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

2024 Audit Plan - Financial Year 2023

AUDInet Code 2024/57

PUBLIC AUDIT DIVISION I

Free translation of the auditor’s report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

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

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

Opinion

The Comptroller General of the State Administration (IGAE), using the powers conferred upon it by article 168 of the General Budget Law, has audited the consolidated annual accounts of Instituto de Crédito Oficial (hereinafter, the Parent Company or the Institute) and its subsidiaries (together, the Group), which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated notes thereto for the year then ended.

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

Basis for opinion

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

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

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

Key audit matters

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

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

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

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

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

The main audit procedures carried out have included the following:

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

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

Risks associated with Information Technology

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

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

In this context, it is considered necessary to assess the effectiveness of General Controls over internal control on Information Technology Systems, regarding processes supporting the Institute's accounting registration and closing, in collaboration with our internal information systems specialists.

Our audit approach has included the following procedures:

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

  - Change management.
  - Logical access

- IT Systems Operations.

- Review of the existing interfaces between the main applications in the accounting reporting process.
- Analysis of the manual journal entry generation process, and selective testing of extraction and filtering of unusual entries in the financial information systems.

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

Other matter paragraph

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

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

Likewise, Mazars Auditores, S.L.P., in accordance with the stipulations of the second additional provision of Law 22/2015, of 20 July, on Auditing, has issued, on April 11, 2024, another auditor’s report on the consolidated annual accounts of the Institute and its subsidiaries, applying audit regulations in force in Spain (ISA-ES). This report, intended to meet certain requirements laid down in sectoral regulations, as well as for other commercial or financial reasons, has been issued with the prior authorisation of the Comptroller General of the State Administration, by virtue of the provisions of the collaboration contract.

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

Other information

The other information comprises the consolidated management report for the 2023 financial year, the formulation of which is the responsibility of the Institute’s management body and is not an integral part of the consolidated annual accounts.

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

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

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

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

On the basis of the work performed, as described in the previous paragraph, we have checked that the information referred to in section a) above is provided in the manner stipulated by the applicable regulations, and that the remaining information contained in the management report is consistent with that in the consolidated annual accounts for the 2023 financial year and that its content and presentation are in accordance with applicable regulations.

Management's responsibility for the consolidated annual accounts

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

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

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

Our work did not include audits of the annual accounts of AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A., Compañía Española de Reafianzamiento, S.M.E., S.A., and COFIDES, Compañía Española de Financiación del Desarrollo, S.A., investees; whose information is detailed in Appendix I of the consolidated annual accounts, and whose net book value represents 0.10% and 4.78% of the Group's total assets and net results, respectively.

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

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

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

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

We also:

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

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

From the matters communicated to the governing body of the entity, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are, therefore, the key audit matters.

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

This auditor’s report was signed electronically through the CICEP.red application of the Comptroller General of the State Administration by the Audit Director and by the Head of the Public Audits Division I of the National Audit Office in Madrid on April 11, 2024.

mazars

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INSTITUTO DE CRÉDITO OFICIAL and Subsidiaries

Independent Auditors' Report on the Annual Accounts

Consolidated Annual Accounts and Consolidated management report

Financial year ended 31 December 2023

MAZARS Auditores, S.L.P. Corporate address: Calle Diputació, 260 - 08007 Barcelona
Mercantile Registry of Barcelona, Book 30,734, Folio 212, Page B-180111, Inscription 1, VAT no. B-61622262
Inscribed under number S1189 on the Spanish Accounting Auditors Official Registry (ROAC)

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

Independent Auditors' Report on the Consolidated Annual Accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Instituto de Crédito Oficial (hereinafter, the Parent Company or the Institute) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity, consolidated cash flows statement and the consolidated notes thereto for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the regulatory financial reporting framework in Spain (identified in note 1.2 to the accompanying consolidated annual accounts).

Basis for opinion

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

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

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

Most relevant audit matters

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

Offices in: Alicante, Barcelona, Bilbao, Madrid, Malaga, Valencia, Vigo.

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Estimate of impairment losses in the loan portfolio and advances

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

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

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

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

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

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

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

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

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

Information Technology risks

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

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

In this context, we believe it is necessary to evaluate the effectiveness of IT general controls, on processes that support the Institute's accounting recording and closure in collaboration with our in-house information systems specialists.

Our audit approach has included the following procedures:

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

    - Change management
    - Logical Access
    - Information Systems' Operations

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

- Analysis of the manual journal entry generation process, and selective testing of extraction and filtering of unusual entries in financial information systems.

Other matters

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

Other information: Consolidated Management Report

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

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

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

Based on the work performed, as described above, we have checked that the information mentioned in the section a) above is provided as established in applicable regulations, and that the remaining information included in the consolidated management report is consistent with that disclosed in the consolidated annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the Institute's Chairman for the consolidated annual accounts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have analysed the digital files of the European single electronic format (ESEF) of Instituto de Crédito Oficial and subsidiaries of the financial year 2023, which comprise the XHTML file, which includes the consolidated annual accounts of the year, and the XBRL files with the tagging made by the Institute, which will be part of the annual financial report.

The Chairman of Instituto de Crédito Oficial is responsible for presenting the annual financial report of 2023, in accordance with the formatting and marking requirements established in the Delegated Regulation EU 2019/815, of 17 December 2018, of the European Commission (hereinafter, ESEF Regulation).

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

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

Madrid, 11 April 2024

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

(signed in the original in Spanish)

Breogán Porta Macía
ROAC Nº 22.151

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Consolidated Annual Accounts at 31 December 2023 and Consolidated Management Report corresponding to 2023

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

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 2022
(Expressed in thousands of Euros)

ASSETS	2023	2022
Cash, deposits at central banks and demand deposits (Note 6)	**2 158 748**	**2 637 489**
Financial assets held for trading (Note 7)	**24 197**	**30 637**
Derivatives	24 197	30 637
Memorandum item: loaned or advanced as collateral	-	-
Financial assets not held for trading obligatorily valued at fair value through profit or loss (Note 8)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 9)	**1 624 558**	**2 460 191**
Equity instruments	1 533 557	1 325 031
Debt securities	91 001	1 135 160
Loans and advances		
Memorandum item: loaned or advanced as collateral		
Financial assets at amortised cost (Note 10)	**27 204 578**	**23 866 671**
Debt securities	6 302 584	6 781 025
Loans and advances	20 901 994	17 085 646
Credit institutions	8 300 598	6 911 989
Customers	12 601 396	10 173 657
Memorandum item: loaned or advanced as collateral		
Hedging derivatives (Note 11)	**302 772**	**438 822**
Investments in joint ventures and associates (Note 12)	**89 486**	**84 564**
Joint ventures	-	-
Associates	89 486	84 564
Property, plant and equipment (Note 13)	**82 291**	**83 089**
Property, plant and equipment		
For own use	82 291	83 089
Memorandum item: Acquired under lease	-	-
Intangible assets (Note 14)	**8 340**	**6 866**
Other intangible assets	8 340	6 866
Tax assets (Note 15)	**171 206**	**178 675**
Current tax assets	22 236	4 330
Deferred tax assets	148 970	174 345
Other assets (Note 16)	**23 127**	**15 906**
Other assets	23 127	15 906
Non-current assets and disposable groups of elements qualified as held for sale (Note 17)	**-**	**-**
TOTAL ASSETS	**31 689 303**	**29 802 910**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 2022
(Expressed in thousands of Euros)

LIABILITIES	2023	2022
Financial liabilities held for trading (Note 7)	**23 610**	**29 714**
Derivatives	23 610	29 714
Financial liabilities at fair value through profit or loss	**-**	**-**
Financial Liabilities at amortised cost (Note 18)	**23 492 409**	**21 634 039**
Deposits	6 457 514	8 012 483
Central Banks	327 075	2 961 320
Credit Institutions	5 722 623	4 656 697
Customers	407 816	394 466
Marketable debt securities	16 920 632	13 374 254
Other financial liabilities	114 263	247 302
Hedging derivatives (Note 11)	**583 796**	**565 619**
Provisions (Note 19)	**1 581 740**	**1 764 820**
Pensions and similar obligations	836	770
Provisions for contingent exposures and commitments	50 579	59 396
Other provisions	1 530 325	1 704 654
Tax Liabilities (Note 15)	**174 420**	**155 134**
Current tax liabilities	1 439	1 493
Deferred tax liabilities	172 981	153 641
Other liabilities (Note 16)	**57 257**	**64 566**
TOTAL LIABILITIES	**25 913 232**	**24 213 892**
EQUITY		
Equity (Note 20)	**5 585 418**	**5 460 391**
Capital or endowment fund	4 314 901	4 314 687
Accumulated reserves	-	-
Revaluation reserves	17 216	18 126
Other reserves	1 001 036	980 746
Profit attributable to owners of the parent	252 265	146 832
Less: Interim dividends		
Other accumulated comprehensive income (Note 21)	**190 653**	**128 627**
Elements that cannot be reclassified at profit and loss	365 729	349 635
Changes in fair value equity inst. at fair value through other comprehensive income	365 729	349 635
Elements that can be reclassified at profit and loss	(175 076)	(221 008)
Hedging derivatives. Cash flow hedge reserve	(175 795)	(192 695)
Changes in fair value debt inst. at fair value through other comprehensive income	719	(28 313)
TOTAL EQUITY	**5 776 071**	**5 589 018**
TOTAL EQUITY AND LIABILITIES	**31 689 303**	**29 802 910**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2023 AND 2022
(Expressed in thousands of Euros)

MEMORANDUM ITEM	2023	2022
Granted financial guarantees (Note 22)	553 986	557 812
Other granted commitments (Note 22)	4 286 994	4 473 393

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2023 AND 2022

(Expressed in thousands of Euros)

	2023	2022
Interest and similar income (Note 24)	**1 003 522**	**326 016**
Interest and similar charges (Note 25)	**(712 032)**	**(200 270)**
NET INTEREST INCOME	**291 490**	**125 746**
Dividends income (Note 26)	**107**	**480**
Profit/(loss) from entities valued through equity method (Note 27)	**4 791**	**3 269**
Fee and Commission income (Note 28)	**75 474**	**62 508**
Fee and Commission expense (Note 28)	**(9 467)**	**(9 025)**
Gains or losses on financial assets and liabilities not measured at fair value through profit or loss (net) (Note 29)	**(21 446)**	**1 119**
Financial assets at fair value through other comprehensive income	(20 946)	-
Financial assets at amortised cost	(500)	172
Other financial liabilities and financial assets	-	947
Gains or losses on financial assets and liabilities held for trading (net) (Note 30)	**940**	**(259)**
Gains or losses on financial assets obligatorily at fair value through results (net) (Note 31)	**-**	**-**
Gains or losses resulting from hedge accounting (net) (Note 32)	**45 568**	**44 683**
Exchange differences (net) (Note 2.4)	**(3 744)**	**4 038**
Other operating income and expenses (Note 33)	**1 092**	**966**
Administration expenses	**(47 843)**	**(45 340)**
Personnel costs (Note 34)	(26 977)	(24 242)
Other administration expenses (Note 35)	(20 866)	(21 098)
Depreciation and amortisation	**(4 653)**	**(5 662)**
Property, plant and equipment (Note 13)	(2 268)	(2 167)
Intangible assets (Note 14)	(2 385)	(3 495)
Provisions expense or reversal of provisions (Note 19)	**9 138**	**(3 517)**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**12 777**	**23 468**
Financial assets at fair value through other comprehensive income (Note 9)	1 270	-
Financial assets at amortised cost (Notes 10)	11 507	23 468
Impairment or reversal of impairment on non-financial assets	**(4)**	**(77)**
Goodwill and other intangible assets (Note 14)		-
Other assets (Note 17)	(4)	(77)
Gains/ (Losses) on non-current assets and groups held for sale of elements classified as held for sale not classified as discontinued operations (Note 17)	**2 764**	**1 468**
PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**356 984**	**203 865**
Income tax expenses (income) from continuing operations (Note 23)	**(104 719)**	**(57 033)**
PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS	**252 265**	**146 832**
PROFIT OR LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	**-**	**-**
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**252 265**	**146 832**
Profit or loss attributable to the parent company	252 265	146 832
Memorandum item: GROSS MARGIN	384.805	233.525

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2023 AND 2022

(Expressed in thousands of Euros)

	2023	2022
Profit/(loss) for the year	**252 265**	**146 832**
Other comprehensive income	**62 026**	**155 361**
Elements not reclassified on income statement	**16 094**	**215 078**
Variations in fair value equity instruments at fair value through other comprehensive income (Note 21)	22 991	307 254
Profit or loss hedge accounting		
Income tax of elements not reclassified in profit or loss	(6 897)	(92 176)
Elements that can be reclassified in profit or loss	**45 932**	**(59 717)**
Hedging of cash flows, effective portion (Note 21)	24 143	(39 663)
Debt instruments at fair value through other comprehensive income (Note 21)	41 474	(45 647)
Income tax of elements that can be reclassified on profit or loss	(19 685)	25 593
Comprehensive income for the year	**314 291**	**302 193**
Attributable to the owners of the parent	314 291	302 193

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2023 AND 2022

(Expressed in thousands of Euros)

At 31 December 2023

	EQUITY											
			RESERVES									
	Capital / Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities valued through equity method	Other capital instruments	Less: Treasury shares	Profit/(loss) for the year attributable to the parent company	Less: dividends and remunerations	Total equity	Other accumulated comprehensive income	Minority shareholders	Total Equity
Closing balance at 31 December 2022	**4 314 687**		**973 102**	**25 770**			**146 832**		**5 460 391**	**128 627**		**5 589 018**
Total recognised income and expenses							252 265		252 265	62 026		314 291
Other variations of equity:	**214**		**15 616**	**3 764**			**(146 832)**		**(127 238)**	**-**		**(127 238)**
Capital increases / endowment fund	214								214			214
Capital decreases												
Transfers between equity items												
Other increases (decreases) of equity			15 616	3 764			(146 832)		(127 452)			(127 452)
Closing balance at 31 December 2023	**4 314 901**		**988 718**	**29 534**			**252 265**		**5 585 418**	**190 653**		**5 776 071**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2023 AND 2022

(Expressed in thousands of Euros)

At 31 December 2022	EQUITY											
			RESERVES									
	Capital / Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities valued through equity method	Other capital instruments	Less: Treasury shares	Profit/(loss) for the year attributable to the parent company	Less: dividends and remunerations	Total equity	Other accumulated comprehensive income	Minority shareholders	Total Equity
Closing balance at 31 December 2021	**4 314 480**		**959 963**	**21 864**			**139 861**		**5 436 168**	**(26 734)**		**5 409 434**
Total recognised income and expenses							146 832		146 832	155 361		302 193
Other variations of equity:	207		13 139	3 906			(139 861)		(122 609)			(122 609)
Capital increases / endowment fund	207								207			207
Capital decreases												
Transfers between equity items							(139 861)		(139 861)			(139 861)
Other increases (decreases) of equity			13 139	3 906					17 045			17 045
Closing balance at 31 December 2022	**4 314 687**		**973 102**	**25 770**			**146 832**		**5 460 391**	**128 627**		**5 589 018**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2023 AND 2022

(Expressed in thousands of Euros)

	2023	2022
A. CASH FLOWS FROM OPERATING ACTIVITIES	**(473 359)**	**(6 606 242)**
1. Consolidated profit/(loss) for the year	**252 265**	**146 832**
2. Adjustments to obtain operating cash flows	**86 545**	**42 743**
Depreciation and amortisation	4 653	5 661
Other adjustments	81 892	37 082
3. Net increase /(decrease) in operating assets	**(2 367 005)**	**1 431 842**
Financial assets held for trading	6 440	(19 935)
Other financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	835 633	(67 684)
Financial assets at amortised cost (2019)	(3 337 908)	1 484 098
Other operating assets	128 830	35 363
4. Net increase/(decrease) in operating liabilities	**1 581 590**	**(8 221 849)**
Financial liabilities held for trading	(6 104)	19 134
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	1 858 370	(8 892 592)
Other operating liabilities	(270 676)	651 609
5. Collections/(payments) for income tax	**(26 754)**	**(5 810)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	**(5 597)**	**(13 161)**
6. (Payments)	**(6 395)**	**(13 161)**
Property, plant and equipment (Note 13)	-	(1 212)
Intangible assets (Note 14)	(1 474)	(3 806)
Investments in subsidiaries and associates (Note 12)	(4 921)	(8 143)
Non-current assets and liabilities associated for sale (Note 17)	-	-
Other payments related to investing activities	-	-
7. Collections	**798**	**-**
Property, plant and equipment (Note 13)	798	-
Intangible assets (Note 14)	-	-
Shareholdings (Note 12)	-	-
Non-current assets and liabilities associated for sale (Note 17)	-	-
Debt securities at amortised cost (Note 10.1)	-	-
Other collections related to investing activities	-	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2023 AND 2022

(Expressed in thousands of Euros)

	2023	2022
C. CASH FLOWS FROM FINANCING ACTIVITIES	**215**	**(122 753)**
8. (Payments)	**-**	**(122 960)**
Dividends	-	-
Subordinated liabilities	-	-
Amortisation of own equity instruments	-	-
Acquisition of own equity instruments	-	(122 960)
Other payments related to financing activities		
9. Collections	**215**	**207**
Subordinated liabilities	-	-
Issue of own equity instruments	-	-
Disposal of own equity instruments	-	-
Other collections related to financing activities (Note 20)	215	207
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS		-
E. NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**(478 741)**	**(6 742 156)**
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2 637 489**	**9 379 645**
G. CASH OR CASH EQUIVALENTS AT END OF THE YEAR	**2 158 748**	**2 637 489**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD		
Cash (Note 6)	**7**	**7**
Cash equivalent balances with central banks (Note 6)	**2 123 983**	**2 557 390**
Other financial assets (Note 6)	**34 758**	**80 092**
Less: bank overdrafts repayable	-	-

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
corresponding to the year ended at 31 December 2023

1. INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

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

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

The Institute is a public business entity of those provided for Article 103 of Law 40/2015 on Legal Regime of the Public Sector, pertains to the Ministry of Economy, Commerce and Business, through the Secretary of State for Economy and Company Support; it is a credit institution by law and is considered to be a State Finance Agency with its own legal personality, assets and finance, as well as management autonomy to fulfil its purpose.

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

The Institute is governed by the provisions of the Law 40/2015 on the Legal Regime of the Public Sector, through Additional Provision Six of Royal Decree-Law 12/1995, on Urgent Budget, Tax and Financial Measures; by applicable provisions of Law 47/2003, of 26 November, General Budget, by its bylaws, approved by Royal Decree 706/1999, on the adaptation of Instituto de Crédito Oficial to Law 6/1997 (14 April) and the approval of its bylaws, and any other matter not covered by the above regulation, are governed by the special legislation applicable to credit institutions and general civil, mercantile and employment legislation.

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

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

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

The Institute's purposes are to sustain and promote economic activities that contribute to growth, and the improvement of national wealth distribution, especially, of all those activities that deserve some support due to their social, cultural, innovative or ecological importance.

When pursuing these aims, the Institute must completely respect the principles of financial balance and the adaptation of the means to purposes.

The Institute has also the following functions:

a) Contribute to the mitigation of the economic effects deriving from serious economic recessions, natural catastrophes or similar situations, in accordance with the instructions received in this aspect from the Council of Ministers or the Government Commission for Economic Matters.

b) Act as the principal instrument for executing certain economic policy measures, in line with the fundamental guidelines established by the Council of Ministers or the Government Commission for Economic Matters, or the Ministry of Economy, Commerce and Business, subject to the rules and decisions adopted by its General Board.

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

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

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

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

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

4. Companies Internationalisation Fund (FIEM for its initials in Spanish). This Fund was established in 2010 under Act 11/2010. Its activity consists on providing reimbursable financing for projects, under concessions or market terms, tied to the acquisition of Spanish goods and services and to the execution of Spanish investment projects or those of national interest. The Institute acts as a Government agent and the structuring, administration and accounting for these operations is kept separate from all other operations, in independent accounts maintained by the Institute and for what the ICO is reimbursed for the cost of

management in accordance with the General State Budget for each year.

5. Water and Sanitation Cooperation Fund. It was created through the Sixty-First Additional Provision of Law 51/2007, 26 December, of the 2008 General State Budget to fund water and sanitation projects under the financing arrangements with the national authorities of the Latin America Countries, considered a priority for the Spanish cooperation.

6. Finance Fund to Local Entities, resulting from the 17/2014 Royal Decree-Law, of 26 December, measures of financial sustainability of the autonomous communities and local entities and others of economic nature, in order to ensure financial sustainability of the municipalities attached, by addressing its financial requirements. The equity of the Fund is endowed by the result of the liquidation of the Fund for the Financing of Payments to Suppliers (created by Royals Decrees 4/2012 and 7/2012), which happens in all its rights and obligations, effective January 1, 2015. ICO plays the trader role, without registering any of these operations on its accounting records. This activity generates for the Institute a pertinent trading commission.

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

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

9. UKRAINE surety line. This line is included in the Plan to respond to the Russian war in Ukraine, and is allocated with up to 10,000 million Euros. The line is subject to EU state aid regulations and is regulated by Royal Decree Law 6/22 of 19 March and, as regards the tranches managed by the ICO, by the MCA of May 10, 2022 (subsequently amended by the MCA of October 11, 2022), and by the MCA of November 22, 2022, the MCA of December 27, 2022 and the MCA of December 5, 2023, subsequently amended by the MCA of December 27, 2023. In this

activity, the ICO also acts in the name and on behalf of the State, performing management and administration functions for which the Institute earns the corresponding fees which are recorded as income in the income statement.

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

1.2 Bases of presentation of the consolidated annual accounts

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

Accordingly, the preparation of the accompanying consolidated annual accounts has been based on the Group Companies' accounting records and in agreement with the International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU) and Circular 4/2017 of Bank of Spain, and subsequent amendments, and with the Commercial Code, Capital Corporations Act or other applicable Spanish regulations, to show the true and fair view of the Group's consolidated equity and consolidated financial situation at December 31, 2023 and results from its operations, changes in consolidated equity and consolidated cash flows corresponding to the year therein ended.

The information contained on in these consolidated annual accounts corresponding to 2023 is solely and exclusively presented for comparison purposes with information related to 2023 and, accordingly, does not constitute the Group's formulated annual accounts of 2022.

Note 2 summarises the most significant accounting principles, policies and valuation criteria, applied in the preparation of the Group's annual accounts corresponding to the year ended at December 31, 2023.

Main regulatory changes during the period from January 1 to December 31, 2023

Bank of Spain Circular 1/2023, of 24 February

This rule establishes information to be sent to Bank of Spain on guaranteed funds and other loan mobilisation instruments, and amends Circulars 4/2017 and 4/2019. The rule has not had a significant impact on ICO.

Bank of Spain Circular 2/2023, of 17 March

This rule updates Bank of Spain Circular 1/2013, of 24 May, on the Central Risk Information Centre. It has not had a significant impact on ICO.

Bank of Spain Circular 3/2023, of 31 October

This rule amends Circular 2/2016, of 2 February, completing the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, and Circular 1/2022, of 24 January, to financial credit institutions, on liquidity, prudential rules and reporting obligations. It has not had a significant impact on ICO.

IFRS 17: “Insurance contracts”

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

Modifications of IAS 1: “Presentation of financial statements”

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

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

The Group’s consolidated annual accounts of 2023 have been formulated by the Parent Company’s Chairman on March 26, 2024, awaiting approval by the Institute’s General Board, Group’s Parent Company, expecting their approval without significant changes. The present consolidated annual accounts, unless otherwise indicated, are presented in thousands of Euros.

1.3 Responsibility for information and estimates.

The information contained in the Group’s consolidated annual accounts for the year ended at December 31, 2023 and the accompanying consolidated Notes are responsibility of the Institute’s Chairman. In the preparation of these annual accounts, some estimates have been made by the Group to quantify certain assets, liabilities, income, expenses, and commitments included in those statements. These estimates basically refer to the following:

- Impairment losses of financial assets (Note 2.7).
- Assumptions used in actuarial calculations of liabilities and commitments related to post-employment benefits and other long-term commitments with employees (Note 2.10.2).
- Useful life of fixed assets and intangible assets (Notes 2.12 and 2.13).
- Losses on future obligations derived from granted contingent commitments (Note 2.14).
- The fair value of certain unlisted assets (Note 2.2.3).
- Recoverability of tax assets (Note 2.11).

Although these estimates were made based on the best information available at December 31, 2023 in relation to the analysed facts, future events could lead significant adjustments to be made (upward or downward) in coming years. These changes would be made prospectively, to recognise the impact of the change in the estimate of the consolidated income statement for the specific years.

1.4 Transfer of assets and liabilities from the former Argentaria

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

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

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

On January 2019, both the management, and the administration and bookkeeping of transferred assets and liabilities was assumed by the Institute. At December 31, 2023, the balance of net assets was of 8 thousand Euros and the amount of results generated in the year was of 109 thousand Euros (12 thousand Euros of net assets and 112 thousand Euros of results at December 31, 2022).

1.5 Presentation of individual annual accounts

In accordance with Article 42nd of the Spanish Code of Commerce, the Institute has formulated, at the same date as the present consolidated annual accounts, individual annual accounts, prepared in accordance with the same accounting principles and standards and valuation criteria applied on the Group's present consolidated annual accounts. The consolidation effect on the accompanying balance sheet at December 31, 2023 and 2022, the income statement, the statement of total changes in equity, the statement of recognised income and expenses, and the statement of cash flows of 2023 and 2022, implies the following differences:

	Thousands of Euros			
	2023		2022	
	Individual	Consolidated	Individual	Consolidated
Assets	31 656 823	31 689 303	29 774 943	29 802 910
Equity	5 689 068	5 776 071	5 514 563	5 589 018
Profit/(loss) for the period	240 215	252 265	127 951	146 832
Total income and expenses recognised in equity	302 241	314 291	283 312	302 193
Net increase / (Decrease) of cash and cash equivalents	(478 455)	(478 741)	(6 742 060)	(6 742 156)

1.6 Environmental impact and greenhouse gas emission rights

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

Also, the Group considers that appropriate environmental protection and improvement measures have been taken, and to minimise, when possible, the environmental impact following rules regarding this matter. In 2023 and 2022, the Group has not carried out significant environmental investments and has not considered it necessary to register any provision for environmental risks and charges. Furthermore, the Institute has not considered any significant contingencies in relation to environmental protection and improvement, and has not had greenhouse gas emission rights.

1.7 Minimum coefficients

1.7.1 Minimum equity ratio

Bank of Spain, on May 22, 2008, issued Circular 3/2008 on identification and control of minimum equity. The aforesaid Circular is the final development in the field of credit institutions, on the legislation on equity and supervision on a consolidated basis of the credit institutions issued from Law 36/2007 of 16 November. It amends Act 13/1985, of 25 May, of the investment ratio, equity and information obligations of financial intermediaries and other financial system that includes the Royal Decree 216/2008, of February 15 of credit institutions' equity. This also completes the process of adapting the legislation of Spanish credit institutions to EU Directives 2006/48/EC of the European Parliament and the Council of June 14, 2006 concerning the business of credit institutions (recast) and 2006/49/EC of the European Parliament and the Council of June 14, 2006 on capital adequacy of investment services companies and credit institutions (recast). The two Directives have been deeply revised, following the equivalent agreement adopted by the Basel Committee on Banking Supervision (known as Basel II), the minimum capital requirements due to credit institutions and their consolidated groups.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At December 31, 2023 and 2022, the Group's computable capital is as follows:

	Thousands of Euros	
	2023	2022
Common Equity Tier 1 (*)	4 749 323	4 897 422
- Capital	4 314 901	4 314 687
- Reserves and prudential filters (*)	434 422	582 735
Tier 2	-	-
- Other reserves (*)	-	-
- Adjustments for general credit risk	-	-
Total computable capital	4 749 323	4 897 422
Total minimum capital (**)	2 710 544	2 478 267

(*) The sum of the reserves used to calculate the Group's eligible capital differs from those recorded in the consolidated balance sheet because the calculation of eligible capital takes into account adjustments for intangible assets and adjustments for prudential filters.

(**) calculated as 15.16% of risk-weighted assets (RWA), the level of the total capital requirement (OCR) established by the Bank of Spain for the Group for 2023 (17.05% for 2022)

At December 31, 2023 and 2022, the most important data of the minimal capital of the Group are (in thousands of Euros):

	Thousands of Euros	
	2023	2022
Tier 1	4 749 323	4 897 422
Risk-weighted assets (RWA)	17 879 576	14 535 290
Tier 1 ratio (%)	26,56%	33,69%
Computable total Capital	4 749 323	4 897 422
Computable total Capital ratio (%)	26,56%	33,69%
Minimum computable capital ratio (%) (*)	15,16%	17,05%

(*) The total minimum capital ratio from December 31 2023, established by Bank of Spain for the ICO Group, is 15.16%, considering both the requirements established by the Regulation EU 575/2013 (8%), and additional capital needs (4.66%) and the capital buffer (2.5%)

At December 31, 2023 and 2022, the Group's computable capital exceeds minimum requirements required by applicable regulations in 2,038,779 thousand Euros and 2.419.155 thousand Euros, respectively.

1.7.2 Minimum reserves ratio

The Institute must maintain a minimum level of funds deposited in a central bank of a Euro country to cover the minimum reserve requirements. At December 31, 2023, this level was 2% of computable liabilities. On November 24, 2011, Regulation (EU) No 1358/2011 came into effect, requiring 1% for additional computable liabilities (time deposits of over two years drawable subject to a notice period of more than two years, sales under repurchase agreements and securities other than shares with maturities of over two years). This amendment was applied following the maintenance period that started on January 18, 2012.

At December 2023 and 2022, and throughout financial years of 2023 and 2022, ICO complied with minimum ratios required by applicable Spanish regulations.

1.7.3 Capital management

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

In this sense, regulatory capital requirements are incorporated directly in the management, thereof in order to maintain at all times a solvency ratio not below the minimum established for the entity by Bank of Spain. This objective is met through a proper capital planning.

1.8 Post-balance sheet events

The Council of Ministers of February 27, 2024 has approved an agreement establishing the general conditions for the implementation of five facilities under the loans of the addendum to the Recovery Plan, amounting to 40,000 million Euros, and instructing Instituto de Crédito Oficial (Official Credit Institute) to manage them.

Specifically, the Institute will participate in the following initiatives:

- ICO-Green Facility of 22,000 million Euros

- ICO-Empresas y Emprendedores Facility, of 8,150 million Euros (7,000 million to boost the business fabric and 1,000 million to finance the tourism sector towards a more sustainable model)

- 4 billion Next Tech Fund (already existing fund, but with an increased amount in MRR)

- Audiovisual Hub Facility of 1,712 million Euros, and

- Facility for the Promotion of Social Rental Housing of 4,000 million Euros.

This launches the second phase of the Recovery Plan, which will enable the transformation and modernisation process of the Spanish productive fabric and economy to be completed. The five approved facilities will be used to finance investment projects that favour the dual green and digital transition of companies, thereby strengthening their competitiveness. Specific facilities will also be implemented to boost the audiovisual sector and disruptive technologies, as well as to increase the stock of public social housing for rent.

On the other hand, on February 13, 2024, the Council of Ministers approved an agreement establishing the conditions for the Ministry of Housing and Urban Agenda (MIVAU) to sign with the ICO a line of 2,500 million Euros in guarantees for the purchase of first homes for young people under 35 years of age and families with dependent minors. The guarantees will be managed by ICO on behalf of MIVAU under the terms established in the Agreement to be formalised between both parties for a period of up to 15 years.

In accordance with Additional Provision of Law 24/2001, of 27 December, on Tax, Administrative and Social Security measures, amended by aforementioned Law 42/2006, the amounts recovered following the repayment by Central Government of the debts incurred with ICO as a result of certain credit and guarantee facilities granted by the former Entidades Oficiales de Crédito and the Institute itself, will form part of the Institute's equity. The amount estimated for 2023 totals 207 thousand Euros, which will be registered in 2024.
No significant events other than those described in the previous paragraphs have occurred since the

end of the reporting period (December 31, 2023) until the date these consolidated annual accounts were issued (March 26, 2024).

1.9 Information per business segment

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

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

1.10 'ICO Direct' lending activities

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

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

The balance at December 31, 2023 of total net assets was nil (35 thousand Euros at December 31, 2022). Net results generated in 2023 have amounted to 4,346 thousand Euros (3,816 thousand Euros in 2022).

1.11 ICO local corporation lending activity in 2011

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

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

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

At December 31, 2023, the balance of these assets (classified as doubtful assets) has been of 28 thousand Euros (2,370 thousand Euros at December 31, 2022).

This line is guaranteed to the Institute with the Participation in State Income (PTE for its initials in Spanish) of the borrowing EELL. The reduction in the outstanding balance of this line, from the beginning of it and until December 31, 2023, under the PTE, is 65.31 million Euros (62.97 million Euros at December 31, 2022). Out of the 1,029 hosted entities to December 31, 2022, a total of 409 entities have had to resort to the PTE. At December 31, 2023, PTE deductions are still being claimed to 4 EELL, for an outstanding amount of 28 thousand Euros.

2. ACCOUNTING PRINCIPLES, POLICIES AND VALUATION METHODS APPLIED

During the development of the Group's consolidated annual accounts for the year ended at December 31, 2023, the following accounting principles, policies and valuation methods have been applied:

a) Going concern principle

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

b) Accruals principle

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

c) Other general principles

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

2.1 Shareholdings

2.1.1 Group Companies

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

Consideration as subsidiaries requires:

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

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

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

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

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

- The Group's equity is presented on caption "Minority shareholders" of the consolidated balance sheet, there not being any balance at December 31, 2023 and 2022.

- Consolidated results of the year are presented on caption "Results attributed to minority shareholders" of the consolidated income statement, there not being any balance at December 31, 2023 and 2022.

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

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

2.1.2 Associates

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

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

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

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

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

Annex I provides relevant information on these entities.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

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

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

2.2.2 Transfers and disposal of financial instruments

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

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

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

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

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

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

Therefore, financial assets are only removed from the balance sheet when the generated cash flows have been extinguished or when the implicit risks and benefits have been transferred to third parties.

Similarly, financial liabilities are only removed off the balance sheet when generated obligations have been extinguished or when they are purchased with the purpose of being cancelled or repositioned again.

2.2.3 Fair value and amortised cost of financial instruments

Financial assets

The fair value of a financial instrument at a given date is understood as the amount at which it may be purchased or sold at that same date between some informed parties, in an arm's length operation. 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 operations involving similar instruments or, if failing this, using valuation techniques that have been accepted from the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

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

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

Amortised cost is the acquisition cost of a financial asset or adjusted liability (upward or downward) for capital and interest repayments and, when applicable, for the (higher or lower) portion (recognised in the 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 that may have occurred.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows through its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and operation costs that, in accordance with the provisions of Bank of Spain Circular 4/2017, must be included in the calculation of the effective interest rate The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income operations, and is recalculated at each interest review date stated in the contract, taking into consideration changes in the operation's future cash flows.

Other entities' shareholdings, whose fair value cannot be determined objectively and financial derivatives that have this instrument as its underlying assets and are settled by their delivery, are kept at cost, adjusted, where appropriate, by impairment losses experienced.

