDUAL
4	ALIA TASACIONES	STATIC RESIDUAL
14,807		

RUSTIC LANDS

Last appraisal (thousand euros)	Appraisal Company	Appraisal Methodology
172	TINSA	DYNAMIC RESIDUAL
108	ALIA TASACIONES	COMPARISON
35	GESVALT	COMPARISON
69	TASVALOR	COMPARISON N
42	ALIA TASACIONES	RENTS UPDATING
18	GESVALT	OTHERS
37	JUDICIAL	OTHERS
481		

13. SHAREHOLDINGS

Variations of this balance sheet heading during years 2015 and 2014 set out by company and shareholding is as follows:

	Thousands of euros
	Associates
Balance at December 31, 2013	**53 334**
Additions	941
Disposals/ Applications	-
Others movements	-
Impairment	-
Balance at December 31, 2014	**54 275**
Additions	1 654
Disposals/ Applications	-
Others movements	-
Additions	-
Balance at December 31, 2015	**55 929**

Appendix I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at 31 December 2015 and 2014.

Increases in the years 2015 and 2014 correspond to consolidation adjustments.

14. PROPERTY, PLANT AND EQUIPMENT

Movements in 2015 and 2014 recorded under Property, plant and equipment, and accumulated depreciation, is as follows:

	Thousands of euros			
	Building of own use	Furniture, vehicles and another fixed assets	Real-estate investments	Total
Cost				
Balance as at January 1, 2015	**113 330**	**15 304**	**-**	**128 634**
Additions	236	1 029	-	1 265
Disposals and other write-offs	-	(681)	-	(681)
Balance as at December 31, 2015	**113 566**	**15 652**	**-**	**129 218**
Accumulated depreciation				
Balance as at January, 1 2015	**26 027**	**6 552**	**-**	**32 579**
Appropriations	1 771-	719	-	2 490
Transfers and other movements	-	(576)	-	(576)
Balance as at December 31, 2015	**27 798**	**6 695**		**34 493**
Impairment losses ï at December 31,2015	9 876	651	-	10 527
Property, plant and equipment net - Balance as at December 31, 2015	**75 892**	**8 306**	**-**	**84 198**
Cost				
Balance as at January 1, 2014	**113 122**	**15 416**	**-**	**128 538**
Additions	214	258	-	472
Disposals and other write-offs	(6)	(370)	-	(376)
Balance as at December 31, 2014	**113 330**	**15 304**	**-**	**128 634**
Accumulated depreciation				
Balance as at January, 1 2014	**23 988**	**6 454**	**-**	**30 442**
Appropriations	2 039	467	-	2 506
Transfers and other movements	-	(369)	-	(369)
Balance as at December 31, 2014	**26 027**	**6 552**	**-**	**32 579**
Impairment losses ï at December 31,2014	9 876	651	-	10 527
Property, plant and equipment net - Balance as at December 31, 2014	**77 427**	**8 101**	**-**	**85 528**

At 31 December 2015 there are fully-depreciated property, plant and equipment for own use for a gross amount of approximately 13,437 thousand euros (13,322 thousand euros at 31 December 2014).

In compliance with Institute policy, all property, plant and equipment is insured at 31 December 2015 and 2014.

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 31th, 2015 amounted to 24,501 thousand euros (25,412 thousand euros at December 31th, 2014) (Note 22).

The table below presents the fair value of certain items of property, plant and equipment at December 31 th, 2015 and 2014 by category, along with the related carrying amounts at those dates:

	Thousands of euros			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Property, plant and equipment for own use	84 198	86 791	85 528	86 526
Buildings	75 892	78 485	77 427	78 485
Other	8 306	8 306	8 101	8 041
Investment property	-	-	-	-
Property under construction	-	-	-	-

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

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

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

All properties for own use were appraised by a Bank of Spain approved appraiser using the comparison approach (M), at 31 December 2015 and 2014.

15. INTANGIBLE ASSETS

The breakdown of Intangible assets in the balance sheet at 31 December 2015 and 2014 relates exclusively to the account named óother intangible assetsô

	Useful estimated life	Thousands of euros 2015	2014
With indefinite useful life	-	-	-
With defined useful life	3 years to 10 years	34 481	31 542
Gross total		34 481	31 542
Of which:			
Internal developments	3 years	29 983	23 174
Remainder	10 years	4 498	8 368
Accumulated depreciation		(23 348)	(20 898)
Impairment losses		(2 137)	(2 137)
		8 996	**8 507**

All intangible assets at 31 December 2015 and 2014 related to computer software. Fully amortised intangible assets at 31 December 2015 amounted to 21,104 thousand euros (19,179 thousand euros at 31 December 2014).

16. TAX ASSETS AND LIABILITIES

The breakdown of tax assets and liabilities at 31 December 2015 and 2014 is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2015	2014	2015	2014
Current taxes:	19 958	12	1 246	3 955
Corporate income tax	19 944	-	-	2 592
VAT	14	12	88	84
Personal income tax withholdings	-	-	768	457
Social Security contributions	-	-	390	822
Other	-	-	-	-
Deferred taxes:	228 381	265 649	39 170	17 827
Impairment losses on credits, loans and discounts	228 381	258 119	-	-
Measurement of cash-flow hedges (Note 21)	-	7 530	23 152	-
Restatement of property	-	-	15 932	15 932
Restatement of available ï for ï sale financial assets	-	-	86	1 895
Accrual financial liabilities	-	-	-	-
Accrual of financial commissions	-	-	-	-
Reinvestment deferral	-	-	-	-
	248 339	**265 661**	**40 416**	**21 782**

Movements in 2015 and 2014 in the deferred tax asset and liability balances are set out below:

	Thousands of euros			
	Assets		Liabilities	
	2015	2014	2015	2014
Balance at beginning of the year	**265 649**	**234 243**	**17 827**	**16 396**
Impairment losses on credits, loans and discounts	(29 738)	46 145	-	(1 518)
Valuation of cash flow hedges (Note 21)	(7 530)	(14 739)	23 152	-
Restatement of property	-	-	-	-
Restatement of available -for- sale financial assets (Note 21)	-	-	(1 809)	2 949
Accrual financial liabilities	-	-	-	-
Accrual of financial commissions	-	-	-	-
Reinvestment deferral	-	-	-	-
Balance at the end of the year	**228 381**	**265 649**	**39 170**	**17 827**

17. OTHER ASSETS

The breakdown of Other Assets at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Others assets	2 233	2 607
Accruals	27 537	7 546
	29 770	**10 153**

The heading "Accruals" includes, among other items, the accrual of fees receivable by the ñInstitutoò for the Management of Operational mechanisms Financing Fund for the Payment Provider and operational management of Regional Liquidity Fund (Note 1.1). During 2013, the ñInstitutoò changed the accounting treatment of these fees, so that from the year 2014, they went to accrue linearly adjusting balances accrued assets and liabilities recorded at 31 December 2012. In 2015, the overall amount of these fees receivable for ICO is 25 million euros per year (5 million euros at 31 December 2014).

