ANNUAL REPORT

07

Instituto de Crédito Oficial

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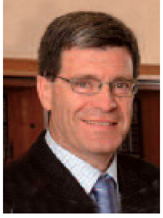
ANNUAL REPORT 07

CHAIRMAN'S STATEMENT

Instituto de Crédito Oficial



As another year comes round, ICO's Annual Report is published to inform readers of the major events in the institute's environment and its work as a public financial tool at the service of the general interest, in accordance with the Government's economic policy. Given that, in the performance of these tasks, ICO is naturally affected by the situation of the economy, the first part of this statement is, as usual, devoted to a brief review of the most significant developments in the economic scope.

The year 2007 saw the continued vibrancy of the Spanish economy, with GDP increasing by 3.8%, one tenth less than in 2006. Accordingly, the growth spread in respect of the eurozone broadened by one tenth to 1.1 percentage points, reflecting further headway in the attainment of real convergence with the countries in the area. On the job market, data from the Working Population Survey reflect a favourable situation for 2007 as a whole although, towards the end of the year, the slowdown of employment became more acute as economic activity eased off slightly. In average terms for the year, occupation remained on a marked upward path (3.1% as against 4.1% in 2006) and the unemployment rate stood at record low levels of 8.3% of the working population, two tenths less than in the previous year.

However, despite the good annual results obtained by the Spanish economy, the latest figures concerning both the fourth quarter of 2007 and the start of the current year confirm the slower trend of GDP growth during 2007, more noticeable as the year came to an end. Over the next two years, there are reasons to expect a gradual change in the growth pattern, bearing in mind a lower contribution from domestic demand, investment in housing and private consumption as a result of rising interest rates, the slowdown witnessed by disposable income and a smaller wealth effect. A recovery of both components is expected from 2010 onwards.

The international economic scenario led the European Central Bank (ECB) to tighten its monetary policy somewhat during the first half of 2007, taking its benchmark interest rate to 4%. According to the ECB, the decision to raise the interest rate stemmed from the need to rein in medium-term inflation prospects as officials drew attention to the upside risks. The events occurring at year-end 2007 proved them right. The policy pursued by the ECB during the second half of the year, when markets were plagued by the uncertainty born of the subprime mortgage crisis in the US, was even more prudent: the benchmark interest rate was maintained, in spite of the fact that inflation was above the target set by the Central Bank.

It was in August 2007 when exposure to the US subprime market started to have a greater impact on the interbank market. Similarly, increasing uncertainty as to world economic growth caused a decline in sovereign debt yields after upward movements in the first six months. Notwithstanding a scenario where downside risks in the world economy were showing a progressively upward trend, in 2007, the variable income market in net terms chalked up sizeable earnings in the leading stock market indexes of both developed economies (except the Nikkei Stock Average) and emerging ones.

Consistent with the rebalance of the Spanish economy's sources of growth, the year 2007 also saw the commencement of a slowdown in the rise of total credit, which a variation rate just above the eurozone as a whole. In other credit indicators, such as the balance of loans to other resident sectors, non-financial companies and households, performance and differences were similar.

In this setting, the continuity of the Corporate Development Plan launched by the Government in the previous year played a major role in 2007, when ICO offered Spanish enterprises a Support Plan seeking to boost the enterprising spirit within our society and foster the creation of new enterprises and corporate growth while encouraging internationalisation.

In 2007, ICO's lending activity again surpassed its record high, with loan arrangements reaching €15,519m, or 10.5% more than the figure recorded the year before.

In last year's statement, I referred to the Strategic Plan designed by ICO to spur the lending activity required of any system aiming to turn its economic and social impact to advantage. Now, two full years after the Strategic Plan's implementation, we are able to state that the goals set for 2007 were easily surpassed, placing ICO in a more advantageous position from which to continue providing Spain’s corporate network with the financing it requires, in the form of both second-floor (mediation) and direct operations. On the subject of second-floor loans - in particular, the longstanding ICO-SME Facility - the first consequence of the huge investor effort made by the Spanish corporate sector was that the initial allocation of €7,000m was used up in the first seven months of the year. As this had been occurring for several years, ICO decided to apply for a €2,000m increase to the 2007 facility, under the same terms and conditions as the ones originally established. Once the Government had authorised the measure, the allocation for 2007 was raised to €9,000m, the highest placed on the market by the institute through this facility since it was first set up back in 1993.

With this substantial amount of funds in circulation, the financial year of 2007 came to a close with overall SME Facility arrangements totalling €8,514m. More specifically, 94.59% of the facility was used up and 134,860 arrangements were made; i.e., the number of successful applicant companies rose by 17.68% in respect of the previous year.

When speaking of these operations, it is important to take into account the initiative pursued by ICO in 2007 as a result of the enormous volume of loans drawn down under second-floor facilities. Such a large amount made it necessary, on the one hand, to reduce the banking risk by avoiding high concentration at financial institutions and, on the other, to undertake a credit enhancement on our balance sheet. To achieve this twofold aim, the institute resorted for the first time to securitisation as a tool with which to manage its balance. Explained in greater detail in the body of the report, this operation has gone down in the history of ICO and the financial world as entailing the greatest volume ever constituted on European markets. At the same time, it should also be said that ICO already had wide experience as a financial services agent in the field of securitisation.

Turning now to ICO’s direct loans, in 2007, arrangements, including guarantees, racked up 20% growth in respect of the previous year to reach €6,530m. Of this amount, 75% were used in the financing of investments located within national territory, where the sectors to take up the largest shares in both 2007 and the year before were transport infrastructures and company acquisitions.

The considerable growth seen in recent years was, of course, planned and achieved in compliance with one of the main premises by which the institute’s activity is governed: financial equilibrium. Indeed, the attainment of a reasonable profit endows our institution with greater autonomy as regards lending activity insofar as it affords a higher degree of independence in the generation of a capital adequacy ratio in keeping with the institute’s size. In last year’s statement, I pointed out that, as a prior step towards the achievement of this autonomy, the 2007 General-Government Budget Act contained a set of measures aimed at increasing ICO’s equity. At year-end 2007, we fully appreciated the significance of this measure, whereby the institute’s equity was finally increased by €670m. Because of this noteworthy quantitative increase, together with the capitalisation of the net profit obtained in 2006 and the inclusion of the balance of the generic credit loss provision as computable inside resources, the capital adequacy ratio stood at 11.23%. Consequently, in 2008, it will be possible to comply with the new Basel II regulations and carry out our plans to increase activity. This is necessary in any event to fulfil ICO’s institutional role as a supplier of medium and long-term resources and to promote and support real investment processes while improving our economy’s competitiveness and thereby contributing to ongoing growth.

The Kingdom of Spain is awarded the highest credit rating by the leading agencies and this rating is conveniently displayed by ICO when tapping markets to raise the funding necessary for the performance of its activity. In 2007, the institute’s short, medium and long-term issues totalled €14,714m. The issues were launched in eight different currencies, in accordance with ICO’s policy of diversifying the investor base. Thus, ICO is able to net funding on the markets while gaining a profit from the resources obtained and coping with risk premiums in conditions similar to those arranged by the public institutions of Europe. These advantages in turn are reflected in its lending operations.

In the course of the last financial year, the institute’s achievements were not limited to building a stronger corporate network for Spain. It also set itself the task of heightening the social scope of its mission by offering members of the general public financing instruments designed to enhance their individual development. It was extremely gratifying to observe the enthusiasm of postgraduate students as they responded en masse to the possibility of financing their studies through the University Studies Loan. Likewise geared towards social ends, the facility Learn to drive for a euro a day was set under way while the Avanza Loans, effective from the previous year, remained in place as a way of fanning the acquisition of IT equipment and Internet connections. This specialised activity on the part of Instituto de Crédito Oficial comes by way of fulfilling its role as a fund supplier through the pertinent earmarked lending facilities.

The considerable increase in the activities described was attained by a continued contribution to the promotion of the Spanish export sector, where the level of activity as regards loans seeking to boost exports took a markedly upward path, underpinned by the two traditional financial tools: Official Development Aid in the form of the Development Aid Fund (Spanish initials, FAD); and Interest Make-up, via the Reciprocal Interest Adjustment Contracts (CARI). In 2007, 159 FAD operations were arranged for a total of €1,095.6m; and 63 credit operations under CARI, amounting to €432.3m.

The huge effort made by the institute as the year elapsed so as to fulfil each and every objective set for the period now receives its reward in the form of a highly satisfactory appraisal of the result obtained. Here, all merit is due to ICO's human capital, whose quality ensures the effective performance of its functions. Mindful of this, in 2007, ICO underwent a process of significant changes within the spirit of the strategic projects in progress, implementing a Management-by-Targets Scheme conducive to fostering the professional advancement of the employees by means of the appraisal of professional merit.

At the beginning of this statement, I mentioned that the forecasts for the Spanish economy in 2008 signal a slowdown. This, therefore, will be the point of reference when undertaking the institute's fundamental courses of action as a public financial instrument at the service of the Government's economic policy. In any event, ICO will, as usual, assume a highly active role so as to contribute to the strengthening of our productive network and gradually narrow our inflation spread. The Spanish economy must face this new period within the framework of an economic policy which has lost important performance instruments and levers such as the exchange and monetary policies as a result of EMU membership. In this context, ICO, with its capacity to execute and support the overall performance framework of the Government's economic policy, becomes the key financial instrument in its area. The changes carried out in recent years put ICO in a position to face this challenge with guarantees of success.

Aurelio Martínez Estévez

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GOVERNING COUNCIL AND MANAGEMENT PERSONNEL

Instituto de Crédito Oficial

GOVERNING COUNCIL AND MANAGEMENT PERSONNEL

ICO'S GOVERNING COUNCIL AT DECEMBER 31 2007

Chairman:

MR. AURELIO MARTÍNEZ ESTÉVEZ

Members of the Council:

Ms. Mª. CONCEPCIÓN TOQUERO PLAZA
Undersecretary for the Environment
Ministry of the Environment

Mr. JOSÉ ANTONIO BENEDICTO IRUIÑ [1]
Undersecretary of Public Administrations
Ministry of Public Administrations

Mr. ALFREDO BONET BAIGET
Secretary General of Foreign Trade
Ministry of Industry, Tourism and Trade

Mr. ÁNGEL TORRES TORRES
Secretary General of Economic Policy and Fair Trade
Ministry of Economy and Finance

Mr. LUIS DÍEZ MARTÍN [2]
Personal Assistant to the Second Deputy Prime Minister
Ministry of Economy and Finance

Mr. JOSÉ ANTONIO GODÉ SÁNCHEZ
Director General of Budgets
Ministry of Economy and Finance

Ms. SILVIA LÓPEZ RIBAS
Director General of Financial Co-ordination with Autonomous Communities
Ministry of Economy and Finance

Mr. RICARDO LOZANO ARAGÜÉS
Director General of Insurance and Pension Funds
Ministry of Economy and Finance

Mr. TOMÁS MEROLA MACANÁS
Technical Secretary General
Ministry of Public Works

Mr. ÓSCAR VÍA OZALLA
Director General of Trade and Investment
Ministry of Industry, Tourism and Trade

Secretary to the Council:

Ms. EVA MARÍA GONZÁLEZ DÍEZ
State Counsel
Deputy Director-in-Chief of the Legal Advisory Department
INSTITUTO DE CRÉDITO OFICIAL (ICO)

1 Member of the Council as of 30.08.07. Until 26.07.2007, Ms. Consuelo Sánchez Naranjo, Secretary General for Public Administration
2 Until 11.04.2007, Ms. Soledad Abad Rico, Personal Assistant to the Second Deputy Prime Minister and Minister of Economy and Finance

MANAGEMENT PERSONNEL

Mr. AURELIO MARTÍNEZ ESTÉVEZ
Chairman

Mr. RAMÓN Mª IRIBARREN UDOBRO
Assistant Director General to the Chairman

Mr. JUAN A. GISBERT GARCÍA
Director General of Investment and Finance

Mr. JOSÉ DAVID CABEDO SEMPER
Director General of Control and Administration

Mr. ÓSCAR ÁLVAREZ SAN JAIME
Director General of Technical Affairs

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HUMAN RESOURCES

Instituto de Crédito Oficial

HUMAN RESOURCES

As a financial institution with the legal status of a State-owned Corporate Entity, Instituto de Crédito Oficial (ICO or the institute) must always be ready to adapt to the changing financial sector, where stiffer competition, market unification and new technological challenges are the order of the day. At the same time, in its role as the State's Financial Agency, the institute must be able to ensure complete success when meeting the challenges required of it by the various social representatives. For both these reasons, human capital is ICO's key asset in the effective fulfilment of its functions.

WORKFORCE PROFILE

At December 31 2007, the institute's workforce numbered 278. The **distribution of the workforce** by professional groups, together with variations occurring in the year, is indicated in the chart below:

DISTRIBUTION OF THE WORKFORCE BY PROFESSIONAL GRADES
FIGURES AT DECEMBER 31 2007

	Number of employees			
	2007*	2006**	Absolute variation	%
Managers	14	14	0	0.00
Middle managers	38	40	(2)	(5.00)
Technical specialists	150	148	2	1.35
Clerical workers	70	71	(1)	(1.41)
Auxiliary personnel	6	6	0	0.00
TOTALS	**278**	**279**	**(1.00)**	**(0.36)**

* *For 2007, the number of employees includes permanent and temporary workers.*

** *In 2006, the number of employees covered only permanent workers. Were temporary workers to be included, the total would be 294 instead of 279.*

The institute's workforce is of an extremely high professional level: excluding management personnel, 66.37% of the employees have the professional grade of technical specialists.

The average age of ICO's workforce is 42.3 years. At year-end 2007, 31% of employees were aged between 36 and 40 while only six were over 60.

With regard to the male/female ratio, a large share is taken up by women both in the workforce as a whole and in management and middle management posts. The number of female employees accounts for 61.15% of the entire workforce and for 42.30% of management and middle management posts.

TRAINING

The two main novel features in the 2007 Training Programme were as follows:

1. A skills development course based on outdoor-indoor methodology, directed at the entire workforce so as to:

   - enhance team spirit and communication among the employees.
   - facilitate the workforce's adaptation to the changes occurring at the institute as a result of the implementation of the various Performance Plans.

   The course took place in June and was attended by 222 employees, divided into 12 groups.

2. The promotion of internal training through the knowledge and skills of the institute's own employees.

   In this case, seven internal trainers were chosen from among all those interested in taking part in the project, which consisted in five courses. The selected employees were given a Trainer's Training Course where they acquired the techniques and instruments necessary to design and structure a training session and carry it out successfully

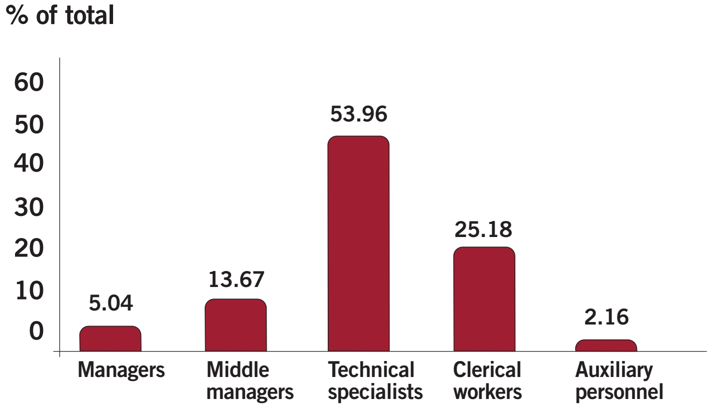
PERSONNEL TRAINING PROGRAMME
FIGURES AT 31.12.07

	Number of employees			
Training area	Hours invested		Participants	
	Number	%	Number	%
Specific job training	4,293	26.80	294	34.59
Foreign languages	8,946	55.80	212	24.94
New technologies	564	3.50	69	8.12
Skills	1,824	11.40	224	26.35
Other	405	2.50	51	6.00
TOTALS	**16,032**	**100.00**	**850**	**100.00**

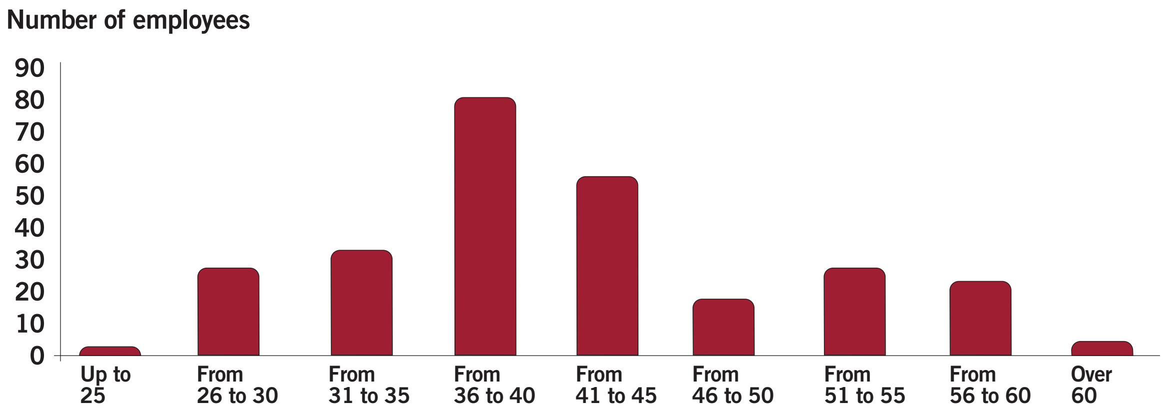
PROFESSIONAL ADVANCEMENT SYSTEM

In 2007, the **Professional Advancement System** (Spanish initials, SDP), aimed at the institute's technical specialists, entered its fifth year. Based on performance appraisal, the system is applied in accordance with the degree of competence and target fulfilment attained. Last year, 53% of the workforce was appraised and as a result, **27 employees** were promoted to a higher salary category.

DISTRIBUTION OF THE WORKFORCE BY PROFESSIONAL GRADES [2007]

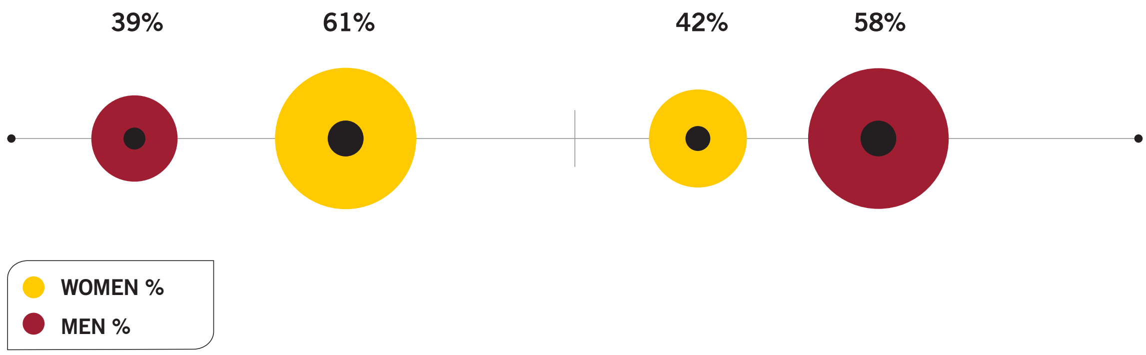


AGE PYRAMID [2007]



GENDER DISTRIBUTION OF THE WORKFORCE [2007]

GENDER DISTRIBUTION OF MANAGERS AND MIDDLE MANAGERS [2007]



PERSONNEL SELECTION. NEW ADDITIONS

As a State-owned Corporate Entity, ICO is obliged by Royal Decree to advertise vacancies publicly, in accordance with the Public Job Offer (Spanish initials, OEP). All permanent and temporary staff join the institute through this procedure. Every year, the Royal Decree concerning the Public Job Offer authorises the invitation for applicants to cover the institute's vacancies.

In January 2008, six new employees joined the institute after successfully completing the relevant selection processes within the framework of the OEP, while three places remained vacant.

ESTABLISHMENT OF THE MANAGEMENT-BY-TARGETS SYSTEM

ICO is undergoing a process of major changes as a result of the strategic projects recently put in place. In this context, in 2007, it was deemed fitting to start up a **Management-by-Targets System** (Spanish initials, **DpO**), designed to enhance employees' professional advancement by the appraisal of professional merit.

The **DpO System** requires the involvement of ICO's various Deputy Directorates in the definition, implementation and follow-up of the targets set both for the institute's various areas and for each individual component member of a given Deputy Directorate.

The degree of annual fulfilment of the objectives set for each employee depends on the weighted level of fulfilment of four types of target:

- Targets of a strategic nature for the entire institute, as defined and approved by the Management Committee.
- Deputy Directorate targets.
- Organisational unit targets (department or area).
- Individual targets.

In 2007, ICO rewarded the employees for their efforts by linking the fulfilment of the targets set in the DpO to the variable salary component.

	2007*	2006
Employees to have received training		
% of workforce for trained	96.00	69.0
Hours of training per employee	57.00	46.7
Hours of training per person trained	59.60	67.7
Investment in training/salary cost (%)	4.57	2.9
Investment in training per employee	1,096.73	620.5
Investment in training per person trained	1,145.66	899.0
Employees with access to Intranet (%)	100	100
Employees with access to e-mail (%)	100	100
Employees with access to Internet (%)	100	100

	Hours invested			
Training area	**2007**	**2006**	**Abolute variation**	**Variation %**
Specific job training	4,293	3,687	606.00	16.44
Foreign languages	8,946	8,694	252.00	2.90
New technologies	564	1,138	(574.00)	(50.44)
Skills	1,824	-	1,824.00	
Other	405	356	49.00	13.76
TOTALS	**16,032**	**13,875**	**2,157**	**15.55**

	Participants			
Training area	**2007**	**2006**	**Abolute variation**	**Variation %**
Specific job training	294	146	148	101.37
Foreign languages	212	199	13	6.53
New technologies	69	43	26	60.47
Skills	224	-	224	
Other	51	18	33	183.33
TOTALS	**850**	**406**	**444**	**109.36**

* *The noticeable increase in training expense in 2007 is due to the training organised in that year for ICO's entire workforce, based on outdoor-indoor technology. Objectives were as follows:*
– To enhance team spirit and a sense of belonging while fostering communication among the employees.
– To facilitate adaptation to the changes occurring at the institute on account of the implementation of the various performance plans.
Another novel feature in 2007 was the implementation of internal training. Five courses were conducted by ICO's own employees and there are plans in place to repeat the experience in 2008.

ANNUAL REPORT
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PERFORMANCE REPORT

Instituto de Crédito Oficial

INTRODUCTION

The purpose of this report is to describe the activities of Instituto de Crédito Oficial (hereinafter, ICO or the institute) in the last financial year. At the same time, it examines the performance of certain key figures since 1991, the year the institute acquired its present legal status as a credit institution, or since the commencement of the corresponding statistical series. Accordingly, the report gives an insight into the current situation, including annual changes in the accounts and the most significant headings, while outlining ICO's evolution through time.

The subjects addressed and the order in which they are presented do not vary greatly from previous editions. All data used have been taken from the institute's audited financial statements and statistical and accounting records. To help the reader gain a clear insight into the state of affairs and analyse the performance of key figures, an Appendix has been prepared, containing a glossary of the terms and concepts most commonly used in official credit's modus operandi, along with a set of charts reflecting historical series and a breakdown of certain key figures.

For the purpose of comparison, in the Performance Report, some of the data concerning the financial year of 2006 have been adapted to those contained in the comparative statements appearing in the approved individual financial statements of 2007. This is due to restatement and is explained on Pages 7 and 8 (Point 1.6) of the document, Financial Statements at December 31 2007. In the historical series contained in the Appendix, the figures remain unvaried.

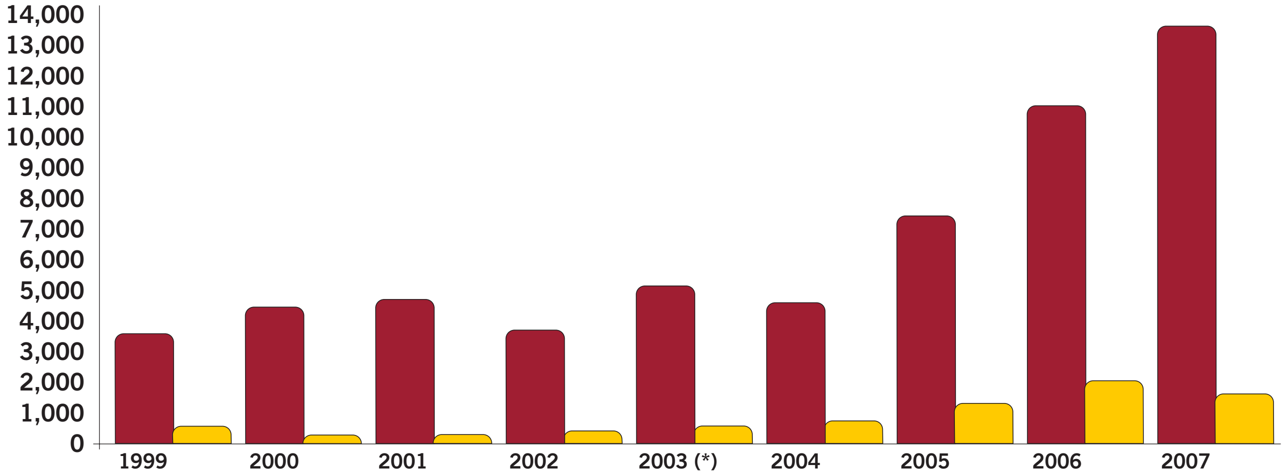
1.- LENDING PERFORMANCE 2007

The institute attends to applicants either directly, by analysing applications, approving them as applicable, and administering the loans granted; or indirectly, through the second-floor loan procedure, in which ICO enters into agreements of co-operation with private credit institutions (banks and savings banks). Under these agreements, the institute transfers its funds to the institutions, which then make them available to end-applicants in accordance with previously arranged financial terms and conditions.

In this section, the earmarked purpose of the loans granted by the institute, both directly and through the second-floor system, is examined. It should be pointed out that these operations refer solely to loans and do not include the arrangement of security or other off-balance sheet exposure. For the sake of convenience and clarity, ordinary operations have been divided into two major groups. The first covers operations directed at the financing of investments in Spain, while the second concerns those providing financial backing for the execution of investments abroad.

The variable considered in this analysis is the amount involved in **the loans arranged in the course of the year;** that is, in official credit operations formalised with applicants by both ICO and the co-operating institutions. In the case of the SME Facility (General), the annual amounts referring to loans arranged are practically equal to the amount in funds transferred by the institute to the on-lending banks and credited by the latter to the borrowers. However, in all the other second-floor loan facilities and above all in direct operations, this match between arrangements and disbursements does not necessarily occur because it often happens that the total or partial drawdown of the loans is not made in the same year as their arrangement but in the following financial year or years. Consequently, when the term arrangements is used, it should be taken into account that it refers to the maximum sums which have been set aside for customers and not to annual drawdowns.

GRAPH 1. ORDINARY LOANS ARRANGED IN THE YEAR



(*) Excluding financial loans

It should also be noted that presentation of loan arrangements on special operations does not include the financing of investments in Spain. This has been done so as to draw attention to the fact that the general aim of special loans (granted to alleviate the damage caused by catastrophic events or situations) bears no relation to the purpose of ordinary loans and that consequently, a clear distinction must be made between the two. Furthermore, the term, annual arrangements, has been given a more precise definition, it being understood that the amount involved must always and in all cases refer to the amount involved in loans actually arranged in each financial year, regardless of whether they have been granted in the course of that year.

CHART 1. LOANS ARRANGED IN THE YEAR

MILLION EUROS AND PERCENTAGES

	2007	2006	Annual variation Absolute	Annual variation %
1. Second-floor loans	9,532.3	8,959.8	572.5	6.4
2. Direct loans	5,986.4	5,088.7	897.7	17.6
3 (1+2=4+5). TOTAL	**15,518.7**	**14,048.6**	**1,470.1**	**10.5**
4. Ordinary operations	15,430.0	13,280.7	2,149.3	16.2
4.1.- Investments financed in Spain	13,731.5	11,260.0	2,471.5	21.9
4.2.- Investments financed abroad	1,698.5	2,020.7	(322.2)	(15.9)
5. Special operations (Relief funds)	88.7	767.9	(679.2)	(88.4)

The sum total of ICO loans arranged in 2007 was €15,518.7m, or 10.5% more than in the previous financial year. The amount in loans arranged through the second-floor procedure came to €9,532.3m while arrangements through the direct system worked out at €5,986.4m. As compared with the figures from 2006, these amounts reflect respective increases of 6.4% and 17.6%. Of total loan arrangements, €15,430m were applied to the financing of ordinary operations and the remaining €88.7m, to financial assistance granted to disaster victims.

a) Financing of investments in Spain

Total loans arranged in 2007 for the purpose of financing domestic investment projects totalled €13,731.5m, meaning an increase of €2,471.5m (21.9% in relative terms) in respect of arrangements recorded in the previous year. As has been the usual case in recent years, the bulk of loan arrangements corresponded to SME Facility operations, which accounted for 62%of the total (62.2% in 2006). In order of importance, these arrangements were followed by loans under the Large-scale Project and State-run Institution and Enterprise Facilities, which together accounted for 29.6%; and the Renewable Energy Facility, with 2.1%. Respective values in 2006 were 27.6% and 4.1%.

CHART 2. INVESTMENTS FINANCED IN SPAIN
LOANS ARRANGED IN THE YEAR. DISTRIBUTION BY PURPOSES — **MILLION EUROS AND PERCENTAGES**

	2007	2006	Annual variation	
			Absolute	%
1. SME investments	**8,658.3**	**7,217.4**	**1,440.9**	**20.0**
– General ICO-SME Facility	8,513.6	7,000.0	1,513.6	
– Agreements with autonomous communities	3.2	96.1	(92.9)	(96.6)
– Entrepreneurs	48.6	44.3	4.3	9.6
– Corporate growth	92.9	77.0	15.9	20.7
2. Technological innovation	**104.7**	**118.9**	**(14.2)**	**(11.9)**
3. Renewable energies	**290.6**	**458.1**	**(167.5)**	**(36.6)**
4. Large-scale projects [a]	**4,068.5**	**3,103.0**	**965.5**	**31.1**
– Regional development	693.5	477.2	216.3	45.3
– Telecommunications	411.6	34.0	377.6	1,110.6
– Transport	841.0	766.1	74.9	9.8
– Energy	801.1	630.0	171.1	27.2
– Other purposes	1,321.3	1,195.8	125.5	10.5
5. Audiovisual media	**51.2**	**56.1**	**(4.9)**	**(8.7)**
– Film production	51.2	55.6	(4.4)	(7.9)
– Film exhibition	0.0	0.5	(0.5)	(100.0)
6. Other facilities [b]	**558.1**	**306.5**	**251.6**	**82.1**
7. (1 to 6). TOTAL	**13,731.5**	**11,260.0**	**2,471.5**	**21.9**

[a] *Infrastructures in priority sectors and public institutions and enterprises.*
[b] *Second-floor loans are added, not included in CHART 4 as they are not deemed special. Microcredits, Environment, Avanza Project, workers' limited companies, tourism, housing, projects of Community interest and road haulage companies.*

1.- SME investments (Corporate Development Plan)

When speaking of the financing of investments in Spain through the second-floor procedure, it should be pointed out that the institute’s greatest investment effort was made within the framework of the Corporate Development Plan launched by the Government in 2006. This plan is built round a number of directives conducive to boosting society’s enterprising spirit and encouraging the creation of new enterprises while fostering growth and corporate internationalisation.

So as to improve competitiveness and contribute to the development of Spain’s corporate network, in 2007, the four financing facilities were relaunched:

- **General ICO-SME Facility 2007**

  The aim of the SME Facility, created in 1992, is to finance and stimulate productive investment by small and medium-sized enterprises (SME). Formalised through the second-floor loan procedure, or the on-lending of funds by co-operating institutions, these loans enjoy preferential financing conditions. The maximum amount of a loan arranged and drawn down in each financial year is €1.5m, whatever the size of the borrower enterprise.

  Since the SME financing scheme was started up for the purpose of granting loans with which to finance investments in productive fixed assets, ICO has focussed its effort on increasing the funds available and the number of projects financed.

  In 2007, the amount in loans arranged reached €8,513.5m, or €1,513.6m more than arrangements recorded for the previous year (21.6% in relative terms). Drawdowns were distributed among 126,983 operations, with estimated induced investment of €13,397m. The average loan granted under the facility amounted to €63,128, slightly above the figure entered 12 months previous .

- **Corporate Growth 2007**

  Created in January 2006, this facility aims to provide financial backing for enterprises whose investment projects exceed the limit established for the ICO-SME Facility. As the year elapsed, 149 operations were arranged for a total amount of €92.9m, or 20.7% more than arrangements one year before. This financing instrument contributes to the growth of the medium-sized Spanish enterprise while helping improve its competitiveness.

- **Entrepreneurs 2007**

  Created in January 2006 like the Corporate Growth Facility, this scheme seeks to provide preferential financing for the creation of new enterprises or the commencement of new professional activities by the self-employed. The idea is to contribute to the development of Spain's corporate network by stimulating self-employment. In the course of 2007, the Entrepreneurs 2007 Facility, with an allocation of €50m, posted arrangements amounting to €48.6m, distributed among 1,366 operations.

  Also within the second-floor loan category, the Corporate Development Plan includes the Corporate Internationalisation Facility, which is described in the section on investments abroad.

2.- Technological Innovation

In 1991, ICO and the Technological and Industrial Development Centre (Spanish initials, CDTI) agreed to create a loan facility for "the preferential financing of investment projects related to innovation and technology". In accordance with the agreement of co-operation, the management procedure is as follows: on reception and examination of the projects, the CDTI determines their eligibility and ICO provides the funds necessary to cover the loans.

Last year, the sum of loan arrangements under CDTI Facilities in force was €104.7m. Drawdowns made under the ICO-CDTI Agreement in 2006 came to €94.8m.

3.- Renewable Energies and Energy Efficiency

Depending on the size of the applicant enterprise and the project presented, the institute provides financing for investments connected with energy production, diversification, distribution and saving. The Renewable Energy and Energy Efficiency Facility covers investments made by SME, while the Large-scale Investment Programme finances investments in energy infrastructures undertaken by the sector's large enterprises.

The following types of investment may be eligible under this facility: saving (substitution in industries); energy efficiency in buildings and public lighting systems; wind energy; biomass; mini-hydraulics; solar energy; biogas; and the valuation of waste disposal.

4.- Large-scale Projects and State-run Institutions and Enterprises

The Large-scale Project Facility defines the general financing framework for domestic investments in priority sectors (energy, transport, telecommunications, innovation, technology, water, the environment and so on). The minimum amount in these operations to be financed by the institute is €6m or the equivalent value in foreign currency. Financial conditions are those prevailing on the market, repayment and grace periods being established in accordance with the project's characteristics. All nature of enterprises may apply, including project finance firms, private investors and Public Administrations and institutions. Moreover, through the State-run Institution and Enterprise Facility, the institute finances investment plans relating to infrastructures, business and social facilities and environmental improvements executed by Public Administrations and their enterprises.

The amount in operations arranged in 2007 under the two facilities described above came to €4,068.5m, up on the previous year by €965.5m (31.1%). Of this amount, €841m (equivalent to 20.7 percent of total arrangements) corresponded to loans applied to the financing of transport infrastructures; €801.1m, to energy infrastructures; €693.5m, to regional development infrastructures; €411.6m, to telecommunications infrastructures; and the remaining €1,321.3m, to other activities.

5.- Audiovisual Media

Financial backing for the audiovisual media sector is provided through the Film Industry Facility in the form of direct loans and through the Film Production and Exhibition Facility via the second-floor procedure. In 2007, the amount in loans arranged was €51.2m, 76.37% of which corresponded to the second-floor system.

- **Film industry, production**

  The facility was created in November 1999 to boost the television broadcast of Spanish films. Applicants must be producers represented by the Federation of Audiovisual Producer Associations (Spanish initials, FAPAE). Loans are to be applied to the financing of new productions whose broadcasting rights have been acquired by enterprises which have entered into agreements of co-operation with the institute.

6.- Other lines of performance

The amount in direct and second-floor loans arranged under the other ordinary facilities for the financing of domestic investments stood at €556.1m.
Either because of the size of drawdowns or on account of their new creation, the following are worthy of mention:

- **Avanza Project**

  Created in 2006 for the purpose of financing the acquisition of IT equipment by both SME and private individuals that have access to or hire a broadband connection. In 2007, arrangements soared to €382m from €28.6m in 2006.

- **Tourism**

  This facility seeks to finance the integral renovation and modernisation plans of longstanding tourist destinations. Arrangements made during the financial year totalled €99m.

- **Transport Sector 2007**

  At year-end 2000, the institute and the Ministry of Public Works agreed to set up a loan facility for transport companies so as to finance investments in the renewal of fleets to be used in public transport by road, provided that the applicant was in possession of the appropriate licence. The new vehicles were to be safer and incorporate a higher degree of eco-friendly technology. After the formalisation of the appropriate agreement with the Ministry of Public Works on July 17, the 2007 Facility was started up in September of the same year. At year-end, 1,106 operations had been arranged under the facility, entailing a total amount of €66.6m.

- **Microcredits**

  The purpose of this facility is to finance corporate projects conducive to the self-employment of the end-beneficiaries. It is available to private individuals who are unable to access the usual financing channels for lack of guarantees or credit history. Investment projects must receive a positive appraisal from a working group designated by the on-lending institution. Arrangements made under this facility in the course of the financial year totalled €0.6m.

Among the year's newly-created facilities, the following are particularly noteworthy:

- **The University Studies Facility**

  On June 28 2007, the institute and the Ministry of Education and Science entered into an agreement of cooperation with a view to raising the educational level of members of the public as an indispensable step towards the achievement of sustainable economic development and citizens' welfare in the Information Society. The facility was set up at the end of July with an allocation of €50m. Drawdowns totalled €12.7m.

- **ICO-DGT Facility**

  On September 20 2007, the institute and the Directorate General of Traffic (Spanish initials, DGT) entered into an agreement of cooperation for the purpose of financing driving classes for people wishing to obtain a Class B driving licence.

  The facility was created in mid-November with an allocation of €50m.

b) Financing of investments abroad

ICO currently uses **three instruments** to support and finance the establishment and investment activities of Spanish enterprises in other countries: the Internationalisation Facilities; the facility created under the agreement executed with ICEX for small and medium-sized enterprises; and the Programme for the Financing of Large-scale Investments Abroad (Spanish initials, PROINVEX), created with the bigger company in mind (see Chart 3).

CHART 3. INVESTMENTS FINANCED ABROAD
LOANS ARRANGED IN THE YEAR. DISTRIBUTION BY PURPOSES
FIGURES AT DECEMBER 31

MILLION EUROS AND PERCENTAGES

	2007	2006	Annual variation	
			Absolute	%
1. SME backing	135.6	170.3	(34.7)	(20.4)
– Internationalisation	114.1	141.6	(27.5)	(19.4)
– ICEX agreement	21.5	28.7	(7.2)	(25.1)
2. PROINVEX Programme	1,562.9	1,850.4	(287.5)	(15.5)
3 (1 + 2). TOTAL	**1,698.5**	**2,020.7**	**(322.2)**	**(15.9)**

1.- Support for SME

- **Corporate internationalisation**

  Operated through the second-floor procedure, the Internationalisation Facility was created in mid-1994 in compliance with an agreement of co-operation between ICO and the Spanish Foreign Trade Institute (Spanish initials, ICEX). Despite the fact that the original idea behind the facility prioritised financing for investments by smaller enterprises, in the early years of its effectiveness, loans could also be granted to larger concerns, which show a greater tendency and capacity to take their activities into the international arena than SME. In 1999, however, it was formally established that the facility would be available solely to SME by virtue of the requirement that applicant enterprises should have less than 250 employees and annual turnover of below €40m. In addition, no more than 25%of share capital could be held by a large company.

The facility remained in operation until the end of the year 2000, after which its activity was discontinued because the limit of authorised loans had been reached (up to a total of €150m). The facility was renewed in 2005 to step up the presence of Spanish enterprises abroad. In the last financial year, operations for a total amount of €114.1m were arranged under the facility, reflecting a decrease of 19.4% on the previous year's figure. A total 212 operations were arranged, with estimated induced investment of €251m.

- **ICO-ICEX Facility. Learning to export 2007**

  Created in March 2006, this facility was designed to introduce Spanish enterprises to the export world, thereby facilitating their access to the external market. It is available to Spanish SME which, in accordance with the EU Recommendation of May 6 2003, are members of the PIPE Club, or take part in the ICEX Programme known as Learning to Export. The facility provides financing for investments with a maximum age of six months, the only restriction being that the item concerning fixed assets does not exceed 80% of the total amount of the investment. At year-end, operations had been arranged for an amount of €21.7m.

2.- PROINVEX Programme

The PROINVEX Programme was created under a Resolution of ICO's Governing Council on May 29 1997. Its goal is to finance large-scale investment projects abroad in which Spanish enterprises have a significant involvement. The minimum unit amount is €10m.

Under the programme, loans may be granted to both domestic and non-resident applicants – providing that they meet the requirement calling for a significant involvement on the part of Spanish enterprises – and may be denominated in euros or in foreign currency. When formalising these operations, ICO may grant individual loans, participate with other institutions in the granting of syndicated loans, contribute parallel financing or act as co-financier alongside multilateral institutions (IDRB, ERDB, IFC, etc.).

In 2007, loans arranged under the programme came to €1,562.9m, or 15.5% less than in the previous year.

c) Special operations

In accordance with ICO's statutes, one of its functions is to "contribute to the alleviation of economic effects caused by situations of grave economic crisis, natural disasters and similar, as instructed by the Council of Ministers or the Government's Delegate Commission for Economic Affairs (Spanish initials, CDGAE)".

**CHART 4. SPECIAL OPERATIONS (RELIEF FUNDS)
LOANS ARRANGED IN THE YEAR. DISTRIBUTION BY PURPOSES** — **MILLION EUROS AND PERCENTAGES**

	2007	2006	Annual variation	
			Absolute	%
Fishing sector	0.0	48.7	(48.7)	(100.0)
Drought 2005	2.6	675.5	(672.9)	(99.6)
Frosts	0.0	11.9	(11.9)	(100.0)
Textile	27.6	8.3	19.3	232.0
Processed tomato sector	0.0	23.3	(23.3)	(100.0)
Forum and Afinsa victims	58.3	0.0	58.3	100.0
Other purposes	0.1	0.2	(0.1)	(35.2)
TOTAL	**88.7**	**767.9**	**(679.2)**	**(88.4)**

It is of interest to note the significant downdraught (88.4%) resulting from lower demand for these facilities in 2007 as compared with the higher volume of arrangements in 2006, deriving from the financial assistance provided to alleviate damages to the agricultural sector and other climatic adversities (Drought 2005).

In terms of size, the following operations were of special significance in the financial year of 2007,

- **Forum and Afinsa victims**

  Through an agreement between the Ministry of Health and Consumption and ICO, the Government created a second-floor facility to advance amounts on account of reimbursements as yet to be determined at the law courts for persons affected by judicial action in respect of the companies, Afinsa Bienes Tangibles and Forum Filatélico. The purpose of this financial assistance is to contribute temporarily to the alleviation of special circumstances of financial precariousness until the legal proceedings are completed. In 2007, arrangements amounted to €58.3m, involving 27,446 operations.

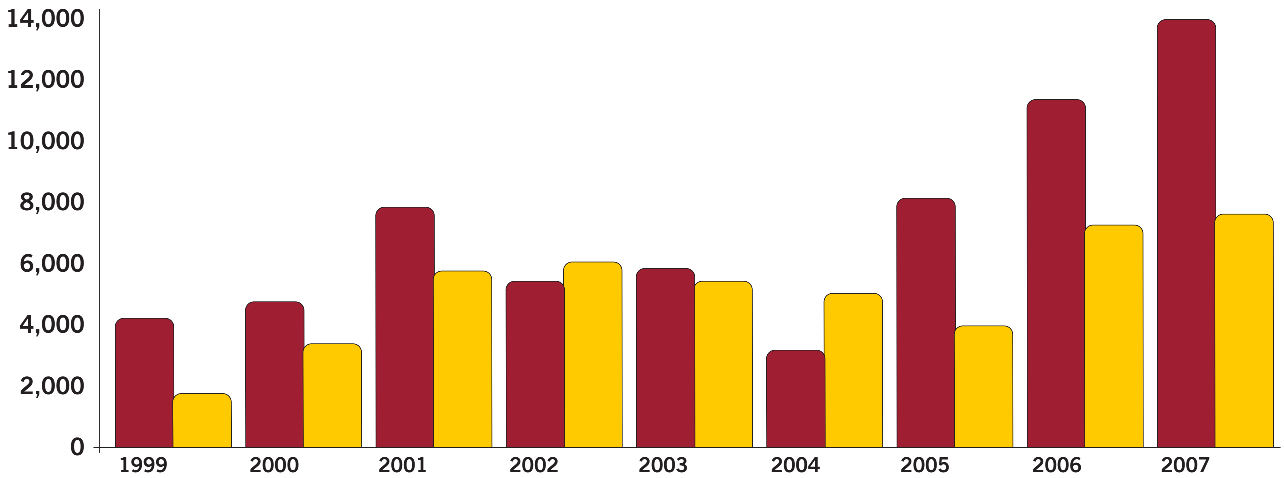
- **Textiles-Footwear 2007**

  This facility was created in September 2006 to provide financial backing for innovative projects carried out by industrial enterprises engaged in the textile, clothing, footwear, furniture and toy sectors. In the last financial year, 27 operations were arranged under this facility, entailing a total amount of €27.6m.

2.- FUNDING 2007

In accordance with the provisions of Act 42/2006, December 28, on the General-Government Budget for 2007 (Article 49 and Annex III), the ceiling on ICO's funding operations for the last financial year was set at €8,000m. This maximum did not affect either treasury operations arranged and redeemed during the year or the refinancing of debt contracted over the short and long terms. In 2007, the net variation of indebtedness deriving from the placement of securities and the arrangement of loans amounted to €6,275.7m.

GRAPH 2
THE YEAR'S FUNDING ACTIVITY (*)



(*) *Excluding the interbank market and demand deposits.*

GROSS FUNDING
REDEMPTIONS AND REIMBURSEMENTS

Not counting customer deposits or resources from the interbank market, in 2007 as in recent years, ICO raised its funding entirely on international markets. Funds obtained through the issue of fixed-income securities totalled €14,196.4m (99.5% of the total) and those raised by loan arrangements with credit institutions, €70.3m. Resources denominated in currencies other than the euro added up to €7,374m, accounting for 51.7% of total funding, while those obtained directly in euros worked out at €6,892.7m.

CHART 5. FUNDING ACTIVITY ANNUAL VARIATION OF MARKET RESOURCES

MILLION EUROS AND PERCENTAGES

	2007			2006
	Placements and increases	Redemptions and reimbursements	Net variation	Placements and increases
1. Fixed-income securities	**14,196.4**	**(7,616.4)**	**6,580.0**	**11,248.5**
1.1. Bonds and debentures in euros [a]	6,892.0	(2,659.3)	4,232.7	3,082.7
1.2. Bonds and debentures in f.c.	7,304.4	(4,957.1)	2,347.3	8,165.8
2. Loans from credit institutions	**70.3**	**(374.6)**	**(304.3)**	**82.8**
2.1. Loans in euros	0.7	(357.9)	(357.1)	0.0
2.2. Loans in f.c.	69.6	(16.7)	52.9	82.8
(3 = 1 + 2). TOTAL	**14,266.7**	**(7,991.0)**	**6,275.7**	**11,331.3**

[a] *Includes issues of pagarés (promissory notes).*

In 2007, the aggregate amount of the institute's gross funding at exchange rates effective at the close of each operation came to €14,714m, or 26.6% more than the figure recorded in 2006. Of this amount, 11,226m, equivalent to 76.3% of the total, corresponded to funds obtained in the medium and long terms and the remaining €3,488m, to short-term funds.

Within medium and long-term funding activities, bonds issued under the EMTN Programme (Euro Medium Term Notes) and others, such as the Kangaroo Programme, totalled €11,155m. As the year went by, issues were made on various markets in eight different currencies. The main currencies used were the euro (51%); the US dollar (19%); and the pound sterling (14%). To a lesser extent, the Australian dollar, the Swiss franc, the yen, the Norwegian krone and the Turkish lira were also used. Practically all resources netted in currencies other than the euro were permuted to the European currency at the close of each transaction.

Issue terms on the various products form part of a strategy aimed at the management of liquidity, financial and balance sheet risks, in a constant endeavour to match up with the characteristics of the balance sheet's assets. Last year, 28.6% of funding operations were issued over terms of up to three years; 25.8%, from three to five years; and 45.6%, more than five years.

The amount of short-term funding raised in its entirety through the ECP Programme (Euro Commercial Paper) stood at €3,488m, reflecting a 43.4% upswing on the previous year's figure. The average weighted term for these funds was just over five months.

3.- ICO AS A PAYING AGENCY

As in previous years, the institute continued with its activity as a securitisation fund paying agent. ICO's experience in this field goes back to 1996, when it was constituted as administrator of the securitisation fund concerning assets deriving from the nuclear moratorium. The institute acts as paying agent in a number of funds involving the securitisation of various kinds of assets: mortgage loans, loans to SME and so on, thereby contributing to the attainment of the economic policy target of endowing this asset market with greater transparency, efficiency and liquidity.

At December 31 2007, the total issued through securitisation funds administered by ICO amounted to €119,076m, entailing 80 operations. In the course of last year, contracts with 13 new funds were executed, while three increases were applied to previously-issued funds, for an amount in assets assigned and converted into bonds totalling €33,343.5m.

Among the new contracts entered into by ICO as a paying agent is the fund known as ICO Mediación I AyT, F.T.A., issued on March 9 2007 for a nominal amount of €13,169m. This operation is analysed in the next section. In the financial year of 2007, the institute continued in its role as a supplier of liquidity facilities to securitisation funds and at December 31, a figure of more than €1,500m had been reached. These facilities act as a credit enhancement for the bonds issued by securitisation funds.

4.- COMMENTS ON THE FINANCIAL STATEMENTS

PERFORMANCE OF THE BALANCE SHEET

The content of this section is limited to a description of the salient characteristics of ICO's activities which, in many aspects, differ greatly from those carried out by private institutions. Information about items not covered by this Performance Report is found in the audited financial statements. It should be noted that, although loans to institutions are included under the heading Lending investments on the public balance sheet, in this section, they are presented separately. Accordingly, the lending investment recorded in the abstract of the balance sheet is defined as financing provided by the institute directly or indirectly (through on-lending institutions) to the real sector of the economy for an earmarked use.

At year-end 2007, the balance of ICO's equity accounts amounted to €39,881.6m, which, as compared with the balance recorded on the same date one year previous, reflects an increase of €7,564.7m in terms of absolute value and an upswing of 23.4% in relative terms. The balance of lending investment posted €35,200.5m, topping the 2006 figure by 25.8%. Of this amount, €21,650.2m corresponded to loans channelled to end-borrowers via the second-floor procedure, while €13,550.2m were supplied directly by ICO. Bonds acquired by the institute from the asset securitisation fund have been included in this group as they have substituted the securitised loans. It thus proves easier to follow the year-on-year and historical performance of second-floor loans. In accordance with established practice, the volume of loans and credits and that of total lending investment are presented after the deduction of specific provisions constituted to guard against possible bad debt risk.

The total volume of resources supplied to credit institutions (see Chart 13) stood at €3,193.3m. This figure is highly similar to the one recorded in the previous year, the decrease of the balance of BBVA loans being practically equivalent to the increase seen in other loans and deposits.

CHART 6. ASSET AND FUNDING OPERATIONS ABSTRACT OF THE BALANCE SHEET

MILLION EUROS AND PERCENTAGES

			Monthly variation	
	31.12.2007	31.12.2006	Absolute	%
Cash and Bank of Spain	**128.1**	**236.6**	**(108.5)**	**(45.9)**
Financial assets for trading	**466.0**	**197.5**	**268.6**	**136.0**
Lending investment	**35,200.5**	**27,978.9**	**7,221.5**	**25.8**
Second-floor loans*	21,650.2	17,239.9	4,410.3	25.6
Loans and credits	13,550.2	10,739.0	2,811.2	26.2
Loans to credit institutions	**3,193.3**	**3,104.6**	**88.7**	**2.9**
BBVA banks	1,358.8	2,158.6	(799.7)	(37.0)
Other loans and deposits	1,834.4	946.0	888.4	93.9
Securities portfolio	**152.4**	**150.6**	**1.8**	**1.2**
Investment portfolio due*	**29.5**	**0.0**	**29.5**	**100.0**
Hedging derivatives	**394.7**	**378.2**	**16.5**	**4.4**
Tangible assets	**169.3**	**167.5**	**1.7**	**1.0**
Accrual accounts	**0.6**	**0.5**	**0.1**	**12.0**
Other asset accounts	**147.3**	**102.5**	**44.8**	**43.7**
TOTAL ASSETS = LIABILITIES	**39,881.6**	**32,317.0**	**7,564.7**	**23.4**
Financial liabilities for trading	**321.8**	**182.9**	**138.9**	**75.9**
External resources	**33,614.6**	**28,161.1**	**5,453.5**	**19.4**
Market resources	32,780.1	27,654.7	5,125.4	18.5
Special funding	0.0	228.9	(228.9)	(100.0)
Other financial liabilities	834.5	277.5	557.0	200.7
Hedging derivatives	**3,600.8**	**2,250.0**	**1,350.8**	**60.0**
Provisions and allowances	**241.3**	**224.9**	**16.4**	**7.3**
Equity	**2,142.4**	**1,368.8**	**773.6**	**56.5**
Valuation adjustments	**(158.4)**	**(53.8)**	**(104.6)**	**194.4**
The year's profit	**82.3**	**104.2**	**(21.9)**	**(21.0)**
Accrual adjustments	**2.6**	**0.5**	**2.1**	**456.8**
Other liability accounts	**34.1**	**78.2**	**(44.1)**	**(56.4)**

* *Second-floor loans include €10,663.2m from the bonds which replace the securitised loans and are excluded from the investment portfolio due.*

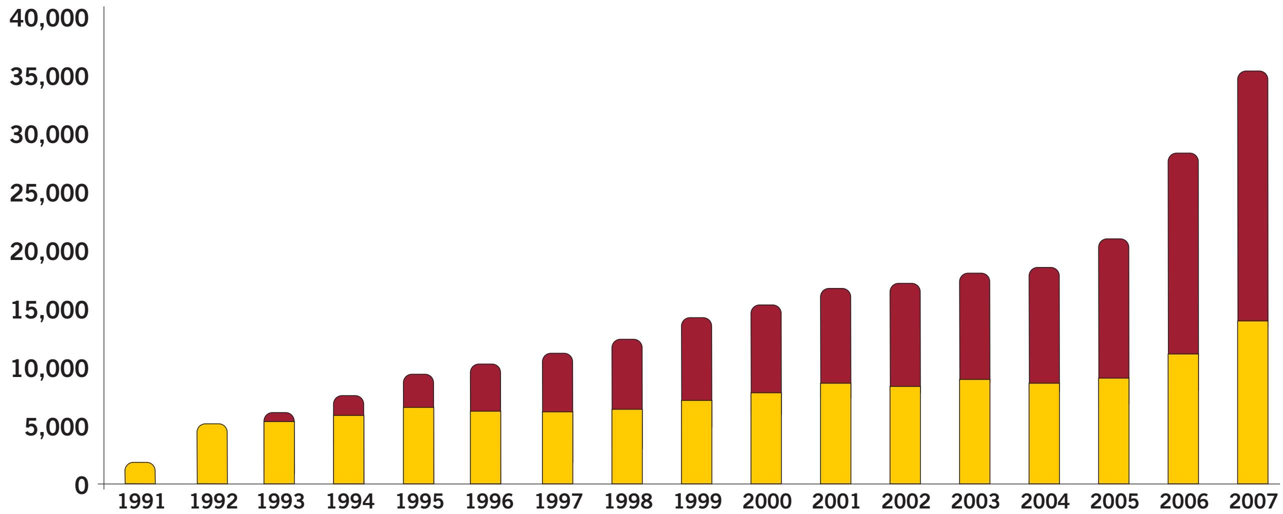
As the financial year elapsed, external resources went up by €5,453.5m in absolute terms and by 14.9% in relative terms. Market resources worked out at €32,780.1m while special funding dropped by €228.9m. This amount corresponded in its entirety to the State loan and has come to form part of the institute's equity through the execution of one of the measures established to this end under the 2007 General-Government Budget Act. Other financial liabilities, €834.5m, chalked up a rise of 200.7% on the figure entered in 2006. Not including the year's profit or valuation adjustments, equity totted up to €2,142.4m, showing an upturn of 56.5% on the preceding year's figure. A detailed explanation of this considerable rise is provided under the heading, Capital accounts and equity. The balance of provisions and allowances constituted for the coverage of bad debt risk witnessed an upturn of 7.3% to stand at €241.3m.

The various headings on the balance sheet followed the pattern seen in recent years, characterised by the gradual increase of lending investment and the funding necessary for its coverage. It was possible to increase the weight of equity, which accounted for 5.37% of total liabilities, as against 4.18% in the previous year.

INVESTMENT. LOAN ACCOUNTS

At year-end, the balance of loan accounts had risen by 25% in respect of the previous year to stand at €35,543.6m (see Chart 7).

GRAPH 3.
LOAN ACCOUNTS



Million euros

LOAN ACCOUNTS
SECOND-FLOOR LOANS (INCLUDES SECURITISATION BONDS)

It should be taken into account that, so as to enable the reader to gain a clearer understanding of the performance and the historical series, the bonds deriving from the securitisation of second-floor loans have been considered as loan accounts (second-floor).

Chart 7 provides details of the loan accounts, broken down into ordinary and special operations. In the balances shown, provisions have not been deducted.