Variations in financial assets amounts are registered, in general, with a counterpart in the income statement, differentiating the ones that are caused by the accrual of interest and similar items that are recorded in the heading of “Interest and similar income”, and those corresponding to other causes that are recorded by the net amount under the heading of “Gains or losses on financial assets and liabilities” of the income statement.

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

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

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

i) Level I: reasonable values are obtained from quoted prices (not adjusted) in active markets for the same instrument.

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

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

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

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

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

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

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

In the last two cases, valuation differences are not included in results until hedged item’s gains or losses are recorded in the income statement or until the hedged item’s expiration date.

In interest rate risk’s fair value hedges of a financial instruments portfolio, gains or losses that arise when assessing the hedging instruments are recognised directly in the income statement, whereas the gains or losses in the amount covered fair value changes, regarding the hedged risk, are recognised in “Other accumulated comprehensive income” as adjustment in financial assets by macro hedging.

In interest rate risk cash flows hedging of a financial instruments portfolio, the effective part of the hedging instrument’s value fluctuation is recorded temporarily in “Other accumulated comprehensive income” as adjustment in net equity until expected operations occur, being then recorded in the income statement. The ineffective portion of the hedging derivative’s value fluctuation is directly registered on the income statement.

Financial liabilities

Financial liabilities are recorded at amortised cost, as defined for financial assets in the note above, except in the following cases:

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

- Financial derivatives whose underlying assets are equity instruments whose fair value cannot be determined in a sufficiently objective and be settled by delivery of these contracts are valued at cost.

Financial liabilities amount’s variations are recorded, in general, offset by the income statement, differentiating between those that are caused by interest accrual and similar items that are recorded in the heading of “Interest and similar income”, and those corresponding to other causes, which are recorded under the heading ‘Gains or losses on financial assets and liabilities measured at fair value through profit or loss’ of the consolidated income statement.

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

2.2.4 Classification and valuation of financial assets and liabilities

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

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

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

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

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

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

  - Financial assets that, not being included in the Trading portfolio, are considered as hybrid financial assets and are valued at fair value, and those that are jointly managed with Liabilities under insurance contracts valued at their fair value or with financial derivatives whose purpose and effect is to reduce its exposure to fluctuations in fair value or which are jointly managed with financial liabilities and derivatives in order to reduce the overall exposure to interest rate risk.

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

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

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

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

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

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

Financial assets included in this category are initially carried at fair value, adjusted for commissions and operation costs directly attributable to the acquisition of the financial asset and which, under applicable accounting legislation as of Bank of Spain, 4/2020, must be recognised in the income statement using the effective interest rate method. Once these assets are acquired, they are valued at amortised cost.

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

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

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

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

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

  Products corresponding to interests or dividends accrued from these financial assets are registered with counterpart on captions “Interests and similar income” (calculated using the effective interest rate method) and “Dividends income” in the income statement, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are accounted as mentioned in Note 2.4. Changes in fair value of financial assets covered by fair-value hedges are stated as mentioned in Note 2.3.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The entity will not reclassify any financial liability.

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

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

There has been no reclassification during 2023 or 2022.

2.3 Financial derivatives

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

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign and market exchange rate, among others. When these operations meet certain requirements of the Rules Thirty-first and thirty-second of Circular 4/2017, Bank of Spain such operations are considered as “hedging”.

When the Group designates an operation as a hedge, it does so from the initial moment of the operations or the instruments included in those hedges, that hedge being appropriately documented. When documenting these hedging operations, the instrument or instruments hedged and hedging instrument or instruments are properly identified together with the nature of the risk which is intended to be covered and the criteria or methods followed by the Group to measure the efficiency of the hedge over its life, taking into account the risk that it must cover.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A Hedge is considered highly effective if during the envisaged term any changes in fair value or cash flows attributed to the risk covered in the hedging of the financial instrument or instruments hedged, are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

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

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

- Fair-value hedges: They cover the exposure to changes in the fair value of financial assets and liabilities or firm commitments, or an identified portion of these assets, liabilities or commitments, attributable to a specific risk, provided that they affect the consolidated income statement.
- Cash-flow hedges: they cover changes in cash-flow that are attributable to a specific risk associated with a financial asset or liability or a highly-probable planned operation, which may affect the consolidated 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:

- Fair-value hedges: They cover the exposure to changes in the fair value of financial assets and liabilities or firm commitments, or an identified portion of these assets, liabilities or commitments, attributable to a specific risk, provided that they affect the consolidated income statement.
- Cash flows hedges: valuation differences arisen on the efficient hedging portion of hedging elements are transitorily registered on caption "Other accumulated comprehensive income" as valuation adjustments for cash flows hedged. Hedged financial instruments in this kind of hedging operations are registered according to criteria explained on Note 2.2 without any modification for the fact of being considered as such hedged instruments.

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

Differences in the valuation of the hedge instrument, corresponding to the inefficient part of the hedging cash flow operations, are directly registered as "Gains or losses resulting from hedging accounting, net" in the accompanying consolidated 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 operation 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.

In the situations in which a cash-flow hedge operation is interrupted, the accumulated gain or loss from the hedge is registered under the heading "Other accumulated comprehensive income" in the balance sheet and it will remain under this heading until the planned hedge operation takes place, time at which it will be taken to the consolidated 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 operation that culminates with the recording of a financial asset or liability. In the event of planned operations, when expected not to take place, the entry made under "Other accumulated comprehensive income" relating to that operation is immediately recognised in the income statement.

2.4 Foreign currency operations and functional currency

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

Set out below is the equivalent value of financial assets and liabilities denominated in foreign currency held by ICO, as Group's parent company, at December 31, 2023 and 2022 (in thousands of Euros):

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
Pounds Sterling	304 035	275 323	380 614	529 340
US Dollars	2 678 621	9 856 669	2 406 034	7 228 720
Swiss Francs	-	274 439	8	258 079
Japanese Yens	666	32 110	741	35 687
Other currencies	374 671	44 716	435 683	61 838
	3 357 993	10 483 257	3 223 080	8 113 664

The equivalent value in Euros of financial assets and liabilities denominated in foreign currency (in thousands of Euros), classified by nature, recorded by the Institute, at December 31, 2023 and 2022 is as follows:

	2023		2022	
	Assets	Liabilities	Assets	Liabilities
	1 542 287		1 284 125	
Loans to Credit Institutions	1 803 731		1 924 671	
Loans to Customers	11 975		14 284	
Other financial assets		3 460 183		2 865 741
Deposits in Credit Institutions		7 022 652		5 247 278
Debt securities issued		422		645
	3 357 993	10 483 257	3 223 080	8 113 664

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

i) Monetary assets and liabilities are translated at the year-end exchange rate, understood as the average spot exchange rate at the date to which the annual accounts refer.
ii) Non-monetary items valued at historic cost are translated at the exchange rate on the date of acquisition.
iii) Non-monetary items measured at fair value are converted to the exchange rate on the date its fair value is determined.
iv) Income and expenses are converted by applying the exchange rate existing on the operation date. Nonetheless, the average exchange rate for the period is used for all operations carried out in that period, unless there have been significant fluctuations. Depreciation/ amortisation are translated at the exchange rate applied to the relevant asset.

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

Exchange rates used by the Group to convert balances denominated in the main foreign currencies in which it operates, for the purpose of the elaboration of the consolidated annual accounts, are the market rates at December 31, 2023 and 2022 published by the European Central Bank at each of those dates.

The net amount of exchange differences arising from the conversion of receivables and payables denominated in foreign currency amounts to losses of 3,744 thousand Euros at December 31, 2023 (profit of 4,038 thousand Euros losses at December 31, 2022) and are registered in the caption of

"Exchange profit/(loss)" of the accompanying income statement.

2.5 Recognition of income and expenses

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

2.5.1 Interest income and expense, dividends and similar items

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

2.5.2 Commissions, fees and similar items

Income and expense related to commissions and similar fees, which should not be included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through profit or loss, are recognised in the consolidated 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 profit or loss are recognised in the income statement at the payment date.
- Amounts arising from long-term operations or services are recognised in the income statement over the term of the operations 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 expenses

These amounts are accounted on an accruals basis.

2.5.4 Deferred collections and payments

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

2.6 Offsetting of balances

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

2.7 Impairment of financial assets

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

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

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

Debt instruments and contingent risks portfolios, regardless of their owner, warranty or instrumentation, are analysed to determine the credit risk to which the Group is exposed and to estimate hedging requirements for impairment in value. For the annual accounts preparation, the Group classifies its operations in terms of its credit risk by analysing, separately, the insolvency risk due to the customer and country risk to which they are exposed.

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

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

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

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

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

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor ability to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk, which are taken into account in order to group together assets, are, for example, the type of instrument, the debtor's sector of activity, the geographic area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.
- Future cash flows in each group of debt instruments are estimated based on the Group's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

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

Debt instruments not measured at fair value through changes in the consolidated income statement, contingent risks and commitments, are classified based on the insolvency risk attributable to the client or the operation, in the categories defined by the Annex IX from the Bank of Spain's Circular 4/2017. For debt instruments not classified as normal risk, estimates are made regarding the specific impairment hedges necessary based on the criteria established in the above mentioned regulation, bearing in mind the age of the unpaid amounts, the guarantees provided and the client's financial situation and, if appropriate, the guarantors.

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

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

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

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

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

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

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

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

TYPE OF REAL GUARANTEE	Discount over reference value (%)
Mortgage guarantees (first charge)	
Buildings and finished building elements	
Homes	30
Offices, commercial premises and warehouses	40
Other	45
Urban and developable land ordered	40
Other immovable property	45
Posted collateral of financial instruments	
Money deposits	0
Other marketable financial instruments	10
Other non-marketable financial instruments	20
Other real guarantees (for example. second mortgages, movable assets)	50

The Institute has constituted the corresponding provisions at December 31, 2023 with extreme caution, and thus to be able to strengthen its balance sheet, with a detailed analysis of each borrower, when needed, and taking into account uncertainties underlying the financing, due to the macroeconomic environment.

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

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

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

The amount of impairment losses incurred in debt securities and equity instruments included under Financial assets at fair value through other comprehensive income is equal to the positive difference between their acquisition costs, adjusted to any repayment of the principal, and their fair value less any impairment loss previously recognised in the income statement.

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

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

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

In the case that the probabilities of recovery any amount recorded, like impairment, were considered impossible, these are eliminated from the balance sheet, although the Institute could carry out necessary actions to try to recover, as long as, their rights do not extinguish permanently by expiration, cancellation or other causes.

2.8 Financial guarantees and related provisions

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the creditor for the loss incurred when a debtor fails to perform specific payment obligation under the conditions, original or amended of a debt instrument, regardless of their legal form, which can be, inter alia, of a surety, financial guarantee insurance contract or credit derivative.

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

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

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

i) The financial guarantee’s commissions or bonuses value to receive is updated by recording the difference in the income statement as financial income.
ii) The value of financial guarantee contracts that have not been qualified as doubtful, is the initially recognised amount less the part charged to the income statement on straight-line basis

over the expected life of the guarantee or by other criteria, provided that this more accurately reflects economic risks and benefits of the warranty's perception.

The classification of financial guarantee contracts as doubtful will imply the respective hedging action under the heading of “Provisions for contingent exposures and commitments”.

2.9 Accounting for leases

2.9.1 Financial leases

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

Whenever the Group acts as lessor of an asset in a financial lease operation, the sum of the present values of the amount that will be received from the lessee plus the guaranteed residual value, usually the purchase option price when the lease terminates, are recorded as financing provided to third parties. It is therefore included in “Loans and receivables” in the consolidated balance sheet, in accordance with the nature of the lessee.

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

In both cases, the financial income and expense on financial leases is credited and charged, respectively, to the consolidated income statement captions “Interest and similar income” and “Interest and similar charges”, applying the effective interest rate method on the lease to estimate its accrual, calculated according to the applicable regulations.

2.9.2 Operating leases

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

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

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

2.10 Personnel costs

2.10.1 Short-term remunerations

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

2.10.2 Post-employment commitments

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

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

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

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

Amounts to be contributed are those approved in the General State Budget for each year. Under the heading "Personnel costs" of the consolidated income statement, there is no cost registered for this year at December 31, 2023 and neither for the previous one at December 31, 2022.

2.10.3 Death and disability benefits and retirement bonuses

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

At December 31, 2023 a provision was recorded by the Group for post-employment commitments amounting to 836 thousand Euros (770 thousand Euros at December 31, 2022).

2.10.4 Severances

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

At December 31, 2023 and 2022, the Group has not recorded any provisions regarding this aspect as there is no plan or agreement that would require such an allocation.

2.11 Corporate Income Tax

Corporate income tax is considered as an expense and is recorded under the heading of “Income tax” of the consolidated income statement.

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

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

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

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

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

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

- Deferred tax assets are only recognised in the case that the Group considers it likely to have enough future taxable against which they may be offset.
- In the case of deferred tax assets deriving from tax losses, they have arisen from identified causes that are unlikely to be repeated.

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

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

2.12 Property, plant and equipment

2.12.1 Property, plant and equipment for own use

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

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

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

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

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

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

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

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

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

Repair and maintenance expenses for property, plant and equipment for own use, are charged against results of the year in which they are incurred under the heading "Other 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 Property investments

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

Criteria applied for recognising the acquisition cost of property investments for depreciation, for the estimate of their respective useful lives and for recording any possible impairment losses, match with those described with regard to property, plant and equipment for own use (Note 2.12.1).

2.13 Intangible assets

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

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

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

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

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

For intangible assets with both an indefinite and definite useful life, the Group recognises any impairment in those assets and uses them as a balancing entry "Impairment or reversal of impairment on non-financial 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 consolidated annual accounts, the Group differentiates between:

- Provisions: creditor balances that cover obligations that exist in the balance sheet date, deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.
- Contingent liabilities: possible obligations deriving from past events which may materialise subject to one or more future events beyond the Group's control.

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

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

At the 2023 and 2022 year end, a number of legal procedures and claims had been initiated against the Group, arising in the ordinary course of business. The Group's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

Accounting provisions that are considered necessary, as stated in the previous criteria, are charged or credited to the consolidated income statement caption "Provisions expense or reversal of provisions".

2.15 Statements of cash flows

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

- Cash flows: Inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.
- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.
- Investing activities: acquisition, sale or disposal through other means of noncurrent assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

2.16 Non-current assets held for sale and associated liabilities

The caption of "Non-current assets qualified as held for sale" of the accompanying consolidated balance sheet includes the carrying value of individual items which sale is highly likely, under these assets' current conditions, within the term of one year to be counted from the date of the consolidated annual accounts.
When, in exceptional cases, the sale is expected to occur over a period exceeding one year, the Group assesses the updated sale cost, accounting time value fluctuation under the heading of "Gains/(Losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement.

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

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

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

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognised as such and their fair value, adjusted for estimated cost of sales. While included in this category, property, plant and equipment, and intangible assets, subject to depreciation and amortisation by nature, are not depreciated nor amortised.

In the event that the carrying amount exceeds the fair value of the assets, adjusted for cost of sales, the Institute adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption “Gains/ (Losses) from non-current assets and disposable groups of elements classified as held for sale not qualifiable as discontinued operations” in the accompanying consolidated income statement. In the event that the fair value of the assets were increased at a later date, the Group reverses the losses previously recorded in the accounts, increasing the carrying value subject to the limit of the amount prior to their eventual impairment, with counterpart in the abovementioned caption.

The results from the sale of non-current assets held for sale are presented under “Gains/ (Losses) from non-current assets and disposable groups of elements classified as held for sale not qualifiable as discontinued operations” in the accompanying consolidated income statement.

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

3. CUSTOMER SERVICE

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

In 2023, a total of 140 complaints were received (289 in 2022), of which were addressed within an average of 2.7 working days (much lower than the established deadline of 15 working days). 66% of the total are related to credit operations in the COVID-19 Surety Lines, and were therefore passed on to the relevant credit institutions. 30% were related to Mediation Lines, and the remaining 4% related to other issues, unrelated to products or services managed by ICO.

4. DISTRIBUTION OF RESULTS

The distribution of 2023 results of the Group’s Parent Company (240,215 thousand Euros), at the date of formulation of these consolidated annual accounts, has not been established by the Ministry of Economy, Commerce and Business. Such distribution will adjust to the Bylaws.

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

5.1. Risks. General aspects

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

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

- Liquidity risk: The risk incurred as a result of an absence of sufficient liquid resources to comply with obligations. This situation could be thanks to the inadequate assets and liabilities maturity structure, or due to the exceptional market crisis situation.

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

- Credit risk: This one refers to the risk of not fully recovering the principal and interests related to our investments within the estimated periods. This risk may also be subdivided into two broad groups: Counterparty risks with banking institutions and credit risk regarding investment operations.

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

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

5.2. Risks – Organisational structure

In order to cover the entire risk spectrum, within its organisational structure, the Institute (according to Presidential Organisational Circular 1/2023 of 12 July), has created specialised units under the Directorate for Risk, which reports to the General Directorate for Risk and Finance.
The Directorate for Risk's functions include, among others, drafting and proposing internal risk policies and methods for analysing, managing and monitoring the Institute's financial and credit risks, assessing the admissibility of ICO credit risk and overseeing ICO's adaptation to national and international risk regulations, while driving, coordinating and supervising the performance of the units under its remit.

The specialised Risk areas are Methodology and Credit Risk department and the Global Risks Control area, each one with specific duties.

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

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

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

- Elaborating regulatory reports on interest rate, exchange rate and liquidity.

- Analyse, monitor and review periodically credit counterparty lines, analyse them, and monitor levels with the mediating entities and counterparts.

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

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

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

- Supervise the correct application of approved methodologies risks.

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

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

- Reporting and diagnosis of the risk situation for Assets and Liabilities Committee, Operations Committee, Monitoring Committee and General Council.

- Report statements of interest rate risk, liquidity, large risks and Basel ratios for Bank of Spain.

- Update and maintain the Risk Adjusted Profitability tool (RAR).

- Update and maintain the ICO Price Control tool in RORAC

- Control of Risk Appetite Framework (MAR) indicators, and attending to meeting to report the situation to the Board.

- Analyse, study and report on ICO's participation in securitisation operations and ICO guarantees to SME portfolios concerning the credit risk.

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

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

- Analysing and assessing the admissibility of new direct credit operations and potential customers that are not included in automated procedures; analysing and assessing the impact on the risk assumed by ICO and the admissibility of proposed modifications to wholesale direct credit operations that have already been approved or formalised but are not in arrears.

- Calculating the internal rating for new customers (corporate and project finance) and updating the rating when required.

- Carrying out an analysis of issuer risks (companies) in the Alternative Fixed Income Market (MARF) and corporate bonds market, as alternative corporate financing instrument, by ICO's underwriting of promissory notes and bonds in the different issues. Updating, analysing and periodically reviewing debt issuers (MARF and Corporate Bonds) for the maintenance and/or variation of limits when required.

- Participating in credit committees that discuss and adopt concession agreements.

- Analysing the adaptation to national and international standards in risk areas within its competence.

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

- Proposing, maintaining and managing risk assessment tools and direct credit risk rating, concentration limits by economic group, country and sector risk.

- Proposing the methodology for hedging impaired credit risk and the applicable tools, and allocations and reversals of customer provisions that fall within its remit.

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

- Collaborating in the elaboration of budgets and PAPs at the level of estimation of non-defaulted risk and foreseeable hedges.

- Participating in the Monitoring Committee of the direct loan portfolio of I+CO, with coordination and presentation of direct non-defaulting risk holders.

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

5.3 Liquidity risk at ICO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Update of EBA technical standards COREP templates version 3.2 June 2023. Modification of liquidity risk templates ALMM and NSFR regulatory statements. Partially amends technical standards set out in Implementing Regulation (EU) 2021/451.

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

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

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

On January 2014, “Basel III: Net Stable Financing Ratio” (NSFR) consultation document was published for the definition and calculation of the ratio of long-term liquidity, which after a consultation phase, which lasted until April 11, 2014, led to the publication of the final document in October 2014.

As a result, it is necessary to calculate a minimum net stable financing ratio. After the publication, on June 2019, of Regulation 876/2019 is applied since the end of June 2021.

During 2013 and following years, the Institute calculated on a monthly basis short and long term liquidity rates, as additional liquidity controls. In every period, the Institute has achieved results that are within the limits that would be applied in the future.

Furthermore, prospectively throughout 2015 and in following years, based on the document published by the BIS “Basel III: the Net Stable Financing Ratio” of October 2014, and with definitions and criteria in force at each moment, the results have been calculated quarterly, which provide the ICO balance with the introduction of different scenarios handled one year ahead (2024), in relation to the NSFR ratio.

At ICO, it is perfectly defined an organisational structure responsible for reporting, monitoring and controlling liquidity risk.

The measurement used to monitor balance sheet liquidity risk is the liquidity gap. The liquidity gap provides information regarding the mismatches between the inflow and outflow of funds on a daily basis, for periods of up to 12 months covering all balance sheet and off-balance sheet items that produce cash flows on the actual date occurring.

Liquidity gaps are measured in one week periods, and one, three and six month’s periods. There is a percentage over the total of Institute’s liabilities that cannot be exceeded for each period: one week-period: up to 0.5%, one month period: up to 1%, three month period: up to 2.5% and six month period: up to 5%.

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

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

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

Likewise, approved by the General Board on February 27, 2018, there is a liquidity Contingency Plan that establishes a priority order as reference when resorting to financing sources in stress scenarios. This Contingency Plan was updated and presented, for the last time, to the Committee of Assets and Liabilities (COAP) last July 19, 2023.

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

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

In this sense, due to the existing situation, decisions have been taken throughout 2023, as done previously, to adapt ICO to the new circumstances in order to ensure the liquidity needed to meet its payment commitments on time and to achieve its strategic operating, investment and growth targets.

Thanks to these measures, ICO's management also does not anticipate any liquidity shortages in 2024.

Maturity Analysis of trading and hedging derivatives

The following table shows, by notional, the contractual maturities for euro-denominated derivatives, recognised as financial assets and financial liabilities at December 31, 2023 and 2022, except for embedded derivatives in hybrid financial instruments and loan commitments considered financial derivatives as they can be settled, by adjusting, in cash or with another financial asset, in which the maturities are deemed essential for understanding the Institute's cash flow projections:

At 31 December 2023:

	Thousands of Euros					
	Up to 1 year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	**Total**
Derivatives held for trading	88 305	165.158	-	83.280	-	336 743
-Of which: credit commitments considered as derivatives						
Hedging derivatives	7.976.615	4.694.444	2.634.891	5.426	-	15.311.375
	8 064 920	**4.859.602**	**2.634.891**	**88.706**	**-**	**15 648 118**

At 31 December 2022:

	Thousands of Euros					
	Up to 1 year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	**Total**
Derivatives held for trading	145.386	210.951				356.337
-Of which: credit commitments considered as derivatives						
Hedging derivatives	4.602.312	3.477.182	2.198.053	619.739	52.882	10.950.168
	4.747.698	**3.688.133**	**2.198.053**	**619.739**	**52.882**	**11.306.505**

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

- Where a counterparty can choose when an amount should be paid, the derivative is assigned in the first period, in which the payment to the Institute may be demanded;
- The amounts included in the charts, correspond to undiscounted contractual amounts. Interest-rate swaps are shown at their net amount if settled by differences, loan commitments considered derivatives at their gross amount and all remaining financial derivatives at their contractual amount of exchange unsettled by differences;
- For derivatives with a non-stated contractual amount at the reporting date, e.g., because they depend on the performance of an index, the residual maturity, considered for classification purposes in the preceding tables, was determined based on prevailing conditions at December 31, 2023 and 2022, respectively;

Liquidity GAP analysis

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

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

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

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

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

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

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

At 31 December 2023 (thousands of Euros):

	Up 1 month	1-3 months	3-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
Inflows equivalent value Euros	3,603,956	768,617	1,251,219	2,212,895	3,951,855	11,341,426	8,226,626
Outflows equivalent value Euros	(1,694,383)	(3,358,442)	(1,997,986)	(4,407,879)	(3,085,007)	(5,888,517)	(4,918,557)
Partial liquidity gaps	1,909,573	(2,589,825)	(746,767)	(2,194,985)	866,849	5,452,909	3,308,069
Accumulated liquidity gaps	**1,909,573**	**(680,253)**	**(1,427,019)**	**(3,622,004)**	**(2,755,156)**	**2,697,753**	**6,005,822**
Buffer of highly-liquid assets	**2,538,718**	**3,074,243**	**3,546,049**	**3,720,182**	**3,226,296**	**339,046**	**-**
Difference between buffer and negative accumulated gaps	n.a.	2,393,991	2,119,029	98,178	471,140	n.a.	n.a.
Coverage % of buffer over negative accumulated gaps	n.a.	452%	248%	103%	117%	n.a.	n.a.

At 31 December 2022 (thousands of Euros):

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

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

In addition to highly liquid assets, there is another series of eligible pledged assets in the ECB policy as coverage for provisions of funds in TLTRO III which volume at December 31, 2022 is of 318,000 thousand Euros.

In relation to the liquidity hedging ratio, a chart is presented below with quarterly averages of the ratio based on observations at the end of the month in the twelve previous months for each quarter of the period of 2023, indicating the averages of total liquid assets and averages of net liquidity outflows, liquidity outflows and liquidity inflows.

	LIQUIDITY COVERAGE RATIO (LCR) 2023 Quarterly average (% and thousands of Euros)			
	1Q	**2Q**	**3Q**	**4Q**
LCR RATIO	**291,43%**	**275,71%**	**614,08%**	**740,97%**
TOTAL LIQUID ASSETS	6.180.226	7.267.338	6.052.571	7.327.155
NET LIQUIDITY OUTFLOWS	2.347.171	2.735.283	1.101.072	1.753.882
Liquidity outflows	(3.755.948)	(5.346.334)	(3.636.757)	(5.170.277)
Liquidity inflows	(1.408.777)	(2.611.051)	(2.535.685)	(3.416.395)

Lastly, the following information chart shows the net stable financing ratio at the end of each calendar quarter of the period of 2023, additionally showing the stable financing available at the end of each quarter and the financing required at those dates.

	NET STABLE FINANCING RATIO (NSFR) 2023 Quarterly average (% and thousands of Euros)			
	1Q	**2Q**	**3Q**	**4Q**
NSFR RATIO	116,57%	106,17%	109,39%	111,76%
AVAILABLE STABLE FINANCING	19.722.482	18.398.867	19.974.786	21.109.436
REQUIRED STABLE FINANCING	16.919.464	17.329.884	18.259.908	18.889.025

5.4. Market risk at ICO

As indicated above, it is possible to distinguish two major groups within this risk: balance sheet or structural market risk, and the trading portfolio risk. In accordance with its internal policy, ICO is currently attempting to minimise trading portfolios and hold only those that, following the current accounting legislation, do not allow their classification as hedging or investment. Accordingly, market risk results almost exclusively from ordinary activities.

1) There are two basic **criteria** through which exposure to changes in interest and exchange rates is revealed: Profitability and Solvency:

Profitability: At the ICO this, mainly derives from the income statement and therefore the relevant variable here is the Interest Margin or Financial Margin.

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

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

2) **Methodology.** In order to measure balance sheet risks relating to the Financial Margin, the weighted partial maturity gap method was used before 2015, calculated as the difference between asset and liability volume and off-balance sheet operations that mature or renew interest rates within the following 12 months, weighted by the period affecting the Margin.

In order to measure the sensitivity of Equity, the duration gap method was used before 2015. The duration gap is obtained as the difference between the duration of assets and liabilities, and once the difference is obtained, the sensitivity gap may be calculated.

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

Regarding the Value at Risk, the methodology to be used will be determined by the type of portfolio involved and may be based on parametric, historical simulation or Monte Carlo methodology.

3) **Risk degree.** The decision regarding the degree of risk assumed by ICO is the Senior Management's responsibility, which based on the proposal of the Directorate for Risks and Accounting, establishes the acceptable limits based on the particular characteristics of the ICO. These limits are reviewed regularly.

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

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

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

As a result of applying these movements of +/- 200 bps, with these shifts in interest rates, the sensitivity of the balance of ICO to December 31, 2023 was -53,114 million Euros in total, distributed as follows: 49.832 million for the balance in Euros, -1.186 million Euros of the balance in US Dollars, and -0.235 million Euros of the balance in British Pounds Sterling.

Exchange rate (with variations of +/-10% on exchange in USD/EUR and GBP/EUR) was -1.342 million Euros in Dollars and -0.519 million Euros in Pounds.

Likewise, the sensitivity of the ICO's Financial Margin at December 31, 2022 was of 58.137 million Euros, representing 93.85% of the self-imposed limit of -61.95 million Euros (in force at such moment), with the following distribution: -52.281 for interest rate of the balance sheet in Euros, -1.921 for interest rate of US Dollar, and -0 for interest rate of the balance sheet in Pound Sterling. Per exchange rate (variations of +/-10% in interest rates USD/EUR and GBP/EUR), it was of -3.641 million Euros in Dollars and -294 thousand Euros in Pounds.

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

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

At December 31, 2023, the values of the sensitivity of the ICO Net Asset reached -5.75% in value added with a distribution on balances as follows: -5.52% for Euro interest rate, -0.14% in the US Dollar, and -0.04% in the Pound Sterling. Exchange rate for Dollar presented a sensitivity of -0.03% and -0.02% for Pounds.

At December 31, 2022 sensitivity values of ICO's Net Asset Value were of -4.23% with a balance distribution of: -3,69% for interest rate of Euro, -0,23% in the balance of US Dollars and -0.05% in the balance of Pound Sterling. Per exchange rate, sensibilities were of -0.25% in Dollars and -0.00% in Pounds.

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

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

4) **Risk modification.** The last step for efficient risk management is the ability to modify out maturity and duration gaps in order to bring them into line with desired risk values at any given moment, using balance sheet or off-balance sheet instruments based on market opportunities

and in accordance with the management decisions taken within the authority granted for this purpose or the Balance Management Department, the General Finance and Strategy Management or the Operations Committee.

The main currencies used in which ICO holds balance sheet positions at December 31, 2023 are the Euro and the US Dollar.

If we look at the assets of the balance sheet, the Euro concentrates approximately 89.82% of the total, the US Dollar being of 8.10%, while other currencies distribute the remaining amount.

Liabilities concentrate around 97.25% of the total balance sheet, with a total of approximately 59.30% in Euros, and 37.95% in US Dollars.

For 2022 closing, the ICO's main currencies in its activity also were the Euro and the US Dollar. In this case, both of them together represented around 97.09% of total assets, where the Euro represented 89.13% and the Dollar the remaining 7.96%, while they represent 94.34% of liabilities, distributed in 64.62% in Euro and 29.71% in Dollars.

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

5.5. Credit risk at ICO

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

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

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

The basic criteria for establishing counterparty lines are also approved by ICO's General Board on a half-yearly basis and is performed an individualised analysis of them. These counterparty lines are subdivided into two broad groups as a result of the operating characteristics of the ICO. The first of the counterparty lines is related to cash operations. The other counterparty line is related to mediation operations, operations in which the ICO finances several investment projects through framework programmes arranged with several entities such as, for example, lines of Businesses and Entrepreneurs or Internationalisation.

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

ICO's activities with credit institutions, in the area of both second-floor and direct facilities, are carried out with counterparties that, in almost 91% of cases, have an investment grade rating.

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

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

The Monitoring process has the purpose of making the Institute's credit portfolio to achieve the highest quality, i.e., ensures that our loans are being repaid on a timely basis, on the agreed dates. The basic monitoring unit is the client, not the operation, such that any incident affecting an operation affects the rating of a client and its group. This is achieved by a permanent control, with periodic reviews of the economic and financial situation of the same and keeping support tools updated for decision-making and it allow for detect warning signs; as well as promoting action plans against problematic risks in order to maximise the repayment of financing granted.

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

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

5.6. Operating risk at ICO

Measuring and controlling operating is increasingly important, especially bearing in mind the Capital Accord (Basel III). The risk deriving from inadequate processes, incorrect records, system failures, legal risks or the risk of loss inherent to the formalisation of operations is included.

Operational risk is broken down into three main risks: technological, business continuity and conduct risk:

- **Technological risk**: it is the risk of loss due to inadequate or failed internal systems processes or external events. In addition, this risk includes cyber security and system operations.
- **Business continuity risk**: it is the risk of not continuing to perform the ICO's essential functions following a critical situation that has interrupted normal processes.
- **Conduct risk**: the risk of loss due to staff failures including conduct risk.

In this area, a number of tools have been developed that will facilitate the task of dealing with operational risk. Specifically, the Strategic Risk Framework or Risk Map, which includes all the risks detected by ICO and the controls to be carried out for their proper management, policies covering the monthly monitoring of the control panel or activity indicators, the development of processes and internal procedures, the definition of client and operations monitoring and internal control of incidents, or the existing contingency plan. It is important to mention that the regular controls applied to procedures and operations are performed by internal and external auditors.

5.7 Credit risk exposure with companies

5.7.1 Classification per sector

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

	Millions of Euros			
	2023		2022	
	Amount	% s/total	Amount	% s/total
Property investment	**381**	**3%**	**413**	**4%**
Construction of social housing for sale	4	0%	5	0%
Construction of social housing for rent	277	2%	298	3%
Acquisition and development of land	87	1%	101	1%
Others	13	0%	9	0%
Investment property, plant and equipment	**10.963**	**78%**	**8.161**	**70%**
Renewable energies	2.280	16%	1.742	15%
Water infrastructures	77	1%	93	1%
Electricity infrastructures	2.675	19%	1.053	9%
Gas and fossil fuel infrastructures	1.048	7%	939	8%
Transport infrastructures	3.377	25%	3.016	26%
Tourism and leisure	107	1%	151	1%
Social-health infrastructures	89	1%	89	1%
Telecommunications	192	1%	108	1%
Audio-visual production and exhibition	50	0%	32	0%
Business parks and other constructions	25	0%	30	0%
Other	716	5%	661	6%
Research and Development material investment	327	2%	247	2%
ICO Finance lines AA.CC. Agencies	-	-	-	-
Acquisitions of companies	**519**	**4%**	**603**	**5%**
General corporate needs	**1.194**	**8%**	**1.421**	**12%**
Restructuring of liabilities	**132**	**1%**	**407**	**3%**
General State Budgets	**896**	**6%**	**673**	**6%**
	14 085	100%	11 678	100%

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

At December 31, 2023 and 2022, the risk exposure is mainly concentrated in the sectors included under the caption "Investment property, plant and equipment", which accumulates 78% of the total risk in 2023 (70% in 2022). Within this caption, the weight of the total risk of the "Transport infrastructures" sector (25% of the total in 2023 and 26% in 2022), "Electricity infrastructures" (19% of the total balance in 2023 and 9% in 2022) and "Renewable energies", with 16% of the total risk in 2023 (15% in 2022), are to be noted.

5.7.2 Classification by geographic location of financial investments

The total risk at December 31, 2023 is distributed as follows: 74% in operations financing investments in Spain amounting to 10,396 million Euros (69% in 2022 with 8,108 million Euros) and 26% for an amount of 3,690 million Euros (3,570 million Euros in 2022) in operations aimed at financing investment projects in other countries.