During the year 2015, 25,000 thousand euros were registered as FFPP and FLA commissions (5,000 thousand euros at 31 December 2014), under ñCommissions received, other commissionsò heading (Note 29)

18. OTHER LIABILITIES

The breakdown of Other Assets at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Others assets	2 857	4 015
Accruals	3 305	22 777
	6 162	**26 792**

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

Under the heading "Accruals" includes the amounts accrued and unpaid, for commissions to be paid to financial institutions by the concepts of "rappel 2015 lines of mediation" by 692 thousand euros (15,713 thousand euros in 2014).

19. FINANCIAL LIABILITIES AT AMORTISED COST

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

	Thousands of euros	
	2015	2014
By counterparty categories		
Deposits from central banks (Note 19.1)	-	6 899 167
Credit institution deposits (Note 19.2)	11 633 435	11 081 862
Customer deposits (Note 19.3)	1 056 619	2 839 377
Debts represented by negotiable securities (Note 19.3)	41 835 142	55 143 517
Other financial liabilities (Note 19.7)	1 514 722	2 101 449
	56 039 918	**78 065 372**

19.1 Deposits from central banks - liabilities

The breakdown of this heading in the balance sheet at 31 December 2015 and 2014 by nature of the related transaction is as follows:

	Thousands of euros	
	2015	2014
By type of transaction:		
Repurchase agreements with the ECB	**-**	**6 800 000**
Valuation Adjustments(Accruals)	-	99 167
	-	**6 899 167**

19.2 Credit institution deposits

The composition of this balance sheet heading at 31 December 2015 and 2014, set out by the nature of the transaction, is as follows:

	Thousands of euros	
	2015	2014
By nature:		
Loans from the European Investment Bank	8 894 431	7 498 626
Inter ï bank loans	752 600	1 754 980
Loans from other financial institutions	1 870 220	1 747 670
Other accounts	332	6 259
Measurement adjustments ï Accrual accounts	115 852	74 327
	11 633 435	**11 081 862**

Interbank deposits fall due within one year as from 31 December 2015 and 2014, respectively.

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

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

	Thousands of euros	
	2015	2014
Up to 1 year	108 685	54 511
From 1 to 2 years	1 014 814	110 837
From 2 to 3 years	1 583 514	1 019 629
From 3 to 4 years	1 555 503	1 561 069
From 4 to 5 years	1 281 786	1 211 343
More than 5 years	3 350 129	3 541 237
	8 894 431	**7 498 626**

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

	Thousands of euros	
	2015	2014
Up to 1 year	91 852	57 495
From 1 to 2 years	119 540	1 070
From 2 to 3 years	239 849	224 663
From 3 to 4 years	258 599	235 462
From 4 to 5 years	258 599	256 012
More than 5 years	901 781	972 968
	1 870 220	**1 747 670**

19.3 Customer funds

The composition of this heading in the balance sheets at 31 December 2015 and 2014, according to sector, is as follows:

	Thousands of euros	
	2015	2014
By counterparty category		
Public Administrations	947 989	2 686 401
Assets sold under repurchase agreements	-	-
Other resident sector (1)	108 255	152 679
Other non ï resident sectors	-	-
Measurement adjustments ï Accrual accounts	375	297
	1 056 619	**2 839 377**

(1) Of which at 31 December 2015 and 2014, 96.646 thousand euros and 71,182 thousand euros, respectively.

At 31 December 2015 and 2014, the breakdown by nature of the balance recorded under "Public Administrations" is as follows:

	Thousands of euros	
	2015	2014
Special loan from the State	2	2
Reciprocal Interest Adjustment Agreement (RIAA)	19 175	21 096
Public Administration Current Accounts and other items	928 812	2 665 303
Special loan Liquidity Line	-	-
	947 989	**2 686 401**

19.4 Debts represented by negotiable securities

The breakdown of the heading "Debts represented by negotiable securities" at 31 December 2015 and 2014 is set out below:

	Thousands of euros	
	2014	2013
Promissory notes and other securities (Note 19.5)	-	-
Bonds and debentures issued (Note 19.6).	40 480 490	52 894 775
Valuation adjustments (including transaction costs)(*)	1 354 652	2 248 742
	41 835 142	**55 143 517**

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

Movements experienced during the years 2015 and 2014 under the heading of debt securities - notes are as follows:

	Thousands of euros	
	2015	2014
Balance at beginning of the year	-	18 228
Issues	-	-
Amortizations and depreciations	-	(18 228)
Balance at the end of the year	**-**	**-**

Movements experienced during the years 2015 and 2014 under the heading of debt securities - Bonds and obligations are shown below:

	Thousands of euros	
	2015	2014
Balance at beginning of the year	52 894 775	62 380 255
Issues	11 811 342	13 021 254
Amortizations and depreciations	(24 225 627)	(22 506 734)
Balance at the end of the year	**40 480 490**	**52 894 775**

19.5 Promissory notes and other securities

There are not amount in the heading ñPromissory notes and other securitiesò at 31 December 2015 and 2014.

There is not financial cost of promissory notes and other securities in 2015 (24 thousand euros in 2014), recognized under ñInterest and similar charges ï Marketable debt securitiesò on the income statement (see Note 26).