CHART 7. LOAN ACCOUNTS
BALANCES AT DECEMBER 31

MILLION EUROS AND PERCENTAGES

			Annual variation	
Items	**2007**	**2006**	**Absolute**	**%**
1. Ordinary operations	**35,397.1**	**28,139.9**	**7,257.2**	**25.8**
1.1. Second-floor loans with securitisation	**21,650.2**	**17,239.9**	**4,410.3**	**25.6**
1.1.2. Second-floor loans	11,017.0	17,239.9	(6,222.9)	(36.1)
1.1.3. Securitisation bonds	10,633.2	0.0	10,633.2	100.0
1.2. Ordinary loans to customers	**13,746.9**	**10,900.0**	**2,846.9**	**26.1**
1.2.1. Public Administrations	1,096.2	1,231.8	(135.6)	(11.0)
1.2.2. Other resident sectors	10,738.5	7,535.7	3,202.8	42.5
1.2.3. Non-resident sectors	1,912.3	2,132.6	(220.4)	(10.3)
2. Special and exceptional operations	**146.4**	**284.8**	**(138.4)**	**(48.6)**
2.1. Rights settled with the Treasury	23.2	8.7	14.5	165.2
2.2. Loans assumed by the State and other	8.8	4.8	4.0	83.4
2.3. Special loans to customers	114.4	271.2	(156.8)	(57.8)
- Portfolio received from CBE (a)	73.6	79.0	(5.5)	(6.9)
- Other CDGAE loans (b)	40.9	192.2	(151.4)	(78.7)
3. (1+2) TOTAL	**35,543.6**	**28,424.7**	**7,118.9**	**25.0**

[a] *Corporación Bancaria de España.*
[b] *The Government's Delegate Commission for Economic Affairs.*

The variation in absolute terms was €7,118.9m, stemming from an increase of €7,257.2m in ordinary operations and a decrease of €138.4m in special and exceptional operations. The increase in loan accounts derives from both the balance of second-floor operations (€4,410.3m) and the balance of loans and credits (€2,846.9m).

1.1.- Second-floor loans with securitisation bonds

At the close of the last financial year, the outstanding balance on second-floor loans, granted by ICO to on-lending institutions, stood at €11,017m, which points to a decrease in relative terms of 36.1% in respect of the figure recorded in 2006. The downturn is due to the securitisation of second-floor loans, explained in greater detail below. The securitisation balances were substituted by the bonds issued by the fund. Therefore, considering the outstanding balance of securitisation bonds as an activity attributable to the second-floor system, the net rise in second-floor loans as a whole would be €4,410.3m, or 25.6% in relative terms.

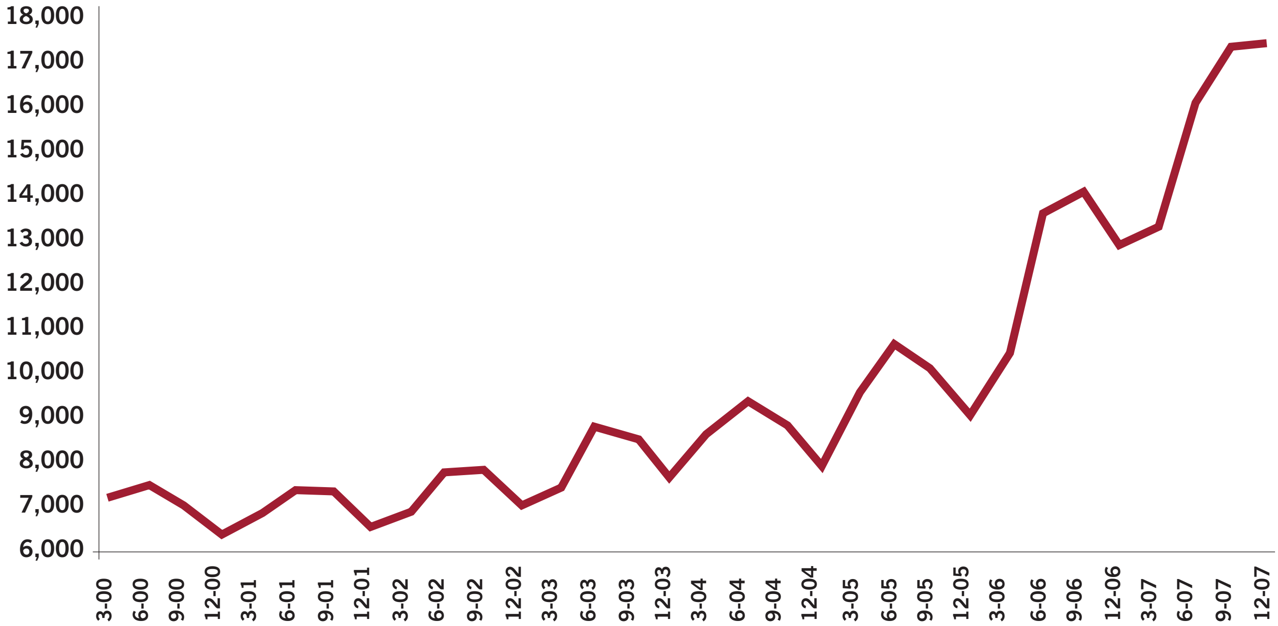
CHART 8. SECOND-FLOOR LOANS BALANCES AT DECEMBER 31 — MILLION EUROS AND PERCENTAGES

			Annual variation	
	2007	2006	Absolute	%
Generic facilities:	**8,510.6**	**13,401.7**	**(4,891.1)**	**(36.5)**
SME	8,337.8	12,827.3	(4,489.5)	(35.0)
Agreement with aut. comm.[(a)]	30.2	455.5	(425.3)	(93.4)
Entrepreneurs	48.2	42.9	5.3	12.3
Corporate growth	94.4	76.0	18.4	24.3
Technological innovation (CDTI)	**112.7**	**696.5**	**(583.8)**	**(83.8)**
Renewable energies (IDAE)	**57.8**	**560.5**	**(502.7)**	**(89.7)**
Transport	**37.8**	**540.7**	**(502.9)**	**(93.0)**
Film industry	**117.0**	**111.5**	**5.5**	**4.9**
Tourism sector	**128.5**	**79.3**	**49.2**	**62.1**
Plan Avanza	**257.5**	**17.0**	**240.5**	**1,414.3**
Other recently-created facilities [(b)]	**159.0**	**36.2**	**122.8**	**339.2**
SME. Opening up:	**322.8**	**265.5**	**57.3**	**21.6**
Internationalisation	310.0	238.1	71.9	30.2
ICEX Agreement	12.8	27.4	(14.6)	(53.3)
Relief funds [(d)]	**1,045.7**	**1,234.7**	**(189.0)**	**(15.3)**
Microcredits	**4.2**	**5.6**	**(1.4)**	**(25.5)**
Extinct facilities [(c)]	**263.4**	**290.7**	**(27.3)**	**(9.4)**
Second-floor subtotal without bonds	**11,017.0**	**17,239.9**	**(6,222.9)**	**(36.1)**
Securitisation bonds	**10,633.2**	**-**	**10,633.2**	**100.0**
TOTAL	**21,650.2**	**17,239.9**	**4,410.3**	**25.6**

[(a)] *INFO Murcia, Ceuta, Melilla and CAIB (Balearic Islands).*
[(b)] *Environment, workers' limited companies, irrigation equipment, textile sector, young university students,processed tomato sector.*
[(c)] *Diesel oil, extensive cattle-breeding, almond-growing, shipbuilding sector, MAPA, fisheries sector and newly-created enterprises.*
[(d)] *In 2005, includes the Relief Fund Facility for the sinking of the Prestige.*

The major increases correspond to the SME 2007 Facilities, part of the Corporate Development Plan.

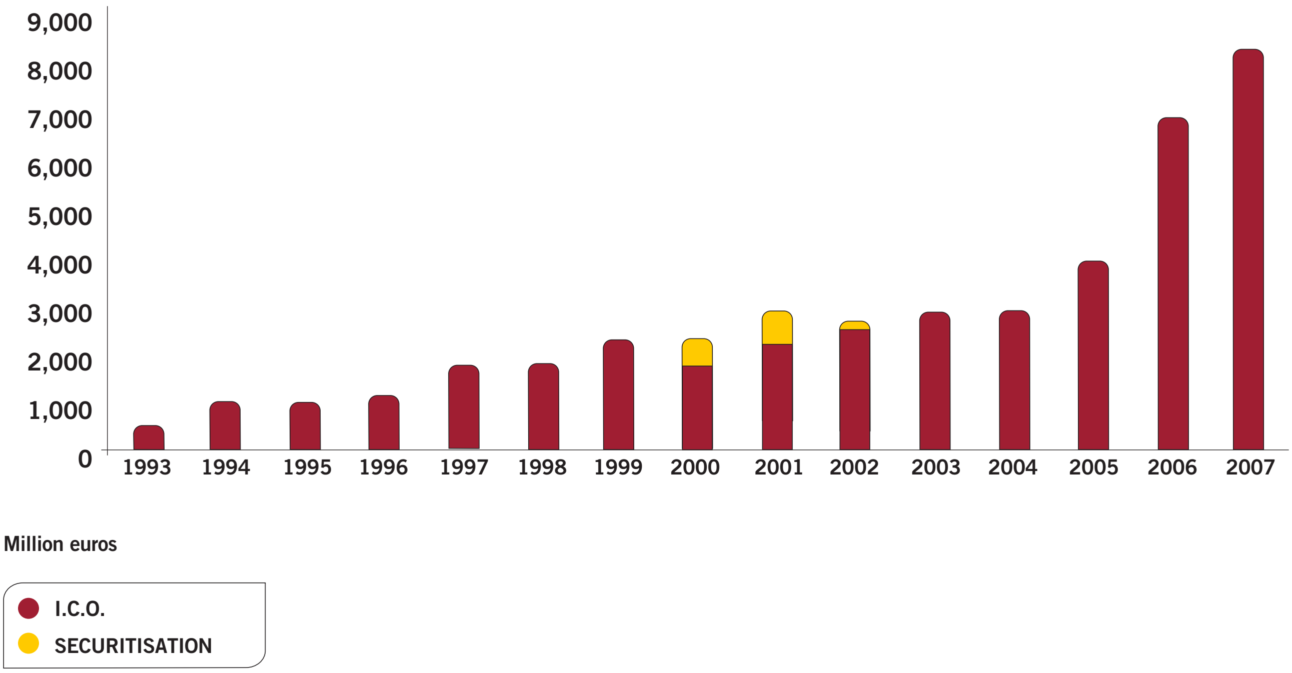
**GRAPH 4. SME FACILITY LOANS
MONTH-END BALANCES**



Million euros

Graph 4 indicates the quarterly evolution of the balance of loan accounts. It is seen how the trend set in previous years, when demand for loans was exceptionally high in the first six months of each year, altered in 2007. In fact, due to the greater volume of funds available, taking into account the facility's increase of €2,000m to €9,000m, the demand for loans easily surpassed that of reimbursements arising from repayments. Nevertheless, growth in the last months of the year slowed down because in November, the first redemption of bonds substituting securitised second-floor loans occurred and, as stated at the start of this section, for the purposes of this Annual Report, they have been considered as loan accounts. Otherwise, it would not have been possible to maintain the sequence of the historical series.

GRAPH 5. SME FACILITY ANNUAL DRAWDOWNS



In the period from the facility's creation to year-end 2007, the total number of loans granted to applicants was 664,465 (see Chart 9). The accumulated volume of drawdowns added up €42,726.2m. The average unit amount of loans granted stands at €64,301.76m.

CHART 9. SECOND-FLOOR LOANS, SME FACILITY BALANCES AT DECEMBER 31

MILLION EUROS AND PERCENTAGES

	2007		2006	
	Annual values	Accumulated values	Annual values	Annual values
Number of operations	**126,983**	**664,465**	**114,731**	**537,482**
Number of operations For less than €60,000 (%)	69.6	73.3	73.3	74.2
Amount in loans drawn down	**8,371.5**	**42,726.2**	**7,000.0**	**34,354.8**
At a variable interest rate (%)	73.5	79.5	81.5	80.9
To be repaid in over five years (%)	38.4	50.8	41.4	53.8
Estimated amount of induced investment	**13,397.0**	**82,172.5**	**13,508.4**	**68,775.4**
Investment coverage rate (%)	**62.5**	**52.0**	**51.8**	**50.0**

SME Facility operations centre on the tranches corresponding to smaller loans and smaller enterprises. Specifically, 73.3% of loans have a unit value of less than €60,000; 85.9% fall short of €100,000; and a mere 0.5% pass the €900,000 mark.

On average, loans granted are estimated to have covered 52% of induced investment. The difference between the amount in investments financed and the amount in second-floor loans determines the amount in resources which investors have had to obtain in order to execute their projects. Regardless of the weight of funds from self-financing operations in respect of total additional funds, there are grounds for thinking that the bulk of complementary resources was provided by the same banks and savings banks which approve applicants' operations and guarantee the second-floor loans received from ICO.

SME Facility borrowers are free to choose both the loan repayment period (three, five, seven or 10 years, with an optional one or two-year grace period for five or seven-year terms) and the type of interest rate (fixed or variable). The distribution of the value of loans drawn down reveals that 50.8% are arranged with a repayment period of five or more years and 79.5%, at EURIBOR-indexed variable interest rates

As pointed out in previous editions of this report, the direction taken by the SME Facility would appear to confirm that its aims are being accomplished satisfactorily and that the facility's advantageous conditions have stimulated the capitalisation processes of small and medium-sized enterprises. Moreover, the second-floor procedure has fanned the increasing involvement of co-operating institutions in the granting of medium and long-term loans to investors.

It was stated at the beginning that this item includes the securitisation of assets carried out by the institute in the financial year. This is because of the effect exerted on the outstanding balance of second-floor loans, bearing in mind that, for accounting purposes, the assets which substitute the securitised loans are treated as the "investment portfolio due", given that they are bonds/securities.

Although ICO is not subject to the regulatory limit regarding the concentration of major risks, in 2007, it was decided, in accordance with the financial logic of risk management, to reduce the risk of exposure in respect of the borrower credit institutions as this risk had gradually become more concentrated in recent financial years. So as to continue in the purpose of increasing allocations to second-floor facilities and providing solid backing for the Spanish corporate network, while endowing the balance sheet with a credit enhancement, on March 8 2007, ICO and Ahorro y Titulización, Sociedad Gestora de Fondos de Titulización (SGFT) constituted the securitisation fund known as ICO Mediación I AyT, FTA, to which 26,138 loans were transferred. These loans had been granted by ICO to 67 financial institutions through second-floor facilities since 2001 and entailed a total amount of €14,099,000 thousand. Had this not been done, most of the banks would have reached the permitted risk limit on their contra item facilities.

The securitisation fund used three financial instruments to finance the purchase of the loans assigned by ICO: 1) a bond issue for €13,169,000 thousand (93.4% of the operation and a AAA credit rating), fully subscribed by the institute; 2) a syndicated loan granted by the financial institutions to the securitisation fund for an amount of €930,000 thousand (6.6% of the operation and a BBB-credit rating); and 3) a swap arranged with the institute to manage exposure to interest rate and liquidity risk.

This fund has enabled ICO not only to endow its balance sheet with a credit enhancement but also to avoid a high concentration of risk in respect of the financial institutions, deriving from the large amount involved in loans drawn down under second-floor facilities.

1.2.- Ordinary loans. Direct loans to customers

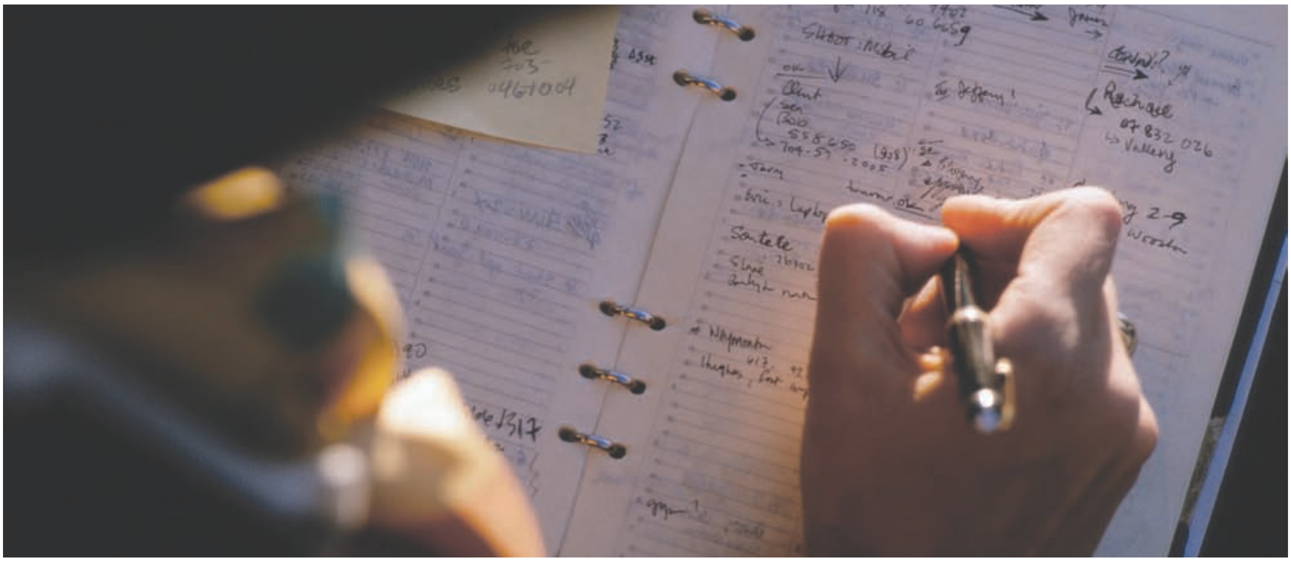
Chart 10 indicates the balance of loan accounts in which ICO performs its direct lending activity. In the preparation of the chart, the criteria established by the Bank of Spain for the presentation of credit institution balance sheets have been followed. Accordingly, the overall figure matches the sum of the balance of ordinary loans to customers and the balance of special and exceptional operations, which appear in Chart 7. Furthermore, the balance of lending investment obtained after deducting specific credit loss allowances from loan accounts tallies with the balance appearing in Chart 6 (Abstract of the balance sheet) and on the balance sheet of the audited financial statements, under the heading, Loans and credits.

CHART 10. LOANS AND CREDITS
BALANCES AT DECEMBER 31

MILLION EUROS AND PERCENTAGES

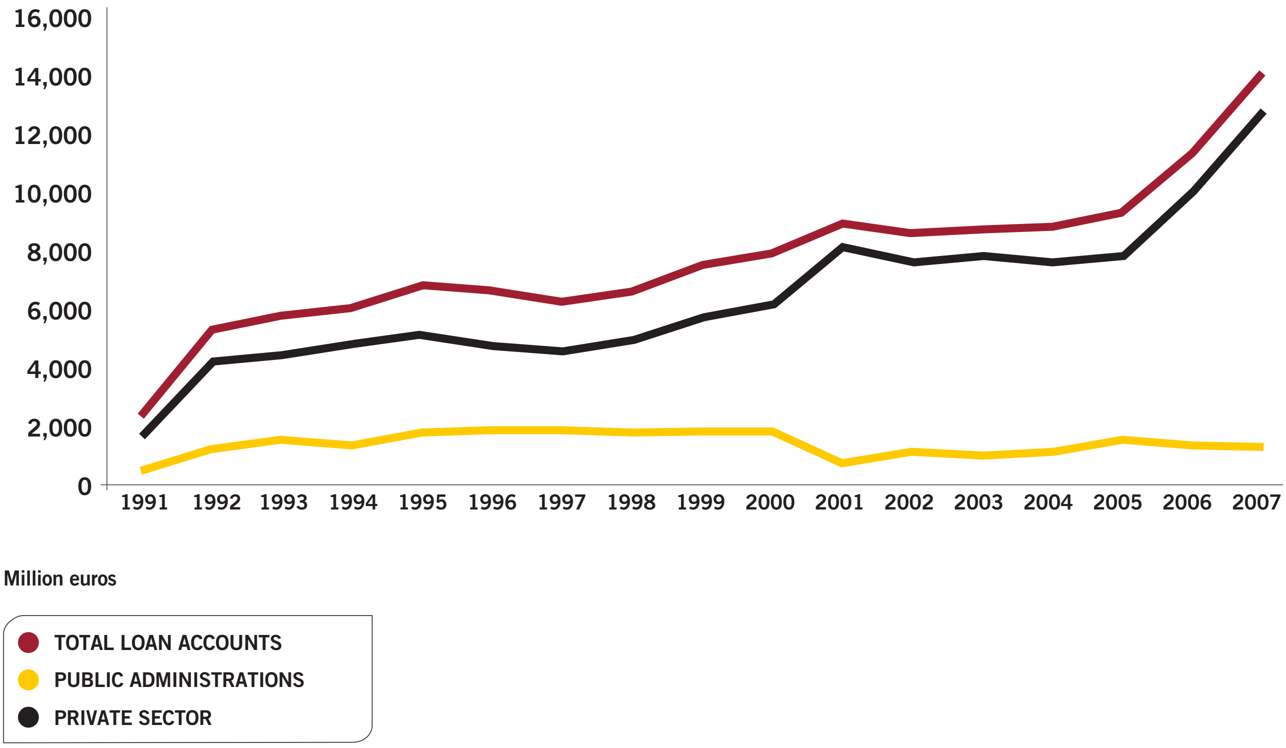
			Annual variation	
	2007	2006	Absolute	%
Public Administrations	**1,096.2**	**1,231.8**	**(135.6)**	**(11.0)**
Central Administration	34.9	198.5	(163.6)	(82.4)
Territorial Administrations	1,061.3	1,033.3	28.0	2.7
Other resident sectors	**10,884.9**	**7,820.5**	**3,064.4**	**39.2**
Ordinary loans	10,738.5	7,535.7	3,202.8	42.5
Special loans	146.4	284.8	(138.4)	(48.6)
Non-resident	**1,912.3**	**2,132.6**	**(220.4)**	**(10.3)**
TOTAL LOANS AND CREDITS	**13,893.3**	**11,184.8**	**2,708.5**	**24.2**
Credit loss allowance	343.2	445.8	(102.6)	(23.0)
TOTAL LENDING INVESTMENT	**13,550.1**	**10,739.0**	**2,811.1**	**26.2**

At the end of 2007, the outstanding balance of direct loans to customers, prior to deducting generic and specific provisions, came to €13,893.3m. This figure reflects a 24.2% increase on the amount recorded one year previous.



Loan accounts with other resident sectors (non-financial companies and firms) reached €10,884.9m, reflecting an upturn of €3,064.4m in respect of the balance recorded in 2006 (39.2% in relative terms). This rise is due to the increase witnessed by ordinary loans, well above the decline of €138.4m undergone by special loans.

GRAPH 6. LOANS AND CREDITS



Graph 6 illustrates the path followed by direct loans granted to the public and private sectors, including in the former loans to the Central and Territorial Administrations and, in the latter, resident and non-resident companies and enterprises.

So far, the new lending activity has been analysed on the basis of the procedure followed when granting the lendable funds (second-floor loans or direct loans to customers). Now the same balances are examined in terms of the earmarked application of the resources; i.e., the type of investment financed, both in Spain and abroad.

At year-end, the balance of loan accounts corresponding to both groups was, prior to the deduction of provisions, €35,543.6m, showing a 25% increase on the previous year’s figures.

a) Investments financed in Spain

At the close of 2007, the gross amount, prior to the deduction of ordinary loan provisions, stood at €31,878.3m, or 26.4% more than in 2006; and that of special and exceptional operations, at €146.4m, or 35.2% less than in the preceding year (see Chart 11). So as to provide a clearer insight into the performance of this group, the outstanding balance of €10,633.2m on bonds from the asset securitisation fund is considered as domestic investment.

CHART 11. LOAN ACCOUNTS. INVESTMENTS FINANCED IN SPAIN BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

	2007	2006	Annual variation Absolute	Annual variation %
1. SME loans	8,510.6	12,827.3	(4,316.7)	(33.7)
2. Securitisation bonds	10,633.2		10,633.2	
3. Technological innovation (R&D)	621.8	696.5	(74.7)	(10.7)
4. EIB loans, With contra item	436.3	473.4	(37.1)	(7.8)
5. Large projects and other facilities	6,848.5	5,459.5	1,389.0	25.4
6. Real estate activities	1,294.6	1,288.3	6.3	0.5
7. Aut. comm. and local corporations	1,462.1	1,033.3	428.8	41.5
8. Other facilities	2,071.2	3,444.9	(1,373.7)	(39.9)
9. (1 to 8).- Ordinary loans	**31,878.3**	**25,223.3**	**6,655.0**	**26.4**
10. Special operations and loans	**146.4**	**284.8**	**(138.4)**	**(48.6)**
11. (10 + 9).- TOTAL	**32,024.7**	**25,508.1**	**6,516.6**	**25.5**

The balance of loan accounts under the facilities geared towards the financing of investments by small and medium-sized enterprises came to €8,510.6m, meaning a theoretical downturn of €4,316m. As explained above, the second-floor asset securitisation operation distorts the presentation of the comparative historical series of these variables, causing the theoretical decrease in the net balances of these loan accounts. So as to give the reader a clear idea as to the actual state of affairs regarding these variables, the presentation of these loan accounts (Chart 11) maintains the item corresponding to the effect produced by the securitisation bonds.

b) Investments abroad

As for the balance of loans expressly applied to the financing of investments abroad, the figure finished up at €3,518.9m, or 20.6% more than in the previous year. Particularly noteworthy is the activity carried out under the PROINVEX Programme, designed to promote the internationalisation of large enterprises.

CHART 12. LOAN ACCOUNTS. INVESTMENTS FINANCED ABROAD BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	2006	Absolute	%
1. SME. Opening up	322.8	265.5	57.3	21.6
- Internationalisation	310.0	238.1	71.9	30.2
- ICEX Agreement	12.8	27.4	(14.6)	(53.3)
2. PROINVEX Programme	3,196.1	2,521.7	674.4	26.7
3. Other non-residents		129.4	(129.4)	(100.0)
4. (1 to 3). TOTAL	**3,518.9**	**2,916.6**	**602.3**	**20.6**

Loans to credit institutions, BBVA loans and other loans and deposits

At the close of the last financial year, the net balance of financing supplied by ICO to credit institutions, excluding second-floor loans, added up to €3,193.2m after deducting the provisions for sovereign risk on loans granted to non-resident banks. Of this amount, €1,358.8m corresponded to loans granted to the BBVA (formerly Argentaria) as a result of the conversion of allocations owed by former Official Credit Institutions (OCI); and €1,737.2m, to loans to other institutions, mainly taking the form of deposits on the interbank market. When compared with values for 2006, these balances indicate a 37% decrease (€799.8m) and a 116.6% increase (€935.3m).

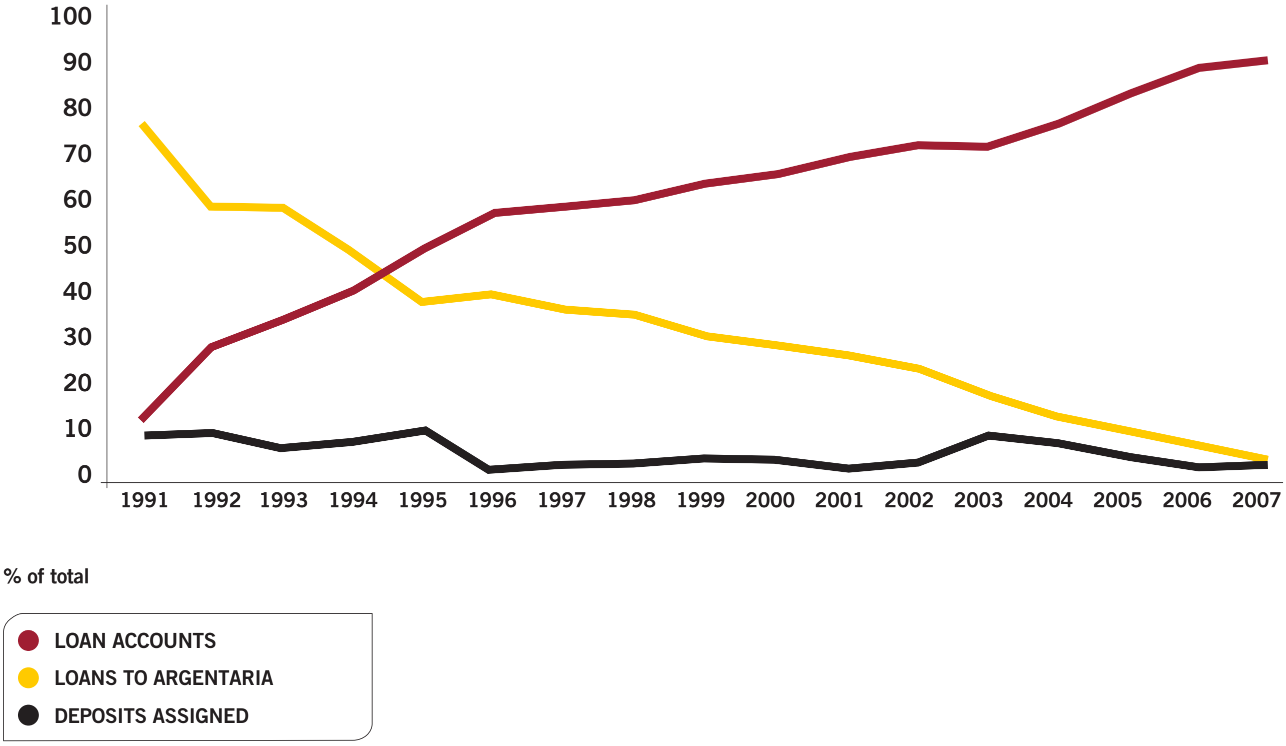
CHART 13. LOAN ACCOUNTS. LOANS TO CREDIT INSTITUTIONS BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	2006	Absolute	%
Loans to the BBVA [a]	1,358.8	2,158.6	(799.8)	(37.0)
Other loans and deposits	1,737.2	801.9	935.3	116.6
Demand	17.3	9.6	7.7	80.2
Term	1,692.3	762.8	929.5	121.9
Transitional accounts [b]	27.6	29.5	(1.9)	(6.5)
Valuation adjustments	123.6	173.6	(50.0)	(28.8)
Provisions for sovereign risk	(26.4)	(29.5)	3.1	(10.5)
TOTAL	**3,193.2**	**3,104.6**	**(88.7)**	**(2.9)**

[a] *Includes demand receivables and other term accounts: €0.099m in 2007 and €0.088m in 2006.*
[b] *Includes guarantee deposits.*

Now that the institute's lending activity has been analysed in depth, it may be of interest to examine the performance of the shares taken up by the main aggregates forming the institute's basic assets (see Graph 7). It will be observed how the weight of loan accounts within this total grew without interruption until 2007. In 1992, after the special and exceptional operations portfolios of former OCI had been transferred to ICO, the balance of loan accounts represented 29.1% of fundamental assets; in 1995, the 50.4% share of these operations capped that of all the other headings put together; in 2005, it climbed to 84.8%; and, at the close of the last financial year, rose again to stand at 91.8%.

GRAPH 7. SHARE OF FUNDAMENTAL ASSET OPERATIONS



The graph shows how the relative weight of loans to the BBVA (formerly Argentaria) has, with the exception of 1996, been constantly declining throughout the period. In fact, in accordance with the pertinent repayment schedule, it will disappear altogether in 2012.

FUNDING. EXTERNAL RESOURCES

At the close of the financial year of 2007, the balance of the institute's external resources totalled €33,614.6m, accounting for 84.29% of total liabilities. As compared with the previous year, this balance indicates a rise of 19.6%.

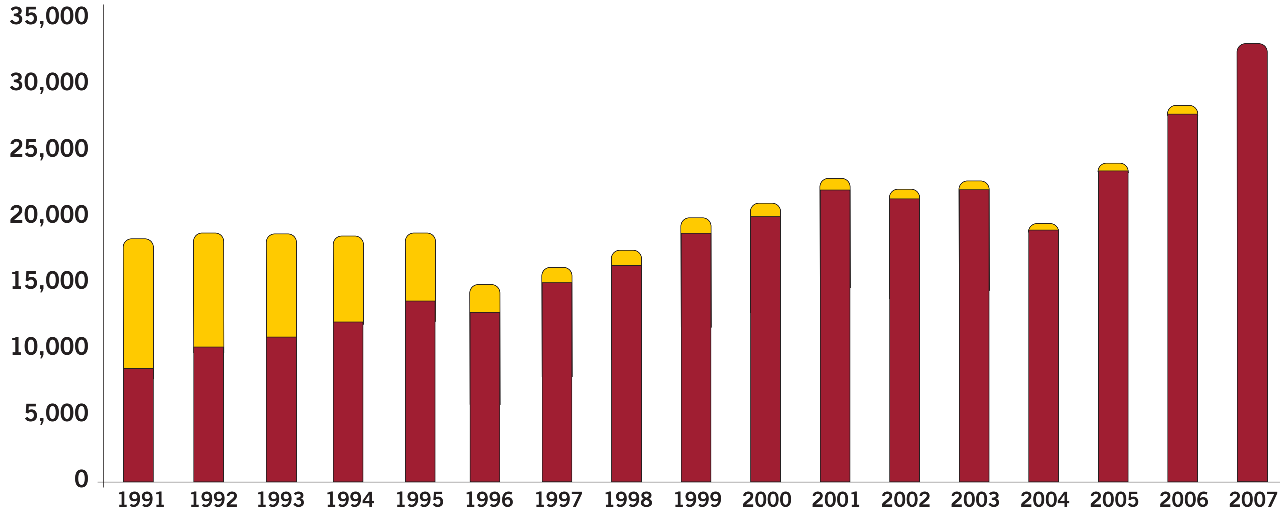
CHART 14. FUNDING. STRUCTURE BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

	2007	2006	Annual variation Absolute	%
1. Market resources	**32,780.1**	**27,654.7**	**5,125.4**	**18.5**
1.1.- Fixed-income securities	29,053.9	23,896.7	5,157.3	21.6
1.2.- Loans from credit institutions	1,060.3	1,778.5	(718.1)	(40.4)
1.3.- Customer funds	2,665.8	1,979.6	686.3	34.7
1.4.- Denominated in euros	14,459.7	10,590.8	3,868.9	36.5
1.5.- Denominated in f.c.	18,320.4	17,063.9	1,256.4	
2. Special funding	**0.0**	**228.9**	**(228.9)**	**(100.0)**
3. Other financial liabilities	**834.5**	**227.5**	**607.0**	**266.8**
4. (1+2+3).- TOTAL	**33,614.6**	**28,111.1**	**5,503.5**	**19.6**

Chart 14 provides details of the major components of external funding. It is seen how the largest share is taken up by market resources. More specifically, in the last financial year, the balance of outstanding fixed-income securities witnessed an increase of €5,157.3m (21.6% in relative terms).

Excluding other financial liabilities, the performance of the two major funding components –market resources and special funding– is illustrated in Graph 8 It will be observed that the balance of special resources –those obtained off market circuits– decreased systematically in every single year of the period under examination and that ordinary funding grew rapidly and steadily, especially in the last two years. Consequently, the weight of special funding has been diminishing year by year, going from 52.9 percent of total external resources in 1991 to become non-existent in the last financial year. This was due to the final disappearance from ICO's accounts of special funding, consisting in the State loan to ICO dating back to 1988. In accordance with the measures provided for under the 2007 General-Government Budget Act, explained under the heading, Capital accounts and equity, in 2007, this loan came to constitute a contribution from the State to the institute's equity.

GRAPH 8. FUNDING BALANCES AT 31.12



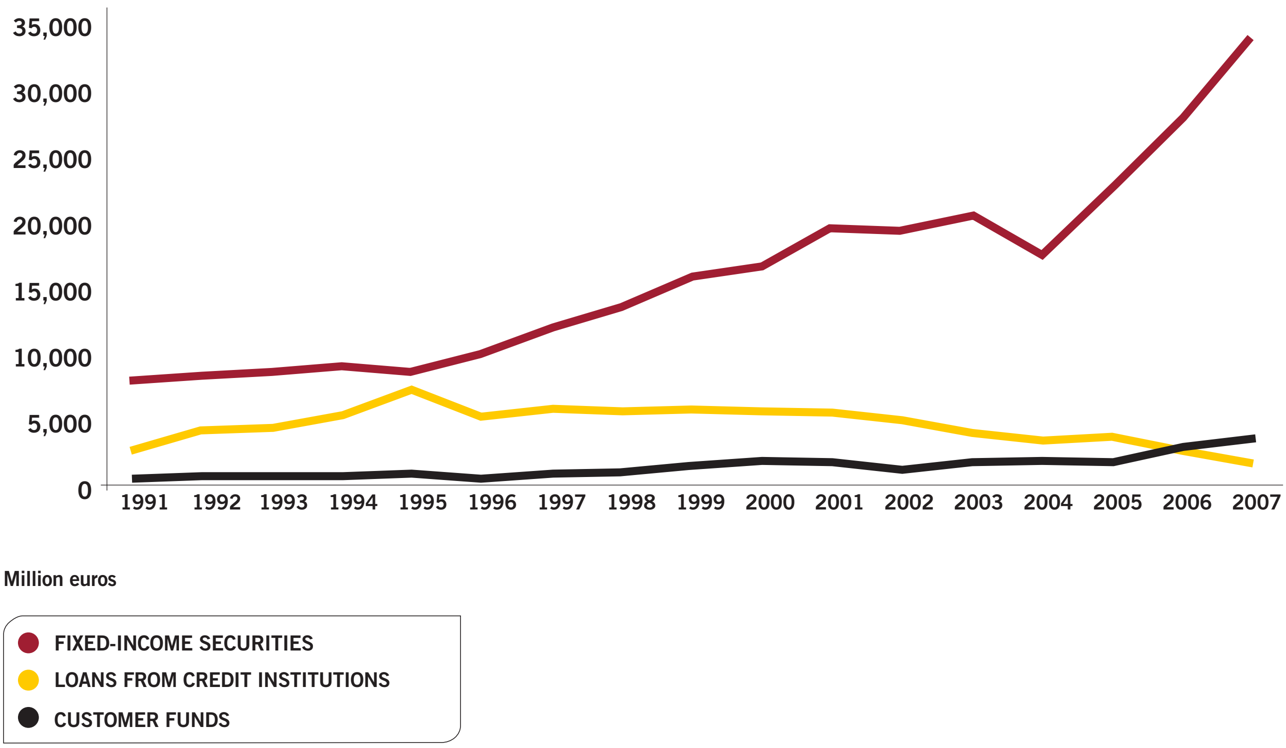
Million euros

- MARKET RESOURCES
- SPECIAL FUNDING

1.- Market resources

Graph 9 traces the path followed since 1991 by each of the major market funding sources. It will be seen how two clearly distinct stages appear in the period under examination. The first, going from 1991 to 1995, reflects the growth of the absolute value and the relative weight of loans received from credit institutions. The second, going without a break from 1996 to the last financial year, witnesses a notable increase in the absolute and relative significance of outstanding fixed-income securities. The ratio between the balance of credit resources and total market funding jumped from 22.3% in 1991 to 44% in 1995, slipping from then onwards to stand at 6.4% in 2006 and at 3.2% in 2007. In the meantime, the weight of funds netted through security issues narrowed down from 76.6% in 1991 to 53.6% in 1995, to grow since that time to 86.4% in 2006 and to 88.63% in the last financial year.

GRAPH 9. MARKET RESOURCES



1.1.- Fixed-income securities

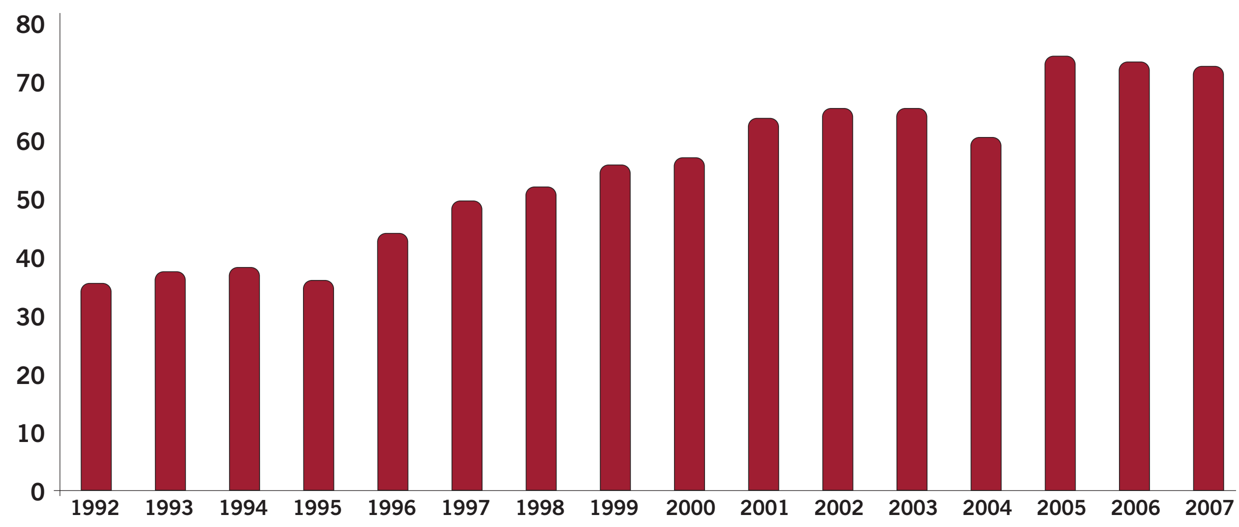
Within market resources, the balance of outstanding fixed-income securities is the one to have increased most in the financial year, reaching a balance at year-end 2007 of €29,053.9m. This gives a year-on-year upward variation of €5,157.3m. The volume of bonds and debentures originally denominated in euros shot up by 55%, while those issued in foreign currency rose by 7.5%. When the financial period came to a close, these securities posted respective balances of €12,079.9m and €17,539.5m (see Chart 15).

CHART 15. FIXED-INCOME SECURITIES BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

	2007	2006	Annual variation Absolute	Annual variation %
Bonds and debentures in euros	**12,079.9**	**7,795.4**	**4,284.4**	**55.0**
Auction Programme	45.1	86.6	(41.5)	(47.9)
Other issues and accruals	1,195.9	1,740.9	(545.0)	(31.3)
EMTN Programme	10,205.9	5,736.0	4,469.9	77.9
ECP	633.0	232.0	401.0	172.8
Bonds and debentures in euros	**17,539.5**	**16,313.7**	**1,225.9**	**7.5**
EMTN Programme	14,329.7	13,837.9	491.8	3.6
Kangaroo Programme	2,118.5	1,437.9	680.6	47.3
Other issues and accruals	679.3	757.0	(77.7)	(10.3)
ECP	412.0	280.9	131.1	46.7
***Pagarés* (promissory notes)**	**64.9**	**65.9**	**(1.0)**	**(1.5)**
Programmed issues	0.0	-	0.0	0.0
Exceptional issues	64.9	65.9	(1.0)	(1.5)
Valuation adjustments	**(630.4)**	**(278.3)**	**(352.0)**	**126.5**
TOTAL	**29,053.9**	**23,896.7**	**5,157.3**	**21.6**

Obtaining resources by means of the issuance of fixed-income securities on domestic and foreign markets is one of ICO's most characteristic funding mechanisms and, for several years now, has been the most important. As shown in Graph 10, until 1995, the ratio between the balance of outstanding securities and the institute's liabilities held fairly stable –at around 36.5%–, pursuing a fast and continuous upward trend from that time to the present.

GRAPH 10. ICO. Fixed-income securities
Share of liabilities



% of total

1.2.- Loans from credit institutions

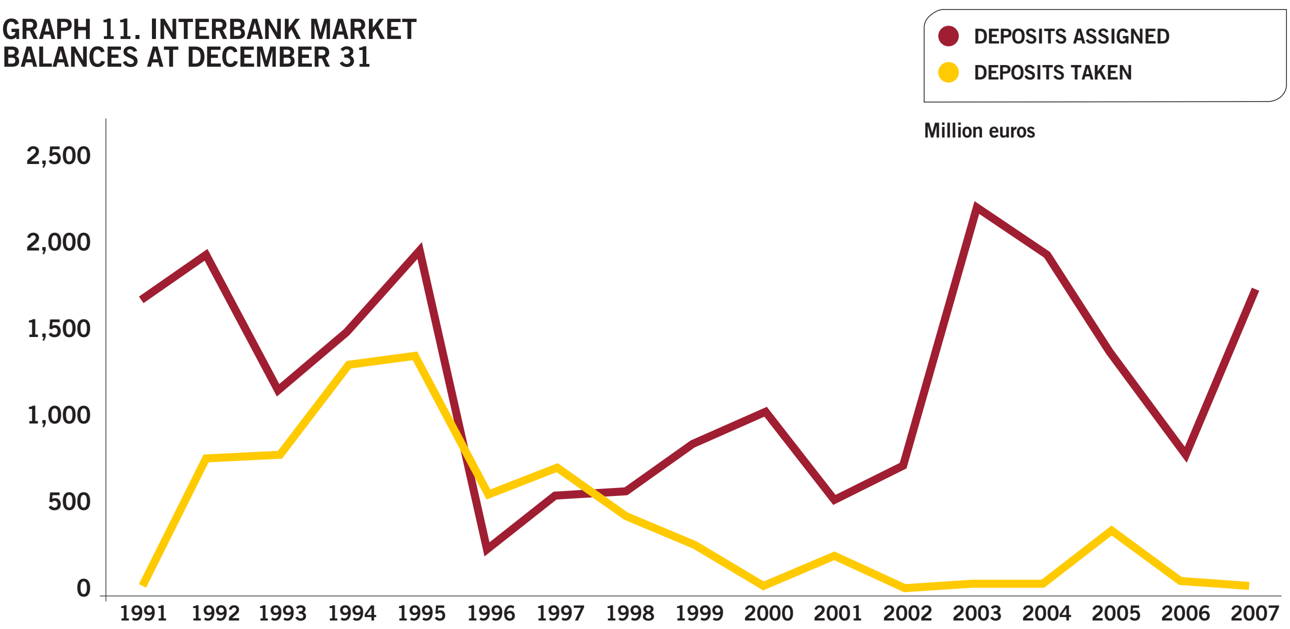
At the end of the last financial year, the balance of funding received by ICO from credit institutions was €1,060.3m, or €718.1m (40.4%) less than the figure noted in 2006.

CHART 16. LOANS FROM CREDIT INSTITUTIONS BALANCES AT DECEMBER 31 — MILLION EUROS AND PERCENTAGES

Items	2007	2006	Annual variation Absolute	Annual variation %
EIB loans	**612.4**	**1,004.8**	**(392.4)**	**(39.1)**
In euros	451.1	805.9	(354.8)	(44.0)
In f.c.	161.3	198.9	(37.7)	(18.9)
Deposits from credit institutions	**0.1**	**21.9**	**(21.8)**	**(99.4)**
In euros		21.9	(21.9)	(100.0)
In f.c.	0.1	0.1	0.1	119.4
Loans from other banks	**464.6**	**734.5**	**(269.9)**	**(36.7)**
In euros	146.3	461.8	(315.5)	(68.3)
In f.c.	318.3	272.7	45.6	16.7
Valuation adjustments	**(16.8)**	**17.3**	**(34.0)**	**(196.9)**
In euros	(271.4)	(260.6)	(10.8)	4.1
In f.c.	254.7	277.9	(23.3)	(8.4)
TOTAL	**1,060.3**	**1,778.5**	**(718.1)**	**(40.4)**

At year-end 2007, the balance of deposits taken on the interbank market was practically non-existent and, as stated in the previous section, the balance of funds assigned on this market totalled €1,655.9m. ICO's position as a net assignor of resources increased to €1,655m, or €914m more than the figure recorded in 2006. The historical evolution of the balances of deposits taken and assigned in the interbank financing system is illustrated in Graph 11.

GRAPH 11. INTERBANK MARKET BALANCES AT DECEMBER 31



1.3.- Customer funds

The most important item within customer funds is demand accounts belonging to resident financial companies and firms. At year-end, this balance amounted to €1,885.3m. The remainder (to a total of €2,665.8m) almost entirely corresponds to deposits by Public Administrations.

CHART 17. CUSTOMER FUNDS BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

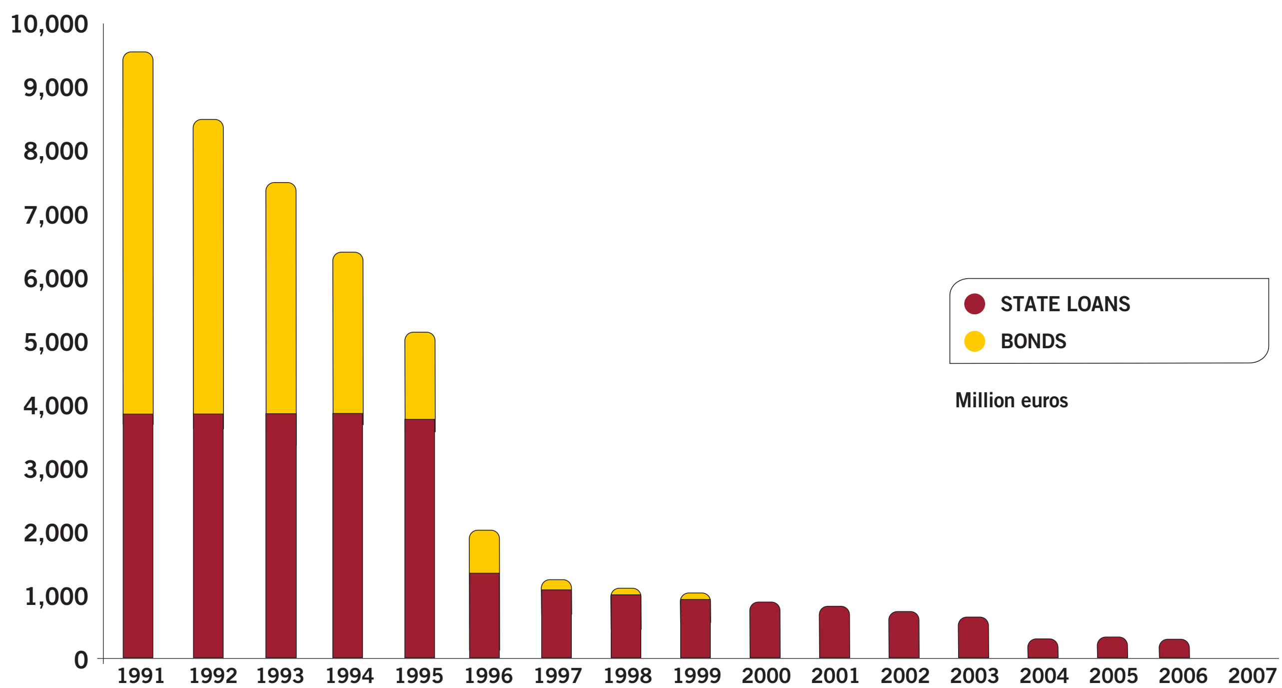
Items	2007	2006	Annual variation Absolute	Annual variation %
Public Administrations	741.3	689.3	52.1	7.6
Other resident sectors	1,885.3	1,264.2	621.1	49.1
Valuation adjustments	24.1	12.1	12.0	99.0
Other non-resident sectors	15.1	14.0	1.1	7.6
TOTAL	**2,665.8**	**1,979.6**	**686.3**	**34.7**

Unlike the situation at private credit institutions, where customer deposits are the main funding source, at ICO, this resource has generally been of little significance although of late, it has been gaining considerable importance. The reason for this lies in the legal restriction whereby ICO is prevented from "raising funds through deposits by the general public". In view of these limitations, customer funds are obtained through two basic lines of action: one, through the institute's activity as an asset securitisation paying agency, referred to in the first section of this report; and the other, on a complementary basis with specific credit operations, such as the opening of accounts pertinent to direct asset operations.

2.- Special funding

It was stated above that resources obtained off ordinary markets had become less important. At the close of 2007, the balance of these resources disappeared completely whereas in December 2006, it amounted to €228.9m, corresponding in its entirety to the outstanding portion of the State loan constituted in 1988.In January 2007, this amount came to form part of the institute's equity as a result of the execution of the measures provided for to this end under the 2007 General-Government Budget Act.

GRAPHIC 12. SPECIAL FUNDING



3.- Other financial liabilities

Attention should be drawn to the considerable increase to €834.5m, which is €607m more in absolute terms than the figure chalked up in the previous year, as shown in Chart 14, Point 3. This rise stemmed from the funds contributed by the Central State Administration by virtue of the agreements of cooperation entered into between ICO and the various ministries. At year-end 2007, the overall balance of these funds worked out at €559.7m and shall be reimbursable in accordance with the special characteristics of each one. More specifically, the agreements of cooperation formalised and in force in 2007 correspond to FOMIT (fund for the modernisation of tourism infrastructures); AVANZA (fund for access to new technologies); the University Studies Loan; and the facility known as *Learn to drive for a euro a day*.

PROVISIONS FOR CONTINGENCIES

At the close of the last financial year, the balance for generic contingencies stood at €241.3m, or €22.6m more than the amount recorded in 2006. This rise is a clear reflection of the higher degree of activity in 2007.

CHART 18. PROVISIONS FOR CONTINGENCIES BALANCES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

Items	2007	2006	Annual variation Absolute	Annual variation %
Provisions for contingencies and charges	**212.9**	**193.6**	**19.4**	**10.0**
- RDA 12/95 Allowance	134.0	142.0	(8.0)	(5.6)
- Other provisions	78.9	51.6	27.4	53.1
Contingent exposure and adjustments	**28.4**	**31.4**	**(3.0)**	**(9.5)**
TOTAL	**241.3**	**224.9**	**16.4**	**7.3**

The volume of the allowance constituted in accordance with Royal Decree-Act 12/95 decreased by 5.6% to stand at €134m. The purpose of this fund is "to provision and charge the amounts corresponding to delinquent and defaulting loans" on special and exceptional operations. The balance of other funds stood at €78.9m and that of contingencies and charges, at €28.4m. The rise witnessed by other funds is, to a large extent, due to operations concerning the damages caused by the *Prestige* accident.

CAPITAL ACCOUNTS AND EQUITY

At year-end 2007, the institute's net worth amounted to €2,066.4m, surpassing the 2006 equivalent by €664.9m, or 47.4% (see Chart 19). As for the equity balance, there was a variation of 69.9% (€670.4m). The increase in reserves is, in the main, attributable to the capitalisation of after-tax profit corresponding to 2006, which totalled €106.8m.

CHART 19. CAPITAL ACCOUNTS BALANCES AT DECEMBER 31 — MILLION EUROS AND PERCENTAGES

Items	2007	2006	Annual variation	
			Absolute	%
Equity	1,629.1	958.8	670.4	69.9
Reserves (a)	513.2	410.1	103.2	25.2
Valuation adjustments	(158.4)	(53.8)	(104.6)	194.4
The year's income	82.3	104.2	(21.9)	(21.0)
TOTAL	**2,066.4**	**1,419.2**	**647.1**	**45.6**

The increase in equity recorded in 2007 for an amount of €670.4m derived from the execution of a set of measures provided for under the Forty-ninth Additional Provision of Act 42/2006 on the General-Government Budget Act, December 29 2006. The purpose of these measures was to strengthen the institute's equity.

The measures provided for under the aforementioned additional provision are as follows:

a) The ICO-State loan is transferred in full to a State contribution to the institute's equity. The principal of this loan is €228.9m.

b) The amounts used to fund provisions for insolvencies during the term of this loan, consisting of several reductions of the loan relating to Grupo Fersa-Enfersa and Inmobiliaria Espacio operations, are considered to be a contribution to ICO's equity, to the extent that these provisions progressively become unnecessary and are covered by the Provision Fund. The increase arising from these operations came to €97.8m.

c) Additional Provision 11 of Act 24/2007, December 27, concerning Measures of a Fiscal, Administrative and Social Nature, is amended and the amounts recovered after the cancellation of the debts contracted by the State with ICO as a result of certain loans and guarantees granted by former Official Credit Institutions and the institute itself, totalling €40.6m in 2007, now form part of the institute's equity.

d) A specific budget item is provisioned for the purpose of increasing the institute's equity by €303m.

It is equally important to mention Section Two.8 of this Additional Provision whereby, so as to improve the security of the institute's equity, it is established that "as of the coming-into-force of the conditions set down in the Basel II Accords, the capital adequacy ratio of Instituto de Crédito Oficial may in no case fall below 9.50%".

Consistently with the above, at December 31 2007, the balance of ICO's computable equity stood at €2,316.3m; and that of resources consumed (minimum requirement prior to the effectiveness of the new regulations), at €1,650.1m. Accordingly, the equity surplus in respect of the minimum required under Bank of Spain Circular 5/93 was €666.2m.

CHART 20. EQUITY REQUIREMENT FIGURES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	2006	Absolute	%
Surplus or deficit	**666.2**	**69.4**	**596.8**	**859.9**
The institute´s computable equity	**2,316.3**	**1,350.8**	**965.5**	**71.5**
Equity requirement	**1,650.1**	**1,281.4**	**368.7**	**28.8**
For credit risk and counterparty (R3)	1,570.7	1,267.8	302.9	23.9
For exchange rate risk (R4)	2.0	13.6	(11.6)	(85.0)
For trading portfolio (R5)	77.1	0.0	77.1	100.0
Other exposure (consolidation)	0.3	0.0	0.3	100.0

In addition to the amounts referred to in the foregoing paragraphs about equity and reserves, this surplus includes the capitalisation of the net profit of 2006 (see Chart 19). It also includes the generic coverage constituted for credit loss audited at December 31 2006 (€169.5m) as computable equity (second-tier, in accordance with bank of Spain regulations in force). All this has taken ICO's capital adequacy ratio to 11.23%, preparing the institute for the coming-into-force of the above-mentioned new regulations and enabling it to cover the consumption required by the higher activity levels planned for the coming year.