The risk distribution for investment projects in the national territory per Autonomous Communities in 2023 is the following: national scope 77%, Madrid 7%, Catalonia 6%, Valencia 3% and Andalusia 2% (72, 5%, 6%, 5% and 2% in 2022, respectively).

In turn, the risk of operations destined for the international market breaks down as follows, at December 31, 2023 and 2022:

	Millions of Euros			
	2023		2022	
	Amount	Percentage	Amount	Percentage
European Economic Community	1 025	19%	800	22%
Latin America	1,036	28%	858	24%
United States	172	5%	246	7%
Rest of Europe	30	9%	357	10%
Multi-region (*)	1,426	39%	1,308	37%
	3,689	100%	3,570	100%

(*) It includes the risk of operations whose outward investment takes place in different countries or multiple geographic areas.

5.7.3 Distribution of loans to customers by activity

The distribution, at December 31, 2023, is the following:

				Loans real guarantee: carrying amount on LTV				
	TOTAL	Of which property guarantee	Of which other real guarantee	Below 40%	40 – 60%	60- 80%	80 – 100%	Above 100%
Public Administrations	**2 799 588**	**105 975**	**27 176**	**93 122**	**39 581**	**-**	**-**	**448**
Other financial corporations (financial activity)	**477 832**	**-**	**163 997**	**63 507**	**-**	**44 600**	**-**	**55 890**
Non-financial corporations (non-financial activity)	**9 229 852**	**179 441**	**1 401 783**	**1 140 855**	**167 485**	**47 185**	**164 021**	**61 678**
Construction / real estate development	88 679	88 679	-	72 495	-	-	16 184	-
Civil engineering construction	281 861	-	222 530	179 340	29 645	13 545	-	-
Other purposes	8 859 311	90 762	1 179 253	889 020	137 840	33 640	147 837	61 678
Large companies	7 828 146	63 206	570 990	444 935	118 225	-	39 347	31 689
SMEs and individual companies	1 031 165	27 556	608 263	444 085	19 615	33 640	108 490	29 989
Rest of households	**27 613**	**5 452**	**8 044**	**12 409**	**-**	**-**	**-**	**1 087**
Housing	13 767	463	-	463	-	-	-	-
Consumption	808	-	-	-	-	-	-	-
Other purposes	13 038	4 989	8 044	11 946	-	-	-	1 087
TOTAL	**12 534 885**	**290 869**	**1 601 000**	**1 309 894**	**207 067**	**91 784**	**164 021**	**119 103**

The distribution, at December 31, 2022, is the following:

				Loans real guarantee: carrying amount on LTV				
	TOTAL	Of which property guarantee	Of which other real guarantee	Below 40%	40 – 60%	60- 80%	80 – 100%	Above 100%
Public Administrations	**1 608 830**	**94 523**	**27 651**	**77 041**	**44 611**	**-**	**-**	**522**
Other financial corporations (financial activity)	**609 522**	**-**	**169 157**	**49 990**	**-**	**-**	**-**	**119 167**
Non-financial corporations (non-financial activity)	**7 909 102**	**174 176**	**1 381 532**	**988 977**	**185 569**	**78 763**	**180 151**	**122 248**
Construction / real estate development	90 452	90 452	-	81 373	-	-	9 079	-
Civil engineering construction	426 917	11 364	260 909	193 697	28 784	34 767	15 025	-
Other purposes	7 391 733	72 360	1 120 623	713 907	156 785	43 996	156 047	122 248
Large companies	6 187 139	53 725	485 904	331 753	110 264	13 035	39 743	44 834
SMEs and individual companies	1 204 594	18 635	634 719	382 154	46 521	30 961	116 304	77 414
Rest of households	**21 148**	**3 656**	**5 064**	**8 720**	**-**	**-**	**-**	**-**
Housing	12 284	577	-	577	-	-	-	-
Consumption	717	-	-	-	-	-	-	-
Other purposes	8 147	3 079	5 064	8 143	-	-	-	-
TOTAL	**10 148 602**	**272 355**	**1 583 404**	**1 124 728**	**230 180**	**78 763**	**180 151**	**241 937**

5.8 Information on payment deferrals to suppliers

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

	2023	2022
(days)		
Average payment period to suppliers	6,75	6,75
Ratio of paid operations	7	7
Ratio of operations payable	3,5	3,5
(thousands of Euros)		
Total settled payments	32 147	30 649
Total outstanding payments	1 043	1 744
Amount paid in a period below the maximum (default regulations)	32 147	30 649
(number of invoices)		
Invoices paid in a period below the maximum (default regulations)	3 236	3 160
(percentage)		
Amount paid in a period below the maximum of total payments	100%	100%
Invoices paid in a period below the maximum of total invoices	100%	100%

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

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

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

Given the core business of the Group and, in particular, of the Institute as parent company (financial activity), the information presented in this Note concerning late payment, is exclusively related to payments to services suppliers and sundry suppliers to the Group, other than depositors and holders of ICO securities. With the latter, the contractual and legal payment deadlines of both liabilities due to demand and with deferred payment have been met dutifully. Nor is any information provided concerning payments to suppliers excluded from the scope of this mandatory disclosure pursuant to the provisions of the aforementioned ICAC Resolution, such as suppliers of fixed assets that are not considered to be trade creditors. When elaborating the information above, payments corresponding to intercompany credits and debits have been excluded.

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

5.9 Risk concentration and other specific regulations of the ICO

At December 31, 2023 and 2022, the Group is exempt from the limits on large exposures set out in the applicable regulations (Part IV of EU Regulation 575/2013 and Circular 3/2008 of the Bank of Spain, respectively), according the provisions of the bylaws of the Institute.

Royal Decree-Law 12/2012, of March 31, 2012, established the treatment of exposures to credit institutions resident in EU Member States.

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

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

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

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

Information on construction and property development finance is as follows:

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

	2023			2022		
	Gross amount	**Excess over value of collateral**	**Specific allowance**	**Gross amount**	**Excess over value of collateral**	**Specific allowance**
Property financing	403 089	-	167 216	415 527	-	182 991
Out of which doubtful	87 116	-	85 505	96 570	-	94 156
Memorandum item						
Defaulted assets	-	-	-	-	-	-

	Thousands of Euros	
	2023	**2022**
Memorandum item:		
Total loans to clients, excluding public administrations	9 735 297	8 539 773
Total assets	31 656 823	29 774 943
Total general allowance for normal risk	379 169	192 885

Total finance for construction and property development at December 31, 2023 represents 1.27% of the total balance sheet (1.40% at December 31, 2020).

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

-

	Thousands of Euros	
	2023	2022
1 Without mortgage collateral	**88 081**	**101 679**
2 With mortgage collateral	**315 008**	**313 849**
2.1 Finished buildings	301 482	305 665
2.1.1 Homes	279 718	305 665
2.1.2 Other	21 764	-
2.2 Buildings under constructions	13 526	8 184
2.2.1 Homes	13 526	8 184
2.2.2 Other	-	-
2.3 Land	-	-
2.3.1 Developed land	-	-
2.3.2 Other land		
TOTAL	**403 089**	**415 527**

- Home purchase loans:

	Thousands of Euros			
	2023		2022	
	Gross amount	Of which: doubtful	Gross amount	Of which: doubtful
Home loans	13 864	-	12 371	-
Without mortgage collateral	13 398	-	11 790	-
With mortgage collateral	466	-	581	-

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

At 31 December 2023:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	298	76	92	-	-
- Of which doubtful					

At 31 December 2022:

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

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

- None of the foreclosed assets on the Group’s balance sheet (Note 17) comes from financing granted to construction companies and property developers, or mortgage loans to households for home purchases, nor do they consist on equity instruments, investments and finance to non-consolidated companies holding the assets.

5.11 Information related to Institute's refinanced and restructured operations

Presented in the next table, there is the detailed information related to those refinanced and restructured operations as of December 31,, 2023 and 2022 (gross amounts), as requirement of Bank of Spain 6/2013 Circular, about financial public and reserved information rules:

At December 31, 2023 (gross amounts, in thousands of Euros):

	With real guarantee	No real guarantee	TOTAL amounts	TOTAL hedging
Public Administrations	-	88 082	88 082	51 844
Doubtful	-	36 844	-	36 844
Finance companies (finance assets)	-	-	-	-
Doubtful	-	-	-	-
Non Finance companies and Industrial Business	305 617	133 667	439 284	212 913
Doubtful	197 784	32 017	229 801	195 659
Non-doubtful	-	-	-	-
Property doubtful	3 628	-	-	3 628
Rest of individuals	231	-	231	-
TOTALS	**305 848**	**221 749**	**527 597**	**264 757**

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

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

At December 31, 2023, the total number of refinanced or restructured operations was 71 (98 at December 31, 2022): 34 unsecured operations (46 at December 31, 2022) and 37 secured operations (52 at December 31, 2022). Of the total number of refinanced or restructured operations, 44 are of doubtful risk (60 at December 31, 2022).

6. CASH, DEPOSITS AT CENTRAL BANKS AND DEMAND DEPOSITS

The composition of this caption of the consolidated balance sheet at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Cash at hand	7	7
Cash in Bank of Spain	2 123 983	2 557 390
Mandatory to comply with minimum reserve ratios	2 123 983	2 557 390
Other demand deposits	34 758	80 092
	2 158 748	2 637 489

7. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The total balances under these headings in the consolidated balance sheets at December 31, 2023 and 2022 are made up of trading derivatives.

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

Below, there is a breakdown classified by type of derivative, of the fair value of the Group's trading derivatives and their notional value (amount on which future payments and collections of these derivatives are based) at December 31, 2023 and 2022:

	Thousands of Euros					
	Notional		Assets		Liabilities	
	2023	2022	2023	2022	2023	2022
By type of market						
Organised markets	-	-	-	-	-	-
Non – organised markets	336 743	356 337	24 197	30 637	23 610	29 714
	336 743	**356 337**	**24 197**	**30 637**	**23 610**	**29 714**
By type of product						
Swaps	336 743	356 337	24 197	30 637	23 610	29 714
	336 743	**356 337**	**24 197**	**30 637**	**23 610**	**29 714**
By counterparty						
Credit institutions	212 524	233 288	-	348	23 610	29 714
Other credit institutions	-	-	-	-	-	-
Other sectors	124 219	123 049	24 197	30 289	-	-
	336 743	**356 337**	**24 197**	**30 637**	**23 610**	**29 714**
By type of risk						
Exchange risk	253 463	221 264	22 794	30 481	22 572	29 580
Interest rate risk	83 280	135 073	1 403	156	1 038	134
	336 743	**356 337**	**24 197**	**30 637**	**23 610**	**29 714**

The fair value has been calculated for the 100% of the cases, both in 2023 and 2022, taking the implicit curve of the money markets and the public debt as a reference.

At December 31, 2023 and 2022 the trading portfolio classification, stated at fair value and taking the hierarchical order into account as shown in Note 2.2.3, is as follows:

	Thousands of Euros					
	2023			2022		
	Level I	Level II	Level III	Level I	Level II	Level III
Derivatives held for trading of assets	-	24 197	-	-	30 637	-
Derivatives held for trading of liabilities	-	23 610	-	-	29 714	-

The following chart shows amounts registered on income statements of 2023 and 2022 (Note 30) for variations in the fair value of the Institute's financial instruments included on the trading portfolio, corresponding to unrealised capital gains and losses, distinguishing between financial instruments which fair value is determined by taking as reference listings published in active markets (Level 1), is estimated using a valuation technique which variables are obtained from data observable in the market (Level 2) and others (Level 3):

	Thousands of Euros					
	2023			2022		
	Profit	Loss	Net	Profit	Loss	Net
Level 1	-	-	-	-	-	-
Level 2	26 226	(25 286)	940	81 400	(81 141)	(259)
Level 3	-	-	-	-	-	-

In 2023 and 2022, changes in the fair value of derivatives classified as level 2 were solely the result of purchase, sales and changes in fair value arising from the application of the valuation techniques described, with no reclassifications between levels.

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

The breakdown of the amount included in this chapter, in the balance sheet at December 31, 2023 and 2022, is as follows:

	Thousands of Euros	
	2023	2022
Equity instruments	-	-
Debt securities	-	-

At December 31, 2023 and 2022, this caption includes a debt instrument, classified as doubtful risk, with accounting hedging of 100% (amount of 40,167 thousand Euros); therefore, it is fully recorded as provision in both years.

In 2023, no results have been registered for the fair value valuation in the Income statement of an amount for this concept (none in 2022) (Note 31).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The detail of this caption of the balance sheet at December 31, 2023 and 2022, per investment, is the following:

	Thousands of Euros	
	2023	2022
Equity instruments:		
FONDICO Pyme (1)	119 024	106 212
FONDICO Sostenibilidad e Infraestructuras (2)	139 980	114 840
FONDICO Global (3)	1 066 870	994 168
FONDICO Next Tech (4)	126 362	20 893
FONS MEDITERRANEA FCR (5)	3 485	3 549
FONDO MARGUERITTE MEH (6)	39 041	42 019
FONDO AFS CESCE (7)	-	12 040
FEI (8)	30 246	29 627
SWIFT (9)	6	6
EDW (10)	206	194
PARTICIPACIONES GRUPO QUABIT (11)	-	-
FONDO MARGUERITTE III INVEST EU (12)	8 337	1 483
	1 533 557	1 325 031
Debt securities (13)	91 001	1 135 160
	1 624 558	2 460 191

The balance, net of the tax effect, of caption “Other accumulated comprehensive income” as changes in the fair value of these financial instruments at December 31, 2023 and 2022, is the following (Note 21):

	Thousands of Euros	
	2023	2022
Debt instruments	719	(28 313)
Equity instruments	365 729	349 635
	366 448	321 322

Variations, during 2023 and 2022, in the caption of Financial assets at fair value through other comprehensive income are shown below:

	Thousands of Euros	
	2023	2022
Initial balance	2 460 191	2 237 145
Purchase additions	417 778	310 006
Sales and amortisations	(1 241 704)	308 000
Variations for changes in fair value (Note 21)	(11 707)	221 051
Allocation impairment provision	-	-
Variations for impairment losses (application)	-	(11)
Closing balance	1 624 558	2 460 191

(1) FONDICO Pyme. Venture capital fund constituted on May 1993 and in which the Institute is the sole participant, managed by Axis Participaciones Empresariales. The net contribution has been of 15,025 thousand Euros (no net contribution in 2022). The amount payable and committed by ICO is of 61,000 thousand Euros at December 31, 2023.

(2) FONDICO Sostenibilidad e Infraestructuras. New venture capital fund constituted on 2019, fully invested by the Institute and managed by Axis Participaciones Empresariales. In 2023, the Institute’s net contributions amounted to 19,000 thousand Euros (net returns of 28,528 thousand Euros in 2022). The amount payable and committed by ICO is of 68,000 thousand

Euros at December 31, 2023.

(3) FONDICO Global. Venture capital fund created in 2014, fully invested by the Institute and managed by Axis Participaciones Empresariales. In 2023, the Institute's contributions amounted to 170,000 thousand Euros (210,000 thousand Euros in 2022). In 2023, the Fund has decreased equity through refund of contributions by 91,000 thousand Euros (247,000 thousand Euros in 2022). The amount committed by ICO and to be reimbursed amounts to 733,000 thousand Euros at December 31, 2023.

(4) FONDICO Next Tech. Venture capital fund created in 2021, wholly owned by the Institute and managed by Axis Participaciones Empresariales. In 2023, the Institute's contributions amounted to 114,300 thousand Euros (24,300 thousand Euros in 2022). The amount payable and committed by ICO is of 504,000 thousand Euros at December 31, 2023.

(5) FONS MEDITERRANEA. Fund constituted in October 2005 and in which the Institute participates with other public and private entities. The Fund was created to invest in projects developed by Spanish companies in the African Maghreb. No provision at December 31, 2023 (1,270 thousand Euros at December 31, 2022). No net contributions in 2023 or 2022.

(6) FONDO MARGUERITTE MEH. With the participation of leading European public credit institutions, this is a European equity fund which seeks to promote investment in infrastructures, in order to implement the key policies of the European Union in the fight against climate change, with the aim of combining the principle of return to investors based on market policies and the objectives set by public policies. The Fund is managed by ICO, although the final result from its eventual liquidation would not affect the Institute's balance sheet, since it is fully guaranteed by the Spanish Ministry of Finance, which provides funds to finance the Fund. In 2023, no contributions were made (630 thousand Euros in 2022), and returns of participations were made for an amount of 986 thousand Euros (no returns in 2022).

(7) FONDO AFS CESCE. Participation of 9.96% in Fondo AFS Sicav, which main activity is the discount of commercial invoices with CESCE guarantee. In 2023, the Institute sold this investment, generating results of 287 thousand Euros (Note 28). In 2022, contributions amounted to 1,500 thousand Euros, with no refunds.

(8) FEI. Participation equal to 0.66% of the total of the European Investment Fund, at December 31, 2023 (0.66% at December 31, 2022). There have not been net contributions at 2023 or at 2022. At December 31, 2023, an amount remained payable by 38,933 thousand Euros.

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

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

(11) PARTICIPACIONES GRUPO QUABIT. In 2019, as payment for several loan operations, ICO foreclosed several shares of QUABIT group, for a foreclosure amount of 5,700 thousand Euros. These shares are fully covered by accounting provisions, and therefore their net value is null (provision of 3,735 thousand Euros at December 31, 2023).

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

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

The detail of these assets per maturities is the following:

	Thousands of Euros	
	2023	2022
Maturity up to 1 year	-	448 520
Maturity from 1 to 2 years	70 590	531 671
Maturity from 2 to 3 years	20 411	154 969
Maturity over 3 years	-	-
	91 001	1 135 160

At December 31, 2023 and 2022, the classification of financial assets at fair value through other comprehensive income, taking the hierarchical level into account as shown in Note 2.2.3., is as follows:

	Thousands of Euros					
	2023			2022		
	Level I	Level II	Level III	Level I	Level II	Level III
Debt securities	91 001			1 135 160		
Equity instruments		1 533 557			1 325 031	

During 2023, the Institute has registered on the income statement results from the write-off of financial assets at fair value through other comprehensive income for these assets, for an amount of 21,233 thousand Euros (Note 29), which were reclassified from equity to the extent that they were measured at fair value at the time of sale. In 2022, there were no disposals with an impact on the income statement.

10. FINANCIAL ASSETS AT AMORTISED COST

The composition of this caption on the consolidated balance sheets at December 31, 2023 and 2022 is the following (including impairment losses and other valuation adjustments):

	Thousands of Euros	
	2023	2022
Debt securities (Note 10.1)	6 302 584	6 781 025
Loans and advances:	20 901 994	17 085 646
Credit institutions (Note 10.2)	8 300 598	6 911 989
Customers (Note 10.3)	12 601 396	10 173 657
	27 204 578	23 866 671

The variation of impairment losses registered for the credit risk coverage and their accumulated amount at the beginning and closing of 2023 and 2022 of the portfolio of financial assets at amortised cost has been the following:

	Thousands of Euros			
	Provision for Country risk	Provision for doubtful risk and normal risk in watch-list	Provision for normal risk	Total
Balance at 1 January 2022	897	499 733	145 886	646 516
Allocations charged to results	1 025	26 894	47 562	75 481
Recoveries against results	-	(56 818)	(475)	(57 293)
Application of funds		(16 077)		(16 077)
Other variations				
Adjustments for exchange differences	(3)	(97)	(88)	(188)
Balance at 31 December 2022	1 919	453 635	192 885	648 439
Allocations charged to results	2 904	137 562	2 881	143 347
Recoveries against results	(35)	(50 439)	(30 946)	(81 420)
Application of funds		(8 771)		(8 771)
Other variations				
Adjustments for exchange differences	(84)	339	(25)	230
Balance at 31 December 2023	4 704	532 326	164 795	701 825

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

	Thousands of Euros	
	2023	2022
Provision for doubtful risks (with defaults):	421 942	328 666
Default	24 386	16 456
Other than default	397 556	312 210
Provision for normal risk in watch-list	110 384	124 969
TOTALS	532 326	453 635

The provision for normal risk in watch-list corresponds to credit assets for an amount of 544,623 thousand Euros at December 31, 2023 (626,319 thousand Euros at December 31, 2022).

The table below provides a breakdown of financial assets classified as loans and receivables considered impaired due to their credit risk at December 31, 2023 and 2022, by counterparty and period elapsed from the amount unpaid at said dates and the age of the risk. Impaired assets guaranteed by the State are disclosed in Note 10.3.

Impaired assets at 31 December 2023

	Thousands of Euros								
	Without delay	3-6 months	6-9 months	9-12 months	12-15 months	15-18 months	18-21 months	More than 21 months	TOTAL
By counterparty category -									
Non-financial companies	472 560	-	-	-	42 612	-	350	24035	539 557

Impaired assets at 31 December 2022

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

As of December 31, 2022 there is a balance of assets with country risk of 240,259 thousand Euros, with a hedging per country risk of 4,704 thousand Euros (91,641 thousand Euros at December 31, 2022 with a hedging of 1,919 thousand Euros).

The amount of non-impaired past due assets for 2023 and 2022 was of 45,458 thousand Euros and 32,339 thousand Euros, respectively, with an age in both years of between one and three months.

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

	Thousands of Euros	
	2023	2022
Opening balance	1 461 682	1 525 753
Additions:	1 983	1 392
Balance recovery	-	1 392
Other causes	1 983	-
Recoveries:	(86 125)	(67 686)
Cash collection without additional financing	(73 434)	(41 656)
Asset allocation	-	-
Others	(12 691)	(26 030)
Definitive write-offs: other causes:	-	-
Net variation for exchange difference	(1 325)	2 223
Closing balance	1 376 215	1 461 682

The net amount included on the accompanying consolidated income statement of 2023 and 2022 as a consequence of the variation of assets which recovery is deemed remote (failed assets) amounts to profits by 73,434 thousand Euros and 41,656 thousand Euros, respectively (caption "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and net profit or loss for modification").

10.1 Debt securities

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

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

The composition of this caption of the consolidated balance sheet at December 31, 2023 and 2022, based on the counterparty category, is the following:

	Thousands of Euros	
	2023	2022
Per counterparty category -		
Resident Public Administrations	3 585 044	4 537 261
Resident Credit Institutions	1 193	2 270
Other resident sectors	2 539 761	2 034 102
Other non-resident sectors	176 586	207 392
	6 302 584	6 781 025

The detail per maturity terms at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Per maturity		
Up to 1 year	850 743	1 552 664
From 1 to 2 years	806 189	303 174
From 2 to 3 years	415 084	548 999
From 3 to 4 years	2 037 649	331 955
From 4 to 5 years	1 202 335	2 024 225
More than 5 years	990 584	2 020 008
	6 302 584	6 781 025

At December 31, 2023, these assets accrued an annual interest rate of 2.42% (0.92% at December 31, 2022).

Interest accrued by these assets in 2023 and 2022 amounted to 145,325 thousand Euros and 60,526 thousand Euros, respectively, included under caption "Interests and similar income" of the accompanying consolidated income statement (Note 24).

The Institute has coverage for credit risk at December 31, 2023 (normal risk) of 40,420 thousand Euros for these assets (42,522 thousand Euros at December 31, 2022).

Variations undergone during 2023 and 2022 in caption of Debt securities at amortised cost are the following:

	Thousands of Euros	
	2023	2022
Opening balance	6 781 025	6 889 673
Purchase additions	3 677 545	6 003 297
Variations for impairment losses	2 102	(20 870)
Amortisations and sales	(4 158 088)	(6 091 075)
Closing balance	6 302 584	6 781 025

At December 31, 2023, the Institute has not registered results from financial operations derived from the write-off of assets included in the caption of "Debt securities" for an amount of losses of 500 thousand Euros (profits of 172 thousand Euros at December 31, 2022) (Note 29).

10.2 Loans and advances to Credit Institutions

The composition of this caption of the consolidated balance sheet at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
By nature -		
Deposits in credit institutions (Note 10.2.1)	1 441 534	661 014
National mediation loans (Note 10.2.2)	5 721 898	5 184 441
International mediation loans (Note 10.2.3)	1 089 129	1 051 361
Other loans to credit institutions (Note 10.2.4)	1 722	3 819
	8 254 283	6 900 635
Impairment losses	(4 738)	(4 006)
Other valuation adjustments (interests and financial fees)	51 053	15 360
	8 300 598	6 911 989

10.2.1 Deposits in credit institutions

The following table details the balance of “Deposits in credit institutions”, grouped by maturity, at December 31, 2023 and 2022:

	Thousands of Euros	
	2023	2022
Up to 1 year	1 441 534	661 014
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	1 441 534	661 014

During 2023, the caption “Deposits in credit institutions” accrued an average annual interest of 3.96% (0.77% during 2022). All deposits included are time deposits as of December 31, 2023 and 2022.

Interests accrued during 2023 and 2022 for these loans have amounted a total of 44,093 and 4,475 thousand Euros, respectively, which are included under the heading “Interest and similar charges” of the consolidated income statement (Note 24).

10.2.2 National mediation loans

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

In general, in these lines, the Group does not assume any risk of insolvency of final borrowers. Occasionally, the ICO, as the Group’s parent company, assumed a part of the risk in certain liquidity lines 2009-2012, with no risk exposure at December 31, 2023 and 2022. During the years 2023 and 2022 no new lines have been approved in which the Institute assumes risk from final borrowers.

The detail of the balance of national mediation loans at December 31, 2023 and 2022 per years of maturity is the following:

	Thousands of Euros	
	2023	2022
Up to 1 year	1 459 317	1 510 188
From 1 to 2 years	1 160 827	1 121 629
From 2 to 3 years	964 558	785 381
From 3 to 4 years	726 814	579 293
From 4 to 5 years	577 823	391 803
More than 5 years	832 559	796 147
	5 721 898	5 184 441

At December 31, 2023 and 2022, mediation loans accrued an annual average interest rate of 2.80% and 0.95%, respectively.

Interests accrued during 2023 and 2022 for national mediation loans have amounted to 112,653 and 39,592 thousand Euros, respectively, included on caption “Interests and similar income” of the consolidated income statement (Note 24).

10.2.3 International mediation loans

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

The detail of the balance of international mediation loans at December 31, 2023 and 2022 detailed per years of maturity is the following:

	Thousands of Euros	
	2023	2022
Up to 1 year	253 785	205 045
From 1 to 2 years	148 156	209 092
From 2 to 3 years	111 496	109 576
From 3 to 4 years	90 884	88 025
From 4 to 5 years	87 376	61 890
More than 5 years	397 432	377 733
	1 089 129	1 051 361

At December 31, 2023 and 2022, international mediation loans accrued an annual average interest rate of 2.80% and 0.95%, respectively.

Interests accrued during 2023 and 2022 by international mediation loans have amounted to 61,812 thousand Euros and 21,981 thousand Euros, respectively, which are included in the caption "Interests and similar income" of the consolidated income statement (Note 24).

This caption includes an amount of impairment losses, for risk of bad debt (normal credit risk and country risk), for a total amount of 4,739 thousand Euros at December 31, 2023 (4,006 thousand Euros at December 31, 2022) (Note 10.2).

10.2.4 Other loans to credit institutions

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

The detail of the balance of these loans at December 31, 2023 and 2022 detailed per years of maturity is the following:

	Thousands of Euros	
	2023	2022
Up to 1 year	1 722	2 539
From 1 to 2 years	-	1 280
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	1 722	3 819

At December 31, 2023 and 2022, loans to credit institutions accrued an annual average interest rate of 6.46% and 0.33%, respectively.

Interests accrued during 2023 and 2022 by these loans have amounted to 195 thousand Euros and 22 thousand Euros, respectively, included on caption “Interests and similar income” of the consolidated income statement (Note 24).

10.3 Customer loans and advances

The composition of this caption of the consolidated balance sheet at December 31, 2023 and 2022, based on the counterparty category, is the following:

	Thousands of Euros	
	2023	2022
Counterparty category -		
Resident Public Administrations	2 898 361	1 639 593
Non-resident Public Administrations	20 551	89 852
Other resident sectors	8 514 519	7 285 523
Other non-resident sectors	1 699 033	1 703 318
Other financial assets	66 511	25 055
	13 198 975	10 743 341
Impairment losses	(656 667)	(601 911)
Other valuation adjustments (interests accrued and commissions)	59 088	32 227
	12 601 396	10 173 657

The value of certain investments in some Economic Interest Groupings is included in “Other resident sectors” (115 thousand Euros at December 31, 2023 and 20,965 thousand Euros at December 31, 2022) considering that are assured-return structures. Profitability of these shares has a fiscal-financial component due to the fact that these entities negative taxable bases are included in the parent entity’s taxable base. In order to adjust the fiscal-financial profits obtained along with the final result determined for the investment, a provision is registered annually on the Income tax heading in the consolidated income statement (13,565 thousand Euros at December 31, 2023, 22,707 thousand Euros at December 31, 2022) (Notes 19 and 23).

Interests accrued, during 2023 and 2022, for these loans have amounted to 536,634 thousand Euros and 181,789 thousand Euros, respectively, which are included on caption "Interests and similar income” of the consolidated income statement (Note 24).

Of the above balances, information is provided below regarding operations guaranteed by the Public Sector, set out by counterparty and type of instrument, included under “Other resident sectors” and “Resident Public Administrations”, which are classified under the heading ‘Customer loans and advances’ at December 31, 2023 and 2022:

	Thousands of Euros	
	2023	2022
Balances included under “Resident Public Administrations”		
Loans to the national government	2 267 730	1 010 415
Loans to regional governments	630 631	629 178
Valuation adjustments	(119 380)	(120 789)
	2 778 981	1 518 804
Balances included under “Other resident sectors”		
Doubtful assets	4 733	5 294
Loans to other public entities	2 206 203	1 888 578
Loans to other sectors	431 916	161 751
	2 642 852	2 055 623
Total operations guaranteed by the State	5 421 833	3 574 427

The breakdown of "Loans to the national government", excluding valuation adjustments, is as follows at December 31, 2023 and 2022:

	Thousands of Euros	
	2023	2022
Loans to the State and its Autonomous Entities	2 267 615	1 008 901
Accounts receivable from the Public Treasury	115	1 514
	2 267 730	1 010 415

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

Interest and similar income contributed to the consolidated profit and loss by public sector entities for 2023 and 2022 (Note 24) are the following:

	Thousands of Euros	
	2023	2022
Central government	74 756	9 322
Regional governments	22 337	4 613
Other public sector entities	59 485	20 162
	156 578	34 097

The breakdown of the main amounts of loans included under the heading 'Customer loans and advances', including measurement adjustments, and set out by maturity date at December 31, 2023 and 2022, is as follows:

	Thousands of Euros	
	2023	2022
Maturities		
Up to 1 year	3 031 158	1 489 245
From 1 to 2 years	1 267 414	1 344 673
From 2 to 3 years	1 188 015	1 262 703
From 3 to 4 years	1 346 261	1 154 056
From 4 to 5 years	1 461 361	1 270 986
More than 5 years	4 963 854	4 253 905
	13 258 063	10 775 568

At December 31, 2023 and 2022, loans to clients accrued an annual average interest rate of 4.64% and 1.58%, respectively.

At December 31, 2023, the Group has not registered profits or losses on the consolidated income statement for financial operations derived from the write-off of assets included on caption "Loans and receivables" (neither at December 31, 2022) (Note 29).

11. HEDGING DERIVATIVES

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

Derivatives contracted and the hedged items were fundamentally the following:

- Interest-rate swaps, which hedge financial instruments remunerated at a rate other than the Euribor, mainly issues from the Group.
- Exchange hedges, which cover changes in fair value and cash flows relating to several financial instruments.

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

Total notional values of derivatives and fair values of financial derivatives designated as “Hedging derivatives” at December 31, 2023 and 2022, by counterparty and risk (all contracted in non-organised OTC markets), are as follows:

	Thousands of Euros					
	Notional		Assets		Liabilities	
	2023	2022	2023	2022	2023	2022
By type of hedging						
Fair value hedges	9 783 753	6 240 506	216 605	348 572	246 493	200 090
Cash flow hedges	5 527 622	4 709 662	86 167	90 250	337 303	365 529
	15 311 375	**10 950 168**	**302 772**	**438 822**	**583 796**	**565 619**
By type of product						
Swaps	15 311 375	10 950 168	302 772	438 822	583 796	565 619
	15 311 375	**10 950 168**	**302 772**	**438 822**	**583 796**	**565 619**
By counterparty						
Credit institutions	15 311 375	10 950 168	302 772	438 822	583 796	565 619
	15 311 375	**10 950 168**	**302 772**	**438 822**	**583 796**	**565 619**
By type of risk						
Risk of exchange	8 886 785	5 780 660	171 913	191 002	442 136	319 081
Interest rate risk	6 424 590	5 169 508	130 859	247 820	141 660	246 538
	15 311 375	**10 950 168**	**302 772**	**438 822**	**583 796**	**565 619**

At December 31, 2023 and 2022, the classification of hedging derivatives, valued at fair value, based on level hierarchies established on Note 2.2.3., is the following:

	Thousands of Euros					
	2023			2022		
	Level I	Level II	Level III	Level I	Level II	Level III
Assets hedging derivatives	-	302 772	-	-	438 822	-
Liabilities hedging derivatives	-	583 796	-	-	565 619	-

The fair value of these items has been calculated in 100% of the cases, both in 2022 and in 2020, taking as reference the implicit curves of the money.

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

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The variation of this caption of the consolidated balance sheets during 2023 and 2022 is the following:

	Thousands of Euros
	Associates
Balance at 1 January 2022	**76 277**
Additions	4 867
Withdrawals	-
Other variations	3 420
Impairment	-
Balance at 31 December 2022	**84 564**
Additions	-
Withdrawals	-
Other variations	4 922
Impairment	-
Balance at 31 December 2023	**89 486**

Annex I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at December 31, 2023 and 2022.

The caption "Other variations" includes consolidation adjustments.

13. PROPERTY, PLANT AND EQUIPMENT

The variation during 2023 and 2022 in accounts of property, plant and equipment and their corresponding accumulated amortisation, has been the following (in thousands of Euros).

	Buildings of own use	Furniture, vehicle and other assets	Total
Cost			
Balances at 1 January 2023	115 950	16 384	132 334
Additions	1 255	215	1 470
Disposals and other write-offs	-	-	
Balances at 31 December 2023	117 205	16 599	133 804
Accumulated amortisation -			
Balances at 1 January 2023	40 239	8 355	48 594
Allocations	1 934	334	2 268
Transfers and other variations	-	-	-
Balances at 31 December 2023	42 173	8 689	50 862
Impairment losses			
At 31 December 2023	-	651	651
Net property, plant and equipment			
Balances at 31 December 2023	75 032	7 259	82 291
Cost			
Balances at 1 January 2022	114 933	16 785	131 718
Additions	1 017	194	1 211
Disposals and other write-offs		(595)	(595)
Balances at 31 December 2022	115 950	16 384	132 334
Accumulated amortisation -			
Balances at 1 January 2022	38 425	8 597	47 022
Allocations	1 814	758	2 572
Transfers and other variations		(1 000)	(1 000)
Balances at 31 December 2022	40 239	8 355	48 594
Impairment losses			
At 31 December 2022	-	651	651
Net property, plant and equipment			
Balances at 31 December 2022	75 711	7 378	83 089

At December 31, 2023, there are fully-depreciated property, plant and equipment for own use for a gross amount of 20,304 thousand Euros (19,673 thousand Euros at December 31, 2022).