19.6 Bonds and debentures issued

Set out below are the main characteristics of the debenture issues outstanding at 31 December 2015 and 2014, grouped together by currency together with the relevant interest rates and maximum redemption dates:

Number of issues					Thousands of euros	
2015	**2014**	**Currency**	**Redemption date**	**Annual interest rate**	**2015**	**2014**
6	8	Norwegian crone	Until 2021	4.28 to 5.36	358 273	435 798
2	2	Canada dollar	Until 2020	4.53 to 5.00	430 008	462 206
-	1	New Zeeland dollar	Until 2015	6,375	-	96 618
42	23	US dollar	Until 2020	Several	4 815 115	3 390 696
157	236	Euro	Until 2032	Several	33 233 381	46 230 369
6	7	Swiss franc	Until 2024	2 to 3.25	895 330	973 129
2	2	British pound	Until 2017	Several	387 390	353 584
7	15	Yen	Until 2030	0,52 to 2,9	360 993	952 375
					40 480 490	**52 894 775**

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

In 2015 the total financial cost of debenture loans in both Euros and foreign currency recorded under the heading "Interest and similar charges for debenture loans and other negotiable securities" in the income statement was 1,931,217 thousand euros, which is an annual average interest rate of 4.05% (2.59% with accounting hedges). In 2014 financial costs amounted 2,283,693 thousand euros, which was an average annual interest rate of 4.09% (2.97% with accounting hedges) (Note 26).

As of 2015 have been record ed net trading losses as a result of a repurchase of certain financial liabilities at amortised cost (Bonds and debentures issued by the ICO), amounting 56,790 thousand Euros (amount includes the result of the cancellation of derivatives associated repurchased cover these emissions). In 2014, the losses recorded by the same concept were 23,432 thousand Euros, recorded as "Gains or losses on financial assets and liabilities (net) - Financial assets held for trading" (Note 30).

19.7 Other financial liabilities

An analysis of the balances of this caption in the balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	**2014**
Grants	-	2 649
Treasury Funds	1 177 514	1 790 990
Other items	337 208	307 810
	1 514 722	**2 101 449**

At 31 December 2015 "Other items" mainly include, an amount of 5,012 thousand euros corresponding to political and economic operations (5,687 thousand euros at 31 December 2014), the amount of 331 thousand euros due to the recovering of pending-to-be-capitalized operations, as it is said in DA 11ª of the Law 24/2001 (at December 31, 2014 an amount of 493 thousand euros), an amount of 11,023 corresponding to the accrual of financial guarantees (12,570 thousand euros at 31st December 2014).

It is also included in the account “Other concepts”, at 31st December 2015, the amount of 248,607 thousand euros, related to the creation of the Technological Fund ICO- Innovation 2013-2014, specifically designed to finance mediation lines which are orientated to small and autonomous business as well as to the FEDER (248,653 thousand euros in 2014). In December 2013, the Operative Programme FEDER, of I+D +I was approved to allow firms to benefit from the Technological Fund 2013-2014, through the C Decision(2007) 6316. The General Management of Community Funds from the Treasury and Public administrations is the one that manages the Plan in Spain. This programme offers the possibility to use financial instruments like ICO Innovación Fondo Tecnológico 2013-2014, in order to manage one part of the Fund. With this instrument, it starts a cofinanced action with FEDER, oriented to facilitate the access to finance innovative firms.

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

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

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

The funds associated with the most important lines are:

- Línea FOMIT – Renove Turismo (FOMIT - Tourism line): this line is to provide financial support to financial projects aimed to renovation and modernization of infrastructure and tourist destinations.
- Línea Avanzada (Advanced line): this line with the ICO supports and funds the access of citizens and companies to new information technologies (broadband and technological support needed for it). Is implemented, depending on their target, in TIC loans (small and medium enterprises) young people and university students loans (specific group) and digital citizenship loan (citizens in general).
- Línea Préstamos Renta Universidad: this line is to guarantee a future income for postgraduate studies as a Doctorate or a Master degree for 2011-2012.
- Línea Plan Vive: is designated to make easier to change vehicles with more than 15 years for new ones more efficient.
- Línea Future E: This line is to provide incentives for projects in support of sustainable tourism, helping to redirect current tourist activity with a view to sustainability and ecological efficiency, taking into account variables related to the environment and sustainable development, in order consolidate the position of Spanish tourism at the vanguard of the rational use of energy, the use of renewable energies, the reduction of the water footprint, and waste management.

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

The balance of those funds at 31 December 2015 and 2014 is set out below:

	Thousands of euros	
	2015	2014
FOMIT	354 877	450 683
Avanza	289 552	565 914
Préstamos Renta Universidad	189 941	113 949
Plan Vive	18 926	157 807
Future	123 514	206 075
Other	200 704	296 562
	1 177 514	**1 790 990**

20. PROVISIONS

At 31 December 2015 and 2014 the breakdown of the balances recorded under this heading in the accompanying balance sheet is as follows:

	Thousands of euros	
	2015	2014
Provisions for pensions and similar obligations	343	216
Provisions for contingent exposures and commitments	19 540	24 385
Other provisions	316 034	302 688
	335 917	**327 289**

Provisions for contingent exposures and commitments

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

Other provisions

An analysis of the balances of this caption in the balance sheets as at 31 December 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Royal Decree ï Law12/1995 Fund	100 009	90 740
Provision for Special Loan Liquidity Line (Note 9.1.2)	170 989	152 822
Fund for amounts recovered for BBVA	331	800
Fund Prestige Facility	11 491	13 038
Fund to compensate AIE shareholdings results (Note 9.2)	21 070	20 271
Contingency fund	10 301	23 336
Other funds	1 843	1 681
	316 034	**302 688**

<u>Royal Decree- Law 12/1995</u>

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

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

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

The Fund was created as explained in the preceding paragraph and was credited, in addition to the initial allocation, with future allocations that the Instituto Oficial de Crédito makes out of profits obtained and any made or authorized by the State when assuming or offsetting losses, or through any other appropriate system . Similarly, the Fund is credited with the amounts of an recoveries obtained from loans for which provisions have been recorded or any that have been declared to be in default and charged against the fund, that in 2015 and 2014 amounted to 13,237 thousand euros and 16,202 thousand euros, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2015 and 2014, amounted to 436 thousand euros and 779 thousand euros, respectively.

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

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

In 2015 allocations were not made directly from the Estate to the mediation line ñForum Afinsaò, following the Ministry Council agreement of 27 April 2007 (3,048 thousand euros in 2014).