STATEMENTS OF INCOME

In 2007, interest revenue obtained by ICO summed up to €1,647.7m, while interest expense ran to €1,438m. As compared with the amounts recorded 12 months earlier, these figures indicate respective increases of 54.2% and 64.9%. In both cases, the upturn is largely due to the increase witnessed by interest rates in the course of the year, especially during the first nine months, and to the increase in performing assets and liabilities with a cost. It must not be forgotten that, in the financial year of 2006, recovered doubtful debts totalling €91.3m were recorded under the interest income heading. This figure was well above the €5.7m recorded for the same item in 2007. Calculated on Average Total Assets (ATA), the average annual rate of interest revenue went up from the 3.44% entered in 2006 to stand at 4.29% in 2007; and that of interest expense, from 2.81% to 3.74%.

Net interest revenue stood at €209.7m, while net ordinary revenue came to €227.3m, reflecting respective increases of 7% and 9.6% on the previous year's figures. Other operating revenue posted a net amount of €2.5m, similar to the one entered the year before. Operating expense saw a year-on-year rise of 11.2% to end up at €37.9m. Net operating revenue amounted to €189m, 9.7% more than in 2005.

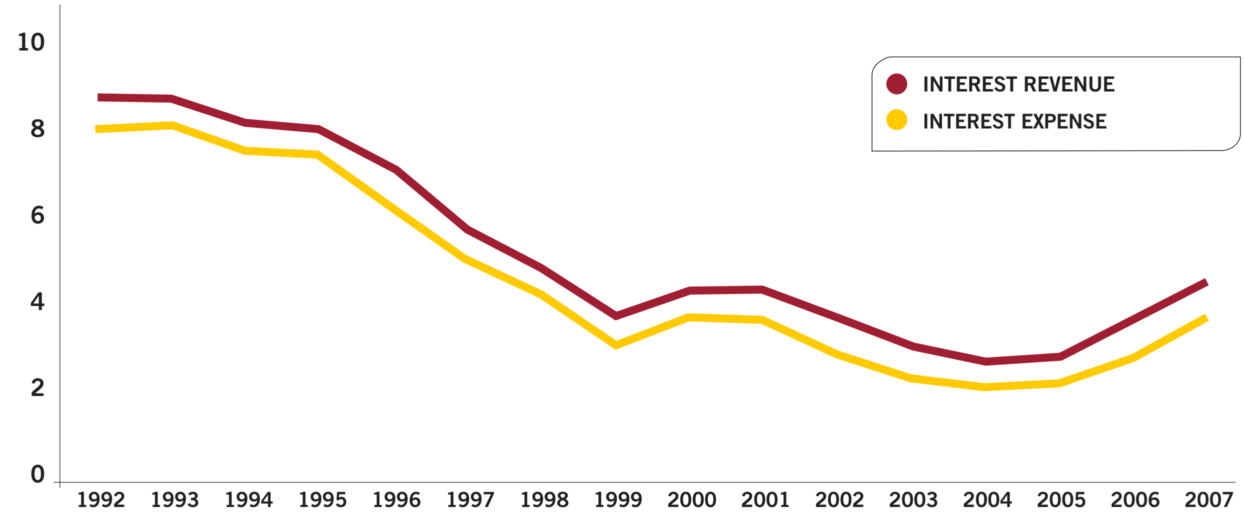
CHART 21. STATEMENT OF NET INCOME FIGURES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

Items	2007 (1)	2006 (2)	Annual variation Absolute (3 = 1-2)	Annual variation % (4)
Interest revenue	1,647.7	1,068.3	579.4	54.2
Interest expense	(1,438.0)	(872.2)	(565.7)	64.9
Net interest revenue	**209.7**	**196.0**	**13.7**	**7.0**
Other ordinary revenue	17.6	11.4	6.2	54.8
Net ordinary revenue	**227.3**	**207.4**	**19.9**	**9.6**
Other operating revenue	2.6	2.5	0.0	0.8
Operating expense	(37.9)	(34.1)	(3.8)	11.2
- Personnel costs	(15.9)	(15.2)	(0.7)	4.7
- General expense	(22.0)	(18.9)	(3.1)	16.5
Depreciation	(3.0)	(3.6)	0.6	(16.2)
Net operating revenue	**189.0**	**172.3**	**16.7**	**9.7**
Impairment losses on assets (net)	(73.7)	14.7	(88.4)	(602.8)
Provision charges (net)	(1.9)	(31.4)	29.5	(93.9)
Other losses (net)	(5.6)	1.6	(7.1)	(454.7)
Pre-tax profit	**107.8**	**157.2**	**(49.3)**	**(31.4)**
Tax on profit	(25.5)	(53.0)	27.5	(51.9)
The year's profit	**82.3**	**104.2**	**(21.9)**	**(21.0)**
Average Total Assets (ATA)	**38,409.8**	**31,025.0**	**7,384.8**	**23.8**

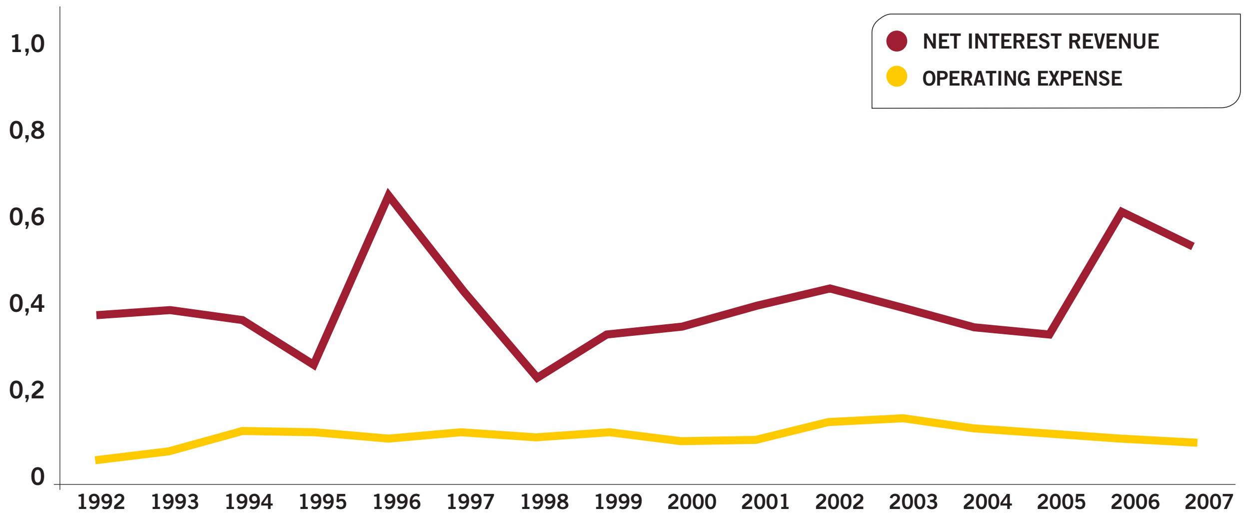
The year's pre-tax profit totalled €107.8m, or 32.4% less than in 2006. The year's result netted out at €82.3m, 22.9% below the previous year's figure, giving a rate in respect of ATA of 0.21%, as against 0.34% 12 months earlier. It should be pointed out that the decline in after-tax profit in respect of the previous year is largely due to the fact that, in 2006, this item included €91.3m from the collection of doubtful debts, which did not correspond to that year's ordinary activity.

Graph 13 shows the performance of net interest revenue and its components throughout the period from 1992 to 2007. It will be seen how the average rate of interest revenue and expense in respect of ATA clearly mirrors the path pursued by interest rates during this time. Accordingly, it is observed how the tendency to reduce the price of money broke off in the two-year period from 2000 to 2001 to resume in the following years and rise again in 2006 and 2007.

GRAPH 13. THE YEAR'S RESULTS
% OF ATA



GRAPH 13. THE YEAR'S RESULTS
% OF ATA



To a large degree, the favourable performance of net interest revenue from 1998 derives from the timeliness of the measures taken to this end in that year. In this regard, it is perhaps worth remembering that, by a CDGAE Resolution (June 2), the institute was authorised to receive compensation to cover the spread between the assignment interest rate on SME Facility funds and the estimated cost of the resources used to finance such operations. Moreover, by virtue of a Council of Ministers Resolution on December 11 of the same year, it was established that ordinary State loans would cease to accrue a fixed interest rate, which, at that time, was proving higher than the market price of money. Instead, they would accrue a variable rate equal to that on one-year Treasury bills plus 0.10 percentage points.

When accounting for the maintenance of net interest revenue, it is important to bear in mind not only the unquestionable effectiveness of these measures but also the rise in the relative weight of ordinary loans to customers granted at market rates. Until 2002, there was a gradual rise in the spread between the portfolio interest rate and the rate on the cost of external funding. As stated above, this significant increase was due to the effect of the entry under Interest Revenue of the item, Recovery of doubtful debts, which, in 2006, totalled €91.3m, as against €5.1m in 2007. Were this atypical revenue not to be considered, interest revenue for 2006 would stand at 0.34% of Average Total Assets and the same item for 2007 stands at 0.54%. This acute rise stems from the increase in the institute's equity and also from the continued decline in the price of external resources and the upswing seen in volumes of new activity with higher margins.

Chart 22 shows the statements of net income, calculated on the volume of ATA. It becomes immediately obvious that their structure differs considerably from that of statements presented by credit, or, to be more precise, deposit institutions. Hence, at ICO, the average rate of interest yield is quite a lot lower than it is at such institutions because its asset interest "is situated in the lower tranche of market rates or, in the case of special and exceptional operations, even beneath it". Conversely, interest expense is higher than it is at private institutions, above all because of the restrictions imposed on ICO when it comes to netting low-interest resources, such as those deriving from demand and term deposits. Indeed, ICO is authorised to seek funding on domestic and foreign markets by means of all nature of transactions except via deposits by the general public, this being a funding method from which it is expressly excluded.

CHART 22. STATEMENT OF NET INCOME FIGURES AT DECEMBER 31

PERCENTAGE OF EACH ITEM IN RESPECT OF BASES INDICATED

	Average Total Assets		Interest revenue	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Interest revenue	4.290	3.443	100.000	100.000
Interest expense	(3.744)	(2.811)	(87.272)	(81.649)
Net interest revenue	**0.546**	**0.632**	**12.728**	**18.351**
Other ordinary revenue	0.046	0.037	1.069	1.065
Net ordinary revenue	**0.592**	**0.669**	**13.797**	**19.416**
Other operating revenue	0.007	0.008	0.155	0.238
Operating expense	(0.099)	(0.110)	(2.299)	(3.188)
Depreciation	(0.008)	(0.012)	(0.182)	(0.335)
Net operating revenue	**0.492**	**0.555**	**11.472**	**16.131**
Impairment losses on assets (net)	(0.192)	0.047	(4.473)	1.372
Provision charges (net)	(0.005)	(0.101)	(0.116)	(2.937)
Other losses (net)	(0.015)	0.005	(0.338)	0.147
Pre-tax profit	**0.281**	**0.507**	**6.545**	**14.713**
Tax on profit	(0.066)	(0.171)	(1.547)	(4.959)
The year's profit	**0.214**	**0.336**	**4.998**	**9.754**

The institute lacks a network of operative branches of its own. Therefore, its capacity to provide banking services is extremely limited and its possibilities of obtaining interest revenue other than that from the granting and drawdown of its lendable funds are far removed from those of other on-lenders. At the same time, the fact that it has no branches means that running costs such as general and personnel expenses are much lower than at other institutions. Seen in this light, the marked differences between the institute and deposit institutions (banks and savings banks) as regards net interest revenue and net ordinary revenue are, to a certain extent, compensated by lower running costs. Consequently, although ICO is not quite so far away from the rest of the credit system in terms of net operating revenue, there is still a considerable distance between the two.

5.- OPERATIONS ON THE STATE'S ACCOUNT

In addition to its functions as an institutional lender on its own account, ICO acts as a financial agent on the State's account. Here, the institute manages three foreign sector backup instruments: the Development Aid Fund, or Official Development Aid (Spanish initials, FAD); the Reciprocal Interest Adjustment Contract, or Interest Makeup System (CARI); and the Microcredit Fund (FCM). In all three cases, ICO arranges and administers operations, carrying out tasks related to technical formalisation, accounting, cash, control and recovery and, in general, is responsible for all matters of a financial nature concerning the authorised asset operations.

FAD loans are approved by the Government and financed with budget allocations and revenue deriving from the fund itself. The operations are recorded separately by ICO and are not included on its balance sheet. Export operations under the CARI system are financed by the pertinent domestic and foreign credit institutions, while ICO arranges and administers the relevant interest adjustment contracts.

DEVELOPMENT AID FUND (FAD)

FAD loans are an instrument of foreign policy designed to fulfil the threefold aim of boosting the country's exports, fostering the growth of less developed countries and easing access to multilateral bodies. Operations charged to FAD consist in loans, in some cases, grants and other reimbursable credits, granted to multilateral bodies of which Spain is a member or to governments of other countries or public institutions and enterprises with the sovereign guarantee of their respective states.

In the financial year of 2007, FAD underwent a major change in respect of its budget. For the first time, the fund received three budget allocations, one for each Ministry involved. On January 1 2007, FAD became a single fund consisting of three distinct parts, one for each objective. The Ministry of Foreign Affairs is responsible for the approval of FAD operations in the area of cooperation; the Ministry of Industry, Tourism and Trade channels its FAD operations via the Development Aid Fund for Internationalisation; and the Ministry of Economy and Finance is in charge of the Development Aid Fund for International Financial Institutions and the Management of External Debt. In view of this new structure, ICO introduced major changes into the institute's management, mainly affecting the fund's cash assets and accounting. Moreover, there was an increase in the number of contributions (grants) to multilateral bodies, which are the main recipients of grants from the Ministries of Economy and Finance and Foreign Affairs and Cooperation.

Another novel feature concerning FAD in 2007 was the implementation of a debt condonation policy, launched by the Government under the Council of Ministers' Resolution of July 13 of that year. This resolution derives from Act 38/2006 concerning Debt Management, which provided for the renegotiation and, as applicable, the cancellation of debts incurred by HIPC (Highly-Indebted Poor Countries) with the Spanish Government prior to December 31 2003. From among the options laid down in the law, the Government chose condonation through Debt Conversion Programmes. This measure will be put into practice in coming years.

In 2007, FAD loan arrangements numbered 159, entailing an amount of €1,095.55m. As compared with 2006, when 117 operations were arranged for a total of €1,712.05m, in 2007, the number of operations went up by 36% while their volume decreased by the same percentage. This decline is due to the fact that, in 2006, extraordinary approval was given to a contribution for the constitution of the Millennium Objectives Fund under the United Nations Development Programme (UNDP). Amounting to €528m, this contribution required the approval of a budget increase, leading to a substantial rise in the figures for 2006. In any event, it is worth mentioning that the volume granted and arranged under FAD in 2007 was, after 2006, the highest in the fund's history.

The main recipients of FAD arrangements in 2007 were the World Bank Group and the United Nations, with respective shares of 30.87% and 27.83%. Third place was occupied by Morocco, which was granted a loan to finance a wind park.

At the end of the last financial year, the outstanding balance on FAD loans stood at €4,520.78m, showing a decrease of 5.54% on the figure recorded one year before (see Chart 24). This was due to the depreciation of the US dollar referred to above. Of this balance, 62.33% (€2,817.95m in terms of absolute value) was denominated in dollars; 33.51% in euros; and the remaining 4.16% in other currencies.

CHART 23. DEVELOPMENT AID FUND (FAD) LENDING ACTIVITY — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	2006	Absolute	%
Loans authorised	1,504.9	1,528.0	(23.1)	(1.5)
Loans granted	1,253.3	1,454.5	(201.2)	(13.8)
Loans arranged	1,095.6	1,712.0	(616.5)	(36.0)

CHART 24. DEVELOPMENT AID FUND FIGURES AT DECEMBER 31 — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	2006	Absolute	%
1. Loans drawn down	3,913.0	4,166.8	(253.8)	(6.1)
2. Loans refinanced	176.9	195.6	(18.7)	(9.5)
3. Debts due	430.9	423.8	7.0	1.7
4. (1 to 3 = 5 to 7). TOTAL	**4,520.8**	**4,786.2**		
5. Denominated in US$	2,817.9	3,277.5	(459.5)	(14.0)
6. Denominated in euros	1,515.1	1,335.6	179.5	13.4
7. Denominated in other currencies	187.7	173.1	14.6	8.4

INTEREST MAKEUP (CARI)

The CARI system seeks to encourage the participation of domestic and foreign private credit institutions in the long-term financing of Spanish exports. To be admitted to the system, the interest rates established for the operations by lending institutions must comply with those set down in the Organisation for Economic Co-operation and Development (OECD) Consensus.

For each interest adjustment made, CARI contracts ensure the lender institutions the collection of a certain financial margin on the outstanding balance of each credit covered by the system, together with the complete elimination of interest rate risks deriving from the difference between the credit's fixed rate and the conventional cost attributed to the resources used to finance them (six-month interbank deposit interest rate). If the difference is negative, that is, if the operation's yield is lower than the sum of estimated costs and the agreed margin, the State, through ICO, credits the appropriate amount to the credit institutions. If the opposite occurs, the institutions must pay the positive differences calculated to ICO.

In 2007, ICO arranged 63 CARI operations with the system's participating financial institutions, entailing an amount of €432.28m, or slightly less (13.42%) than the total arranged in 2006. The most noteworthy arrangement under the system was a credit for €174m to finance the supply of all-terrain vehicles, ambulances and lorries for the Moroccan Ministry of Defence.

At year-end 2007, the outstanding balance on CARI System credits was €1,793.17m, reflecting a 7.09% decrease in respect of the valuation made one year previous. The reason for the downturn was the devaluation of the US dollar/euro exchange rate, which had a negative effect on the valuation of this portfolio, 66.22% of whose credits are denominated in US dollars.

CHART 25. RECIPROCAL INTEREST ADJUSTMENT CONTRACTS (CARI) THE YEAR'S FIGURES — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	2006	Absolute	%
Outstanding capital at 1.1.	**1,930.0**	**2,384.2**	**(454.2)**	**(19.1)**
Amount in operations presented	571.6	582.5	(10.9)	(1.9)
Amount in operatiions arranged	432.3	499.3	(67.0)	(13.4)
Drawdowns and reimbursements, Net [a]	**(136.8)**	**(454.2)**	**317.4**	**(69.9)**
Outstanding capital at 31,12	**1,793.2**	**1,930.0**	**(136.9)**	**(7.1)**

[a] *Includes variations deriving from exchange rates.*

In 2007, there was a noticeable change in the trend of CARI System results. Since 1996, the system's results, i.e., the difference between Consensus rates and the market cost for financial institutions plus the guaranteed margin, had been unfailingly in the State's favour. The year to post the highest profits for the State was 2002, when ICO received €124.6m. From 2003 onwards, the system's profits started to decline as a result of the staggered rise in interest rates. In 2007, on account of interest rate rises, the result of adjustments made was favourable to financial institutions for the first time in many years: the net amount forwarded by ICO and subsequently reimbursed by the State to ICO was €2.67m.

MICROCREDIT FUND

The Microcredit Fund (FCM) was created in 1998 as a form of bilateral co-operation aimed at development. Its purpose is to improve the standard of living of vulnerable groups and foster the execution of basic social development projects. The fund is managed by the Ministry of Foreign Affairs and is formalised through loans granted to foreign on-lending institutions which, in turn, make the resources available to the beneficiaries, either directly or through local financial institutions.

In 2007, the amount in loans granted and in loans arranged came to €54.4m, indicating a sizeable decline (almost 43%) in respect of the figure recorded one year previous (see Chart 27). At the end of the last financial year, the aggregate amount of loans granted stood at €542.9m, 11.14% higher than the previous year's figure.

CHART 26. MICROCREDITS LENDING ACTIVITY — **MILLION EUROS AND PERCENTAGES**

	2007	2006	Annual variation Absolute	%
Credits granted	54.4	95.4	(41.0)	(42.98)
Credits arranged	54.4	95.4	(41.0)	(42.98)
Accumulated amount (a)	542.8	488.5	54.4	11.14

[a] *Credits granted since the fund was created.*

6.- INTERNATIONAL ACTIVITY

At Instituto de Crédito Oficial, international relations pursue the twofold aim of promoting the institute's asset and liability products and enhancing its institutional relationship with international and multilateral bodies whose projects and functions are similar to our own.

I. INTERNATIONAL BODIES

1.1. International Monetary Fund and the World Bank

The institute attended the Annual Assembly held on a joint basis by the two institutions in Washington, from October 20 to 23 2007.

1.2. Inter-American Development Bank (IDB)

ICO participated in the Annual Assembly organised by this institution in Guatemala on March 19 and 20. The institute formed part of the official Spanish delegation which attended the assembly.

1.3. Latin American Association of Financial Development Institutions (ALIDE)

The institute took part in the ALIDE Annual Assembly, held in Uruguay on May 24 and 25.

II. EUROPEAN INSTITUTIONS

2.1. European Investment Fund - EIF

ICO participated in a number of meetings with the EIF, analysing issues such as the JEREMIE Programme for the use of the EU's Structural Funds by SME; and the EIF capital increase which took place in 2007.

The main EIF meetings attended by ICO in 2007 were as follows:

- EIF General Assembly (Belgium, May 7)
- Meeting of EIF Minority Shareholders (Malta, September 20)

2.2. European Commission

ICO took part in the Fifth Bank and SME Round Table, organised by the European Commission's Directorate General of Enterprise On this occasion, the institute was invited to participate as a NEFI member in the SME Asset Securitisation working group and to prepare the conclusions.

The institute was also present at a multilateral meeting held in Brussels with the European Commission for the purpose of reviewing the EC communication about benchmark interest rates.

2.3 ISTLC Club

ICO, together with other leading European financial institutions engaged, amongst other things, in the financing of long-term projects, is a member of the Club of Institutions Specialising in Long-term Credit (ISLTC). The club acts as a stage for the discussion of topics of interest to participants while enhancing cooperation among members.

2007, the key encounter was the Annual Chairmen's Meeting held in Prague on June 1. The agenda centred round the use of structural funds by the EU's promoter banks.

2.4. Network of European Financial Institutions for SME (NEFI)

ICO has been a member of NEFI since 1999. This network of European financial institutions seeks to act as a stage for the discussion of topics of mutual interest and joint action before the European Commission for the purpose of offering backup instruments for SME financing.

At the meetings held in the course of 2007, the main topics discussed were as follows:

- The European Commission's CIP Programme
- New legislation for State aid
- Bank and SME round tables organised by the EC
- Programmes for the protection of the environment
- Microcredits
- The JEREMIE Programme
- Initiatives for newly-created small enterprises
- Subordinated loans and mezzanine finance

Furthermore, ICO hosted one of the group's meetings, held in Valencia in July 2007.

The institute was also involved in the drafting of replies in the group's name to the European Union's proposals:

- Modification of State aid regulations (en bloc exemption and benchmark interest rates)
- The Small Business Act

2.5. Centre Européen des Enterprises à Participation Publique (CEEP)

CEEP is an association of European State-owned enterprises. ICO participates in the Commission for Services of General Economic Interest and in the Internal Market and Competition Commission. In 2007, the institute attended two meetings to address current modifications to legislation on State Aid.

III. TECHNICAL ASSISTANCE

3.1. VI and VII Editions of ICO's International Executive Programme in Development Banking

From April 23 to 27 2007, the VI Edition of the Executive Programme in Development banking took place. Organised for English-speakers, it was attended by 20 people from seven different countries in Eastern Europe, Asia, Africa and the Middle East.

The Spanish edition took place from October 15 to 19 and was attended by 16 people from seven Latin American countries.

3.2. Morocco Microcredit Programme

April 11 2007 was the day chosen for the presentation of a microcredit programme set up by Caisse de Dépôt et de Gestion du Maroc and the German and French institutions, KfW and CDC. ICO sent a representative to this event on the request of the Moroccan bank.

IV. AGREEMENTS OF COOPERATION

In 2007, the main development relating to agreements of cooperation executed in previous years was the furtherance of the employee exchange programme.

4.1. Employee exchange agreement with the German State-owned institution, KfW

In compliance with the agreement of cooperation executed with KfW in 2005, six employee exchanges took place in 2007 between ICO and KfW. Three employees of the German State-owned bank came to ICO's headquarters in Madrid and three of ICO's employees visited the German bank's headquarters in Frankfurt.

V. SEMINARS AND OTHER EVENTS FOR THE PROMOTION OF THE INTERNATIONALISATION OF THE SPANISH ENTERPRISE

Part of ICO's international activity consists in the provision of backing for investments aimed at Spanish enterprises' projects in other countries, including the dissemination of the institute's financing facilities for this kind of project.

5.1. Investment opportunity seminars

In the course of 2007, ICO, in conjunction with ICEX and the Higher Board of Chambers of Commerce, organised three seminars on the situation regarding investment opportunities and corporate cooperation in various countries: the USA, Eastern Europe (Slovakia, Hungary, Poland and the Czech Republic) and Brazil. The seminars were held at ICO's headquarters and a number of outstanding figures from various institutions and leading Spanish enterprises were invited to share their knowledge of the subject matter.

5.2. Foro Iberoamérica Empresarial

As co-founder of Foro Iberoamérica Empresarial (the Ibero-American Corporate Forum) with Grupo Recoletos, ICO has a number of commitments, including collaboration in the monthly discussions organised by the forum in the form of working breakfasts. ICO plays a part in the choice of subjects for debate, in the search for speakers and in organisational tasks in general. These encounters are usually attended by high-ranking figures and representatives of large enterprises with experience in the area. In 2007, 11 events were organised, covering most of the Latin American countries in which Spain has established a firm presence: Chile, Mexico, Venezuela, Colombia, Argentina and Ecuador.

VI. VISITING DELEGATIONS

The institute was visited by four delegations from foreign organisations for the purpose of laying foundations for cooperation.

- The Development Bank of the European Council
- Hungary
- Mexico
- KfW

7.- INVESTEE COMPANIES

Chart 27 gives details of the composition of the portfolio of shares and holdings in financial companies and funds.

At the close of the last financial year, the book and underlying values of ICO's stakes in the above-mentioned companies and funds and in other, smaller ones, amounted to €160.9m and €162.1m respectively.

CHART 27. PORTFOLIO OF STOCKHOLDINGS FIGURES AT 31.12.07 — **MILLION EUROS AND PERCENTAGES**

	Share capital	Share quota	Value of holding	
			Book	Underlying
AXIS	0.6	100	1.9	6.3
CERSA	68.5	23.81	15.9	16.4
EIF	600.0	0.27	2.5	2.5
FONDO EURICO	18.0	100	15.1	15.1
FONDICO	74.6	100	101.4	101.4
COFIDES	39.4	25.25	10.5	12.7
FC2 GESTION SL	0.0030	50	0.0	0.4
OTHER	66.0	various	13.5	7.3
TOTALS			**160.9**	**162.1**

Underlying values are calculated from amounts disbursed.

Participaciones Empresariales SGECR, S.A. (AXIS)

DESCRIPTION

A venture capital fund manager, Axis was constituted in 1986 on the initiative of State-owned banking officials for the purpose of promoting venture capital activity in Spain. It has belonged to Instituto de Crédito Oficial since 1993.

Accordingly, Axis' activity consists in taking up minority and temporary stakes in capital on account of the funds it manages. Moreover, it may grant long-term participating loans, the interest on which depends on the economic performance of the enterprise financed.

At the present time, Axis manages two venture capital funds: FOND-ICO, Fondo de Capital Riesgo, with an allocation of €122m after an increase of €50m carried out in 2006; and FONDO EURO-ICO, Fondo de Capital Riesgo, which, with an allocation of €18m, is at the liquidation stage as the term for which it was created has expired.

On account of its strategy and the volume of resources under its management, Axis is in a position to reach a wide range of enterprises, from recently-constituted technological concerns to consolidated, medium-sized companies. In the performance of this activity, it contributes not only financing packages designed to meet the needs of the investee company but also a long-term business projection, along with an expert team of professionals who play a part in defining strategy but do not become involved in day-to-day management.

ACTIVITY IN 2007

In the course of 2007 and, more particularly, during the second half, it was considered advisable to follow a prudent approach in investment activity in view of the new climate of economic uncertainty and high corporate valuations. Accordingly, as the year elapsed, only two investments were made (for €0.5m) under the Neotec Programme for technological companies; and the Board gave its approval to another three operations for a further €15.5m, which could not be formalised. Nevertheless, it is hoped to achieve this in the early months of 2008, which will entail an investment of €7m.

However, as a result of the intense commercial activity carried out by Axis to keep the market abreast of both its investment targets and the distinct characteristics of its financial products, the firm succeeded in establishing a solid base consisting in projects at the study-stage. This is starting to materialise in the form of actual operations and, in the first four months of 2008, the execution of two new investments worth €12.8m is ensured.

Similarly, the foreseen change in economic circumstances led the firm to pay special attention to the investee company portfolio and above all to speed up the disinvestment process in place in some cases. This was done so as to prevent them from losing value once the corporate aims which Axis helped them achieve when taking up a share in their capital had been accomplished.

Moreover, the results are going to be transferred to 2008 with disinvestment in two companies during the first quarter, which will give income of €11m, plus high associated added values.

FUTURE PERFORMANCE

In accordance with the basic premise of maintaining positive economic results, Axis is not going to vary its investment strategy, which is focussed on two lines of action:

- Investment in newly or recently-constituted enterprises with an innovative component in their processes, products or services (start-up capital); and
- Investment in consolidated, medium-sized companies requiring resources for growth (development capital).

It should be noted that, in the scope of technological companies at the initial stage, Axis launched a novel initiative known as second financing rounds. The idea is to help companies of this type overcome the problems arising when they have used up the financial resources with which they were created. Similarly, Axis will continue to participate in the Neotec Programme, along with CDTI and the EIF; and in I+D Unifondo. The two initiatives described reflect Axis' twofold course of action in this field: direct investment and shares in specialised venture capital funds.

In the area of medium-sized enterprises, Axis will seek to boost the use of the long-term participating loan, a financial product as yet not highly developed in Spain.

**CHART 28. AXIS PARTICIPACIONES EMPRESARIALES, SGECR, S.A.
FUNDS UNDER MANAGEMENT. KEY FIGURES. BALANCES AT DECEMBER 31** — **MILLION EUROS AND PERCENTAGES**

			Annual variation	
	2007	**2006**	**Absolute**	**%**
FOND-ICO. Venture Capital Fund				
Net investment portfolio	52.1	64.3	(12.2)	(19)
- Investments in capital [(a)]	36.0	37.2	(1.2)	(3)
- Other investments [(b)]	16.1	27.1	(11.0)	(41)
Cash and other fixed-income assets	48.7	37.0	11.7	(31)
Capital and reserves	148.2	147.7	0.5	(0)
The year's income	0.5	1.0	(0.5)	(48)
Number of investee companies	24	24	0.0	(0)
Fondo EURO-ICO. Venture Capital Fund				
Net investment portfolio	6.6	7.6	(1.0)	(13)
- Investments in capital [(a)]	2.6	3.4	(0.8)	(24)
- Other investments [(b)]	4.0	4.1	(0.1)	(3)
Cash and other fixed-income assets	8.2	7.8	0.4	5
Capital and reserves	14.9	15.9	(1.0)	(6)
The year's income	(1.0)	(1.5)	0.5	(33)
Number of investee companies	6	6	0.0	0

[a)] *Unlisted securities, net of provision for depreciation of securities.*
[b)] *Participating looans and other credits, net of credit loss provision.*

Compañía Española de Reafianzamiento, S.A. (CERSA)

CERSA'S essential aim consists in easing access to long-term financing for small and medium-sized enterprises (SME) with an objectively viable project but lacking the requirements or guarantees normally called for by a prudent financial system.

The firm's modus operandi is based on the underwriting (partial coverage) of the risk assumed by Reciprocal Guarantee Companies (Spanish initials, SGR) vis-à-vis SME.

CHART 29. CERSA. COMPAÑÍA ESPAÑOLA DE REAFIANZAMIENTO S.A. KEY FIGURES. BALANCES AT DECEMBER 31

MILLION EUROS AND PERCENTAGES

			Annual variation	
	2007	2006	Absolute	%
Financial fixed assets	2.6	2.6	0.0	1.9
Temporary financial investments	205.1	179.0	26.1	14.6
Capital and reserves	68.7	57.4	11.3	19.6
The year's income	-	-		
Technical provision allowance	90.7	80.5	10.2	12.7
Provisions for contingencies and expenses	39.7	34.2	5.5	16.0
Outstanding risk:				
Total Reciprocal Guarantee Companies (SGR)	5,927.4	5,131.0	796.4	15.5
S.G.R. Number of operations	123,030	117,804	5,226.0	4.4
CERSA. Number of operations	58,213	57,056	1,157.0	2.0
CERSA. Underwriting	1,738.5	1,590.5	148.0	9.3
Underwriting coverage (%)	29.3	31.0	(1.7)	(5.4)

In 2007, exposure arrangements amounted to €487.9m through the coverage of 5,310 enterprises, 94.70% of which had less than 50 employees. As for operations, 91.91% were directed at the financing of new investments (17.20% of which featured innovation) and 37.10%, at newly or recently-created enterprises.

At the close of 2007, outstanding risk totalled €1,738.5m, corresponding to coverage granted to 46,290 enterprises.

Compañía Española de Financiación del Desarrollo (COFIDES)

Basically, COFIDES' corporate purpose is to encourage productive investments by Spanish enterprises in developing countries. Its activity revolves round three complementary business areas. The first concerns operations on its own account; the second, the management of transactions on the State's account, specifically the Fund for Investments Abroad (Spanish initials, FIEX) and the Fund for Investment Operations Abroad by SME (FONPYME); and the third, consultancy and advisory services.

COFIDES provides partial financing, both directly and indirectly, for investments by Spanish enterprises in developing and emerging countries and in those in transition to the market economy. It does so through financial products such as shares in capital, quasi-capital instruments and ordinary medium and long-term loans. In the pursuit of these aims, COFIDES works closely with other European bilateral financial development institutions, providing finance for investment projects in areas considered strategic for Spain, such as Africa and the Caribbean and the Pacific areas.

By resolution of the Operations Committee Meeting (Spanish initials, COPER) held on March 1 2000, ICO opened a multi-currency financing facility for COFIDES totalling €6m.

CHART 30. COFIDES. COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A. KEY FIGURES. BALANCES AT DECEMBER 31

MILLION EUROS AND PERCENTAGES

			Annual variation	
	2007	**2006**	**Absolute**	**%**
Financial fixed assets	35.1	34.1	1.0	3.0
- Securities portfolio	5.9	2.3	3.6	159.8
- Long-term loans [a]	29.2	31.8	(2.6)	(8.2)
Floating assets [b]	30.9	29.6	1.3	4.4
Capital and reserves	49.2	47.8	1.4	2.9
The year's income (after tax)	2.2	1.1	1.1	100.0
Creditors	13.3	12.2	1.1	9.0
Portfolio under management:				
- Number of projects	103.0	99.0	4.0	4.0
- Number of operations	114.0	103.0	11.0	10.7
- Number of countries	31.0	27.0	4.0	14.8
Net commitments. Amount:	329.8	273.9	55.9	20.4
- Holdings in capital	146.8	104.0	42.9	41.2
- Loans	182.9	169.9	13.0	7.7

[a] *Includes debentures and bonds and long-term debtors.*
[b] *Financial investments and debtors.*

In 2007, COFIDES approved 33 financial backing operations for investment projects abroad, involving an amount of €148.31m. Of the projects approved, 16 are located in Latin America, four in Africa, two in Asia and eight in Central and Eastern Europe. The year's arrangements totalled €125.05m, of which €8.80m will be financed from COFIDES' own funds and €116.25m, from third-party funds. At year-end, the outstanding balance on the portfolio managed by the company amounted to €329.75m, of which €146.83m corresponded to holdings in capital and €182.92m, to long-term loans. A total of 103 projects were financed, while recipient countries numbered 31.

At year-end 2007, the balance of holdings and long-term loans stood at €35.01m, reflecting a 13.61% percent increase on the previous year's figure. Within this balance, shares in capital totalled €5.87m; and long-term loans, €29.14m. Subscribed capital came to €39.40m and accumulated reserves (the sum of annual results obtained since 1990, the year operations commenced), to €8.85m. The year's results posted after-tax profit of €2,203m.

8.- PATRONAGE. FUNDACIÓN ICO

ACTIVITIES OF FUNDACIÓN ICO IN 2007

ART

Over the last decade, Museo Colecciones ICO, attached to Fundación ICO's Artistic-Cultural Area, has become one of the leading contemporary art centres in the city of Madrid. In 2007, four temporary exhibitions were organised: *Fantasmagoría. Dibujo en movimiento; Lo que las imágenes quieren. Vídeo desde Hispanoamérica*, continuing in the exploration of this artistic discipline, commenced in 2006 with the display, *Nunca salgo sin mi cámara. Vídeo en China; Man Ray. Despreocupado pero no indiferente*, part of the International Photography and Visual Arts Festival organised by PhotoEspaña, with which Fundación ICO has been working ever since its creation; and *Susana Solano. Proyectos*. With the exception of the exhibition devoted to Man Ray, all the displays were conceived and produced by Fundación ICO. Moreover, as in recent years, these displays were completed by our guided tour programme, children's workshops for primary schools and family workshops.

As the year went by, Museo Colecciones ICO was visited by 25,558 people, reflecting a 12% increase in respect of the previous year.

Lastly, in the ongoing execution of one of the fundamental lines of action of the foundation in general and of its Artistic-Cultural Area in particular, the collection, Colecciones ICO, was loaned out for temporary displays to a number of Latin American galleries. Thus, the Collection of Modern Spanish Sculpture with Drawing was exhibited at Museo Nacional de Bellas Artes in Neuquén (Argentina); at Centro de la Cooperación Española in La Antigua Guatemala (Guatemala); and at the Banco Central Museum in San José (Costa Rica). The Collection of Spanish Contemporary Painting was put on show at Museo de Arte Moderno, San Salvador (El Salvador). Furthermore, *Suite Vollard* was displayed in the latter months of the year at the National Fine Arts Museum in Kiev (Ukraine).

ECONOMY, THE ENVIRONMENT AND INTERNATIONAL COOPERATION

International cooperation

Through the Aid Programme for International Cooperative Action for Development 2007, Fundación ICO consolidated its position as a financing entity within the sector of non-profit-making organisations engaged in international cooperation for development.

The approved projects, details of which are provided in the chart below, are being carried out in **Africa, the Near East, Asia and Latin America.**

Name of the entity	Title of the project
CEAR	Systematisation of experiences in rural microfinance in Africa (Morocco, Senegal and Mozambique).
IEPALA	Promotion of young women's role and involvement in rural development in the area of Ramala, West bank (Palestinian Territories).
ASOC. NUEVOS CAMINOS	Study of maternal-infant reality in the Kifle Keraniyo areas, a district on the outskirts of Addis Abeba, and Muketuri, a village 78 km from Addis Abeba (Ethiopia).
FUNDESO	Identification of three pilot initiatives for the fight against urban poverty in the Philippines, East Timor and Vietnam by helping three local organisations to pinpoint, design, perform and evaluate projects (Vietnam, East Timor and the Philippines).
ENTRECULTURAS	Evaluation, systematisation and a quality improvement plan for popular education at 418 schools in 15 Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Dominican Republic and Venezuela).
FUNDACIÓN DEL VALLE	KAMETSA ASAIKI: Interpretations and visions of development in the village, Asháninka, situated in the Amazon Basin (Peru).
MADRESELVA	Creation and consolidation of a network of knowledge and experience-sharing in the area of health in Tamil Nadu (India).
JÓVENES DEL TERCER MUNDO	Identification of a rural development programme as a way of meeting basic human needs in Western Africa (Benin, Mali and Togo).
ZABAJKETA	Community Model for the Integrated Handling of Water in the rural area of the Andes (Bolivia and Peru).
COPRODELI	Systematisation and dissemination of educational innovations promoted by COPRODELI in Callao (Peru).

The environment

Agreements of cooperation were entered into with institutions experienced in the development of educational and awareness projects in Spain. Here, the following lines of action were undertaken:

- Projects for primary and/or secondary pupils at State-owned or subsidised schools in Spain, for the academic year of 2007-2008.
- Topics to be addressed: poverty, inequality, human rights and the protection of the environment.
- The vehicle for these workshops is to be the project subsidised by Fundación ICO or one of a similar nature if it proves more suitable from the educational point of view.

Projects in progress are as follows:

Entity	Title of the project
INTERMÓN-OXFAM	Connecting Worlds – Academic year 2007-2008
IPADE	Against poverty: protect the environment
MEDITERRÀNIA-CIE	Knowledge and understanding for cooperation
ARQUITECTOS SIN FRONTERAS CATALONIA	Your house, my house: a home is a human right
FUNDACIÓN LONXANET	Awareness at schools. The coastal ecosystem, El Aspero: nature, ancient culture and local management to build a future for Supe Puerto
FUNDACIÓN 2001 GLOBAL NATURE	Cooperation: a tool for survival

Action is aimed at schools in Galicia (Lonxanet); the Canary Islands (Global Nature); Madrid (IPADE); Tarragona (Mediterránea-CIE); and Barcelona (Arquitectos Sin Fronteras). The Intermón-Oxfam Project is being developed via the Web. Within the Fundación Lonxanet Project, activities are also being carried out in Peru; and within the Mediterránea-CIE Project, in El Salvador.

The Dominican Republic Project

Last year saw the commencement of a process in which Fundación ICO will, on a joint basis, execute its own projects in the field of international cooperation for development of an environmental nature. With this end in view, the foundation has entered into an agreement of cooperation with an organisation from the Dominican Republic known as IDEAC (Instituto de Desarrollo de la Economía Asociativia). The agreement takes account of the terms of reference for the development, in the first place, of a project identification process in the area selected by the two organisations: the south-western part of the Dominican Republic; specifically, the poor coastal towns in the provinces of Pedemales and Barahona.

The birth of this project means a qualitative leap insofar as Fundación ICO not only will act as financier of external projects but will also play an active role in project design and execution. This in turn will enhance the foundation's capacities while affording it the opportunity to establish alliances and obtain external funding.

Economy

Agreements linked to economic affairs are as follows:

CESLA (Centro de Estudios Latinoamericanos)
Support for the award, Young Researchers' Essay on Latin American Economy 2007.

AEEFI (Asociación Española de Economía y Finanzas Internacionales)
Sponsorship of the X Seminar on International Economy at the Faculty of Economics and the Institute of International Studies (Universidad Complutense de Madrid), held in Madrid from June 20 to 22 2007.

Universidad Autónoma de Barcelona (Escuela Cultura de Paz)
Publication of a position paper on the role of enterprises in the Millennium Development Objectives (MDO), with special emphasis on the role of Spanish companies in Latin America. The document was prepared in conjunction with Fundación ESADE within the framework of the project, *Enterprises and Millennium Development Objectives (MDO): a strategic alliance.*

Universidad de Valencia, Estudi General
The project known as *Dynamic tables for Spanish death rate data* is being carried out by the Departments of Statistics and Operative Research and Financial Economy. Studies and research work are in place on the subject of indicators relating to the death rate, such as residual life expectancy, necessary for actuarial calculations of reverse mortgages.

Fundación General de la Universidad de Valladolid
Sponsorship of the Hispalink Seminar, a forum for the discussion of the progress and achievements of the various teams belonging to the Hispalink Network, from both the theoretical and the empirical points of view.

TRAINING

In its firm commitment to the training of Spain's young people, the foundation has always attached great importance to its Scholarship Programme. Through the scheme, successful applicants are given the opportunity to undertake study courses at top-drawer universities and higher research centres both in Spain and abroad.

In 2007, two distinct courses of action were pursued: the Scholarship Programme (Asia and postgraduate studies) and Chairs.

Scholarships

Fundación ICO prioritises its Scholarship Programme, thanks to which a large number of young people are able to undertake postgraduate studies at top-drawer universities and higher research centres both in Spain and abroad. In 2007, the following scholarships were awarded:

- 20 scholarships for crash courses in Chinese and subjects relating to Chinese culture. Studies were undertaken at the University of Beijing and the Beijing Foreign Studies University.
- 13 language scholarships to study Mandarin Chinese and the Chinese economy at the University of International Business and Economics of Beijing and the Fudan University in Shanghai.
- 11 two-month summer scholarships to study Mandarin Chinese and attend an introductory course to Chinese culture at the Beijing Foreign Studies University.
- 4 scholarships for postgraduate studies, three of which focussed on economics and the other, on social sciences.

Chairs

One of the foundation's missions is to promote and boost activities conducive to the development of knowledge and research work. Here, Fundación ICO works on a joint basis with Universidad Antonio Nebrija, through the Fundación Nebrija Chair of Competition Law and Economics; with UNED (the open university), through the Chair of Economic and Tax Offences; and with Valencia University, through the Chair of Logistics and International Transport.

Moreover, scholarships and research grants are awarded under a number of arrangements formed with Universidad Autónoma de Madrid, Universidad Autónoma de Barcelona, the IESE Business School, Casa Asia and Asociación Española de Fundaciones.

PUBLICATIONS

Fundación ICO published various works within the economic scope. Some were produced by the foundation itself, such as the *2006 Competition Yearbook* and *Autobiografía y Principios de Economía John Stuart Mill;* while others were the result of collaboration with other institutions: *Abstracción y realidad en la economía. Ensayos en honor al profesor Alejandro Lorca; La Comunidad Valenciana en el umbral del siglo XXI. Estrategias de desarrollo económico* (Valencia University); *Las mujeres en la dirección de las empresas* (Universidad Internacional menéndez Pelayo); and the electronic review, *Papeles del este* (Universidad Complutense de Madrid, Instituto Complutense).

In the field of art, publications included catalogues for exhibitions held at Museo Colecciones ICO and, in conjunction with Universidad Complutense de Madrid, the book, *500 años de Economía en los libros de economistas españoles y portugueses.*

SOCIAL SPONSORSHIP

Activity in the area of social sponsorship during 2007 may be divided into two main lines of performance:

1. Financial assistance, by public announcement, for initiatives geared towards the social and cultural integration of immigrants, with a special focus on equal opportunities for women as regards promotion. The following projects and institutions benefited from the scheme:

- **Red Acoge**
  Psycho-social attention to help immigrant women overcome the problems of uprootedness (Córdoba, Alicante, Guadalajara and Valladolid).
  From an analysis of women's individual and social needs, programmes of individual and group psycho-social treatment are prepared.

- **Asociación Hablar en Arte**
  Juntos a través del arte (Madrid).
  Aimed at children, this project provides a space for encounter where art is used as a vehicle for free expression seeking to facilitate the integration and social skills of boys and girls of different nationalities. Quarterly courses are held, with the participation of various artists, at Madrid's various Immigrant Participation and Integration Centres.

- **CESAL**
  Programme for the integration and capacity-enhancement of immigrant women in the District of Tetuán (Madrid).
  This project seeks to help overcome the cultural gap deriving from linguistic diversity. Action includes a literacy project and the improvement of communication skills so as to enable immigrant women to cope with their daily lives; and the promotion of the use of new technologies, combined with encouragement to obtain professional qualifications.

- **Consorcio de Entidades para la Inclusión Social Integra, de Murcia (CEIS)**
  Artistic expression for cultural diversity (Murcia).
  Support and promotion of artistic and cultural production and expression among immigrant groups; and the enhancement of awareness among teams in charge of cultural programming (the regional film library, the regional library and other cultural centres) to encourage them to broaden their programmes from an intercultural perspective by setting up contact and communication networks among different cultural groups.

- **Centro de Estudios para la Integración Social y Formación de Inmigrantes, Fundación de la Comunidad Valenciana (CEIMIGRA)**
  3-IN: Innovating in integration through internationalisation (Valencia).
  The purpose of this project is to connect immigrants' skills and international culture to the real needs of small and medium-sized enterprises. It entails a new focus for improved integration, linked to the local SME network and its internationalisation, the idea being to integrate qualified immigrants into enterprises' commercial and strategic departments.

- **Fundación Alicante Acoge**
  Tu lugar en el barrio (Alicante).
  The establishment of a point of intercultural encounter for the promotion of values relating to coexistence and cultural diversity. Activities are designed to bring different cultures closer to one another (workshops, excursions, visits, events), with the assistance of other local social institutions.

- **Consorcio de Entidades para la Acción Integral con Migrantes (CEPAIM)**
  Encuentro (Madrid).
  The creation of an intercultural space where autochthonous and immigrant women may get to know one another and interact on terms of equality, sharing problems, concerns and goals.

- **Casa Familiar San Lorenzo de los Hermanos Franciscanos de Cruz Blanca**
  A project providing attention for women who are highly vulnerable to exclusion and violence, plus a social awareness programme (Huesca).
  Integral attention providing access to the social and health services available, thereby working towards the social and professional inclusion of this group.

- **Centro Animación Social Valdeperales**
  Programme for the promotion of equality and support for women with integration problems, especially immigrants (Madrid).
  Reception, attention, orientation and assistance by means of activities geared towards improving qualifications and training.

2. Other joint undertakings arranged through bilateral agreements with non-profit-making institutions which pursue aims and ends of general interest similar to those of the foundation.

- **Fundación Bobath**
  Collaboration in the programme designed to foster the integration of children and young people with cerebral palsy into the educational system. Scholarships for sensorimotor integration are awarded to families lacking the financial means to pay for the treatment involved in this special education scheme.

- **Fundación Víctimas del Terrorismo**
  Patronage for a programme to help terrorism victims. Activities range from assistance and dissemination to culture, publishing and education.

- **European Journalists' Association**
  Sponsorship of the XIII edition of the Euro-Latin American Communication Forum, held in Santiago de Chile with the title, *Causes and effects of inequality in Latin America.* The central issue was the search for social cohesion and the fight against inequality.

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GLOSSARY

AUTHORISATIONS

Loan authorisations are defined as the maximum limit allowed for loans granted under a given facility. This limit may refer either to the amount of loans granted in a financial year (SME Facility, for example) or to the total amount of lendable funds in a performance programme (Corporate Internationalisation, R&D Investments, etc.).

All second-floor facilities are subject to a limited number of authorisations. Conversely, loans granted directly by ICO are generally not subject to such limitations and their volume is thus determined by the size of solvent demand presented and covered.

LOANS GRANTED

Loans granted are the resolutions of the relevant executive bodies in favour of a loan application.

SECOND-FLOOR LOANS

Second-floor loans (mediation loans) are granted by ICO to co-operating institutions (banks and savings banks) in order that they in turn may grant them, in accordance with their own rules and procedures, to end-recipients.

The financial conditions of these operations are established by ICO. Such conditions are extremely attractive for borrowers and some facilities carry interest rate subsidies or partial hedging, granted by domestic or European Union institutions. In some cases, insolvency risks are completely assumed by the granting institutions and, in others, are shared by them and the institute within the proportions and limits laid down in the agreements of co-operation.

As, on account of its centralised structure, ICO has no branch network, the procedure of mediation of lendable funds enables the institute to overcome limitations with respect to the supply of loans to small and medium-sized enterprises. As for the applicants, they may request and obtain this official financing through the local bank or savings bank branch with which they normally do business.

DIRECT LOANS

Strictly speaking, these are loans granted by ICO directly to applicants. Each facility's applicants address their requests to the institute and, after examining the purpose to which the loan will be put, the transaction's profitability and security, as well as the applicant's financial position (solvency, payment capacity and so on), ICO determines acceptance or rejection. In a broad sense, the loans acquired from former Official Credit Institutions (OCI) on December 31 1992, deriving from economic policy operations, are also included in this heading's balance. The increased balance of direct loans tallies with that of loans and credits appearing on the balance sheets forwarded to the Bank of Spain.

LOAN ACCOUNTS

"Loan accounts" are defined as the sum total of "Loans drawn down", "Debtors for repayments due" and "Debtors for interest and fees due". This item reflects the amount of financial resources channelled directly or indirectly to the borrowers –and owed by them– at the time to which the figures refer.

STATE DEBT

Essentially, the State's indebtedness vis-à-vis ICO derives from its status as subsidiary guarantor of certain credit and security operations as instructed by the Government and granted by the now extinct Official Credit Institutions (OCI) and the institute itself. As at December 31 1992, the balances of these economic policy operations –loans to enterprises as provided for under the legislation applicable to industrial reconversion and upgrading, exceptional loans to victims and others– together with the corresponding liabilities, were transferred to ICO, in compliance with the Council of Ministers' Resolution of January 15 1993.

As a considerable portion of these operations proved irrecoverable, ICO recorded the non-payments in the State's debtor accounts. Naturally, these accounts decreased when the Treasury, upon the conclusion of administrative procedures declaring the failure of the operations, proceeded to credit the guaranteed amounts to the institute.

The settlement of the balance of this debt was addressed in the Sixth Additional Provision to RDA 12/1995, December 28, whereby ICO was authorised to increase its equity by the transformation of the ordinary loan received from the State and to cancel debts against the balance of that equity and reserves account for the amount stated in said provision. The capitalisation provided for –the increase of the entity's equity– took effect as at January 1 1996 but settlements of the debt were suspended by virtue of the Fifth Additional Provision to Act 13/1996, December 30.

Under the Eleventh Additional Provision to Act 24/2001, December 27, concerning Measures of a Fiscal, Administrative and Social Nature, the institute was authorised to cancel by a charge to its equity in 2001 the mature debt contracted by the State as at December 31 1998; and, in 2002, the debt contracted and maturing in the period from January 1 1999 to December 31 2001. The total amount of debt cancelled during the above-mentioned financial years exceeded two thousand million euros. The reader will find more detailed information about this process in the section, "Cancellation of debts between the State and ICO, Act 24/2001", included in "Bases of Presentation of the Financial Statements".

SPECIAL FUNDING

This is the funding obtained off ordinary market circuits under financial conditions which differ from those prevailing on such circuits.

Until 1988, the principal, most characteristic source of ICO's funding was constituted by "Treasury allocations", financed in turn by the issue of "investment bonds" and, on a complementary basis, by budget allocations (forward payments by the Bank of Spain and others).

"Investment bonds", created in 1958, were a special type of long-term public security (10 years) which, in the first instance, private banks, and subsequently, savings banks, were obliged to subscribe until reaching a certain percentage of their accountable liabilities.

When Spain joined the European Economic Community (EEC) on January 1 1986, it became necessary to review the activity of the institute and of Official Credit Institutions (OCI) as a whole so as to avoid a clash with the Community Fair Competition Policy. With this view in mind, Act 13/1987, concerning the General-Government Budget for 1988, introduced a number of modifications into the institutional and financial structure of official credit. As a result, issues of "investment bonds" were suppressed and Treasury allocations to the institute were transformed into two State loans. One of these loans was for an amount equal to the balance of outstanding bonds, accruing the same interest and with redemption on the same dates and for the same amounts, as a result of which ICO assumed de facto the servicing of the corresponding financial burden. The other loan was for an amount equivalent to that of Treasury allocations not financed with the compulsory minimum reserve requirement applicable to bonds, for which purpose a redemption period of 25 years was established. The grace period was set at 10 years so that the reimbursement stage would commence upon the conclusion of the repayment of the first loan; i.e., upon the conclusion of the redemption of "investment bonds" (1997).

In addition to State loans, “special funding” has a third component, which is constituted by “industrial reconversion bonds”. In 1991, the outstanding amount of these debt securities was transferred from Banco de Crédito Industrial to Banco Exterior de España after the takeover of the former by the latter. At December 31 1992, the outstanding balance on these bonds was transferred to ICO, together with all the other assets and liabilities of former Official Credit institutions deriving from economic policy operations. In 2001, “industrial reconversion bonds” were fully redeemed.

ORDINARY FUNDING

“Ordinary funding” refers to funds netted by ICO on domestic and foreign markets, where it competes with other institutional fund-seekers.

ARRANGEMENTS

An arrangement is the legal procedure in respect of a loan. At the present time, the operation is recorded in memorandum accounts as “Loans not drawn down”. The amounts disbursed to customers reduce the balance of this account and increase that of “Loans drawn down” in the same proportion.

LENDING INVESTMENT

The balance of lending investment is that which results from deducting the balance of “Specific credit loss allowances” from “Loan accounts”.

OPERATIONS UNDER MANAGEMENT

As the State’s Financial Agency, ICO performs, amongst others, the tasks of managing and supplying certain lending operations to provide support for the export sector (FAD/Official Development Aid and CARI/Interest Makeup). These operations are recorded separately and do not appear on the institute’s balance sheet.

SPECIAL OPERATIONS AND LOANS

This term covers the operations recorded by ICO in the performance of its functions as the State’s Financial Agency. The balance is the result of the aggregate of “Rights settled with the Treasury”, “Loans assumed by the State”, “Portfolio received from former Official Credit Institutions” and “Loans ordered by the Government or the CDGAE (the Government’s Delegate Commission for Economic Affairs)”. In general, the loans carry the State’s guarantee, although this security “does not take the same form in all cases, nor is it subject to the same procedures in its execution”.

EIB LOANS WITH A CONTRA ITEM

These are operations in which the institute acts as guarantor and intermediary agent of loans granted by the European Investment Bank (EIB) to large Spanish enterprises for the financing of projects of Community interest (telecommunications, energy, wind farms, urban infrastructures, etc.). In these loans, the respective asset and liability entries correspond exactly and ICO is not exposed to any risk regarding either exchange and interest rates or terms.

EIB LOANS WITH NO CONTRA ITEM

In these transactions, ICO is a direct borrower of the European Investment Bank (EIB). There is no contractual correspondence between the bank and the end-recipients of these funds although, as its loans are earmarked, the EIB maintains some control over the projects financed.

The initial objective of loans with no contra item was to finance investments by SME. Since then, this aim has been broadened, enabling other specific investments to be financed (energy saving, environmental protection, strategic reserves of oil products, etc.), not only on the part of SME but also by private and State-owned enterprises of any size and local institutions.