In compliance with Institute's policy, all property, plant and equipment are insured at December 31, 2023 and 2022.

Transitional Provision One, section B).6 of Bank of Spain Circular 4/2004, allows any asset recorded under Property, plant and equipment to be carried at its fair value. To implement this measurement adjustment, the Group carried out the relevant appraisals of property used in operations, which allowed the value of the Group's property, plant and equipment to be increased by 53,106 thousand Euros. A restatement reserve was recorded for the resulting capital gain, net of the tax effect. The restated book value will be applied as an attributed cost at that date.

The revaluation reserve at December 31, 2023 amounted to 17,216 thousand Euros (18,026 thousand Euros at December 31, 2022) (Note 20).

The table below presents the fair value of certain items of the entity's property, plant and equipment at December 31, 2023 and 2022 by category, along with the related carrying amounts at those dates:

	Thousands of Euros			
	2023		2022	
	Carrying value	Fair value	Carrying value	Fair value
Property, plant and equipment for own use	82 291	113 023	83 089	113 025
Buildings	74 577	105 192	75 256	105 192
Other	7 259	7 376	7 378	7 378
Fixed assets under construction	455	455	455	455

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

- For those assets for which an updated appraisal by a Bank of Spain-approved value is not available, fair value was determined based on estimates made by the entity using market data relating to trends in prices of similar assets.
- For those assets for which an updated appraisal by a Bank of Spain-approved value is available, fair value was determined based on the appraisal as provided for in the Ministerial Order 805/2003.

All properties for own use were appraised by a Bank of Spain approved appraiser using the comparison approach, at December 31, 2023 and 2022.

14. INTANGIBLE ASSETS

The breakdown of Intangible assets in the consolidated balance sheet at December 31, 2023 and 2022 relates exclusively to the account named 'other intangible assets'.

		Thousands of Euros	
	Estimated useful life	2023	2022
With indefinite useful life	-		-
With defined useful life	3 to 10 years	56 265	52 406
Gross total		56 265	52 406
Of which:			
Internal developments	3 years	44 940	46 215
Remainder	10 years	11 325	6 191
Accumulated depreciation		(45 788)	(43 403)
Impairment losses		(2 137)	(2 137)
		8 340	6 866

All intangible assets at December 31, 2023 and 2022 related to computer software. Fully amortised intangible assets at December 31, 2023 amounted to 44,773 thousand Euros (42,097 thousand Euros at December 31, 2022).

15. TAX ASSETS AND TAX LIABILITIES

The detail of Tax Assets and Tax Liabilities at December 31, 2023 and 2022 is the following:

	Thousands of Euros			
	Assets		Liabilities	
	2023	2022	2023	2022
Current taxes:	22 236	4 330	1 439	1 493
Corporate income tax (Note 23)	21 577	3 847	-	-
VAT	659	483	24	31
Personal income tax withholdings	-	-	971	1 041
Social Security contributions	-	-	444	421
Deferred taxes:	148 970	174 345	172 981	153 641
Impairment losses on credits, loans and discounts	73 629	91 761	-	-
Measurement of cash-flow hedges (Note 21)	75 341	82 584	-	-
Restatement of property	-	-	15 932	15 932
Restatement of financial assets at fair value through OCI (Note 21)	-	-	157 049	137 709
	171 206	178 675	174 420	155 134

Variations undergone, during 2023 and 2022, on balances of deferred tax assets and liabilities are shown below:

	Thousands of Euros			
	Assets		Liabilities	
	2023	2022	2023	2022
Opening balance	174 345	152 470	153 641	75 159
Impairment losses on credits, loans and discounts	(18 132)	9 976	-	-
Valuation of cash flow hedges (Note 21)	(7 243)	11 899	-	-
Restatement of property	-	-	-	-
Restatement of financial assets held for sale (Note 21)	-	-	19 340	78 482
Closing balance	148 970	174 345	172 981	153 641

16. OTHER ASSETS AND OTHER LIABILITIES

The composition of this caption in the consolidated balance sheet at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
OTHER ASSETS	2023	2022
Other assets	7 258	5 108
Accruals	15 869	10 798
	23 127	15 906

The heading “Accruals” includes, among other items, the accrual of fees receivable by the Institute, for the Management of Operational mechanisms Fund for the Financing of Payments to Suppliers and operational management of Autonomous Region Liquidity Fund and for the operational management of the Financing Fund to Autonomous Communities (Note 1.1). In 2023, the overall amount of these fees receivable for ICO is 5 million Euros per year (5 million Euros at December 31, 2022), also recorded in the accompanying consolidated income statement for these amounts within the section of 'Fee and commission income'“ (Note 27).

This caption also includes commissions paid by the ICO for the COVID guarantee of operations owned by the Institute (paid to the Fund RDL 12/95, by virtue of applicable regulations) and to be accrued in the Institute’s income statement (1,690 thousand Euros at December 31, 2023 and 2,141 thousand Euros at December 31, 2022).

The composition of the balance of “Other liabilities” of the balance sheet at December 31, 2023 and 2022 is the following:

OTHER LIABILITIES	Thousands of Euros	
	2023	2022
Other liabilities	1 299	1 235
Accruals	55 958	63 331
	57 257	64 566

Under the heading “Accruals” includes the amounts accrued and unpaid, for commissions to be paid to credit institutions by the concepts of “rappel 2023 mediation lines” by 2,000 thousand Euros (750 thousand Euros in 2022). It also includes fees for the management of COVID and UKRAINE sureties, which have been charged to the Fund RDL 12/95 (by virtue of applicable regulations) and which are pending accrual in the Institute’s consolidated income statement for an amount of 49,706 thousand Euros at December 31, 2023 (57,094 thousand Euros at December 31, 2022).

17. NON-CURRENT ASSETS AND DISPOSABLE GROUPS OF ITEMS CLASSIFIED AS HELD FOR SALE

The totality of the balance in this caption corresponds to foreclosed assets. None of these foreclosed assets recorded on this heading at December 31, 2022 and December 31, 2020 comes from any funding related neither to Property development land nor to any other property development business.

Movements for years 2023 and 2022 in the balances under this balance sheet heading are shown below:

	Thousands of Euros		
	Cost	Impairment	Total
Balance at 1 January 2022	62 604	(62 604)	-
Additions	1 882	(1 882)	-
Withdrawals/Applications	(4 026)	4 026	-
Transfers			
Balance at 31 December 2022	60 460	(60 460)	-
Additions	4	(4)	-
Withdrawals/Applications	(48 662)	48 662	-
Transfers			
Balance at 31 December 2023	11 802	(11 802)	-

In 2023, impairment allocations of these non-financial assets have been registered, for an amount of 4 thousand Euros (1.882 thousand Euros in 2022), registered in the caption “Profit (loss) on non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” in the accompanying consolidated income statements.

In 2023, results from the sale of non-current assets held for sale were registered, for an amount of 2,764 thousand Euros (1,468 thousand Euros in 2022).

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

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

		RESIDENTIAL USE BUILDINGS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
6	ALIA TASACIONES	COMPARISON
31	COHISPANIA	COMPARISON
1,497	EUROVALORACIONES	COMPARISON
140	EUROVALORACIONES	COST
7	GESVALT	RENT UPDATE
9	GESVALT	COMPARISON
150	GRUPO TASVALOR	COMPARISON
1,840		

		TERTIARY USE BUILDINGS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
79	EUROVALORACIONES	COMPARISON
30	EUROVALORACIONES	RESIDUAL DYNAMIC
109		

		RUSTIC LAND
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
32	EUROVALORACIONES	RENT UPDATE
119	EUROVALORACIONES	COMPARISON
4	GRUPO TASVALOR	COMPARISON
155		

		URBAN AND DEVELOPABLE LANDS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
3,997	EUROVALORACIONES	RESIDUAL DYNAMIC
44	EUROVALORACIONES	OTHER
38	GRUPO TASVALOR	RESIDUAL DYNAMIC
4,079		

TOTAL		
6,183		

18. FINANCIAL LIABILITIES AT AMORTISED COST

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

	Thousands of Euros	
	2023	**2022**
Counterparty categories		
Deposits from Central Banks (Note 18.1)	327 075	2 961 320
Deposits from credit institutions (Note 18.2)	5 722 623	4 656 697
Deposits from customers (Note 18.3)	312 114	366 292
Issued debt securities (Note 18.4)	16 920 632	13 374 254
Other financial liabilities (Note 18.5)	114 263	247 302
Monetary market operations (Note 18.6)	95 702	28 174
	23 492 409	21 634 039

18.1 Deposits in Central Banks

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

18.2 Deposits in credit institutions

The composition of this caption of the balance sheets at December 31, 2023 and 2022 based on the nature of operations is the following:

	Thousands of Euros	
	2023	**2022**
By nature:		
Loans from the European Investment Bank	3 976 291	3 970 102
Interbank loans	194 464	159 392
Loans from other credit institutions	1 375 112	526 848
Valuation adjustments – accruals	176 756	(245)
	5 722 623	4 656 097

Interbank deposits fall due within less than one year from December 31, 2023 and 2022, respectively.

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

	Thousands of Euros	
	2023	**2022**
Up to 1 year	584 470	822 513
From 1 to 2 years	793 860	591 713
From 2 to 3 years	445 124	811 362
From 3 to 4 years	134 605	454 854
From 4 to 5 years	574 544	137 281
More than 5 years	1 443 688	1 152 379
	3 976 291	3 970 102

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

	Thousands of Euros	
	2023	**2022**
Up to 1 year	78 750	78 750
From 1 to 2 years	78 750	78 750
From 2 to 3 years	30 000	78 750
From 3 to 4 years	492 896	30 000
From 4 to 5 years	500 000	198 760
More than 5 years	194 716	61 838
	1 375 112	526 848

18.3 Customer deposits

The composition of this caption of the consolidated balance sheets at December 31, 2023 and 2022 based on the sector is the following:

	Thousands of Euros	
	2023	2022
By counterparty category		
Public Administrations	297 690	348 650
Other resident sector (1)	12 566	17 131
Other non-resident sectors	-	-
Valuation adjustments – accruals	1 858	511
	312 114	366 292

(1) Out of which, at December 31, 2023 and 2022, 12,566 thousand Euros and 17,131thousand Euros, respectively, were demand accounts

At December 31, 2023 and 2022, the detail by nature of the balance registered on "Public Administrations" is the following:

	Thousands of Euros	
	2023	2022
Reciprocal Interest Adjustment Agreement (C.A.R.I.)	16 063	8 634
Public Administration Current Accounts and other items	281 627	340 016
	297 690	348 650

18.4 Issued debt securities

The detail of this caption at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Bonds and debentures issued	16 556 039	13 351 201
Valuation adjustments (*)	364 593	23 053
	16 920 632	13 374 254

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

Variations in bonds and debentures issued, during 2023 and 2022, are the following:

	Thousands of Euros	
	2023	2022
Opening balance	13 351 201	20 070 571
Issues	24 024 547	23 490 046
Amortisations and depreciations	(20 561 661)	(30 648 144)
Exchange differences	(258 048)	438 728
Closing balance	16 556 039	13 351 201

Detailed below are debenture issues outstanding at December 31, 2023 and 2022, grouped per currency:

Number of issues			Thousands of Euros	
2022	2021	Currency	2023	2022
49	59	US Dollar	6 616 445	4 575 090
55	61	Euro	9 583 488	7 683 423
1	1	Swiss Franc	269 978	253 884
2	10	Australia Dollar	54 144	452 347
-	10	Pound Sterling	-	350 909
1	1	Yen	31 984	35 548
			16 556 039	13 351 201

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

In 2023, the total financial cost of debenture loans in both Euros and foreign currency recorded under the heading ‘Interest and similar charges’ in the consolidated income statement was 878,209 thousand Euros, which is an average annual interest rate of 4.70% (2.58% with the effect of accounting hedges). In 2022, financial costs amounted 562,607 thousand Euros, which was an average annual interest rate of 3.65% (0.51% with accounting hedges) (Note 25).

As of 2023, the Institute has not recorded results for financial operations derived from the repurchase of financial liabilities at amortised cost (profits of 947 thousand Euros in 2022), included on caption 'Gains or losses on financial assets and liabilities not measured at fair value through profit or loss’ in the accompanying consolidated income statement (Note 29).

18.5 Other financial liabilities

The composition of this caption of the consolidated balance sheets at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Treasury Funds	94 073	170 495
Other concepts	20 190	76 807
	114 263	247 302

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

Funds associated with the most important lines are the following:

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

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

- Línea Futur E: This line is to provide incentives for projects in support of sustainable tourism, helping to redirect current tourist activity with a view to sustainability and ecological efficiency, taking into account variables related to the environment and sustainable development, in order consolidate the position of Spanish tourism at the vanguard of the rational use of energy, the use of renewable energies, the reduction of the water footprint, and waste management.

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

Balances at December 31, 2023 and 2022 of such funds are shown below:

	Thousands of Euros	
	2023	**2022**
FOMIT – Renove Turismo	13 045	28 012
Préstamos Renta Universidad	60 888	80 717
Futur E	152	511
Others	40 178	138 062
	114 263	247 302

18.6 Monetary market operations

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

19. PROVISIONS

At December 31, 2023 and 2022 the detail of this caption of the accompanying consolidated balance sheet is the following:

	Thousands of Euros	
	2023	**2022**
Provisions for pensions and similar obligations	836	770
Provisions for contingent risks and commitments	50 579	59 396
Other provisions	1 530 325	1 704 654
	1 581 740	1 764 820

The composition of the caption of "Other provisions" of the accompanying consolidated balance sheets at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	**2022**
Fund Royal Decree – Law 12/1995	1 507 275	1 672 132
Fund for amounts recovered from BBVA	106	200
Fund Prestige Facility	8 326	8 297
Fund to compensate AIE shareholdings results (Note 10.3)	13 565	22 707
Other funds	1 053	1 318
	1 530 325	1 704 654

Royal Decree- Law 12/1995

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

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

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

The Fund is credited, in addition to the initial allocation, with future allocations that the Instituto de Crédito Oficial makes out of profits obtained and any made or authorised by the State when assuming or offsetting losses, or through any other appropriate system . Similarly, the Fund is credited with the amounts of recoveries obtained from loans for which provisions have been recorded or any that have been declared to be in default and charged against the fund, that in 2023 and 2022 amounted to 15 thousand Euros and 5 thousand Euros, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2023 and 2022, amounted to 46,521 thousand Euros and (7,688) thousand Euros, respectively. . In 2023, due to their nature, these yields have been recorded in as finance costs net interest income of the income statement (in 2022 they were recorded as provisions).

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

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

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

This fund’s variations in 2023 and 2022 included on caption of “Other provisions” of the consolidated balance sheet at December 31, 2023 and 2022 are the following:

	Thousands of Euros
Balance at 1 January 2022	1 316 127
Capitalisation of interests	(7 688)
State Contributions	-
Application ICO results 2021	122 960
Loan recoveries (principal and interests)	1 227
Applications	-
Credits COVID lines commissions (net of contracting expenses)	239 506
Balance at 31 December 2022	1 672 132
Capitalisation of interests	46 521
State Contributions	-
Application ICO results 2022	127 951
Loan recoveries (principal and interests)	-
Applications	(147)
Credits COVID lines commissions (net of contracting expenses)	(339 182)
Balance at 31 December 2023	1 507 275

In 2023, an extraordinary contribution to the Fund of 127,951 thousand Euros has been registered, as part of the net profit distributed by ICO for 2022.

Fund for amounts recovered from BBVA

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

Nonetheless, the management of the operations affected by the cancellation process has meant that ICO, as the Group’s parent company, continues receiving collections pertaining to these loans, which, following the prudence accounting principle, are not generally registered as income in the income statement. For those accounted as income, in 2023, there is a provision by 106 thousand Euros (200 thousand Euros at December 31, 2022).

Prestige Line Fund

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

Fund to offset results AIE shareholding results

Heading Fund to offset AIE shareholdings includes the provision in order to adjust its profit to the operations performance conducted through the Economic Interest Groupings (Note 10.3). This provision has been recognised under the rubric of corporate income tax of the accompanying consolidated income account for an amount of 13,527 thousand Euros and 7,785 thousand Euros, respectively in the years 2023 and 2022 (Note 23).

The following chart shows variations of the caption of Provisions in 2023 and 2022:

	Thousands of Euros				
	Provision for taxes	Fund for pensions and similar obligations	Provisions for risks and contingent commitments	Other provisions	Total
Balances at 1 January 2022	-	791	48 717	1 340 866	1 390 374
Allocations	-	-	15 537	8 194	23 971
Recoveries)	-	(21)	(4 818)	-	(4 839)
Application of funds	-	-	-	-	-
Transfers and other variations (1)	-	-	-	355 594	355 594
Exchange differences	-	-	(40)	-	(40)
Balances at 31 December 2022	-	770	59 396	1 704 654	1 764 820
Allocations	-	66	6 528	5	6 599
Recoveries	-	-	(15 466)	(270)	(15 736)
Application of funds	-	-	-	(22 764)	(22 764)
Transfers and other variations (1)	-	-	-	(151 300)	(151 300)
Exchange differences	-	-	121	-	121
Balances at 31 December 2023	-	836	50 579	1 530 325	1 581 740

(1) Transfers and other movements mainly consist of net credits to the RDL 12/95 Fund for the collection of commissions / payment and recovery of bad debts, from the COVID-19 guarantee operation (credit of 239,506 thousand Euros at December 31, 2023 and charge of 340,845 thousand Euros at December 31, 2022) and by the provision to the Fund for the compensation of results of holdings in AIE (Note 23) (13,527 thousand Euros at December 31, 2023 and 7,785 thousand Euros at December 31, 2022).

20. OWN FUNDS

The reconciliation of the opening and closing carrying value in 2023 and 2022 of the heading “Equity” in the consolidated balance sheets is the following:

	Thousands of Euros				
	Share Capital	Restatement reserves	Other reserves	Profit/(loss)	Total
Balance at 1 January 2022	4 314 480	19 036	962 791	139 861	5 436 168
Distribution of results				(139 861)	(139 861)
Other variations of reserves		(910)	17 955		17 045
Profit/(loss) for the period				146 832	146 832
Other variations	207				207
Balance at 31 December 2022	4 314 687	18 126	980 746	146 832	5 460 391
Distribution of results				(146 832)	(146 832)
Other variations of reserves		(910)	20 290		19 380
Profit/(loss) for the period				252 265	252 265
Other variations	214				214
Balance at 31 December 2023	4 314 901	17 216	1 001 036	252 265	5 585 418

At December 31, 2023, the line of “Distribution of results” includes an amount of 127,951 thousand Euros (122,960 thousand Euros at December 31, 2022), as part of the distribution of previous year’s results, for contribution to the Fund RDL 12/95 (Note 19).

The line of “Other variations” mainly includes the annual contribution to equity, by virtue of Law 24/2001, of 27 December, for an amount of 214 thousand Euros in 2023 (207 thousand Euros in 2022). According to the Additional Eleventh Provision of such Law, amounts recovered after the cancellation of debts contracted by the State with the ICO, as a consequence of certain credits and sureties granted by former Official Credit Entities and by the Institute will become part of the Institute’s equity.

20.1 Reserves of fully or proportionally consolidated entities

The detail per consolidated companies of balances of the equity caption “Equity – Other Reserves” of the consolidated balances sheets at December 31, 2023 and 2022, in the portion of such balance originated from the consolidation process and excluding revaluation reserves, detailed per fully or proportionally consolidated companies on the consolidated financial statements, is the following:

	Thousands of Euros	
	2023	2022
AXIS Participaciones Empresariales, S.A.	28 927	29 804
Instituto de Crédito Oficial	942 575	925 172
	971 502	954 976

20.2 Reserves of entities valued through the equity method

The detail per consolidated companies of balances of the equity caption “Equity – Other Reserves” of the consolidated balance sheets at December 31, 2023 and 2022, in the portion of such balance revealed as part of the consolidation process, detailed per company valued through the equity method in the consolidated financial statements, is the following:

	Thousands of Euros	
	2023	2022
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	29 479	25 715
CERSA, Compañía Española de Reafianzamiento, S.A.	55	55
Other entities	-	-
	29 534	25 770

21. OTHER ACCUMULATED COMPREHENSIVE INCOME (valuation adjustments)

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

	Thousands of Euros					
	2023			2022		
	Gross	Tax effect (Note 15)	Net	Gross	Tax effect (Note 15)	Net
Financial assets at fair value through other comprehensive income (Note 9)	523 497	(157 049)	366 448	459 032	(137 710)	321 322
Cash flow hedging of assets and liabilities	(251 136)	75 341	(175 795)	(275 279)	82 584	(192 695)
TOTAL	272 361	(81 708)	190 653	183 753	(55 126)	128 627

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

	Thousands of Euros	
	2023	2022
Opening balance	128 627	(26 734)
Change in fair value of financial assets at fair value through other comprehensive income (Note 9)	45 126	183 125
Reclassification to financial assets at fair value through profit or loss		
Cash flow hedges	16 900	(27 764)
Closing balance	190 653	128 627

22. GRANTED FINANCIAL GUARANTEES AND CONTINGENT COMMITMENTS

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

The detail of this caption at December 31, 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Granted guarantees		
Financial guarantees	553 986	557 812
	553 986	557 812
Granted contingent commitments		
Available by third parties:		
Credit institutions	471 864	223 259
Public Administrations sector	328 191	1 966 824
Other resident sectors	1 451 115	1 029 980
Non-resident sector	549 496	337 399
Other contingent commitments	81 395	79 998
Subscribed values pending disbursement:	1 404 933	835 933
	4 286 994	4 473 393
	4 840 980	5 031 205

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

23. TAX POSITION

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

The reconciliation of the accounting Institute's profit, as the Parent firm of ICO, as the Group's parent company, for 2023 and 2022 with the corporate income tax basis is as follows:

	Thousands of Euros	
	2023	**2022**
Accounting profit before income tax	336 891	178 112
Permanent differences		
Foreign taxes paid	1 049	482
Non-accounted accounting income		
Tax-loss carry forwards attributed to invested companies	(58 105)	(36 023)
Deductible expenses from previous years		
	279 835	142 571
Temporary differences:		
Due to impairment losses and provision non-deductible	13 896	67 378
Due to the reversal of temporary differences arising in other years	(74 285)	(34 128)
	(60 389)	33 250
Tax assessment basis	219 446	175 821
Gross tax payable (30%)	65 834	52 746
Deductions and allowances	(802)	(395)
Withholdings and interim payments	(86 609)	(56 198)
Tax payable (Note 15)	(21 577)	(3 847)
Corporate income tax	83 149	42 376
Adjustments CIT expense allocated investees' bases (Note 19)	13 527	7 785
Other adjustments		
Corporate income tax expense	96 676	50 161

In the year, the allocation of tax losses carried forward in the AIE, in which ICO invests in different capital proportions, is incorporated, for an amount of 58,105 thousand Euros in 2023 (allocation of tax losses by 36,023 thousand Euros in 2022). The allocation of basis has been based on information supplied by the entities. It was decided to allocate these concepts in the same year of the closing of AIE's balances.

There are no tax losses carried forward at 2023 closing.

No tax incentive deductions applied in the year 2023 nor in 2022. There is an international double tax deduction (taxes borne) amounting to 802 thousand Euros and 395 thousand Euros, respectively. There are not international double taxation deductions at 2023 closing.

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

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

Due to the possible interpretations of tax legislation that may be afforded to some operations, basically related to new subject ability to corporate income tax following the full exemption from the same, there could be certain contingent tax liabilities. However, in the opinion of the Institute's tax managers, the possibility of these liabilities crystallising is remote and in any event, the tax debt that may derive from them would not significantly affect the accompanying annual accounts.

24. INTERESTS AND SIMILAR INCOME

The detail of interests and similar income of 2023 and 2022, based on their origin, is the following:

	Thousands of Euros	
	2023	2022
Financial assets at fair value through other comprehensive income	1 226	204
Financial assets at amortised cost	994 937	322 656
Derivatives, hedge accounting	(466)	(7 876)
Other assets	1 498	254
Interests and similar income from liabilities	6 327	10 778
	1 003 522	326 016

25. INTERESTS AND SIMILAR CHARGES

The detail of this caption of the income statement during 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Financial liabilities at amortised cost	1 100 062	665 632
Derivatives, hedge accounting	(437 877)	(487 030)
Other liabilities	46 521	-
Interests and similar charges from assets	3 326	21 668
	712 032	200 270

26. INCOME FROM DIVIDENDS

The totality of yields obtained for this concept corresponds to the variable income portfolio, for an amount of 107 thousand Euros in 2023 (480 thousand Euros in 2022).

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

The totality of results from entities valued through the equity method, included on this caption of the consolidated income statement, amounts in 2023 and 2022 to profits by 4,791 thousand Euros and profits by 3,269 thousand Euros, respectively. Annex I includes the detail of shareholdings, as well as their most relevant data at December 31, 2023 and 2022.

28. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this caption of the consolidated income statement is the following:

	Thousands of Euros	
	2023	2022
Commissions received		
Contingent risks	8 257	6 462
Availability commissions	8 444	5 875
Management commissions COVID and UKRAINE sureties	7 726	7 482
Other commissions	51 047	42 689
	75 474	62 508
Commissions paid		
Signature risk	(4 816)	(5 834)
Other commissions	(4 651)	(3 191)
	(9 467)	(9 025)
Net Commissions for the year	65 827	53 483

The heading “Other commissions” includes 5,000 thousand Euros related to commissions of the Autonomous Communities’ Financing Fund and of the Local Entities’ Financing Fund, for the management of both funds (5,000 thousand Euros at December 31, 2022) (Note 16). In addition, 34,122 thousand Euros of income are recorded corresponding to the fees charged by the investee AXIS in the course of its business (30,656 thousand Euros in 2022).

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

The detail of this caption of the accompanying consolidated income statement, based on the origin of its items is the following:

	Thousands of Euros	
	2023	2022
Financial assets at fair value through other comprehensive income (Note 9)	(20 946)	-
Financial assets at amortised cost, loans and receivables (Note 10.3)	(500)	-
Financial assets at amortised cost, debt securities (Note 10.1)	-	172
Financial liabilities at amortised cost (Note 18.4)	-	947
	(21 446)	1 119

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

The detail of this caption of the consolidated income statement, based on the origin of its items is the following:

	Thousands of Euros	
	2023	2022
Trading derivatives (Note 7)	940	(259)
	940	(259)

Following the entry into force of IFRS 13 (January 1, 2013), the Institute did not incorporate the corresponding adjustment for counterparty and equity credit risk (CVA-DVA) for the valuation of the derivative instruments. The adjustment made under this heading (including this caption) at December 31, 2023 amounts to losses of 427 thousand Euros (profits of 1,452 thousand Euros at December 31, 2022).

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

The detail of this caption of the income statement is the following:

	Thousands of Euros	
	2023	2022
Equity instruments at fair value through profit or loss (Note 8)	-	-
	-	-

32. PROFIT OR LOSS RESULTING FROM HEDGE ACCOUNTING, NET

The detail of this caption of the income statement is the following:

	Thousands of Euros	
	2023	2022
Hedging derivatives (Note 11)	45 568	44 683
	45 568	44 683

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

33. OTHER OPERATING INCOME AND EXPENSES

The detail of this caption of the consolidated income statement is the following:

	Thousands of Euros	
OTHER OPERATING INCOME	2023	2022
Income from exploitation of estates	507	818
Other concepts (*)	585	149
	1 092	967

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

	Thousands of Euros	
OTHER OPERATING EXPENSES	2023	2022
Other concepts	-	(1)
	-	(1)

34. PERSONNEL COSTS

The composition of this caption of the consolidated income statement of 2023 and 2022 is the following:

	Thousands of Euros	
	2023	2022
Wages and salaries	20 568	18 388
Employee benefits expense	4 871	4 256
Other expenses	1 538	1 598
	26 977	24 242

The number of the Group’s employees at December 31, 2023 and 2022, distributed per professional categories and gender, has been the following:

	Payroll distribution			
	Men		Women	
	2023	2022	2023	2022
Management	7	13	7	17
Managers and technicians	132	114	185	155
Administrative staff	6	6	52	49
	145	133	244	221

The average number of the Group's employees in 2023 and 2022, distributed per professional categories and gender, has been the following:

	Payroll average distribution			
	Men		Women	
	2023	2022	2023	2022
Management	8	13	7	16
Managers and technicians	126	108	176	152
Administrative staff	6	7	53	48
	140	128	236	216

The average number of the Group's employees, in 2023, with disability above 33% has been of 6 person (4 persons in 2022).

Remunerations and other benefits for the General Board

In 2023 and 2022, the Group recorded in the consolidated income statement 111 thousand Euros and 134 thousand Euros (on the section of "Other administration expenses"), respectively, in respect of remuneration accrued by the members of the General Board in respect of wages, allowances and other remunerations. These were paid to the Treasury, according to the applicable regulation law, in the case of General Board members considered as Senior Positions in the Civil Service.

Remunerations perceived by the President and Senior Management of the Institute, as the Group's parent company, during 2023 and 2022, are the following:

Financial year 2023:

	Salaries and wages Thousands of Euros			
No. persons	Fixed	Variable	Other Remunerations Thousands of Euros	Total Thousands of Euros
6	732	101	16	849

Financial year 2022:

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

At December 31, 2023 and 2022 there were no loans granted to the executive members of the Institute's General Board. At December 31, 2023, loans granted under internal regulations on loans to staff, had an outstanding amount of 14,686 thousand Euros and the average interest rate was 2.51% (13,100 thousand Euros at December 31, 2022, with an average interest rate of 2.51%).

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

35. OTHER ADMINISTRATION EXPENSES

The detail of this caption of the consolidated income statement is the following:

	Thousands of Euros	
	2023	2022
Buildings, installations and materials	1 220	973
Computers	6 251	5 409
Communications	2 469	2 210
Advertising and publicity	458	2 646
Rates and taxes	2 069	1 500
Other general administration expenses	8 399	8 360
	20 866	21 098

Audit expenses

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

The amount invoiced by companies under the Mazars trademark (who audit, by virtue of a contract formalised with the IGAE to deliver a collaboration service in the performance of the audit of the annual accounts of 2023 and 2022), for audit-related services delivered to the ICO amounted to 11.3 thousand Euros (5.65 thousand Euros for audit services of the individual annual accounts and 5.65 thousand Euros for the consolidated accounts); the amount invoiced for non-audit services during 2023 has been of 115.9 thousand Euros, taxes not included (42.5 thousand Euros in 2022).

The amount invoiced by ERNST & YOUNG, SL, the firm auditing AXIS, for the audit of its individual financial statements amounted to 12 thousand Euros (12 thousand Euros in 2022). In addition, 10 thousand Euros were paid in 2023 (10 thousand Euros in 2022) for the audit of the 2023 financial statements of one of the funds managed by AXIS, which, in accordance with its management regulations, must be paid by the managing company. No amounts have been invoiced in 2023 for services other than the audit of accounts (none in 2022).

The amount invoiced by Mazars Auditores S.L.P. for the audit of CERSA and COFIDES, Group’s associates, for the financial years 2023 and 2022 (i.e. the total fees relating to the audits of these entities) amounts to 55 thousand Euros in 2023 (51 thousand Euros in 2022).

36. FAIR VALUE

As mentioned above, financial assets are recorded on the balance sheet at fair value, except for loans and receivables and equity instruments whose market value cannot be estimated reliably.

In the same way, financial liabilities are recorded on the balance sheet at amortised cost, except those included in the trading portfolio.

Part of the assets registered under “loans and receivables” and liabilities registered under the heading “Financial Liabilities at amortised cost”, from the consolidated balance sheet at December 31, 2023 and 2022, are accounted at variable rate, with an annual revision of that rate, so their fair value coming from movements of interest rates, it is not significantly different from the one registered in the Group’s consolidated balance sheet. The fair value of these has been obtained using a weighted average maturity and a weighted average rate through which it has proceeded to calculate the fair value using discount flows. The value calculated for these operations at December 31, 2023 and 2022, for the Institute as the Group’s parent company, is as follows:

	Thousands of Euros			
	Carrying value		Fair value	
ASSETS	**2023**	**2022**	**2023**	**2022**
Financial assets at amortised cost	27 204 578	23 866 671	27 466 132	23 994 327
LIABILITIES				
Financial liabilities at amortised cost	23 548 296	21 681 827	23 628 324	21 759 973

Fair value has been calculated, in all cases, both in 2023 and in 2022, taking as reference implicit curves in monetary and Public Debt markets.

37. OPERATIONS WITH MULTIGROUP ENTITIES AND ASSOCIATES

The Company's balances at December 2023 and 2022 related to Joint Ventures and Associates are as follows:

CERSA

- Deposits to customers (financial liabilities at amortised cost): 239,393 thousand Euros at December 31, 2023 (216,988 thousand Euros at December 31, 2022).

Financial environment and frame of action

The Spanish economy continues to grow strongly despite the context of uncertainty at the global level

In 2023 as a whole, the Spanish economy maintained strong economic growth (2.5%), after the remarkable post-pandemic recovery observed in 2021 and 2022, with growth of 6.4% and 5.8%, respectively. Spain demonstrated greater strength than its European shareholders already in 2022 and continued to lead growth in 2023, which has been particularly relevant given the context of geopolitical tensions and weak external growth, particularly in the Eurozone, due to the impact of restrictive monetary policy. Specifically, Spanish GDP growth in 2023 was five times higher than that of the Eurozone average and also that of the main European economies.

Having surpassed the pre-pandemic GDP in the third quarter of 2022, and after beating the growth forecasts for 2023, projections for 2024 and 2025 once again place Spanish growth at levels above the rest of the major Euro Zone economies. According to the latest IMF forecasts, Spain would grow by 1.5% in 2024 and 2.1% in 2025, compared to the estimated growth for the Euro Zone as a whole of 0.9% and 1.7%, respectively.

Eurozone growth slowed markedly in 2023 to 0.5% from 3.3% in 2022. The impact of monetary policy tightening, persistent inflation and geopolitical tensions would have led to this weakness in growth.

In a context of high uncertainty and lower economic growth at the international level, the Spanish economy maintains a differential growth thanks to the dynamism of the labour market, the positive evolution of the foreign sector, the solid assets of households and companies and **the rapid deployment of the Recovery Plan**.

With regard to the labour market, job creation in Spain accelerated in 2023. According to data from the Labour Force Survey (EPA), 783,000 jobs were created in 2023, equivalent to an increase in employment of 3.8%, thus showing a higher rate of job creation than in 2022 (279,000 new jobs with a growth rate of 1.4%). As a result, the number of employed persons reached an all-time high (21,246,900). The unemployment rate continued its downward trend, standing at 11.8% in the fourth quarter of 2023, more than one point below the rate in the fourth quarter of 2022 (12.9%), while the number of unemployed ended 2023 at 2,830,600, 6.4% lower than in 2022 and its lowest figure at the end of the year since 2007. In terms of the number of workers affiliated to Social Security, the data also evolved favourably, with an increase in affiliation in 2023 of 2.7% with respect to 2022, i.e. an increase of 539,739 affiliates, above the increase in 2022 (an increase of 2.4%, which meant 471,000 more affiliates).