Movements in 2015 and 2014 in this fund recorded under "Other Provisions" in the balance sheet at 31 December 2015 and 2014 are as follows:

	Thousands of euros
Balance as at January 1, 2014	**90 241**
Capitalisation of interest	
Contributions by the State	779
Loan recoveries (principal and interest)	3 048
Applications	16 202
	(19 530)
Balance as at December 31, 2014	**90 740**
Capitalisation of interest	436
Contributions by the State	-
Loan recoveries (principal and interest)	13 237
Applications	(4 404)
Balance as at December 31, 2015	**100 009**

Funds recovered from BBVA

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

Nonetheless, the management of the transactions affected by the cancellation process has meant that ICO continues receiving collections pertaining to these loans, which, following the prudence accounting principle, are not generally registered as income in the income statement. For those accounted as income, the relevant provision for liabilities has been recorded amounting to 331 thousand euros and 800 thousand euros at 31 December 2015 and 2014, respectively, that will be capitalised in accordance with Additional Provision 10.1 of Law 24/2001, amended by Law 42/2006.

Prestige Line fund

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

Fund to compensate AIE shareholdings results

Heading Fund to compensate AIE shareholdings includes the provision in order to adjust its profit to the transactions performance conducted through the Economic Interest Groupings (Note 9). This provision has been recognized under the rubric of corporate income tax of the income account for an amount of 799 thousand euros and 678 thousand euros, respectively in the years 2015 and 2014 (Note 23). During the year 2015, There are not amount from this provision to eliminate the corresponding investments (1,869 thousand euros during the year 2014, once the AIEs have been dissolved, as it was established in calendars).

Contingency fund

This heading was created in 2010 and includes a generic provision for general contingencies (including operational risk), with a balance of 10,301 thousand euros at December 31, 2015 (23,336 thousand euros at December 31, 2014).

Movements in 2015 and 2014 in the provisions recorded under these balance sheet headings at 31 December 2015 and 2014:

	Thousands of euros				
	Provisions for taxes	**Fund for pension**	**Provisions for contingent exposures and commitments**	**Other provisions**	**Total**
Balance as at January 1,2014		**196**	**21 410**	**263 240**	**284 846**
Net allocation[(1)]		20	4 985	51 747	56 752
Recoveries		-	(2 010)	-	(2 010)
Application of funds		-	-	(12 401)	(12 401)
Transfers and other movements [(2)]		-	44	102	146
Exchange differences		-	-	-	-
Balance as at December 31,2014		**216**	**24 385**	**302 688**	**327 289**
Net allocation[(1)]		127	-	22 879	23 006
Recoveries		-	4 845	(12 896)	(17 741)
Application of funds		-	-	(4 304)	(4 304)
Transfers and other movements [(2)]		-	-	7 667	7 667
Exchange differences		-	-		
Balance as at December 31,2015		**343**	**19 540**	**316 034**	**335 917**

(1) Net charges to profit and loss account in the 2015, include the amount of 436 thousand euros, related to credits made to the Special Provision Fund (Royal Decree Law 12/1995 Fund) for the capitalization of interest accrued in relation to the fund's own remuneration (779 thousand euros in 2014).The figure also includes a provision charge for ICO's liquidity lines with ICO risk (see Note 9.1.2.) amounting to 22,348 thousand euros (45,747 thousand euros in 2014) and an allocation to the contingency fund, 13,035 thousand euros (4,172 thousand euros at 31 December 2014).

(2) Transfers and other movements at 31 December 2015 are related mainly to the Fund to compensate AIE shareholding results, (799 thousand euros, Note 23) and to other reclassifications (6,911 thousand euros) due to an equity contribution for a BBVA's products recovery (DA 11ª Law 24/2001, 27[th] December). At 31 December 2014, movements are related also to the Fund to compensate AIE shareholding results, amounting to 677 thousand euros and to other reclassifications (574 thousand euros).

21. VALUATION ADJUSTMENTS

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

	Thousands of euros					
	2015			**2014**		
	Gross	**Tax effect (Note 16)**	**Net**	**Gross**	**Tax effect (Note 16)**	**Net**
Available-for-sale financial assets	287	(86)	201	6 319	(1 896)	4 423
Cash flow hedging	77 174	(23 152)	54 022	(25 099)	7 530	(17 569)
TOTAL	**77 461**	**(23 238)**	**54 223**	**(18 780)**	**5 634**	**(13 146)**

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

	Thousands of euros	
	2015	**2014**
Opening balance	(13 146)	(54 420)
Change in fair value of available ï for ï sale financial assets (Note 8)	(4 222)	6 881
Cash flow hedges	71 591	34 393
Closing balance	**54 223**	**(13 146)**

22. OWN FUNDS

The reconciliation of the opening and closing carrying value in 2015 and 2014 of the heading "Equity" in the balance sheets:

	Thousands of euros				
	Share	**Restatement reserves**	**Other reserves**	**Results**	**Total**
Balance as at January 1,2014	**3 609 855**	**26 323**	**830 678**	**79 040**	**4 545 896**
Distribution of results	-	-	35 616	(79 040)	(43 424)
Other increases in reserves	-	(911)	911	-	-
Result for the year	-	-	-	80 739	80 739
Other movements	351 038	-	5 573	-	356 611
		-			
Balance as at December 31,2014	**3 960 893**	**25 412**	**872 778**	**80 739**	**4 939 822**
Distribution of results	-	-	37 177	(80 739)	(43 562)
Other increases in reserves	-	(911)	911	-	-
Result for the year	-	-	-	33 844	33 844
Other movements	350 962	-	6 385	-	357 347
Balance as at December 31,2015	**4 311 855**	**24 501**	**917 251**	**33 844**	**5 287 451**

Other movements include mainly the following:

- Contribution of 350,000 thousand euros by charging to the budgetary item 15.16.931 M.871 of General State Budget Law 22/2013, of 23 December, authorized in order to increase the Institute's equity (350,000 thousand euros as of December 31, 2014, General State Budget Law 17/2012 of 27 December).

- Based on the eleventh additional provision of Law 24/2001, of 27 December, on fiscal, administrative and social measures, the amounts recovered after the cancellation of debt owed by the State with ICO as a result of certain loans and guarantees granted by the former official credit entities and by the Institute. The contribution to Equity in this connection amounted to 962 thousand euros in 2015 (1,038 thousand euros in 2014).