ASSET-BACKED SECURITIES (SECURITISATION OF ASSETS)

Asset-backed securities are a financial mechanism for the conversion of certain assets (credits, loans, leasing contracts, operating or economic rights, etc.) into marketable fixed-income securities. In securitisation operations, the following agents take part: the originating institution or assignor (the holder of the assets which will be used to back the issues); the securitisation fund (the acquirer of those assets, responsible for converting them into transferable securities); the management firm (the fund's administrator and representative); the paying agent (the trustee of the yield on contra item assets and payer to the investor of the interest on the securities issued); and the investors acquiring the asset-backed securities (in general, institutional investors such as investment and pension funds).

The possibilities opened up by the Ministerial Order of May 28 1999, concerning agreements for the promotion of asset securitisation funds, enabled ICO to constitute securitisation funds linked to its SME Facility. The assets, securitised by means of the pertinent bond issues, are loans granted to small and medium-sized enterprises by the on-lending institutions, either in the form of a pre-established minimum percentage, as loans under this facility, or as market loans financed by the institutions from their own resources. The assignor institutions are under the obligation to reinvest, within the maximum period of one year, at least 40.0 percent of the liquidity obtained through securitisation in new loans to small and medium-sized enterprises. Under the Ministerial Order of December 28 2001, the minimum investment percentage was increased to 50.0 percent of the total portfolio of assets assigned.

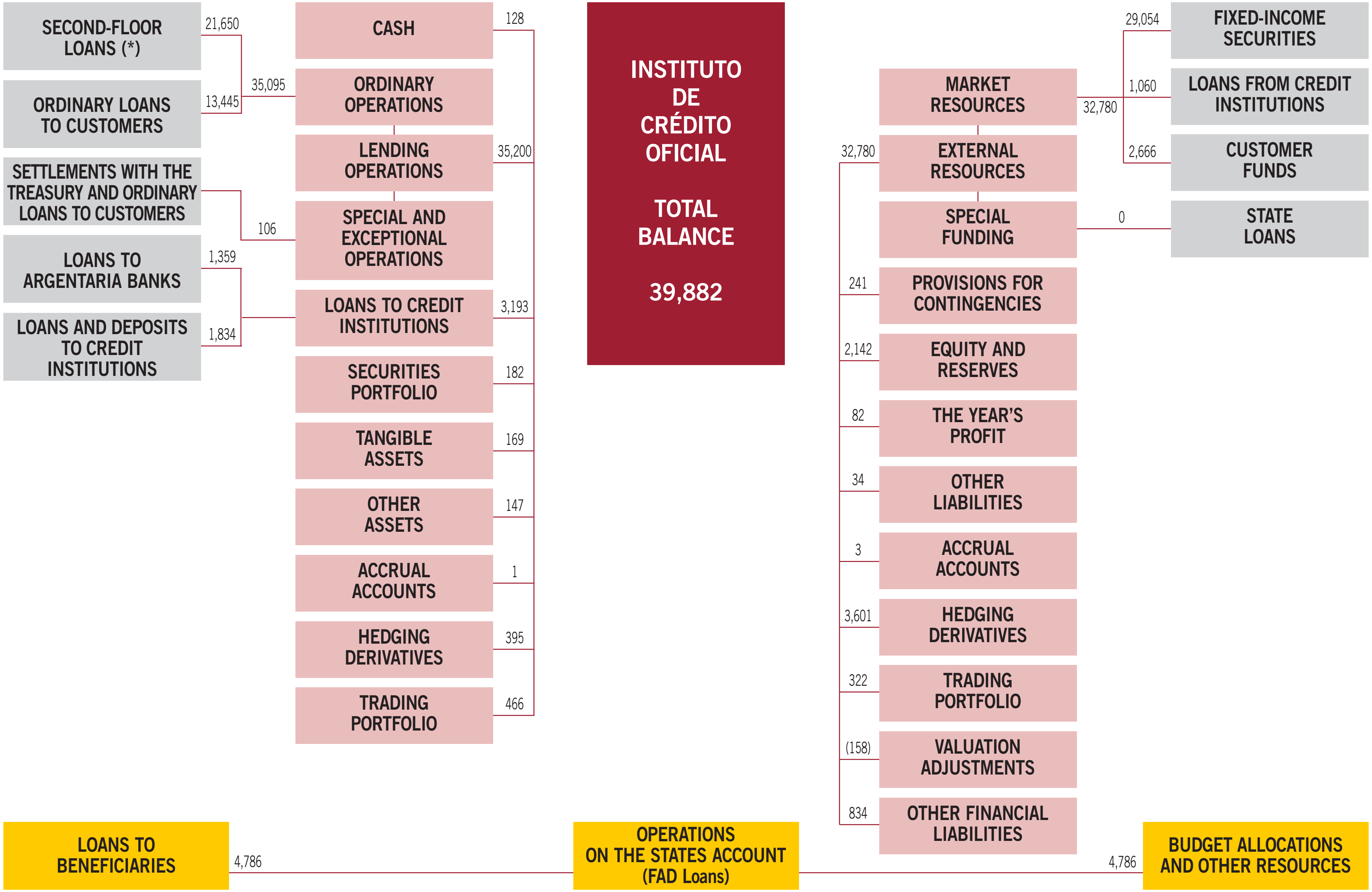
GENERAL NOTS

- Rounding-off

Occasionally, slight differences between the totals and the arithmetical sum of their components appear in the charts of the Report and the Appendix. These differences are due to the rounding-off of figures.

CHART I. DIAGRAM OF ICO'S ASSET OPERATIONS AND FUNDING BALANCES AT DECEMBER 31 2007

MILLION EUROS



(*) Second-floor loans include €10,663.2 m from bonds which replace the securitised loans and are excluded from the investment portfolio due.

CHART II. ABSTRACT OF ASSETS BALANCES AT DECEMBER 31

MILLION EUROS

	Total	Cash	Loans to credit institutions	Second-floor loans (*)	Loans and credits	Securities portfolio Total	Securities portfolio of which: Shares and holdings	Tangible assets	Other assets	Accrual accounts
	1 = 2 to 6 + 8 to 10	2	3	4	5	6	7	8	9	10
1991	19,398.3	16.2	15,112.1	-	1,904.3	6.0	6.0	22.5	26.4	2,310.8
1992	19,787.8	73.8	12,541.9	12.0	5,000.6	0.5	0.5	26.8	239.6	1,892.7
1993	19,412.1	12.2	11,542.2	383.7	5,404.0	25.5	16.6	56.1	114.6	1,873.6
1994	19,455.9	10.7	10,540.4	1,297.1	5,624.2	28.3	19.9	77.6	80.0	1,797.6
1995	19,820.9	10.8	9,080.1	2,708.0	5,865.8	42.9	27.9	79.6	340.2	1,693.7
1996	18,702.0	11.2	7,166.8	3,761.6	5,909.0	43.6	43.6	84.9	118.1	1,606.9
1997	20,087.3	4.3	7,527.8	5,078.4	5,528.0	48.9	48.9	90.4	35.5	1,774.1
1998	21,369.1	20.8	7,706.4	6,031.6	5,940.2	82.1	82.1	118.9	69.0	1,400.2
1999	23,561.9	27.5	7,929.9	7,085.7	6,755.1	91.4	91.4	106.4	270.3	1,295.7
2000	24,703.8	22.5	7,704.8	7,575.4	7,311.2	215.7	91.4	99.0	461.0	1,314.1
2001	25,600.7	31.5	6,933.6	8,131.9	8,000.5	634.6	100.4	89.2	651.2	1,128.2
2002	24,749.0	62.2	6,317.5	8,789.2	7,846.1	406.6	101.2	77.0	595.4	655.1
2003	26,419.2	29.8	7,138.1	9,614.1	8,004.9	678.9	101.2	63.8	342.5	547.0
2004	24,550.7	24.5	5,274.9	10,052.8	8,099.2	851.0	125.1	115.2	132.7	0.5
2005	26,956.0	74.2	3,870.7	12,101.5	8,496.2	1,138.7	127.7	163.0	1,110.9	0.9
2006	32,292.1	236.6	3,104.6	17,239.9	10,739.0	150.6	150.6	167.5	653.3	0.5
2007	39,881.6	128.1	3,193.3	21,650.2	13,550.3	181.9	152.4	169.3	1,008.1	0.6

(*) Second-floor loans include €10,663.2 m from bonds representing securitised loans.

CHART III. ABSTRACT OF LIABILITIES BALANCES AT DECEMBER 31

MILLION EUROS

	Total	Special funding			Ordinary funding	Other liabilities	Provisions	Equity and reserves	The year's profit	Accrual accounts
		Total	State loans	Bonds						
	1 = 2 + 5 to 10	2 = 3+4	3	4	5	6	7	8	9	10
1991	19,398.3	9,562.1	3,870.5	5,691.6	8,519.5	27.3	127.8	510.9	32.9	617.8
1992	19,787.8	8,522.4	3,870.5	4,651.8	10,094.1	195.0	60.1	543.7	65.7	306.8
1993	19,412.1	7,524.7	3,870.5	3,654.1	10,899.2	42.7	13.8	609.5	10.1	312.1
1994	19,455.9	6,412.8	3,864.5	2,548.3	11,893.5	79.2	97.5	619.6	15.3	337.9
1995	19,820.9	5,144.7	3,738.3	1,406.4	13,342.4	212.7	107.8	616.8	40.8	355.7
1996	18,702.0	1,947.3	1,334.2	613.1	12,766.2	343.7	158.7	2,870.6	114.8	500.7
1997	20,087.3	1,220.1	1,105.9	114.2	14,831.2	333.2	328.2	2,798.0	86.2	490.4
1998	21,369.1	1,105.9	1,027.7	78.1	16,185.7	369.2	334.3	2,775.6	96.8	501.6
1999	23,561.9	990.4	948.6	41.8	18,614.3	299.5	324.0	2,775.6	86.0	472.1
2000	24,703.8	873.2	869.5	3.7	19,827.7	294.5	321.0	2,775.6	80.1	531.7
2001	25,600.7	790.5	790.5	-	21,863.7	870.4	276.2	1,172.8	128.8	498.4
2002	24,749.0	711.4	711.4	-	21,114.8	1,077.2	247.7	1,106.9	301.3	189.8
2003	26,419.2	632.4	632.4	-	21,872.6	2,337.1	215.5	1,106.9	99.8	154.9
2004	24,550.7	320.5	320.5	-	18,784.0	3,888.3	405.2	1,092.3	55.1	5.3
2005	26,956.1	274.7	274.7	-	23,485.8	1,657.3	247.5	1,240.0	50.5	0.3
2006	32,292.1	228.9	228.9	-	27,654.7	2,781.7	224.9	1,294.6	106.8	0.5
2007	39,881.6	0.0	0.0	-	32,780.1	4,791.3	241.3	1,984.0	82.3	2.6

CHART IV. ASSETS. LOANS TO CREDIT INSTITUTIONS AND SECOND-FLOOR LOANS BALANCES AT DECEMBER 31

MILLION EUROS

	Loans to credit institutions					Second-floor loans (*)			
	Total 1 = 2 to 4 - 5	Loans to Argentaria 2	Interbank deposits 3	Others loans 4	Provisions 5	Total 6=7+ 8	SME 7	Other facilities 8	Pro memoria generic provisions 9
1991	15,112.7	13,462.5	1,650.1	0.0	0.0	-	-	-	-
1992	12,541.9	10,823.8	1,725.8	50.9	58.6	12.0	12.0	-	-
1993	11,542.2	10,440.7	1,141.2	32.1	71.8	383.7	383.7	-	-
1994	10,540.4	8,885.4	281.6	1,430.6	57.0	1,297.1	1,297.1	-	-
1995	9,080.1	7,191.5	256.6	1,685.9	53.9	2,707.9	2,130.8	577.1	53.9
1996	7,166.8	6,946.3	272.8	6.1	58.3	3,761.6	3,086.9	674.7	79.3
1997	7,527.8	7,016.6	570.8	7.8	67.4	5,078.3	4,336.4	741.9	117.5
1998	7,706.3	7,174.1	572.4	22.7	62.9	6,031.5	5,344.1	687.4	117.6
1999	7,929.9	7,065.1	912.3	28.1	75.7	7,085.7	6,421.7	664.0	117.7
2000	7,704.8	6,615.6	1,090.4	81.0	82.2	7,575.4	6,457.0	1,118.4	117.6
2001	6,933.6	6,429.3	592.8	9.8	98.2	8,131.9	6,676.8	1,455.1	110.1
2002	6,317.5	5,535.1	744.6	127.4	89.6	8,789.2	7,101.3	1,687.9	110.2
2003	7,138.1	4,439.3	2,201.3	574.1	76.6	9,614.1	7,640.6	1,973.5	81.7
2004	5,274.9	3,331.2	1,856.1	153.7	66.1	10,052.8	7,956.0	2,096.7	47.5
2005	3,870.7	2,485.1	1,304.5	154.5	73.4	12,101.5	9,057.4	3,044.2	11.0
2006	3,104.6	2,158.6	762.8	212.7	29.5	17,239.9	12,827.3	4,412.6	10.4
2007	3,193.3	1,358.8	1,692.3	168.4	26.4	11,017.0	8,337.8	2,679.2	6.6

(*) Does not include securitisation bonds.

CHART V. ASSETS. LOANS AND CREDITS BALANCES AT DECEMBER 31

MILLION EUROS

		Loan accounts							Provisions	
			Public administrations		Other resident sectors					
	Total	Total	Total	of which: Central administration	Total	Ordinary loans	Special accounts	Non-residents	Total	of which Loans to non-residents
	1 = 2 – 9	2 = 3 + 5 + 8	3	4	5 = 6 + 7	6	7	8	9	10
1991	1,904.3	2,019.4	336.6	-	1,598.7	-	-	84.1	115.1	-
1992	5,000.6	5,139.3	1,058.3	-	3,950.2	-	-	130.8	138.7	-
1993	5,403.9	5,661.4	1,368.4	1,026.3	4,161.9	2,782.9	1,379.0	131.1	257.5	0.0
1994	5,624.3	5,970.6	1,246.6	934.9	4,401.8	3,075.5	1,326.3	322.3	346.3	0.0
1995	5,865.8	6,412.0	1,486.0	1,277.4	4,783.1	3,487.9	1,295.2	142.9	546.2	0.1
1996	5,909.0	6,456.9	1,757.4	1,580.3	4,445.7	3,182.5	1,263.2	253.8	547.8	1.0
1997	5,528.0	6,100.8	1,670.6	1,332.0	3,995.6	2,777.0	1,218.6	434.6	572.8	22.6
1998	5,940.2	6,447.6	1,701.8	1,195.6	4,205.3	3,031.5	1,173.8	540.5	507.4	24.0
1999	6,755.1	7,266.9	1,680.2	1,114.3	5,014.2	3,849.3	1,164.9	572.5	511.8	24.5
2000	7,311.2	7,743.4	1,611.5	1,033.0	5,493.8	4,416.2	1,077.6	638.1	432.2	27.4
2001	8,000.5	8,737.1	618.8	15.8	6,232.6	4,898.9	1,333.7	1,885.7	736.6	60.1
2002	7,846.1	8,420.9	936.5	156.0	5,793.9	5,090.6	703.3	1,690.6	574.8	119.6
2003	8,004.9	8,572.0	867.2	133.4	6,174.5	5,501.6	672.9	1,530.3	567.1	184.2
2004	8,099.2	8,609.9	1,091.4	426.9	5,934.2	5,477.8	456.5	1,584.2	510.7	69.6
2005	8,496.2	9,073.5	1,330.6	437.7	6,116.6	5,677.4	439.2	1,626.3	577.3	54.3
2006	10,739.0	11,184.8	1,231.8	198.5	7,820.5	7,535.7	284.8	2,132.6	445.7	69.6
2007	13,550.3	13,893.4	1,096.2	34.9	10,884.9	10,738.5	146.4	1,912.3	343.2	39.4

CHART VI. LIABILITIES. ORDINARY FUNDING BALANCES AT DECEMBER 31

MILLION EUROS

	Total	Fixed-income securities			Loans from credit institutions				Demand deposits	Pro memoria funding in f.c.
		Total	Bonds and debentures	*Pagarés* and other	Total	EIB loans	Other loans	Interbank system		
	1 = 2 + 5 +9	2 = 3 + 4	3	4	5 = 6 + 7 + 8	6	7	8	9	10
1991	8,519.5	6,527.5	2,906.2	3,621.3	1,901.6	1,610.7	264.4	26.5	90.4	0.0
1992	10,094.1	6,864.9	3,214.6	3,650.3	3,099.5	2,031.4	294.5	773.6	129.7	0.0
1993	10,899.2	7,227.7	3,838.2	3,389.5	3,544.3	2,458.1	348.6	737.6	127.2	0.0
1994	11,893.5	7,411.0	3,862.7	3,548.3	4,356.6	2,548.3	486.8	1,321.5	125.9	0.0
1995	13,342.4	7,146.0	4,481.2	2,664.8	5,878.2	2,578.3	1,923.2	1,376.7	318.2	0.0
1996	12,766.2	8,229.7	5,802.0	2,427.7	4,281.0	2,710.6	1,009.7	560.7	255.5	0.0
1997	14,831.2	10,030.2	7,915.0	2,115.2	4,533.1	2,386.0	1,430.4	716.7	267.9	0.0
1998	16,185.7	11,240.6	9,260.9	1,979.7	4,517.5	2,392.0	1,687.8	437.7	427.5	0.0
1999	18,614.3	13,326.6	11,793.1	1,533.5	4,621.3	2,730.4	1,603.1	287.8	666.4	0.0
2000	19,827.7	14,166.3	12,913.2	1,253.1	4,592.1	3,003.9	1,567.6	20.6	1,069.2	6,266.0
2001	21,863.7	16,364.9	15,423.7	941.2	4,503.1	3,118.8	1,180.7	203.5	995.7	10,057.6
2002	21,114.8	16,344.0	15,521.6	822.4	4,005.4	3,012.7	990.7	2.0	765.3	9,475.1
2003	21,872.6	17,495.6	16,753.2	742.4	3,197.1	2,353.0	824.5	19.6	1,179.9	10,610.4
2004	18,784.0	14,871.9	14,570.7	301.2	2,626.8	2,027.2	692.2	(92.6)	1,285.4	10,783.3
2005	23,485.8	19,482.9	19,105.8	377.1	2,709.6	1,649.5	712.6	347.4	1,293.3	14,394.4
2006	27,654.7	23,896.7	23,513.1	383.6	1,778.5	1,008.7	741.0	28.7	1,979.6	17,063.9
2007	32,780.1	29,053.9	28,649.0	405.0	1,060.3	615.0	442.1	3.2	2,665.8	18,320.4

CHART VII. STATEMENT OF NET INCOME ANNUAL AMOUNTS

MILLION EUROS

	Interest income	Interest expense	Net interest revenue	Net ordinary revenue	Other operating revenue	Operating expenses and depreciation	Net operating revenue	Provisions and other net losses	Extraordinary income	Net pre-tax profit
	1	2	3 = 1 – 2	4	5	6	7 = 4 + 5 – 6	8	9	10 = 7 +8 +9
1991	1,505.6	1,417.8	87.8	85.1	1.7	13.3	73.5	(26.3)	3.4	50.6
1992	1,469.1	1,401.6	67.5	88.9	0.7	9.7	79.9	(53.5)	74.6	101.0
1993	1,548.2	1,475.7	72.5	72.1	0.6	14.0	58.7	(155.7)	107.0	10.0
1994	1,464.2	1,395.7	68.5	76.3	6.6	21.2	61.7	(146.3)	99.9	15.3
1995	1,446.8	1,394.5	52.3	60.1	0.2	25.2	35.1	(190.3)	196.0	40.8
1996	1,299.0	1,175.0	124.0	126.0	0.2	27.1	99.1	3.0	12.7	114.8
1997	1,096.6	1,008.2	88.4	90.5	0.2	27.5	63.2	(7.4)	30.4	86.2
1998	968.6	916.2	52.4	53.6	0.5	27.2	26.9	(6.9)	76.7	96.7
1999	803.3	724.9	78.4	81.5	0.6	32.6	49.5	(12.9)	93.6	130.2
2000	1,015.0	927.5	87.5	92.8	0.9	30.7	63.0	41.9	21.9	126.8
2001	1,054.8	951.8	103.0	110.2	0.8	33.6	77.4	(307.8)	554.9	324.5
2002	877.1	762.4	114.7	123.2	(2.0)	37.9	83.4	(80.1)	380.7	384.0
2003	707.3	603.4	103.9	112.7	1.0	37.4	76.3	(23.1)	56.0	109.2
2004	623.1	530.6	92.5	94.0	1.0	33.0	62.0	17.5	-	79.4
2005	670.2	579.9	90.3	129.7	1.3	33.2	97.8	(34.0)	-	63.8
2006	1,068.3	872.2	196.0	207.4	2.5	37.6	172.3	(13.5)	-	158.8
2007	1,647.6	1,438.0	209.7	227.3	2.6	40.9	189.0	(81.2)	-	107.8

CHART VIII
ICO. LOAN FACILITIES

			Purpose
Promotion of corporate investment	SME		Preferential financing for SME productive investments.
	Large enterprises	**Large projects**	Finance large-scale investment projects located in Spain, relating to infrastructures, energy-saving, the environment, technological innovation and the inprovement of competitiveness.
		EIB loans	Guarantee the loans franted by the EIB for the execution of projects of Community interest.
Sectorial activities	Housing		Finance the acquisition of land for development and the construction of officially-sponsored housing for rent.
	EIB-EFTA Agreement		Finance investments in renewable energies, the supply and purification of water, the reduction of pollutants and those relating to waste treatment.
	MAPA Agreement		Finance the adaptation of pig-breeding facilities to meet health and environmental requeriments and regulation.
	ICAA Agreement		Finance production projects.
Urban facilities	Public institutions and enterprises		Finance the execution of investments made by autonomous communities, provincial councils, local corporations and their investee companies and entities.
Investment abroad and backing for the internationalisation of the Spanish enterprise	Corporate internationalisation		Preferencial financing of productive investments by Spanish SME in other countires.
	ICEX		Provide financial backing to enable Spanish enterprises to commence export activities.
	PROINVEX Programme		Financing, in any form except the acquisition of capital, for large-scale investments abroad involving Spanish enterprises.
	CARI System		Promote the granting of long-term export credits at fixed-interest rates by financial institutions through a mechanism similar to interest rate insurance. Approval is incumbent on the Secretariat of State for Tourism and Trade, which has delegated the instrument's management on ICO.
Development aid	Microcredit Fund		The provision of credits to intermediary institutions in disadvantaged countries for the purpose of improving the standard of living of vulnerable social groups. These credits are granted by an Executive Committee attached in the Secretariat of State for Cooperation and ICO acts as a financial agent on its behalf.
	FAD		Supply concessionary loans to developing countries and international financial institutions of which Spain is a member. Loans are granted by the Spanish Government and ICO acts as financial agent on its behalf.
Natural disasters, grave economic crises and similar	Direct ICO loans		On the Government's express instructions, provide financing for victims of serious economic crises, natural disasters and similar.

CHART VIII BIS. ORDINARY OPERATIONS. LOANS ARRANGED IN THE YEAR DISTRIBUTION BY PURPOSES

THOUSAND EUROS

	1999	2000	2001	2002	2003	2004	2005	2006	2007
1.- SME investments	**2,404,048**	**2,253,327**	**2,963,598**	**2,816,855**	**3,154,200**	**3,110,800**	**4,099,207**	**7,217,382**	**8,658,330**
1.1.- ICO-SME General Facility	2,404,048	2,253,327	2,909,998	2,678,555	3,000,000	3,000,000	4,000,000	7,000,000	8,513,600
1.2.- Agreements with autonomous communities	-	-	53,600	138,300	154,200	110,800	99,207	96,084	3,230
1.3.- Other facilities	-	-	-	-	-	-	-	121,298	141,500
2.- Technological innovation	**150,253**	**281,580**	**112,811**	**162,439**	**235,342**	**242,335**	**246,605**	**118,885**	**104,370**
3.- Renewable energies	**-**	**16,570**	**250,073**	**99,370**	**163,772**	**199,995**	**84,725**	**458,124**	**290,608**
4.- Housing and land for development	**61,118**	**58,497**	**97,875**	**73,936**	**75,720**	**20,917**	**16,513**	**2,300**	**20,249**
5.- Projects of Community interest	**221,035**	**60,813**	**178,985**	**50,000**	**27,463**	**110,130**	**14,077**	**-**	
6.- GRINVE Programme and regional development	**921,384**	**1,449,194**	**993,360**	**891,503**	**1,447,076**	**954,657**	**2,812,360**	**3,103,001**	**4,068,446**
6.1.- Regional development	-	171,000	172,900	91,810	64,400	75,000	761,750	477,189	693,500
6.2.- Telecommunications	-	482,000	88,306	180,500	-	203,190	587,500	34,000	411,600
6.3.- Transport infrastructures	-	185,000	680,050	258,195	1,210,489	103,689	509,700	766,054	840,891
6.4.- Energy infrastructures	-	330,000	30,050	260,350	134,862	572,778	376,375	630,000	801,155
6.5.- Other purposes	-	281,194	22,054	100,648	37,325	-	577,035	1,195,758	1,321,300
7.- Audiovisual media	**4,447**	**61,303**	**56,151**	**47,236**	**49,950**	**52,436**	**65,734**	**56,062**	**51,200**
8.- Other facilities	**23,049**	**285,138**	**315,343**	**70,100**	**125,700**	**122,597**	**281,976**	**304,234**	**538,300**
9 (1 to 8) Total investments in Spain	**3,785,334**	**4,466,422**	**4,968,197**	**4,211,439**	**5,279,222**	**4,813,866**	**7,621,197**	**11,259,987**	**13,731,503**
10.- Backing for SME	**58,515**	**50,593**	**-**	**29,331**	**45,745**	**-**	**54,224**	**170,255**	**135,600**
10.1.- Internationalisation	58,515	50,593	-	29,331	45,745	-	54,224	141,580	114,100
10.2.- ICEX Agreement	-	-	-	-	-	-	-	28,675	21,500
11.- PROINVEX Programme	**563,610**	**431,503**	**210,000**	**294,612**	**303,292**	**502,740**	**1,327,260**	**1,850,447**	**1,562,977**
12 (10+11) Total investments abroad	**622,125**	**482,096**	**(*) 210,000**	**323,943**	**349,037**	**502,740**	**1,381,484**	**2,020,702**	**1,698,577**
13 (9+12) TOTAL ORDINARY OPERATIONS	**4,407,459**	**4,948,518**	**5,178,19**	**4,535,382**	**5,628,259**	**5,316,606**	**9,002,681**	**13,280,689**	**15,430,080**
annual increases %		*12.28*	*4.64*	*(12.41)*	*24.10*	*(5.54)*	*69.33*	*47.52*	*16.18*

(*) Not including €1,134 m granted to the Argentine Republic.

CHART IX
CHARACTERISTICS OF SECOND-FLOOR LOAN FACILITIES OPERATIVE IN 2007

	ICO assignment rate	Interest rate, end-beneficiary	Additional interest subsidy
ICO SME FACILITY 2007	FIXED: ICO REF. -0.25% VARIABLE: EURIBOR 6 MONTHS -0.25%	FIXED: ICO REF. +0.65% VARIABLE: EURIBOR 6 MONTHS +0.65%	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget
ICO - ICAA FILM PRODUCTION 2007	VARIABLE: EURIBOR 6 MONTHS	VARIABLE: EURIBOR 6 MONTHS +0.75%	1.67% contributed by ICAA
ICO - MIN. PUBLIC WORKS 2007	VARIABLE: EURIBOR 6 MONTHS	VARIABLE: EURIBOR 6 MONTHS +0.75%	
ICO - CDTI TECHNOLOGICAL INNOVATION 2007 (arrangements in 2007)	FIXED: ICO REF. VARIABLE: EURIBOR 6 MONTHS	FIXED: ICO REF. +1.00% VARIABLE: EURIBOR 6 MONTHS +1.00	1.50 % contributed by CDTI
IRRIGATION SYSTEM FACILITY	VARIABLE: EURIBOR 6 MONTHS	VARIABLE: EURIBOR 6 MONTHS +0.75%	
ICO CORPORATE GROWTH FACILITY 2007	FIXED RATE: ICO REF. VARIABLE: EURIBOR 6 MONTHS	FIXED RATE: ICO REF. +0.75% VARIABLE: EURIBOR 6 MONTHS +0.75%	
ICO-ENTREPRENEURS FACILITY 2007	FIXED RATE: ICO REF. VARIABLE: EURIBOR 6 MONTHS	FIXED RATE: ICO REF. +0.75 ó +1.00% VARIABLE: EURIBOR 6 MONTHS +0.75% or +1.00%	1% contributed by the General-Government Budget
ICO-ICEX FACILITY 2007	FIXED: 0% AER	FIXED: 0% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to ICEX
ICO-TEXTILE, FOOTWEAR, TOYS AND FURNITURE FACILITY 2007	FIXED RATE: ICO REF. VARIABLE: EURIBOR 6 MONTHS	FIXED RATE: ICO REF. +0.75% or +0.5% VARIABLE: EURIBOR 6 MONTHS +0.75% or +0.5%	1.25% or 1% contributed by MITYC
ICO-PLAN AVANZA FACILITY	FIXED: 0% AER	FIJO: 0% TAE	MITYC funds, assigned to ICO interest-free
ICO-CAIB FACILITY 2006 (arrangements in 2007)	FIXED RATE: ICO REF. VARIABLE: EURIBOR 6 MONTHS	FIXED RATE: ICO REF. +0.75% VARIABLE: EURIBOR 6 MONTHS +0.75%	0.75% paid directly by CAIB
ICO-SPANISH CORPORATE INTERNATIONAL-ISATION FACILITY 2007, TRANCHE I	FIXED: ICO REF. -0.35% VARIABLE: EURIBOR/LIBOR 6 MONTHS -0.35%	FIXED: ICO REF. +0.40% VARIABLE: EURIBOR/LIBOR 6 MONTHS +0.40%	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget
ICO-SPANISH CORPORATE INTERNATIONAL-ISATION FACILITY 2007, TRANCHE II	FIXED: ICO REF. VARIABLE: EURIBOR/LIBOR 6 MONTHS	FIXED: ICO REF. +0.75% VARIABLE: EURIBOR/LIBOR 6 MONTHS +0.75%	
ICO-MAPA FISHING SECTOR FACILITY (arrangements in 2007)	FIXED: 0% AER	FIXED: 0% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to MAPA
ICO-CARMEL TUNNEL FACILITY (arrangements in 2006)	VARIABLE: EURIBOR 6 MONTHS	VARIABLE: EURIBOR 6 MONTHS -1.75%	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the Allowance
ICO-TOURISM FACILITY 2006 (arrangements in 2007)	FOMIT: FIXED: 0%	FOMIT: FIXED: 0.50%	MITYC funds, assigned to ICO with interest
ICO-FORUM/AFINSA VICTIMS FACILITY	FIXED: 0% AER	FIXED: 0% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget
ICO-UNIVERSITY STUDIES LOAN FACILITY	FIXED: 0% AER	FIXED: 0% AER	MEC funds, assigned to ICO interest-freee
ICO-DGT FACILITY	FIXED: 0% AER	FIXED: 0% AER	Ministry of the Interior funds, assigned to ICO with interest
RDA FACILITY 2/2007	FIXED: 1.5% AER	FIXED: 2% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the Allowance
RDA FACILITY 3/2007	FIXED: 1.5% AER	FIXED: 2% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the Allowance
RDA FACILITY 5/2007	FIXED: 1.5% AER	FIXED: 2% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the Allowance
RDA FACILITY 7/2007	FIXED: 1.5% AER	FIXED: 2% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the Allowance

CHART X. INVESTMENTS FINANCED IN SPAIN
LOANS ARRANGED IN THE YEAR. DISTRIBUTION BY AUTONOMOUS COMMUNITIES [a]

MILLION EUROS

		Ordinary operations					
			Second-floor loans				
	Total	Total	Total	SME facility	Other facilities	Direct loans	Special and exceptional operations
	1=2+7	2=3+6	3=4+5	4	5	6	7 [b]
2006							
Andalucía	1,119.35	1,036.05	873.23	768.38	104.85	162.82	83.30
Aragón	561.87	451.11	426.11	381.69	44.42	25.00	110.76
Asturias	146.86	145.70	145.70	128.39	17.31	-	1.16
Balearic Islands	172.12	167.83	167.83	129.40	38.43	-	4.29
Canary Islands	324.09	321.87	321.87	288.20	33.67	-	2.22
Cantabria	110.85	109.52	109.52	96.46	13.06	-	1.33
Castilla-La Mancha	464.39	334.82	334.82	282.73	52.09	-	129.57
Castilla-León	972.86	716.80	686.80	586.38	100.42	30.00	256.06
Cataluña	1,525.05	1,507.99	1,464.65	1,306.59	158.06	43.34	17.06
Ceuta	-	-	-		-	-	-
Comunidad Valenciana	1,243.94	1,226.13	1,103.92	986.55	117.37	122.21	17.81
Extremadura	196.06	86.13	86.13	68.89	17.24	-	109.93
Galicia	398.97	385.76	351.76	304.78	46.98	34.00	13.21
La Rioja	102.62	101.76	101.76	88.35	13.41	-	0.86
Madrid	1,433.94	1,423.15	808.71	743.07	65.64	614.44	10.79
Melilla	-	-	-		-	-	-
Navarra	236.55	236.49	231.80	202.61	29.19	4.69	0.06
País Vasco (Basque Country)	477.80	471.97	462.97	415.24	47.73	9.00	5.83
Región de Murcia	345.46	341.80	341.80	222.29	119.51	-	3.66
National scope	2,195.12	2,195.12		-	-	2,195.12	-
TOTAL	**12,027.90**	**11,260.00**	**8,019.38**	**7,000.00**	**1,019.38**	**3,240.62**	**767.90**
2007							
Andalucía	1,308.69	1,308.69	1,063.82	989.30	74.52	244.87	
Aragón	611.75	611.75	554.43	515.10	39.33	57.32	
Asturias	186.90	186.90	174.46	164.30	10.16	12.44	
Balearic Islands	233.08	233.08	177.05	155.80	21.25	56.03	
Canary Islands	346.13	346.13	346.13	321.00	25.13	-	
Cantabria	104.90	104.90	94.90	87.70	7.20	10.00	
Castilla-La Mancha	483.53	483.53	456.20	428.20	28.00	27.33	
Castilla-León	850.77	850.77	725.89	680.20	45.69	124.88	
Cataluña	1,923.39	1,923.39	1,726.35	1,546.10	180.25	197.04	
Ceuta	9.22	9.22				9.22	
Comunidad Valenciana	1,486.62	1,486.62	1,255.86	1,152.70	103.16	230.76	
Extremadura	163.59	163.59	121.30	109.00	12.30	42.29	
Galicia	509.86	509.86	423.21	394.20	29.01	86.65	
La Rioja	119.27	119.27	119.27	108.10	11.17	-	
Madrid	1,230.43	1,230.43	915.08	818.20	96.88	315.35	
Melilla	0.00	0.00					
Navarra	296.24	296.24	276.74	253.70	23.04	19.50	
País Vasco (Basque Country)	516.92	516.92	516.92	466.50	50.42		
Región de Murcia	374.60	374.60	354.60	323.50	31.10	20.00	
National scope	2,975.62	2,975.62	5.80		5.80	2,969.82	
Pending distribution	88.70						88.70
TOTAL	**13,820.20**	**13,731.50**	**9,308.00**	**8,513.60**	**794.40**	**4,423.50**	**88.70**

[a] *In accordance with the location of the projects financed.*
[b] *Victims and other.*

CHART XI. SECOND-FLOOR LOANS. DISTRIBUTION BY FACILITIES ANNUAL DRAWDOWNS OF LOANS GRANTED

THOUSAND EUROS

	1993	1994	1995	1,996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Accumulated
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16 = 1 to 15
1.- SME Facility	**362,807**	**977,991**	**991,838**	**1,174,227**	**1,798,853**	**1,803,036**	**2,404,048**	**2,253,330**	**2,909,998**	**2,678,552**	**3,000,000**	**3,000,000**	**4,000,000**	**7,000,000**	**8,371,470**	**42,726,150**
1.1. General	362,807	394,883	397,618	593,313	565,691	589,707	2,404,048	2,253,330	2,909,998	2,678,552	3,000,000	3,000,000	4,000,000	7,000,000	8,371,470	38,521,417
1.2. Secured investment	-	-	-	37,617	-	-	-	-	-	-	-	-	-	-	-	37,617
1.3. ERDF, Objective 1	-	378,415	373,036	465,989	1,203,208	1,202,024	-	-	-	-	-	-	-	-	-	3,622,672
1.4. ERDF, Objective 2	-	79,286	99,077	64,645	-	-	-	-	-	-	-	-	-	-	-	243,007
1.5. Tourism	-	-	35,027	12,663	-	-	-	-	-	-	-	-	-	-	-	47,690
1.6. Job creation	-	125,407	87,081	-	-	-	-	-	-	-	-	-	-	-	-	212,488
1.7. CDTI	-	-	-	-	29,954	11,305	-	-	-	-	-	-	-	-	-	41,259
2.- Environment	**-**	**41,422**	**84,136**	**15,602**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,535**	**500**	**143,195**
3.- Renove Industrial	**-**	**28,091**	**357,879**	**135,198**	**210,324**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**731,492**
4.- Internationalisation	**-**	**3,606**	**43,784**	**58,466**	**102,220**	**163,139**	**58,515**	**50,590**	**-**	**29,331**	**45,745**	**-**	**52,988**	**142,817**	**114,095**	**865,299**
5.- Finantial restructuring	**-**	**-**	**-**	**7,338**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,338**
6.- Shipbuilding	**-**	**4,117**	**4,976**	**403**	**12,735**	**9,514**	**3,203**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**34,947**
7.- CDTI	**8,504**	**6,335**	**9,226**	**7,278**	**-**	**-**	**150,253**	**300,067**	**182,270**	**209,999**	**215,076**	**244,922**	**212,600**	**117,829**	**94,789**	**1,759,148**
8.- Pig-breeding sector	**-**	**-**	**-**	**-**	**-**	**-**	**9,634**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,634**
9.- Ext. cattle-breeding and dry farming	**-**	**-**	**-**	**-**	**-**	**-**	**3,215**	**226,180**	**13,400**	**-**	**-**	**-**	**-**	**-**	**-**	**242,795**
10.- Film industry	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,055**	**39,198**	**30,021**	**39,807**	**32,089**	**42,733**	**39,562**	**39,106**	**295,571**
11.- Renewable energies (IDAE)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,520**	**42,832**	**4,065**	**21,519**	**146,384**	**61,913**	**339,324**	**-**	**644,557**
12.- Enterprise creation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**73,197**	**-**	**-**	**-**	**-**	**-**	**-**	**73,197**
13.- Transport	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,483**	**70,076**	**98,447**	**100,000**	**279,946**	**195,140**	**38,890**	**812,982**
14.- INFO-Murcia	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**53,623**	**138,269**	**149,935**	**109,328**	**105,317**	**92,236**	**1,361**	**650,069**
15.- INFO-Murcia Entrepreneurs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,090**	**4,025**	**845**	**3,110**	**-**	**11,070**
16.- Diesel oils	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**198,210**	**-**	**-**	**-**	**-**	**-**	**-**	**198,210**
17.- Floods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,030**	**201**	**306**	**350**	**724**	**-**	**143**	**2,754**
18.- Microcredits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**167**	**13,171**	**5,191**	**2,869**	**2,561**	**640**	**24,599**
19.- *Prestige*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**33,486**	**6,057**	**-**	**2,560,945**	**-**	**2,600,488**
20.- Quality tourism	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,043**	**-**	**-**	**-**	**-**	**11,043**
21.- Aut. enclave of Ceuta	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,267**	**310**	**-**	**-**	**-**	**1,577**
22.- Aut. enclave of Melilla	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455**	**1,462**	**-**	**-**	**-**	**1,917**
23.- Cattle farms	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,092**	**-**	**-**	**-**	**3,092**
24.- ICO-Ministry of Defense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**202**	**94**	**-**	**-**	**296**
25.- Fishing sector	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**199,624**	**61,156**	**-**	**260,780**
26.- Collapse of Carmel Tunnel	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**301**	**-**	**310**
27.- MAPA, Drought	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,614**	**743,510**	**2,608**	**761,732**
28.- Plan Avanza	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,614**	**381,976**	**401,590**
29.- Worker's Limited Companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**449**	**-**	**449**
30.- Irrigation systems	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**216**	**1,747**	**1,963**
31.- Corporate Groeth	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**76,962**	**92,927**	**169,889**
32.- ICEX	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,675**	**21,480**	**50,155**
33.- MAPA, processed tomatoes	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,250**	**-**	**23,250**
34.- Tourism	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**74,794**	**80,056**	**154,850**
35.- CAIB	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,886**	**3,580**	**12,466**
36.- Textiles, footwear, toys and furniture	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,145**	**27,295**	**35,440**
37.- Forest fires	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60**	**0**	**60**
38.- Entrepreneurs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44,336**	**48,792**	**93,128**
39.- Frosts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**465,659**	**11,918**	**-**	**477,577**
40.- Fórum/Afinsa victims								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,348**	**48,348**
41.- University Studies Loan								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,460**	**10,460**
41.- DGT								**-**	**-**	**-**	**-**	**-**	**-**	**-**	**664**	**664**
TOTAL	**371,311**	**1,061,562**	**1,491,838**	**1,398,513**	**2,124,133**	**1,975,688**	**2,628,869**	**2,891,742**	**3,544,241**	**3,160,681**	**3,633,347**	**3,653,412**	**5,440,935**	**11,597,331**	**9,380,926**	**54,354,530**

CHART XII. SECOND-FLOOR LOANS. DISTRIBUTION BY PURPOSES ACCUMULATED AMOUNT OF LOANS DRAWN DOWN AT DECEMBER 31 2007

MILLION EUROS

	SME Gen. and other 1	CDTI 2	Internationalisation 3	Total distributed 4 = 1 a 3
Agriculture, cattle-breeding and fishing	**2,192.6**	**48.2**	**17.6**	**2,258.40**
Mining industries	**853.0**	**34.7**	**60.5**	**948.20**
Manufacturing industries	**15,101.3**	**1,434.7**	**573.4**	**17,109.40**
Agribusiness	2,706.7	202.9	121	3,030.60
Metallurgy and quarrying	4,436.9	364.1	193.2	4,994.20
Textile, paper, chemicals	5,267.6	571.4	193.6	6,032.60
Machinery, elec. equip. and transport mat.	2,690.1	296.3	65.6	3,052.00
Energy, electricity, gas and water	**399.7**	**2.5**	**6.6**	**408.80**
Construction	**3,891.6**	**26.1**	**31.8**	**3,949.50**
Vehicle trade and repair	**6,864.3**	**57.8**	**53.5**	**6,975.60**
Catering	**2,136.5**	**1.4**	**1.8**	**2,139.70**
Transport, storage and communications	**6,135.0**	**31.3**	**28.4**	**6,194.70**
Real estate and financial services	**3,084.8**	**42.6**	**47.2**	**3,174.60**
Other	**2,067.4**	**47.0**	**44.5**	**2,158.90**
TOTAL	**42,726.2**	**1,726.3**	**865.3**	**45,317.80**

(*) Data since 1999, when the facility was arranged with CDTI. Up to 1999, they are ICO-SME Facility operations.

CHART XII BIS. SECOND-FLOOR LOANS (SME). DISTRIBUTION BY PURPOSES AMOUNT IN LOANS DRAWN DOWN

MILLION EUROS

	2007 ICO Second-floor	Accumulated amount (not including securitisation) 2007	2006	Annual variation Absolute	%
Agriculture, cattle-breeding and fishing	**418.6**	**2,125.5**	**1,706.9**	**418.6**	**24.5**
Mining industries	**166.6**	**816.6**	**650.0**	**166.6**	**25.6**
Manufacturing industries	**2,268.7**	**14,372.1**	**12,103.4**	**2,268.7**	**18.7**
Agribusiness	406.0	2,599.1	2,193.1	406.0	18.5
Metallurgy and quarrying	720.8	4,193.6	3,472.8	720.8	20.8
Textile, paper and chemicals	723.3	5,020.9	4,297.6	723.3	16.8
Machinery, elec. equip. and transport mat.	418.6	2,558.5	2,139.9	418.6	19.6
Energy, electricity, gas and water	**118.0**	**407.3**	**289.3**	**118.0**	**40.8**
Construction	**999.6**	**3,870.9**	**2,871.3**	**999.6**	**34.8**
Vehicle trade and repair	**1,361.2**	**6,828.9**	**5,467.7**	**1,361.2**	**24.9**
Catering	**406.9**	**2,086.0**	**1,679.1**	**406.9**	**24.2**
Transport, storage and communications	**1,364.5**	**5,994.9**	**4,630.4**	**1,364.5**	**29.5**
Real estate and financial services	**763.5**	**3,044.9**	**2,281.4**	**763.5**	**33.5**
Other	**503.9**	**2,052.2**	**1,548.3**	**503.9**	**32.5**
TOTAL	**8,371.5**	**41,599.2**	**33,227.7**	**8,371.5**	**25.2**

CHART XIII. SECOND-FLOOR LOANS (SME). DISTRIBUTION BY AUTONOMOUS COMMUNITIES ACCUMULATED AMOUNT IN LOANS DRAWN DOWN AT DECEMBER 31 2007 — MILLION EUROS

	SME Gen. and other 1	CDTI 2	Internationalisation 3	Total distributed 4 = 1 to 3
Andalucía	4,310.8	52.3	37.3	4,400.4
Aragón	2,363.8	159.4	17.6	2,540.8
Asturias	771.7	23.7	15.4	810.8
Balearic Islands	674.8	15.2	5.3	695.3
Canary Islands	1,716.1	13.9	11.7	1,741.7
Cantabria	626.0	13.4	11.3	650.7
Castilla-La Mancha	1,692.4	59.0	6.3	1,757.7
Castilla-León	3,825.8	96.9	12.3	3,935.0
Cataluña	8,141.2	397.2	265.4	8,803.8
Ceuta	0.0	0.0	0.0	0.0
Comunidad Valenciana	6,911.8	338.1	81.5	7,331.4
Extremadura	309.2	4.9	4.0	318.1
Galicia	1,722.6	35.9	60.9	1,819.4
La Rioja	616.3	56.5	5.9	678.7
Madrid	3,547.8	81.0	139.4	3,768.2
Melilla	0.0	0.0	0.0	0.0
Navarra	1,149.8	58.2	23.5	1,231.5
País Vasco (Basque Country)	2,955.6	274.2	128.1	3,357.9
Región de Murcia	1,390.5	46.5	4.9	1,441.9
Other (*)	-	-	34.5	34.5
TOTAL	**42,726.2**	**1,726.3**	**865.3**	**45,317.8**

(*) *Foreign companies with majority Spanish capital.*

CHART XIII BIS. SECOND-FLOOR LOANS (SME). DISTRIBUTION BY AUTONOMOUS COMMUNITIES AMOUNT IN LOANS DRAWN DOWN — MILLION EUROS

	2007 ICO 2nd-floor	Accumulated amounts (not including sec.) 2007	2006	Annual variation Absolute	%
Andalucía	972.1	4,234.6	3,262.5	972.1	29.8
Aragón	501.5	2,254.2	1,752.7	501.5	28.6
Asturias	161.8	754.4	592.5	161.8	27.3
Balearic Islands	154.7	656.6	501.9	154.7	30.8
Canary Islands	316.7	1,682.2	1,365.5	316.7	23.2
Cantabria	86.1	622.9	536.8	86.1	16.0
Castilla-La Mancha	417.1	1,667.5	1,250.4	417.1	33.4
Castilla-León	665.2	3,756.8	3,091.6	665.2	21.5
Cataluña	1,525.4	7,854.0	6,328.6	1,525.4	24.1
Ceuta	-	-	-	-	-
Comunidad Valenciana	1,148.5	6,743.9	5,595.4	1,148.5	20.5
Extremadura	105.8	303.1	197.4	105.8	53.6
Galicia	386.5	1,683.2	1,296.7	386.5	29.8
La Rioja	102.1	576.6	474.5	102.1	21.5
Madrid	811.8	3,485.7	2,673.9	811.8	30.4
Melilla	-	-	-	-	-
Navarra	243.1	1,111.4	868.4	243.1	28.0
País Vasco (Basque Country)	460.5	2,855.7	2,395.2	460.5	19.2
Región de Murcia	312.5	1,356.3	1,043.8	312.5	29.9
TOTAL	**8,371.5**	**41,599.1**	**33,227.7**	**8,371.5**	**25.2**

CHART XIV. SME FACILITY. INVESTMENT COVERAGE RATE DISTRIBUTION BY TRANCHES. BALANCES AT 31.12.2007

MILLION EUROS AND PERCENTAGES

Loan amount Tranches	Number of operations 1	Acc. amount in drawdowns 2	Induced investment 3	Complementary financing 4=3–2	Coverage rate 5=100 (2/3)
Less than 60,000	486,658	11,822	20,600	6,380.97	57.39
From 60,000 to 99,999	84,639	6,416	10,361	2,944.86	61.92
From 100,000 to 299,999	69,855	11,263	21,322	7,794.66	52.82
From 300,000 to 599,999	16,039	6,348	13,367	5,418.08	47.49
From 600,000 to 899,999	4,223	2,923	5,849	2,365.81	49.97
From 900,000 to 1,499,999	2,195	2,618	6,317	1,887.84	41.44
Over 1,500,000	856	1,339	4,356	3,017.70	30.73
TOTAL	**664,465**	**42,727.47**	**82,173.04**	**29,809.92**	**52.00**

CHART XIV BIS. SME FACILITY. INVESTMENT COVERAGE RATE DISTRIBUTION BY TRANCHES. 2007

MILLION EUROS AND PERCENTAGES

Loan amount Tranches	Number of operations 1	Acc. amount in drawdowns 2	Induced investment 3	Complementary financing 4=3–2	Coverage rate 5=100 (2/3)
Less than 60,000	88,268	2,253	3,239	986	69.56
From 60,000 to 99,999	20,526	1,610	2,083	474	77.27
From 100,000 to 299,999	14,309	2,341	4,423	2,083	52.91
From 300,000 to 599,999	2,813	1,156	1,962	805	58.94
From 600,000 to 899,999	624	452	796	345	56.73
From 900,000 to 1,499,999	312	364	544	180	66.86
Over 1,500,000	131	197	349	153	56.26
TOTAL	**126,983**	**8,371**	**13,397**	**5,026**	**62.49**

CHART XV. SME FACILITY. TERMS AND INTEREST RATES OF LOANS DRAWN DOWN BALANCES AT 31.12.07

MILLION EUROS

Loan amount	Number of operations	TERMS						Interest rate	
		3 years	5 years	5 years + 1	7 years	7 years + 2	Other	Fixed	Variable
Tranches		1	2	3	4	5	6	7	8
Less than 60,000	486,658	1,982.15	6,342.10	1,594.37	1,119.91	820.11	20.85	3,603.45	8,274.21
From 60,000 to 99,999	84,639	577.49	3,119.65	894.73	990.79	800.51	44.61	1,564.95	4,863.44
From 100,000 to 299,999	69,855	747.24	4,212.35	1,919.69	1,953.41	2,197.92	241.52	1,911.91	9,359.90
From 300,000 to 599,999	16,039	233.50	1,641.21	1,179.31	1,118.46	1,969.83	195.55	858.69	5,479.27
From 600,000 to 899,999	4,223	62.98	581.51	543.56	511.15	1,096.96	102.04	358.75	2,541.08
From 900,000 to 1,499,999	2,195	59.26	423.32	441.29	452.16	1,090.30	146.85	309.46	2,302.32
Over 1,500,000	856	6.30	123.37	290.88	151.40	712.04	13.50	140.82	1,157.89
TOTAL	**664,465**	**3,668.92**	**3,746.68**	**6,863.83**	**6,863.83**	**1,123.79**	**764.92**	**8,748.03**	**33,978.11**

CHART XV BIS. SME FACILITY. TERMS AND INTEREST RATES OF LOANS DRAWN DOWN 2007

MILLION EUROS

Loan amount	Number of operations	TERMS						Interest rate	
		3 years	5 years	5 years + 1	7 years	7 years + 2	Other	Fixed	Variable
Tranches		1	2	3	4	5	6	7	8
Less than 60,000	88,268	485.20	1,257.93	78.11	315.86	108.10	8.09	784.07	1,469.22
From 60,000 to 99,999	20,526	176.76	929.81	58.64	309.61	114.32	20.46	511.67	1,097.93
From 100,000 to 299,999	14,309	209.51	1,015.06	125.68	575.03	301.73	113.49	546.68	1,793.82
From 300,000 to 599,999	2,813	63.07	338.60	81.29	302.77	273.46	97.06	197.87	958.38
From 600,000 to 899,999	624	16.53	89.61	38.74	131.54	128.02	47.36	69.90	381.90
From 900,000 to 1,499,999	312	9.37	75.17	23.08	89.51	118.66	47.74	67.68	295.85
Over 1,500,000	131	1.50	40.50	15.00	46.50	79.50	13.50	33.00	163.50
TOTAL	**126,983**	**961.94**	**3,746.68**	**420.54**	**1,770.82**	**1,123.79**	**347.70**	**2,210.87**	**6,160.60**

CHART XVI. LIST OF SECOND-FLOOR LOAN FACILITIES AUTHORISED BY ROYAL DECREE-ACT (RDA). RESOLUTION OF THE COUNCIL OF MINISTERS (RCM) OR THE FOVERNEMENT'S DELEGATE COMMISSION FOR ECONOMIC AFFAIRS (CDGAE)

THOUSAND EUROS

FACILITY ARRANGED	TYPE AND DATE OF RESOLUTION	AMOUNT GRANTED	AMOUNTS DRAWN DOWN
INTERNATIONALISATION FACILITY (Second-floor Facility)	Resolution CDGAE 13/06/02 Resolution CDGAE 29/12/04 Resolution DGAE 29/12/05 Resolution DGAE 25/1/07	150.0	114.1
ENTERPRISE CREATION FACILITY (Second-floor Facility)	Resolution CDGAE 20/11/00		
SME (Second-floor Facility)	Resolution CDGAE 14.05.98 Resolution CDGAE 3/12/98-6/05/99 Resolution CDGAE 07/10/99 Resolution CDGAE 20/11/00 Resolution CDGAE 20/12/01 Resolution CDGAE 07/03/02 Resolution CDGAE 11/12/03 Resolution CDGAE 29/12/04 Resolution CDGAE 29/12/05 Resolution CDGAE 25/1/08	9,000.0	8,371.5
FLOODS (Second-floor Facility)	R.D.A. 4/1997		
	R.D.A. 11/1997		
	R.D.A. 18/1997		
	R.D.A. 24/1997		
	R.D.A. 29/1997		
	R.D.A. 2/1998		
	R.D.A. 3/2001		
	R.D.A. 6/2001		
	R.D.A. 7/2001		
	R.D.A. 13/2001		
	R.D.A. 1/2003		
	R.D.A. 3/2003		
	R.D.A. 5/2003		
	R.D.A. 6/2003		
	R.D.A. 6/2004		
	R.D.A. 8/2005		
	R.D.A. 14/2005 and 610/2006		
	R.D.A. 8/2003		
	R.D.A. 2/2007	1.0	0.02
	R.D.A. 3/2007	3.0	0.0
	R.D.A. 5/2007	5.0	0.12
	R.D.A. 7/2007	3.0	0.0
PRESTIGE (Second-floor Facility)	Resolution CDGAE 28/11/02 Resolution CDGAE 16/01/03 extension of facility's purpose		
ENTREPRENEURS (Second-floor Facility)	Resolution CDGAE 19/1/06 Resolution CDGAE 25/1/07	50	48.63
PPC CATALUÑA [(1)]	C.M. 16.05.1997		
PPC CASTILLA Y LEÓN [(2)]	C.M. 06.03.1998		
AEGEAN SEA: Aquiculture enterprises. Second-floor Facility	C.M. 30.05.1997		
EXTENSIVE CATTLE-BREEDING AND DRY FARMING	R.D.A. 11/1999 R.D.A. 8/2000		
PIG-BREEDING SECTOR (Second-floor Facility)	MAPA Agreement 21.01.99		
OIL SECTOR [(3)] (Second-floor Facility for olive-growing)	R.D.A. 20/1999		
WOODLANDS CROPS (Almond trees)	R.D.A. 20/1999		
CATTLE FARMS AND AGRIBUSINESS SECTOR	Resolution CDGAE 10/07/03		
DIESEL OIL – Fishermen's associations – Farmsteads – Shipbuilders	C.M. 10/11/2000		
FISHING SECTOR (Second-floor Facility)	R.C.M. 3.6.05 and 22.7.05		
FROSTS (Second-floor Facility)	R.D.A. 1 and 6/2005		
CARMEL TUNNEL (Second-floor Facility)	Resolution CDGAE 10.03.05		
DROUGHT (Second-floor Facility)	R.D.A. 10/2005		
ICEX (Second-floor Facility)	Resolution CDGAE 2/2/06		
TOURISM (Second-floor Facility)	R.D.A. 721/2005		
PROCESSED TOMATO SECTOR (Second-floor Facility)	Resolution CDGAE 15/6/06		
FORUM/AFINSA VICTIMS (Second-floor Facility)	Resolution CDGAE 26/4/07	500.0	48.4

[(1)] *Amount of compensation settled by virtue of deposits made by MAPA and the Generalitat. Pending deposits equal to outstanding balances.*
[(2)] *Amount of compensation settled by virtue of deposits made by the Regional Government of Castille and León.*
[(3)] *Olive-growing facility formalised 23.12.00. Operations correspond to 2001.*