Growth has also been driven by the external sector, thanks to the resilience of trade in goods, the remarkable recovery in tourism and the dynamism of trade in non-tourism services, with the sector making a positive contribution of 0.8 pp, although this moderated with respect to 2022; specifically, it contributed 2.1 pp less to growth than in 2022. The favourable performance of domestic demand contributed 1.7 percentage points (pp) to GDP growth in 2023, although its contribution moderated by 1.2 pp with respect to the previous year. Within national demand, private consumption slowed, although it remained strong, supported by the improvement in purchasing power and the good performance of the labour market, while investment grew to a lesser extent than last year. By contrast, government spending increased again in 2023, following a decline in 2022.

General inflation moderated sharply during 2023 to the lowest levels in two years. The underlying rate (which excludes energy goods and unprocessed food as these are components with greater price variability) has also shown a gradual deceleration trend, to which the lower inflationary pressures in energy prices and raw materials, the restrictive monetary policy of the European Central Bank and the measures implemented by the Government to alleviate inflation, such as the VAT rebate on basic foodstuffs, the fuel rebate and subsidies for public transport, the VAT rebates on electricity and gas, among others, have contributed. In Spain, average inflation was 3.5% in 2023, correcting part of the sharp price increase observed in 2022 (annual average 8.4%) and headline CPI ended 2023 at 3.1% y-o-y in December. Core inflation averaged 6% for 2023 as a whole, above the average for 2022 (5.2%), and ended the year at 3.8% y-o-y in December, progressively narrowing the differential with the headline index. In the Eurozone as a whole, inflation averaged 5.5% in 2023, higher than in Spain, but the year-on-year inflation rate as of December was 2.9%, also reflecting the trend of decelerating prices in the Eurozone during the year. For its part, the underlying inflation rate in December was higher than the general index, at 3.9%, close to the Spanish rate, and has also followed a moderating path during 2023.

Forecasts of the main organisations, both for Spain and for the Eurozone as a whole, point to a continuation of the gradual slowdown in prices in 2024, although they would still be above the monetary policy target and within a context marked by the high uncertainty linked, mainly, to the future evolution of energy prices.

The ECB continued to tighten its monetary policy in 2023

The Governing Council of the European Central Bank (ECB) continued in 2023 with the process of normalising its monetary policy that had already begun in 2022. From July 2022 until September 2023 it decided to undertake ten consecutive policy rate hikes to ensure that inflation returns to its medium-term objective of 2%. Accordingly, the Governing Council set the main refinancing rate and the interest rates on the marginal lending facility and the deposit facility at 4.50%, 4.75% and 4.00% respectively, implying a cumulative increase of 450 basis points in each of the three benchmarks and bringing them to 22-year highs.

Since September 2023, the ECB has stopped the interest rate hike cycle. The Governing Council considers that the key ECB interest rates are at levels which, if maintained for a sufficiently long period of time, make a substantial contribution towards achieving its objective. Looking ahead, the Governing Council will continue to apply a data-dependent approach to determine the appropriate level and duration of the interest rate constraint. In particular, its interest rate decisions will continue to be supported by its assessment of the inflation outlook, taking into account new economic and financial data, underlying inflation dynamics and the strength of monetary policy transmission.

In addition to the rate hike decisions, the Governing Council of the ECB has also implemented a process of reducing the size of the Euro system's balance sheet during 2023. It decided that the size of the APP asset purchase programme portfolio would start to decrease at an average rate of 15 billion Euros per month until June 2023 and ended the reinvestment of maturing APP securities as from July 2023. In addition, as part of this balance sheet normalisation process, the Governing Council will start to reduce the pandemic emergency purchase programme (PEPP) portfolio in the second half of 2024, at a rate of 7.5 billion Euros per month on average. Until then, it will continue to fully reinvest the principal of maturing securities and plans to end reinvestments under the PEPP by the end of 2024.

Recovery, Transformation and Resilience Plan

The Government of Spain continued to manage European funds from the Next Generation EU (NGEU) instrument through the Recovery Plan during 2023, which has set in motion an ambitious schedule of investments and reforms that will have a structural impact on the Spanish economy. With a strong pace of meeting milestones and targets, Spain has received three payments from the Recovery and Resilience Mechanism for a total of 37 billion Euros and has already formally requested the disbursement of the fourth payment for 10 billion Euros. The pace of investment implementation has been accelerating since the launch of the Plan, reaching the highest pace in 2022, which has been maintained in 2023. Since the approval of the Plan in July 2021, calls for aid and tenders have already been resolved for an amount of more than 30 billion Euros. The economic impact of the Recovery Plan in 2023 translates into 2.5 points in the level of GDP, in line with the forecast.

In October 2023, the European Commission approved the Addendum to the Plan, a decision ratified by the ECOFIN, and with it the second phase of the Recovery Plan, which has an additional 94.3 billion Euros, to continue strengthening strategic projects and with a special focus on the strategic autonomy of Spain and the EU in the fields of energy, agri-food, industry, technology and digital. Part of the mobilisation of these new funds will be carried out through the creation of funds and financial instruments, in the implementation of which ICO plays a very prominent role. The ICO lines will involve up to 40,000 million in loans to support SMEs in particular, strengthen investment in the green and social sphere, as well as in key future areas in the digital transition, such as start-ups and the audiovisual sector. In addition, the Autonomous Community Resilience Fund will be launched, with financing of up to 20 billion Euros, which will enable sustainable investments to be made in the Autonomous Communities, in collaboration with the European Investment Bank.

Business rates rose as a result of the prolongation of the monetary policy normalisation process

The tightening of the ECB's monetary policy, with interest rates rising until September, has continued to make new financing more expensive and to weaken credit flows to households and firms during 2023. Thus, the average interest rate applied to the companies in operations of less than 1 million Euros, which may be taken as approximation of the rate applied to SMEs, increased from 3.49% at December 2022 to 5.11% at December 2023. This interest rate was maintained throughout the year below the rate applied in Germany to these same operations and, also, this differential with Germany has increased last year as a consequence of the higher rate increase in Germany. Thus, the Spanish rate is 90 basic points below the German rate at December 2023, while at December 2022 it was of 54 basic points. In comparison with the average of the set of the Eurozone, the differential was lower, throughout 2023, but the differential was negative every month of the year; thus, on December 2023, the Spanish rate was 29 basic points below the European average (19 basic points at December 2022).

Interest rates for operations of a lower amount (up to 250 thousand Euros) also increased in 2023, from 3.53% at December 2022 to 5.14% at December 2023, also remaining below the German rate throughout the year, so that, at December, the Spanish rate was 122 basic points lower than the German rate, representing an increase of spread from the 68 basic points of December 2022. Additionally, the Spanish interest rate was also lower than the Eurozone rate in these operations throughout the year, being 44 basic points lower (35 basic points at December 2022).

In terms of financial sector activity in 2023, the volume of new lending business decreased by 7.3% compared with 2022, following an increase of 19.9% in the previous year, as a result of a stronger pass-through of monetary policy tightening in 2023. Transactions of less than 250 thousand Euros moderated their increase, compared with the previous year, from 15.7% in 2022 to 5.3% in 2023, transactions of less than 1 million Euros from 14.1% in 2022 to 5.1% and transactions of more than 1 million Euros fell markedly, by 18.8% in 2023, compared with an increase of 25.7% in the previous year.

The outstanding amount of total credit to enterprises declined by 2.7% in 2023 compared with 2022, while it remained virtually stable in 2022, according to data from the Bank of Spain.

Doubtful assets remained at low levels during 2023

The doubtful assets ratio of Spanish credit institutions remained fairly stable during 2023, remaining at the lows of December 2008. On December 2023, it stood at 3.54%, the same ratio as in December 2022. This evolution is explained by a fall in the volume of credit classified as doubtful offset by the decline in total credit. With regard to credit to productive activities, its doubtful assets ratio stood at 4.06% in September 2023 (latest available data), lower than in September 2022 (4.43%).

Activity

The Institute continues to support the Spanish productive fabric through its wide range of products, prioritising long-term financing, internationalisation and investments aimed at digital transformation, sustainability and social and territorial cohesion. Thus, ICO responds to the needs and challenges posed by the different economic scenarios in a flexible manner, in order to contribute to the sustainable growth, the employment generation, and the wealth distribution through its three main functions:

- National Promotion Bank: to boost the economic growth and the business activity.
- Financial Economic Policy Instrument: in order to channel the European Union (EU) funds in their different modalities and to collaborate with Administration bodies, to transfer resources towards the companies in order to reach economic policy and sector objectives.
- State's Financial Agent: managing on behalf of the State different funds and instruments of a different nature and purpose, and carrying out functions entrusted in the different economic scenarios to provide an efficient response to the companies' financing needs.

All of the Institute's actions in 2023 are framed within its Strategy 2022-2027 and take as reference the EU Financial Framework 2021-2027 and the Recovery, Transformation and Resilience Plan, which articulate the Government's economic policy around green and digital transition, social and territorial cohesion and equality.

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

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

The financing and issue of ICO guarantees to companies, entrepreneurs and territorial administrations during 2023 amounts to 7,530,138 thousand Euros. 33.5% of this amount (2,520,858 thousand Euros) corresponds to credit disposals made through the different ICO mediation lines, by means of 12,115 operations; 63% aimed to micro-SMEs (companies up to nine workers) and 31% correspond to loans for an amount equal or below 25,000 Euros.

There are two differentiated strategic areas of action in the mediation activity:

- National: to finance business activities and investment projects related to the activity in Spain. In 2023, 11,250 operations have been granted, for an amount of 2,104,765 thousand Euros, representing 84% of the total amount of mediation lines.

- International: these lines are aimed to finance the internationalisation and exporting activity of Spanish companies. In 2023, 865 operations have been granted, for an amount of 416,093 thousand Euros, in the different lines.

Concerning the direct activity, during 2023, ICO has complemented financing operations through loans and issue of sureties with the acquisition of other corporate debt instruments.

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

By means of these direct financing modalities and guarantees, during 2023, funds have been disposed of and sureties have been issued, for an amount of 5,009,280 thousand Euros, attending the companies' investment and liquidity needs, and continuing with the promotion of large long-term investment projects both in Spain and abroad, as a complement to the private initiative. The detail of direct activity volumes made available to the companies is the following:

- Through the direct banking activity, loans and credits have been disposed of, for an amount of 3,105,446 thousand Euros, and sureties have been issued, for an amount of 159,200 thousand Euros.

- Through the direct complementary activity, corporate bonds and MARF bonds at mid and long term have been acquired, for an amount of 266,117 thousand Euros, and MARF promissory notes at short term, for an amount of 1,478,517 thousand Euros.

Another of the Institute's main strategic lines of action as National Promotion Bank is carried out through AXIS, the venture capital subsidiary of the ICO Group, which acts in public-private collaboration with the venture capital sector through the management of equity of 12,150 million Euros in its four funds: Fond-ICO Global, Fond-ICO Next Tech, Fond-ICO SMEs, and Fond-ICO Sustainability and Infraestructuras in which the Institute is the sole participant. These funds will allow a joint mobilisation of public and private resources of more than 18,000 million Euros in the next five years, based on the private sector's capacity to absorb resources and materialise projects.

Axis' investments, which are in any case minority investments and do not imply effective control of the company, are aimed at promoting the dynamisation and consolidation of the private venture capital fund ecosystem, both in the early stages: venture capital, incubation and technology transfer and business angels (together with the European Investment Fund), and in expansion, growth and debt, thus supporting the creation and growth of highly innovative and technology-based companies.

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

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

AXIS Board of Directors, held on November 2023, approved the launch of the 16^{th} Call, Fond-ICO

Global’s largest ever, to select 12 funds or managers in three categories: incubation and technology transfer, venture capital and expansion, in which up to 900 million Euros will be invested.

Through the 15 calls resolved until December 31, 2023, investments have been approved for a maximum amount of 3,427 million Euros, with a target investment volume of 11,474 million Euros in Spanish companies. For each Euro of public capital invested by Fond-ICO Global, the private funds will invest a minimum of 3.3 Euros in Spain.

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

During 2023 the Board of directors of Axis has approved operations through Fond-ICO SMEs by 30 million Euros.

Through Fond-ICO Sostenibilidad e Infraestructuras, a fund endowed with 400 million Euros, the Institute provides financing to companies through equity participations, subordinated debt and participating loans. The aim of this fund is to invest directly or through other funds in sustainable infrastructure projects in Spain and abroad with Spanish companies.

During 2023 the Board of directors of Axis has approved operations through this fund by 32 million Euros.

AXIS and the State Secretariat for Digitalisation and Artificial Intelligence (SEDIA) launched Fond-ICO Next Tech in 2021. This fund invests in funds, corporate vehicles and companies that promote innovative high-impact digital projects and investment in growth companies (scale-ups) with the aim of mobilising 8 billion Euros, half from public funds and half from private investment, over an initial period of four years.

The ICO General Council, held on February 23, 2023, approved the commitment to increase the size of FondICO Next Tech by an additional 2 billion Euros, to 4 billion Euros. This increase was approved by the AXIS Board of Directors at its July 2023 meeting.

Since the start of its investment activity in 2022 and until December 2023, AXIS has approved Fond-ICO Next Tech's participation in eight funds and five companies, for a cumulative amount of 5,344 million Euros.

As **Financial Economic Policy Instrument**, ICO supports the Spanish economy in two ways: enhancing its role as a channel of EU resources in their different modalities and developing functions entrusted by the Government to implement the economic policy measures.

The Institute uses its different fund distribution mechanisms as National Promotion Bank to boost the recovery, transformation and strengthening process of the growth model of Spain, according to priorities defined in the Recovery, Transformation and Resilience Plan approved by the Government and in line with the Next Generation EU Programme and the Multiannual Financial Framework 2021-2027 of the European Union.

For this purpose, ICO cooperates by channelling financial resources associated to economic policy measures together with Ministries, Autonomous Communities, Local Corporations and their dependent bodies, as well as European Union resources towards Spanish companies and projects with Spanish interest.

In its role as **State Financial Agency**, ICO manages official funds and financing instruments to exportation and development, facilitates the sustainability of autonomic and local administrations and, since 2020, through an efficient public-private collaboration model, manages on behalf of the State the public surety lines implemented as a consequence of the health crisis of the COVID 19 and the war in Ukraine.

Concerning the activity managed by surety lines associated to the COVID-19 crisis, the State has guaranteed 108,073,024 thousand Euros from the beginning to the end of the validity of the lines on June 30, 2022.

During the financial year 2023, the Institute continued to manage the various measures agreed by the Government in relation to COVID guarantee operations formalised during the period of validity, in particular, the monitoring of the extension of the maturity and grace period of guaranteed operations regulated in the Council of Ministers Agreement of June 21, 2022. Similarly, the ICO continues to monitor, control and report on defaults and recoveries under the line of guarantees.

In 2023, the Institute also managed the line of public guarantees provided by the State as a result of the war in Ukraine, regulated by Royal Decree Law 6/2022. This line, endowed with up to 10,000 million Euros, is intended to partially cover the financing granted by financial institutions to companies and the self-employed. In December 2023, the Council of Ministers approved the activation of the third tranche of the line of ICO Ukraine Guarantees for the self-employed and companies for an amount of up to 3,500 million Euros (up to 3,000 million Euros for the self-employed and SMEs and up to 500 million Euros for companies that do not qualify as SMEs). This new agreement completes the provision to the self-employed and companies of all the 10,000 million Euros available for this line of guarantees, with the ICO having been assigned the management of 9,000 million Euros.

It should also be noted that the Agreement of the Council of Ministers of December 5, 2023 instructed the ICO to extend the maturity of the guarantees granted to companies and the self-employed under the ICO Ukraine Guarantee line when certain conditions established in the Agreement are met.

The amount guaranteed at the end of December 2023 is 4,498,564 thousand Euros, corresponding to 26,840 loan operations with an amount financed of 5,803,128 thousand Euros.

In addition to sureties of the facilities for the COVID-19 and Ukraine crisis, in 2023, the Institute has continued managing on behalf of the State other funds and instruments in three areas of action: financing the State's peripheric administration through Territorial Funds of Autonomous Communities and Local Entities, on behalf of the Ministry of Finance; promoting the Spanish companies' internationalisation through the Fund for the Business Internationalisation (FIEM) and the Reciprocal Interest Adjustment Agreement (CARI), on behalf of the Ministry of Industry, Trade and Tourism; and the financial cooperation to the development, through the Development Promotion Fund (FONPRODE) and the Water Fund (FCAS), on behalf of the Spanish Agency of International Cooperation to Development (AECID).

At the end of the financial year 2023, the total balance managed by ICO corresponding to these funds is of 210,684 million Euros:

- The Financing Fund for Autonomous Communities has an outstanding balance of 197,968 million Euros.

- State funds for the internationalisation and financial cooperation to the development (CARI, FIEM, FONPRODE and FCAS) present a joint balance of 6,432 million Euros.

- The Financing Fund to Local Entities has closed 2023 with a balance of 6,284 million Euros.

Fundraising

The Institute finances its activity at the mid and long term mainly through debt issues in capital markets and through bilateral loans of multilateral credit institutions. The ICO is not financed through the General State Budgets and does not gain deposits from individuals.

During 2023, resources were obtained at mid and long term, for an amount of 7,314 million Euros. Out of this amount, 1,000 million Euros through two issues of sustainable bonds: one of green bonds and another of social bonds.

On 7 February, the Institute launched the fifth issue of green bonds for an amount of 500 million Euros for a term of around 5 years. The funds raised will be used to finance projects carried out by Spanish companies that contribute to boosting the ecological transition and the development of sustainable finance, in line with the objectives of the National Recovery, Transformation and Resilience Plan.

In addition, on 27 June, it launched its tenth issue of social bonds, amounting to 500 million Euros. The funds raised with this operation will be used to finance projects of the self-employed, SMEs and Spanish companies that generate a positive social impact and boost job creation.

ICO is a benchmark issuer in the sustainable bond market with fifteen transactions (ten social and five green) for a global amount of 7,550 million Euros until December 2023.

Balance sheet

ICO Group occupies a prominent position within the Spanish financial system and has an important role in the Spanish economy.

The Institute's balance sheet reaches 31,689,303 thousand Euros at 2023 closing (29,802,910 thousand Euros at 2022 closing). The main reason for the change compared to the previous year was the increase in financial assets at amortised cost.

The outstanding amount of financial assets at amortised cost has amounted to 27,204,578 thousand Euros (23,866,671 thousand Euros at December 31, 2022):

- Loans to credit institutions amount to 8,300,598 thousand Euros (6,911,989 thousand Euros in 2022). This caption mainly includes outstanding balances from mediation operations.

- Loans to customers close the year with a balance of 12,601,396 thousand Euros with regard to 10,173,657 thousand Euros in the previous year.

- Debt securities amount to 6,302,584 thousand Euros; 6,781,025 thousand Euros at 2022 closing.

In 2023, the outstanding balance of the debt securities portfolio at fair value through other comprehensive income decreased to 91,001 thousand Euros (1,135,160 thousand Euros at December 31, 2022) and the balance of equity instruments increased to 1,533,557 thousand Euros (1,325,031 thousand Euros at the end of 2022). This heading mainly includes the Institute's holdings in venture capital funds managed by AXIS Participaciones Empresariales S.G.E.I.C., S.A., S.M.E., a management company wholly owned by the Instituto de Crédito Oficial.

During 2023, there has been an increase of the balance of financial liabilities at amortised cost, closing the year in 23,492,409 thousand Euros (21,634,039 thousand Euros in 2022).

Equity in ICO amounts to 5,776,071 thousand Euros at 2023 closing, 18% of the balance sheet. The

Institute's solvency coefficient at year-end closing amounts to 26.56%, much higher than regulatory minimums.

Risk management policy

The Institute's actions with regard to liquidity, market, credit and operational risk management are described on the corresponding Notes 5.3 to 5.6.

Results

Net interest income at the end of December 2023 amounted to 291,490 thousand Euros, an increase of 165,744 thousand Euros with regard to 2022.

In the same line, gross margin in 2023 has increased, with regard to 2022 (384,805 thousand Euros and 233,525 thousand Euros, respectively).

Operating expenses (administration and depreciation) amounted to 52,496 thousand Euros, above figures in 2022 (51,002 thousand Euros).

The financial year 2023 was closed with a reversal of the value of financial assets not measured at fair value of 12,777 thousand Euros and net provision recoveries of 9,138 thousand Euros.

As a result, profit before tax amounted to 356,984 thousand Euros.

Treasury stock

Not applicable to the Institute.

Personal

ICO Group's average payroll, in 2023, amounts to 376 employees, with regard to 344 in 2022.

Post-balance sheet events

The Council of Ministers approved on February 13, 2024 an agreement establishing the conditions for the Ministry of Housing and Urban Agenda (MIVAU) to sign with ICO a line of 2,500 million Euros in guarantees for the purchase of first homes for young people under 35 years of age and families with dependent minors. The guarantees will be managed by ICO on behalf of MIVAU under the terms established in the Agreement to be formalised between both parties for a period of up to 15 years.

On the other hand, the Council of Ministers of 27 February approved an agreement establishing the general conditions for the implementation of five facilities charged to the loans of the addendum to the Recovery Plan, amounting to 40,000 million Euros, and instructed the Instituto de Crédito Oficial (Official Credit Institute) to manage them.

The second phase of the Recovery Plan is thus launched, which will allow the transformation and modernisation process of the productive fabric and the Spanish economy to be completed. The five facilities approved will be used to finance investment projects that favour the dual green and digital transition of companies, thereby strengthening their competitiveness. Specific facilities will also be put in place to boost the audiovisual sector and disruptive technologies, as well as to increase the stock of public social housing for rent.

Other significant events that occurred after the reporting date are detailed in Note 1.8.

Non-Financial Information Statement

In accordance with the provisions of Law 11/2018 of 28 December on non-financial information and diversity, the Institute has prepared the 2023 non-financial information statement which is included as a separate document attached to the 2023 management report, as required by article 44 of the Commercial Code.

Annex I:

Investments at 31.12.2023 and 31.12.2022 (direct and indirect of ICO, as the Group's parent company)

The relevant information on shares in associates and subsidiaries at December 31, 2023 and 2022 is the following:

At 31 December 2023:

	Address	Activity	Shareholding% Direct	Shareholding% Indirect	Shareholding% Total	Investment's carrying value Gross	Investment's carrying value Impairment	Investment's carrying value Net	Entity's details Assets	Entity's details Equity	Entity's details Results
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Supporting guarantee of guarantee operations granted by the SGR	24.39%	-	24, 39%	47 060	-	47 060	954 032	775 910	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132 - Madrid	Financial support to private projects with Spanish interest performed in developing countries	20.31%	-	20,31%	8 466	-	8 466	221 555	215 864	27 404
Subsidiaries						55 526	-	55 526			
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investments	100.00%	-	100,00%	1 940	-	1 940	56 347	54 984	24 116
						57 466	**-**	**57 466**			

Non-audited economic information, referring to 31 December 2023

Annex I:

Investments at 31.12.2023 and 31.12.2022 (direct and indirect of ICO, as the Group's parent company)

At 31 December 2022:

	Address	Activity	Shareholding%			Investment's carrying value			Entity's details		
			Direct	**Indirect**	**Total**	**Gross**	**Impairment**	**Net**	**Assets**	**Equity**	**Results**
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Supporting guarantee of guarantee operations granted by the SGR	24.39%	-	24, 39%	47 060	-	47 060	817 669	647 074	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132 - Madrid	Financial support to private projects with Spanish interest performed in developing countries	20.31%	-	20,31%	8 466	-	8 466	191 444	184 516	16 099
Subsidiaries						55 526	-	55 526			
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 - Madrid	Financial investments	100.00%	-	100,00%	1 940	-	1 940	48 657	47 356	20 612
						57 466	**-**	**57 466**			

Non-audited economic information, referring to 31 December 2022

Appendix II

ANNUAL BANKING REPORT

This Annual Banking Report has been prepared in compliance with the provisions of article 87 of Law 10/2014 of 26 June 2014 on the Regulation, Supervision and Solvency of Credit Institutions. Pursuant to the aforementioned article, as from January 1, 2016, credit institutions must submit to Bank of Spain and publish annually, as an appendix to the audited financial statements, in accordance with audit regulations, specifying the following information on a consolidated basis for each financial year, for each country where they are established:

a) Denomination, nature and geographic location of the activity.
b) Turnover
c) Number of full-time equivalent employees.
d) Gross results before tax
e) Income tax
f) Grants or public aids received

The criteria used to prepare the annual banking report for financial years 2023 and 2022 are detailed below:

a) Denomination, nature and geographic location of the activity

The aforementioned information is available in Section 1 of the Notes to the Group's consolidated financial statements. In the case Instituto de Crédito Oficial, the main activity carried out by the Group is direct lending and intermediation, exclusively developing it under Spanish jurisdiction, as it has no establishments or subsidiaries outside Spain.

b) Turnover

For the purposes of this report, net operating income is defined as total net operating income as defined and presented in the consolidated income statement, which forms part of the Group's consolidated financial statements.

c) Number of full-time equivalent employees

Information on full-time equivalent employees have been obtained from the Group's average payroll.

d) Gross results before tax

For the purpose of this report, gross results before tax are considered results before tax, as defined and presented in the Group's consolidated income statement.

e) Income tax

The amount of the corresponding accrued tax, registered in the caption of corporate income tax of the consolidated income statement, is included.

f) Grants or public aids received

In the context of the information required by current legislation, this term has been interpreted as any aid or grant in line with the provisions of the European Commission’s State Aid Guidelines and, in this context, the Group companies have not received any public grant or aid in 2023 or 2022.

Details of the information for 2023 and 2022 are set out below (amounts in thousands of Euros):

At 31 December 2023:

				Thousands of Euros
JURISDICTION	Turnover	Average no. employees	Gross results before tax	Income tax
Spain	384 805	376	356 984	(104 719)

At 31 December 2022:

				Thousands of Euros
JURISDICTION	Turnover	Average no. employees	Gross results before tax	Income tax
Spain	233 525	344	203 865	(57 033)

At December 31, 2023, the Group’s return on assets (ROA) (consolidated net profit divided by average total assets) was estimated at 0.78%.

Translation of a report originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails

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Instituto de Crédito Oficial

Independent Assurance Report

Consolidated Non-Financial Information Statement for the year ended December 31, 2023

INDEPENDENT ASSURANCE REPORT OF THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

To the General Board of **Instituto de Crédito Oficial:**

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Non-Financial Information Statement (hereinafter, NFIS) for the year ended December 31, 2023, of **Instituto de Crédito Oficial** (hereinafter, the parent Company or the Institute) and its **subsidiaries** (hereinafter, the Group), which is part of the Consolidated Directors Report of the Group.

The content of the NFIS includes additional information to that required by prevailing commercial regulations in relation to non-financial information statement that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in the section "8. Table of Contents Law 11/2018 and GRI" of the accompanying NFIS.

Responsibility of the President of the Institute

The preparation of the NFIS included in the Consolidated Directors Report and its content is the responsibility of the President of the Institute. The NFIS was prepared in accordance with the content required by prevailing commercial law and in conformity with the criteria outlined in the Global Reporting Initiative Sustainability Reporting Standards (GRI standards), selected in accordance with that indicated for each subject in the section "8. Table of Contents Law 11/2018 and GRI" of the accompanying NFIS.

This responsibility also includes the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFIS that is free from material misstatement, whether due to fraud or error.

The parent Company's President is further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and quality control

We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our Firm complies with international standards on quality in force and thus maintains a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report, based on the work performed.

Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and guidelines for verifying Non-Financial Statement, issued by the Spanish Institute of Chartered Accountants (ICJCE).

Procedures carried out in a limited assurance engagement vary in nature and timing and are smaller in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work has consisted in requesting information from Management and the various Group units participating in the preparation of the NFIS, reviewing the process for gathering and validating the information included in the NFIS, and applying certain analytical procedures and sampling review tests as described below:

- Meeting with the parent Company’s personnel to know the business model, policies and management approaches applied, the main risks related to these matters, and to obtain the necessary information for our external review.

- Analysing the scope, relevance and integrity of the content included in the 2023 NFIS, based on the materiality analysis made by the parent Company in section “1.4 Analysis of the materiality”, considering the content required by prevailing commercial regulations.

- Analysing processes for gathering and validating data included in the 2023 NFIS.

- Reviewing the information on risks, policies and management approaches applied in relation to the material aspects included in the 2023 NFIS.

- Checking, through tests, based on a selection of a sample, information related to the content of the 2023 NFIS and its correct compilation from the data provided.

- Obtaining a representation letter from the parent Company’s President.

Conclusion

Based on procedures performed in our verification and on the evidence obtained, no matter has come to our attention that would cause us to believe that the NFIS of **Instituto de Crédito Oficial and subsidiaries** for the year ended December 31, 2023 has not been prepared, in all material respects, in accordance with the contents required by prevailing commercial law and following the criteria of the selected GRI standards, selected as explained for each subject matter in the table named "8. Table of Contents Law 11/2018 and GRI" of the abovementioned NFIS.

Use and distribution

This report was prepared in response to the requirement established by prevailing commercial law in Spain, and may not be appropriate for other uses and jurisdictions.

Madrid, April 5, 2024

MAZARS AUDITORES, S.L.P.

[Signed in original]

Oscar Herranz López

NON-FINANCIAL INFORMATION STATEMENT 2023

(Law 11/2018)

March 2024

Content

1 ICO GROUP, ITS STRATEGY AND ITS ENVIRONMENT

1.1 COMPOSITION

ICO Group is made up by:

- Instituto de Crédito Oficial, Entidad Pública Empresarial (ICO)
- AXIS Participaciones Empresariales, S.G.E.I.C., S.A., S.M.E. (hereinafter, AXIS), fully invested by ICO
- Fundación ICO, which sole promoter is ICO

The definition of Consolidated ICO Group has considered as Group Entities those on which the Institute has the ability to exercise control; this ability is manifested, in general but not solely, through the ownership, direct or indirect, of 50% or more of the investees' political rights or, even if this percentage was lower or nil, when for instance there are agreements with their shareholders granting control to the Institute. By virtue of the regulations, control is understood as the power to direct the financial and operating policies of a company, in order to obtain benefits from its activities.

The subsidiary's annual accounts are consolidated with the Institute's annual accounts in application of the equity method, as defined in the regulations. Accordingly, all balances derived from operations made by consolidated companies through this method that are significant have been eliminated in the consolidation process.

The Institute, as the Group's parent company, represents 99% of its consolidated balance sheet.

The three entities are based in Madrid and therefore only operate in Spain.

1.2 NATURE AND FUNCTIONS

A. ICO

Instituto de Crédito Oficial is a Public Business Entity that has the legal status of a credit institution and is considered a State Financial Agency. It has legal personality, its own assets and treasury, and management autonomy for the fulfilment of its purposes. The ICO is financed on the capital markets and through loans. It is guaranteed by the Spanish State for the debts and obligations it incurs by raising funds.

Attached to the Ministry of Economy, Trade and Enterprise, the Secretary of State for Economy and Business Support is responsible for the strategic management of ICO, as well as for the evaluation and control of the results of its activity.

The nature and legal regime of the ICO, and its purposes and functions are defined in its Statutes, approved by Royal Decree 706/1999, amended by Law 40/2015, on the Legal Regime of the Public Sector, Royal Decree 1149/2015 and Royal Decree 390/2011.

The detailed organisation chart is included in section 7 of this document.

➢ Mission

The aims of Instituto de Crédito Oficial are the support and promotion of economic activities that contribute to the growth and improvement of the distribution of national wealth and, in particular, of those that, due to their social, cultural, innovative or ecological importance, deserve to be encouraged, as defined in art. 2 of the Bylaws.

➢ Vision

These objectives are carried out by the Institute in its triple role as National Promotion Bank, Financial Instrument of Economic Policy and State Financial Agency and are specified in:

- Extending the public-private collaboration model, deepening it whenever possible.

- The capacity to anticipate, adapt and scope its actions to the needs of companies and the self-employed at all times and to the transformation of the business fabric and economic policy guidelines.
- With a long-term perspective, contributing to the mobilisation of the necessary resources for economic transformation, generating added value and transferring the competitive conditions for the mobilisation of resources.
- In a relationship of complementarity and coherence with other public policies, generating synergies.
- In a cross-cutting manner, ICO's activity is structured by elements that permeate all its internal and external actions, mainly linked to sustainability in a broad sense and digitalisation.

ICO seeks to be a leading international organisation and a national institution of reference in terms of transparency, solvency and credibility, to be recognised, especially by SMEs and financial institutions, as an ally for the growth of wealth and employment, and to be made up of a highly qualified, motivated, efficient and committed team that carries out its functions in an atmosphere of trust and collaboration.

➢ Functions

According to its Bylaws, they are the following:

- Contribute to alleviating the economic effects produced by situations of serious economic crisis, natural catastrophes or other similar events, in accordance with the instructions of the Council of Ministers or the Government Delegate Commission for Economic Affairs.
- To act as an instrument for the execution of certain economic policy measures, following the fundamental lines established by the Council of Ministers, the Government Delegate Commission for Economic Affairs or the Ministry of Economy, Trade and Enterprise, and subject to the rules and decisions agreed by its General Council in this respect.

Instituto de Crédito Oficial, ENTIDAD PÚBLICA EMPRESARIAL (ICO)
NIF: Q-2876002-C Paseo del Prado, 4- 28014 MADRID www.ico.es

B. AXIS

AXIS is a state-owned public limited company as provided for in article 2.2.c) of Law 47/2003, General Budgetary Law, article 166.c) of Law 33/2003, on Public Administration Assets, and article 111 of Law 40/2015, on the Legal Regime of the Public Sector.

According to its Bylaws, the Company's main corporate purpose is the administration and management of venture capital funds and the assets of venture capital companies, as well as the control and management of their risks. In addition, the Company may perform the functions described in article 42.4 of Law 22/2014, of 12 November, regulating Private Equity Entities, Other Collective Investment Companies and Management Companies of Collective Investment Companies (hereinafter, "Law 22/2014"). As a complementary activity, the Company may provide advisory services to non-financial companies as defined in article 7 of Law 22/2014.

Axis acts in the interests of the funds it manages and of its sole participant and shareholder, Instituto de Crédito Oficial, in the investments and assets of such funds, in accordance with the provisions of Law 22/2014 and other applicable regulations.

The organisation chart is included in point 7 of this document.

➢ Mission

The purpose of AXIS is to promote the dynamisation and consolidation of the private venture capital ecosystem, both in the early stages: venture capital, incubation and technology transfer and business angels, as well as expansion, growth and debt, thus supporting the creation and growth of highly innovative and technology-based companies.

Functions

- To act as a catalyst for the creation of venture capital entities with a majority of private capital with the ultimate aim of providing SMEs with alternative financing to bank financing.
- Directly support companies in their expansion plans to contribute to the development of the business fabric, the creation of employment and the dynamisation of the economy.
- Mobilise the largest possible amount of resources from the private sector through co-investment investments with other private venture capital funds.
- Improve the quality and safety of infrastructures in Spain as a key element in the economic growth and modernisation of the country.

AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A., S.M.E.
NIF: A78290269 c/ Los Madrazo, 38 2ª planta - 28014 MADRID https://www.axispart.com/en/web/axis

C. FUNDACIÓN ICO

Fundación ICO is a permanent, non-profit, State Public Sector Foundation created in 1993, which carries out its activities under the sole sponsorship of the ICO. It has its own legal personality and assets.