22.1 Reserves in fully or proportionally consolidated companies

Set out below is the breakdown by consolidated company of balances under equity "Equity - Reserves - Accumulated Reserves" in the consolidated balance sheets at 31 December 2015 and 2014, in the part of that balance which has arisen on consolidation, analyzed for fully and proportionally consolidated companies in the consolidated financial statements:

	Thousands of euros	
	2015	**2014**
AXIS Participaciones Empresariales, S.A.	18 662	13 358
Instituto de Crédito Oficial	887 067	849 267
	905 729	**862 625**

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

"Equity - Reserves - Reserves in companies carried under the equity method" in the consolidated balance sheets at 31 December 2015 and 2014, in the part of that balance which has arisen on consolidation process, analyzed for each company carried under the equity method in the consolidated financial statements:

	Thousands of euros	
	2015	**2014**
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	11 537	10 052
CERSA, Compañía Española de Reafianzamiento, S.A	(44)	(44)
Other entities	29	145
	11 522	**10 153**

23. TAX SITUATION

The balance sheet at 31 December 2015 and 2014 includes, within the heading "Fiscal liabilities" the liability related to applicable taxes.

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

The reconciliation of the accounting Institute¢s profit, as the Parent firm of the Group, for 2015 and 2014 with the corporate income tax base is as follows:

	Thousands of euros	
	2015	**2014**
Book profit before income tax	59 475	104 700
Permanent differences		
Externalisation of pension commitments	-	-
Foreign taxes paid	771	573
Tax-loss carry forwards attributed to invested companies	(4 150)	1 328
Monetary adjustment due to the sale of assets	-	-
Adjustment to the measurement of derivatives	-	-
	56 096	106 601
Temporary differences:		
Due to impairment losses and provision non-deductible	47 016	427 593
Due to the reversal of temporary differences arising in other years	(146 104)	(271 356)
	(99 088)	156 237
Tax assessment base	(42 992)	262 838
Gross tax payable (30%)	(12 898)	78 851
Deductions and allowances	(530)	(380)
Withholdings and interim payments	(6 516)	(75 879)
Tax payable (Note 16)	**(19 944)**	**2 592**
Corporate income tax	16 299	31 600
Adjustments for exchange differences	-	-
Other adjustments (Note 13 and 20)	799	(677)
Corporate income tax	**17 098**	**30 923**

The income tax expense for the year 2015 consolidated income is 18,873 thousand euros, incorporating the amount generated in Axis (1,775 thousand euros).

There are no tax losses available for offset. During the year the losses allocated of the Economic Interest Groupings in which ICO, the Group's Parent entity, has a differing proportional interest in capital are included (4,150) thousand euros at December 2015 and 1,328 thousand euros at December 2014. Losses are allocated on the basis of the information provided by the entities. It has been decided to allocate these items in the same period in which the balance sheets of the Economic Interest Groupings are closed.

No tax incentive deductions applied in the year 2015 and 2014. There is an international double tax deduction (taxes borne) amounting to 530 thousand euros and 380 thousand euros respectively. There are no deductions spending inclusion in future year tax assessments. There are no commitments entered into pending the completion of in relation to the tax incentives applied.

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

Taxes and other tax obligations applicable to the Institute 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 crystallizing is remote and in any event, the tax debt that may derive from them would not significantly affect the accompanying financial statements.

24. FINANCIAL GUARANTEES AND BALANCES DRAWABLE BY THIRD PARTIES

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

This heading breaks down as follows at 31 December 2015 and 2014:

	Thousands of euros	
	2015	**2014**
Contingent risks		
Guarantees and other sureties	972 700	1 319 047
	972 700	**1 319 047**
Contingent commitments		
Balances drawable by third parties:		
Credit institutions	12 262	-
The Public Administrations sector	2 245 316	2 265 814
Other resident sectors	1 052 470	807 106
Non-resident sectors	252 119	110 150
	3 562 167	3 183 070
Other commitments	-	458 404
	3 562 167	**3 641 474**

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

25. INTEREST AND SIMILAR INCOME

Interest and similar yields for 2015 and 2014 are broken down below by source:

	Thousands of euros	
	2015	2014
Central Banks deposits ï Bank of Spain	33	63
Credit institution deposits	672 556	1 066 611
Money market transactions	1	2 671
Costumer loans	297 846	543 461
Public Administration	88 950	245 961
Resident sector	187 248	270 933
Non-resident sector	1 733	2 019
	19 915	24 548
Debt securities	488 205	782 514
Adjustment of income from accounting hedges	(17 593)	(22 046)
Other interests	90	302
Doubtful assets	17 049	16 300
	1 458 187	**2 389 876**

26. INTEREST AND SIMILAR CHARGES

The breakdown of this profit and loss heading during 2015 and 2014 is as follows:

	Thousands of euros	
	2015	2014
Deposits from central banks	89	28 744
Credit institution deposits	122 328	119 604
Money market transactions	199	86
Customer funds	940	1 450
Deposits represented by marketable securities	1 931 217	2 283 717
Promissory notes (Note 19.5)	-	24
Other non-convertible securities (Note 19.6)	1 931 217	2 283 693
Adjustment of expenses owing to hedging operations	(695 757)	(622 597)
Others interests	20	-
	1 359 036	**1 811 004**

27. RETURN ON EQUITY INSTRUMENTS

All yields obtained in this respect correspond to the Equity portfolio, ascending in 2015 and in 2014 up to 353 thousand euros and 568 thousand euros, respectively.

28. RESULTS FROM VALUED ENTITIES THROUGH THE PARTICIPATION METHOD

The total amount regarding this heading, registered in the consolidated gains and losses account from years 2015 and 2014, increases up to 1,901 thousand euros and 1,616 thousand euros, respectively of benefits. In the Annex I, the detail of participations is included, as well as the most relevant data at 31 December 2015 and 2014.

29. FEES AND COMMISSIONS INCOME AND EXPENSES

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

	Thousands of euros	
	2015	2014
Commissions received		
Contingent risks	3 505	2 987
Availability commissions	7 025	5 404
Collection and payment services	-	-
Other commissions	44 355	27 820
	54 885	**36 211**
Commissions paid		
Signature risks	(1 721)	(1 385)
Other commissions	(6 715)	(24 999)
	(8 436)	**(26 384)**
Net commissions for the year	**46 449**	**9 827**

The heading "Other commissions paid", at December 31, 2015, includes 25,000 thousand euros relative to commissions for the management of EECC and FLA (5,000 thousand euros at 31 December 2014) (Note 17).

30. GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES

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

	Thousands of euros	
	2015	2014
Hedging derivatives (Note 7)	(11 581)	(26 178)
Available-for-sale financial assets (Note 8)	-	6 665
Loans and receivables (Note 9.2)	-	(17 227
Financial liabilities at amortised cost (Note 19.6)	(56 790)	-
	(68 371)	**(36 740)**

31. PERSONNEL EXPENSES

The composition of this income statement heading is as follows in 2015 and 2014:

	Thousands of euros	
	2015	2014
Wages and salaries	15 633	14 670
Staff welfare expenses	3 528	3 635
Other expenses	1 636	1 475
	20 797	**19 780**

The number of employees at 31 December 2015 and 2014, by professional category and sex, was as follows:

	Distribution of employees			
	Men		Women	
	2015	2014	2015	2014
Management	10	10	5	5
Managers and technicians	111	115	150	150
Administrative staff	9	10	51	50
	130	**135**	**206**	**205**

The average number of employees at the Institute in 2015 and 2014, by professional category and location, was as follows:

	Average distribution of employees			
	Men		Women	
	2015	2014	2015	2014
Management	10	10	5	6
Managers and technicians	112	111	150	145
Administrative staff	10	10	49	53
	132	**131**	**204**	**204**

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

Remuneration and other benefits for the General Council

In 2015 and 2014 the Institute recorded in Income Statement 122 thousand euros and 106 thousand euros, respectively, in respect of remuneration accrued by the members of the General Council in respect of wages, per diets and other remuneration. These allowances were paid to the Treasury, according to the applicable regulation law.

Fees collected by the Managing Director and other persons exercising similar functions during the years 2015 and 2014 are as follows (thousands of euros):

Year 2015

	Salaries and wages			
Number of Employees (*)	**Fixed**	**Variable**	**Other wages**	**Total**
6	537	77	4	618

(*) During 2015 there was a substitution as President of the "Instituto"

Year 2014

	Salaries and wages			
Number of Employees (*)	**Fixed**	**Variable**	**Other wages**	**Total**
6	533	77	3	613

(*) During 2014 there was a substitution as President of the "Instituto"

At December 31, 2015 and 2014 there were no loans granted to the executive members of the Institute's General Council. At December 31, 2015 loans granted under internal regulations on loans to staff, had an outstanding amount of 19,146 thousand euros and the average interest rate was 2.51% (20,345 thousand euros at 31 December 2014, with an average interest rate of 2.52%).

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

32. OTHER ADMINISTRATIVE EXPENSES

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

	Thousands of euros	
	2015	**2014**
Buildings, installations and materials	992	1 080
Computers	2 643	2 813
Communications	1 780	1 616
Advertising and publicity	1 736	974
Rates and taxes	1 373	1 196
Other general administrative expenses	8 407	7 169
	16 931	**14 848**

Audit expenses

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

The amounts invoiced to the Group (Taxes included) by companies under the trademark of Ernst and Young (the auditor of the 2015 and 2014 financial statements) for non-audit services in 2015 and 2014 are detailed in the following chart:

	Thousand euros			
	Audit		**Other**	
	2015	**2014**	**2015**	**2014**
ICO	-	-	36	105
Cofides (1)	33	33	30	27
Axis (2)	12	12	-	40
	45	**45**	**66**	**172**

(1) The percentage of expenses related to the participation of ICO in Cofides.

(2) Expenses invoiced to Axis are included exclusively and not those invoiced to Funds managed by that entity.

33. OTHER OPERATING INCOME

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

	Thousands of euros	
	2015	2014
Operating income from investment property	1 057	1 188
Other items	562	1 211
	1 619	**2 399**

“Other items” includes mainly expenses recovered from the return of surpluses and advances made through BBVA’s asset management, amounting to 3 thousand euros at December 31, 2015, there being no amount for this item at December 31, 2014

34. FAIR VALUE

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

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

Part of the assets registered under “credit investments” and liabilities registered under the heading “Financial Liabilities at amortized cost”, from the consolidated balance at 31 December 2015 and 2014, 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.

Of the total amount recorded under the heading Credit, loans and discounts and financial liabilities at amortized cost, amounting to 8,373,392 thousand euros and 5,850,000 thousand euros, respectively, at December 31 of 2015 (8,939,741 thousand euros and 4,550,000 thousand euros at December 31, 2014) are related to assets and liabilities linked to a fixed ratio. The fair value of these has been obtained using a weighted average maturity and a weighted average rate through which it has proceeded to calculate the fair value using discount flows. The value calculated for these operations at December 31, 2015 and 2014 is as follows:

	Thousands of euros			
	Book value		Fair value	
	2015	2014	2015	2014
ASSETS				
Credit, loans and discounts				
Deposits at credit institutions	7 228 537	7 724 034	11 221 782	12 334 962
Customer loans	1 144 855	1 215 707	1 452 007	1 630 600
LIABILITIES				
Financial liabilities at amortized cost				
Credit institutions deposits	5 850 000	4 550 000	6 601 263	5 535 700

35. OPERATIONS WITH SUBSIDIARIES, JOINTLY CONTROL ENTITIES AND ASSOCIATES

The balance at December 2015 and 2014 of the Company related to the Subsidiaries, Jointly Control Entities and Associates is as follows:

CERSA

Deposits to customers (financial liabilities at amortized cost): 22,543 thousand euros at 31 December 2015 (28,343 thousand euros at 31 December 2014).

INSTITUTO DE CRÉDITO OFICIAL

MANAGEMENT REPORT

Financial Backdrop

As of 2015, economic activity in Spain demonstrated a more expansive behaviour than in the previous year. Economic recovery was consolidated with a growth on Gross Domestic Product of 3.2% in the whole of 2015, compared with 1.4% growth in 2014, finally leaving behind the previous recessionary period and growing twice the average the euro area. The quarterly growth profile showed, year on year, an acceleration of growth in the four quarters of the year. The improved confidence, the effects of structural reforms and the transfer of monetary policy to the real economy through more flexible financial conditions have supported this performance. In addition, lower oil prices and the depreciation of the euro has had a favorable net effect on our economy.

While the global environment was somewhat less favourable than what was expected, with a marked slowdown in the growth of the emerging, Spanish exports continued to grow by 2015 at a vigorous pace. However, the main engine of growth of activity in Spain has been domestic demand: mainly the consumption of households, but also to a large extent the investment. With respect to this last, stresses that the construction industry has left ballasted GDP and already contributes to growth, though in more moderate than the investment in capital goods, which was especially dynamic during this 2015. This strength of domestic demand has driven the growth of imports, which has caused that the foreign balance amount slightly negative ground. Despite everything, the Spanish economy is still capable of generating economic growth based on domestic demand without generating deficit current account and in previous periods.