CHART XVII. LOANS AND CREDITS. DISTRIBUTION BY BORROWERS BALANCES AT DECEMBER 31

THOUSAND EUROS

	2007	% distribution	2006	% distribution	Annual variation absolute	Annual variation %
1. Public Administrations	**1,096,237**	**8.1**	**1,231,779**	**11.5**	**(135,542)**	**(11.0)**
1.1. Central Administration	34,911	0.3	198,462	1.8	(163,551)	(82.4)
Rights settled with the Treasury	25,247	0.2	8,748	0.1	16,499	188.6
Other	9,664	0.1	189,714	1.8	(180,050)	(94.9)
1.2. Aut. comm. and local corp.	1,061,326	7.8	1,033,317	9.6	28,009	2.7
2. Other resident sectors	**10,884,912**	**80.3**	**7,820,455**	**72.8**	**3,064,457**	**39.2**
2.1. Mining industries	382,727	2.8	232,566	2.2	150,161	64.6
2.2. Manufacturing industries	1,552,458	11.5	848,387	7.9	704,071	83.0
2.3. Electrity, water and gas	1,022,158	7.5	754,379	7.0	267,779	35.5
2.4. Construction	1,144,388	8.4	621,971	5.8	522,417	84.0
2.5. Transport and communications	3,522,409	26.0	3,180,549	29.6	341,860	10.7
2.6. Real estate activities	2,054,044	15.2	1,288,328	12.0	765,716	59.4
2.7. Services	598,722	4.4	582,834	5.4	15,888	2.7
2.8. Other activities	608,006	4.5	311,441	2.9	296,565	95.2
3. Non-residents	**1,912,253**	**14.1**	**2,132,576**	**19.9**	**(220,323)**	**(10.3)**
3.1. Energy	524,533	3.9	484,441	4.5	40,092	8.3
3.2. Telecommunications	175,379	1.3	288,803	2.7	(113,424)	(39.3)
3.3. Transport	396,906	2.9	450,656	4.2	(53,750)	(11.9)
3.4. Other	815,435	6.0	908,676	8.5	(93,241)	(10.3)
4. Credit loss provision	**(343,152)**	**(2.5)**	**(445,775)**	**(4.2)**	**102,623**	**(23.0)**
4.1. Other resident sectors	(330,105)	(2.4)	(372,009)	(3.5)	41,904	(11.3)
4.2. Non-residents	(13,047)	(0.1)	(73,766)	(0.7)	60,719	(82.3)
5 (1 to 4) TOTAL	**13,550,250**	**100.0**	**10,739,035**	**100.0**	**2,811,215**	**26.2**

CHART XVIII. LOANS AND CREDITS TO RESIDENTS BALANCES AT DECEMBER 31

MILLION EUROS

	FMI				Public Admins.		Other resident sectors		% ICO
	ICO	Total	Adjustment	Total adjusted	ICO	Total	ICO	Total	total FMI
	1	2	3	4=2–3	5	6	7	8	9
1992	12.550	109.375	12	109.363	1.046	25.875	3.961	261.073	11.48
1993	11.582	140.530	397	140.133	1.370	28.011	4.550	264.515	8.27
1994	9.167	134.705	1.509	133.196	1.244	32.048	5.908	273.139	6.88
1995	7.448	149.797	2.711	147.086	1.647	35.207	7.494	289.973	5.06
1996	7.219	158.013	3.762	154.251	1.755	39.513	8.208	311.281	4.68
1997	7.587	177.963	5.079	172.884	1.671	37.146	9.075	354.587	4.39
1998	7.747	167.202	6.034	161.168	1.701	32.111	10.239	413.340	4.81
1999	7.977	171.329	7.086	164.243	1.680	31.271	12.100	477.043	4.86
2000	7.706	156.889	7.575	149.314	1.612	31.404	13.069	559.088	5.16
2001	7.022	176.061	8.132	167.929	619	33.129	14.364	624.879	4.18
2002	6.280	172.566	8.789	163.777	937	33.112	14.583	701.577	3.83
2003	6.636	182.847	9.614	173.233	867	35.589	15.789	801.319	3.83
2004	5.187	201.072	10.053	191.019	1.091	37.644	15.987	945.033	2.72
2005	3.790	223.329	12.102	211.227	1.331	40.894	18.218	1.201.871	1.79
2006	2.921	224.069	17.240	206.534	1.232	41.185	25.060	1.507.747	1.41
2007	3.068	246.221	21.650	224.571	1.096	42.737	32.535	1.759.217	1.34

CHART XIX. CREDIT LOSS AND OTHER RISK ALLOWANCES BALANCES AT DECEMBER 31

THOUSAND EUROS

	2007	2006	Annual variation absolute	Annual variation %
1. Credit loss allowance	**369,511**	**475,239**	**(105,728)**	**(22.2)**
1.1. Specific	133,379	288,541	(155,162)	(53.8)
1.2. Sovereign risk	9,302	19,088	(9,786)	(51.3)
1.3. Generic	200,471	138,147	62,325	45.1
1.4. From loans	26,359	29,463	(3,104)	(10.5)
2. Investment portfolio due	**30,496**	**0**	**30,496**	
3. Fixed-asset fund awarded	**2,497**	**2,497**	**0**	
4. Investee companies provision	**8,517**	**0**	**8,517**	
5. Allowances	**241,312**	**224,921**	**16,391**	**7.3**
5.1. For taxes	35	35	0	0.0
5.2. For cont. risk and commitments	57	31,371	(31,314)	(99.8)
5.3. For pensions and similar	28,383	0	28,383	
5.4. Other allowances:	212,837	193,516	19,321	10.0
- SME and second-floor	6,565	10,448	(3,883)	(37.2)
- RDA 12/95	133,964	141,984	(8,020)	(5.6)
- CARI Egypt	1,170	2,187	(1,017)	(46.5)
- BBVA, recovered amounts	4,358	25,550	(21,192)	(82.9)
- ERDF subsidy pending collection	13,292	13,292	0	0.0
- Other funds	53,488	1,164	52,324	4,495
6. TOTAL ALLOWANCES	**652,333**	**702,657**	**(50,324)**	**(7.2)**

CHART XX. PROINVEX PROGRAMME FIGURES AT DECEMBER 31 2007

IN EUROS

Recipient country	Number of operations	Loan arrangements Total	Drawn down	Pending drawdown
LOANS IN FOREIGN CURRENCY TO NON-RESIDENTS				
DIRECT LOANS				
Argentina	4	146,390	146,383	7
Bermudas/Bolivia	1	3,430	3,430	0
Brazil	2	20,379	20,379	0
Canada	1	69,209	69,209	0
Central America	1	20,379	0	20,379
Chile	10	251,233	248,591	2,642
Colombia	1	6,725	6,125	601
Guatemala	1	10,190	10,190	0
Cayman Islands (Chile)	1	33,965	33,964	1
Mexico	6	161,616	160,815	801
Portugal	3	58,341	32,766	25,575
UK/Chile	1	24,795	24,795	0
Turkey	1	15,000	15,000	0
TOTAL	**33**	**821,651**	**771,646**	**50,005**
COFINANCING				
Argentina	3	20,682	20,299	383
Brazil	1	9,850	1,779	8,071
Canada	1	16,439	9,167	7,272
Chile	10	150,805	56,247	94,558
Ecuador	2	49,355	40,561	8,793
Guatemala	1	15,186	10,457	4,729
Ireland	4	127,043	69,025	58,018
CAF Facility	2	71,930	0	71,930
Mexico	9	337,088	280,192	56,896
Moldavia	1	2,137	2,137	0
Peru	2	18,899	18,899	0
Portugal	3	91,667	51,144	40,523
Dominican Republic	2	36,879	36,879	0
Russia	1	3,944	3,918	26
U.K.	5	1,089,930	1,088,300	1,630
Uruguay	1	5,095	5,095	0
USA	3	215,508	209,885	5,623
Venezuela	1	5,095	1,879	3,216
Total	**52**	**2,267,532**	**1,905,865**	**361,667**
TOTAL	**85**	**3,089,183**	**2,677,511**	**411,672**

Continue

Continuation

CHART XX. PROINVEX PROGRAMME FIGURES AT DECEMBER 31 2007

IN EUROS

Recipient country	Number of operations	Loan arrangements Total	Drawn down	Pending drawdown
LOANS IN FOREIGN CURRENCY TO RESIDENTS				
Ger/Port/Belg/Fra/Ital	1	30,000	30,000	0
Germany	3	114,200	108,914	5,286
Algeria	1	54,344	54,344	0
Argentina	1	135,860	135,860	0
Australia	1	224,849	148,345	76,504
Brazil/USA	1	18,962	18,962	0
Brazil	2	54,540	40,984	13,556
Brazil/Mexico	2	94,000	94,000	0
Chile	2	16,597	13,191	3,406
China	1	50,000	50,000	0
Colombia	2	100,840	100,840	0
Europe	4	145,174	145,174	0
France	1	110,000	110,000	0
France/USA	2	23,025	15,352	7,673
Holland	1	20,000	16,400	3,600
Italy	1	4,207	4,207	0
Italy/Panama	1	9,015	9,015	0
Latin America	3	323,000	289,531	33,469
Mexico/Fra/USA	1	6,010	6,010	0
Mexico	7	306,252	217,399	88,853
Multi-country	3	24,020	10,730	13,290
Panama	1	9,616	5,987	3,629
Peru	1	24,115	24,115	0
Switzerland	2	132,172	132,172	0
Tunisia	1	48,081	48,081	0
USA	8	455,322	454,278	1,044
USA/South Africa	1	400,000	400,000	0
Poland/USA	1	25,240	25,240	0
U.K.	5	604,415	261,831	342,584
U.K./Brazil	1	9,020	9,020	0
Uruguay	1	3,000	0	3,000
Uzbekistan	1	44,155	0	44,155
TOTAL	**64**	**3,620,031**	**2,979,984**	**640,048**

CHART XXI. OPERATIONS ON THE STATE'S ACCOUNT BASIC CHARACTERISTICS

	Objectives	Types of operation	Lending procedure and conditions	ICO's functions
Development Aid Fund (FAD)	• Offer developing countries below-market financing for the execution of development projects. • Act as an instrument of foreign policy (prioritising beneficiary countries), and of the industrial policy (establishing criteria to rule project eligibility) while boosting the internationalisation of the Spanish enterprise and promoting exports. • Ease access to multilateral bodies.	Five types of operation are charged to FAD: - Concessionary loans for development projects, tied to the acquisition of Spanish goods and services. In some cases, such as less-developed countries, the operations are not tied to the acquisition of Spanish supplies. - Exceptionally, operations take the form of grants, which may or may not be tied to the acquisition of Spanish goods and services. - Contributions to Multilateral Financial Institutions of which Spain is a member. - Grants for viability studies (FEV). - The hiring of advisory services for the identification, definition and follow-up of projects financed from FAD.	The official application must be presented by the authorities of developing countries. Spanish enterprises with a capital equipment export project intended for a developing country are invited to enquire. The borrower or guarantor of the loan must be the State of the recipient country, or enterprises or financial institutions of that country which carry the State's solidary guarantee. Exceptionally, the loan may be granted to subnational institutions or State-owned enterprises which do not present the sovereign guarantee. The loan is granted by the Government via Resolution of the Council of Ministers on the proposal of the Inter-Ministerial FAD. Commission. These loans may be granted solely to developing countries on the list prepared by the OECD Consensus Development Aid Committee. The projects benefiting from the loans must be commercially non-viable, save for the exceptions provided for in the OECD Consensus. Loans must have a grant component equal to or higher than 35%. Each year, the General-Government Budget Act establishes the maximum limit for loans and aid to be charged to FAD.	• Act as a financial agent which, in the name and on behalf on the Spanish Government, draws up, negotiates and executes the appropriate loan agreement with the financial agent of the beneficiary country. • Perform tasks relating to the fund's management, administration and accounting, including the relevant cash, control and recovery services.
Interest Makeup CARI System	• Back the export of Spanish goods and services through a system whereby lender financial institutions are relieved of the risk incurred in the granting of fixed-rate, long-term loans, in addition to being guaranteed a profit margin.	The application must be filed with ICO by the credit institutions financing the exports. Application approval and interest rate fixing are directly incumbent on ICO in operations which are within the scope of application of the OECD Consensus and comply with Spanish regulations. In special circumstances, the Directorate General for Trade and Investment is responsible for the operation's approval.	The lending institution may finance both the foreign buyer and the domestic supplier. There must be a cash payment, not financed from the credit, of 15% of the goods and services exported. Such goods and services must be Spanish, except for certain maximum percentages allowed for foreign materials, local expenses and commercial fees. The interest rate and the repayment term are those applicable to the importer country in accordance with the OECD Consensus.	• Approve the arrangement of operations lying within the scope of the OECD Consensus; otherwise, collect the compulsory authorisation from the Directorate General of Trade and Investment. • Formalise the interest adjustment contract with the lender institutions. • Every six months, calculate and settle the differences between the market interest rate (plus a management fee in favour of the financial institution) and the consensus rate applied to the credit.
Microcredit Fund (FCM)	• Contribute to the fight against poverty in developing countries by promoting and consolidating microfinancial services. Such services are intended to meet the needs of those economic and social sectors which either have no access to the traditional financial system or find it inadequate to their needs.	Instruments used: The financial instruments used are loans and credits in any form. Non-financial instruments are concerned with expenses deriving from the appraisal, follow-up and inspection of FCM operations and also from the identification and technical assistance entailed in the provision of services to institutions engaged in microfinancial activity. The idea is to aid in their consolidation, the training of human resources and the improvement of their management capacity.	The fund works through the granting of loans to foreign on-lending institutions (first and second-floor), which then distribute the resources to their countries' microenterprises. Selected by the AECI, these institutions are not required to carry a sovereign guarantee but vouch for the repayment of the credits with their present and future assets. First-floor institutions, which work directly with the FCM, may be both supervised financial institutions and specialised NGO. As for second-floor institutions, their aims include the provision of financial resources in the form of loans to first-floor institutions to cover shortages of financial resources.	• Solvency analysis of the recipient institution. • Arrangement of operations: contract negotiation and execution, fulfilment of disbursement conditions and arrangement of addends. • Financial management of programmes: obtaining and delivering funds, FCM cash asset management, collections and accounting, plus information.

CHART XXII
FAD ARRANGEMENTS 2007

	DEVELOPMENT AID FUND. FAD OPERATIONS
MULTILATERAL BODIES	**AFRICAN DEVELOPMENT BANK**
	Spanish contribution to the Tenth Resource Renewal (ADF-X)
	ASIAN DEVELOPMENT BANK
	Contribution to consultancy services (*)
	WORLD BANK
	Contribution to the Spain-WB Programme Trustee Fund. Appraisal of results in development
	Contribution of two funds under WB management to finance reconstruction projects in Sudan (MDTF)
	Catalyst Trustee Fund Contribution. Fast-track education initiative for all (EFA-FTI)
	Contribution to the Alliance of Cities
	Additional contribution to the HIPC Initiative Fund
	Contribution to the Global Fund to fight against Tuberculosis, AIDS and Malaria (GFTAM)
	Contribution to the Global Development Network (GDN)
	Contribution to the World Bank Gender Action Plan
	Contribution to the World Service for Disaster Reduction and Recovery (GFDRR)
	Contribution to the Trustee Fund for the Initiative in favour of Transparency in Mining Industries (eit)
	Spain's participation in, and contribution to, the WB Catalytic Growth Fund for Africa
	Second payment to the Fourteenth Renewal of AIF Resources
	First renewal of the World Bank CEDDET Fund (*)
	ECOWAS
	Contribution to the Economic Community of West African States (ecowas)
	IFC
	Contribution to consultancy services (*)
	EUROPEAN COMMISSION - PALESTINE (WINDOW 3)
	Contribution to WINDOW 3, the european commission's temporary international mechanism for palestinian territories
	INTERNATIONAL CRIMINAL COURT FOR VICTIMS
	Voluntary contribution to the Trustee Fund of the International Criminal Court for Victims
	RED CROSS-IRCC (INTERNATIONAL RED CROSS COMMISSION)
	2007 contribution to the IRCC
	ASIAN DEVELOPMENT FUND
	Contribution to the Asian Development Fund. 5th and 6th renewal (€126,512 and €251,530)
	MULTILATERAL RECONSTRUCTION TRUSTEE FUND. AFGHANISTAN
	Multilateral Trustee Fund for the Reconstruction of Afghanistan (Afghanistan Compact)
	FONTAGRO
	Contribution to the Regional Agriculture and Fishing Fund (FONTAGRO)
	IFFIM (IMMUNISATION FINANCING INITIATIVE)
	Contribution to the Immunisation Financing Initiative (IFFIM)
	MEDITERRANEAN AGRONOMICS INSTITUTE OF ZARAGOZA (IAMZ)
	Contribution to the Mediterranenan Agronomics Institute of Zaragoza (IAMZ)
	SERVICES FACILITY- CAMEROON
	Implementation of an urban cadaster in four cities in Cameroon
	INTEGRATED REINFORCED FRAMEWORK (IRF)
	Contribution to the Integrated Reinforced Framework (IRF) for technical assistance relating to trade with WFP countries
	UNITED NATIONS
	Contribution to the Trustee Fund managed by UNIFEM to back action to eradicate violence against women (UNIFEM)
	Contribution to the Trustee Funds of the UN Convention for the Fight Against Desertification
	Contribution to the fund constituted with the United Nations Agency for Palestinian Refugees (UNRWA)
	2007 contribution to the UNDP Trustee Fund for the prevention of conflicts and for recovery. UN programme
	Contribution to UNITAID (international mechanism for the purchase of medicaments)
	Contribution to the Trustee Fund for the Implementation of the Global Strategy Against Terrorism
	Contribution to the United Nations Global Compact
	Contribution to the United Nations Joint Programme for HIV/AIDS (ONUSIDA)
	Contribution to the Trustee Fund to assist Action Against Land Mines. Creation of a BAC in South Lebanon
	Contribution to the UNDP Trustee Fund for Information and Communication Technologies. UNDP (TICS)
	Voluntary contribution to the VII renewal (2007-09) to the International Agricultural Development Fund (IADF)
	Contribution to Multi-donation Trustee Funds, United Nations Children's Fund (UNICEF)
	Contribution to the UN Fund for Education, Science and Culture (UNESCO)
	Contribution to the Environment Fund under the UN Environment Programme (UNPE)
	Contribution to the UNDP Trustee Fund to support the peace process in Colombia
	Contribution to the Catalyst Trustee Fund, Fast-track Education Initiative for All (Iraqui refugees in Syria and Jordan)
	Contribution to the Catalyst Trustee Fund, Fast-track Education Initiative for All (Mauritanian refugees in Senegal and Mali)
	Contribution to the Catalyst Trustee Fund. Fast-track Education Initiative for All (Saharan refugees in Algeria)
	Contribution to the Trustee Fund for Energy and the Environment. UN Development Programme
	Contribution to the Trustee Fund for the Reduction of Poverty. UN Development Fund
	Contribution to the World Food Programme (WFP)
	Contribution to the UNDP Trustee Fund for Democratic Governability in West Africa. Social cohesion and employment
	Contribution to the Trustee Fund for Water and Sewage and experimental operations for the financing of housing (UN-HABITAT)
	2007 contribution to the UN Conference for Trade and Development (UNCTAD)
	2007 contribition to the UNDP International Art Initiative
	2007 contribution to the World Health Organisation (WHO)
	2007 contribution to the Spanish Fund for the International Labour Organisation (ILO), action in Latin America
	2007 contribution to the Centre for Emergency Response Fund (CERF)
	2007 voluntary contribution to the United Nations Environment Programme (UNEP)
	2007 voluntary contribution to the United Nations programme for Human Settlements (UN-HABITAT)
	Contribution to three UN initiatives: special support and mediation tribunals (Sierra Leone and the Khmer Rouge)
	Contribution to the International Commission against Impunity in Guatemala (ICIG)
	Contribution to the financing facility for remittances in rural areas, International Agricultural Fund (IAF)

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	Contribution to the UN High Commission for Human Rights
	Contribution to the Food and Agriculture Organisation (FAO)
	Contribution to the International Telecommunications Union for the Connect Africa Initiative (ITU)
	Contribution to funds for the UN Framework Convention on Climate Change
	Contribution to funds for the UN Convention on Biological Diversity
	Contribution to funds for the eradication of fistula and the supply of sexual health articles in Africa
	Contribution to the UN consolidated appeals for Palestinian territories
	Contribution to the UN High Commission for Refugees
	Contribution to the Heritage Committee. World Heritage Fund
	Contribution to the UN Fund for Peace, Disarmament and Development in Latin America
	Contribution to the United Nations Fund for Education, Science and Culture (UNESCO)
	Contribution to the United Nations Children's Fund (UNICEF)
	Contribution to the United Nations Fund for the Consolidation of Peace
	Contribution to the United Nations Fund for Democracy
	Contribution to the United Nations Fund for Population
	Contribution to the United Nations Fund for the Reconstruction of Lebanon (LRF)
	Contribution to the United Nations Fund for the Development of Capitalisation (UNFDC)
	Contribution to the World Heritage Fund (UNESCO) to back the African World Heritage Fund
	Contribution MTO the Spanish Fund, Food and Agriculture Organisation (FAO)
	Contribution to the Spanish Fund to finance projects and activities in Latin America (UNFAP)
	Contribution to the Secretary General's Trustee Fund for assistance to states involved in the settlement of controversies
	Contribution to the Trustee Fund, UN Conference for Trade and Development (UNTAD)
	Contribution to the Trustee Fund, Spain (UNDP)
	Contribution to the Trustee Fund to aid action against land mines
	Contribution to the Trustee Fund for Iraq, United Nations Development Group
	Contribution to the programme against illegal migrant trade in ECOWAS countries and Mauritania (UNODD)
	Voluntary contribution to the United Nations Humanitarian Coordination Office
	Voluntary contribution to the Development Aid Committee and the OECD Development Centre (OECD-DAC)
	Voluntary contribution to the United Nations Children's Fund (UNICEF)
	Voluntary contribution to the United Nations Fund for Women (UNIFEM)
	Voluntary contribution to the UN Programme for International Drugs Control
	Voluntary contribution to the United Nations Development Programme (UNDP)
	NEPAD
	Contribution to the Fund for African Women's Empowerment in the New Association for the Development of Africa (NEPAD)
	ORGANISATION OF IBEROAMERICAN STATES (OIS)
	Contribution to the Organisation of Iberoamerican States' Fund for Education, Science and Culture
	2007 contribution to the Spanish Fund of the Organisation of Iberoamerican States for Education, Science and Culture
	2007 contribution to the Organisation of Iberoamerican States (OIS)
	INTERNATIONAL MIGRATION ORGANISATION (IMO)
	Contribution to the International Migration Organisation (IMO)
	PANAMERICAN HEALTH ORGANISATION (PHO)
	2007 contribution to the Spanish Fund of the Panamerican Health Organisation (PHO)
	ORGANISATION OF AMERICAN STATES (OAS)
	Contribution to the Fund of the Organisation of American States (OAS)
	IBEROAMERICAN SECRETARIAT GENERAL (SEGIB)
	Contribution, Iberoamerican secretariat general for the conference of justice ministers of Iberoamerican countries
	SG-SICA
	Contribution to the Spanish Fund, secretariat general of the Iberoamerican Integration System
	REGIONAL UNIT OF TECHNICAL ASSISTANCE (RUTA)
	Contribution to the Regional Unit of Technical Assistance (RUTA)
	AFRICAN UNION
	Contribution, African Union: peace and security agendas, linguistic cooperation against terrorism
	WORLD NATURE UNION
	Contribution to the World Nature Union
MAURITANIA	Untied loan facility
MOZAMBIQUE	Photovoltaic rural electricity systems Small project loan facility
NICARAGUA	Technical reinforcement of seven occupational training centres
PANAMA	Valuation of biomass in present forests and reforestation for electricty and carbon credits (*)
PERU	Study of improvements to infrastructures and equipment for fishing boat landing stages on the shore (*) Study on the implementation of national identity cards in Peru (*) Study on the rise in tourist flows to Iquitos (*)
POLAND	Study on the expansion of the sewage network in Zblewo (*) Study on architectural, environmental and acoustic solutions in Warsaw (*)
JORDAN	Study on the extension and improvement of the electricity transmission and distribution network in the area of Aqaba (*)
DOMINICAN REPUBLIC	Study on the modernisation of the higher education sector in the Dominican Republic (*)
SRI LANKA	Water treatment plants in various cities
THAILAND	Study on flood forecasts and alarm systems on the Chi and Mun rivers (*)
TUNISIA	Supply and installation of a lighting and energy-saving system Extended study on the hospital information system (*)
TURKEY	Study on the improvement of efficiency of turbines at hydroelectric stations (*) Study on the improvement of electric turbines (*) Study on refurbishment/scada system in Euas (*) Study on the establishment of a waste water plant (*)
URUGUAY	Extended project, perimetrical collector, North Montevideo (Uruguay) (*)
CONSULTANCY STUDIES (L 500)	Audit of two projects in Ghana, to be financed from FAD Technical assistance for school projects in Vietnam
VIETNAM	Supply of equipment and services for a radio and TV station in Yen Bai

(*) *Viability Studies (FEV).*

CHART XXIII. FAD LOANS. DISTRIBUTION BY COUNTRIES BALANCES AT DECEMBER 31 2007

THOUSAND EUROS

COUNTRY	AMOUNT	% DISTRIBUTION	COUNTRY	AMOUNT	% DISTRIBUTION
ALBANIA	948.08	0.02	SECTORIAL FACILITY	887.47	0.02
ANGOLA	103,699.99	2.29	MACEDONIA	6,113.93	0.14
ALGERIA	267,285.09	5.91	MADAGASCAR	2,141.77	0.05
ARGENTINA	244,941.55	5.42	MALYSIA	4,007.88	0.09
BCIE	663.71	0.01	MALAWI	7,477.54	0.17
BANGLADESH	4,573.62	0.10	MOROCCO	202,092.22	4.47
BOLIVIA	76,368.44	1.69	MAURITANIA	29,367.82	0.65
BOSNIA-HERZEGOVINA	36,981.38	0.82	MEXICO	285,166.41	6.31
BURKINA FASSO	5,549.57	0.12	MONGOLIA	13,581.97	0.30
CAPE VERDE	8,945.52	0.20	MOZAMBIQUE	14,869.90	0.33
CAMEROON	21,221.97	0.47	NAMIBIA	19,930.08	0.44
CHAD	2,083.65	0.05	NICARAGUA	73,154.57	1.62
CHILE	44.31	0.00	OIS*	9,000.00	0.20
CHINA	650,495.01	14.39	PAKISTAN	37,040.82	0.82
COLOMBIA	55,357.20	1.22	PALESTINE	69,624.32	1.54
CONGO	1,270.91	0.03	PANAMA	40,696.14	0.90
IVORY COAST	61,785.97	1.37	PARAGUAY	24,051.94	0.53
COSTA RICA	35,849.11	0.79	PERU	6,812.15	0.15
CUBA	219,536.52	4.86	POLAND	13,726.08	0.30
DJIBOUTI	1,865.74	0.04	D.R. CONGO	5,826.55	0.13
ECUADOR	166,041.63	3.67	DOMINICAN REP.	70,397.57	1.56
EGYPT	108,614.19	2.40	SAO TOME	3,616.24	0.08
EL SALVADOR	48,445.58	1.07	SENEGAL	59,288.56	1.31
ETHIOPIA	5,715.55	0.13	SEYCHELLES	1,273.85	0.03
IMF	56,318.69	1.25	SOMALIA	22,626.78	0.50
PHILIPPINES	86,291.34	1.91	SRI LANKA	12,873.71	0.28
GABON	1,438.63	0.03	SUDAN	36,914.28	0.82
GHANA	39,170.94	0.87	TANZANIA	16,023.34	0.35
GUINEA BISSAU	7,336.34	0.16	TUNISIA	67,169.48	1.49
GUINEA CONAKRY	6,903.19	0.15	TURKEY	234,708.84	5.19
EQUATORIAL GUINEA	19,670.44	0.44	UGANDA	26,993.41	0.60
HONDURAS	183,957.69	4.07	URUGUAY	45,741.61	1.01
INDIA	2,172.63	0.05	UZBEKISTAN	13,159.49	0.29
INDONESIA	286,384.16	6.33	VENEZUELA	63,686.28	1.41
JORDAN	35,862.40	0.79	VIETNAM	32,730.38	0.72
KAZAKHSTAN	31,967.94	0.71	YEMEN	14,800.23	0.33
KENYA	29,256.18	0.65	ZIMBABWE	18,195.29	0.40
			TOTAL	4,520,783.77	100.00

* *Organization of Iberoamerican States.*

CHART XXIV. CARI CREDITS ANNUAL ARRANGEMENTS

	2007		2006	
	Currency of origin	Countervalue in million euros	Currency of origin	Countervalue in million euros
1. Individual credits				
USD	133.21	90.49	406.70	308.81
EURO/ECU	315.68	315.68	97.63	97.63
TOTAL		**406.17**		**406.44**
2. Charges to the facility				
USD	-	-	-	-
EURO/ECU	26.11	26.11	92.83	92.83
TOTAL		**26.11**		**92.83**
3. (1+2) Total operations				
USD	133.21	90.49	406.70	308.81
EURO/ECU	341.79	341.79	190.46	190.46
TOTAL		**432.28**		**499.27**

CHART XXV. MICROCREDIT FUND (FCM). OPERATIONS APPROVED DISTRIBUTION BY COUNTRIES AND FOREIGN ON-LENDING INSTITUTIONS

Borrower	Amount approved by the Council of Ministers in 2007 (thousand euros)	Country	% Geographical distribution
2007			
BANCO SOLIDARIO III	7,400.00		
COOPERATIVA RIOBAMBA	5,000.00	Ecuador	22.7
NMB	5,000.00		
TAMWEELCOM	4,000.00	Jordan	16.5
DBACD	1,800.00	Egypt	3.0
LOK MICRO	10,000.00	Bosnia Herzegovina	18.3
FIG	1,500.00	Central America	2.7
ACME II	1,500.00	Haiti	2.7
CAMC CUSCO	1,500.00		
MIBANCO III	7,500.00	Peru	17.0
TCHUMA	1,000.00	Mozambique	1.8
FUNDESER	750.00	Nicaragua	1.3
EL COMERCIO	1,500.00	Paraguay	3.0
OBS	6,000.00	Serbia	11.0
TOTAL	**54,450**	**TOTAL**	**100.0**
2006			
ASC II	5,000		
PSHM	5,000		
FUNDACION BESA III	3,000	Albania	13.6
NOVO BANCO	2,400	Angola	3
AGROCAPITAL	2,200	Bolivia	2.3
PRIZMA	4,000		
MI - BOSPO	3,000	Bosnia Herzegovina	7.3
BCIE IV	10,000	Central America	10.5
FINANCOOP	1,000	Ecuador	1.0
BMI II	8,000	El Salvador	8.4
PNM	15,000	Indonesia	15.7
AMSSF	1,500		
AL AMANA III	10,000	Morocco	12.1
FINCOMUN	2,000		
UNICREICH	1,000	Mexico	3.1
ALTER MODUS	2,500	Montenegro	2.6
PRESTANIC	1,000	Nicaragua	1.0
COLAC	4,200	Panama	4.4
EDYFICAR II	3,000		
CMAC TRUJILLO	8,000		
CREAR AREQUIPA II	2,000		
EDPYME PROEMPRESA	1,600	Peru	15.3
TOTAL	**95,400**	**TOTAL**	**100.0**

CHART XXVI. MICROCREDIT FUND (FCM). OPERATIONS APPROVED BY THE COUNCIL OF MINISTERS DISTRIBUTION OF ACCUMULATED AMOUNTS AT DECEMBER 31

	2007		2006	
Country	Thousand euros	Geographical distribution	Thousand euros	Geographical distribution
Africa, Asia and Eastern Europe	8,200	1.51	8,200	1.68
Albania	19,000	3.50	19,000	3.89
Central America and the Caribbean	2,902	0.53	2,902	0.59
Angola	2,400	0.44	2,400	0.49
Argentina	3,000	0.55	3,000	0.61
Bolivia	42,105	7.76	42,105	8.62
Bosnia Herzegovina	32,500	5.99	22,500	4.61
Brazil	15,000	2.76	15,000	3.07
Colombia	40,470	7.45	40,470	8.29
Ecuador	47,016	8.66	34,616	7.09
Egypt	13,820	2.55	12,020	2.46
El Salvador	14,010	2.58	14,010	2.87
Philippines	9,015	1.66	9,015	1.85
Haiti	5,000	0.92	3,500	0.72
Indonesia	15,000	2.76	15,000	3.07
Jordan	9,000	1.66	-	-
Lebanon	4,000	0.74	4,000	0.82
Morocco	31,500	5.80	31,500	6.45
Mexico	22,000	4.05	22,000	4.50
Montenegro	2,500	0.46	2,500	0.51
Mozambique	2,000	0.37	1,000	0.20
Nicaragua, Honduras, El Salvador	40,296	7.42	38,046	7.79
Palestine	10,000	1.84	10,000	2.05
Panama	6,905	1.27	6,905	1.41
Paraguay	5,250	0.97	3,750	0.77
Peru	73,426	13.53	64,426	13.19
Dominican Republic	20,565	3.79	20,565	4.21
Serbia	21,000	3.87	15,000	3.07
Uruguay	10,000	1.84	10,000	2.05
Vietnam	15,000	2.76	15,000	3.07
TOTAL	**542,880**	**100.00**	**488,430**	**100.00**

CHART XXVII
EVOLUTION OF LIABILITIES. 2007

	Balance 31.12.2007 1	Balance 31.12.2006 2	Inc./dec. 3=1–2	% variation 07/06 4=(3/2)*100
Bonds and debentures in euros	**12,079,862**	**7,840,321**	**4,239,541**	**54.1**
Bonds and debentures in f.c.	**17,539,534**	**16,316,023**	**1,223,511**	**7.5**
Accrual adjustments in euros	(45,964)	(44,873)	(1,091)	2.4
Accrual adjustments in dollars	(4,317)	(2,347)	(1,970)	83.9
Valuation adjustments in euros	(920,156)	(596,057)	(324,100)	54.4
Valuation adjustments in f.c.				
***Pagarés* and bills in euros**	**64,910**	**65,882**	**(972)**	**(1.5)**
Valuation adjustments in euros	340,074	317,738	22,336	7.0
State loan	**2**	**228,904**	**(228,902)**	**(100.0)**
Valuation adjustments in euros	0	0	0	
Loans in euros	**146,278**	**461,809**	**(315,531)**	**(68.3)**
Loans in f.c.	**318,295**	**272,665**	**45,630**	**16.7**
Valuation adjustments in euros	(273,633)	(267,987)	(5,647)	2.1
Valuation adjustments in f.c.	251,198	274,555	(23,357)	(8.5)
EIB loans in euros	**451,098**	**805,858**	**(354,760)**	**(44.0)**
EIB loans in f.c.	**161,279**	**198,934**	**(37,655)**	**(18.9)**
Valuation adjustments in euros	1,371	2,433	(1,062)	(43.6)
Valuation adjustments in f.c.	1,250	1,512	(262)	(17.3)
Interbank, euros	**0**	**21,860**	**(21,860)**	**(100.0)**
Interbank, f.c.	**136**	**62**	**74**	**118.5**
Valuation adjustments in euros	851	4,912	(4,061)	(82.7)
Valuation adjustments in f.c.	2,204	1,865	339	18.2
Other liabilities	**7,459,665**	**4,761,683**	**2,697,982**	**56.7**
TOTAL EXT.RES. AND OTHER LIABILITIES	**37,573,937**	**30,665,755**	**6,908,182**	**22.5**
Equity and reserves	**2,142,374**	**1,348,431**	**793,943**	**58.9**
Valuation adjustments	**(158,352)**	**(53,795)**	**(104,557)**	**194.4**
Results	**82,345**	**106,786**	**(24,441)**	**(22.9)**
Provisions	**241,312**	**224,921**	**16,391**	**7.3**
TOTAL INTERNAL RESOURCES	**2,307,679**	**1,626,344**	**681,335**	**41.9**
TOTAL RESOURCES	**39,881,616**	**32,292,099**	**7,589,517**	**23.5**

CHART XXVIII. FIXED INCOME AND LOANS FROM CREDIT INSTITUTIONS BALANCES AT DECEMBER 31

THOUSAND EUROS

MARKETS	2007	2006	Variation absolute	Variation %
Domestic market	**(140.799)**	**1.097.043**	**(1.237.842)**	**(112,8)**
Auction, bond and debenture programme	45.076	86.576	(41.500)	(48)
EMTN	9.000	9.000	(0)	(0)
Institutional bond and debenture issues [a]	445.430	990.874	(545.44)	(55)
Deposits from credit institutions	0	21.860	(21.860)	(100)
Loans from other banks	146.278	461.809	(315.531)	(68)
Pagarés	64.910	65.882	(972)	(1)
Valuation adjustments in euros	(851.493)	(538.961)	(312.533)	58
External market	**30.255.069**	**24.578.124**	5.676.945	23
ECP (Euro commercial paper)	1.045.011	512.942	532.069	104
EMTN	14.329.702	13.837.874	491.828	4
KANGAROO	2.118.518	1.437.901	680.617	47
Institutional bond and debenture issures [a]	11.626.202	7.233.955	4.392.247	61
EIB loans	612.377	1.004.792	(392.415)	(39)
Loans from other banks	318.295	272.664	45.631	(17)
Deposits from credit institutions	136	62	74	119
Valuation adjustments in f.c.	204.828	277.932	(73.104)	(26)
TOTAL	**30.114.270**	**25.675.167**	**4.439.103**	**17,3**

[a] *Includes accrual adjustments.*

CHART XXIX. OPERATIONS WITH DERIVATIVES LIABILITY ACCOUNTS - DECEMBER 31 2007

THOUSAND EUROS

Currencies and interest rates	Balance sheet position		Post-derivative position	
	Amount	Percentage	Amount	Percentage
EURO	15,984,788	47.2	31,804,535	94.0
Fixed	11,421,240	71.5	4,748,139	14.9
Variable	4,563,548	28.5	27,056,396	85.1
FOREIGN CURRENCY	17,855,441	52.8	2,035,694	6.0
Fixed	16,646,181	93.2	24,017	1.2
Variable	1,209,260	6.8	2,011,677	98.8
TOTAL	**33,840,229**	**100.0**	**33,840,229**	**100.0**

CHART XXIX. OPERATIONS WITH DERIVATIVES LIABILITY ACCOUNTS - DECEMBER 31 2006

THOUSAND EUROS

Currencies and interest rates	Balance sheet position		Post-derivative position	
	Amount	Percentage	Amount	Percentage
EURO	12,044,928	41.1	27,423,107	93.6
Fixed	7,095,701	58.9	3,772,258	13.8
Variable	4,949,228	41.1	23,650,849	86.2
FOREIGN CURRENCY	17,241,358	58.9	1,863,180	6.4
Fixed	15,285,393	88.7	30,878	1.7
Variable	1,955,966	11.3	1,832,301	98.3
TOTAL	**29,286,286**	**100.0**	**29,286,286**	**100.0**

Note: *The charts reflect the conversion made via derivatives in respect of the funding originally netted.*
Solely that portion of liabilities which constitutes the taking of ordinary funding has been taken into account, by nominal values.
Headings relating to equity, accrual adjustments, valuation adjustments and other liabilities have not been considered.
The reference to equity and provisions included in 2006 has been withdrawn from the charts.

Remarks:

Ordinary funding at source:
ICO raises its funds mainly on international markets in the form of issues both in euros and in various currencies. At year-end 2007, the value in euros of funding netted at source accounted for 47.2%, as against 52.8% in foreign currencies. In respect of 2006, an increase is observed in funding netted originally in euros (41.1% at the close of 2006 and 47.2% at year-end 2007).

Operations with derivatives:
As seen in the chart, the characteristics of funding netted at source are modified by derivatives, mainly IRS and currency swaps, so as to adapt the funding's characteristics to ICO's asset requirements. This forms part of an asset and liability management policy conceived to minimise interest and exchange rate risks.

Accordingly, whereas 52.8% of ordinary funding was raised originally in foreign currencies, post-derivatives, this funding accounts for only 6% of the total.

As for interest rates, although funding is taken at source at a fixed rate in the main (93.2% in f.c. and 71.5% in euros), most of it is then changed to a variable rate, 1.2% carrying a fixed rate in f.c. and 14.9% in euros.

CHART XXX. STATEMENT OF RISK BY EXCHANGE RATE POSITION IN F.C. BALANCES AT DECEMBER 31 2007

THOUSAND MONETARY UNITS

Units	Balance		Off-balance sheet	Open position	
	Assets	Liabilities	ops. (net) ± provs. and accrual adjusts.	Foreign currency	Countervalue thousand euros
	1	2	3	4=1–2+3	5
DOLLAR	3,831,617	(13,470,308)	9,642,025	3,334	2,265
POUND	1,422,504	(3,841,483)	2,417,886	(1,093)	(1,491)
FRSU	10,093	(687,000)	677,078	171	103
YEN	29,295	(147,500,002)	147,507,351	36,644	222
CORNO	2,604,163	(10,754,163)	8,152,129	2,129	268
DAUS	183,954	(3,973,954)	3,786,745	(3,255)	(1,942)
CAD	705,461	(2,067,461)	1,359,424	(2,576)	(1,783)
MXN	3,249,502	(339,083)	(2,913,412)	(2,993)	(187)
CLP	16,229	0	(8,769)	7,460	10
UFO	4,705	0	(4,705)	0	(7)
TRY	163,659	(763,659)	600,287	287	167
NZD	0	(410,000)	410,068	68	36
POSITION					**(2,334)**

CHART XXXI. STATEMENT OF OPERATIONS WITH THE EIB BALANCES AT DECEMBER 31 2007

THOUSAND EUROS

	2007		2006	
	Currency of origin	Countervalue in euros	Currency of origin	Countervalue in euros
1. Loans without a contra item		218,344		531,430
2. Loans with a contra item		394,034		473,362
3. (1+2) Total préstamos		**612,377**		**1,004,792**
3,1, USD	237,418.8	161,279	261,995.8	198,934
3.2. EUROS	451,097.7	451,098	805,858.4	805,858
3.3. JPY			-	-
3.4. CHF			-	-
3.5. FRF			-	-
3.6. NLG			-	-
3.7. BEF			-	-
3.8. GBP			-	-
3.9. ITL			-	-
3.10. DEM			-	-
3.11. ESP			-	-
4. Security to State-owned banks				
5. Security to enterprises		570,242		585,537
6. (4+5) Total security		**570,242**		**585,537**
6.1. EUROS	310,561.7	310,562	271,299.7	271,300
6.2. CHF			629.1	392
6.3. DEM			-	-
6.4. USD	382,276.0	259,681	413,335.5	313,846
6.4. ESP				
7. (3+6) TOTAL RISK		**1,182,619**		**1,590,330**

CHART XXXII. INVESTEE COMPANIES CORPORATE PURPOSE AND ACTIVITIES

AXIS Participaciones Empresariales, S.A. (AXIS)

AXIS is a firm managing venture capital funds, to which end it takes up shares on a temporary basis in the capital of small and medium-sized enterprises, with the exception of financial and real-estate firms.

Its investment objectives are aimed at going concerns with real or potential profits in the short term and recently constituted enterprises which are promoted by corporately accredited partners and whose outlook for profit offsets the risk assumed.

As a long-term investor, AXIS maintains its share in the capital of the investee company long enough for the latter to accomplish its targets. Nevertheless, given its need to rotate resources, it limits this period to a maximum of six or seven years. While not involved in day-to-day management, AXIS is an active partner and, for as long as it remains one of the shareholders, it keeps in constant contact with the investee company with a view to enhancing the added value of its pecuniary contribution.

Compañía Española de Reafianzamiento, S.A. (CERSA)

CERSA is a mercantile company whose purpose consists in underwriting guarantee operations executed by Reciprocal Guarantee Companies (SGR), regulated under Act 1/94, March 11 and Royal Decree 2345/96, November 8. It may not execute security or other guarantees directly in favour of enterprises.

The main activity performed by CERSA is the underwriting of operations formalised by SGR. In addition, the company has outstanding direct assurance operations deriving from the former Sociedad Mixta de Segundo Aval, S.A. CERSA may carry out studies, projects and other activities geared towards favouring the distribution of any kind of guarantee or assurance, especially those that are linked to SME.

Compañía Española de Financiación del Desarrollo, Cofides, S.A. (COFIDES)

COFIDES is a mixed-capital (public and private) corporation whose main purpose is to encourage productive investments by Spanish enterprises in developing countries. Investment decisions are based on the corporate capacity of the promoters, the viability of the projects and their contribution to the recipient country's development.

COFIDES offers its customers integral backing. It puts Spanish investors in contact with potential local partners and provides them with the advice and institutional support necessary for the financial design and execution of the projects. It partially finances investments by Spanish enterprises through capital holdings and long-term financing from European Union institutions and national or multilateral development institutions.

CHART XXXIII. ICO ORGANOGRAM
31 DICIEMBRE 2007

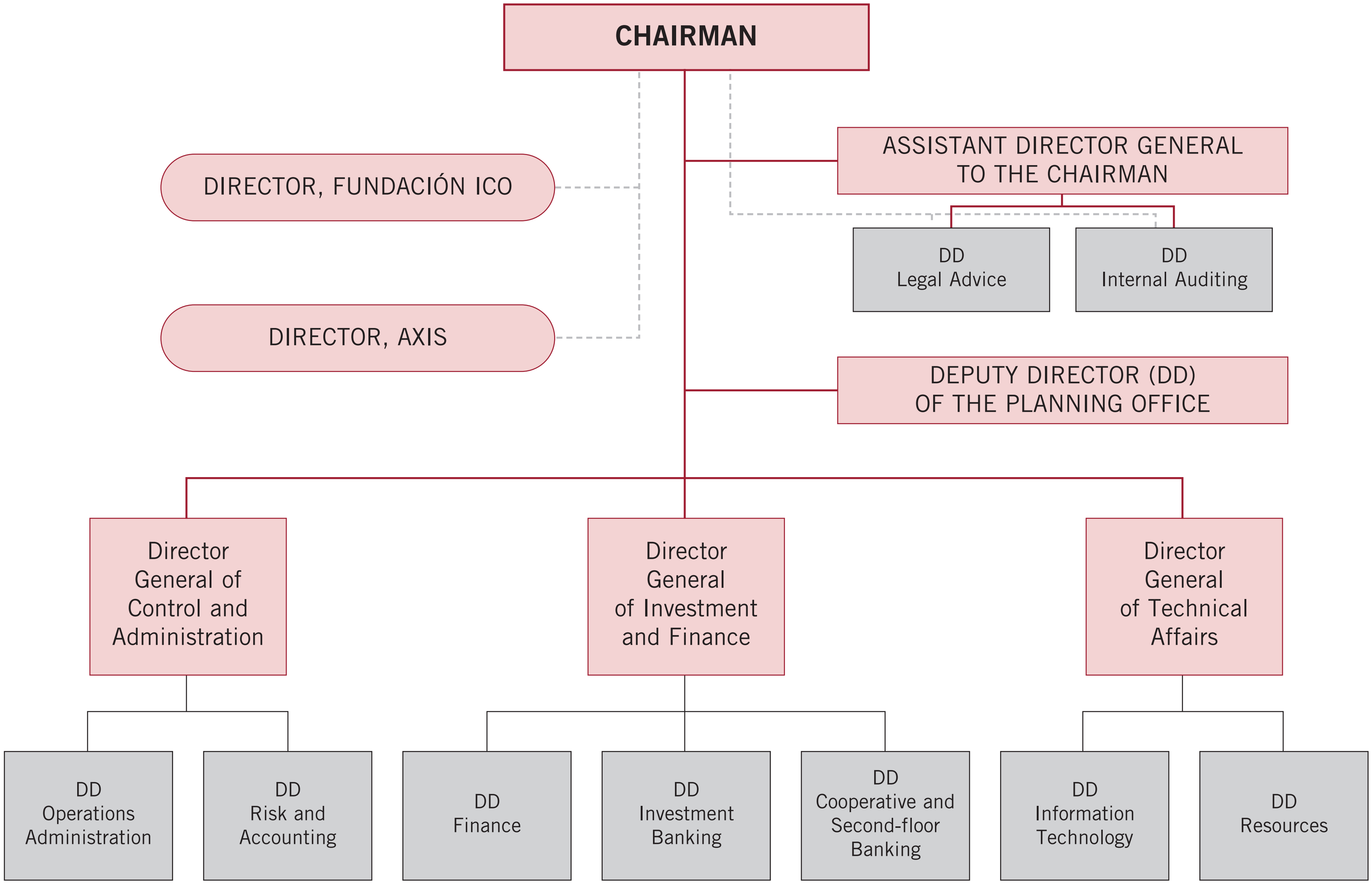

CHART XXXIV
FUNDACIÓN ICO

PURPOSES AND GOVERNING BODIES

Created in 1993, FUNDACIÓN ICO is a permanent, private cultural foundation of national scope. A non-profit-making organisation, it is the holder of its own assets. Its objects are the organisation, encouragement, programming, fostering and promotion of all nature of studies, research, training and technical assistance, together with whatsoever other activities related to economic and corporate matters, science, technology, the environment, urban development, social issues and labour, professional, artistic, cultural, educational, civic and humanitarian subjects, international cooperation and cooperation with development.Moreover, the foundation pursues other activities of a general nature, in particular, those concerned with the fulfilment of the principles of the Constitutional State and the defence of citizens' fundamental rights and liberties.

Fundación ICO has two governing bodies: the Board of Trustees and the Executive Committee. The persons performing the various functions within these bodies are appointed on trust and receive no payment for the services they render.

The Board of Trustees is the foundation's governing and administrative body and is also its legal and contractual representative. It is incumbent on the Board of Trustees to accomplish the foundational objects; promote the foundation's presence and institutional recognition through its activities; and administer the assets and rights which go to make up the foundation's property, ensuring that they are put to the best purpose and use. The Board of Trustees also approves the accounts and the Performance Plan.

The Executive Committee is the body which examines and proposes to the Board of Trustees the foundation's programmes and specific activities, along with any resolutions and agreements reached by said committee as required for reasons of urgency.

ACTIVITIES

So as to achieve these aims, the foundation, in accordance with the specific programmes approved in each case by the Board of Trustees, performs, amongst others, the following activities:

a) The direct and indirect encouragement of studies and research in subjects related to its foundational objects, along with the preparation of projects and publications.
b) The promotion of the study, research, knowledge and dissemination of the disciplines related to the objectives pursued by the foundation, by awarding prizes and scholarships, organising exhibitions, congresses and whatsoever other activities related to its purpose.
c) Award all nature of grants and scholarships for the purpose of study and research and create spaces and infrastructures that contribute to the enhancemnent of the aims pursued.
d) Organise courses, seminars, conferences, round tables, encounters, forums for debate, meetings and other activities of a similar nature, with a view to promoting vocational, scientific, technical and humantistic training, the dissemination of conclusions reached in both internal and external research and the enhancement of general awareness within the foundation's fields of activity.
e) Hold displays and exhibitions related to subjects conducive to the fulfilment of the foundation's aims.
f) Prepare and publish books, reviews, leaflets and other periodic or single publications in whatsoever form so as to disseminate events, data or ideas connected with the foundational object, along with scientific, technical, artistic and cultural monographs and documents, theses and research works.
g) Invite the presentation of ideas and organise award schemes on subjects whose content is related to the foundational objects.
h) Participate in patronage programmes of general interest and subscribe agreements and arrangements of cooperation with other non-profit-making institutions, enterprises or private individuals, either domestic or foreign, public or private, for the fulfilment of the foundation's aims; and, in particular, with those non-profit-making organisations whose ends and objectives are similar to those of the foundation.
i) Participate in the promotion and constitution of non-profit-making foundations, associations and institutions whose aims are similar to those of the foundation.
j) The public acknowledgment of persons distinguished for their contributions in areas related to the foundational objects.
k) The promotion of activities of whatsoever nature related to the foundation's aims.
l) The dissemination, promotion and circulation of the foundation's aims and activities.
m) Acquire and exhibit works of art.
n) Manage and administer the artistic property of Instituto de Crédito Oficial.
o) Promote or perform activities connected with internatiional cooperation and cooperation with development.
p) Promote voluntary service schemes.
q) In compliance with agreements and other instruments of collaboration, participate in the renovation and reconstruction of centres, spaces and buildings which contribute to the attainment of the foundational aims.
r) Work jointly with any Public Administration, institution or entity in all activities conducive to the attainment of the foundational aims.
s) The creation of art, documentary and bibliographic collections relating to the foundational aims.
t) Organise and programme, encourage, foster and promote whatsoever activities or actions deemed suitable by the Board of Trustees for the better accomplishment of the foundational aims and of any others of the same nature.

CHART XXXV. AXIS PARTICIPACIONES EMPRESARIALES SGECR, S.A. BALANCE SHEET POSITION. BALANCES AT DECEMBER 31

THOUSAND EUROS AND PERCENTAGES

	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
1. Fixed assets	**84**	**72**	**52**	**41**	**30**	**298**	**266**	**230**	**(36)**	**(14)**
1.1. Intangible fixed assets	1	2	1	4	3	4	2	2	0	0
1.2. Tangible fixed assets	83	70	51	38	27	294	263	228	(35)	(13)
1.3. Financial fixed assets	-	-	-	-	-	-	-	-	-	-
2. Floating assets	**4,454**	**4,826**	**4,885**	**4,885**	**5,207**	**5,146**	**5,868**	**6,346**	**478**	**8**
2.1. Debtors	300	470	395	681	815	497	720	606	(114)	(16)
2.2. Financial investments	2,059	4,244	4,372	4,126	782	1,030	1,385	2,126	741	54
2.3. Cash assets	2,089	105	110	63	3,603	3,604	3,747	3,598	(149)	(4)
2.4. Accrual adjustments	5	7	8	16	7	15	17	16	(1)	(6)
3. Total ASSETS = LIABILITIES	**4,538**	**4,898**	**4,937**	**4.927**	**5,237**	**5,444**	**6,134**	**6,576**	**442**	**7**
4. Shareholders' equity	**4,367**	**4,716**	**4,827**	**4,833**	**5,024**	**5,236**	**5,773**	**6,323**	**550**	**10**
4.1. Subscribed capital	601	601	601	601	601	601	601	601	0	0
4.2. Reserves	3,413	3,766	4,115	4,226	4,232	4,423	4,635	5,172	537	12
4.3. The year's profit/loss	353	349	111	6	191	212	537	550	13	2
5. Provisions for contingencies and charges	**-**	**-**	**-**	**-**	**18**	**35**	**-**	**-**	**-**	**-**
6. Creditors	**170**	**182**	**110**	**94**	**195**	**173**	**361**	**253**	**(108)**	**(30)**

CHART XXXVI. AXIS PARTICIPACIONES EMPRESARIALES SGECR, S.A. STATEMENT OF INCOME

THOUSAND EUROS AND PERCENTAGES

	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
1. Operating revenue	**1,448**	**1,442**	**1,246**	**1,217**	**1,544**	**1,494**	**1,945**	**1,805**	**(140)**	**(7)**
1.1. Management fees	1,345	1,370	1,178	1,196	1,513	1,457	1,905	1,776	(129)	(7)
1.2. Other revenue	103	72	68	21	31	37	40	29	(11)	(28)
2. Other interest revenue and similar	**157**	**185**	**154**	**111**	**99**	**172**	**143**	**229**	**86**	**60**
3. (1+2) ORDINARY REVENUE	**1,604**	**1,627**	**1,400**	**1,327**	**1.643**	**1,666**	**2.088**	**2,034**	**(54)**	**(3)**
4. Operating expense	**1,108**	**1,079**	**1,134**	**1,294**	**1,339**	**1,289**	**1,257**	**1,238**	**(19)**	**(2)**
4.1. Personnel	575	617	658	680	794	753	667	759	92	14
4.2. Depreciation of premises and equipment	24	26	26	22	21	25	37	36	(1)	(3)
4.3. Variation, credit loss provision	-	(96)	-	-	-	-	-	-	-	-
4.4. Other expense	508	532	450	591	524	511	553	443	(110)	(20)
5. Interest expense and similar	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6. (4+5) ORDINARY EXPENSE	**1,108**	**1,079**	**1,134**	**1,294**	**1,339**	**1,289**	**1,257**	**1,238**	**(19)**	**(2)**
7. (3-6) ORDINARY PROFIT	**496**	**548**	**266**	**39**	**305**	**377**	**831**	**796**	**(35)**	**(4)**
8. Extraordinary profit/loss	**41**	**(12)**	**(83)**	**(31)**	**(18)**	**(43)**	**(5)**	**17**	**22**	**(410)**
9. (7+8) THE YEAR'S PROFIT/LOSS (before tax)	**538**	**536**	**183**	**8**	**287**	**334**	**826**	**813**	**(13)**	**(2)**
10. Corporate tax	**184**	**187**	**72**	**2**	**96**	**122**	**288**	**263**	**(25)**	**(9)**
11. The year's profit/loss	**354**	**349**	**111**	**6**	**191**	**212**	**537**	**550**	**13**	**2**

CHART XXXVII. FOND-ICO. VENTURE CAPITAL FUND BALANCE SHEET POSITION. BALANCES AT DECEMBER 31

THOUSAND EUROS AND PERCENTAGES

	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	%
1. Shareholders' uncalled payments	**13,191**	**13,191**	**13,191**	**13,191**	**13,191**	**13,191**	**47,390**	**47,390**	**0**	**0**
2. Start-up costs	**3**	**4**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3. Floating assets	**71,099**	**75,807**	**78,165**	**81,944**	**82,433**	**88,858**	**107,718**	**106,312**	**(1,406)**	**(1)**
3.1. Net investment portfolio	30,264	23,769	19,474	26,773	28,797	52,758	64,343	52,097	(12,246)	(19)
3.1.1. Net holding in capital	28,439	22,149	18,437	17,850	19,880	24,953	37,235	36,030	(1,205)	(3)
3.1.2. Net participating loans and other (1)	1,825	1,620	1,037	8,923	8,917	27,805	27,108	16,067	(11,041)	(41)
3.2. Cash assets and other fixed-income assets	35,268	45,550	50,547	45,730	44,115	28,934	37,046	48,753	11,707	32
3.3. Debtors	5,563	6,484	8,140	9,440	9,520	7,165	6,328	5,461	(867)	(14)
3.4. Accrual adjustments	4	4	4	1	1	1	1	1	0	0
4. TOTAL ASSETS = LIABILITIES	**84,293**	**89,001**	**91,358**	**95,135**	**95,624**	**102,049**	**155,107**	**153,702**	**(1,405)**	**(1)**
5. Shareholders' equity	**83,444**	**88,532**	**90,953**	**94,708**	**95,138**	**96,900**	**147,744**	**148,201**	**457**	**0**
5.1. Subscribed holdings	72,121	72,121	72,121	72,121	72,121	72,121	122,005	122,005	0	0
5.2. Reserves	6,146	11,323	16,411	18,832	22,587	23,017	24,779	25,738	959	4
5.3. The year's profit/loss	5,177	5,088	2,421	3,755	430	1,762	959	458	(501)	(52)
6. Income pending distribution	**387**	**399**	**373**	**285**	**-**	**-**	**-**	**-**	**-**	**-**
7. Long-term creditors	**-**	**-**	**0**	**109**	**207**	**561**	**766**	**45**	**(721)**	**(94)**
8. Short-term creditors	**462**	**70**	**32**	**32**	**279**	**4,588**	**6,598**	**5,455**	**(1,143)**	**(17)**
Holdings in capital										
1. Opening balance	30,049	33,662	30,758	27,144	27,978	28,056	32,952	43,791	10,839	33
2. New investments in capital	9,290	4,936	1,810	2,500	7,573	6,500	16,567	347	(16,220)	(98)
2.1. In investee companies	38	740	1,810	0	6,119	-	-	-	-	-
2.2. In non-investee companies	9,252	4,196	0	2,500	1,454	6,500	16,567	347	(16,220)	(98)
3. Disinvestments	5,677	7,840	5,424	1,666	7,495	1,604	5,729	440	(5,289)	(92)
4. Closing balance	33,662	30,758	27,144	27,978	28,056	32,952	43,791	43,698	(93)	0
5. Securities depreciation allowance	5,223	8,609	8,707	10,129	8,176	8,000	6,556	7,668	1,112	17
6. Closing balance, net	28,439	22,149	18,437	17,850	19,880	24,953	37,235	36,030	(1,205)	(3)
Participating loans and other (2)										
1. Closing balance - cost	6,617	4,263	4,110	3,528	11,423	11,874	31,254	30,374	(880)	(3)
2. New loans and drawdowns	0	537	6	8,002	500	20,130	-	-	-	-
3. Repayments	2,354	690	588	107	49	750	880	10,902	10,022	1,139
4. Closing balance - cost	4,263	4,110	3,528	11,423	11,874	31,254	30,374	19,472	(10,902)	(36)
5. Credit loss provision	2,464	2,509	2,515	2,515	2,973	3,474	3,474	3,474	0	0
6. Closing balance, net	1,799	1,601	1,013	8,908	8,901	27,781	26,901	15,998	(10,903)	(41)
Number of companies in portfolio	**27**	**24**	**21**	**23**	**24**	**26**	**24**	**24**	**0**	**0**

(1) Includes interest accrued and not due.
(2) Includes principal only.