Mission

To contribute to the development of society in areas related to ICO's activity and assets.

Vision

To be a leader in the promotion and dissemination of knowledge, with an international vocation and on two axes: Sustainable Economy and Finance and Sustainable Art and Architecture.

Functions

- **Sustainable Art and Architecture Area:** it includes the management, conservation and dissemination of ICO's art collections, as well as the management of the ICO Museum and its temporary exhibitions and catalogues for each exhibition, and the organisation of educational and inclusive activities that make the ICO Museum a learning space for everyone.
- **Sustainable Economy and Finance Area:** this area focuses on the following four thematic areas:
  - Financial and Economic Education and dissemination of economic and financial research and knowledge;
  - Sustainability and Circular Economy. Sustainable finance;
  - Financing and business growth. Alternative finance;
  - Economic and Monetary Union and international economic and financial relations, with a special focus on Latin America.

FUNDACIÓN ICO
NIF G-80743503 Paseo del Prado, 4. - 28014 MADRID www.fundacionico.es

The organisation chart is included in point 7 of this document.

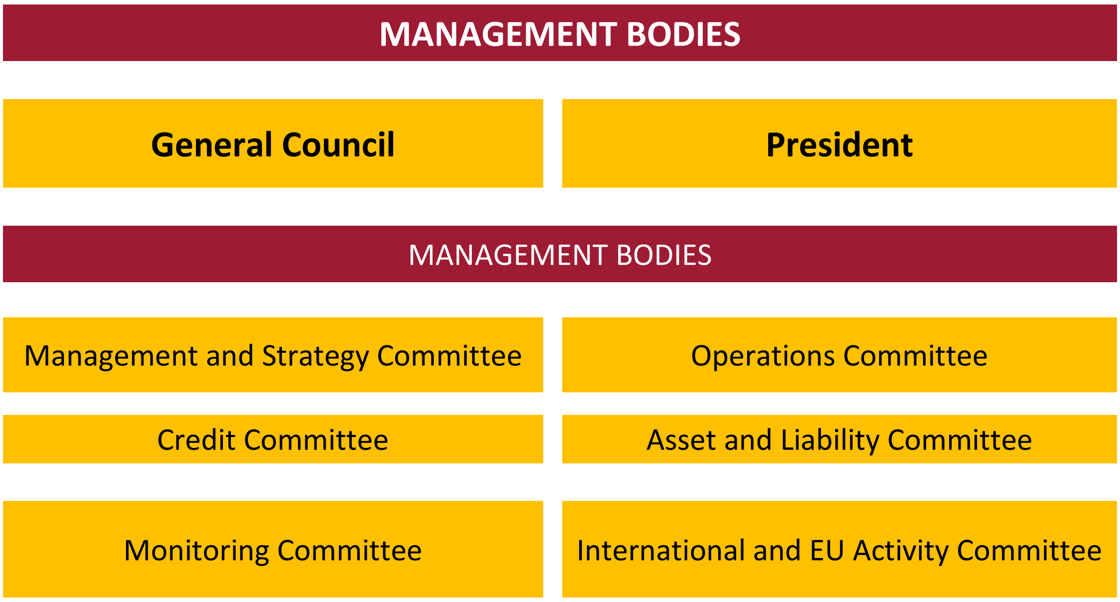
1.3 GOVERNANCE STRUCTURE AND MANAGEMENT

A. ICO

The governing structure of Instituto de Crédito Oficial is set out in its bylaws, approved by Royal Decree 706/1999, with the amendments provided for in Law 40/2015 on the Legal Regime of the Public Sector, Royal Decree 1149/2015 and Royal Decree 390/2011. It is completed with the internal operating and control bodies, approved by the President of the ICO within the scope of powers conferred on him by the bylaws. The internal regulations in force as at 31 December are Organisational Circular 1/2023 of 12 July and Circular on Collegiate Bodies 3/2023 of 20 December.

The President of ICO is also President of Axis and the Fundación ICO. Four general directorates report to the President's Office, as well as the Legal Advisory and Council Secretariat Directorate, the Internal Audit Department and the Communication and Cabinet Department. The detailed organisational chart can be found in section 7 of this document.

As defined in the Bylaws, the governing bodies are the General Council and the President. The other management bodies are defined in the aforementioned Circular on Collegiate Bodies. Of particular note are the Operations Committee and the Management and Strategy Committee, whose main functions are described below. The complete list of bodies is as follows:



Sustainability Committee	Contracting Committee
Audit and Compliance Committee	Regulatory Compliance Technical Committee
Information Security Committee	Business Continuity Committee
Committee of Compliance with the Code of Ethics and Conduct	

MANAGEMENT BODIES

GENERAL COUNCIL

The composition of the ICO's General Council, its functions, and the rules governing meetings and resolutions are defined in the Bylaws, approved by Royal Decree 706/1999.

Law 40/2015 and Royal Decree 1149/2015 incorporate and develop the figure of independent directors on the General Council, reinforcing the Institute's autonomy and its alignment with the best European standards. The figure of the independent director plays a key role in the functioning of the Council, as they have a double vote for the operations of the Institute's financial business, which means that they have a majority.

Structure and composition

The General Council is made up of the President of the entity and ten members and is assisted by the secretary and, where appropriate, by the deputy secretary. The secretary and vice-secretary are not considered directors, so they attend meetings with the right to speak but not to vote.

Following the amendment by Law 40/2015 to Royal Decree-Law 12/1995 and Royal Decree 1149/2015, of 18 December, the appointment and removal of the members of the General Council is the responsibility of the Council of Ministers, by means of an Agreement, at the proposal of the Minister of Economic Affairs and Digital Transformation, who shall appoint them from among persons of recognised prestige and professional competence in the ICO's field of activity.

The appointment of the members is made in accordance with the following terms:

- Four members shall be independent, understood as those who are not personnel in the service of the public sector. The term of office of the independent members shall be three years, after which they may be re-elected once.
- Six members shall be appointed from among staff of recognised competence in the service of the public sector. A maximum of two members shall come from the Ministry of Finance and Public Administration, while at least two public members shall come from the Ministry of Economic Affairs and Digital Transformation.

At December 31, 2023, the composition of ICO's General Council was the following:

PRESIDENCY OF THE GENERAL COUNCIL	APPOINTMENT DATE
JOSÉ CARLOS GARCÍA DE QUEVEDO RUIZ President Instituto de Crédito Oficial	Royal Decree 683/2018 of 22 June (BOE 23.06.2018)
MEMBERS OF THE GENERAL COUNCIL	**APPOINTMENT DATE**
JAVIER SÁNCHEZ FUENTEFRÍA Director General of Budget Ministry of Finance	**29.03.2022**
MARÍA CRISTINA TARRERO MARTOS Director General for Economic Programming and Budgets Ministry of Transport and Sustainable Mobility	**29.03.2022**
CÉSAR VELOSO PALMA Deputy Director of Cabinet Ministry of Finance	**05.10.2018**
MARÍA MATEO FEITO Director of Cabinet Técnico of SG of the Treasury and Int Fin. Ministry of Economy, Trade and Enterprise	**25.04.2023**
SILVIA IRANZO GUTIÉRREZ Independent Director	**16.11.2018**
BLANCA MONTERO COROMINAS Independent Director	**22.06.2021**
ENRIQUE FEÁS COSTILLA Independent Director	**16.11.2021**
RAFAEL FERNÁNDEZ SÁNCHEZ Independent Director	**11.07.2022**
COUNCIL SECRETARY AND DEPUTY SECRETARY:	**APPOINTMENT DATE**
CAYETANA LADO CASTRO-RIAL Secretary Instituto de Crédito Oficial	**22.02.2021**
GERARDO HARGUINDEY VALERO Deputy secretary Instituto de Crédito Oficial	**25.01.2016**

The following directors **left the Council** during 2023: Elena Aparici Vazquez de Parga (on 31 August), Ignacio Mezquita Pérez-Andújar (on 31 August) and Andrés Barragán Urbiola (on 25 April). During the year María Mateo Feito **joined the Council**. As of December 31, 2023, therefore, there were two vacant seats, pending appointment by the Council of Ministers.

Equality and diversity in the General Council

At December 31, 2023, of the eight members of ICO's General Council, four of them were women (50%). 50% of independent members are represented by women.

Regarding their age, at December 31, 2023, two members are below 50 years old (25%), while one of them is 60 years old or more (12.5%). The average age of the directors, at year-end closing, is of 53.6 years old (54 years old in the case of female directors and 53 years old as average in the case of male directors).

In general terms, the weight of independent directors represents 36.4% of the Council, but their vote is worth twice as much in the most important decisions. Consequently, in these cases, independent directors represent 53.3% of the total possible votes. In the situation at 2023 closing with two vacant seats, the vote of independent directors weighs 44.4% for votes in general and 61.5% in the case of double the value of their vote.

Likewise, the vote of women represents 46.2% of the total votes of the Council in force on 31 December in decisions in which the vote of independent directors counts double. In terms of age and considering the double value of the vote, those under 50 years of age account for 15.4% of the total votes.

Directors' allowance policy

Royal Decree 462/2002, of 24 May, on allowances for reasons of service, provides for the payment of allowances for attendance at meetings of collegiate bodies of the Administration and public bodies.

Pursuant to Article 10 of the ICO's bylaws, approved by Royal Decree 706/1999, adapting Instituto de Crédito Oficial to Law 6/1997, of 14 April, on the organisation and functioning of the General State Administration and approving its statutes, "*the members of the General Council, the Secretary and the Deputy Secretary of the Council shall receive exclusively the allowances for attending its meetings in accordance with the provisions of Royal Decree 462/2002, of 24 May, on allowances for reasons of service*". The corresponding financial compensation must be authorised for two-year periods by the Ministry of Finance, and the ICO has obtained the corresponding authorisation for the period 2023 and 2024, in accordance with the provisions of the regulations on indemnities for reasons of service for public administration personnel. Notwithstanding the foregoing, and in accordance with the provisions of Law 3/2015, of 30 March, regulating the exercise of senior positions in the General State Administration, article 13, when the Director has the status of senior position, the remuneration for attending Council meetings shall be paid into the Public Treasury.

The maximum amount for such attendance fees for the members of the General Council authorised for the financial year 2023 was 11,984 Euros per year for a total of 11 meetings, i.e. 1,089 Euros per meeting, identical for men and women, and with no difference for reasons of gender or age. It should also be noted that both the President and the Secretary of the Council are excluded from receiving these allowances, in accordance with the provisions of Royal Decree 451/2012, of 5 March, which regulates the remuneration system for senior managers and executives in the public business sector and other entities.

Taking into account the above, the total accrued in 2023 for the members of ICO's General Council was 111,127 Euros (123,111 Euros in 2022), 59,921 Euros accrued by men and 51,206 Euros by women. 51,206 for women. For the entire financial year 2023 and as at December 31, 2023 due to the higher presence of men on the Council during the year. The average annualised remuneration is identical for women and men.

The members of the General Council do not receive variable or target-related remuneration and are not beneficiaries of loans or any other social benefits granted by ICO Group. In addition, they are subject to the incompatibility and conflict of interest regimes provided for in current legislation.

Main issues dealt with by the General Council

Within the framework of its powers and without being exhaustive, the main matters dealt with by the General Council may be summarised as follows:

- It analyses and, where appropriate, approves direct financing operations for which this body is responsible, approves the terms and conditions of Intermediation lines, ICO investment commitments in securitisation funds, portfolio guarantee programmes or private equity entities, including AXIS, as well as conditions, programmes or other operations whose approval corresponds to the General Council. It is also informed of all transactions approved by the Operations Committee.
- It receives regular information on the Institute's activity, through the President's Report, as well as specific reports such as the quarterly activity report, reports on the activity of government funds, international activity and fundraising. Specifically, it is also informed of operations instructed by the Government's Delegate Commission for Economic Affairs or by the Council of Ministers.
- Specifically, it receives recurring information on sustainability issues, new regulations, ICO's financial activity, impacts and other initiatives in this area, without prejudice to the information on sustainability included in the operations it approves or in other reports.
- With regard to strategic and budgetary planning, it approves the Annual Action Plan, receives information on the monitoring and evaluation of the Strategy, as well as information on the Management Budget and the Multi-year Action Programme. It also approves the individual and consolidated financial statements of the Institute, and this Non-Financial Information Statement separately as required by law.
- On governance, it approves the most important policies, for example, an update of the Risk Policy Manual was approved on March 2023. It is also aware of the regulatory compliance and audit activity and other relevant actions regarding the prevention of money laundering and the financing of terrorism, as well as matters related to the anti-fraud plan, among others.
- As regards risk management, it approves the Capital and Liquidity Self-Assessment exercise, which is submitted annually to Bank of Spain, as well as the Risk Appetite Framework and receives information on the MAR scorecard, as well as information of prudential relevance, the monitoring of risk limits and the position of borrowers.

PRESIDENT

The President is the chief executive of the entity, with the functions and under the terms provided for in the Bylaws[1].

Appointed by Agreement of the Council of Ministers of June 22, 2018 (Royal Decree 683/2018), José Carlos García de Quevedo Ruiz holds a degree in Economics and Business Studies in Universidad Complutense of Madrid and is a Commercial Technician and State Economist.

He has previously been Executive Director of Invest in Spain at ICEX, Spain Export and Investment, responsible for attracting and promoting foreign direct investment in Spain and attracting international financing for new investment projects.

His previous responsibilities include Director General of Trade and Investment in the Secretariat of State for Trade of the Ministry of Economy and Competitiveness; Chief Economic and Commercial

[1] https://www.boe.es/buscar/act.php?id=BOE-A-1999-10738

Director in the Permanent Representation of Spain to the European Union in Brussels and Director General of Insurance and Pension Funds in the Ministry of Economy and Finance.

He has been a member of Committees and Councils of Directors of numerous companies and funds, including: ICO, ICEX, CESCE, COFIDES, FIEM, Crédito y Caución, Consorcio de Compensación de Seguros and Repsol Gas.

He has written and published numerous articles on economics, finance, trade and investment and is an active speaker at business and professional conferences and forums both in Spain and abroad.

MANAGEMENT BODIES

Management and Strategy Committee

The Management and Strategy Committee is the body that assists the President in the exercise and development of his functions and powers, and facilitates coordination between the ICO's different Directorates General.

The Management Committee's functions, structure and composition are defined in the Circular on collegiate bodies.

Functions

The functions of the Management and Strategy Committee are basically to direct the ICO's actions by determining, promoting and coordinating the following matters, without prejudice to the powers of approval that other bodies may have, in particular the Operations Committee or the General Council:

- The ICO's **strategy**, analysing and debating it, the approval of which corresponds to COPER and/or the General Council.
- The ICO's **objectives**, as well as the management of the processes leading to their implementation (Management by Objectives).
- **Action programmes, policies, products and activities** of the various organisational units into which the ICO is structured and the evaluation of their results in terms of the fulfilment of the ICO's purposes and functions, as well as proposals for improvement, particularly in the light of this assessment of results.
- The ICO's **positioning** of the ICO both nationally and internationally.
- Proposals for **new products** that entail significant change; **organisational, human resources and information systems strategies** to achieve greater motivation and professional performance; and processes for adapting ICO's current technology and processes to the **new digital environment**.

Structure and composition

The Management and Strategy Committee is made up of the President, the Institute's General Managers, the Legal Department, the President's Office and Axis General Management. At December 31, 2023, the composition was the following:

NAME	POSITION
José Carlos García de Quevedo Ruiz	President
Antonio Cordero Gómez	Director General for Finance and Strategy
Rosario Casero Echeverri	General Business Director
Vacante	Director General for Risk and Financial Control
José Manuel Pacho Sánchez	Director General Technical and Resources

Cayetana Lado Castro-Rial	Legal Director
Begoña Amores Serrano	Director of the Department of Communication and Cabinet
Guillermo Jiménez Gallego	AXIS Managing Director
Lucinio Muñoz Muñoz	Director of the Fundación ICO

Changes in 2023

During the financial year 2023, Miguel López de Foronda Pérez left as General Manager of Risks and Financial Control.

Remuneration system

The members of the Steering and Strategy Committee do not receive specific remuneration for attending meetings.

The President of the ICO has the status of "senior official" (Law 3/2015 of 30 March, regulating the exercise of senior positions in the General State Administration). The remuneration regime of the President of the ICO is set by the Secretary of State for Budgets and Expenditure of the Ministry of Finance. The gross annual remuneration of the President of the ICO, for the financial year 2023, amounts to 150,793 Euros, an amount that includes all the remuneration to be received for the performance of the post, except for the seniority that may correspond to him/her in accordance with the regulations in force and including, where applicable, any remuneration in kind.

The ICO has four General Management posts and one Legal Advisory Management post, which are considered to be "Senior Management". The remuneration system for ICO Senior Management is regulated by Royal Decree 451/2012, of 5 March, which regulates the remuneration system for senior managers and executives in the public business sector and other entities. The ICO's Ministry of Finance and Public Administrations is responsible for setting remuneration, which is subject, in all cases, to the limits established in the Ministerial Order of April 12, 2012 of the Ministry of Finance and Public Administrations approving the classification of public business entities and other public law entities.

Regulations governing the remuneration policy for senior management staff guarantee equal pay for men and women. The five senior management positions at ICO received an average gross annual remuneration of 135,627 Euros in 2023, including variable remuneration linked to the achievement of objectives. These positions, like the rest of the staff, are also covered by meal vouchers, medical insurance and life insurance. The amount indicated does not include amounts received for length of service, where applicable.

Total remuneration accrued by senior management in 2023, including this remuneration in kind, except for the seniority that may correspond to the holder of the post in accordance with current regulations, amounted to 693,810 Euros.

Finally, in accordance with the provisions of article 8 of the aforementioned Royal Decree 451/2012, senior management does not receive any remuneration for attending meetings of the governing or administrative bodies of public bodies and of the Councils of Directors of state-owned companies.

OPERATIONS COMMITTEE

This collegiate management body exercises decision-making and advisory powers within the terms and limits delegated to it by the General Council or by the President.

Structure and composition

At December 31, 2023, the composition of the Operations Committee was the following:

NAME	POSITION

José Carlos García de Quevedo Ruiz	President
Antonio Cordero Gómez	Director General for Finance and Strategy
Rosario Casero Echeverri	General Business Director
Vacancy	Director General for Risk and Financial Control
José Manuel Pacho Sánchez	Director General Technical and Resources

B. AXIS

Pursuant to Article 13 of the Company's Articles of Association, the powers of governance, administration and representation of the Company are vested in the General Meeting of Shareholders, the Council of Directors and its President.

COUNCIL OF DIRECTORS

It is the governing body responsible, among other functions, for the judicial and extrajudicial representation of the Company and the full management and administration of all matters relating to the corporate purpose and its assets and business, being empowered to enter into and execute all kinds of civil and commercial acts and contracts of administration and ownership, whatever the nature of the assets to which they refer and the person or entity they affect, and to approve investment and divestment decisions.

According to the Articles of Association, the Council of Directors shall consist of a minimum of three and a maximum of nine members.

Composition of the Council at 31.12.2023:

NAME	POSITION	APPOINTMENT DATE
José Carlos García de Quevedo Ruiz	President President of the ICO	27/06/2018
Rosario Casero Echeverri	Vice-President General Business Director of ICO	23/07/2018
Blanca Gloria Navarro Pérez	Vocal Director of Strategy and Sustainability at ICO	19/09/2018
Mª Elena Aranda García	Vocal Director of Mediation and SMEs at ICO	25/05/2017
Luis Javier Morales Fernández	Vocal Director of Budget and Financial Control, ICO	25/05/2017
Jaime Cervera Madrazo	Vocal Head of ICO's Operations Administration Department	29/09/2015
Antonio Bandrés Cajal	Vocal ICO Director of International Finance and EU Affairs	27/04/2017
Begoña Amores Serrano	Vocal Head of the Communications and Cabinet Department of ICO	14/09/2022
Fernando Hernández Domínguez	Vocal Adviser in the Cabinet of the Secretary of State for Economic Affairs and Business Support	19/10/2022

Cayetana Lado Castro-Rial	Secretary non Director Director of the Legal Department of the ICO	22/02/2021

Changes in the composition of the Council during 2023

No changes during 2023.

Equality and diversity on the Council of Directors

At December 31, 2023, there were 4 women on the AXIS Council of Directors (44.4%).

Directors' allowance policy

The members of the Council of Directors receive remuneration for attending Council meetings, except for the President and Vice-Chairwoman, who, as they hold senior management contracts, respectively, are not entitled to receive attendance fees for attending Council meetings, in accordance with the legislation in force applicable to them in each case. The maximum remuneration for attending council meetings is established by Ministerial Order of the Ministry of Finance.

In 2023, the annual remuneration received by each of the members of the Council of Directors amounted to 6,809.77 Euros, the same amount as in 2022. There is no gender pay gap in the remuneration of the AXIS Council of Directors.

In 2023, the Company did not incur any pension obligations to former or current members of the Council of Directors and senior management, nor did it have any obligations assumed on their behalf by way of guarantee. There were also no loans or advances to members of the Council of Directors and senior management.

Incompatibilities

No director of the managing company (AXIS) is a director of another company in which AXIS has an interest through the managed funds.

Prohibitions on holding office

No member of the Council of Directors has informed the Company during 2023, that he or she has been indicted or tried for any of the offences set forth in article 213 of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital).

COMMISSIONS AND COMMITTEES

AUDIT AND CONTROL COMMITTEE. A specialised body set up within the Council of Directors to provide it with support and technical assistance in supervisory matters.

INVESTMENT COMMITTEES. There is one for each of the following funds: FOND-ICO SMEs, F.C.R., FOND-ICO Next Tech, F.C.R. and FOND-ICO Sostenibilidad e Infraestructuras II, F.I.C.C., the majority of whose members are appointed by Axis or ICO and are made up of at least two independent members. These are the bodies responsible for approving investment and divestment transactions prior to their approval by the Council of Directors.

C. FUNDACIÓN ICO F.S.P.

The Fundación ICO has two governing bodies: the Council of Trustees and the Executive Committee.

GOVERNMENT BODIES

COUNCIL OF TRUSTEES

This is the governing, administrative and representative body of the Foundation. It is made up of at least six members. The President of the Council of Trustees is the President of ICO. It also has a secretary, who is the Secretary of the General Council of ICO.

At December 31, 2023, the Council of Trustees was made up of nine personalities from the economic, cultural and scientific world, five of whom are men and four of whom are women.

NAME	TITLE	POSITION
José Carlos García de Quevedo Ruiz	President	President of the ICO
Antonio Cordero Gómez	Vice-President and Trustee	Director General of Finance and Strategy, ICO
Eva María González Díez	Trustee	Director of the Legal Department of the Mutua Madrileña Group
Pedro Nueno Iniesta	Trustee	Technical Architect, Industrial Engineer and Doctor in Business Administration from Harvard University.
Concepción Osácar Garaicoechea	Trustee	Azora's Managing Partner
Cecilia Pereira Marimón	Trustee	Commissioner of Xacobeo 2021 and Director of the S.A. do Plan Xacobeo
Juan José Toribio Dávila	Trustee	Professor Emeritus of Economics and President of the CIIF at IESE Business School
Pablo Vázquez Vega	Trustee	University Professor of Applied Economics
Marta de la Cuesta González	Trustee	Professor of Applied Economics (UNED)
Lucinio Muñoz Muñoz	Non-Trustee Foundation Director	Director of the Fundación ICO
Cayetana Lado Castro-Rial	Non-Trustee Secretary	Secretary of the General Council of the ICO and Director of the ICO's Legal Department.

Changes in the composition of the Council of Trustees during 2023

No changes during 2023.

Equality and diversity in the Council of Trustees

At December 31, 2023, there were 4 women out of a total of 9 members on the Council of Trustees of the Fundación ICO (44%).

Allowance policy of the members of the Council of Trustees

The members of the Council of Trustees do not receive any financial remuneration for the performance of their duties.

COMMITTEES

EXECUTIVE COMMITTEE.

This body is responsible for studying and proposing the Foundation's programmes and specific actions to the Council of Trustees. It acts as a resolution and agreement body in those matters that for reasons of urgency so require, except for the approval of accounts, action plan and functions attributed to the Council of Trustees that cannot be delegated.

The Executive Committee is chaired by the President of the Council of Trustees and consists of a minimum of three trustees and a maximum of five.

At December 31, 2023, the following members of the Executive Committee were members of the Council of Trustees:

NAME	POSITION
José Carlos García de Quevedo Ruiz	President
Eva María González Díez	Member
Pablo Vázquez Vega	Member
Antonio Cordero Gómez	Member

The meetings of the Executive Committee are attended by the Director of the Foundation, who has the right to speak but not to vote.

Changes in the composition of the Executive Committee during 2023

No changes in the composition of the Executive Committee during 2023.

ART ADVISORY COMMITTEE

Its functions are to advise on the design of the ICO Museum's programming. In 2023, it is made up of:

- **Francisco Javier Martín Ramiro**, Director General of Housing and Land. General Secretariat of the Urban Agenda and Housing. Ministry of Transport, Mobility and Urban Agenda.
- **Museo Nacional Centro de Arte Reina Sofía**, represented by its Director, Manuel Segade (Manuel Segade has succeeded Manuel Borja-Villel as Director of MNCARS).
- **Martha Thorne**, Associate Dean for External Relations, IE School of Architecture and Design (resigned in 2023, pending replacement)
- **Jorge Ribalta**, photographer and curator of exhibitions.

1.4 MATERIALITY ANALYSIS

For the preparation of this report, an analysis has been carried out which has determined that, given that the context and the activity carried out during 2023, has not changed significantly, the conclusions of the materiality study carried out on January 2023 are still fully valid and are set out below. It is planned that during 2024 this exercise will be updated to bring it into line with the current situation, based on the best standards and future requirements in this area.

This materiality study was initiated through an exhaustive process of internal and external analysis to identify relevant aspects, trends and frameworks.

In line with the best standards in the field, the study was conducted from a **dual materiality** and impact assessment perspective. The methodology takes into account, on the one hand, the actual and potential impacts of the Group's activity externally (outward) and the actual and potential impacts that material topics may have on the Group (inward).

An essential element of the analysis is the stakeholder consultation, which was carried out in a formalised way through surveys. Responses from 480 surveys were taken into consideration. The following stakeholder groups participated:

- Workers
- Self-employed and companies of all sizes
- Financial institutions
- Analysts, consultants, auditors
- Investors
- Business and sectoral associations
- Public administrations
- Social organisations
- Media.

This formalised consultation exercise is complementary to the Group's regular approach to stakeholder engagement, which is carried out on an ongoing basis through different channels as detailed in the document.

In addition, an exercise was carried out to identify the impacts associated with each of the issues on the economy, the environment and people. Taking into account the severity and probability of occurrence, a prioritisation of the issues is established through the results of the exercise both outward and inward.

Context Understand the context of the organisation through documentation study and benchmark analysis (comparables and financial sector).

Stakeholders A formal stakeholder consultation process has been carried out through a survey.

Management The importance of each topic for the ICO Group has been assessed in the Management Committee.

Impacts The different impacts of the different material topics have been assessed.

Based on the methodology used, 17 issues were identified that have exceeded the materiality threshold and are therefore considered **material topics for the ICO Group**.

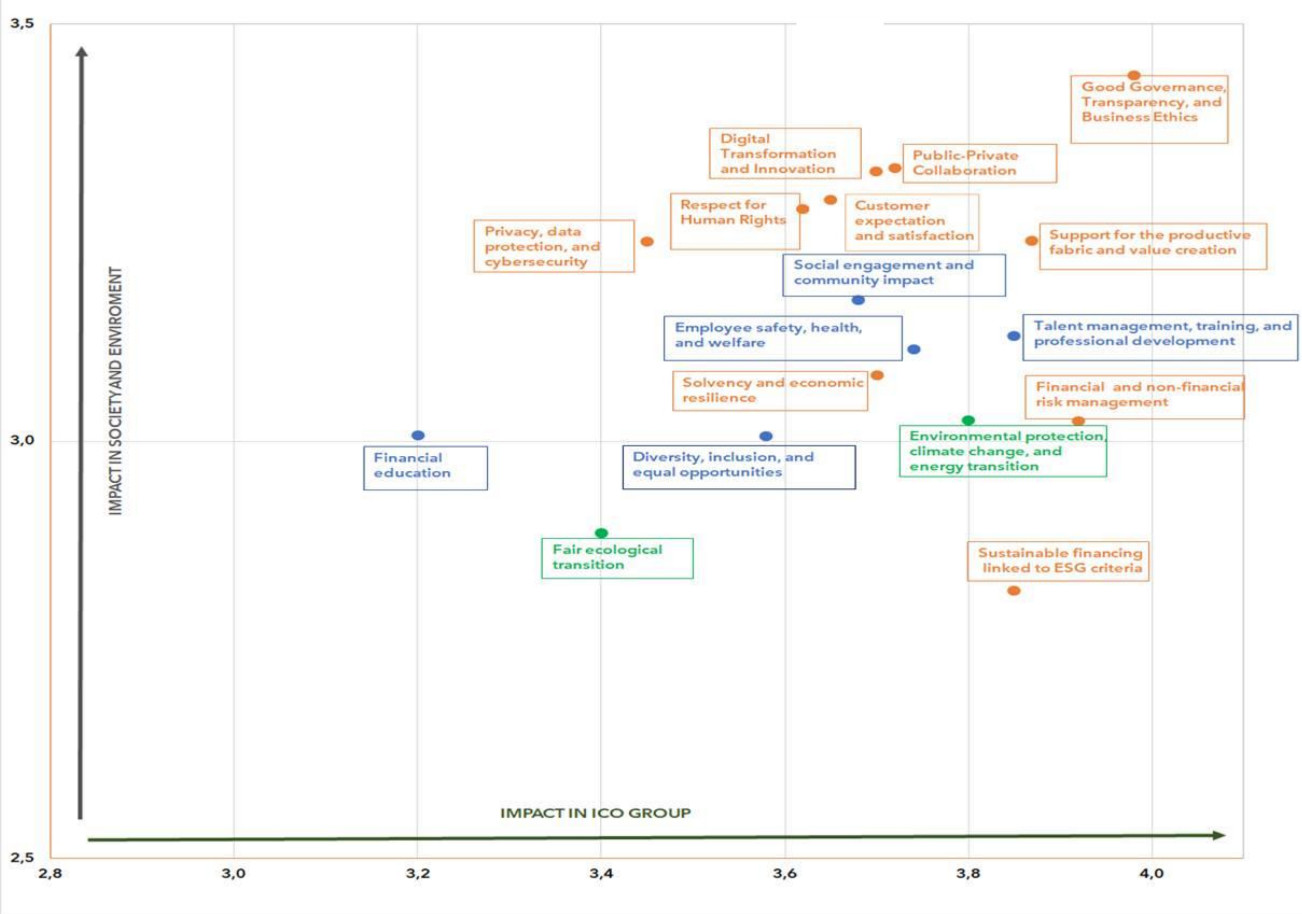
MATERIAL TOPICS ICO GROUP 2023	DESCRIPTION
MT1 - Good Corporate Governance, Transparency and Business Ethics	Maintaining good corporate governance, ethics and transparency requirements builds trusting relationships with the institution and reduces reputational risks. The management of this aspect has a direct impact on investors, as proper risk management provides security and protection of their capital. For other stakeholders such as employees or society, this aspect translates into greater job stability and wealth generation.

MT2- Financial and non-financial risk management	Appropriate risk management favours the confidence of the different stakeholders towards the entity, offers peace of mind to investors and customers by protecting and creating value to achieve the proposed objectives, improves its competitiveness, shows the organisation's proactivity and enhances its reputation.
MT3 - Sustainable financing linked to ESG criteria	The integration of ESG (Environmental, Social and Governance) criteria in ICO's activity, together with traditional financial and risk criteria, allows us to offer clients long-term financing and investment products that contribute to preventing and mitigating climate change, to fostering the transition towards a carbon neutral economy and to promoting social development, with the consequent positive impact on all stakeholders and the environment.
MT4- Economic Solvency and Resilience	Maintaining a good performance in this aspect has an impact on all of the entity's stakeholders, generating value, wealth and security for them.
MT5 - Privacy, data protection and cyber-security	Implementing a rigorous privacy and data protection policy is essential to guarantee customers, investors and society in general control over their personal data, its use and destination in order to prevent its unlawful and harmful treatment of their personal rights and freedoms. Likewise, promoting cybersecurity allows all employees to work safely, directly impacting on the improvement of their productivity.
MT6 - Digital transformation and innovation	Digitalisation is one of the main vectors for promoting competitiveness, productivity, sustainable economic growth and job creation, as well as providing the productive fabric with greater resilience to face future shocks and dynamism to take advantage of new opportunities. ICO provides the Spanish business fabric with different mechanisms that promote the necessary investments to undertake the digital transformation of companies, especially SMEs and start-ups, and industry in terms of R&D&I. It is also a relevant aspect for the rest of the stakeholders as it contributes to promoting social cohesion.
MT7 - Public-private collaboration	As stated in SDG 17, public-private collaboration are essential to improve the effectiveness and impact of business activity, as well as to accelerate progress towards the Sustainable Development Goals set out in the 2030 Agenda, which directly impacts all stakeholders.
MT8 - Support for the productive fabric and value creation	Support for the productive fabric is a key enabler for boosting economic activity in our country and promoting shared prosperity. It has a direct impact on job creation, financial stability and the stimulation of economic activity through the various financial formulas and initiatives made available to companies and the self-employed.
MT9 - Respect for Human Rights	Respect for human rights must be at the heart of any organisation's sustainability strategy, regardless of its size and sector. The 2030 Agenda is closely linked to human rights, so avoiding rights impacts in the value chain and with stakeholders can be synonymous with important contributions to the SDGs. Human rights are necessary to protect and preserve everyone's humanity, to ensure that all people can live a life of dignity.