All this occurred in an environment of very low inflation and maintaining competitiveness gains Spanish: The year ended with a zero price growth year on year and an average inflation rate in the year of -0.5%. Low oil prices account for much of this weakness. The momentum of the activity allowed to observe improvements in the labour market, with significant job creation (525,000 jobs) and reducing the unemployment rate, while still at high levels (20.9% EPA in the fourth quarter)

The economic recovery in the euro area is continuing, although the average growth figures are lower than Spanish figures. Inflation, on its behalf, also remains at moderate levels, far away from the European Central Bank's 2% objective. For this reason, in 2015 the announced measures by the ECB were fully implemented to correct the inflation and support economic growth, among which the expanded asset purchase programme stands out specially.

As mentioned, monetary policy has even more accentuated its tone extremely accommodative, with the intention that will improve your transmission towards the real economy channel. Thus, the main type of financing transactions stood at 0.05% throughout the year, although the deposit facility, which stood for much of the year at - 0.20%, it was decided to fall still further to - 0.30% in December to increase the negative incentive to leave idle funds at the central bank by European entities. The marginal rate of credit stood at 0.30%. The program of asset purchase, which covers the purchase of covered bonds (covered bonds) of values of securitization of assets (asset-backed securities) and values of the sector public - in which ICO is included-, deployed its full effects during 2015 and started with an aim to purchase monthly of 60,000 million euros and an expanded time horizon to March 2017. At the end of 2015, the program´s injection of liquidity would have meant 650,000 million euros

Generally, in 2015 the process of gradual financial markets improving continued, although several episodes of tension occurred. These episodes were related to the negotiations of the European authorities with the Government of Greece, on the one hand, and with the perception of an increased risk from emerging, in particular China, at certain times.

This resulted into Spain in increase and decrease movements of prices and yields bonds. Thus, the profitability of the Spanish debt to ten years concluded 2015 at around 1.80% when it had begun close to 1.60%. But in the month of March, due to the measures of the ECB, it came to below 1.20%, the successive processes of repricing were mainly caused by doubts about the emerging caused increases in yields.

Where we were able to appreciate more clearly the improvement in financial conditions is on new loan´s interest rates. Financial fragmentation reduction and the transfer to the real economy of ultralaxa monetary policy are being continued deepened. In particular, regarding new operations of lending to enterprises for less than a million euros (which is used for approaching the credit to SMEs), It observed a clear decrease of the interest rates applied from 4.09% ,that started the year, to 3.01% which concluded. In addition, the volume of these operations also continued growing: the total amount of these operations in 2015 was exceeded in a 12.8% compared to 2014.

This increased flow of new credit of Spanish financial institutions continued causing a moderation in the rate of fall of the outstanding balance of credit to companies, after the process of orderly deleveraging of recent years. In fact, according to data from the Bank of Spain, the fall added to the stock of credit to companies is exclusively in the construction and real estate services, as in the third quarter of 2015 are already observed interannual growth positive if we exclude the credit to these two sectors. Delinquencies persisted on the downward path initiated the previous year, to 10.35% (data from November).

The overall economic improvement caused an increase of credit demand of the companies in general and SMEs in particular, as confirmed the Bank Lending Survey that prepares the ECB in cooperation with the national central banks. On the other hand, the survey about access to finance carried out by ECB and the European Commission (SAFE, by its acronym in English) to companies also points to a greater availability of credit and better conditions.

Regarding to the changes in the European architecture, 2015 was the first full year of banking supervision centralized through the single supervisory mechanism. There were also advances on single resolution mechanism which is about unify the procedures before any difficulties of European credit institutions, with the support of a single resolution Fund with sharing progressive of risks, although its full implementation precisely, was at January 1, 2016. Like these are completed the two Banking Union Pillars, in the meantime it's waiting for the political agreement to give shape to the third, which is relative to deposit guarantee unified. Progress has been made towards to capital markets union, although no concrete advance hasn't crystallized yet.

On a separate issue, in 2015 the European Investment Plan became operational for a period of three years (2015-2017), which is known as Plan Junker, whose aim is mobilize public and private resources for investment and help to reactivate European economy. ICO plays an active role in this plan, to encourage investment in strategic infrastructure projects, education, innovation, renewable energy and energy efficiency, its first projects were financed during 2015.

In conclusion, after the start of the economic recovery of previous years, in 2015 the spanish economy has been consolidated in the upward part of the economic cycle. Employment growth with tax reform and reduction in oil prices led the increase in disposable household income. Meanwhile, improved financing conditions, the recovery of new credit and investment, has become a key element of growth in our country. All this in a context of external competitiveness gains that have helped maintain export growth and achieve a current account surplus for the third consecutive year.

Activity

ICO has an important countercyclical role of financial support in the Spanish economy in times of crisis, especially by providing resources for lending to SMEs and freelancers. When economic conditions and financial market improve and the private financial system increases its activity, the Institute reduced its role as financier of the business.

In a context of recovery of credit granted by financial institutions and improving financial conditions applied, the new ICO's lending activity, despite having been very significant during the year 2015 (10,340,799 thousand euros), has resulted in a 53 % lower than in 2014, year of absolute record volumes granted all the historical series.

Through mediation lines, ICO has granted 9,670,869 thousand euros in 165.998 operations to SMES and autonomous. ICO finance is oriented to micro firms and freelances (66%), and most of the loans are lower than 25,000 euros (54%), showing the spectrum of the ICO loans, which are issued also to very small firms.

Principal mediation lines have been óICO- Empresas y Emprendedoresô and óICO- Internalizaciónô, which accumulate a 99.8% of the total yearly operations.

- Changed to the ICO-Empresas y Emprendedores Line, they have been granted 121.853 operations for an amount of 6,528,256 thousand euros, 67% of the total activity of mediation carried out.

- Also, through the ICO internacionalización and ICO exports at short term, they have been formalized 3,105,532 thousand euros in loans to 43,834 freelances and SMES, in order to promote projects for the abroad expansion and the export activity in Spanish firms.

During 2015, has granted direct finance also, for an amount of 669,930 thousand euros, to finance large investment projects of Spanish companies, 35% more than 2014.

Moreover, the Institute grants endorsements and manages funds instructed by the Government. The amount of these funds has experienced an increase of 35% compared to 2014, reaching a volume of 104,905,023 thousand euros.

- Payment of Autonomous Communities financing fund, in which the ICO acts as financial manager, presents an outstanding amount, at the end of the 2015, of 125,673,882 thousand euros.