CHART XXXVIII. FOND-ICO. VENTURE CAPITAL FUND STATEMENT OF INCOME

THOUSAND EUROS AND PERCENTAGES

	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
1. Interest revenue	**1,788**	**2,006**	**1,979**	**1,559**	**1,823**	**1,876**	**3,609**	**3,598**	**(11)**	**0**
1.1. Dividends	205	206	222	85	213	95	156	64	(92)	(59)
1.2. Interest	278	123	68	81	265	829	2,545	1,719	(826)	(32)
1.3. Cash asset interest	1,305	1,677	1,689	1,393	1,345	952	908	1,815	907	100
2. Profit from the sale and depreciation of financial assets	**8,512**	**6,888**	**2,952**	**3,227**	**1,227**	**1,207**	**787**	**646**	**(141)**	**(18)**
3. (1 + 2) ORDINARY REVENUE	**10,300**	**8,894**	**4,931**	**4,786**	**3,050**	**3,084**	**4,396**	**4,244**	**(152)**	**(3)**
4. Operating expense	**2,140**	**1,133**	**848**	**881**	**1,664**	**1,784**	**1,587**	**1,552**	**(35)**	**(2)**
4.1. Fixed asset depreciation allowance	1	2	2	2	1	0	0	0	0	- 4.2
Variation, credit loss provision	935	45	6	0	458	517	0	0	0	-
4.3. Other operating expense	1,204	1,087	840	879	1,205	1,267	1,587	1,552	(35)	(2)
4.3.1. Management fees	979	1,003	798	815	1,150	1,126	1,557	1,458	(99)	(6)
4.3.2. Other expense	225	84	42	64	55	141	30	94	64	208
5. Interest expense (a)	**2,472**	**3,999**	**2,796**	**1,422**	**1,501**	**(177)**	**1,522**	**1,113**	**(409)**	**(27)**
5.1. Variation, investment allowance	2,313	3,999	2,209	1,422	871	(177)	1,386	1,113	(273)	(20)
5.2. Loss on sale and depreciation of financial assets	158	0	587	0	630	0	136	0	(136)	(100)
6. (4 + 5) ORDINARY EXPENSE	**4,611**	**5,133**	**3,644**	**2,303**	**3,165**	**1,608**	**3,110**	**2,665**	**(445)**	**(14)**
7. (3 - 6) ORDINARY PROFIT	**5,689**	**3,761**	**1,287**	**2,484**	**(115)**	**1,476**	**1,286**	**1,579**	**293**	**23**
8. Extraordinary profit/loss	**6**	**(38)**	**(1)**	**(4)**	**1**	**500**	**1**	**(46)**	**(47)**	**(4,700)**
9. (7 + 8) THE YEAR'S PROFIT/LOSS (before tax)	**5,696**	**3,723**	**1,286**	**2,479**	**(114)**	**1,976**	**1,287**	**1,533**	**246**	**19**
10.Tax on profit	**519**	**(1,365)**	**(1,135)**	**(1,276)**	**(544)**	**215**	**328**	**1,075**		
11. The year's profit/loss	**5,177**	**5,088**	**2,421**	**3,755**	**430**	**1,762**	**959**	**458**		

CHART XXXVII. FOND-ICO. VENTURE CAPITAL FUND BALANCE SHEET POSITION. BALANCES AT DECEMBER 31

THOUSAND EUROS AND PERCENTAGES

	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	%
1. Shareholders' uncalled payments	**0**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Start-up costs	**16**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Floating assets	**18,354**	**19,511**	**19,046**	**18,236**	**16,634**	**17,446**	**15,922**	**14,926**	**(996)**	**(6)**
3.1. Net investment portfolio	8,413	6,638	6,113	7,066	5,732	5,353	7,584	6,551	(1,033)	(14)
3.1.1. Net holdings in capital	8,413	6,638	6,113	6,178	5,443	5,093	3,439	2,551	(888)	(26)
3.1.2. Participating loans and other (1)	0	0	0	888	289	260	4,145	4,000	(145)	(3)
3.2. Cash assets and other fixed-income assets	9,825	12,503	12,342	8,941	8,875	10,518	7,790	8,153	363	5
3.3. Debtors	116	370	591	2,229	2,027	1,575	548	222	(326)	(59)
3.4. Accrual adjustments	-	-	-	-	-	-	-	-	-	-
4. TOTAL ASSETS = LIABILITIES	**18,370**	**19,518**	**19,046**	**18,236**	**16,634**	**17,446**	**15,922**	**14,927**	**(995)**	**(6)**
5. Shareholders' equity	**18,370**	**18,988**	**19,046**	**18,173**	**16,571**	**17,400**	**15,898**	**14,923**	**(975)**	**(6)**
5.1. Subscribed holdings	18,030	18,030	18,030	18,030	18,030	18,030	18,030	18,030	0	0
5.2. Reserves	259	341	958	1,016	143	(1,459)	(630)	(2,131)	(1,501)	238
5.3. The year's profit/loss	81	617	58	(873)	(1,602)	829	(1,502)	(976)	526	(35)
6. Long-term creditors	**-**	**-**	**0**	**63**	**63**	**42**	**21**	**0**	**(21)**	**(100)**
7. Short-term creditors	**-**	**530**	**0**	**0**	**0**	**3**	**1**	**4**	**3**	**168**
Holdings in capital										
1. Opening balance	2,411	8,413	7,727	7,503	9,091	8,329	8,127	6,142	(1,985)	(24)
2. New investments in capital	6,007	1,471	83	2,500	635	1,000	-	256	-	-
2.1. In investee companies	0	270	83	2,500	209	-	-	100	100	-
2.2. In non-investee companies	6,007	1,201	0	0	426	1,000	0	156	156	-
3. Disinvestments	5	2,157	307	912	1,397	1,202	1,986	344	(1,642)	(83)
4. Closing balance	8,413	7,727	7,503	9,091	8,329	8,127	6,142	6,054	(88)	(1)
5. Securities depreciation allowance	0	1,090	1,390	2,913	2,886	3,034	2,703	3,503	800	30
6. Net closing balance	8,413	6,638	6,113	6,178	5,443	5,093	3,439	2,551	(888)	(26)
Participating loans and other (2)										
1. Opening balance - cost	-	-	-	-	879	743	716	4,601	3,885	543
2. New loans and drawdowns	-	-	-	879	285	44	4,000	0	(4,000)	(100)
3. Repayments	-	-	-	0	421	71	115	0	(115)	(100)
4. Closing balance - cost	-	-	-	879	743	716	4,601	4,601	0	0
5. Credit loss provision	-	-	-	0	458	458	458	600	142	31
6. Net closing balance	-	-	-	879	285	258	4,143	4,000	(143)	(3)
Number of companies in portfolio	**10**	**9**	**9**	**10**	**9**	**9**	**6**	**6**	**0**	**0**

(1) Includes interest accrued and not due.
(2) Includes principal only.

CHART XL. FONDO EURO-ICO. VENTURE CAPITAL FUND STATEMENT OF INCOME

THOUSAND EUROS AND PERCENTAGES

	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	%
1. Interest revenue	**502**	**442**	**409**	**286**	**248**	**314**	**344**	**526**	**183**	**53**
1.1. Dividends	-	-	9	-	-	95	-	-	-	-
1.2. Interest	-	-	-	16	39	13	17	198	182	1,100
1.3. Cash asset interest	502	442	400	270	209	206	327	328	1	0
2. Profit from sale and depreciation of financial assets	**-**	**1,873**	**358**	**269**	**35**	**1,087**	**259**	**0**	**(259)**	**(100)**
3. (1 + 2) ORDINARY REVENUE	**502**	**2,315**	**767**	**555**	**283**	**1,401**	**602**	**526**	**(76)**	**(13)**
4. Operating expense	**377**	**388**	**398**	**392**	**849**	**447**	**361**	**499**	**138**	**38**
4.1. Fixed asset depreciation allowance	10	10	7	-	-	-	-	-	-	-
4.2. Variation, credit loss provision	-	-	-	-	458	-	-	156	156	-
4.3. Other operating expense	367	378	391	392	391	447	361	343	(18)	(5)
4.3.1. Management fees	366	367	380	381	363	332	348	318	(30)	(9)
4.3.2. Other expense	1	11	11	11	28	115	13	25	12	92
5. Interest expense (a)	**-**	**1,090**	**300**	**1,523**	**902**	**148**	**885**	**991**	**106**	**12**
5.1. Variation, investment allowance	-	1,090	300	1,523	854	148	841	988	147	17
5.2. Loss on sale and depreciation of financial assets	-	-	-	-	48	-	44	3	(41)	(93)
6. (4 + 5) ORDINARY EXPENSE	**377**	**1,478**	**698**	**1,915**	**1,751**	**595**	**1,246**	**1,490**	**244**	**20**
7. (3 - 6) ORDINARY PROFIT	**125**	**837**	**69**	**(1,360)**	**(1,468)**	**806**	**(644)**	**(964)**	**(320)**	**50**
8. Extraordinary profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**(33)**	**-**
9. (7 + 8) THE YEAR'S PROFIT/LOSS (pre-tax)	**125**	**837**	**69**	**(1,360)**	**(1,468)**	**806**	**(644)**	**(997)**	**(353)**	**55**
10. Tax on profit	**44**	**220**	**11**	**(487)**	**134**	**(23)**	**858**	**(21)**		
11. The year's profit/loss	**81**	**617**	**58**	**(873)**	**(1,602)**	**829**	**(1,502)**	**(976)**		

CHART XLI. CERSA. CÍA ESPAÑOLA DE REAFIANZAMIENTO S.A. VALANCE SHEET POSITION AT DECEMBER 31

THOUSAND EUROS AND PERCENTAGES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
1. Shareholders' uncalled payments	**0**	**0**	**0**	**0**	**0**	**0**	**-**	**-**	**-**		
2. Fixed assets	**19,576**	**18,423**	**18,134**	**13,600**	**2,535**	**2,653**	**2,626**	**2,560**	**2,556**	**(4)**	**(0.2)**
2.1. Financial fixed assets	17,578	17,615	17,615	13,409	2,471	2,602	2,602	2,551	2,551	0	0.0
2.2. Tangible fixed assets	151	98	85	69	38	25	12	4	4	0	0.0
2.3. Other fixed assets	1,847	710	434	122	26	26	12	5	1	(4)	(80.0)
3. Floating assets	**40,958**	**73,524**	**87,556**	**103,712**	**126,736**	**151,795**	**167,457**	**191,648**	**220,110**	**28,462**	**14.9**
3.1. Temporary financial investments	40,046	71,963	85,496	100,171	120,913	144,261	157,286	179,036	205,723	26,687	14.9
3.2. Debtors. Net	901	1,550	2,047	3,527	5,808	7,517	10,171	12,612	14,387	1,775	14.1
3.3. Accrual adjustments	11	11	13	14	15	17	-	-	-		
4. TOTAL ASSETS = TOTAL LIABILITIES	**60,534**	**91,947**	**105,690**	**117,312**	**129,271**	**154,448**	**170,083**	**194,208**	**222,666**	**28,458**	**14.7**
5. Shareholders' equity	**39,325**	**39,262**	**45,273**	**45,273**	**45,273**	**57,446**	**57,446**	**57,446**	**68,702**	**11,256**	**19.6**
5.1. Subscribed capital	39,101	39,038	45,048	45,048	45,048	57,221	57,221	57,221	68,477	11,256	19.7
5.2. Reserves	224	224	225	225	225	225	225	225	225	0	0.0
6. Technical allowance fund	**9,138**	**34,190**	**41,351**	**45,711**	**53,351**	**61,517**	**70,865**	**80,451**	**90,801**	**10,350**	**12.9**
7. Provisions for contingencies and expenses	**11,529**	**15,620**	**15,436**	**19,030**	**20,956**	**24,041**	**28,862**	**34,234**	**39,695**	**5,461**	**16.0**
8. Long-term creditors	**-**	**2,347**	**3,004**	**6,369**	**8,484**	**9,999**	**11,726**	**12,446**	**13,295**	**849**	**6.8**
9. Short-term creditors	**542**	**528**	**626**	**929**	**1,207**	**1,445**	**1,184**	**9,631**	**10,173**	**542**	**5.6**

CHART XLII. CERSA. CÍA ESPAÑOLA DE REAFIANZAMIENTO S.A. PROFIT AND LOSS ACCOUNT

THOUSAND EUROS AND PERCENTAGES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
1. Operating revenue	**10**	**4**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1. Fees and other revenue	10	4	2	-	-	-	-	-	-	-	-
1.2. Subsidies and operation	0	0	0	-	-	-	-	-	-	-	-
2. Interest revenue	**2,172**	**3,595**	**4,308**	**3,724**	**2,422**	**2,436**	**4,377**	**4,526**	**7,486**	**2,960**	**65.4**
3. (1 + 2) ORDINARY REVENUE	**2,182**	**3,599**	**4,310**	**3,724**	**2,422**	**2,436**	**4,377**	**4,526**	**7,486**	**2,960**	**65.4**
4. Operating expense	**11,953**	**4,360**	**2,690**	**4,172**	**2,550**	**3,687**	**4,963**	**5,570**	**8,209**	**2,639**	**47.4**
4.1. Personnel costs	422	422	445	470	463	502	592	655	716	61	9.3
4.2. Depreciation of premises and equipment	34	44	44	39	28	29	27	15	4	(11)	(73.3)
4.3. Variation, trade debt allowances	11,097	3,523	1,774	3,215	1,615	2,668	3,652	4,142	6,813	2,671	64.5
4.4. Technical allowances	-	-	-	-	-	-	-	-	-	-	-
4.5. Other operating expense	400	371	427	448	444	488	692	758	676	(82)	(10.8)
5. (3 - 4) ORDINARY PROFIT	**(9,772)**	**(761)**	**1,620**	**(448)**	**(128)**	**(1,251)**	**(586)**	**(1,044)**	**(723)**	**321**	**(30.7)**
6. Extraordinary profit/loss and other (a)	**9,772**	**761**	**(1,620)**	**448**	**128**	**1,251**	**586**	**1,044**	**723**	**(321)**	**(30.7)**
7. (5 + 6) THE YEAR'S PROFIT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(a) Includes variation in financial allowances and the use, allocation and recovery of the technical allowance fund.

CHART XLIII. CERSA. CÍA ESPAÑOLA DE REAFIANZAMIENTO S.A. EVOLUTION OF RISK

THOUSAND EUROS AND PERCENTAGES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	%
GUARANTEES UNDERTAKEN WITH THIRD PARTIES AND OTHER CONTINGENT LIABILITIES											
Outstanding risk on assurance	1,134	677	252	252	252	252	252	252	252	0	0.0
Outstanding risk on underwriting	615,796	693,683	788,080	871,571	981,582	1,156,711	1,343,978	1,600,815	1,752,214	151,399	9.5
Underwriting on bad debtors	35,238	35,913	37,564	39,072	41,279	42,473	45,190	47,168	51,022	3,854	8.2
TOTAL	**652,168**	**730,273**	**825,896**	**910,895**	**1,023,113**	**1,199,436**	**1,389,420**	**1,648,235**	**1,803,488**	**155,253**	**9.4**
RISK ARRANGED											
1. S.G.R. Number of operations	33,852	32,721	35,184	34,334	40,225	44,400	48,109	66,056	45,185	(20,871)	(31.6)
2. Amount arranged	824,649	855,517	983,110	1,069,743	1,296,288	1,527,180	1,856,971	2,465,622	2,463,730	(1,892)	(0.1)
3. Amount assigned (CERSA)	201,015	229,408	270,012	272,807	321,861	411,137	447,372	548,941	487,966	(60,975)	(11.1)
4. 3/2 ratio, %	**24.4**	**26.8**	**27.5**	**25.5**	**24.8**	**26.9**	**24.1**	**22.3**	**19.8**	**(2.5)**	
OUTSTANDING RISK											
1. S.G.R. Total	1,737,322	1,989,474	2,305,331	2,582,478	2,935,629	3,410,130	4,062,830	5,131,021	5,927,414	796,393	15.5
2. S.G.R. Number of operations	49,762	55,045	68,795	73,514	80,301	87,501	93,302	117,804	123,030	5,226	4.4
3. CERSA Number of operations	21,176	22,286	26,285	28,182	30,409	34,510	38,692	57,056	58,213	1,157	2.0
4. (4.1. + 4.2. = 4.3. to 4.8.) Underwriting	610,694	688,711	782,199	863,737	973,567	1,148,632	1,335,594	1,590,528	1,738,459	147,931	9.3
4.1. Financial risks	569,345	652,415	749,223	833,164	944,749	1,116,450	1,303,488	1,559,850	1,709,623	149,773	9.6
4.2. Technical risks	41,350	36,296	32,976	30,573	28,818	32,182	32,106	30,678	28,836	(1,842)	(6.0)
4.3. Industry	258,387	284,534	304,951	324,407	349,892	381,253	407,687	443,099	486,878	43,779	9.9
4.4. Agriculture	16,107	20,986	35,212	45,618	58,191	73,173	88,466	156,699	136,845	(19,854)	(12.7)
4.5. Commerce	120,377	132,009	154,503	173,610	193,187	232,881	284,367	328,283	363,289	35,006	10.7
4.6. Services	178,056	214,040	248,573	279,571	324,840	399,002	476,654	564,692	630,056	65,364	11.6
4.7. Construction	37,659	37,142	38,960	40,531	47,457	62,323	78,420	97,755	121,392	23,637	24.2
4.8. Other	108	-	-	-	-	-	-	-	-	-	-
5. 4/1 ratio, %	**35.2**	**34.6**	**33.9**	**33.4**	**33.2**	**33.7**	**32.9**	**31.0**	**29.3**	**(1.7)**	

CHART XLIV. COFIDES. CÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A. BALANCE SHEET POSITION. BALANCES AT DECEMBER 31

THOUSAND EUROS AND PERCENTAGES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	%
1. Shareholders' uncalled payments	**18,373**	**18,373**	**-**	**-**	**-**	**-**	**-**	**-**			
2. Tangible fixed assets	**138**	**155**	**148**	**382**	**370**	**301**	**273**	**245**	**279**	**34.0**	**13.9**
3. Financial fixed assets	**34,354**	**41,148**	**37,566**	**37,320**	**31,486**	**33,703**	**27,954**	**34,087**	**35,093**	**1,006.0**	**3.0**
3.1. Securities portfolio	3,775	6,995	6,369	6,139	5,054	5,075	2,930	2,271	5,870	3,599.0	158.5
3.2. Long-term loans	30,579	34,153	31,197	31,181	26,432	28,628	25,024	31,816	29,223	(2,593.0)	(8.1)
4. Provisions	**(1,238)**	**(1,482)**	**(1,503)**	**(2,000)**	**(2,511)**	**(3,158)**	**(3,798)**	**(4,016)**	**(3,410)**	**606.0**	**(15.1)**
5. Floating assets	**17,105**	**12,381**	**33,765**	**32,807**	**35,075**	**28,738**	**35,297**	**29,561**	**30,866**	**1,305.0**	**4.4**
4.1. Debtors	2,098	3,814	4,301	4,546	5,911	5,463	5,417	4,627	2,495	(2,132.0)	(46.1)
4.2. Financial investments	15,007	8,567	29,464	28,261	29,164	23,275	29,880	24,934	28,371	3,437.0	13.8
6. Other assets	**168**	**310**	**337**	**408**	**433**	**487**	**332**	**816**	**937**	**121.0**	**14.8**
7. TOTAL ASSETS = LIABILITIES	**68,900**	**70,885**	**70,313**	**68,917**	**64,853**	**60,071**	**60,058**	**60,693**	**63,765**	**3,072**	**5.06**
8. Shareholders' equity	**43,682**	**44,610**	**45,674**	**46,124**	**46,736**	**46,048**	**47,119**	**48,249**	**50,452**	**2,203.0**	**4.6**
8.1. Subscribed capital	39,396	39,396	39,396	39,396	39,396	39,396	39,396	39,396	39,396		0.0
8.2. Reserves	3,444	4,286	5,214	6,278	6,728	7,340	7,340	8,412	8,852	440.0	5.2
8.3. The year's profit/loss	841	928	1,064	450	612	(688)	1,071	1,129	2,204	1,075.0	95.2
8.4. Profit/loss from previous years							(688)	(688)		688.0	(100.0)
9. Creditors	**24,762**	**25,680**	**24,173**	**22,436**	**17,866**	**13,854**	**12,844**	**12,168**	**13,296**	**1,128.0**	**9.3**
9.1. Long-term	23,265	23,701	22,413	19,587	15,281	12,810	8,125	6,736	8,630	1,894.0	28.1
9.2. Short-term	1,497	1,979	1,760	2,849	2,585	1,044	4,719	5,432	4,666	(766.0)	(14.1)
10. Other liabilities	**457**	**595**	**466**	**357**	**251**	**169**	**95**	**276**	**17**	**(259.0)**	**(93.8)**

CHART XLV. COFIDES. CÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A.
PROFIT AND LOSS ACCOUNT

THOUSAND EUROS AND PERCENTAGES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
1. Operating revenue	**1,899**	**2,371**	**4,088**	**3,211**	**2,727**	**3,146**	**2,859**	**2,864**	**3,453**	**589.0**	**20.6**
1.1. From long-term loans	1,262	1,639	2,577	2,047	1,435	1,495	2,105	1,582	2,091	509.0	32.2
1.2. From financial investments	565	711	1,279	1,102	1,188	763	695	836	786	(50.0)	(6.0)
1.3. Other similar income	6	15	4	11	29	2	17	3	6	3.0	100.0
1.4. Exchange differences (long-term loans)	66	6	228	51	75	886	42	443	570	127.0	28.7
2. Other operating revenue	**2,086**	**2,198**	**2,389**	**3,441**	**4,343**	**4,464**	**5,842**	**6,629**	**7,741**	**1,112.0**	**16.8**
3. (1 + 2) Ordinary revenue	**3,985**	**4,569**	**6,477**	**6,652**	**7,070**	**7,610**	**8,701**	**9,493**	**11,194**	**1,701**	**17.92**
4. Interest expense	**691**	**949**	**1,262**	**1,326**	**1,256**	**1,921**	**1,107**	**1,319**	**1,398**	**79.0**	**6.0**
4.1. Interest expense and similar	475	690	1,008	627	234	266	507	637	378	(259.0)	(40.7)
4.2. Financial investment allowance	168	257	36	513	853	691	655	233	435	202.0	86.7
4.3. Exchange differences	48	2	218	186	169	964	(55)	449	585	136.0	30.3
5. Operating expense	**2,067**	**2,276**	**3,584**	**4,470**	**4,894**	**6,377**	**5,961**	**6,064**	**6,467**	**403.0**	**6.6**
5.1. Personnel costs	1,424	1,432	1,764	2,068	2,436	2,761	3,034	3,223	3,614	391.0	12.1
5.2. Depreciation of premises and equipment	42	44	51	62	131	158	176	173	214	41.0	23.7
5.3. Other operating expense	601	800	1,769	2,340	2,327	3,458	2,751	2,668	2,639	(29.0)	(1.1)
6. (4 + 5) Ordinary expense	**2,759**	**3,225**	**4,846**	**5,796**	**6,150**	**8,298**	**7,068**	**7,383**	**7,865**	**482**	**6.53**
7. (3 - 6) Ordinary profit	**1,226**	**1,344**	**1,631**	**857**	**920**	**(688)**	**1,633**	**2,110**	**3,329**	**1,219**	**57.77**
8. Extraordinary profit/loss	-	-	-	-	-	-	-	-	-		
9. (7 + 8) The year's profit/loss	**1,226**	**1,344**	**1,631**	**857**	**920**	**(688)**	**1,633**	**2,110**	**3,329**	**1,219**	**57.77**

CHART XLVI. COFIDES. CÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A. BASIC INFORMATION ON ACTIVITY

THOUSAND EUROS AND PERCENTAGES

	1999	2000	2001	2002	2003	2004	2005	2006	2007	Variation 2007/2006 Absolute	Variation 2007/2006 %
ANNUAL OPERATIONS											
Number of projects approved	**26**	**17**	**28**	**21**	**27**	**32**	**25**	**38**	**33**	**(5)**	**(13.2)**
– Africa	4	3	3	3	3	7	3	4	4	0	0.0
– Latin America	18	8	20	12	15	13	11	17	16	(1)	(5.9)
– Asia	1	3	3	2	6	7	4	8	2	(6)	(75.0)
– EU accession states	1	3	1	4	2	3	6	6	8	2	33.3
– Central and Eastern Europe	2	0	1	0	1	2	1	2	0	(2)	-
– Other countries	0	0	0	0	0	0	0	1	3	2	200.0
Projects approved (amount)	**19.6**	**68.2**	**76.7**	**118.7**	**125.4**	**101.2**	**63.2**	**142**	**148**	**6**	**4.1**
Number of operations arranged	**15.0**	**16.0**	**12.0**	**21.0**	**17.0**	**22.0**	**14.0**	**25**	**23**	**(2)**	**(8.0)**
Operations arranged (amount)	**8.5**	**39.2**	**32.5**	**80.8**	**114.5**	**115.0**	**32.3**	**59.300**	**125.050**	**66**	**110.9**
– Self-financing	4.8	5.9	2.5	8.3	8.4	12.1	9.7	14.970	8.800	(6)	(41.2)
– Third-party funds	3.6	33.3	30.0	72.5	106.0	103.0	22.6	44.330	116.250	72	162.2
Number of advisory and consultancy contracts	**8**	**3**	**-**	**-**	**-**	**-**	**-**	**-**			
YEAR-END BALANCES (PORTFOLIO)											
Number of projects	**83**	**89**	**92**	**99**	**87**	**91**	**83**	**99**	**103**	**4**	**4.0**
Number of operations	**114**	**115**	**119**	**125**	**95**	**94**	**83**	**103**	**114**	**11**	**10.7**
Number of countries	**26**	**25**	**26**	**27**	**26**	**26**	**25**	**27**	**31**	**4**	**14.8**
Net commitments. Amount	**35.8**	**67.5**	**91.1**	**152.5**	**255.7**	**238.6**	**255.6**	**273.860**	**329.751**	**55.891**	**20.4**
– Holding in capital	4.7	34.0	56.8	65.0	85.1	83.4	111.7	103.970	146.827	42.857	41.2
– Loans	31.1	33.5	34.3	87.5	170.6	155.3	143.9	169.890	182.923	13.033	7.7
ACCUMULATED AMOUNTS											
Financial commitments (amount)	**69.2**	**108.5**	**127.7**	**208.4**	**322.9**	**437.9**	**470.2**	**529.450**	**654.500**	**125**	**23.6**
– COFIDES operations (investment stage)	55.9	95.1	127.7	208.4	322.9	437.9	470.2	529.450	654.500	125	23.6
– Additional resources mobilised (other stages)	13.3	13.3	-	-	-	-	-	-	-		

CHART XLVII. BALANCE SHEET POSITION AT 31.12.2007 BALANCES AND VARIATIONS

THOUSAND EUROS

ASSETS	Figures at: 31.12.07	Figures at: 31.12.06	Monthly variation absolute	Monthly variation %
1. Cash and Bank of Spain	**128,109**	**236,630**	**(108,521)**	**(45.9)**
2. Financial assets for trading	**466,019**	**197,463**	**268,556**	**136.0**
3. Lending investment	**35,200,481**	**27,978,939**	**7,221,542**	**25.8**
3.1. Special and exceptional operations	105,558	118,745	(13,187)	(11.1)
– Special loans	146,432	284,794	(138,363)	(48.6)
– Provisions	(40,874)	(166,049)	125,176	(75.4)
3.2. Ordinary operations	35,094,923	27,860,194	7,234,729	26.0
– Second-floor loans	21,650,231	17,239,904	4,410,326	25.6
– Ordinary loans	13,702,183	10,822,630	2,879,554	26.6
– Valuation adjustments	44,787	77,386	(32,599)	(42.1)
– Provisions	(302,279)	(279,726)	(22,552)	8.1
4. Credit institutions	**3,193,251**	**3,104,569**	**88,682**	**2.9**
4.1. Loans to Argentaria	1,358,846	2,158,591	(799,745)	(37.0)
4.2. Deposits, guarantee dep. and other assets	1,737,164	801,853	935,311	116.6
4.3. Valuation adjustments	123,600	173,588	(49,988)	(28.8)
4.4. Provisions	(26,359)	(29,463)	3,104	(10.5)
5. Securities portfolio	**181,874**	**150,573**	**31,302**	**20.8**
5.1. Fixed income	29,504	0	29,504	
5.2. Variable income	152,370	150,573	1,798	1.2
6. Hedging derivatives	**394,718**	**378,245**	**16,473**	**4.4**
7. Tangible assets	**169,273**	**167,542**	**1,731**	**1.0**
8. Accrual accounts	**559**	**499**	**60**	**12.0**
9. Tax assets	**132,325**	**62,081**	**70,244**	**113.1**
10. Other assets	**15,007**	**15,558**	**(551)**	**(3.5)**
TOTAL ASSETS	**39,881,616**	**32,292,099**	**7,589,517**	**23.5**

LIABILITIES	Figures at: 31.12.07	Figures at: 31.12.06	Monthly variation absolute	Monthly variation %
11. Financial liabilities for trading	**321,836**	**182,921**	**138,915**	**75.9**
12. Market resources	**32,780,091**	**27,654,727**	**5,125,364**	**18.5**
12.1. Fixed-income securities	29,053,942	23,896,688	5,157,255	21.6
– Bonds and debentures	29,569,115	24,109,124	5,459,990	22.6
– *Pagarés* (promissory notes)	64,910	65,882	(972)	(1.5)
– Valuation adjustments	(580,083)	(278,319)	(301,764)	108.4
12.2. Credit institutions	1,060,328	1,778,480	(718,152)	(40.4)
– EIB loans	612,377	1,004,792	(392,415)	(39.1)
– Other loans	464,573	734,474	(269,902)	(36.7)
– Interbank deposits	136	21,922	(21,786)	(99.4)
– Valuation adjustments	(16,759)	17,291	(34,050)	(196.9)
12.3. Customer deposits	2,665,821	1,979,560	686,262	34.7
– Demand and time	2,641,725	1,967,450	674,276	34.3
– Valuation adjustments	24,096	12,110	11,986	99.0
13. Special funding	**2**	**228,904**	**(228,903)**	**(100.0)**
14. Other financial liabilities	**834,525**	**277,495**	**557,030**	**200.7**
15. Hedging derivatives	**3,600,798**	**2,243,015**	**1,357,783**	**60.5**
16. Provisions and allowances	**241,312**	**224,921**	**16,391**	**7.3**
17. Internal resources	**1,984,022**	**1,294,636**	**689,386**	**53.2**
17.1. Equity	1,629,144	958,758	670,386	69.9
17.2. Reserves	513,230	389,673	123,557	31.7
17.3. Valuation adjustments	(158,352)	(53,795)	(104,557)	194.4
18. Results from previous years	**0**	**0**	**0**	
19. Results from the reporting year	**82,345**	**106,786**	**(24,441)**	**(22.9)**
20. Accrual accounts	**2,550**	**458**	**2,092**	**456.8**
21. Other liabilities	**34,135**	**78,234**	**(44,099)**	**(56.4)**
21.1. Tax liabilities	31,895	74,636	(42,741)	(57.3)
21.2. Other	2,240	3,598	(1,358)	(37.7)
TOTAL LIABILITIES	**39,881,616**	**32,292,098**	**7,589,518**	**23.5**

ANNUAL REPORT

07

AUDITORS´ REPORT

Instituto de Crédito Oficial

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Auditores, S.L.
Paseo de la Castellana, 43
28046 Madrid
España
Tel. + 34 915 684 400
Fax + 34 913 083 566
www.pwc.com/es

Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts for the first financial year prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the General Board of Instituto de Crédito Oficial

We have audited the consolidated annual accounts of Instituto de Crédito Oficial (the Parent Company) and its consolidated Group (the Group) consisting of the consolidated balance sheet at 31 December 2007, the related consolidated income statement, the consolidated statement of changes in net equity, the consolidated cash flow statement and the related notes of the consolidated annual accounts corresponding to the year then ended. These consolidated financial statements are the responsibility of the Parent Company's President. Our responsibility is to express an opinion on the consolidated annual accounts as a whole, based on our audit work performed in accordance with auditing standards generally accepted in Spain, which require examining, on a test basis, evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the Institute's President has presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in net equity and the consolidated cash flow statement, the corresponding amounts for the previous year as well as the amounts for 2007, that differ from the amounts included in the approved consolidated annual accounts for the year 2006 due to the retroactive adjustments and reclassifications made as explained in the Note 1.6 of the consolidated annual accounts. Our opinion refers solely to the 2007 consolidated annual accounts. On 11 June 2007, we issued our audit report on the 2006 consolidated annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for year 2007 present fairly, in all material respects, the consolidated financial position of Instituto de Crédito Oficial and its consolidated Group as at 31 December 2007, and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with the International Financial Reporting Standards adopted by the European Union, which are consistent with those applied in the preparation of the figures for the previous year, which are included in the accompanying consolidated annual accounts for 2007 for comparative purposes.

The accompanying consolidated Parent Company's Directors' Report for 2007 contains the information that the Parent Company's President considers relevant to Instituto de Crédito Oficial and its consolidated Group, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned Parent Company's Directors' Report agrees with that of the consolidated annual accounts for 2007. Our work as auditors is limited to checking the consolidated Parent Company's Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from Instituto de Crédito Oficial and its consolidated Group's audited accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by

José María Sanz Olmeda
Audit Partner

14 March 2008

PricewaterhouseCoopers Auditores, S.L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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ANNUAL REPORT 07

ANNUAL ACCOUNTS

Instituto de Crédito Oficial

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

ASSETS	2007	2006
Cash and deposits at central banks (Note 6)	**128,253**	**240,376**
Trading portfolio (Note 7)	**466,019**	**197,463**
Debt securities	-	-
Other equity instruments	-	-
Derivatives held for trading	466,019	197,463
Pro memoria: By way of loan or guarantee	-	-
Other financial assets at fair value with changes in the income statement		
Available-for-sale financial assets (Note 8)	**118,998**	**120,142**
Debt securities	-	-
Other equity instruments	118,998	120,142
Pro memoria: By way of loan or guarantee	-	-
Credits, loans and discounts (Note 9)	**27,766,715**	**31,084,307**
Deposits at credit institutions	14,212,530	20,344,549
Money market operations through Counterparties	-	-
Customer loans	13,550,856	10,739,754
Debt securities	2,126	-
Other financial assets	1,203	4
Pro memoria: By way of loan or guarantee	-	-
Held-to-maturity investment portfolio (Note 10)	**10,662,707**	**1,305**
Pro memoria: By way of loan or guarantee	-	-
Adjustments to financial assets due to macro-hedging	-	-
Hedging derivatives (Note 11)	**394,718**	**378,245**
Non-current assets for sale (Note 12)	**54,186**	**55,858**
Property, plant and equipment	54,186	55,858
Shareholdings (Note 13)	**28,219**	**30,276**
Associates	28,219	30,276
Multi-group Entities Group companies	-	-
Pension insurance contracts	-	-
Property, plant and equipment (Note 14)	**108,405**	**108,886**
For own use	108,405	85,981
Real estate investments	-	22,905
Associated with Community Projects	-	-
Pro memoria: Acquired under finance lease	-	-
Intangible assets (Note 15)	**6,910**	**3,064**
Other intangible assets	6,910	3,064
Tax assets (Note 16)	**132,325**	**86,941**
Current	9,186	459
Deferred	123,139	86,482
Accrual accounts (Note 17)	**576**	**516**
Other assets (Note 18)	**15,007**	**15,558**
TOTAL ASSETS	**39,883,038**	**32,322,937**

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

LIABILITIES	2007	2006
Trading portfolio (Note 7)	**321,836**	**182,921**
Other financial liabilities at fair value with changes in the income statement	-	-
Financial liabilities at fair value with changes in equity	-	-
Financial liabilities at amortised cost (Note 19)	**33,614,870**	**28,161,487**
Credit institution deposits	1,060,328	1,778,480
Customer deposits	2,666,075	2,208,825
Debts represented by negotiable securities	29,053,942	23,896,688
Other financial liabilities	834,525	277,494
Adjustments to financial liabilities due to macro-hedging	-	-
Hedging derivatives (Note 11)	**3,600,798**	**2,250,062**
Liabilities associated with non-current assets for sale	-	-
Provisions (Note 20)	**241,312**	**224,922**
Provisions for taxes	35	35
Provisions for pensions and similar	57	-
Provisions for contingent risks and commitments	28,383	31,371
Other provisions	212,837	193,516
Tax liabilities (Note 16)	**31,895**	**74,636**
Current	2,299	37,984
Deferred	29,596	36,652
Accrual accounts (Note 17)	**2,550**	**458**
Other liabilities (Note 18)	**2,240**	**3,598**
Remainder	2,240	3,598
Capital classified as financial liabilities	-	-
TOTAL LIABILITIES	**37,815,501**	**30,898,084**
EQUITY		
Minority interests	**-**	**-**
Measurement adjustments (Note 21)	**(158,352)**	**(53,795)**
Available-for-sale financial assets	15,893	18,046
Cash-flow hedging	(174,245)	(71,841)
Exchange differences	-	-
Own Funds (Note 22)	**2,225,889**	**1,478,648**
Capital or endowment fund	1,629,144	958,758
Share premium	-	-
Reserves	**517,557**	**416,366**
Accumulated reserves	517,260	414,581
Retained earnings	-	-
Reserves of entities accounted for using the equity method (Note 22)	297	1,785
Associates	297	1,785
Other equity instruments	-	-
Less: Treasury shares	-	-
Profit and loss for the period	79,188	103,524
Less: Dividends and remuneration	-	-
TOTAL EQUITY	**2,067,537**	**1,424,853**
TOTAL EQUITY AND LIABILITIES	**39,883,038**	**32,322,937**

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

PRO MEMORIA	2007	2006
Contingent risks (Note 24)	**1,329,096**	**1,170,446**
Financial guarantees	1,329,096	1,170,446
Assets associated with third party obligations	-	-
Other contingent risks	-	-
Contingent commitments (Note 24)	**9,349,646**	**6,631,377**
Drawable by third parties	9,228,524	6,559,030
Other commitments	121,122	72,347

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Interest and similar income (Note 25)	**1,647,588**	**1,068,339**
Interest and similar charges (Note 26)	**(1,437,966)**	**(872,236)**
Return on equity instruments (Note 27)	**320**	**75**
NET INTEREST INCOME	**209,942**	**196,178**
Share of results of entities accounted for using the equity method (Note 28)	**(3,709)**	**(1,216)**
Fee and commission income (Note 29)	**18,923**	**16,059**
Fee and commission expense (Note 29)	**(2,003)**	**(1,871)**
Gain or losses on financial assets and liabilities (net) (Note 30)	**3,263**	**1,539**
Trading portfolio	-	-
Other financial assets at fair value with changes in the income statement	-	-
Available-for-sale financial assets	-	-
Loans and receivables	-	-
Other	3,263	1,539
Exchange differences (net) (Note 2.4)	**(758)**	**(2,400)**
GROSS INCOME	**225,658**	**208,289**
Sales and income from provision of non-financial services	-	-
Cost for sales	-	-
Other operating income	2,562	2,541
Personnel expenses (Note 31)	**(16,638)**	**(15,840)**
Other administrative expenses (Note 32)	**(22,439)**	**(19,436)**
Depreciation and amortization	**(3,037)**	**(3,618)**
Tangible assets (Note 14)	(2,576)	(3,609)
Intangible assets (Note 15)	(461)	(9)
Other operating charges		
NET OPERATING INCOME	**186,106**	**171,936**
Asset impairment losses (net)	**(73,696)**	**14,657**
Available-for-sale financial assets (Note 8)	-	-
Loans and receivables (Note 9)	(40,447)	11,204
Held-to-maturity investments (Note 10)	(30,496)	3,453
Tangible assets	-	-
Shareholdings (Note 13)	(2,753)	-
Other Intangible assets	-	-
Provisions expense (net) (Note 20)	**(1,909)**	**(31,372)**
Other gains (Note 33)	**3,967**	**4,623**
Gains on disposal of tangible assets	313	4,481
Gains on disposal of investments		
Other	3,654	142
Other losses (Note 33)	**(9,522**	**(3,058)**
Losses on disposal of tangible assets	(247)	(23)
Other	(9,275)	(3,035)
PROFIT OR LOSS BEFORE TAX	**104,946**	**156,786**
Income tax (Note 23)	(25,758)	(53,262)
PROFIT OR LOSS FOR THE PERIOD	**79,188**	**103,524**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Net income recognised directly in equity	**(104,557)**	**5,789**
Available-for-sale financial assets	(2,153)	2,354
Revaluation gains / losses	(3,076)	3,621
Amounts transferred to income statement	-	-
Income tax	923	(1,267)
Reclassifications		
Financial liabilities at fair value through equity	-	-
Revaluation gains / losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications		
Cash-flow hedges	(102,404)	3,435
Revaluation gains / losses	(146,291)	5,284
Amounts transferred to income statement	-	-
Amounts transferred to the initial carrying amount of hedged items	-	-
Income tax	43,887	(1,849)
Reclassifications		
Hedge of net investments in foreign operations	-	-
Revaluation gains / losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Exchange differences	-	-
Translation gains/ losses	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications		
Non-current assets held for sale	-	-
Revaluation gains	-	-
Amounts transferred to income statement	-	-
Income tax	-	-
Reclassifications	-	-
Profit or loss for the period	**79,188**	**103,524**
Published profit or loss for the period	79,188	103,524
Adjustments due to changes in accounting policy (*)	-	-
Adjustments made to correct errors (*)	-	-
Total income and expense for the period	**(25,369)**	**109,313**
Parent entity	(25,369)	109,313
Minority interests	-	-
Memorandum item: Equity adjustments allocable to prior periods	**-**	**-**
Effect of changes in accounting policies	-	-
Own funds	-	-
Valuation adjustments	-	-
Minority interests	-	-
Effects of errors	-	
Own funds	-	-
Valuation adjustments	-	-
Minority interests	-	-

CONSOLIDATED CASH-FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Result for the year	**79,188**	**103,524**
Adjustments to results	**108,042**	**70,353**
Depreciation of property, plant and equipment (+)	2,576	3,609
Amortisation of intangible assets (+)	461	9
Asset impairment losses (net) (+/-)	73,696	(14,650)
Provisions (net) (+/-)	1,908	31,372
Gains / losses on sale of property, plant and equipment (+/-)	(66)	(4,465)
Gains / losses on sale of shareholdings (+/-)	-	-
Share of results of entities accounted for using the equity method (net of dividends) (+/-)	(3,709)	(1,216)
Taxes (+/-)	25,758	53,262
Other non-cash items (+/-)	-	-
Adjusted surplus - Subtotal	**187,230**	**173,877**
Net increase/ decrease in operating assets	**(3,033,707)**	**(4,139,895)**
Trading portfolio	**268,556**	**5,794**
Debt securities	-	-
Other equity instruments	-	-
Derivatives held for trading	268,556	5,794
Available-for-sale financial assets	**(1,144)**	**-**
Debt securities	-	-
Other equity instruments	(1,144)	-
Credits, loans and discounts	**(3,317,592)**	**(6,611,676)**
Deposits at credit institutions	(6,132,019)	(4,368,613)
Money market operations through counterparties	-	-
Customer loans	2,811,102	(2,243,063)
Debt securities	2,126	-
Other financial assets	1,199	-
Other operating assets	16,473	2,465,987

CONSOLIDATED CASH-FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Net increase/ decrease in operating liabilities	**7,329,032**	**(5,156,332)**
Trading portfolio	**138,915**	**-**
Derivatives held for trading	138,915	-
Short securities positions	-	-
Financial liabilities at amortised cost	**5,453,383**	**726,654**
Central bank deposits	-	-
Credit institution deposits	(718,152)	(4,485,248)
Monetary market transactions through counterparties	-	
Customer funds	457,250	640,812
Debts represented by negotiable securities	5,157,254	4,413,765
Other financial liabilities	557,031	157,325
Other operating liabilities	1,736,734	(5,882,986)
TOTAL CASH FLOWS NET OF OPERATING ACTIVITIES (1)	**10,549,969**	**(842,560)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments (-)	**(10,664,244)**	**(4,805)**
Group and multigroup group and associates	(2,842)	(4,805)
Property, plant and equipment	-	-
Intangible assets	-	-
Held-to-maturity investment portfolio	(10,661,402)	-
Other assets	-	-
Divestments (+)	**2,152**	**1,013,562**
Group and multigroup group and associates	-	-
Property, plant and equipment	480	2,988
Intangible assets	-	-
Held-to-maturity investment portfolio	-	1,010,574
Other assets	1,672	-
TOTAL NET CASH FLOWS FROM INVESTMENT ACTIVITIES (2)	**(10,662,092)**	**1,008,757**

CONSOLIDATED CASH-FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance / amortisation of subordinated debt financing (+/-)	-	-
Dividends/Interest paid (-)	-	-
TOTAL NET CASH FLOWS FROM FINANCING ACTIVITIES (3)	-	-
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (4)	-	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(112,123)**	**166,198**
Cash or cash equivalents at beginning of the year	240,376	74,177
Cash or cash equivalents at end of the year	128,253	240,376

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2007

1.- INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

The Instituto de Crédito Oficial (hereinafter the Institute or ICO) was created by 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, where it carries out all of its activities and it does not have any office network.

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 and 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 finances, 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 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 matters not covered by the above are governed by the special legislation applicable to credit institutions and general civil, mercantile and employment legislation.

The Institute's purpose is to sustain and promote economic activities that contribute to growth and the improvement of national wealth distribution and, in particular, all those that are deserving of 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 means to purposes.

The Institute also has the following duties:

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 respect from the Council of Ministers or the Government Commission for Economic Matters.

b) Act as the 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 former official banks now forming part of Banco de Bilbao Vizcaya Argentaria, S.A. (hereinafter BBVA), by virtue of the Resolution adopted by the Council of Ministers (hereinafter RCM) on 15 January 1993.

2. Reciprocal Interest Adjustment Agreement (hereinafter RIAA). This export support system ensures a yield 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 a payment is made by the Institute to the State, depending on which party is the debtor or creditor, respectively.

3. Development Assistance Fund (hereinafter DAF). It was created in 1976 by Royal Decree-Law 16/1976 and it consists of providing credit to developing countries under conditions that are more favourable than can be provided by the market, with the aim of encouraging Spanish exports. 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 the ICO is reimbursed for the cost of management in accordance with the General State Budget for each year.

4. Fund for granting microloans for social development projects abroad, created in accordance with Article 105 of Law 50/1998 (30 December) on Administrative and Social Order Tax Measures, as a financial instrument through which the Government may attain the funds necessary to grant loans to improve the living conditions of vulnerable populations and the execution of basic social development projects. As is the case with DAF, the Institute acts as a government agent, administrating and accounting for these operations separately from the rest of its activities.

   The last three types of operations are not included in the accounts kept by the Institute. In this connection, Article 41.3 of Law 46/1985 states as follows: “The structuring and administration of operations charged to the institute will be the responsibility of the Institute and the accounts will be kept separate from the rest of its operations”. Additional Provision Fourteen of Law 47/2003 stipulates: “In any event, these funds will be accounted for separate from the accounts relating to the State”.

1.2 Basis of presentation of the annual accounts

The consolidated annual accounts for the year ended 31 December 2007 have been prepared on the basis of the accounting records of the Parent entity and each of the companies that make up the Group and include the necessary adjustments and reclassifications to ensure consistency of accounting and presentation standards and are presented in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union, under the accounting and valuation policies described in Note 2, such that they present fairly the net worth and financial situation of the Group at 31 December 2007 and the results of its operations, the changes in equity and cash flows for the period 1 January to 31 December 2007.

No mandatory accounting principle or standard that has a significant effect on the annual accounts has been omitted. Unless otherwise stated, these annual accounts are presented in thousand euros (€k)

1.3 Responsibility for information and estimates made

The information contained in Group's consolidated annual accounts for the year ended 31 December 2007 and the accompanying Notes to the Consolidated Annual Accounts are the responsibility of the Chairman. When preparing these consolidated annual accounts, at times estimates made by Group has been used to quantify some of the assets, liabilities, income, expenses, and commitments. These estimates relate basically to:

- Impairment losses on certain assets.
- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees.
- Useful lives of PPE and intangible assets.
- Losses on future obligations deriving from contingent risks.
- The reversal period for timing differences.
- The fair value of certain unlisted assets.

These estimates were made based on the best information available at 31 December 2007 in connection with the facts analysed. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively, to recognise the impact of the change in the estimate on the consolidated income statement for the years in question.

1.4 Transfer of assets and liabilities from the former Argentaria

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

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

Furthermore, on 25 March 1993 a management agreement was concluded with the relevant banks regarding the transferred assets and liabilities, which includes both the administration and the adequate accounting for these items in accordance with current banking legislation. The management commissions accrued in 2007 and 2006 totalled €401k and €658k, respectively.

At 31 December 2007 and 2006 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:

ASSETS AND LIABILITIES MANAGED BY BBVA	THOUSANDS OF EUROS	
	2007	2006
Credit institutions	74	75
Loans to Spanish Public Administrations	1,009	1,164
Loans to other resident sectors	427	526
Doubtful assets	22,121	26,234
Non-current assets	34	65
Sundry accounts	(34)	(52)
Accrual accounts	2	2
Total assets	**23,633**	**28,014**
Sundry accounts	2,031	2,075
Connection account with ICO	21,205	22,827
Profit for year	397	3,112
Total liabilities	**23,633**	**28,014**

The balances of the above accounts relating to 2007 and 2006 do not coincide with the balances included in the Institute's annual accounts at 31 December 2007 and 2006, due to the fact that the latter have only included accounting information up until 31 October 2007 and 30 November 2006, respectively. This accounting information is received from BBVA and the information relating to December 2007 and 2006 did not arrive in time to be included in the closing for the year. Nonetheless, the differences in the balances are not significant. Profit for the year would have been €91k and €116k higher had the balances relating to the months of November and the month of December been included in the Institute's annual accounts at 31 December 2007 and 2006, respectively.

1.5 Presentation of consolidated annual accounts

In addition to the operations carried out directly, ICO is the Parent entity of a group of subsidiaries, which engage in various activities which are detailed below, and together with which it forms the ICO Group.

Consequently, the Institute has prepared consolidated annual accounts for ICO Group, in addition to its own annual accounts, in accordance with current legislation and including interests held in combined businesses and investments in associated entities (Appendix I).

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

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 2007 and 2006, prepared under the same accounting principles and standards as applied by the Group in consolidated accounts:

A) INDIVIDUAL BALANCE SHEETS AT 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Cash and balances with central banks	128,109	236,630
Financial assets held for trading	466,019	197,463
Available-for-sale financial assets	118,998	120,142
Loan and receivables	27,760,529	31,083,509
Held-to-maturity investments	10,662,707	-
Hedging derivatives	394,718	378,245
Non-current assets held for sale	54,186	55,858
Investments	33,372	30,431
Tangible assets	108,178	108,622
Intangible assets	6,909	3,062
Tax assets	132,325	86,941
Prepayments and accrued income	559	498
Other assets	15,007	15,558
Total assets	**39,881,616**	**32,316,959**
Financial liabilities held for trading	321,836	182,921
Financial liabilities at amortised cost	33,614,618	28,161,126
Hedging derivatives	3,600,798	2,250,062
Provisions	241,312	224,922
Tax liabilities	31,895	74,636
Accrued expenses and defered income	2,550	458
Other liabilities	2,240	3,598
Total liabilities	**37,815,249**	**30,897,723**
Valuation adjustments	(158,352)	(53,795)
Own Funds	**2,213,153**	**1,450,285**
Capital or endowment fund	1,629,144	958,758
Reserves	513,230	410,069
Profit and loss for the period	82,345	104,204
Total equity	**2,066,367**	**1,419,236**
Total equity and liabilities	**39,881,616**	**32,316,959**
Contingent risks	1,329,096	1,170,446
Contingent commitments	9,349,546	6,631,377
Total memorandum item	**10,678,742**	**7,801,823**

B) INDIVIDUAL INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Interest and similar income	1,647,437	1,068,227
Interest and similar charges	(1,437,966)	(872,236)
Return on equity instruments	242	43
Net interest income	**209,713**	**196,034**
Fee and commission income	17,117	14,114
Fee and commission expense	(2,003)	(1,871)
Gain or losses on financial assets and liabilities	3,264	1,539
Exchange differences (net)	(758)	(2,400)
Gross income	**227,333**	**207,416**
Other operating income	2,562	2,541
Personnel expenses	(15,879)	(15,173)
Other general expenses of Administration	(21,997)	(18,883)
Depreciation	(3,001)	(3,580)
Other operating charges	-	-
Net operating income	**189,018**	**172,321**
Asset impairment losses (net)	(73,696)	14,650
Provisions expense (net)	(1,909)	(31,372)
Other gains	8,148	4,623
Other losses	(13,721)	(3,045)
Profit or loss before tax	**107,840**	**157,177**
Income tax	(25,495)	(52,973)
Profit or loss from ordinary activities	**82,345**	**104,204**
Profit or loss from discontinued operations (net)	-	-
Profit or loss for the period	**82,345**	**104,204**

C) INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Net income recognised directly in equity	**(104,557)**	**5,789**
Available-for-sale financial assets	(2,153)	2,354
Financial liabilities at fair value through equity	-	-
Cash-flow hedges	(102,404)	3,435
Hedge of net investments in foreign operations	-	-
Exchange differences	-	-
Non-current assets held for sale	-	-
Profit or loss for the period	**82,345**	**104,204**
Published profit or loss for the period	82,345	104,204
Adjustments due to changes in accounting policy	-	-
Adjustments made to correct errors	-	-
Total income and expense for the period	**(22,212)**	**109,993**

D) INDIVIDUAL CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

THOUSANDS OF EUROS

	2007	2006
Cash flows from operating activities		
Profit or loss for the period	82,345	104,204
Adjustment to profit or loss	104,035	68,810
Net increase/ decrease in operating assets	(3,456,813)	(4,143,277)
Net increase/ decrease in operating liabilities	6,922,551	(5,162,952)
Cash flows from investing activities		
Investments	10,675,259	(4,803)
Divestments	994	1,013,916
Total net cash flows from financing activities	-	-
Effect of changes in exchange rates on cash and cash equivalents	-	-
Net increase/decrease in cash or cash equivalents	**108,521**	**162,452**
Cash or cash equivalents at beginning of the year	**236,630**	**74,178**
Cash or cash equivalents at end of the year	**128,109**	**236,630**

1.6 Comparability

For the purposes of comparison, the Group presents the figures for 2006 for each of the items set out in these consolidated annual accounts together with the figures for 2007.