MT10 - Customer Experience and Satisfaction	Offering a service that meets customer demands has a direct impact on building long-term relationships. In the rest of the stakeholders, the impact on investors stands out, where quality and excellence translate into greater profitability. Employees and suppliers perceive a high level of demand and need for specialisation. The bank's good performance in these aspects has a direct impact on stakeholders, as it enables them to maintain their confidence in the ICO and protect their interests.
MT11 - Talent management, training and development of your professionals	Attracting and retaining talent in turn ensures good financial results for investors and a higher level of service, resulting from high levels of employee satisfaction. It also has an impact on improving employee performance, behaviour and the working environment, which leads to increased employee satisfaction and therefore overall productivity. Training actions, for their part, have a direct impact on ICO employees, enabling them to grow professionally and providing them with the tools to achieve their professional goals. In turn, specialisation favours greater profitability derived from better results and an improvement in the level of service perceived by customers.
MT12 - Employee safety, health and welfare	The objective of the implementation of Occupational Health and Safety is to anticipate, recognise, evaluate and control risks that may affect the safety and health of the organisation's employees, which directly impacts on the promotion of maintaining the physical, mental and social well-being of employees.
MT13 - Diversity, inclusion and equal opportunities	A diverse and inclusive work environment makes employees feel happier and more confident, improving their well-being, self-esteem and pride in belonging. It also has a direct impact on under-represented groups as inclusion is the foundation of a society's prosperity, economic, political and social development.
MT14 - Financial education	Education is a basic pillar for financial inclusion and for the protection of users of financial services. By teaching financial concepts, it helps people to make better decisions on how to manage their resources, thus contributing to the safety and security of their finances. It has a direct impact on improving understanding of economic concepts, reducing information asymmetries between clients and providers of financial services, protecting the most vulnerable through targeted approaches and supporting market stability.
MT15 - Social engagement and community impact	Carrying out its activities through the prism of social commitment and positive impact on the community contributes to the development of local economies and different groups, through the generation of employment and financial empowerment. It also improves the image that customers have of the institution as a responsible institution, has an impact on its positioning, intensifies the relationship and commitment with its employees, increases the likelihood of finding new investors and improves its relationship with all stakeholders.
MT16 - Environmental protection, combating climate change and energy transition	Focusing the purpose of the operations financed and to be financed in the coming years, among others, on green finance related to sustainable mobility; the development of renewable energies, renewable hydrogen; energy efficiency; the circular economy, water treatment, improved energy efficiency and sustainability of buildings, improved accessibility in buildings/housing, urban and rural regeneration and renovation, transport infrastructure projects or construction and rehabilitation of social or affordable housing, has a direct impact on the environment and society.

MT 17 - Just ecological transition	Contributing to a just ecological transition is a key line of action proposed by the International Labour Organisation and the United Nations Framework Convention on Climate Change, to maximise benefits in activity and employment and minimise the negative impacts of the ecological transition and decarbonisation.

These material topics were prioritised according to the criteria of impact and relevance in both directions: from the outside in, taking into account potential impacts, their severity and likelihood of occurrence, and from the outside in, insofar as they may affect the Group's commitments, results, current situation or future development. This analysis gave rise to the following materiality matrix, in which the aspects furthest from the source are those to be considered most relevant for the organisation.



There is a relationship between the material topics and the strategic axes and action plans contemplated in the current Strategy, and also in the contribution to the Sustainable Development Goals, as can be seen in the following summary table of the most significant ones.

Catalogue of material topics 2023	STRATEGIC AXES 2022-2027	SDGs
MT1	AXIS 4. - Governance	8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO; 12 PRODUCCIÓN Y CONSUMO RESPONSABLES; 16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS
MT2		
MT9		

MT7	AXIS 1 - Business growth AXIS 3 - Digitalisation	16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS; 17 ALIANZAS PARA LOGRAR LOS OBJETIVOS
MT4	AXIS 1- Business growth AXIS 4 - Governance	8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO; 16 PAZ, JUSTICIA E INSTITUCIONES SÓLIDAS
MT3	AXIS 1 - Business growth AXIS 3- Sustainable finance	1 FIN DE LA POBREZA; 10 REDUCCIÓN DE LAS DESIGUALDADES
MT5 **MT6** **MT10**	AXIS 2 - Digitalisation AXIS 4 - Governance	8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO; 9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA
MT8	AXIS 1 - Business growth AXIS 2 - Digitalisation AXIS 3 - Sustainable Finance	10 REDUCCIÓN DE LAS DESIGUALDADES; 1 FIN DE LA POBREZA; 11 CIUDADES Y COMUNIDADES SOSTENIBLES; 8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO
MT16 **MT17**	AXIS 3. - Sustainable Finance	12 PRODUCCIÓN Y CONSUMO RESPONSABLES; 13 ACCIÓN POR EL CLIMA; 15 VIDA DE ECOSISTEMAS TERRESTRES
MT11 **MT12** **MT13**	AXIS 4. - Governance	3 SALUD Y BIENESTAR; 5 IGUALDAD DE GÉNERO; 8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO; 10 REDUCCIÓN DE LAS DESIGUALDADES
MT15 **MT14**	AXIS 4. - Governance	1 FIN DE LA POBREZA; 4 EDUCACIÓN DE CALIDAD; 10 REDUCCIÓN DE LAS DESIGUALDADES; 17 ALIANZAS PARA LOGRAR LOS OBJETIVOS

This materiality study was discussed in the Sustainability Committee and was incorporated into the 2022 NFIS and approved in accordance with the applicable procedures.

Compared to the previous year, the material topics and the study that supports them are maintained, as mentioned at the beginning.

1.5 ICO GROUP'S STRATEGY

ICO Group Strategy 2022-2027 and Resource Allocation of the Addendum to the Recovery, Transformation and Resilience Plan.

The ICO Group's Strategy for the period 2022-2027 was approved by the ICO General Council on November 25, 2021 and is structured around ICO as a credit institution, AXIS as a private equity fund manager, 100% owned by ICO, and Fundación ICO as a state public foundation that carries out its activities under the sole sponsorship of ICO.

The ICO Group's Strategy 2022-2027 is defined around 4 strategic axes (Business Growth and Competitiveness, Digital Transformation, Sustainable Finance, and Corporate Governance) and 20 action plans aimed at mobilising resources at national and EU level, in collaboration with the private sector and the rest of the Public Administrations, through a broad and flexible catalogue of financial products to improve access to long-term financing for companies, especially SMEs, midcaps, the self-employed, entrepreneurs and social economy entities, to boost their national and international activity and have a greater capacity for innovation, competitiveness and generation of quality employment.

Business growth and competitiveness

Boosting the business growth, competitiveness, and resilience of the Spanish economy and the generation of employment.

Digital transformation

Boosting the digital transformation of the Spanish productive fabric

Sustainable Finance

Promoting the ecological transition and the environmental, social and governance (ESG) sustainability of the Spanish business fabric.

Corporate Governance

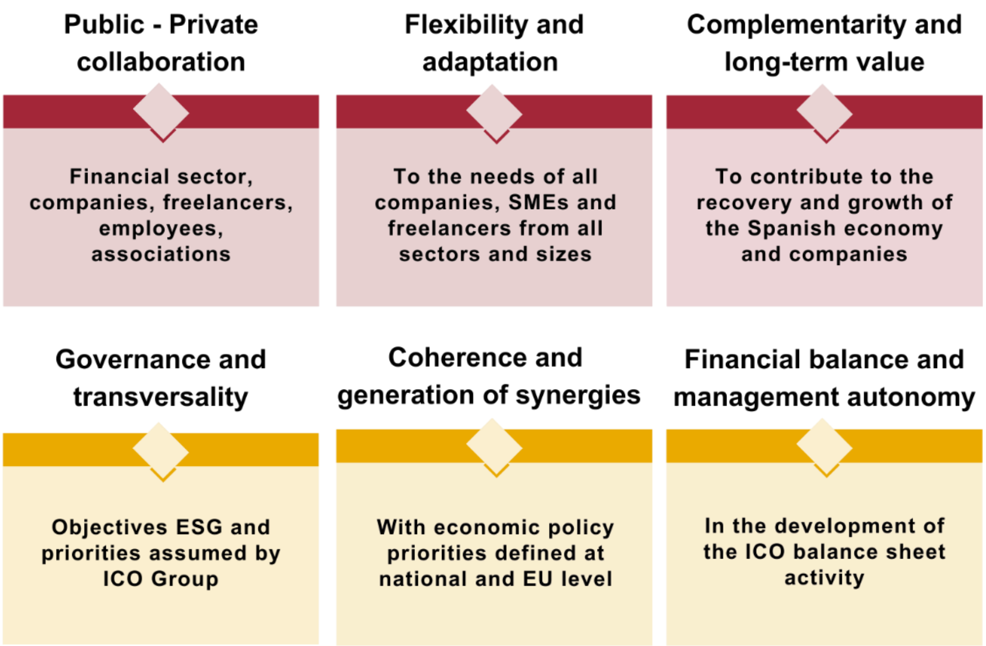
Strengthening governance and digital/technological resources, driving organisational transformation and expanding institutional, communication and CSR activity

Since 2023, the channelling of European resources allocated in the Addendum to the RTR Plan, within the Recovery and Resilience Mechanism (RRM), a new activity that was not included in the Strategy approved by the ICO's General Council on November 2021, takes on special relevance for the ICO Group. On June 6, 2023, the Council of Ministers approved the Addendum to the RTR Plan to mobilise all European Next Generation funds and complete the process of modernising the Spanish economy. Following the approval of the Addendum to the RTR Plan, on October 2, 2023, by the European Commission and on October 17, 2023, by the EU Council, ICO Group will channel RRM loans amounting to 39,862 million Euros until 2026, which will be processed through the mediation lines, direct financing programmes and venture capital to finance Spanish companies on favourable terms for investment projects that facilitate adaptation to the dual green and digital transition, as well as social and territorial cohesion. The Addendum to the RTR Plan will boost Spain's strategic autonomy in the energy, agri-food, industrial, technological and digital fields. During 2023, the ICO Group, together with the Ministries involved in the measure, have designed the terms and conditions for the implementation of the RRM, as well as the signing of agreements, the development of the IT platform, the launch of the different Facilities and the establishment of the different financial instruments for making these European funds available in the real economy from 2024.

ICO Group has demonstrated its ability to meet the challenges it has faced in the past, such as the economic crisis of 2008-2014, the health crisis since 2020, and the crisis arising from the war in Ukraine, since 2022, adapting its activity to the needs of each moment to provide financing to the self-employed and companies of all sizes and from all sectors, especially those most affected by the situation at any given time. Over the coming years, ICO Group will continue to work on its commitment to support the growth of Spanish companies, promote their digitalisation process and accompany them in their transition towards more sustainable models, contribute to the achievement of economic policy objectives and boost growth, job creation and the transformation and strengthening of the Spanish economy, all in line with the Spanish Government's Recovery, Transformation and Resilience Plan, the Next Generation EU Programme and the EU's Multiannual Financial Framework 2021-2027.

Our principles

The activity carried out by the ICO is governed by a series of principles that guide its actions in the performance of each of its functions.



The Strategy 2022-2027 in figures

ICO Group is financed through various instruments in the capital markets and always under market criteria, not through the General State Budget. It has the explicit, irrevocable, unconditional and direct guarantee of the Spanish State for the debts and obligations it incurs by raising funds. The ICO Group's objective is, among others, to be present in the capital markets through its regular issues, mainly through green and social bonds. In 2023, ICO continued to consolidate its position as a benchmark issuer in the European sustainable bond market, with the issuance of its 5th green bond for an amount of 500 million Euros and its 10th social bond for an amount of 500 million Euros. With these new operations carried out during 2023, ICO has issued a total of 15 sustainable operations (10 social and 5 green) for a total amount of 7,550 million Euros that are channelled towards projects of Spanish companies to boost sustainable growth.

The promotion of sustainability is one of the strategic axes of the ICO Group's strategy, with the objective that 40% of the volume of its new operations should be made under sustainability criteria in the period 2022-2027. During 2023, according to ICO's internal criteria, the percentage of direct sustainable approvals represents 46% of the total new approvals of ICO's direct activity, which translates into a volume of 2,846 million Euros of approved sustainable financing and a mobilised investment of 16,314 million Euros.

As mentioned above, the Addendum to the Spanish Government's RTR Plan envisages the channelling by the ICO Group, in public-private collaboration, of an amount of 39,862 million Euros until 2026 through the lines of mediation, direct financing and venture capital (Axis), distributed in the ICO-Green Facility of 22,000 million Euros, the ICO-Enterprises and Entrepreneurs Facility of 8,150 million Euros (7,000 million Euros for boosting the productive fabric, 1000 millon Euros for financing the tourism sector towards a more sustainable model and 150 million to finance the PERTE of the New Language Economy), the Next Tech Fund of 4,000 million Euros (an existing fund but with an increase in the amount in RRM), the Audiovisual Hub Facility for 1,712 million Euros and the Facility for the Promotion of Social Rental Housing for 4,000 million Euros, as shown in the table below. For the management of these amounts, public-private collaboration will be of great importance, especially with financial institutions, in order to reach companies of all sizes and in all sectors of activity throughout Spain.

Facilities / Funds Financed from Loans - ICO Group		
Name of the Facility	**million €**	**Destination of resources**
RRM-Green ICO Facility C13.I6	**22.000**	Resources to increase the funding available for the green transition i) Sustainable Transport ii) Energy Efficiency iii) Renewable Energy & Energy Storage & Transmission iv) Decarbonised industry and value chains v) Water treatment (Water resources) vi) Circular Economy vii) Adaptation to Climate Change
ICO RRM-Business and Entrepreneurship Facility: C13.	**8.000 [+150]**	Resources for financing business growth and resilience, with a specific sub-line dedicated to companies in the tourism sector. [PERTE Language]
RRM Next Tech Funds for scaling tech startups: C13.I7	**4.000**	Funding for technology start-ups and scale-ups
ICO RRM Spain Audiovisual Hub Facility. C25.I3	**1.500 [+212]**	Loans and other financial instruments for companies in the audiovisual sector in order to promote productions made by this industry [PERTE Language].
ICO RRM facility for the promotion of social rental housing: C2. I7	**4.000**	Increase the stock of social or affordable rental housing, as well as improve the existing stock of social housing.
Total	**39.500 [+362]**	[New PERTE Spanish and Co-Official Languages]

As part of the ICO Group's strong commitment to supporting digital transformation, it is worth highlighting its participation in the European Tech Champions Initiative (ETCI), a new fund of funds to finance innovative start-ups in Europe. During 2023, ICO Group has formalised an amount of 400 million Euros in this initiative through FondICO Next Tech and plans to raise up to 1,000 million Euros in a second phase.

The channelling of loans from the Addendum to the RTR Plan for an amount of almost 40,000 million Euros in the period 2024-2026 means that ICO Group will play an even more important role in supporting the Spanish business fabric, in the dual green and digital transition and in social and territorial cohesion. These funds will promote, in public-private collaboration, among others, investments by the self-employed and companies in renewable energies, energy efficiency and circular economy, supporting companies in their adaptation to the new framework of sustainability of the economy, as well as in strengthening their competitiveness and access to new markets. They will also promote actions with a positive social impact, such as the construction of rental housing.

1.6 ICO INVESTEES

Instituto de Crédito Oficial has shareholdings in the following entities:

- **Axis Participaciones Empresariales, SGEIC, S.A. S.M.E. (AXIS)** a private equity fund manager incorporated in 1986. ICO owns 100% of the share capital.

- **Compañía Española de Reafianzamiento, S.A. (CERSA)**. ICO's shareholding is 24.39% of the share capital. It is a state-owned company attached to the Ministry of Industry, Trade and Tourism. Its objective is to make it easier for SMEs and the self-employed to obtain all types of financing, with special emphasis on recently created and smaller companies. CERSA provides support through its counter-guarantee to the Reciprocal Guarantee System in Spain, which is made up of CERSA itself, the 20 guarantee companies and SAECA.

- **Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E.** The shareholding is 20.31% of the share capital. It is a state-owned company, attached to the Ministry of Industry, Trade and Tourism. Its purpose is to finance viable private investment projects abroad in the medium and long term in which there is some kind of Spanish interest, in order to contribute, with profitability criteria, both to the development of the countries receiving the investments and to the internationalisation of the Spanish economy and companies.

- **European Investment Fund (EIF)**. ICO has been a shareholder since its foundation in 1994 and currently holds a 0.66% equity stake. The main shareholder is the EIB and its main objective is to facilitate financing for SMEs in Europe through venture capital and debt products, such as portfolio guarantees and securitisation.

- **European Datawharehouse (EDW), GmbH**. The ICO's shareholding is 3.57%. EDW is a repository of securitisations registered with ESMA and the FCA that collects data on the loans that make up securitised portfolios for use by investors and other market participants in their analysis, providing the market with greater transparency. Through EDW data, users can analyse underlying portfolios and compare portfolios in a systematic way.

- **Society for Worldwide Interbank Financial Telecommunication, SCRL (SWIFT)**. The ICO has been a member of this society since 2008. SWIFT was created in 1986 under Belgian law to provide a secure network that enables financial institutions around the world to send and receive information on financial transactions. The company has around 2,400 shareholders worldwide, of which 27 are Spanish financial institutions. This participation allows ICO to use this platform to carry out financial transactions in a secure, standardised and reliable environment.

1.7 PUBLIC-PRIVATE PARTNERSHIPS AND COLLABORATION

Collaboration with other economic agents is a hallmark of the ICO Group's activity. These alliances can be grouped into several groups:

- Business alliances **for the better distribution of financial products**: this includes agreements with intermediary financial institutions, collaboration with other banks in syndicated loans, the network of collaborating agents, agreements with foreign institutions within the framework of the International Channel, liability agreements with international institutions for better financing and collaboration with Funds participating in initiatives promoted by AXIS.
- Partnerships in **sustainability.** ICO Group plays a very active role in relevant sustainability partnerships as detailed in point 3.2.4 below.
- Also very relevant are the agreements with **other Spanish public sector entities** for the launch of joint sectoral initiatives as detailed in this document, in many cases to channel funds within the framework of the Recovery, Transformation and Resilience Plan.
- For their part, **agreements with European institutions** are an essential part of the ICO Group's role in channelling funds, in the context of the Multiannual Financial Framework in force at any given time, with initiatives such as the management of InvestEU guarantees, among others.
- There is also ongoing dialogue and collaboration with **business and sectoral associations and third sector entities**. The process of dialogue with chambers of commerce, general and sectoral business associations, bank employers' associations and third sector associations and organisations enables a channel of communication and cooperation to be established to ensure that information on the ICO Group's activities is known and disseminated, and to gather their concerns. This is also achieved through the establishment of collaborations that take the form of specific initiatives.
- In general, there is also fluid collaboration in formal and informal forums with other **national promotional banks** at the international level, which has given rise to joint initiatives in different areas. It also participates in **international associations** such as NEFI (The Network of European Financial Institutions for Small and Medium Sized Enterprises), ELTI (European Long-Term Investors Association), ALIDE (Asociación Latinoamericana de Instituciones Financieras para el Desarrollo) where joint initiatives and collaborations are promoted in their fields of action.

Information on agreements signed by the ICO within the framework of Law 40/2015 of 1 October is available on the Transparency Portal accessible from the ICO website[2] .

In short, the ICO Group's network of alliances and contacts allows for a variety of formal and informal communication channels with different stakeholders.

[2] https://www.ico.es/web/guest/contratos-convenios-y-subvenciones

1.8 ECONOMIC AND FINANCIAL ENVIRONMENT OF ACTION

The general economic and financial situation in which ICO Group carries out its activities is very relevant insofar as it is the context in which it has to develop its activities, and because at the same time it determines to a large extent the guidelines that the Group adopts to provide the best response in each situation to the needs of the Spanish economy and its productive fabric.

The Spanish economy continues to grow strongly despite the context of uncertainty at the global level

In 2023 as a whole, the Spanish economy maintained strong economic growth (2.5%), after the remarkable post-pandemic recovery observed in 2021 and 2022, with growth of 6.4% and 5.8%, respectively. Spain demonstrated greater strength than its European shareholders already in 2022 and continued to lead growth in 2023, which has been particularly relevant given the context of geopolitical tensions and weak external growth, particularly in the Eurozone, due to the impact of restrictive monetary policy. Specifically, Spanish GDP growth in 2023 was five times higher than that of the Eurozone average.

Having surpassed the pre-pandemic GDP in the third quarter of 2022, and after beating the growth forecasts for 2023, projections for 2024 and 2025 once again place Spanish growth at levels above the rest of the major Euro Zone economies. According to the latest IMF forecasts, Spain would grow by 1.5% in 2024 and 2.1% in 2025, compared to the estimated growth for the Euro Zone as a whole of 0.9% and 1.7%, respectively.

Eurozone growth slowed markedly in 2023 to 0.5% from 3.3% in 2022. The impact of monetary policy tightening, persistent inflation and geopolitical tensions would have led to this weakness in growth.

In turn, the growth of the Spanish economy in 2023 was underpinned by a favourable performance of both domestic demand and the foreign sector. Within domestic demand, private consumption slowed but remained strong, supported by the improvement in purchasing power and the good performance of the labour market, while investment grew to a lesser extent than last year. The momentum of the external sector was driven by the resilience of trade in goods, the remarkable recovery in tourism and the dynamism of trade in non-tourist services.

With regard to the labour market, job creation in Spain accelerated in 2023. According to data from the Labour Force Survey (EPA), 783,000 jobs were created in 2023, equivalent to an increase in employment of 3.8%, thus showing a higher rate of job creation than in 2022 (279,000 new jobs with a growth rate of 1.4%). As a result, the number of employed persons reached an all-time high (21,246,900). The unemployment rate continued its downward trend, standing at 11.8% in the fourth quarter of 2023, more than one point below the rate in the fourth quarter of 2022 (12.9%), while the number of unemployed ended 2023 at 2,830,600, 6.4% lower than in 2022 and its lowest figure at the end of the year since 2007. In terms of the number of workers affiliated to Social Security, the data also evolved favourably, with an increase in affiliation in 2023 of 2.7% with respect to.

In short, in a context of high uncertainty and lower economic growth in the international arena, the Spanish economy maintains differential growth thanks to the dynamism of the labour market, the positive evolution of the foreign sector, the solid assets of households and companies and the **rapid deployment of the Recovery Plan.**

Inflation moderated sharply over the year

General inflation moderated sharply during 2023, to the lowest levels in two years and the underlying rate has also shown a gradual deceleration trend, to which the lower inflationary pressures in energy prices and raw materials, the restrictive monetary policy of the European Central Bank and the measures implemented by the Government to alleviate inflation, have contributed. In Spain, average inflation was 3.5% in 2023, correcting part of the sharp price increase observed in 2022 (annual average 8.4%) and headline CPI ended 2023 at 3.1% y-o-y on December. Core inflation averaged 6% for 2023 as a whole, above the average for 2022 (5.2%), and ended the year at 3.8% y-o-y on December, progressively narrowing the differential with the headline index. In the Eurozone as a whole, inflation averaged 5.5% in 2023, higher than in Spain, but the year-on-year inflation rate as of December was 2.9%, also reflecting the trend of decelerating prices in the Eurozone during the year.

Forecasts of the main organisations, both for Spain and for the Eurozone as a whole, point to a continuation of the gradual slowdown in prices in 2024, although they would still be above the monetary policy target and within a context marked by the high uncertainty linked, mainly, to the future evolution of energy prices.

The ECB continued to tighten its monetary policy in 2023

The Governing Council of the European Central Bank (ECB) continued in 2023 with the process of normalising its monetary policy that had already begun in 2022. From July 2022 until September 2023 it decided to undertake ten consecutive policy rate hikes to ensure that inflation returns to its medium-term objective of 2%. Accordingly, the Governing Council set the main refinancing rate and the interest rates on the marginal lending facility and the deposit facility at 4.50%, 4.75% and 4.00% respectively, implying a cumulative increase of 450 basis points in each of the three benchmarks and bringing them to 22-year highs.

Since September 2023, the ECB has stopped the interest rate hike cycle. The Governing Council considers that the key ECB interest rates are at levels which, if maintained for a sufficiently long period of time, make a substantial contribution towards achieving its objective. Looking ahead, the Governing Council will continue to apply a data-dependent approach to determine the appropriate level and duration of the interest rate constraint.

Complementary to the rate hike decisions, during 2023, the Governing Council of the ECB has announced and started to implement a process of reducing the size of the Eurosystem’s balance sheet, which had been increasing sharply with the various asset purchase programmes.

The momentum of the European funds continued and their power was expanded

The Government of Spain continued to manage European funds from the Next Generation EU (NGEU) instrument through the Recovery Plan during 2023, which has set in motion an ambitious schedule of investments and reforms that will have a structural impact on the Spanish economy. With a strong pace of meeting milestones and targets, Spain has been receiving the agreed payments according to schedule.

On October 2023, the European Commission approved the Addendum to the Plan, and with it the second phase of the Recovery Plan, which has an additional 94,300 million Euros, to continue strengthening strategic projects and with a special focus on the strategic autonomy of Spain and the EU in the fields of energy, agri-food, industry, technology and digital. Part of the mobilisation of these new funds will be carried out through the creation of funds and financial instruments, in the implementation of which ICO plays a very prominent role. The ICO lines will involve up to 40,000 million in loans to support SMEs in particular, strengthen investment in the green and social sphere, as well as in key future areas in the digital transition, such as start-ups and the audiovisual sector. In addition, the Autonomous Community Resilience Fund will be launched, with financing of up to 20,000 million Euros, which will enable sustainable investments to be made in the Autonomous Communities, in collaboration with the European Investment Bank.

Business rates rose in 2023 as a result of the prolongation of the monetary policy normalisation process

The tightening of the ECB’s monetary policy has continued to make new financing more expensive and to weaken credit flows to households and firms during 2023. Thus, the average interest rate applied to the companies in operations of less than 1 million Euros, which may be taken as approximation of the rate applied to SMEs, increased from 3.49% at December 2022 to 5.11% at December 2023.

In terms of financial sector activity in 2023, the volume of new lending business decreased by 7.3% compared with 2022, following an increase of 19.9% in the previous year, as a result of a stronger pass-through of monetary policy tightening in 2023. Transactions of less than 1 million Euros moderated their progress from 14.1% in 2022 to 5.1% and transactions of more than 1 million Euros fell markedly, by 18.8% in 2023, compared with an increase of 25.7% in the previous year.

The outstanding amount of total credit to enterprises declined by 2.7% in 2023 compared with 2022, while it remained virtually stable in 2022, according to data from the Bank of Spain.

Asset quality has not deteriorated: Doubtful assets remained at low levels during 2023.

The doubtful assets ratio of Spanish credit institutions remained fairly stable during 2023, remaining close to the lowest since December 2008. On December 2023 it stood at 3.54%, the same ratio as on December 2022. This development is explained by a fall in the volume of credit classified as doubtful, which remains larger than the decline in total credit. With regard to credit to productive activities, its doubtful assets ratio stood at 4.06% on September 2023 (latest available data), lower than on September 2022 (4.43%).

Banks' perceived and expected demand for corporate credit in the bank lending survey declined in 2023 due to the financial environment, while some tightening of approval criteria continued according to the same source.

With interest rates at high levels, although they are expected to fall, ICO Group must continue to adapt its range of products to the Spanish productive fabric, as it has done historically. In its role through intermediary entities, the ICO will continue to offer advantageous conditions so that financing continues to flow towards the productive fabric, while at the same time continuing to provide direct financing through the different modalities, with greater emphasis on priority activities in accordance with the Group's frameworks and Strategy. Of particular importance in 2024 will be the channelling of resources from the Addendum to the Recovery Plan, which will entail a significant mobilisation of resources, in public-private collaboration.

2 OUR MODEL OF VALUE CONTRIBUTION TO THE SOCIETY: *PROMOTING SUSTAINABLE GROWTH*

Economic transformation

The ICO Group's activity has always had a transformative vocation towards the Spanish productive fabric, as an economic policy tool with the capacity to drive sustainable economic growth through the different financial initiatives that support companies and the self-employed in their business growth, investments and in the ecological and digital transition, with a greater capacity to create quality employment.

Global approach

To this end, ICO Group develops financing and collaboration schemes with the private sector and other public administrations and bodies to improve or develop its instruments, products and new initiatives and make them available to Spanish companies of all sectors and sizes for their activities and investments both in Spain and in international markets.

Adaptation and anticipation

Our ability to adapt and anticipate the needs of the Spanish economy has been demonstrated throughout the different stages our economy has gone through. The best example of our vocation for rapid, effective and efficient support was the deployment in record time of the State guarantee lines in the context of the covid-19 pandemic, which constituted an unprecedented model of public-private collaboration, with more than one million operations guaranteed and more than 140,000 million Euros mobilised. It has also been evident in initiatives such as the lines of guarantees to alleviate the effects of the invasion of Ukraine.

Through a variety of instruments

In addition to traditional products, different initiatives have been incorporated in an attempt to respond to the needs of the moment. Specific products for specific purposes complement the general financial offer, which has also been adapted and made more flexible at any given time. It also acts as a driver of European or national resources or as a manager of State funds. In this respect, the relevant role that the Addendum to the Recovery Plan reserves for ICO is being implemented through different products to support our productive fabric

In public-private collaboration

The successful model of collaboration with the private sector, both through financial institutions and directly with the business community, is a hallmark of our way of operating.

Long-term vision

Our activity responds to the needs of the moment, but does not forget our long-term objectives. The consolidation of the **process of recovery and transformation** of the Spanish economy, with the boost to the ecological transition and digital transformation and the promotion of environmental and social sustainability and governance, in line with the Sustainable Development Goals, are essential elements of our actions. Without forgetting the objective of business growth as a source of innovation, competitiveness and job creation.

Contribution to the economy and society

All of this has positive effects on society at large and on communities. Not only through financial instruments, but also through a range of other initiatives with a positive social impact.

Sustainability

Sustainability and the transition to a low-carbon, more resource-efficient and circular economy that safeguards climate balance, biodiversity and human rights are key to ensuring long-term competitiveness and our development as a society.

For this reason, for the ICO Group, sustainability, which takes into account environmental, social and corporate governance factors, is a basic pillar integrated into all its activities in a cross-cutting manner, both in its asset and liability operations and in the internal management of the organisation, from the perspective of governance and corporate social responsibility. ICO's sustainability commitments are set out in the Sustainability Policy, which was reviewed and updated in 2023 and a new version was finally approved by the General Council on January 2024.

The public commitment to long-term sustainable development is thus maintained, balancing economic development, social development and environmental protection, through three main lines of action: the signalling role to other agents who are encouraged to share objectives and commitments; the fight against climate change and the protection of natural capital; and the promotion of a just and inclusive transition.

2.1 REFERENCE FRAMEWORKS

Plan de Recuperación, Transformación y Resiliencia

The ICO Group, its activity and its strategic orientations discussed in previous points are consistent with the various frameworks of reference that the Group has adopted as its own: The priorities of the European Union, embodied in **the EU's Multiannual Financial Framework 2021-2027** and the European recovery plan **Next Generation EU** are going to drive profound economic transformations. Their translation to Spain, through the **Recovery, Transformation and Resilience Plan** and its Addendum, will also determine the direction of Spain's economic policy in the short, medium and long term, to which ICO Group will contribute and support in a decisive manner.

NUEVO MODELO ENERGÉTICO PniEC Energía y Clima

In addition, Law 7/2021 of 20 May on climate change and energy transition defines the National Integrated Energy and Climate Plan as the national strategic planning tool that integrates energy and climate policy. The National Plan for Adaptation to Climate Change (PNACC) is the basic planning instrument to promote coordinated action against the effects of climate change in Spain. Its main objective is to avoid or reduce present and future damages derived from climate change and to build a more resilient economy and society.

There are also a series of economic policy guidelines of a thematic or sectoral nature to which ICO Group contributes through its activity. These include initiatives such as the Plan for the Internationalisation of the Spanish Economy, Digital Spain 2026 and the National Circular Economy Strategy, which determine the priorities and actions planned in these areas.

More specifically, in the area of sustainability, ICO Group takes the multiple global, EU and national initiatives as a reference when defining its sustainability objectives and strategy.

Sustainable Development Goals: 17 interconnected global goals designed to "achieve a better and sustainable future for all". 2015 UN resolution called **Agenda 2030.**

Global Compact - through the UN mandate to promote the SDGs in the business sector

Paris Agreements: COP 21

art. 2c. *"to bring financial flows to a level consistent with a pathway towards low-emission climate-resilient development".*

United Nations Climate Change Conferences (COP)

COP25 (Madrid), COP26 (Glasgow), COP27 (Egypt), COP28 (Dubai)

UN - Environment Programme: coherent implementation of the environmental dimension of sustainable development in the UN system

Coalition of Finance Ministers for Climate Action (CAPE) - forum of economic policymakers to lead the climate response

GLOBAL FRAMEWORKS

GLOBAL FINANCIAL SECTOR FRAMEWORKS

UNEP –financial sector: alliance of banks, insurers and investors to catalyse financial activity for sustainable development

Network of Central Banks and Supevisors for Greening the Financial System: its aim is to contribute to strengthening the global response needed to meet the objectives of the Paris Agreement.

Task Force on Climate Disclousure. Dissemination of information on climate risks and opportunities

Basel Committee on Banking Supervision - High Level Task Force on Climate-related Financial Risks. Studies on transmission channels and impact of climate risks on the banking sector

Equator Principles: a framework for environmental risk management in Project Finance

ICMA: International Capital Market Association. Green Bond (GBP), Social Bond (SBP), Sustainability Linked Bond (SLBP) and Sustainable Bond (SBG) standards.

At the **European Union level**, initiatives with a sustainable component are very important, as well as their translation into concrete instruments in which ICO Group can play a relevant role. Firstly, the European Green Pact is a major regional commitment that will transform the EU, ensuring that:

- no net greenhouse gas emissions by 2050
  ➔ Target 55 - at least 55% by 2030
- economic growth is decoupled from the use of fossil resources
- no people or places are left behind

More concretely, **REPowerEU** is the European Commission's plan to make Europe independent of Russian fossil fuels well before 2030. It is a plan to: save energy, produce clean energy and diversify our energy supplies.

To boost growth in the aftermath of the covid-19 crisis, **Next Generation EU** was launched, an exceptional temporary recovery instrument approved in 2020, endowed with 750,000 million for all Member States. The two largest instruments of which it is composed are:

- The Resilience and Recovery Mechanism (RRM)
- The REACT-EU Fund

In addition, there is the Invest EU instrument: attracting private investments in support of a sustainable recovery and contributing to building a greener, more digital and resilient European economy, where ICO has a relevant role as an accredited *Implementing Partner* of the European Commission.

Also at the European level, there are a number of important reference frameworks for the financial sector. Firstly, it is necessary to mention the **Taxonomy of the European Union**: this is the European Commission's regulatory development that aims to link the financial sector to the achievement of the objectives of decarbonisation of the European economy.

It defines sustainable as economic activity that contributes substantially to the achievement of one or more of the **six** environmental **objectives**: climate change mitigation; climate change adaptation; use of water and marine resources; transition to a circular economy; pollution control; and protection of biodiversity. This initiative is part of the European Commission's **Sustainable Finance Action Plan**, which is the strategy for the financial system to support the EU's climate and sustainable development agenda, as well as the **Renewed Sustainable Finance Strategy**.

Other bodies such as the **European Banking Authority** have established their ***Sustainable Finance Roadmap***, which defines the objectives and agenda for the achievement of supervisory mandates and requirements in ESG risk management. The **European Central Bank**, for its part, has established its ***Climate Centre*** whose work focuses on three objectives: (i) managing climate risks, (ii) supporting the green transition, and (iii) promoting broader actions, such as engagement and knowledge generation.

The Corporate Sustainability Reporting Directive (**CSRD**) is another important element. This regulation will gradually impose on companies the obligation to report using a dual materiality perspective, in line with the European Sustainability Reporting Standards (ESRS). The European Financial Reporting Advisory Group (**EFRAG**) was appointed as technical advisor, which prepared the first draft of standards, which, subsequently, on July 2023, was approved with some modifications by the European Commission through the delegated act to adopt the first set of twelve European Sustainability Reporting Standards, which now form part of the European legal framework through the **publication in the OJEU of the Delegated Regulation (EU) 2023/2772, of 22 December. At the**

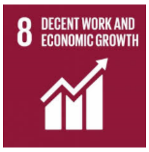
national level, the preliminary draft law transposing the CSRD into Spanish law continues to be processed.