- Payment of Local Entities financing fund: The total amount of this fund at the end of the year 2015 presents an outstanding amount of 7,217,251 thousand euros.

- Estate Funds for the internationalization: the outstanding amount of this portfolio (CARI, FIEM, FRONPRODE and FCAS), at closing is 8,013,889 thousand euros.

In order to carry out the credit activity, during 2015, the ICO has catch finance for an amount of 5,262,386 million euros. From this, the 69% has been obtained through the issues in the capital makets. The other 31% was caught through loans coming from multilateral organizations.

In 2014 there have been realized an important effort in order to achieve a bigger diversification in the investor base; so, a 93% of the issues have been located between foreign investors, against a 80% from 2014.

Moreover, the Institute has caught finance for the short term for an amount of 3,467,594 thousand euros, in order to attend to credit activity for deadlines lower than 1 year.

Another of the principal strategic actuation line, made by the ICO Group in this period, has been the launch of three new convocations FON-ICO Global.

This capital risk fund, managed by AXIS, the credit risk management entity for the ICO group, has a grant of 1,200,000 thousand euros, which, given its positive development, has been extended to 1,500,000 thousand euros. It is the first Spanish public "Fund of Funds".

Balance

During 2015, as expected, there has been a significant reduction in the balance of the Institute, which has gone from 83,999 M€ at the end of 2014 to 62,173 M€ in 2015.

In a context of recovery of credit granted by financial institutions and improving financial conditions applied, it becomes clear the countercyclical role of the Institute, which has reduced by 29% the amount outstanding of lending, reaching 46,986,482 thousands of euros at December 31, 2015.

In line with the stabilization of financial markets, the ICO is reducing the financial portfolio that allowed them to mitigate risks arising from market disruption. At the end of 2015, the outstanding balance of this portfolio (both maturity and available for sale) is 12,398,930 thousand euros compared to 14,539,157 thousand euros in 2014.

Institute's Equity, has been increased to 5,320,023 thousand euros al the end of 2015, 8.6% of the balance. Institute's Equity has increased 8.7%in 2015, mainly because of the capital contribution made by the Estate of an amount of 350.000 thousand euros and which locates the solvency rate of the ICO in 32.84%, higher than the minimum regulated.

Risk management Policy

The actions developed by the Institute regarding credit risk, liquidity, market and operational management, are described from Notes 5.3 to 5.6, corresponding to the Annual Account Memo.

Results

According to the reduction in the balance, in 2015 there has been a decrease in interest margins. This has occurred mainly by the maturity of operations granted in 2012 with high interest rates and low differential of the new activity, due to the expansionary policies of the European Central Bank.

The interest margins achieved by the ICO in 2015, was 99,134 thousand euros and the gross margin locates in 85,957 thousand euros.

Operating expenses stood at 39,235 thousand euros, remaining figures contained.

Result before provisions achieves an amount of 46,722 thousand years, along with the excellent performance of net impairment provisions (there have been net recoveries in 2015) have helped to achieve the profit before tax at the end of 2015, 59,475 thousand euros.

The efforts made over the past three years in provisioning has made it possible to reach high coverage of doubtful loans 134%.

Research and Development Expenses

Along the year there has not been R+D activity.

Own Actions

Not applicable for the ICO.

Personnel

The average number of employees of the Institute in 2015 is 320, against the 318 from 2014.

Subsequent Events

ICO in 2016 will continue its strong support, will keep developing the freelances and SMES loan program through different Mediation Lines, specially supporting the internationalization of the Spanish firm.

ICO provides financing to projects both inside and outside Spain, to boost the growth of the economy, particularly investment, innovation and internationalization of companies.

Another subsequent events are detailed in the point 1.8 of this document.

Appendix I
Shareholding at 31.12.2015 and 31.12.2014
(Direct and indirectly)

The relevant information to the shareholding in associates and subsidiaries on December 31, 2015 and 2014 as follows:

December 31, 2015:			**% of shareholding**			**Cost value of the shareholding**			**Entity data**		
	Address	**Activity**	**Direct**	**Indirectly**	**Total**	**Gross**	**Impairment**	**Net**	**Assets**	**Net Equity**	**Profit/Loss**
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Released of guarantee operations provided by the SS.GG.RR	24, 15%	-	24, 15%	34 039	-	34 039	418 728	259 365	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe de Vergara, 132 - Madrid	Financial support to private projects with interest Spanish carried out in developing countries Asset management	20,31%	-	20,31%	8 465	-	8 465	113 327	107 742	9 235
EFC2E GESTIÓN S.L.	Paseo del Prado, 4 - Madrid	Purchase and leasing of aircraft	50,00%	-	50,00%	2	-	2	131	115	52
						42 506	**-**	**42 506**			
Subsidiaries											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investment	100,00%	-	100,00%	1 940	-	1 940	11 567	10 168	4 565
						44 446	-	44 446			

Economic information non audited referred to December 31, 2015

December 31, 2014:			**% of shareholding**			**Cost value of the shareholding**			**Entity data**		
	Address	**Activity**	**Direct**	**Indirectly**	**Total**	**Gross**	**Impairment**	**Net**	**Assets**	**Net Equity**	**Profit/Loss**
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Released of guarantee operations provided by the SS.GG.RR	24.22%	-	24.22%	34 039	-	34 039	398 276	240 225	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe de Vergara, 132 - Madrid	Financial support to private projects with interest Spanish carried out in developing countries Asset management	20.31%	-	20.31%	8 465	-	8 465	105 098	99 806	8 610
EFC2E GESTIÓN S.L.	Paseo del Prado, 4 - Madrid	Purchase and leasing of aircraft	50.00%	-	50.00%	2	-	2	287	30	264
						42 506	**-**	**42 506**			
Subsidiaries											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investment	100,00%	-	100,00%	1 940	-	1 940	22 011	20 644	5 346
						44 446	-	44 446			

Economic information non audited referred to December 31, 2014

INSTITUTO DE CRÉDITO OFICIAL

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

In accordance with prevailing legislation, the Chairwoman hereby approves the Institute's consolidated financial statements and dependent entities referring to year 2015, the consolidated management report and the Result Distribution Proposal relative to the year 2015, consisting of the documents prior to this page and comprising 114 sheets.

Madrid, March 29, 2016

Dª. Emma Mª. Navarro Aguilera
Chairwoman