In accordance IAS 8, when prior- year errors are observed as a result of omissions or inaccuracies or faults in the use of the information available in those periods, such errors will be corrected applying the same rules as those governing a change in the accounting criteria applied. These rules require that material prior-year errors be corrected on a retrospective basis in the first financial statements prepared following their detection as if the error had at no time occurred, both the information included in the notes to the previous year accounts and the oldest balance sheet reported being restated.

As a result of operational errors in the systems managing certain exchange insurance transactions arranged prior to 2007 and the errors when considering the nature of certain tax adjustments at 31 December 2006 and 2005, there were differences between the balances included in the annual accounts for those years relating to such items and those that would have arisen had adequate interpretations and the criteria contained in IAS 39 and 12 been applied.

As required by accounting legislation, the Chairman of the Institute presents, for comparative purposes, for each item in the present annual accounts, the corresponding figures for the previous year that have been restated taking into account the accounting errors mentioned in the paragraph above, as well as the figures for 2007. Therefore the figures for the previous year differ from those contained in the approved 2006 annual accounts as mentioned below:

FIGURES AT 31 DECEMBER 2006 ACCORDING TO THE ANNUAL ACCOUNTS		THOUSANDS OF EUROS
	Restated	Drawn up
Balance sheet		
Deferred tax assets	86,482	61,622
Hedging derivatives -Liability	2,250,062	2,243,015
Accumulated reserves	414,581	395,970
Profit for the year	**103,524**	**106,107**
Statement of changes in equity		
Total income and expense for the year	**109,313**	**111,896**

Additionally, the balances under “Other Reserves” and "Profits" at 31 December 2005, included in Note 22, have been changed, the initial balances recorded amounting to €310,504k and €51,092k, respectively.

There have been no accounting changes with a significant effect on the comparison of the annual accounts for 2007 and 2006, other than those mentioned above.

1.7 Environmental impact

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

The Institute considers that the Group has taken appropriate environmental protection and improvement measures and for minimizing, whenever applicable, the environmental impact, and complies with rules enforced in this regard. In 2007 and 2006 the Group has not carried out significant environmental investments and neither has it considered it necessary to record any provision for environmental risks and charges. Nor does it consider that there are any significant contingencies in connection with environmental protection and improvement.

1.8 Minimum coefficients

1.8.1 Minimum equity ratio

Law 13/1992 (1 June) and Bank of Spain Circular 5/1993, and successive amendments, regulate minimum equity that must be maintained by Spanish credit institutions and the manner in which equity must be calculated.

At 31 December 2007 and 2006, the Group's computable equity exceeded the amount required by those regulations.

1.8.2 Minimum reserves ratio

In accordance with monetary circular 1/1998, of 29 September 1998, that came into effect on 1 January 1999, the ten-year cash ratio was replaced with the minimum reserve ratio.

At 31 December 2007 and 2006, and throughout 2007 and 2006, the Group complied with the minimum ratios required by applicable Spanish regulations.

1.9 Post-balance sheet events

Final Provision 14.3 of 2008 General State Budget Law 51/2007, of 26 December 2007, includes, with effect 1 January and for an indefinite duration, the amendment of Additional Provision 49 of Law 42/2006, of 29 December 2006, such that "the loan indicated in paragraph 4 of point 1 of the Resolution of the Cabinet meeting of 11 December 1987 shall be considered in its entirety a contribution by Central Government to the equity of Instituto de Crédito Oficial". Accordingly, this contribution amounting to €75 million has been reflected for accounting purposes as equity in January 2008.

Additionally, and 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 2008 totals €40 million.

Chapter VIII of the General State Budgets for 2008 envisages (as in previous years) a new contribution to ICO's equity amounting to €303 million in order to increase the Institute's equity and adapt it to its operations.

1.10 Information per business segment

The Group's principal activity is the granting of lines of credit and direct loans and therefore, in accordance with relevant legislation, it is considered that the information relating to the segmentation of operations into different lines of business 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 interest.

2.- ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT METHODS APPLIED.

During the preparation of Group's consolidated annual accounts for the year ended 31 December 2007, the following accounting principles and policies and measurement methods have been applied:

2.1 Shareholdings

2.1.1 Group entities

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

The subsidiaries' annual accounts 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.

Additionally, third-party interests in the:

- Group's equity are presented in "Minority interests" in the consolidated balance sheet, and there is no balance at 31 December 2007 and 2006.

- Consolidated results for the year are presented in "Surplus attributed to minority interests" in the consolidated income statement, and there is no balance at 31 December 2007 and 2006.

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 to the year end.

Appendix I provides relevant information on these entities.

2.1.2 Associated entities

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

Shareholdings in "Associated entities" are presented in these annual accounts under the heading "Shareholdings-Associated entities" in the balance sheets and are stated at acquisition costs, net of any impairment that they may have undergone.

The results on the transactions between the associate and Group companies are eliminated in the percentage represented by the Group's interest in the associate.

The results recorded in the year by the associate, following the elimination referred to above, increase or decrease, as appropriate, the value of the relevant shareholding in the consolidated annual accounts. The amount of these results is recorded under "Results in companies carried under the equity method" in the consolidated income statement (Note 28).

The variations in the valuation adjustments of the associate, 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 provides relevant information on these entities.

2.2 Financial Instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the balance sheet when the Group becomes party to the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash are recognised as from the date on which the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, derivative financial instruments are recognised on the date they are 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 recognised at the settlement date, transactions effected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions effected using debt instruments traded in Spanish securities markets are recognised at the settlement date.

2.2.2 Disposal of financial instruments

A financial asset is written off the balance sheet in any of the following circumstances:

- The contractual rights to the cash flows generated have expired; or
- The financial asset, together with its substantial risks and returns, or control is transferred, even where they are not transferred and substantial risks and returns are not retained.

A financial liability is written off the balance sheet when the obligations generated have been extinguished or when it has been re-purchased by the Group for either replacement or settlement.

2.2.3 Fair value and amortised cost of financial instruments

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 organised, transparent and deep market ("quoted price" or "market price").

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, 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 organised, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organised markets.

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

Amortised cost is the acquisition cost of a financial asset or liability adjusted (upward or downward) for capital and interest repayments and, where applicable, for the (higher or lower) portion (recognised 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 amortised 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 throughout 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 rate. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions, and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

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:

1) Financial assets and liabilities at fair value through the income statement: this category is made up financial instruments classified as trading portfolio and other financial assets and liabilities classified at fair value through the income statement:

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

- "Other financial assets or liabilities at fair value through the income statement" are hybrid financial instruments which are simultaneously made up of an embedded derivative and a principal financial instrument which do not form part of the trading portfolio and for which, while complying with the requirements contained in prevailing legislation to record separately the embedded derivative and principal financial instrument, such separation cannot be effected.

  The category "Other financial assets and liabilities at fair value through the income statement" also includes financial assets that, while not forming part of the trading portfolio, are managed together with insurance contract liabilities carried at fair value or with derivative financial instruments designated as fair-value hedges to significantly reduce the overall exposure to interest-rate risk.

  Financial instruments classified as at fair value through the income statement are initially carried at fair value and any changes in fair value are subsequently recorded with a balancing entry in "Results from financial transactions" in the consolidated income statement, except for changes in that fair value due to accrued return on financial instruments other than derivatives held for trading which should be recorded under "Interest and similar revenues", "Interest and similar charges" or "Return on equity instruments in the consolidated income statement, on the basis of their nature. The returns on debt instruments included in this category are calculated using the effective interest method.

2) 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 outset and at any subsequent date based on the intention and financial capacity to hold them to maturity.

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

3) 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, as adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under applicable accounting legislation, must be recognised in the consolidated income statement using the effective interest method. Following acquisition, the assets acquired in this category are carried at amortised 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 recognised as financial income, applying the effective interest method during the period to maturity.

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

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

4) 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, as adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognised in the consolidated income statement using the effective interest method defined in applicable accounting legislation, 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 carried at fair value.

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

   Balancing entries are made in “Interest and similar income” (calculated using the effective interest method) and “Return on equity instruments - Other equity instruments” in the consolidated income statement, with respect to changes in the fair value of financial assets classed as available for sale, relating 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 accounted for as mentioned in Note 2.4. Changes in fair value of financial assets covered by fair-value hedges are stated as mentioned in Note 2.3.

A balancing entry is made in “Equity-Measurement adjustments-Available-for-sale financial assets”, in the Group's equity, with respect to 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.

5) Financial liabilities at fair value through equity: This category includes those financial liabilities associated with financial assets classified as available for sale and which originate in asset transfers and should be carried at fair value through equity.

6) Financial liabilities at amortised cost: This category of financial instruments relates to financial liabilities that are not included in any of the previous categories.
The financial liabilities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the issue of the financial liability, which are recognised in the income statement using the effective interest method, defined in applicable accounting legislation to maturity. Subsequently they are measured at amortised cost, calculated by applying the effective interest rate method defined in applicable accounting legislation.

The liabilities issued by the Group that do not meet the conditions for being classified as financial liabilities, i.e. their existence leads to a contractual obligation for the Group to deliver cash or another financial asset or to exchange financial assets or liabilities with third parties under potentially unfavourable conditions, are classified as equity financial liabilities.

The interest accrued on these assets, calculated using the effective interest method, is recognised 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 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 classed as non-current assets available for sale, in accordance with NIIF 5, are carried in the consolidated annual accounts as explained in Note 2.16.

2.3 Hedging and mitigation of risks

The Group uses financial derivatives as part of its strategy to limit its exposure to interest rate, market and foreign-exchange risks. When these transactions comply with certain requirements established the legislation, they are classed as "hedges".

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 is sought to cover.

The Group only considere highly effective throughout the hedge term are treated as 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 inception and to the end of the defined hedging period defined, 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 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 referring specifically 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, with respect to the type of risk hedged, are recognised 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 in accordance with the criteria explained in Note 2.2, without any modification due to being considered as such.

In these latter cases, measurement differences are not recognised as results until the gains or losses on the hedged item are recorded in the income statement, or until maturity.

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

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

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

Should a cash-flow hedge transaction 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 recognised in the income statement.

2.4 Foreign currency transactions

2.4.1 Functional currency

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

Set out below are the total assets and liabilities denominated in foreign currency held by the Institute, the Group´s Parent entity, at 31 December 2007 and 2006:

THOUSANDS OF UNITS OF EACH FOREIGN CURRENCY

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Pounds sterling	528,545	2,950,252	444,339	2,474,960
US Dollars	1,885,521	9,701,730	1,731,984	11,195,191
Canadian dollars	-	1,364,576	-	1,363,840
Swiss Francs	10,076	686,906	10,146	427,066
Norwegian kroner	-	8,147,871	-	7,147,891
Japanese Yen	29	147,493	29	95,694
Australian dollars	-	3,793,255	-	2,643,539
Other traded currencies	-	564,761	-	402,722
Other non-traded currencies	328,308	21,142	307,193	-

The equivalent value in euros of assets and liabilities denominated in foreign currency, classified by nature, recorded by the Institute, the Group´s parent entities at 31 December 2007 and 2006 is as follows:

IN EUROS

	2007		2006	
	Assets	Liabilities	Assets	Liabilities
Spanish credit institutions in Spain	74,076	171,017	83,759	181,906
Spanish credit institutions abroad	5,260	137	28,517	-
Foreign credit institutions abroad	173,374	286,847	30,028	295,157
Loans/Deposits Spanish Public Administrations	-	598	-	685
Loans to/deposits with other resident sectors	648,802	-	572,966	644
Loans/Deposits non-resident Public Administrations	-	-	489	-
Loans/Deposits, other non-resident sectors	1,434,545	-	1,564,543	-
Provisions denominated in foreign currency	-	1,288	-	2,319
Bonds and debentures issued and others	83	16,281,481	10,202	16,327,805
	2,336,140	**16,741,368**	**2,290,504**	**16,808,516**

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

1) 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.

2) Non-monetary items measured at cost are translated at the exchange rate on the date of acquisition.

3) Non-monetary items measured at fair value are translated at the exchange rate on the date on which fair value is determined.

4) Income and expense are translated by applying the exchange rate 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 is translated at the exchange rate applied to the relevant asset.

   Exchange differences arising on translation 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 on 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 2007 and 2006 published by the European Central Bank at each of those dates.

The net amount of exchange differences arising on the conversion of receivables and payables denominated in foreign currency is a €758k loss at 31 December 2007 (€2,400k loss at 31 December 2006).

2.5 Recognition of revenue and expense

Set out below is a summary of the most significant accounting policies employed by the Group to recognise income and expense:

2.5.1 Interest income and expense, dividends and similar items:

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

2.5.2 Commissions, fees and similar items:

Income and expense relating to commissions and similar fees, which are not 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 for on an accruals basis.

2.5.4 Deferred collections and payments:

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

2.6 Offset of balances

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

2.7 Financial asset impairment

The carrying value of financial assets is generally adjusted against the consolidated 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 various 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 various events, making it impossible to recover their carrying value.

In the event that the recovery of any amount in respect of the impairment recorded is considered remote, such impairment is written off the consolidated balance sheet, although the Group may carry out the necessary actions to attempt to secure collection until the definitive extinguishment of its debt claims due to lapsing, remission or other reasons.

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 rate. In the case of listed debt instruments, market value may be used as a substitute, provided that it is sufficiently reliable to consider it to be representative of the value the Group will recover.

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

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

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity 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, inter alia, the type of instrument, the debtor's sector of activity, geographical area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

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

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

Debt instruments not measured at fair value through changes in the consolidated 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 applicable accounting legislation. 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 legislation, 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 circumstances known at the time of evaluation that relate to the inherent losses incurred at the date of the financial statements, calculated using statistical methods, that have yet to be assigned to specific transactions.

The Group has used the parameters established by the Bank of Spain, based on its sector experience and information, which determine the method and amount to be used to cover inherent impairment losses incurred in debt instruments and contingent risks classified as normal risk, 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 this legislation.

The recognition in the consolidated income statement of the accrual of interest on the basis of the contractual terms is interrupted for all debt instruments classified individually and for those for which impairment losses have been calculated collectively because the amounts involved are more than three months past due.

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 cost, net of 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 consolidated 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 consolidated 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, the losses recorded previously under equity are considered to be realised and are recognised in the consolidated income statement at the date of their classification.

For shareholdings in Multigroup companies and Associates, the Group estimates impairment losses by comparing the recoverable amount with their carrying value. Such impairment losses are recorded in the consolidated income statement for the period in which they arise while subsequent recoveries are recorded in the consolidated income statement for the recovery period.

2.8 Financial guarantees and related provisions

Financial guarantees are contracts in which an entity undertakes to pay specified sums for the account of a third party in the event that payment is not made by the third party, irrespective of the form of the obligation: guarantee deposit, financial or technical guarantee, irrevocable documentary credit issued or confirmed by the entity, etc.

Financial guarantees, irrespective of the holder, form or other circumstances, are analysed periodically in order to determine credit risk and, if applicable, estimate the need for provisions. The methods employed are similar to those applied to calculate impairment losses on debt instruments measured at amortised cost, as explained in Note 2.7 above.

Provisions for financial guarantees are recorded in the caption “Provisions-Provisions for contingent risks and commitments” under liabilities in the balance sheet. A balancing entry is made in the caption “Transfers to provisions (net)” in the income statement in respect of provisions recognised and reversed.

When a provision is required for financial guarantees, commissions pending accrual on the guarantees, carried in the balance sheet in the caption “Accrual accounts”, are reclassified to the relevant provision.

2.9 Accounting for leases

2.9.1 Finance leases

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

Whenever the Group 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 consolidated 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 theconsolidated 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 of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor, plus, if appropriate, the purchase option exercise price. These assets are depreciated at similar rates to those applied to the Group's property, plant and equipment for own use (Note 2.12).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the income statement captions "Interest and similar income" and "Interest and similar charges", applying the effective interest method on the lease to estimate accrual, calculated in accordance with the applicable accounting legislation.

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 Group acts as the lessor in operating lease agreements, the acquisition cost of the leased asset is carried 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 and the income from lease contracts is recognised in the consolidated income statement on a straight-line basis in the caption "Other operating revenue".

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

2.10 Staff costs

2.10.1 Short-term remuneration

Short-term remuneration 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 adjustment, at the amount payable for the services received and recorded, in general, as staff costs for the year and a liability accrual account is recorded for the difference between the total expense and the amount already paid.

2.10.2 Post-employment commitments

Pension commitments entered into by the Group with respect to employees are reflected in the collective wage agreement in force.

Institute 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 Doce Pension Fund, managed by Gestión de Previsión y Pensiones, Entidad Gestora de Fondos de Pensiones and deposited at BBVA.

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

- The professional group to which the employee pertains.

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

The amounts to be contributed are those approved in the General State Budget for each year, and the expense totalling €39k at 31 December 2007, is recorded under the heading “Staff costs” in the accompanying income statement (€105k at 31 December 2006).

2.10.3 Death and disability benefits and retirement bonuses

Commitments assumed with personnel for retirement bonuses and death and disability commitments prior to retirement and other similar items are estimated by calculating the present value of legal and implicit obligations at the date of the annual accounts, after deducting any actuarial loss less any actuarial gain, the cost of past services yet to be 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 2007 a provision was recorded for post-employment commitments amounting to €57k. No amount was provided at 31 December 2006.

2.10.4 Termination benefits

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

At 31 December 2007 and 2006, the Institute has not recorded any provisions in this respect as there is no plan or agreement that would require such an allocation.

2.11 Corporate income tax

Corporate income tax expense is recognized in the consolidated income statement, except when deriving from a transaction whose results is recorded directly in equity, in which case the corporate income tax is also recorded and the balancing entry is recorded under equity by the Group.

Income tax expense for the year is calculated as tax payable on taxable income for the year, as adjusted for variations during the year in asset and liability balances arising from temporary differences, tax credits and allowances, and any tax-loss carryforwards (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 that which will generate a future obligation for the Institute to pay the relevant Administration. A deductible temporary difference is understood to be that 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 carryforwards 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 provided the Institute considers that application in future years is probable.

Current tax assets and liabilities are amounts that the Institute expects to recover from or pay to the corresponding tax authorities within 12 months as from the date on which they are 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. Notwithstanding the above, no deferred tax liabilities are recorded based on the recognition of goodwill.

The Group 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 event that the Group considers it likely that there will be sufficient future taxable profits 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 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 in force and 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 adjudicated 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 adjudication.

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 indefinite life and is therefore not depreciated.

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

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

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

Similarly, when there are indications that the value of impaired property, plant and equipment has been recovered, the Institute recognizes the reversal of the impairment loss recorded in prior years by crediting the heading "Impairment losses - Property, plant and equipment" in the consolidated income statement and, consequently, adjusts future depreciation charges. Under no circumstances may the reversal of an impairment loss affecting an asset increase 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 is charged against results for the year in which they are incurred under the heading "Other general administration expenses" in the consolidated 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 consolidated 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, coincides 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 Group. Only intangible assets whose cost may be reasonably estimated on an objective basis and which the Institute deems likely to provide a future financial benefit are recognized for accounting purposes.

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

Intangible assets may have an "indefinite 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 Institute reviews their respective remaining useful lives in order to ensure that they continue to be indefinite. If this is not the case appropriate action is taken.

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

For intangible assets with both an indefinite and definite useful life, the Institute recognises any impairment in those assets and uses as a balancing entry “Asset impairment losses (net)-Other intangible assets” in the consolidated 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 annual accounts the Group differentiates between:

- Provisions: creditor balances that cover obligations in force at 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 Institute.

The Group's consolidated annual accounts include all significant provisions for obligations classed as probable. Contingent liabilities are not recognized in the consolidated annual accounts, but rather information is provided in accordance with the requirements of the applicable accounting legislation (Note 20).

Provisions which are quantified using the best information available on 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 2007 and 2006 year end, a number of legal proceedings and claims had been initiated against the Group, 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 consolidated annual accounts for the years in which they finalise.

Provisions deemed necessary as stated above are charged or credited to the consolidated 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 non-current 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

The heading "Non-current assets for sale" on the consolidated balance sheet records the book value of individual items that are very likely to be sold in their present condition within one year as from the date of the annual accounts.

Non-current assets held for sale also include holdings in associates or joint ventures that meet the requirements stated in the previous paragraph.

Consequently, the carrying amount of these items, which may be financial or non-financial in nature, will foreseeably be recovered through their selling price rather than through 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 with regard to the Institute are deemed non-current assets for sale, unless the Group has decided to use these assets on an on-going basis.

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 net of estimated cost of sales. While included in this category, property, plant and equipment, and intangible assets, subject to depreciation and amortisation by nature, are not depreciated or amortised.

In the event that the carrying amount exceeds the fair value of the assets, net of 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 consolidated income statement. In the event that the fair value of the assets were to increase 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 consolidated income statement.

3.- CUSTOMER SERVICE

On 24 July 2004, Order Eco 734 regarding customer service operations entered into force. This has the purpose of regulating customer services and ombudsmen at banks and financial institutions. With respect to this Service, and although the Group is not obligated to have a customer service department, the Group attends to all claims and complaints that it 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 2007 a total of 306 complaints were received, of which 304 were addressed within an average of 6.35 working days. Ninety-four percent of the total related to credit transactions in the intermediary line and were therefore passed on to the relevant financial institutions.

At 31 December 2006, and since the formation of the aforementioned Unit, a total of 30 claims had been addressed, 80% of which related to the Credit Lines under the Avaza Plan and all of which were passed on to the relevant financial institutions.

4.- DISTRIBUTION OF RESULTS

The distribution of 2007 profits, which totalled €79,188k, has not yet been decided by the General Assembly of the Institute, the Group's Parent entity. Such distribution will conform to the bylaws applicable to each consolidated company and entity.

The distribution of 2006 profits totalling €103,524k was made entirely to voluntary reserves.

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 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 classed into four categories: Liquidity risk, market risk, credit risk and operating risk.

- **Liquidity risk**: The risk incurred as a result of an absence of sufficient liquid resources to comply with obligations.

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

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

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

As a credit institution, the ICO, the Parent entity, is exposed to this group of risks that must be identified, measured and monitored in order to operate efficiently. This is done in accordance with 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, the Group's Parent entity, has created specialised units that report to the Sub-Directorate for Risk and Accounting, which reports to the General Directorate for Control and Administration.

The Sub-Directorate for Risk and Accounting is responsible for, among other things, the management of activities relating to the acceptance, measurement, management and control of risk, the supervision and monitoring of the client portfolio and Institute transactions, and keeping a map of the risks faced by the Institute, definition of criteria, proposal and recommendation of methodologies for the analysis, management and monitoring of credit risk and financial risks.

The three areas specialising in Risks are Financial Risks, Risk Acceptance, Monitoring and Supervision, each with specific duties.

The primary duties of the Financial Risk area are:

- Preparation, proposal and control of financial risk measurement methodologies applied by the Institute: market risks, cash transactions, credit and liquidity. Prepare a status report on financial risks.

- Control compliance with the limits of approved financial risks and policies. Monitor volume and prices.

- Regularly review lines of credit through the analysis of the financial-economic situations of counterparties. Analyse requests made by new counterparties for new lines of credit, control compliance with balance sheet lines of credit and supervise concentration levels with intermediaries.

- Review and define measurement, back-testing and stress-testing systems on an on-going basis.

- Propose criteria for market valuation of new financial products, establishing methodologies and risk measurement.

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

The primary duties of the Risk Acceptance area are:

- Evaluate the admissibility of the risk for new asset products.

- Analyse and prepare credit risk reports on transactions proposed to the competent body.

- Analyse, if appropriate, ICO's investment risk limits regarding clients and economic groups, particularly for economic sections considered to be necessary based on industry analysis.

- Analyse and value the risks assumed by ICO under any proposed modification to transactions already formalised that requires the approval of decision-making bodies.

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

The primary duties of the Monitoring and Supervision Area are:

- Analyse the proposal for mediation lines proposed to the competent body and monitor and verify compliance with the conditions for the current portfolio, making all necessary physical inspections and propose any appropriate corrective action in the event of any failure to comply.

- Establish and maintain an internal rating system, country risk classification system and an operational risk methodology.

- Exercise special control over doubtful and default transactions and make subjective proposals for provisions.

- Control transaction and client risks: verify compliance with the conditions of direct market and economic policy transactions, formalised and managed by ICO, until maturity. Calculate and monitor ratios and covenants, control all required documentation, payment status and guarantees, as well as the development of credit risk as a whole.

- Management of support documentation for the Monitoring Commission.

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

In summary, the ICO, the Group's Parent entity, has a team of professionals specialised in each type of risk, each responsible for their own duties and act in accordance with the inspirational risk principles, the risk policy manual in force and existing internal procedures.

5.3 Liquidity risk at the Group

National legislation contains several references to be taken into consideration when adequately managing this risk. There are also international recommendations of reference, such as those established in the document published by the Basle 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.

This completely defines 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.

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 and 3 months.

The ICO, the Group's Parent entity, has established quantitative limits and alerts that allow us to get ahead of 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.

5.4 Market risk at the Group

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, the Group's Parent entity, is currently attempting to minimise trading portfolios and hold only those that, owing to the application of current legislation, do not allow for 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: Yield and Solvency.

   Yield: At ICO this fundamentally derives from the income statement and therefore the relevant variable 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, if any exist.

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

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

With respect to V.a.R., the methodology 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, the Group's Parent entity, is the responsibility of Senior Management, at the proposal of the Directorate for Risks and Accounting, establishes the acceptable limits based on the particular characteristics of the ICO. These limits are reviewed regularly and, at least, on an annual basis.

The sensitivity of net interest income at 31 December 2007 to movements in interest rates of 100 base points was 12.05% in the euro and 0.61% in the US dollar. The sensitivity to exchange rate fluctuations (movements of +/- 10%) was 0, 75%.

The sensitivity of equity at 31 December 2007 to movements in interest rates of 100 bp and fluctuations in the exchange rate of 10% was 0.82% in the euro and 0.14% in the US dollar (and 0.24% in respect of the exchange rate).

At 31 December 2006, the sensitivity of the net interest income to movements of 100 bp was 12.90% in the euro and 0.44% in the US dollar. The sensitivity to variations in the exchange rate (movements of +/- 10%) was 1.35%.

The sensitivity of equity at 31 December 2006 also to movements in interest rates of 100 bp and in the exchange rate of 10% was 0.67% in the euro and 0.16% in the US dollar (0.37% in respect of the exchange rate).

4) **Risk modification**. The last step for efficient risk management is the capacity 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 Directorate General for Investments and Finance or the Operations Committee.

The principal currencies used by ICO to present its balance sheet at 31 December 2007 are the euro and US dollar, which account for 95% of total balance sheet and off-balance sheet transactions, of which approximately 83% is in euros and the remaining 17% in US dollars (compared with 95% of total balance sheet and off-balance sheet transactions at 31 December 2006, of which approximately 79% are in euros and the remaining 21% in US dollars).

The classification by residual periods of ICO assets and liabilities in euros, not including valuation adjustments, at 31 December 2007, is set out in the table below:

THOUSANDS OF EUROS

	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	Over 5 years	Total
ASSETS								
Cash and deposits at central banks	**128,109**	**-**	**-**	**-**	**-**	**-**	**-**	**128,109**
Deposits at credit institutions	**-**	**1,954,654**	**1,072,185**	**1,713,996**	**2,784,682**	**3,295,071**	**3,014,296**	**13,834,884**
Customer loans	**-**	**137,718**	**210,929**	**128,094**	**465,601**	**4,577,867**	**6,235,310**	**11,755,519**
Spanish Public Admin.	-	64,885	3,847	10,606	92,034	354,724	559,930	1,086,026
Other resident sectors	-	68,505	199,076	98,440	342,422	4,002,640	5,484,107	10,195,190
Non-residents	-	4,328	8,006	19,048	31,145	220,503	191,273	474,303
Debt securities	**-**	**-**	**60,000**	**-**	**-**	**-**	**10,633,203**	**10,693,203**
	128,109	2,093,372	1,343,114	1,842,090	3,250,283	7,872,938	19,882,809	36,411,715

THOUSANDS OF EUROS

	On demand	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 years	Over 5 years	Total
LIABILITIES								
Credit institution deposits	**-**	**-**	**8,261**	**23,225**	**24,960**	**331,203**	**209,727**	**597,376**
Customer funds	**37,287**	**576,032**	**1,156,186**	**130,853**	**-**	**-**	**740,692**	**2,641,050**
Spanish Public Admin.	-	-	-	-	-	-	740,692	740,692
Other resident sectors	22,249	576,032	1,156,186	130,853	-	-	-	1,885,320
Non-residents	15,038	-	-	-	-	-	-	15,038
Debt securities	**-**	**61,809**	**-**	**1,720,059**	**1,838,583**	**7,848,128**	**630,230**	**12,098,809**
Other maturing liabilities	**-**	**-**	**-**	**833,741**	**-**	**-**	**-**	**833,741**
	37,287	637,841	1,164,447	2,707,878	1,863,543	8,179,331	1,580,649	16,170,976

The same information at 31 December 2006 is as follows:

THOUSANDS OF EUROS

	On demand month	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 year	Over 5 years	Total
ASSETS								
Cash and deposits at central banks	**236,630**	**-**	**-**	**-**	**-**	**-**	**-**	**236,630**
Deposits at credit institutions	**-**	**937,631**	**886,579**	**1,334,270**	**2,447,449**	**12,790,323**	**1,632,317**	**20,028,569**
Customer loans	**-**	**217,218**	**177,060**	**252,332**	**539,988**	**3,239,658**	**4,586,888**	**9,013,144**
Spanish Public Admin.	-	3,302	8,159	20,018	232,971	475,696	487,497	1,227,643
Other resident sectors	-	131,302	160,896	214,725	277,989	2,506,433	3,947,198	7,238,543
Non-residents	-	82,614	8,005	17,589	29,028	257,529	152,193	546,958
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	236,630	1,154,849	1,063,639	1,586,602	2,987,437	16,029,981	6,219,205	29,278,343

THOUSANDS OF EUROS

	On demand month	Up to 1 month	Between 1 and 3 months	Between 3 and 6 months	Between 6 and 12 months	Between 1 and 5 year	Over 5 years	Total
LIABILITIES								
Credit institution deposits	**-**	**-**	**312,093**	**14,937**	**28,448**	**355,675**	**578,375**	**1,289,528**
Customer funds	**34,675**	**644,436**	**261,719**	**359,573**	**22,890**	**183,122**	**688,605**	**2,195,020**
Spanish Public Admin.	-	-	-	22,890	22,890	183,122	688,605	917,507
Other resident sectors	20,690	644,436	261,719	336,683	-	-	-	1,263,528
Non-residents	13,985	-	-	-	-	-	-	13,985
Debt securities	**-**	**221,268**	**31,469**	**830,160**	**830,357**	**5,496,747**	**451,329**	**7,861,330**
Other maturing liabilities	**-**	**-**	**-**	**37,984**	**-**	**-**	**-**	**37,984**
	34,675	865,704	605,281	1,242,654	881,695	6,035,544	1,718,309	11,383,862

With respect to currencies other than the euro and dollar with which the Group operates, its balance sheets are closed to 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 custom designed to avoid these risks.

In addition to the establishment of limits, monitoring and control of regular compliance, the Group has established an integrated system through the application of measurement, management and control of risks in order to verify the influence that various 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 the Group

As has already been mentioned 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 lines of credit available at any given moment.

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

The basic criteria for establishing counterparty lines are also approved by ICO's General Council on an annual basis. These counterparty lines are subdivided into two broad groups as a result of the operating characteristics of the ICO. The first of the counterparty lines relate to cash transactions. The other counterparty line relates to mediation transactions, transactions in which the ICO finances various investment projects through framework programmes concluded with various entities operating in Spain such as, for example, lines for small and medium-sized businesses.

Currently, transactions involving derivatives contracted by ICO have counterparties with high credit ratings such that at least 99% of them maintain an Agency rating equal or higher than A-. 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 Oversight.

Acceptance performs an analysis of companies and transactions based on a going-concern evaluation and guarantees are examined to issue an opinion as to 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 Group's credit portfolio of the highest quality, i.e. it ensures that our loans are 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 for a client and its group. This is achieved through ongoing controls, regular reviews, rating updates and alert systems such that the entire portfolio is classified into one of the following categories: Normal monitoring, Special monitoring and Recovery.

Finally, 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 with respect to: i) investments financed through ICO funds and ii) beneficiary conditions meeting the terms of agreement concerned.

Under the heading regarding credit risk, special mention must be made of 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.

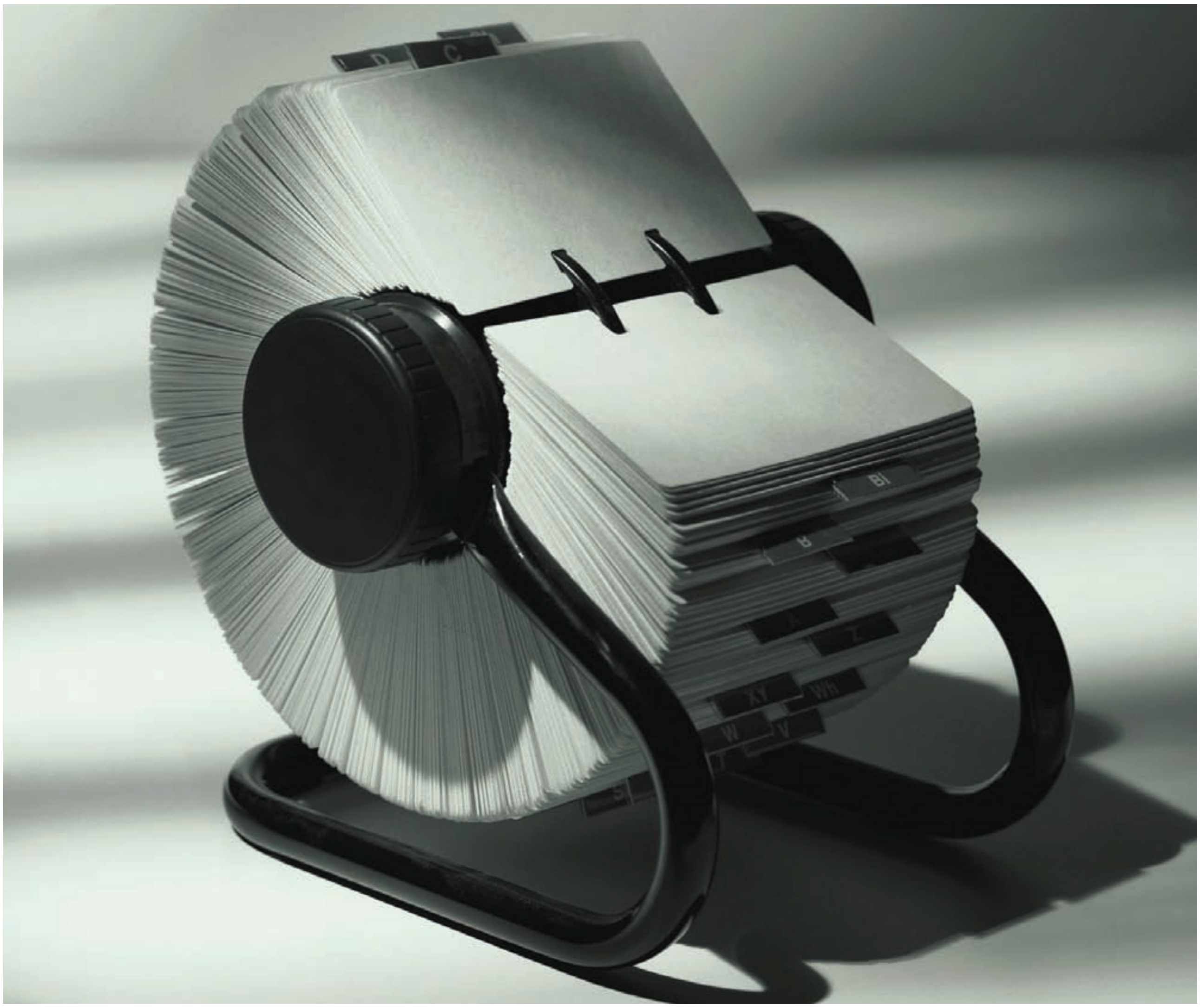
In this connection, ICO, the Group's Parent entity, has approved a methodology for measuring country risk that follows current legislation and complies with the objective of evaluating countries by risk group based on multiple criteria, thereby allowing for a defined policy when recording provisions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

In order to reduce the Institute's credit risk with Spanish financial institutions deriving from the Intermediary Lines since 2001 and avoid the concentration of risk in the same, a securitization transaction was completed that will enable a more consistent management of the Group's credit risk (Note 9).

5.6 Operating risk at the Group

It is increasingly more important to measure and control operating risks, especially bearing in mind the New Capital Accord (Basle 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. The regular controls applied to procedures and operations should be emphasized, which are performed by internal and external auditors.



5.7 Active credit risk with companies

5.7.1. Classification by sector

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

THOUSANDS OF EUROS

	2007		2006	
Outstanding risk by sector	**Amount**	**% /total**	**Amount**	**% /total**
Investment properties	**643**	**4**	**539**	**5**
Construction of social housing for rent	368	2	374	3
Acquisition and development of land	121	1	112	1
Other	154	1	53	1
Investment intangible assets	**33**	**-**	**-**	
Investment tangible assets	**8,877**	**60**	**7,660**	**64**
Renewable energies	548	4	437	4
Water infrastructures	71	-	26	-
Electricity infrastructures	1,719	12	1,412	12
Gas and fossil fuel infrastructures	709	5	928	8
Transport infrastructures	4,416	30	3,727	30
Tourism and leisure	183	1	187	2
Social-health infrastructures	90	1	84	1
Telecommunications	366	2	453	4
Audiovisual production and exhibition	46	-	51	-
Business parks and other constructions	33	-	34	-
Other	696	5	304	3
Acquisitions of companies	**3,273**	**22**	**1,928**	**16**
General corporate needs	**1,139**	**8**	**977**	**8**
Restructuring of liabilities	**151**	**1**	**182**	**2**
General State Budgets	**585**	**5**	**584**	**5**
Financial intermediary services	**41**	**-**	**39**	**-**
	14,742	**100**	**11,892**	**100**

As with other business figures, at 31 December 2007 the outstanding risk is concentrated in “Transport infrastructures” and “Acquisition of companies”. The outstanding risk relating to both sectors amounts to €7,689 million (52% of the total outstanding risk).

At 31 December 2006, as with approvals, formalisation and utilisation, there is a 61% concentration in three sectors: "Transport infrastructure and construction", "Production and distribution of electricity, gas and water” and "Acquisition of companies".

5.7.2. Classification by geographic location of financial investments

The total risk at 31 December 2007 is distributed as follows: 75% in transactions financing investments in Spain, amounting to €11,033 million (74% relating to €8.333 million at 31 December 2006) and 25% in transactions aimed at financing investment projects in other countries (26% at 31 December 2006).

Of the domestic total, the distribution of outstanding risks by autonomous region reflects that the regions with the greatest concentration at 31 December 2007 are Madrid, 22%, the Autonomous Region of Valencia, 6%, Cataluña, 5% and Andalucia, 5%, while at 31 December 2006, the relevant percentages were Madrid, 25%, Cataluña 7% and Andalucia, 7%, not taking into account the risks attributed to "general" domestic relating to transactions that, in light of their nature, are not located in a specific geographic area but throughout Spain.

Transactions taking place in the international market at 31 December 2007 and 2006 are distributed as follows in accordance with the active foreign risk:

THOUSANDS OF EUROS

	2007		2006	
	Amount	%	Amount	%
European Economic Community	1,077	28	984	32
Latin America	769	20	800	26
Brazil	500	13	554	18
United States	846	22	369	12
Rest of Europe (not EEC)	269	7	215	7
Other	385	10	154	5
	3,846	**100**	**3,076**	**100**

5.8 Risk concentration

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

6.- CASH ON HAND AND ON DEPOSIT AT CENTRAL BANKS

La composición del saldo de este capítulo de los balances de situación consolidados al 31 de diciembre de 2007 y 2006 es la siguiente:

	THOUSANDS OF EUROS	
	2007	2006
Cash on hand	152	3,753
Deposits at Bank of Spain	128,101	236,623
Mandatory to comply with minimum reserve ratios	124,850	58,911
Not mandatory	-	176,543
Accrued interest	3,251	1,169
	128,253	**240,376**

7.- TRADING PORTFOLIO

The total balance under this heading in the balance sheets at 31 December 2007 and 2006 is made up of trading derivatives.

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

Additionally, the balance includes the valuation of the derivative associated with the transaction Titulización ICO - Pyme, since it cannot be regarded as a hedge following the write-off of securitized loans from the balance sheet. The fair value of this instrument amounts to €125,076k at 31 December 2007.

The fair value of these items has been calculated in both 2007 and 2006, taking as a reference, implicit curves in monetary and government debt markets.

The effect on the consolidated income statement for the years ended 31 December 2007 and 2006 of the changes in the fair value of trading portfolio assets and liabilities is a profit of €3,264k and €1,539k, respectively.

Set out below is a breakdown, by class of derivative, of the fair value of the Institute's trading derivatives and their notional value (amount on which future payments and collections of these derivatives are based) at 31 December 2007 and 2006:

THOUSANDS OF EUROS

	Notional		Assets		Liabilities	
	2007	2006	2007	2006	2007	2006
By type of market						
Organised markets	-	-	-	-	-	-
Non-organised markets	17,281,292	3,439,824	466,019	197,463	321,836	182,921
	17,281,292	**3,439,824**	**466,019**	**197,463**	**321,836**	**182,921**
By type of product						
Swaps	17,281,292	3,439,824	466,019	197,463	321,836	182,921
	17,281,292	**3,439,824**	**466,019**	**197,463**	**321,836**	**182,921**
By counterparty						
Credit institutions	2,911,602	2,533,685	220,722	197,463	319,412	182,921
Other financial institutions	14,099,479	-	125,076	-	-	-
Other sectors	270,211	906,139	120,221	-	2 424	-
	17,281,292	3,439,824	466,019	197,463	321,836	182,921
By type of risk						
Exchange risk	1,894,513	2,146,321	325,073	171,790	315,262	165,005
Interest rate risk	15,386,779	1,293,503	140,946	25,673	6,574	17,916
	17,281,292	**3,439,824**	**466,019**	**197,463**	**321,836**	**182,921**

8.- AVAILABLE-FOR-SALE FINANCIAL ASSETS

An analysis of the balances of this caption in the consolidated balance sheets at 31 December 2007 and 2006, by instrument, is as follows:

	THOUSANDS OF EUROS	
	2007	2006
FONDICO, Fondo de Capital Riesgo [(1)]	101,415	101,692
FEI, Fondo Europeo de Inversiones [(2)]	2,496	1,000
EUROICO, Fondo de Capital Riesgo [(3)]	15,087	17,450
	118,998	**120,142**

(1) *Fund formed in May 1993, in which the Institute, the Group's Parent entity, is the sole participant. The book value of the interest held is €101,415k at 31 December 2007 (31 December 2006 €101,692k)., of which €47,390k has yet to be paid in.*

(2) *Interest equivalent to 0.25% of share capital. At 31 December 2007 and 2006 €4,000k is pending payment.*

(3) *Fund formed in May 1998, in which the Institutor, the Group´s Parent entity is the sole participant. The book value of the interest totals €15,087k and €17,450k at 31 December 2007 and 2006, respectively, and is fully paid. The European Investment Bank has granted the Institute, the Group's Parent entity, a loan totalling €14,319k and €13,601k at 31 December 2007 and 2006, respectively (Note 19.1), which falls due in 2008 and is associated with the results obtained from the investments made by the Fund.*

These investments are classified as financial assets available-for-sale at fair value, using the proportional book value at the yearend as a reference.

9.- LOANS

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2007 and 2006, classified by type of counterparty is as follows:

THOUSANDS OF EUROS	2007	2006
By counterparty categories	-	-
Credit institutions (Note 9.1)	14,115,287	20,200,424
Resident public administrations (Note 9.2)	1,089,771	1,232,319
Non-resident public administrations (Note 9.2)	12,759,449	9,875,823
Other resident sectors (Note 9.2)	2,126	-
Other non-resident sectors (Note 9.2)	1,203	4
Other financial assets		
	27,967,836	**31,308,570**
(Impairment losses)	(369,510)	(475,238)
Other measurement adjustments (*)	168,389	250,975
	27,766,715	**31,084,307**

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

On 8 March 2007 the Institute, the Group's Parent entity, carried out a transfer of assets in the form of securitization with respect to debt claims relating to the loans that ICO has granted to financial institutions through its Intermediary Lines since 2001 amounting to €14,099,000k.

The aforementioned securitization transaction was carried out through the formation of the Securitization Fund "ICO-MEDIACIÓN AyT, FTA" (hereinafter the Securitization Fund). The Fund's assets are made up of the debt claims assigned that serve as a guarantee of both a bond issue amounting to €13,169,000k and other fund liabilities amounting to €930,470k, that, by order of priority, are payable after the aforementioned bonds and that have been subscribed by other financial institutions. The aforementioned bond issue had been fully subscribed by the Institute and has been classified in the held-to-maturity investment portfolio at 31 December 2007 (Note 10). The issue was accepted for trading on "AIAF Mercado de Renta Fija" (fixed -income securities market) and rated AAA by the rating agency FITCH.

On this transaction, according to the criterion described in Note 2.2.2. and Regulation 39 of IAS, the risks and rewards associated with the ownership of the debt claims assigned have been substantially transferred to third parties, inter alia, through subordinated loans. The loans subject to securitization have therefore been written off.

Additionally, the Group has arranged with the Securitization Fund an interest rate swap that has been classified in the trading portfolio in the accompanying balance sheet at 31 December 2007.

Set out below is the movement for 2007 and 2006 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, 2006	**83,043**	**457,537**	**110,166**	**650,746**
Appropriations charged to income	-	10,995	39,750	50,745
Recoveries	(57,813)	(4,119)	-	(61,932)
Application of funds	-	(152,837)	-	(152,837)
Other movements	-	(1,813)	-	(1,813)
Adjustments for exchange differences	(6,142)	(3,529)	-	(9,671)
Balance as at December, 31 2006	**19,088**	**306,234**	**149,916**	**475,238**
Appropriations charged to income	-	22,071	50,555	72,626
Recoveries	(19,054)	(11,748)	-	(30,802)
Application of funds	-	-	-	-
Other movements	9,642	(153,264)	-	(143,622)
Adjustments for exchange differences	(375)	(3,555)	-	(3,930)
Balance as at December, 31 2007	**9,301**	**159,738**	**200,471**	**369,510**

The net amount carried in the accompanying income statements for 2007 and 2006 as a result of movements affecting assets whose recovery is deemed remote totals €1,377k and €17k, respectively.

The heading "Other movements" included in variations for 2007 in the specific provision records amounts reclassified by the Group, taking into account the nature of the transactions covered, broken down mainly as follows:

- The amounts used to record bad debt provisions during the term of the Central Government Loan - ICO, relating to the transactions of the Fesa - Enfersa e Inmobiliaria Espacio group, that totalled €97,872k, are considered contributions to the Group's equity (Note 22), insofar as these provisions are no longer necessary and are covered by the Provision Fund.

- Transfer, based on the nature of the coverage. to "Other provisions" (Note 20) of transactions covered by Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security Measures, amounting to €27,165k, including transactions linked to certain measures connected with the damages caused by the Prestige accident amounting to €17,975k and other transactions involving lower amounts.

- Reclassification to "Provision by country risk" of the coverage provided for transactions classified in the specific provision amounting to €9,302k.

Set out below is a breakdown of those financial assets classified as credits, loans and discounts and considered to be impaired due to the credit risk at 31 December 2007 and 2006 and those which, although not considered impaired, record some amount which is past due at that date, classified by counterparty and on the basis of time elapsed from the due date of the amount not paid at that date most outstanding on each operation. Impaired assets secured by Central Government are detailed in Note 9.2.

IMPAIRED ASSETS AT 31 DECEMBER 2007 — **THOUSANDS OF EUROS**

	Up to 6 months	Between 6 and 12 months	Between 12 and 18 months	Between 18 and 24 months	Over 24 months	Total
By counterparty categories						
Other resident and non-resident sectors	309,624	-	-	-	72,797	382,421
	309,624	**-**	**--**	**-**	**72,797**	**382,421**

At 31 December 2007 there is a balance of €9,302k relating to assets impaired by country risk, relating to three transactions.

IMPAIRED ASSETS AT 31 DECEMBER 2006 — **THOUSANDS OF EUROS**

	Up to 6 months	Between 6 and 12 months	Between 12 and 18 months	Between 18 and 24 months	Over 24 months	Total
By counterparty categories						
Other resident and non-resident sectors	416,460	3,039	3,275	-	29,463	452,237
	416,460	**3,039**	**3,275**	**-**	**29,463**	**452,237**

At 31 December 2006 there is a balance of €19,616k relating to assets impaired by country risk, relating to two transactions.

The amount of the unimpaired matured assets relating to 2007 and 2007 totals €10,974k and €20,813k, respectively, and their age in both years is between one and two months.

9.1 Deposits at credit institutions

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2007 and 2006 is as follows:

THOUSANDS OF EUROS	2007	2006
By nature		
Institute loans to BBVA (Note 9.1.1)	1,358,820	2,158,562
Deposits at credit and financial institutions (Note 9.1.2)	1,718,659	797,883
Financing loans for small and medium-sized businesses (Note 9.1.3)	8,337,815	12,827,330
Other mediation loans (Note 9.1.2)	2,679,213	4,406,938
Other demand accounts (Note 9.1.2)	20,780	9,711
	14,115,287	**20,200,424**
Impairment losses	(26,359)	(29,463)
Other measurement adjustments (*)	123,602	173,588
	14,212,530	**20,344,549**

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

9.1.1 Institute loans to BBVA

The breakdown, by product type, of the loans and current accounts granted to BBVA at 31 December 2007 and 2006, as well as the average annual interest charged during those years, is set out below:

THOUSANDS OF EUROS AND PERCENTAGES			Average nominal interest rate	
	2007	2006	2007	2006
Loans				
Ordinary financing	1,301,992	2,083,308	4.25%	3.11%
Official Export Credit	56,754	75,195	4.38%	3.74%
Other accounts	74	59	4.38%	3.74%
	1,358,820	**2,158,562**		
Current accounts				
Current Accounts and other outstanding debits (1)	8,975	2,327		
	1,367,795	**2,160,889**		

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

Of the total recorded under this heading, the amount denominated in foreign currency at 31 December 2007 and 2006 totalled €56,754k and €75,195k, respectively.

The interest accrued during 2007 and 2006 for these loans totalled €78,021k and €72,250k, respectively, which is included under the heading "Interest and similar revenues - credit institutions" in the income statement.

A breakdown of loans by maturity date, excluding restatement adjustments, at 31 December 2007 and 2006 is set out below:

		THOUSANDS OF EUROS
	2007	2006
Up to 1 year	684,413	792,075
From 1 to 2 years	150,715	685,848
From 2 to 3 years	150,715	152,149
From 3 to 4 years	150,715	152,149
From 4 to 5 years	150,715	152,149
More than 5 years	71,547	224,192
	1,358,820	**2,158,562**

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

At 31 December 2007 and 2006, the headings “Deposits in credit and financial institutions” and “Other mediation loans” accrued interest at 4.38% and 3.17% per year, respectively. Their composition, in terms of nature and currency, at 31 December 2007 and 2006 is set out below.

		THOUSANDS OF EUROS
	2007	2006
By nature		
Demand deposits	20,780	9,711
Fixed- term deposits	4,397,872	5,204,821
	4,418,652	**5,214,532**

"Time deposits" grouped by maturity date at 31 December 2007 and 2006 break down as follows:

	THOUSANDS OF EUROS	
	2007	2006
Up to 1 year	487,333	702,474
From 1 to 2 years	527,413	914,719
From 2 to 3 years	626,076	875,564
From 3 to 4 years	420,473	847,595
From 4 to 5 years	218,949	508,009
More than 5 years	2,117,628	1,356,460
	4,397,872	**5,204,821**

In transactions classified as "Other mediation loans", the ICO, the Group´s Parent entity assumes a percentage of credit risk that the entity receiving the funds holds, in turn, with respect to final borrowers.

At 31 December 2007 and 2006, a provision totalling €5,217k and €5,231k covering possible defaults arising under "Other mediation loans" had been recorded under the heading "provisions for liabilities and charges in the accompanying balance sheets (Note 20). These amounts cover 100% of the percentage risk assumed by the Group in this respect.

9.1.3 Financing loans for small and medium-sized companies

By virtue of the Resolution of the Council of Ministers adopted on 26 February 1993, a line of credit was opened to assist with the financing of small and medium-sized companies (SMB). This line is instrumented through loans granted by the Institute to various financial institutions, which formalised the loans with the companies concerned. During successive years this policy continued, and a line of credit in various amounts was approved for each year.

In 2007 and 2006 €9,000 million and €7,000 million, respectively, was approved.

By virtue of a Resolution adopted by the Government Commission for Economic Matters, ICO was authorised to charge the line items contained in the General State Budget for 2007 and 2006, the 0.35% difference between the 6-month Euribor rate (if variable) or the ICO reference rate (if fixed) and the rate assigned for the small and medium-sized business (SMB) line of credit for 2007 and 2006. Should the total amount of the budget be insufficient to cover all of the 0.35% difference, the Institute was authorised to charge the shortfall against the Special Provision fund created by Royal Decree-Law 12/1995.

The interest accrued during 2007 and 2006 for these loans totalled €313,953k and €375,726k, respectively, which is included under the heading "Interest and similar revenues - credit institutions" in the income statement.

The breakdown of SMB financing loans at 31 December 2007 and 2006, by maturity date, is as follows:

	THOUSANDS OF EUROS	
	2007	2006
Up to 1 year	1,458,812	3,321,438
From 1 to 2 years	1,608,609	2,959,114
From 2 to 3 years	1,663,565	2,500,938
From 3 to 4 years	1,423,826	1,827,722
From 4 to 5 years	1,169,285	1,225,363
More than 5 years	1,013,718	992,755
	8,337,815	**12,827,330**

In transactions classified as “SMB Financing loans” granted up to 31 December 1997, the ICO , the Group’s Parent entity , assumes a percentage of credit risk that the entity receiving the funds holds, in turn, with respect to final borrowers. Since that date the Institute does not assume any risk whatsoever regarding the insolvency of final borrowers.

At 31 December 2007 and 2006, the Group has recorded a provision for the possible default of these lines of SMB financing totalling €1,348k and €4,108k, respectively, which are recorded under the heading "Provisions" (Note 20) in the accompanying balance sheets. Based on the accumulated experience over the years the SMB lines have been open, the Group has been able to determine that defaults have been minimal, representing 0.055% of all draw-downs between 1993 and 1997. Bearing in mind that the lines giving rise to this provision are fully amortised and, given accumulated experience, in 2005 the Group decided to reverse €35,000k from the provision that had been recorded. The adoption of this new approach to the treatment of these provisions meant that, with this amount of €35,000k a reserve was recorded deriving from the first application of Bank of Spain Circular 4/2004. In 2007 the amount of this provision was reduced by a total of €2,760k in order to adapt the provision to the outstanding risk assumed. There were no movements in 2006 and the balance of the reserve was reduced by €2k owing to exchange differences in the year at 31 December 2006.

9.2 Customer loans

The breakdown of this balance sheet heading at 31 December 2007 and 2006, based both on the category of counterparty and the currency concerned, is as follows:

	THOUSANDS OF EUROS	
	2007	2006
By counterparty categories	-	
Resident Public Administrations	1,089,771	1,232,319
Other sectors	12,759,449	9,875,823
	13,849,220	11,108,142
(Impairment losses)	(343,151)	(445,775)
Other measurement adjustments (*)	44,787	77,387
	13,550,856	**10,739,754**

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

Of the above counterparty balances, below we provide information regarding the transactions secured by the State, set out by counterparty and type of instrument, included under "Other resident sectors" and "Resident Public Administrations", which are classified under the heading Customer loans at 31 December 2007 and 2006:

	THOUSANDS OF EUROS	
	2007	2006
Balances included under "Resident Public Administrations"		
Loans to the national government	34,911	194,317
Loans to regional governments	1,051,115	1,033,317
Social Security	-	2
Measurement adjustments	10,211	4,143
	1,096,237	**1,231,779**
Balances included under "Other resident sectors"		
Doubtful assets secured by the State	69,425	74,162
Loans to other public entities	1,849,823	1,529,181
Loans to other sectors guaranteed by the State	469,524	418,386
	2,388,772	**2,021,932**
Total transactions secured by the State	**3,485,009**	**3,253,711**

The breakdown of “Loans to the National government”, without any measurement adjustment, is as follows at 31 December 2007 and 2006:

		THOUSANDS OF EUROS
	2007	**2006**
Loans to the State and its Autonomous Entities	864	181,278
Accounts receivable from the Public Treasury	25,247	8,748
Other accounts receivable from the State	8,800	4,291
	34,911	**194,317**

The heading “Accounts receivable from the Public Treasury” records the amounts paid by the Group to the Public Treasury that have yet to be effectively repaid as Subsidies receivable to offset interest rate differences affecting mediation loans.

The balances of these amounts, which are carried at their nominal value, do not bear any interest whatsoever.

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 2007 and 2007, is as follows:

		THOUSANDS OF EUROS
	2007	**2006**
By maturity		
Up to 3 months	367,300	440,407
From 3 months to 1 year	752,138	989,850
From 1 to 5 years	6,609,744	4,234,539
More than 5 years	6,087,439	5,443,346
Indeterminate maturity	77,386	77,387
	13,894,007	**11,185,529**

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

10.- HELD-TO-MATURITY INVESTMENT PORTFOLIO

The breakdown by counterparty of the held-to-maturity investment portfolio at 31 December 2007 and 2006 is as follows:

	THOUSANDS OF EUROS	
	2007	2006
By counterparty	-	-
Non-resident credit institutions	-	-
Other non-resident sectors	10,633,203	1,305
Non-resident public administrations	60,000	-
	10,693,203	1,305
Value adjustments for impairment	(30,496)	-
	10,662,707	**1,305**

The heading "Other resident sectors" mainly includes the bonds issued by the Fund "ICO - Mediación AyT, FTA" acquired for €13,169,000k (Note 9), of which an amount of €2,598,000k was redeemed within the relevant time period.

The contribution of interest to the consolidated income statement in 2007 and 2006 totalled €414,529k and €20,448k, respectively (Note 25).

The Institute used €30,496k to cover losses owing to the deterioration in the credit risk attributed to different securities held in the held-to-maturity portfolio at 31 December 2007, classified as doubtful assets.

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.
- 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 notional and net fair values of financial derivatives recorded as "Hedging derivatives" at 31 December 2007 and 2006 are set out below by counterparty, remaining term and type of risk:

THOUSANDS OF EUROS

	Notional		Assets		Liabilities	
	2007	2006	2007	2006	2007	2006
By type of currency						
Organised markets	-	-	-	-	-	-
Non-organised markets	45,049,203	45,302,364	394,718	378,245	3,600,798	2,250,062
	45,049,203	**45,302,364**	**394,718**	**378,245**	**3,600,798**	**2,250,062**
By type of product						
Swaps	45,049,203	45,302,364	394,718	378,245	3,600,798	2,250,062
	45,049,203	**45,302,364**	**394,718**	**378,245**	**3,600,798**	**2,250,062**
By counterparty						
Credit institutions	45,049,203	45,302,364	394,718	378,245	3,600,798	2,250,062
Other financial institutions	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-
	45,049,203	**45,302,364**	**394,718**	**378,245**	**3,600,798**	**2,250,062**
By type of risk						
Exchange risk	14,495,550	19,134,123	212,599	182,526	3,496,979	1,941,969
Interest rate risk	30,553,653	26,168,241	182,119	195,719	103,819	308,093
	45,049,203	**45,302,364**	**394,718**	**378,245**	**3,600,798**	**2,250,062**

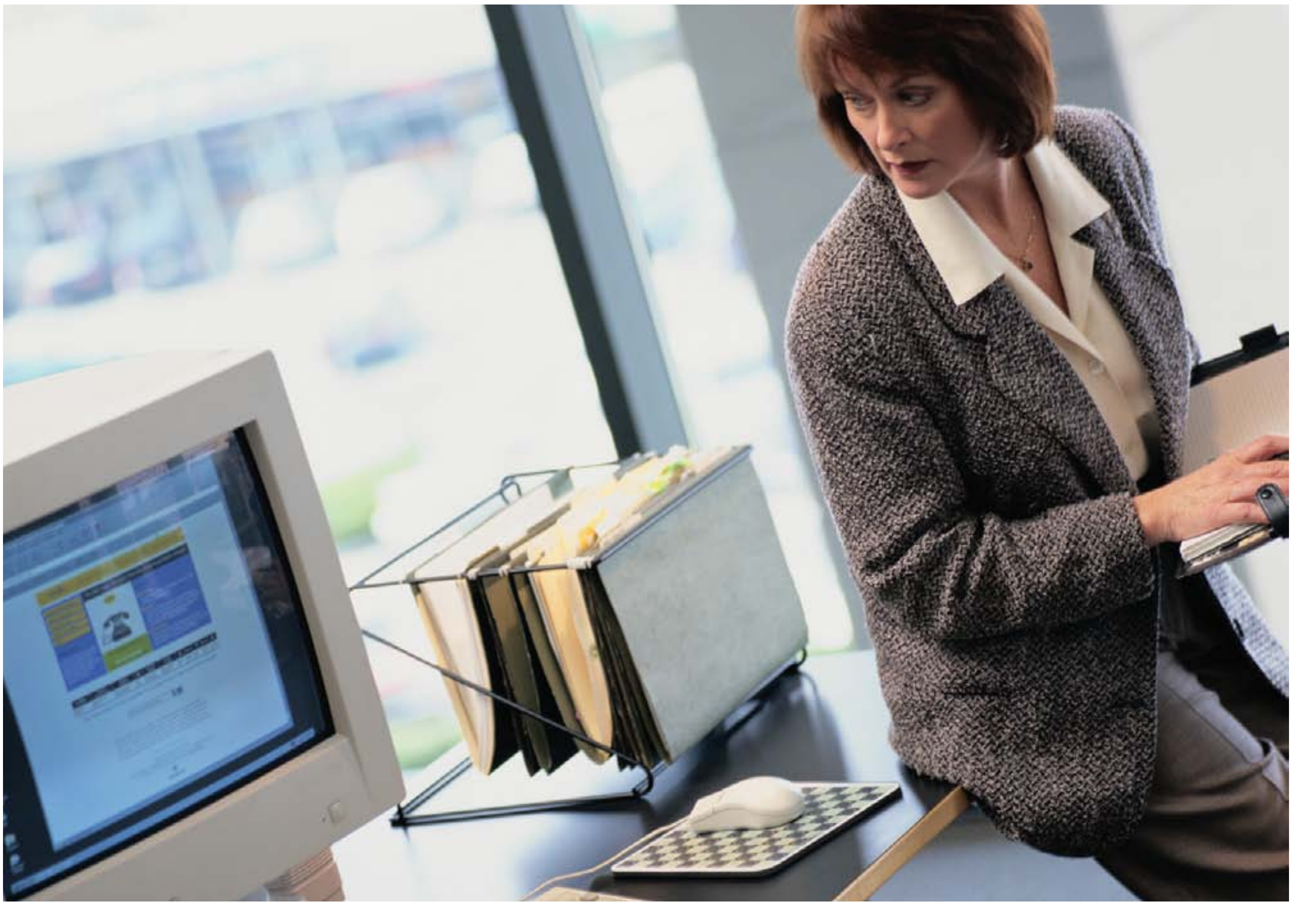
12.- NON-CURRENT ASSETS FOR SALE

The entire balance in the heading “Non-current assets for sale” relates to assets awarded in foreclosure.

Movements between 1 January 2006 and 31 December 2007 in the balances under this balance sheet heading are shown below:

THOUSANDS OF EUROS

	Coste	Deterioro	Total
Balance at 1 January 2006	**60,157**	**(8,806)**	**51,351**
Additions	6,005	-	6,005
Disposals/Applications	(7,849)	6,309	(1,540)
Transfers	42	-	42
Balance at 31 December 2006	**58,355**	**(2,497)**	**55,858**
Additions	196	-	196
Disposals/Applications	(1,868)	-	(1,868)
Transfers	-	-	-
Balance at 31 December 2007	**56,683**	**(2,497)**	**54,186**



13.- SHAREHOLDINGS

The balance of this consolidated balance sheet heading at 31 December 2007 and 2006, set out by company and shareholding, is as follows:

THOUSANDS OF EUROS

	Multi-group Entities	Associate Entities	Total
Balance at 31 December 2005	**-**	**25,185**	**25,185**
Additions	-	5,091	5,091
Disposals/Applications	-	-	-
Other movements	-	-	-
Balance at 31 December 2006	**-**	**30,276**	**30,276**
Additions	-	6,460	6,460
Disposals/Applications	-	-	-
Other movements	-	-	-
Impairment	-	(8,517)	(8,517)
Balance at 31 December 2007	**-**	**28,219**	**28,219**

Appendix I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at 31 December 2007 and 2006.

The most significant additions for 2007 relate to the acquisition of a shareholding in the Economic Interest Groupings detailed in Appendix I, engaged in the acquisition and charter of aircraft and ships and the performance of related air transport activities at airports amounting to €11,458k, classified as associates under "Shareholdings".

The return on the aforementioned shareholdings is tax related due to the inclusion in the Group's Parent entity's tax base of the relevant tax losses of these companies. The annual impairment charge is calculated such that the tax profit obtained in the year is adjusted to the expected final results of the investment.

At 31 December 2007 an amount of €5,764k was recognised in respect of impairment by charge to corporate income tax in the accompanying consolidated income statement

14.- PROPERTY, PLANT AND EQUIPMENT

Movements in 2007 and 2006 recorded under Property, plant and equipment, and accumulated depreciation, are as follows:

THOUSANDS OF EUROS

	Buildings for own use (*)	Furnishings, vehicles and other property	Real estate investments	Total
Cost				
Balance as at January 1, 2007	**87,002**	**14,724**	**22,905**	**124,631**
Additions	24,684	-	-	24,684
Disposals and other write-offs	-	(204)	(22,905)	(23,109)
Balance as at December 31, 2007	**111,686**	**14,520**	**-**	**126,206**
Accumulated depreciation				
Balance as at January 1, 2007	**9,481**	**6,264**	**-**	**15,745**
Appropriations	1,996	580	-	2,576
Transfers and other movements	-	(520)	-	(520)
Balance as at December 31, 2007	**11,477**	**6,324**	**-**	**17,801**
Impairment losses				
At December 31, 2007	**-**	**-**	**-**	**-**
Property, plant and equipment net				
Balance as at December 31, 2007	**100,209**	**8,196**	**-**	**108,405**
Cost				
Balance as at January 1, 2006	**86,852**	**14,692**	**22,905**	**124,449**
Additions	150	32	-	182
Disposals and other write-offs	-	-	-	-
Balance as at December 31, 2006	**87,002**	**14,724**	**22,905**	**124,631**
Accumulated depreciation				
Balance as at January 1, 2006	**6,626**	**5,914**	**-**	**12,540**
Appropriations	2,855	754	-	3,609
Transfers and other movements	-	(404)	-	(404)
Balance as at December 31, 2006	**9,481**	**6,264**	**-**	**15,745**
Impairment losses				
At December 31, 2006	**-**	**-**	**-**	**-**
Property, plant and equipment net				
Balance as at December 31, 2006	**77,521**	**8,460**	**22,905**	**108,886**

(*) *The value of land and buildings for own use has been increased in accordance with NIIF 1, net of depreciation.*

In 2007 the Group reclassified an amount of €22,905k from "Investment properties" to "Properties for own use" in order to carry them according to their nature and characteristics.

At 31 December 2007 there are fully-depreciated property, plant and equipment for own use for a gross amount of approximately €4,866k (€5,008k at 31 December 2006).

In compliance with Group policy, all property, plant and equipment is insured at 31 December 2007.

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 €53,106k. A restatement reserve was recorded for the resulting capital gain, net of the tax effect (Note 22). The restated book value will be applied as an attributed cost at that date.

15.- INTANGIBLE ASSETS

The breakdown of Intangible assets in the balance sheet at 31 December 2007 and 2006 relates solely to other intangible assets.

			THOUSANDS OF EUROS
	Useful estimated life	2007	2006
With indefinite useful life	-	-	-
With defined useful life	3 años a 10 años	7,377	3,071
Gross total		**7,377**	**3,071**
Of which:			
Internal developments	3 años	3,547	2,101
Remainder	10 años	3,830	972
Accumulated depreciation		**(470)**	**(9)**
Other movements		3	-
Impairment losses		-	-
		6,910	3,064

At 31 December 2007 and 2006, all the items recorded under this heading relate to computer applications.

At 31 December 2007 and 2006 the Group does not record any fully-amortised intangible assets still in use.

16. TAX ASSETS AND LIABILITIES

The breakdown of tax assets and liabilities at 31 December 2007 and 2006 is as follows:

THOUSANDS OF EUROS

	Assets		Liabilities	
	2007	2006	2007	2006
Current taxes:	9,186	459	2,299	37,984
Corporate income tax	8,940	-	1,526	176
VAT	246	459	120	919
Personal income tax withholdings	-	-	392	1672
Social Security contributions	-	-	261	216
Other	-	-	-	1
Deferred taxes:	123,139	86,482	29,596	36,652
Impairment losses on credits, loans and discounts	43,067	39,682	-	-
Measurement of cash-flow hedges	75,917	39,331	-	-
Restatement of property	-	-	15,932	18,587
Restatement of available -for- sale financial assets	-	-	5,347	8,026
Accrual financial liabilities	-	-	7,434	8,673
Others	4,155	7,469	883	1,366
	132,325	**86,941**	**31,895**	**74,636**

Movements in 2007 and 2006 in the deferred tax asset and liability balances are set out below:

THOUSANDS OF EUROS

	Assets		Liabilities	
	2007	2006	2007	2006
Balance at beginning of the year	**86,482**	**81,118**	**36,652**	**38,363**
Accrual of financial commissions	(880)	(2,323)	-	-
Impairment losses on credits, loans and discounts	3,385	6,906	-	-
Valuation of cash flow hedges	36,586	-	-	-
Others	(2,434)	781	(7,056)	(1,711)
Balance at the end of the year	**123,139**	**86,482**	**29,596**	**36,652**

17.- ACCRUAL ACCOUNTS

These headings on the asset and liability side of the accompanying balance sheets for 2007 and 2006, break down as follows:

	THOUSANDS OF EUROS	
	2007	2006
Asset		
Accrual accounts	576	516
	576	**516**
Liability		
Accrual accounts	762	-
Rest of accrual accounts	1,788	458
	2,550	**458**

The breakdown of the balance of Other accruals (liabilities) in the balance sheets at 31 December 2007 and 2006 relates mainly to the accrual of the commission deriving from the management by BBVA of the asset and liability portfolio acquired by the Institute as set out in the A.C.M. dated 15 January 1993.

18.- OTHER ASSETS AND LIABILITIES

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2007 and 2006 is as follows:

	THOUSANDS OF EUROS	
	2007	2006
Asset		
Other assets	15,007	15,558
	15,007	**15,558**
Liability		
Other liabilities	2,240	3,598
	2,240	**3,598**

Other assets include a receivable in favour of the Institute, the Group's Parent entity, amounting to €13,292k relating to the settlement of the Feder grant for the Intermediary Lines 2001-2004, with respect to which the final decision is still pending (Note 20).

Other liabilities include €2,031k relating to various liabilities payable in the management of the part of the balance sheet handled by BBVA (see Note 1.4).

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	
	2007	2006
By counterparty categories		
Credit institution deposits (Note 19.1)	1,060,328	1,778,480
Customer deposits (Note 19.2)	2,666,075	2,208,825
Debts represented by negotiable securities (Note 19.3)	29,053,942	23,896,688
Other financial liabilities (Note 19.6)	834,525	277,494
	33,614,870	**28,161,487**

19.1 Credit institution deposits

The composition of this balance sheet heading at 31 December 2007 and 2006, set out by currency and the nature of the transaction, is as follows:

	THOUSANDS OF EUROS	
	2007	2006
By nature		
Loans from the European Investment Bank [1]	612,377	1,004,792
Inter-bank loans	137	21,922
Loans from other financial institutions	464,573	734,475
Measurement adjustments-Accrual accounts	(16,759)	17,291
	1,060,328	**1,778,480**

[1] *This figure includes the loan granted to the Institute, the Group's Parent entity, that will be repaid in accordance with the results obtained from the liquidation of the Venture Capital Fund - EUROICO, formed in 1998. This loan, for which interest is capitalised, presented a balance of €14,319k and €13,601k at 31 December 2007 and 2006, respectively (Note 8).*

Interbank deposits fall due within one year as from 31 December 2007 and 2006, respectively.

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

	THOUSANDS OF EUROS	
	2007	2006
Up to 1 year	74,065	374,450
From 1 to 2 years	120,163	75,750
From 2 to 3 years	199,843	149,711
From 3 to 4 years	43,461	208,110
From 4 to 5 years	43,074	44,993
More than 5 years	131,771	151,778
	612,377	**1,004,792**

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

	THOUSANDS OF EUROS	
	2007	2006
Up to 1 year	100,211	315,531
From 1 to 2 years	102,318	100,119
From 2 to 3 years	634	115,794
From 3 to 4 years	634	-
From 4 to 5 years	1,057	-
More than 5 years	259,719	203,031
	464,573	**734,475**

19.2 Customer deposits

The composition of this heading in the consolidated balance sheets at 31 December 2007 and 2006, according to sector and currency, is as follows:

	THOUSANDS OF EUROS	
	2007	2006
By counterparty category		
Public Administrations	741,290	918,191
Other resident sectors [(1)]	1,885,572	1,264,532
Other non-resident sectors	15,038	13,985
Measurement adjustments-Accrual accounts	24,175	12,117
	2,666,075	**2,208,825**

[(1)] *Of which at 31 December 2007 and 2006 €22,249k and €21,334k, respectively, relate to demand.*

At 31 December 2007 and 2006, the breakdown by nature of the balance recorded under "Public Administrations" is as follows:

	THOUSANDS OF EUROS	
	2007	2006
Ordinary loan from the State	-	228,903
Special loan from the State	2	2
Reciprocal Interest Adjustment Agreement (RIAA)	8,208	7,413
Public Administration Current Accounts and other items	733,080	681,873
	741,290	**918,191**

The ordinary loan from the State includes a portion of old allocations from the Public Treasury that were converted (in accordance with the RCM dated 11 December 1987) into a loan and is repaid on a half-yearly basis over 25 years. The conditions include a 10 year grace period that accrued interest at 6% per year. In accordance with the Resolution adopted by the Council of Ministers on 11 December 1998, the interest rate relating to the Ordinary loan is, as from 1 January 1999, referenced to the Treasury Bond marginal rate in force for each year at the last auction held the preceding year, plus 0.10%. For 2006 the rate was set at 2.79%.

During 1996, in compliance with the provisions of Royal Decree - Law 12/95 (28 December) €2,253,795k charged against the Ordinary Loan from the State was used to increase the Institute's equity and €150,253k was used to create a provision for bad or default loans that could arise during the course of the Institute's business (Note 20).

In 1997, in accordance with the provisions of Law 12/1996 on the General State Budget, an additional amount totalling €150,253k was charged against the Ordinary Loan from the State and allocated to the above-mentioned provision (Note 20).

By virtue of the Resolution adopted by the Council of Ministers on 30 July 2004 an allocation was made to the Royal Decree Law 12/95 Fund totalling €249,500k by charging the Ordinary Loan from the State, in compliance with the provisions of Additional Provision One of Royal Decree Law 4/2004 (2 July), which adopts certain measures relating to the damages caused by the vessel "Prestige", in order to attend to payments to victims for which ICO acted as an Agent on behalf of the (Note 20).

In accordance with Additional Provision 49 of 2007 General State Budget Law, of 29 December 2006, the amount of the Ordinary Central Government Loan outstanding at 31 December 2006 totalling €228,903k became in its entirety a Central Government contribution to the Institute's equity (Note 22).

19.3 Debts represented by negotiable securities

The breakdown of the heading "Debts represented by negotiable securities" at 31 December 2007 and 2006 is set out below:

	THOUSANDS OF EUROS	
	2007	**2006**
Promissory notes and other securities (Note 19.4)	674,707	681,568
Interest paid in advance	(609,797)	(615,685)
	64,910	**65,883**
Bonds and debentures issued (Note 19.5)	29,619,395	24,156,344
Interest paid in advance and share premium	(50,280)	(47,220)
	29,569,115	**24,109,124**
Measurement adjustments	(580,083)	(278,319)
	29,053,942	**23,896,688**

19.4 Promissory notes and other securities

The breakdown of the heading “Promissory notes and other securities”, based on the nominal amount of the securities and their amortisation periods, is set out below at 31 December 2007 and 2006:

		THOUSANDS OF EUROS
	2007	2006
Up to 1 year	6,601	6,860
From 1 to 2 years	104,535	6,601
From 2 to 3 years	299,606	104,535
From 3 to 4 years	131,983	299,606
From 4 to 5 years	131,982	131,983
More than 5 years	-	131,983
	674,707	681,568

The financial cost of the promissory notes and other securities in 2007 and 2006 totalled €55,386k and €49,950k, respectively, and are recorded under the heading “Interest and similar charges for deposits represented by negotiable securities” (Note 26) in the income statement.

The average weighted interest rate on active promissory notes at 31 December 2007 (all issued between 1989 and 1993) and 2006 was 8.16% and 7.29%, respectively, excluding hedges obtained. Taking hedges into consideration the average rates in 2007 and 2006 fall to 5.88% and 4.90%, respectively.

19.5. Bonds and debentures issued

Set out below are the main characteristics of the debenture issues outstanding at 31 December 2007 and 2006, grouped together by currency together with the relevant interest rates and maximum redemption dates:

THOUSANDS OF EUROS

Number of issues	Currency	Redemption date	Annual interest rate	2007	2006
15	Norwegian krone	Until 2016	4.28 to 6.61	1,024,127	867,928
15	Australian dollar	Until 2014	0.055 to 13.5	2,261,739	1,581,691
5	Canadian dollar	Until 2020	3.32 to 5.00	942,626	891,305
1	Hong-Kong dollar	12/04/2007	2	-	75,677
3	New Zealand dollar	Until 2015	6,375	215,518	218,959
60	US dollar	Until 2024	Various	7,543,307	8,097,658
62	Euro	Until 2024	Various	12,079,862	7,840,321
4	Swiss franc	Until 2024	Until 2.00	415,184	265,729
26	British pound	Until 2011	0.0475 to 5.00	4,020,590	3,682,798
6	Turkish lira	Until 2011	10.00 to 10.50	349,448	107,296
22	Yen	Until 2023	Various	766,994	526,982
				29,619,395	**24,156,344**

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

In 2007 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 €1,523,103k, which is an annual average interest rate of 5.16%. In 2006 financial costs totalled €1,029,565k, which was an average annual interest rate of 4.45% (Note 26).

The above interest rates do not take into account the effect of hedges obtained. If hedges are taken into account the above-mentioned rates decline to 4.21% in 2007 and to 3.13% in 2006, respectively.

19.6 Other financial liabilities

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2007 and 2006 is as follows:

THOUSANDS OF EUROS	2007	2006
Grants	34,516	5,211
Treasury Funds	559,737	92,798
Compensatory account-portfolio managed by BBVA (Note 1.4)	18,344	28,625
Other items	221,928	150,860
	834,525	**277,494**

At 31 December 2007 and 2006 “Other items” mainly include €185 million and €125 million, respectively, reflecting certain liabilities deriving from financing transactions classified in Non-current assets for sale and Loans and other advances to other debtors.

Treasury Funds record those funds received by the Institute, the Group’s Parent entity, and repayable in accordance with legislation applicable to each:

- **FOMIT**: Fund for the modernisation of tourist infrastructures.
- **Avanza**: Fund for access to new technologies.
- **Préstamos Renta Universidad**: Fund relating to university admission.
- **DGT Carnet de conducir**: Fund relating to obtainment of a driving licence.

The balance of those funds at 31 December 2007 and 2006 is set out below:

THOUSANDS OF EUROS	2007	2006
FOMIT	153,240	73,184
Avanza	395,373	19,614
Préstamos Renta Universidad	10,460	-
DGT Carnet de conducir	664	-
	559,737	**92,798**

20.- PROVISIONS

At 31 December 2007 and 2006 the breakdown of the balances recorded under this heading in the accompanying balance sheet is as follows:

	THOUSANDS OF EUROS	
	2007	2006
Funds for pensions and similar	57	-
Provisions for taxes	35	35
Provisions for contingent risks and commitments	28,383	31,371
Other provisions	212,837	193,516
	241,312	**224,922**

Provisions for contingent risks and commitments

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Group 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 2007 and 2006 is as follows:

	THOUSANDS OF EUROS	
	2007	2006
Provision for SMB (Note 9.1.3)	1,348	4,108
Royal Decree-Law 12/1995 Fund (Note 9.2)	133,964	141,984
Provision for other mediation loans (Note 9.1.2)	5,217	5,231
Other specific provisions-CARI Egypt	1,170	2,187
Fund for amounts recovered from BBVA	4,358	25,550
Fund for subsidiaries yet to be collected	13,292	13,292
Fund Línea Prestige (Note 9)	17,975	-
Fund Operaciones Ley 24/2001 (Note 9)	27,165	-
Other funds	8,348	1,164
	212,837	**193,516**

The heading “Other provisions CARI-Egypt” records the present value of the Institute’s, the Group’s Parent entity, commitments with BBVA, deriving from an old official credit export operation involving Egypt.

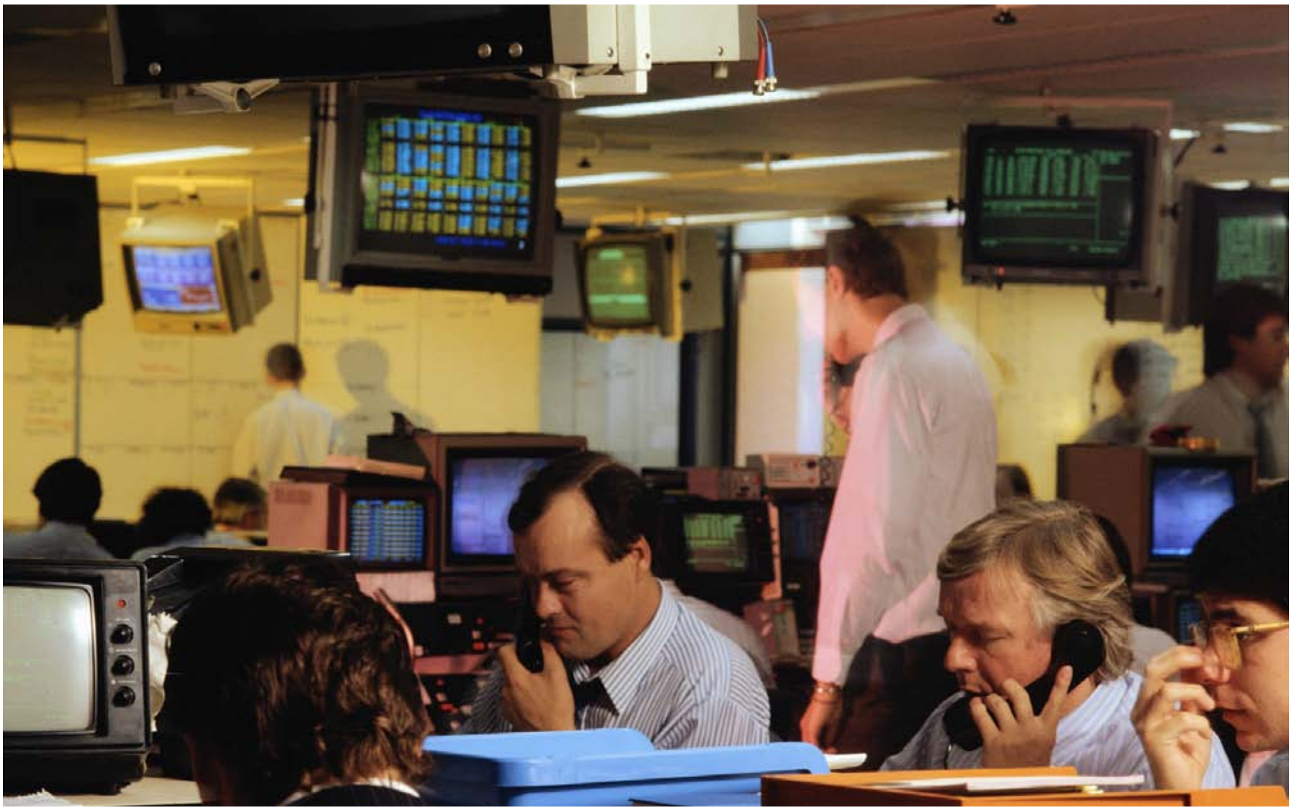
Additional provision Eleven of Law 24/2001 (27 December) on Tax, Administrative and Social Order Measures, was applied by the Institute, the Group’s Parent entity, in 2001 and 2002, with respect to the heading “Funds recovered from BBVA”, to allocate part of its equity to cancel an amount owed to the 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 to receive collections pertaining to these loans, which for prudence, are not generally reflected as income in the income statement. For those recorded as income, the relevant provision for liabilities has been recorded amounting to €4,358k and €25,550k at 31 December 2007 and 2006, respectively, that will be capitalised in accordance with Additional Provision 10.1 of Law 24/2001, amended by Law 42/2006 (see Note 1.9).

“Fund for grants pending collection” relates to the cover of certain balances relating to grants awarded by the European Union with respect to which there are discrepancies concerning ownership (Note 18).

In 2007, taking into account its nature and purpose, the Institute reclassified €45,140k from “Specific provision” to “Other provisions” (note 9) which are included in “Transfers and other movements”.

At 31 December 2007 the subheading “Other funds” includes €3,379k relating to the provision recorded to adjust the income on the transactions performed through the Economic Interest Groupings to the return on the same (Note 13). This provision has been recognised by charge to Corporate Income Tax in the accompanying income statement.



Movements in 2007 and 2006 in the provisions recorded under these balance sheet headings at 31 December 2007 and 2006:

THOUSANDS OF EUROS

	Provisions for taxes	Fund for pensions	Provisions for contingent risks and commitments	Other provisions	Total
Balance as at December 31, 2006	**35**	**-**	**20,498**	**226,974**	**247,507**
Net allocation [1]			10,873	21,447	32,320
Recoveries	-	-	-	(948)	(948)
Application of funds	-	-	-	(55,564)	(55,564)
Transfers and other movements	-	-	-	1,875	1,875
Exchange differences	-	-	-	(268)	(268)
Balance as at December 31, 2006	**35**	**-**	**31,371**	**193,516**	**224,922**
Net allocation [1]	-	57	814	8,083	8,954
Recoveries	-	-	(3,802)	(3,243)	(7,045)
Application of funds	-	-	-	(17,115)	(17,115)
Transfers and other movements	-	-	-	31,805	31,805
Exchange differences	-	-	-	(209)	(209)
Balance as at December 31, 2007	**35**	**57**	**28,383**	**212,837**	**241,312**

[1] *Net transfers by charge to results relating to "Other provisions" include €5.242k in 2007 and €4,726k in 2006, which should be credited to the Special Provision Fund in respect of the capitalisation of accrued interest relating to actual remuneration.*

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,I stipulated that Instituto Oficial de Credito 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 €150,253k (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 authorised 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 2007 and 2006 amounted to €5,480k and €10,720k, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2007 and 2006, amounted to €5,242k and €4,726k, respectively.

In accordance with the provisions of Law 12/1996 (30 December) on the General State Budget, in 1997 an additional €150,253k was allocated to this Fund by charging the Ordinary State Loan. (Note 19.2)

In 2004 another allocation totalling €249,500k was charged against the State Loan granted to ICO in accordance with the Council of Ministers Resolution dated 30 July 2004 and no further allocations have been made since then.

At 31 December 2007 and 2006, the balance of this Fund totals €133,964k and €141,984k, respectively.

Movements in 2007 and 2006 in this fund recorded under "Other Provisions" in the balance sheet at 31 December 2007 and 2006 are as follows:

	THOUSANDS OF EUROS
Balance as at January, 1 2006	**189,020**
Capitalisation of interest	4,726
Loan recoveries (principal and interest)	10,720
Applications	(62,482)
Balance as at December 31, 2006	**141,984**
Capitalisation of interest	5,242
Loan recoveries (principal and interest)	5,480
Applications	(18,742)
Balance as at December 31, 2007	**133,964**

21.- MEASUREMENT ADJUSTMENTS

The balance of this heading relates to the account "Available-for-sale financial assets" in the accompanying consolidated balance sheets and 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.

THOUSANDS OF EUROS	2007	2006
Opening balance	(53,795)	(59,584)
Change in fair value of available-for-sale financial assets	(2,153)	2,354
Cash flow hedges	(102,404)	3,435
Closing balance	**(158,352)**	**(53,795)**

22.- OWN FUNDS

The reconciliation of the opening and closing carrying value in 2007 and 2006 of the heading "Equity" in the consolidated balance sheets:

THOUSANDS OF EUROS	Share	Restatement reserves	Other reserves	Results	Total
Balance as at December, 31 2005	**958,758**	**34,519**	**334,182**	**47,810**	**1,375,269**
Distribution of results	-	-	47,810	(47,810)	-
Other movements	-	(1,822)	1,677	-	(145)
Result for the year	-	-	-	103,524	103,524
Balance as at December 31, 2006	**958,758**	**32,697**	**383,669**	**103,524**	**1,478,648**
Distribution of results	-	-	103,524	(103,524)	-
Other increases in reserves	-	(910)	910	-	-
Result for the year	-	-	-	79,188	79,188
Other movements	670,386	-	(2,333)	-	668,053
Balance as at December 31, 2007	**1,629,144**	**31,787**	**485,770**	**79,188**	**2,225,889**

In 2007 capital was increased by €670,386k as follows:

- Contribution of €303,000k by charge to budgetary item 15.16.931M.871 of 2007 General State Budget Law 42/2006, of 28 December 2006, authorised in order to increase the Institute's equity.

- Central government contribution to the Institute’s equity of the Central Government Loan-ICO, indicated in point 4 of paragraph 1 of the Cabinet Resolution of 11 December 1987, amounting to €228,903k (Law 42/2006).

- Contribution of €97,872k relating to the amount transferred to the provisions for bad debts over the term of the aforementioned Loan, through successive reductions in the same relating to the transactions of the Fesa-Enfersa e Inmobiliaria Espacio group, insofar as these provisions have become unnecessary and cover is provided by the Provision Fund (Note 9) (Law 42/2006).

- Additional Provision 11 of Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security measures was amended and the amounts recovered, following the repayment of the debts incurred by Central Government with ICO as a result of certain loans and guarantees granted by the former Entidades Oficiales de Crédito and the Institute itself, were included in the Institute’s equity. The amount involved totalled €40,611k.

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

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

The Institute’s net computable equity, that does not include profit and amounted to €2,316,260k at 31 December 2007, exceeded the amount laid down in Bank of Spain Circular. At 31 December 2006 the Institute’s net computable equity amounted to €1,348,431k that also exceeded the amount laid down in said Circular (Note 1.9).

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 2007 and 2006, in the part of that balance which has arisen on consolidation, analysed for fully and proportionally consolidated companies in the consolidated financial statements:

	THOUSANDS OF EUROS	
	2007	**2006**
AXIS Participaciones Empresariales, S.A.	4,031	4,512
Instituto de Crédito Oficial	490,483	386,391
	494,514	**390,903**

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

Set out below is the breakdown by consolidated company of balances under equity "Equity – Reserves – Reserves in companies carried under the equity method " in the consolidated balance sheets at 31 December 2007 and 2006, in the part of that balance which has arisen on consolidation process, analysed for each company carried under the equity method in the consolidated financial statements:

	THOUSANDS OF EUROS	
	2007	2006
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	1,659	1,268
CERSA, Compañía Española de Reafianzamiento, S,A,	437	517
Arrendadora Aeronáutica, AIE	(1,493)	-
Other entities	(306)	-
	297	**1,785**

23.- TAX SITUATION

The balance sheet at 31 December 2007 and 2006 includes, within the heading "Customer debits" the liability relating to applicable taxes.

The Group does not pay tax under the tax consolidation regime as the Institute, the Group's Parent entity, 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 ICO´s profit for 2007 and 2006 to the corporate income tax base is as follows:

THOUSANDS OF EUROS	2007	2006
Book profit before income tax	107,841	157,177
Permanent differences		
Externalisation of pension commitments	44	42
Foreign taxes paid	5,073	810
Tax-loss carryforwards attributed to investee companies	(39,387)	(4,491)
Monetary adjustment due to the sale of assets	-	(797)
Adjustment to the measurement of derivatives	(7,047)	-
	(41,317)	**(4,436)**
Temporary differences		
Due to impairment losses	26,644	22,020
Provision non-deductible	(6,790)	(3,107)
Due to the reversal of temporary differences arising in other years	7,542	(1,346)
	27,396	**17,567**
Tax assessment base	**93,920**	**170,308**
Gross tax payable (35%)	30,524	59,608
Deductions and allowances	(5,098)	(908)
Withholdings and interim payments	(34,366)	(24,101)
Tax payable	(8,940)	34,599
Corporate income tax	16,522	52,551
Adjustments for exchange differences	(170)	-
Other adjustments (Note 13 and 20)	9,143	422
Corporate income tax	**25,495**	**52,973**

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 (-€36.768k). 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.

The tax incentive deductions applied in the year in respect of professional training expenses amount to €21k. The deduction for contributions to employment plans amounts to €4k. Finally, there is an international double tax deduction (taxes borne) amounting to €5,073k. There are no deductions pending inclusion in future year tax assessments. There are no commitments entered into pending the completion of in relation to the tax incentives applied.

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

The Institute did no avail itself of the balance sheet restatement envisaged in Royal Decree Law 7/1996.

Taxes and other tax obligations applicable to the Institute since 2004 are open to inspection by the tax authorities.

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

24.- 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 2007 and 2006:

	THOUSANDS OF EUROS	
	2007	**2006**
Contingent risks		
Guarantees and other sureties	1,329,096	1,170,446
	1,329,096	**1,170,446**
Contingent commitments		
Balances drawable by third parties:		
Credit institutions	2,452,581	1,951,022
The Public Administrations sector	306,023	291,402
Other resident sectors	5,709,464	3,517,348
Non-resident sectors	760,456	799,258
	9,228,524	**6,559,030**
Other commitments	121,122	72,347
	121,122	72,347
	9,349,646	**6,631,377**

A significant part of these amounts will mature without any payment obligation arising for the Group and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted by third parties to the Group.

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 2007 and 2006 are broken down below by source:

	THOUSANDS OF EUROS	
	2007	2006
Bank of Spain and credit institutions	585,211	602,695
Credit institution deposits	652,154	367,491
Public administrations	57,135	39,367
Resident sectors	595,019	328,124
Debt securities (Note 10)	414,529	20,448
Adjustment of income from accounting hedges	(10,050)	(13,559)
Doubtful assets	5,744	91,264
	1,647,588	**1,068,339**

26.- INTEREST AND SIMILAR EXPENSES

The breakdown of this profit and loss heading during 2007 and 2006 is as follows:

	THOUSANDS OF EUROS	
	2007	2006
Credit institution deposits	56,834	74,141
Customer funds	95,039	44,613
Deposits represented by marketable securities	1,578,471	1,079,515
Promissory notes (Note 19.4)	55,368	49,950
Other non-convertible securities (Note 19.5)	1,523,103	1,029,565
Adjustment of expenses owing to hedging operations	(292,378)	(326,033)
	1,437,966	**872,236**

27.- RETURN ON EQUITY INSTRUMENTS

All yields obtained in this respect relate to the Equity portfolio and in 2007 and 2006 this item totalled €320k and €75k, respectively, in the consolidated income statement.

28.- RESULTS IN COMPANIES CARRIED UNDER THE EQUITY METHOD

A breakdown by entities of this caption in the consolidated income statement for 2007 and 2006 is as follows:

All entities results valuated by the equity method registered in this caption in the consolidated income statements amounted losses of K€3,709 and K€1,216 in 2007 and 2006, respectively. Appendix I provide a breakdown of and relevant information on the shareholdings at 31 December 2007 and 2006.

29.- COMMISSIONS RECEIVED AND PAID

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

		THOUSANDS OF EUROS
	2007	**2006**
Commissions received		
Contingent risks	4,896	3,682
Availability commissions	3,453	2,723
Collection and payment services	972	658
Other commissions	9,602	8,996
	18,923	**16,059**
Commissions paid		
Signature risks	-	-
Other commissions	2,003	1,871
	2,003	**1,871**
Net commissions for the year	**16,920**	**14,188**

30.- RESULTS FROM FINANCIAL OPERATIONS

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

	THOUSANDS OF EUROS	
	2007	2006
Financial assets available for sale	-	-
Hedging derivatives	-	-
Derivatives held for trading	3,263	1,539
	3,263	**1,539**

31.- PERSONNEL COSTS

The composition of this consolidated income statement heading is as follows in 2007 and 2006:

	THOUSANDS OF EUROS	
	2007	2006
Wages and salaries	12,596	11,417
Staff welfare expenses	2,603	2,555
Other expenses	1,439	1,868
	16,638	**15,840**

The average number of employees at the Group in 2007and 2006, by professional category and location, was as follows:

AVERAGE DISTRIBUTION OF EMPLOYEES

	Men		Women	
	2007	2006	2007	2006
Management	11	10	4	4
Managers and technicians	87	88	112	116
Administrative staff	15	15	60	62
Support and sundry staff	5	5	2	2
	115	**118**	**178**	**184**

Remuneration and other benefits for the General Council

In 2007 and 2006 the Group recorded in the consolidated income statement €198k and €284k, respectively, in respect of remuneration accrued by the members of the Governing Bodies of the companies that form the Group in respect of wages, per diems and other remuneration.

At 31 December 2007 y 2006 no loans had been granted to the executive members of the General Council.

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 GENERAL ADMINISTRATION EXPENSES

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

THOUSANDS OF EUROS

	2007	2006
Buildings, installations and materials	1,723	1,648
Computers	2,519	2,764
Communications	362	357
Advertising and publicity	3,211	2,677
Rates and taxes	5,446	1,178
Other general administrative expenses	9,178	10,812
	22,439	**19,436**

Audit expenses

Audit expenses for the year relating to the Institute, the Group's Parent entity, are borne by the Contracting Body of the Ministry of Finance in accordance with the Law on Contracts with Public Administrations and complementary legislation and are therefore not included in external services in the accompanying consolidated income statement

The amount invoiced by PricewaterhouseCoopers for the rendering of services other than audit services in 2007 amounted to €85k.

For AXIS Participaciones Empresariales, S.A., audit expenses for the year amount to €6k while the total amount for other services rendered amount to €3k.

33.- OTHER GAINS AND LOSSES

The breakdown of the consolidated balance of this income statement heading is as follows:

	THOUSANDS OF EUROS	
	2007	**2006**
Other earnings		
Income on the sale of property, plant and equipment	313	4,481
Other	3,654	142
	3,967	4,623
Other losses		
Losses on sale of property, plant and equipment	(247)	(23)
Other	(9,275)	(3,035)
	(9,522)	**(3,058)**
	(5,555)	**1,565**

"Other losses - Other items" for 2007 includes €2,173k relating to results from the processing of the recovery of loans and receivables managed by BBVA.

Similarly, in 2007 the aforementioned heading "Other losses - Other items" includes an amount of €3,870k relating to the adjustments to the transfers for impairment cover.

Set out below is significant information concerning shareholdings in associates and subsidiaries at 31 December 2007 and 2006:

			% interest			Book value of holding			Entity Information		
	Address	Activity	Direct	Indirect	Total	Gross	Impairment	Net	Assets	Equity	Results
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana, 151 Madrid	Re-securing guarantee operations arranged by SS.GG.RR.	23.81	-	23.81	15,921	-	15,921	221,270	68,702	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A	Príncipe De Vergara, 132 Madrid	Financial support to private projects of interest to Spain undertaken in developing countries	25.25		25.25	10,524	-	10,524	67,181	50,471	2,223
EFC2E GESTION, SL	Paseo del Prado, 4 Madrid	Asset management	50.00	-	50.00	2	-	2	1,202	751	747
Arrendadora Aeronáutica AIE	Paseo de la Castellana, 189 Madrid	Acquisition and lease of aircraft	17.21	-	17.21	5,767	(5,500)	267	477,674	17,449	(7,280)
Aviones Portacoli CRJ-200 AIE	Gran Vía Madrid	Activities connected with air transport at airports	25	-	25	887	(94)	793	17,826	3,249	73
Aviones Turia CRJ-200 I AIE	-	Activities connected with air transport at airports	25	-	25	887	(94)	793	17,934	3,247	72
Aviones Carraixet CRJ – 200 AIE	-	Activities connected with air transport at airports	25	-	25	887	(94)	793	17,978	3,247	72
Aviones Alfambra CRJ – 200 AIE	-	Activities connected with air transport at airports	25	-	25	1,097	-	1,097	32,103	3,536	(854)
Aviones Gabriel CRJ – 200 AIE	-	Activities connected with air transport at airports	25	-	25	1,097	-	1,097	32,131	3,536	(854)
Aviones Gorgos CRJ – 200 AIE	-	Activities connected with air transport at airports	25	-	25	1,097	-	1,097	32,214	3,530	(858)
Aviones Sella CRJ – 200 AIE	-	Activities connected with air transport at airports	25	-	25	1,097	-	1,097	32,242	3,533	(855)
Naviera Calliope AIE	-	Acquisition and lease of ships	13	-	13	1	(826)	(825)	298,153	(6,353)	(6,357)

Unaudited financial information at 31 December 2007.

	Address	Activity	% interest			Book value of holding			Entity Information		
			Direct	Indirect	Total	Gross	Impairment	Net	Assets	Equity	Results
Associates											
Naviera Attile AIE	-	Acquisition and lease of ships	12.58	-	12.58	38	(125)	(87)	55,113	10,902	(990)
Naviera Electra AIE	-	Acquisition and lease of ships	12.60	-	12.60	38	(125)	(87)	54,395	10,912	(988)
Naviera Lakme AIE	-	Acquisition and lease of ships	15.12	-	15.12	-	(377)	(377)	145,019	30,579	(2,485)
Naviera Alcione I AIE	-	Acquisition and lease of ships	20.30	-	20.30	1	(73)	(72)	13,560	(359)	(362)
Naviera Alcione II AIE	-	Acquisition and lease of ships	20.30	-	20.30	1	(74)	(73)	13,546	(359	(362)
Naviera Alcione III AIE	-	Acquisition and lease of ships	20.30	-	20.30	1	(73)	(72)	13,531	(358)	(361)
Naviera Alcione IV AIE	-	Acquisition and lease of ships	20.30	-	20.30	1	(74)	(73)	13,556	(363)	(366)
Naviera Nadela AIE	-	Acquisition and lease of ships	16.70	-	16.70	-	(230)	(230)	8,119	(1,379)	(1,379)
Naviera Atios AIE	-	Acquisition and lease of ships	16.70	-	16.70	605	(190)	415	7,610	(1,140)	(1,140)
Naviera Moaña AIE	-	Acquisition and lease of ships	16.70	-	16.70	-	(242)	(242)	8,719	(1,452)	(1,452)
Naviera Poppea AIE	-	Acquisition and lease of ships	20	-	20	-	(326)	(326)	67,764	13,370	(1,623)
Group entities											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 Madrid	Investments	100.00	-	100.00	1,940	-	1,940			
						41,889	**(8,517)**	**33,372**			

At 31 December 2006

			% interest			Book value of holding			Entity Information		
	Address	Activity	Direct	Indirect	Total	Gross	Impairment	Net	Assets	Equity	Results
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A. [2]	Paseo de la Castellana, 151 Madrid	Re-securing guarantee operations arranged by SS.GG.RR	23.81	-	23.81	13,161	-	13,161	194,208	57,447	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A. [1]	Príncipe De Vergara, 132 Madrid	Financial support to private projects of interest to Spain undertaken in developing countries	25.25	-	25.25	10,525	-	10,525	59,982	48,249	1,129
EFC2E GESTION SL [2]	Paseo del Prado, 4 Madrid	Asset management	50.00	-	50.00	2	-	2	639	390	387
Arrendadora Aeronáutica AIE [2]	Paseo de la Castellana, 189 Madrid	Acquisition and lease of aircraft	17.21	-	17.21	2,274	-	2,274	512,292	4,197	(8,047)
Aviones Portacoli CRJ-200 AIE [3]	Gran Vía Madrid	Activities connected with air transport at airports	25	-	25.25	843	-	843	34,352	3,374	(401)
Aviones Turia CRJ-200 I AIE [3]		Activities connected with air transport at airports	25	-	25.25	843	-	843	34,361	3,374	(381)
Aviones Carraixet CRJ – 200 AIE [3]		Activities connected with air transport at airports	25	-	25.25	843	-	843	34,365	3,374	(372)
Group entities											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 Madrid	Investments	100.00	-	100.00	1,940	-	1,940	6,134	5,773	533
						30,431	**-**	**30,431**			

(1) *Audited financial information at 31 December 2006.*
(2) *Unaudited financial information at 31 December 2006.*
(3) *Unaudited financial information at 30 September 2006.*

ANNUAL REPORT 07

MANAGEMENT REPORT

Instituto de Crédito Oficial

MANAGEMENT REPORT

FINANCIAL ENVIRONMENT

The European Central Bank (ECB) tightened its monetary policy to some extent during the first half of 2007 by raising its repo reference interest rate twice in the year by 50bp to 4%, which subsequently remained unchanged throughout the second half of 2007.

The increase in repo interest rates was justified, according to the ECB, by the strength of economic activity in the Eurozone and the growing risks to price stability (given the soaring price of crude oil and commodities on international markets), that finally crystallised late 2007. However, in the second half of the year, volatility and uncertainty on financial markets owing to the fall-out of the subprime mortgage crisis in the USA, with the resulting downturn in global economic growth forecasts, led to the ECB adopting a prudent monetary policy, with reference rates being kept on hold at 4%, although inflation jumped in December 2007 to 3.1% (far off the ECB target of 2%).

Specifically, as from August 2007 the sub prime credit crisis had a particular impact on the interbank market. In terms of the monthly average, Euribor at 3 months jumped from 3.75% in January to 4.82% in December while Euribor at 12 months rose from 4.05% in January to 4.78% in December.

Similarly, the growing uncertainty concerning global economic growth triggered a fall in the return on sovereign debt following the increases in the first half of the year. The return on 10 year bonds, in terms of the monthly average, stood at 4.11% in January, 4.59% in July and 4.35% in December. The trend for five year bonds was the same: 4.19% in January, 4.59% in July, and 4.12% in December.

With respect to equity markets, despite the scenario marked by the growing risk of a global economic downturn, 2007 ended in net terms with appreciable gains in the main stock market indexes, in both developed (except for the Nikkei) and emerging economies. In Spain, the Ibex – 35 ended 2007 up 7.3%, slightly above the Eurostoxx – 50, that posted growth of 6.8% in the same period.

With respect to the performance of lending, although in line with the gradual slowdown in economic growth, the increase in total credit in the Spanish economy in 2007 (21.0%) steadied compared with the increase in 2006 (25.4%) and, as in the past few years, registered an appreciably higher variation than that in the Euro zone as a whole (up 9.0% in 2007 and 9.5% in 2006), as a result of the positive difference in inflation and GDP growth between Spain and the Euro zone. A similar performance and differences may be noted in other indicators of the development of lending, such as the balance of loans to other resident sectors, non-financial companies and households, that rose by 21.5% in Spain and 11.6% in the Euro zone (compared with 26.3% and 11.7%, respectively, in 2006).

In this context, interest rates on ICO loans logically followed a development similar to the EMU due to the price of financial resources. In this respect it is sufficient to note that the average annual variable interest rate granted to small and medium-sized companies (Linea PYME) rose between 2007 and 2006 from 3.59% to 4,37%. The annual growth rate for ICO's credit accounts for other resident sectors reached 40.02% last year (€3,101,5k).

ACTION FRAMEWORK

ICO acts as a public institutional lender in accordance with the statutory principles of "financial balance and adaptation of means to purposes".

Over the past year, in accordance with the instructions and guidance received from economic authorities and the Resolutions adopted by its General Council, the ICO directed its available funds on a preferential basis to finance the creation of small and medium-sized business, investments in infrastructures and strategic activities, as well as the globalisation of Spanish companies. These action programmes were supplemented by other smaller operations involving the financing of research, development and innovation (R&D+I), renewable energies and energy efficiency, films, tourism, public roadway transportation and the acquisition of computer equipment. In addition, during the performance of its duties as a State Agency, the ICO also provided financial assistance to applicants to its victim lines of credit. The total amount of ordinary transactions formalised in 2007 was €15,518,726k.

The maximum limit of resources that ICO may obtain on an annual basis is set by the relevant General State Budget Act.

Obtaining financial resources relates to the fundamental objectives of covering liabilities, generating new assets and, secondarily, structuring the balance sheet such that liquidity, interest and exchange risks are suppressed or minimised. To this basic purpose of obtaining the necessary and most adequate level of financing, the ICO adds those of consolidating and extending its investment base. For this reason, the transparency and liquidity of its public issues are aspects that are always subject to special consideration with respect to the design and execution of its financial programmes.

In 2007, ICO supported the recruitment of resources mainly by launching large strategic issues in the traditional euros and dollars but also by a significant extension of its area of action to other currencies and markets such as the UK pound, Australian dollars and the Canadian dollar. To a lesser extent it also used non-public financial instruments for smaller volumes, taking advantage of circumstantial market opportunities and considerably reduced obtaining funds through loans. The gross amount of resources obtained during the year, measured through exchange rates in force at the time of the transaction and excluding those originating from the interbank market and customer deposits, totalled €14,713,994k.

The level of equity required for ICO is the same, with statutory exceptions, as those indicated for other credit institutions. At the end of 2007 the balance of these resources, before consolidation, totalled €2,316,260k, which represents 5.81% of the total balance sheet. The increase in computable equity in the year was initially attributable to the implementation of a series of measures envisaged in Additional Provision 49 of 2007 General State Budget Law 42/2006, of 29 December 2006, and which enabled the solvency coefficient of Instituto de Crédito Oficial, ratio Bis, to reach 11.23%, which is far higher than the legal minimum required by the Bank of Spain.

ACTIVITY

On 8 March 2007, ICO and Ahorro y Titulización Sociedad Gestora de Fondos de Titulización (SGFT) set up the Securitization Fund "ICO-Mediación A y T, for a total amount of €14,099,000k.

The assets of this fund are made up of debt claims relating to the loans that the Institute had granted to financial institutions through intermediary lines from 2001 to 2006.

The amount of the bond issues carried out by the Asset Securitization Fund (FTA) and acquired by ICO in its entirety totalled €13,169,000k (this issue has an AAA rating), that is completed through a syndicated loan of €930,000k. Moreover, the fund, as a credit improvement, has a credit line amounting to €169,000k.

Following the formation of this fund, ICO attained a twofold objective in that it improved the credit quality of its balance sheet by including better credit quality financial assets and reduced the banking risk, avoiding the high concentration of risk that it recorded with financial institutions, deriving from the significant volume of loans used in intermediary lines.

For purposes of comparison with the previous year, we consider as loans and receivables the bonds issued by the securitization fund and acquired by ICO (these replace the securitized loans). In view of this, at 31 December 2007 the balance of loans and receivables, after provisions and adjustments, amounted to €35,200,481k which is up 25.81% on the 2006 year end. The relationship between the balance of net loans and receivables and the balance of the Institute's equity balance sheet at the end of those years amounted to 88.30% and 88.17%, respectively.

The balance of ordinary loans and receivables in respect of direct transactions with customers after provisions and adjustments amounted to €13,444,692k. The balance of intermediary credit –granted, arranged and transferred to the end borrowers by collaborating entities, including as such those securitised and represented by AAA bonds of the securitization– amounted to €21,650,231k. These balances represent increases on the preceding year of 26.59% and 25.58%. Loans and receivables relating to special and exceptional transactions, after provisions, and granted for "major economic or social reasons" amounted to €105,558k, down 11.11% on 2006.

Concerning total loans and receivables, the relative significance of ordinary loans rose from the 2006 year end to the 2007 year end from 37.96% to 38.19%, the relative significance of intermediary credit fell from 61,62% to 61,51% while that of special and exceptional credit dropped from 0.42% to 0.30%.

At the end of 2007 the balance of the financing provided by ICO to credit institutions –not taking into account that relating to the aforementioned intermediary transactions– amounted to €3,193,251k, which was up 2.86% on the previous year. Of this amount, €1,358,846k related to transactions with BBVA –attributable virtually exclusively to the refinancing of the amounts supplied, prior to privatisation, to the former Entidades Oficiales de Crédito (EOC)– while the remaining €1,834,405k related to the sum of the deposits assigned on the interbank market and net loans –taking into account the valuation adjustments and less country risk provisions– to non-resident credit institutions.

The ordinary financing balance of ICO amounted to €32,780,091k which is up 18.5% on the previous year. Fixed –income securities– debentures, bonds and promissory notes –amounted to €29,053,942k and funds received from credit institutions– loans from the European Investment Bank, other banks and funds obtained on the interbank system –amounted to €1,060,328k. Concerning the balances recorded in 2006, these amounts represent, respectively, an increase of 21.6% and a decrease of 40.4%. Customer funds, made up almost entirely of demand deposits, amounted to €2,665,821k, up 34.7% on the previous year.

The balance of special financing obtained outside market circuits that related entirely to the Central Government loan being repaid in 2006 amounted to 0.82% of ICO borrowings (€228,904k). Since the entire loan currently forms part of the Institute's equity owing to the implementation of the measures provided to this effect in the 2007 General State Budget Law, it may be asserted that this year 100% of ICO borrowings relate to market financing funds.

RESEARCH AND DEVELOPMENT

In 2007 the Institute carried out no R&D activities involving significant amounts.

RISK MANAGEMENT POLICY

The actions carried out by the Institute with respect to credit, liquidity, market and operational risk are described in the corresponding note to the consolidated annual accounts.

POST-BALANCE SHEET EVENTS

Paragraph three of final provision 14 of 2008 General State Budget Law 51/2007, of 26 December 2007, provides for the amendment of additional provision 49 of 2007 General State Budget Law 42/2006 of 29 December 2006, such that the recovery of the bad debt provisions, historically agreed through a decrease in interest on the extinguished Central Government loan to ICO, is considered by the Institute as an equity contribution. The application of this measure in 2008 will trigger further increases in equity amounting to €75.862k to the date of this annual report.
Similarly, the same General State Budget Law for 2008 once again authorises budgetary item 15.16.931M.871 amounting to €303,000k in order to increase the Institute's equity.

RESULTS

The trading margin obtained by ICO in the past year totalled €209,713k, which is an increase of 6.98% compared with 2006. The financial margin rate applied to total average assets (TAA) was 0.55%, which is 28 basis points higher than last year. The ordinary margin was €227,333k and the operating margin was €189,018k, which represent annual increases totalling 9.60% and 9.69%, respectively.

The aggregate value in net terms of asset impairment (transfers to provisions and other gains and losses) amounted to €81,177k. Profit for the year before taxes amounted to €107,840k while the net profit for the year amounted to €82,345k, which was down 20.98% on the previous year. In order to value this fall, it should be borne in mind that in 2006 doubtful assets were recovered amounting to €91,300k that were included in net interest income for that year. Profit as a percentage of Average Total Assets amounted to 0.21% and 0.34% in 2007 and 2006, respectively.

Instituto de Crédito Oficial

Paseo del Prado, 4. 28014 Madrid
www.ico.es