These twelve standards consist of two general and ten thematic standards for all sectors, providing details on environmental, social and governance aspects. Going forward, EFRAG will provide guidance on value chain and dual materiality. In addition, it will seek to develop specific reporting standards for SMEs and other sectors, in order to foster transparency and accountability in corporate sustainability reporting within the European Union.

All these frameworks, initiatives, agreements and plans are taken into consideration by ICO Group when designing its strategic lines and when deploying its initiatives and products, as well as in the methodologies followed for the presentation of sustainability and impact indicators.

ICO GROUP AND THE SUSTAINABLE DEVELOPMENT GOALS

The 2030 Agenda and the Sustainable Development Goals must be fundamental pillars of all public action. ICO Group fully aligns its actions with these goals, both at the level of its financial activity, in other initiatives with external projection and in its internal management, as described in the different parts of this report.



Given the nature of our core business, the direct impact of our activities stems from one main purpose: to contribute as much as possible to SDG8 on decent work and sustainable economic growth.

Support for projects and activities that promote SDG8 is complemented by the contribution to other relevant SDGs through different actions, such as 7 and 13, which are particularly relevant to our financial activity. In any case, all the SDGs to which we contribute are interconnected and mark the roadmap that ICO Group offers towards sustainability and social responsibility.

In addition, and in order to encourage SMEs to learn about, apply and promote the Sustainable Development Goals, in 2019 a joint initiative was launched with the Spanish Global Compact Network and with the support of the High Commissioner for the 2030 Agenda https://icopymeSDG.ico.es/ , which is still in force. This initiative aims to involve Spanish SMEs in their alignment with the SDGs, as well as the business opportunities it can bring them.

With this initiative, ICO Group takes another step forward in its commitment to the sustainability of Spanish SMEs, informing them of the changes that companies must adopt to align themselves with the 2030 Agenda, offering a series of resources to build a strategy oriented towards the SDGs.

2.2 ITS FINANCING ACTIVITY: SUPPORTING THE PRODUCTIVE FABRIC

As part of its current strategy, ICO Group carries out its activities with significant positive impacts on the Spanish economy in general and on the productive fabric in particular. These positive effects are multiple, varied and interrelated. The most important of these are presented below.

- **SUPPORTING ALL COMPANIES THROUGH ITS BROAD PORTFOLIO OF PRODUCTS AND INITIATIVES**

ICO GROUP PRODUCTS AND INITIATIVES

National Promotion Bank

Financing companies, SMEs and the self-employed in Spain and internationally.

ICO Mediation Lines

National

ICO Companies and Entrepreneurs
ICO Guarantee SGR/SAECA
MAPA-ICO- SAECA Guarantee SGR / SAECA
ICO Commercial Credit
ICO Red.es Acelera
ICO Red.es Digital Kit
ICO MITMA Sustainable Mobility
ICO MITMA Residential Building Rehabilitation

International

ICO International
ICO Exporters
ICO International Channel

Direct loans and guarantees

National

Corporate loans
Institutional loans
National guarantees

International

Corporate loans
Institutional loans
International guarantees

Complementary funding

Corporate bonds
Project bonds
MARF bonds
MARF Notes
Securitisation bonds

Private Equity (AXIS)

Fond-ICO Global
Fond-ICO SME
Fond-ICO Sustainability and Infrastructures
Fond-ICO Next Tech

Financial Instrument for Economic Policy

Channelling of EU resources and implementation of government economic policy measures

Digital transformation

✓***Through the traditional activity of the ICO Group:***

ICO-RED.es Line - Digital Kit (1st phase RTR Plan)
ICO-RED.es - Acelera Line (1st phase RTR Plan)
Fond-ICO Next Tech (included in 2nd phase RTR / RRM Plan)
ICO-RTVE Agreement
Implementing Partner CE: CEF-Connect, InvestEU Programme

✓***Through allocated RTR Facilities (RTR Plan Addendum):***

ICO RRM-Entrepreneurs and Businesses
ICO-Tourism Line (Spanish tourism model, more digital)
PERTE New Economy of the Language (Spanish universities)
RRM Next Tech Funds
ICO RRM Spain Audiovisual Hub
Audiovisual Sector (Spain as a hub for audiovisual production)
PERTE New economics of language (audiovisual industry)

Sustainability

✓***Through the traditional activity of the ICO Group:***

ICO-MITMA Sustainable Mobility Line/Programme (1st phase RTR Plan)
Housing and Urban and Rural Regeneration Programme
ICO-MITMA Line Building Rehabilitation Guarantees (1st phase of the RTR Plan)
ICO Water Projects Financing Programme
Implementing Partner CE: CEF -AFIF, InvestEU Programme

✓***Through allocated RTR Facilities (RTR Plan Addendum):***

ICO RRM-Green
ICO RRM-Entrepreneurs and Businesses
ICO-Tourism Line (Spanish tourism model, more sustainable)

Social and territorial cohesion

✓***Through the traditional activity of the ICO Group:***

Housing and Urban and Rural Regeneration Programme

✓***Through allocated RTR Facilities (RTR Plan Addendum):***

ICO RRM-Social rented housing

Business growth and competitiveness

✓***Through the traditional activity of the ICO Group:***

ICO - Tourism FOCIT (Tourism Competitiveness Fund)
MAP - ICO – SAECA / SRG/SAECA GUARANTEE

✓***Through allocated RRM Facilities (RTR Plan addendum):***

ICO RRM Facilities: Green, EyE, Next Tech, Audiovisual, Housing

State Finance Agency *Management of funds on behalf of the State (off-balance sheet)*
ICO COVID-19 Guarantee Lines (on behalf of the Ministry of Economy, Trade and Enterprise)
Guarantee Lines Ukraine (on behalf of the Ministry of Economy, Trade and Entrepreneurship)
ICO-MIVAU line Guarantees for the purchase of first homes by young people under 35 and families with dependent minors (conditions approved by the Council of Ministers on February 13, 2024) (on behalf of the Ministry of Housing and the Urban Agenda)
Internationalisation Support (on behalf of the Ministry of Industry and Tourism) *Fund for the Internationalisation of Enterprise - FIEM* *Reciprocal Interest Adjustment Contract - CARI*
Development Cooperation (on behalf of the Ministry of Foreign Affairs, EU and Cooperation) *Fund for the Promotion of Development - FONPRODE (FEDES, after the extinction of FONPRODE)* *Cooperation Fund for Water and Sanitation - FCAS*
Territorial Funds (on behalf of the Ministry of Finance and the Civil Service) *Financing Fund for Autonomous Communities - FFCCAA* *Financing Fund for Local Authorities - FFEELL*

ICO Group has a comprehensive range of financing and guarantees through which it contributes to promoting viable business projects, encouraging the growth of companies, their long-term investments and their international activity, with the aim of fostering sustainable growth, job creation and the distribution of wealth. This broad offer is dynamic and adaptable to the needs of each moment, with the launch of new products or the modification of existing ones to best meet the needs of the productive fabric.

Through its extensive catalogue of products and financing initiatives, ICO Group supports companies of all sizes, especially SMEs, the self-employed and entrepreneurs, providing full geographical and sectoral coverage, with special attention to sectors and companies aligned with ICO's strategic axes, with the priorities of the Spanish Government's Recovery, Transformation and Resilience Plan (RTR), the Next Generation EU Programme and the European Union's Multiannual Financial Framework 2021-2027. ICO Group has added new financing facilities to its catalogue aimed at sustainability, energy transition, digital transformation and social and territorial cohesion.

During 2023, ICO Group **managed** a total balance of activity of just **over 356,900 million Euros** through its product catalogue, **10.7% higher than at 2022 closing,** which includes both ICO loans and guarantees (accounted for on the ICO balance sheet) and funds and guarantees managed on behalf of the State (accounted for off the balance sheet) and Axis' private equity and venture capital activity.

With regard to the **new activity generated**, the following table shows the detail of the drawdowns made by companies and the self-employed during the **period 2021-2023** through the various **direct financing instruments and the ICO's Mediation Lines**. Total direct financing and mediation drawdowns **in 2023 have increased by 49%** compared to 2022 (+97% in 2022 compared to 2021).

NEW ICO ACTIVITY Drawdowns. Figures in millions of Euros	2023	2022	2021
DIRECT FUNDING	**5,545**	**3,855**	**1,715**
Direct loans and guarantees	**3,264**	**1,916**	**1,066**
National	***2,324***	***1,145***	***489***
Corporate loans	*1,366*	*829*	*456*
Institutional loans	*937*	*297*	*16*
National guarantees	*21*	*19*	*17*
International	***940***	***771***	***577***
Corporate loans	*796*	*633*	
Institutional loans	*6*	*16*	
International guarantees	*138*	*122*	
Complementary funding	**2,281**	**1,939**	**649**
Corporate bonds	*257*	*319*	*109*
Project bonds	*0*	*25*	*0*
Securitisation bonds	*536*	*383*	*235*
MARF bonds	*9*	*10*	*27*
MARF Notes	*1,479*	*1,202*	*278*
MEDIATION LINES	**2,521**	**1,561**	**1,036**
National	*2,105*	*1,182*	*652*
International	*416*	*379*	*384*
TOTAL	**8,066**	**5,416**	**2,751**

From 2024 onwards, the channelling, in public-private collaboration, of loans under the **RTR Plan Addendum, within the Recovery and Resilience Mechanism (RRM**), whose amount allocated to ICO Group totals **39,862 million Euros**, as detailed below, will take on special relevance for the ICO Group. The solid experience in public-private collaboration between ICO Group and the financial and business sector will allow mobilising greater resources and generating synergies and added value.

- **CHANNELLING, IN PUBLIC-PRIVATE COLLABORATION, OF THE FUNDS FROM THE ADDENDUM TO THE RTR PLAN (RRM) TOWARDS THE SPANISH BUSINESS FABRIC.**
  - ✓ **39,862 million Euros managed by ICO for green and digital transition and social and territorial cohesion**

On October 17, 2023, the Council of the European Union approved the **Addendum to the RTR Plan (2nd Phase)**, which assigns ICO Group the task of channelling loans from the **Recovery and Resilience Mechanism (RRM)** for an amount of **39,862 million Euros until August 31, 2026**. These facilities will be processed through the ICO Group's mediation lines, direct financing products and venture capital to finance investment projects that facilitate adaptation to the dual green and digital transition, and social and territorial cohesion, under favourable conditions for Spanish companies.

During 2023, ICO Group has been working, together with other competent public bodies, on the design of the terms and conditions and on the **implementation of these facilities**. The amount of 39,862 million Euros to be channelled will be distributed as follows:

Addendum to Spain's RTR Plan (approved by the EU Council on 17/10/2023)	**Amount Allocated to ICO Group** **(to be channelled in 2024-2026) million**
RRM-Green ICO Facility Resources to increase the funding available for the green transition (sustainable transport, energy efficiency, renewable energy and energy storage and transmission, decarbonised industry and value chains, water treatment, circular economy, climate change adaptation, etc.). Beneficiaries: Public, private companies and households according to products.	**22,000** Through Lines of Intermediation, Direct Financing, Bonds and Venture Capital

ICO RRM-Enterprises and Entrepreneurs Facility Resources for financing business growth and resilience. Includes 7,000 million Euros to boost the business fabric, in particular SMEs; 1,000 million Euros from the ICO-Tourism Line for the transformation and improvement of the Spanish tourism model and 150 million Euros in financing for the PERTE of the New Language Economy). Beneficiaries: Business community (self-employed, SMEs, mid-caps, large companies, universities and start-ups).	**8,150** Through Lines of Intermediation, Direct Financing, Bonds and Venture Capital
RRM Next Tech Funds Resources to provide financial support to technology companies in their growth and scaling-up phase, promoting innovation and development in the technology sector in Spain.) Beneficiaries: Spanish growth companies in the Tech sector and funds that will be able to provide financing to companies.	**4,000** Through Venture Capital/AXIS
ICO RRM Spain Audiovisual Hub Facility Loans and other financial instruments aimed at financing companies in the audiovisual sector. Includes 212 million Euros from the New Language Economy EERP (OTT platforms "Over the Top" and companies in the cultural industries). Beneficiaries: Self-employed, SMEs, mid-caps, large companies, public companies and start-ups).	**1,712** Through Lines of Intermediation, Direct Financing, Bonds and Venture Capital
ICO RRM Facility for the Promotion of Social Rental Housing Resources to finance actions to promote social rental housing and improve existing social housing stock. Beneficiaries: Public and private developers of social/affordable rental housing, housing recipients, the residential rental market and the social housing community as a whole.	**4,000** Through mediation and direct financing lines,
TOTAL ALLOCATED TO ICO GROUP IN RRM	**39,862**

In order to make these amounts available to the real economy**, public-private collaboration will be of great importance, especially with financial institutions**, to reach companies of all sizes and sectors of activity throughout Spain.

The channelling of these almost 40,000 million Euros by the ICO Group, in public-private collaboration, during the period 2024-2026 will promote, among others, investments by the Spanish productive fabric in renewable energies, energy efficiency, circular economy, technology companies, digital transformation of companies, transformation and improvement of the Spanish tourism model, audiovisual industry ecosystem, social housing for rent and improvement of the existing social housing stock.

The funds allocated to ICO Group in the Addendum to the RTR Plan (RRM) give it an even more important role, after the relevant role shown during the last health crisis, constituting a great opportunity for ICO Group to support the modernisation of the economy, increase long-term growth potential and boost Spain's strategic autonomy in the energy, agri-food, industrial, technological and digital scopes.

- **REINFORCING THE ROLE OF THE ICO IN MEETING THE FINANCING NEEDS OF COMPANIES, ESPECIALLY SMALLER ONES, IN AN ENVIRONMENT OF TIGHTER LENDING STANDARDS**
  - ✓ **12,111 operations financed in 2023 in Spain with ICO Mediation Lines**
  - ✓ **98% of operations to companies with less than 250 employees**
  - ✓ **63% of operations to companies with less than 10 employees**

A significant part of the ICO Group's financing is aimed at small and medium-sized enterprises and the self-employed, given that most of the Spanish business fabric is made up of this type of company. Specifically, SMEs accounted for 99.8% of the total number of companies in Spain and generated 63% of total business employment at December 31, 2023.

In addition, smaller companies may have greater difficulties in accessing financing, so the ICO Group's support in financing these companies is very important for the start-up of their activities, their investments and their growth, providing improvements in prices, conditions and simplified procedures. This is an added value for small companies, especially in the current environment, in which the restrictive monetary policy has been transferred to the final interest rates borne by families and companies, moderating new lending operations in the sector.

Access to financing and entry to financial and capital markets with complementary sources of financing that ICO Group offers companies allows them to promote their growth and size in order to achieve higher levels of competitiveness, investment capacity, R&D, human capital and digitalisation, improved employment quality and productivity and, in general, greater resilience in the face of the evolution of the economic cycle. For this reason, ICO Group will pay special attention to financing SMEs in all sectors of activity, with the aim, among others, of promoting their larger size.

DRAWDOWNS ICO MEDIATION LINES IN SPAIN (*)				
	2023		2022	
COMPANY SIZE	NO. OF OPERATIONS	% OF TOTAL LOANS	NO. OF OPERATIONS	% OF TOTAL LOANS
Less than 10 employees	7,595	63%	8,659	70%
10 to 49 employees	3,011	25%	2,827	23%
50 to 149 employees	958	8%	603	5%
150 to 249 employees	253	2%	150	1%
More than 250 employees	294	2%	149	1%
Total	**12,111**	**100%**	**12,388**	**100%**

* Not including International Channel

During 2023, the ICO has continued to work on the implementation of various sectoral policies and the deployment and channelling of part of the resources of the RTR Plan (from the 1st phase) and budgetary resources, as well as with bank financing from the ICO and other instruments in public-private collaboration with the banking sector, in coordination with the relevant sectoral Ministries, Autonomous Communities and their dependent bodies, focusing mainly on the digital transformation of Spanish SMEs, sustainable mobility, renewable energies and energy efficiency, environmental sustainability and territorial and social cohesion.

ICO guarantee programme for SME portfolios has also been approved for 2023 for a maximum amount of 1,000 million Euros, the purpose of which is to facilitate access to financing for SMEs in Spain. ICO will share 50% of the risk of the nominal amount of each operation with the originating financial institution, excluding ordinary interest, late payment interest and other items.

The following chart shows the different initiatives that ICO Group is carrying out to channel budgetary resources and European funds with the approval of the **1st phase of the Spanish Government's RTR Plan**: ICO Red.es-Acelera, ICO Red.es-Kit Digital, ICO MITMA Sustainable Mobilidad, ICO Residential Building Rehabilitation and ICO Tourism FOCIT. In total, ICO Group will channel **more than 6,000 million Euros in aid and guarantees**, in public-private collaboration, which will mobilise additional financing.

Phase 1 Recovery, Transformation and Resilience Plan Initiatives

ICO-Red Acelera SMEs

(300 million Euros in aids)

Accelerate the digitalisation process of SMEs and establish measures to support the creation of technological solutions for their digitalisation.

ICO-Red.es Kit Digital

(3,000 million Euros in aids)

Accelerate the digital transformation process of SMEs and the self-employed

ICO-MITMA Sustainable mobility (1,460 million Euros in aids)

Implementation of low-emission zones and digital and sustainable transformation of transport. Financing for companies and municipalities

ICO-MITMA House renovation

(1,100 million Euros in sureties)

Encourage refurbishment works in residential buildings that contribute to improving energy efficiency

ICO-Tourism FOCIT (220 million Euros in aids)

Digitalisation, innovation and modernisation of tourism enterprises for energy efficiency and circular economy projects

The catalogue of ICO Mediation Lines is constantly evolving and adapting to the needs of companies and the self-employed, with traditional lines such as Companies and Entrepreneurs, and other newly launched lines from the Addendum to the RTR Plan (ICO RRM Lines, of the 2nd Phase of the Plan), which will be of great importance in the coming years, both in terms of the volume of the amounts to be channelled towards the real economy and their objective of modernising the Spanish economy, making it greener, more digital and more socially and territorially cohesive.

During 2023, ICO Group has been working, together with other public bodies, on the implementation of the **ICO RRM Mediation Lines**, which during 2024-2026 will be made available to the Spanish productive fabric, **in public-private collaboration,** with **special attention to the smallest companies and the self-employed**. The following table shows the new ICO RRM mediation lines for a **total amount of 20,976 million Euros**, from the resources allocated to ICO in the **Addendum to the RTR Plan (2nd Phase of the Plan):**

	Period 2024-2026
Green ICO RRM Line (financial support for green transition)	**12,505**
ICO RRM Companies and Entrepreneurs Line (General tranche up to 4,529 million Euros to boost the business fabric, particularly SMEs; Tourism tranche up to 1,000 million Euros for the transformation and improvement of the Spanish tourism model and PERTE New Language Economy tranche up to 150 million Euros)	**5,679**
ICO RRM Audiovisual Hub Line (General tranche up to 792 million Euros to finance the audiovisual sector; PERTE New Language Economy tranche up to 212 million Euros included in the General tranche)	**792**
ICO RRM Social Housing Line (finance actions to promote social rental housing and improve the existing social housing stock).	**2,000**
TOTAL RRM FACILITIES IN ICO-RRM MEDIATION LINES	**20,976**

Source: ICO's Management Budget approved on February 2024.

- **CONSOLIDATING AND EXPANDING MAJOR PROJECTS AND STRATEGIC PROJECTS FOR ECONOMIC TRANSFORMATION AND RECOVERY**
  - ✓ **5,546 million Euros of drawdowns in 2023 in direct activity, largely covering major projects**
  - ✓ **Strong support for direct financing of operations with a sustainable component**

ICO, as a national promotional bank, offers direct financing and complementary financing instruments on its own account to Spanish companies for the development of large investment projects and large long-term strategic projects, with high added value and with a tractor and catalytic effect on SMEs, both in Spain and abroad. To this end, ICO respects the principle of complementarity with private initiative, providing support to sustain and promote economic activities that contribute to growth and improve the distribution of national wealth, with special attention to projects related to water, waste, energy efficiency, health, renewable energy, urban and rural rehabilitation, sustainable mobility and social housing.

Internationally, ICO has become a benchmark in project finance associated with large infrastructures, and its relationship with financial shareholders is a key factor in the growth of its activity. In its support for the internationalisation of Spanish companies, ICO facilitates access to the guarantees required in international contracting operations, which include international public and private tenders and direct awards in projects abroad, among which the most common are: tender guarantee, performance guarantee, advance payment guarantee, defects or maintenance guarantee, equity guarantee and completion guarantee.

Likewise, ICO Group finances, preferably in public-private collaboration, those large projects and strategic projects that contribute to achieving the Spanish government's objective of focusing on strengthening strategic autonomy and security in five dimensions: energy, agri-food, industrial, technological and digital, which coincide with the orientation of the EU institutions and are in line with the strategic axes and action plans of the ICO Group's 2022-2027 Strategy. The European funds of almost 40,000 million Euros, allocated to ICO Group through the RTR Plan Addendum Facilities, are a great opportunity to achieve this objective.

Within the framework of the Addendum to the RTR Plan, ICO Group has been assigned the Strategic Project for Economic Recovery and Transformation (PERTE) New Language Economy, which will make funds of 362 million Euros available to the real economy from 2024, although it will mobilise additional public and private investment. The aim of this PERTE is to promote, among others, artificial intelligence, translation, learning, cultural dissemination, audiovisual production, research and science, in the process of the digital transformation of the Spanish economy worldwide.

The ICO's new own-account financing and guarantee issuance activity for companies, entrepreneurs and regional governments amounted to 8,066 million Euros (5,416 million Euros in 2022), of which 5,545 million Euros are direct activity drawdowns (3,855 million Euros in 2022), including direct loans, guarantees, corporate bonds, project bonds, MARF bonds and promissory notes, securitisation bonds, both nationally and internationally, largely for large investment projects and strategic projects.

NEW DIRECT ACTIVITY		Disposals 2023 Millions of Euros	Disposals 2022 Millions of Euros
Direct loans and guarantees		**3,264**	**1,916**
National		***2,324***	***1,145***
	Corporate loans	*1,366*	*829*
	Institutional loans	*937*	*297*
	National guarantees	*21*	*19*
International		***940***	***771***
	Corporate loans	*796*	*633*
	Institutional loans	*6*	*16*
	International guarantees	*138*	*122*
Complementary funding		**2,281**	**1,939**
	Corporate bonds	*257*	*319*
	Project bonds	*0*	*25*
	Securitisation bonds	*536*	*383*
	MARF bonds	*9*	*10*
	MARF Notes	*1,479*	*1,202*
	TOTAL	**5,545**	**3,855**

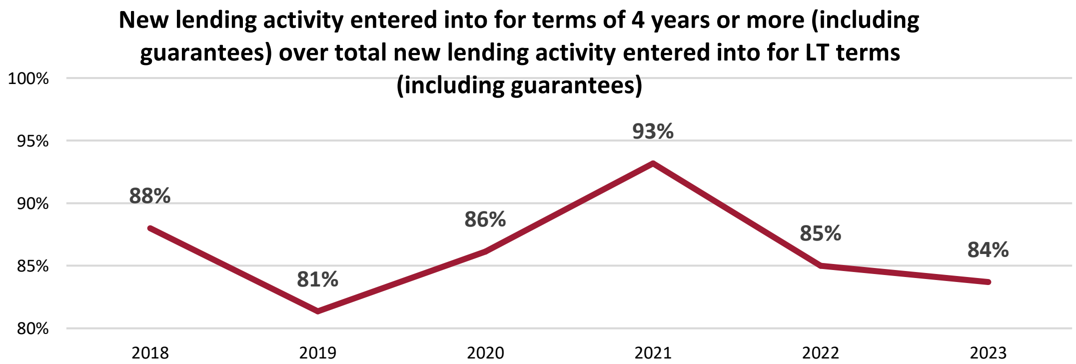
- **PRIORITISING MEDIUM- AND LONG-TERM FINANCING FOR THE SPANISH PRODUCTIVE FABRIC**
  - ✓ **84% of new formalisations in 2023 are medium to long term**

The promotion of longer-term financing allows, among other things, to foster a more sustainable growth model, as well as to promote the development of large long-term investment projects that support the transformation of key productive sectors for the Spanish economy, such as energy, agri-food, industrial, technological and digital, giving impetus to Spain's strategic autonomy.

The ICO Group's financial instruments have a long-term vocation, which gives added value to companies of all sectors and sizes by providing them with sufficient financial leeway to carry out their projects, facilitating their growth and competitiveness and boosting their national and international activity.

ICO Group facilitates access to medium and long-term financing operations, supporting smaller companies that may encounter greater financing difficulties, by transferring competitive conditions for the mobilisation of greater resources.

The new direct financing (including own guarantees) and ICO Mediation formalised during 2023, at terms of 4 or more years, represents a high percentage of the total new lending activity formalised in the medium and long term, having reached 84% in 2023 and standing at over 80% in the last 6 years. This figure shows the strong contribution of the ICO in boosting long-term investment by Spanish companies that may find it more difficult to finance themselves at longer maturities.



It is worth noting that, overall, the drawdowns of the ICO Mediation Lines are particularly medium and long-term (97% of the total in 2023 and 94% in 2022), which defines the ICO's commitment to contribute to the financing of companies of all sizes with a long-term perspective.

- **HIGH CAPILLARITY THAT CONTRIBUTES TO ECONOMIC DEVELOPMENT AND COHESION BETWEEN TERRITORIES**
  - ✓ **+2,300 municipalities in Spain financed with ICO Mediation Lines**
  - ✓ **49% Mediation + Direct in Spain to Autonomous Regions with <GDP per capita**
  - ✓ **33% Mediation + Direct in Spain to Autonomous Regions with >unemployment rate**

Taking advantage of the benefits and opportunities offered by collaboration and cooperation with other credit institutions is an important tool for ICO Group to maximise the scope of its activities. A significant part of the ICO Group's activity is instrumented through public-private collaboration with the banking sector, which provides the capillarity of the financial sector for the distribution of some ICO products, both in terms of their reach to all types of companies, especially SMEs and the self-employed, in all sectors and in the services they provide throughout the country, favouring territorial cohesion.

The ICO Lines have become a well-established product in the market due to the advantages of the great capillarity that characterises these lending operations, which are mainly aimed at small-scale operations granted to micro-SMEs and the self-employed.

Within the framework of the priorities of the RTR Plan, ICO Group cooperates by channelling financial resources associated with economic policy measures together with Ministries, Autonomous Regions and Autonomous Communities and their dependent bodies, such as the ICO-RED.es-Kit Digital Line, the ICO-RED.es-Acelera, Fond-ICO Next Tech, ICO-MITMA Sustainable Mobility Line/Programme, ICO-MITMA Residential Building Rehabilitation Guarantees, ICO - FOCIT Line (Tourism Competitiveness Fund), MAPA - ICO - SAECA / SRG/SAECA GUARANTEE Line and various EU programmes (CEF - Alternative Fuels Infrastructure Facility, CEF - CONNECT, InvestEU). With this, ICO Group focuses mainly on the digitalisation of SMEs, sustainable mobility, renewable energies and energy efficiency, and environmental sustainability, as well as contributing to the fight against the depopulation of rural areas, supporting projects that guarantee, among others, the economic diversification of the most disadvantaged areas, the promotion of innovation, full digital connectivity, and the adequate provision of basic services, as well as the reduction of other gaps to promote social and territorial cohesion.

ICO Group's financing through the ICO Mediation Lines and direct financing in Spain has reached all Spanish regions during 2023. From the point of view of the contribution to economic development and cohesion between territories, it should be noted that 1,266 million Euros of the 2023 ICO Mediation Lines were channelled to companies located in Autonomous Regions with GDP per capita below the national average in 2022, representing 56% of the total drawn down (728 million Euros and 57%, respectively, with 2022 Mediation drawdowns). For regions with unemployment above the national average in 2023, the 2023 Mediation drawdowns were 794 million Euros, representing 35% of the total distributed in Spain (472 million Euros and 37%, respectively, with 2022 Mediation).

ICO Mediation Lines*. Amounts drawn down	2023		2022	
	Amount *millions of €*	%/Total	Amount *millions of €*	%/Total
To regions with below-average GDP per capita	1,266	56%	728	57%
To regions with above-average unemployment rates	794	35%	472	37%

* Not including International Channel

As for the regional distribution of ICO's direct financing to Spanish companies at 2023 closing, an amount drawn down of 1,814 million Euros, representing 45% of total financing drawn down, was allocated to Autonomous Regions with a GDP per capita below the national average (1,354 million Euros and 50% of the total, respectively, with data at 2022 closing) and an amount drawn down of 1,273 million Euros, representing 31% of the total, to those with an unemployment rate above the national average (938 million Euros and 35% of the total, respectively, with data at 2022 closing).

Direct Financing*. Amounts drawn down	2023		2022	
	Amount *millions of €*	%/Total	Amount *millions of €*	%/Total
To regions with below-average GDP per capita	1,814	45%	1,354	50%
To regions with above-average unemployment rates	1,273	31%	938	35%

* Not including drawdowns of securitisation bonds or one-off loans. In the projects whose investment destination covers various autonomous communities, the amount drawn down has been distributed according to the weight of these communities in national GDP.

In the total amount of intermediated and direct financing drawn down at 2023 closing, an amount of 3,080 million Euros, representing 49% of the total amount drawn down, has been directed to regions with a GDP per capita below the average for Spain (2,082 million Euros and 52% of the total, respectively, with data at 2022 closing) and an amount of 2,067 million Euros, representing 33% of the total drawn down, to those with a higher than average unemployment rate (1,410 million Euros and 36% of the total, respectively, with data at 2022 closing).

ICO Lines of Mediation + Direct Financing*. Amounts drawn down	2023		2022	
	Amount *millions of €*	%/Total	Amount *millions of €*	%/Total
To regions with below-average GDP per capita	3,080	49%	2,082	52%
To regions with above-average unemployment rates	2,067	33%	1,410	36%

* Not including drawdowns of securitisation bonds or one-off loans. In the projects whose investment destination covers various autonomous communities, the amount drawn down has been distributed according to the weight of these communities in national GDP.

- **SUPPORT FOR TERRITORIAL AND SOCIAL COHESION THROUGH SOCIAL/AFFORDABLE HOUSING PROGRAMMES**
  - ✓ **+16,000 million Euros to be mobilised to boost the supply of social housing in Spain and to improve the energy efficiency of the existing housing stock**

ICO has extensive experience in **financing projects to increase the stock of social or affordable rental housing** in various Spanish autonomous communities with the aim, among others, of offering **the most vulnerable social groups** better options for access to housing. Specifically, the ICO has been granting direct financing for the promotion of social housing (VPO) for rent since 1992 as a collaborating credit institution, in accordance with the regulations applicable under the Housing Plans in force and in accordance with the conditions of the various collaboration agreements signed between the ICO and the Ministry responsible for housing.

ICO also has specific programmes and initiatives to support **territorial cohesion and sustainable activity. This** includes the financing that ICO grants jointly with other public and private entities through the **ICO Housing and Urban and Rural Regeneration Programme 2022-2025** to increase the stock of social or affordable rental housing, improve energy efficiency, decarbonisation and sustainability of housing, conserve and improve accessibility in and to housing, and promote urban and rural regeneration and renewal. The granting of direct ICO financing is additional to the aid that, where appropriate, is granted under the State Housing Plan 2022-2025, the Programmes in force within the general framework of the RRT Plan or other Programmes that are approved in the field of housing. During 2023, a total of 7 operations have been approved under this Programme for the construction of 594 social housing units for a total amount of 64 million Euros (5 operations for a total amount of 82.9 million Euros in 2022 for the construction and rehabilitation of more than 1,000 housing units for affordable rentals and a Plan for the Improvement of Accessibility and Urban Mobility). The Programme envelope is 250 million Euros/year, expandable to 500 million Euros/year.

In 2022, the agreement between MITMA and ICO was signed for the launch in 2023 of the **ICO-MITMA Residential Building Rehabilitation Line**, the purpose of which is to promote rehabilitation works in residential buildings that contribute to improving energy efficiency. The operations are 50% guaranteed by the State (through MITMA), with the amount of the **guarantee line** being **up to 1,100 million Euros**, which will mobilise **financing of up to 2,200 million Euros,** which will be granted to the beneficiaries of the NextGenerationEU funds.

The **Addendum to the RTR Plan**, ratified by the EU Council on October 17, 2023, has assigned to ICO Group a line of loans for the promotion of social housing - **ICO RRM Facility for the promotion of social rental housing -** amounting to **4,000 million Euros**, whose objective is to increase the stock of social or affordable rental housing, as well as to improve the existing housing stock. This line may finance the construction of energy-efficient rental housing or energy-efficient refurbishment by public or private developers and will be available to the real economy from 2024. The ultimate objective is to support the increase in the supply of rental housing through financing, with special attention to the territorial areas with the greatest tension in the residential market.

In addition, during 2023, the ICO has been collaborating with the MIVAU in the implementation of the **new line of guarantees,** with a maximum amount of **2,500 million Euros,** to facilitate **financing for the acquisition of first homes** for young people and families with dependent minors, which will be partially covered by the State to the tune of 20% or 25% if it has a minimum energy rating D.

During 2023, the ICO has approved a **green securitisation** operation for an issue amount of **490 million Euros**, the underlying portfolio of which is mortgage loans for the purchase of primary residences in different regions of Spain. The originator of the loans in the underlying portfolio undertakes to reinvest the amount financed by ICO in financing for the acquisition or refurbishment of homes that improve energy efficiency by at least 30% or for buildings with an A or B energy efficiency label.

All these financing activities of ICO Group have a positive social impact and contribute to the economic development of companies located in those Spanish geographical regions most affected by depopulation or with greater difficulties, intensifying, among others, social and territorial cohesion programmes such as the construction or rehabilitation of social rental housing with Autonomous Communities and Local Corporations, and promoting initiatives, in public-private collaboration, to finance projects that contribute to reducing the territorial divide.

	ICO Group products	Purpose	Endowment millions of €
Direct and Complementary Financing (as National Promotional Bank)	**ICO Housing and Urban and Rural Regeneration Programme (2022-2025)**	The funding will go to projects in: - Construction of social or affordable housing for rent or lease, - Refurbishment of social or affordable housing for rent or lease, - Improving energy efficiency, decarbonisation and sustainability of housing, - Preservation and improvement of accessibility in and to dwellings, - Urban and rural regeneration and renewal.	250 M€/ year, extendable to 500 M€. Until 31/12/2025 Approved 64 M€ in 2023 (83 M€ in 2022)
	ICO-RRM Facility Social housing development [2nd phase RTR Plan].	Increase the stock of social or affordable rental housing, as well as improve the existing stock of social housing.	Up to 2,000 M€ (2024-2026)
	Securitisation bonds	Complementary financing operation through securitisation funds using the Use of Funds criterion. The underlying portfolio of the securitisation bonds includes, among others, mortgage loans for the purchase of primary residences. The objective is to use the proceeds to finance energy efficiency improvement projects and the acquisition of green housing in Spain.	Securitised portfolio in 2023 = 490M€
Mediation (as an EP Financial Instrument)	**ICO-MITMA line Residential building refurbishment [1st phase RTR Plan].**	The State guarantees up to 50% of the loans granted to finance refurbishment works that contribute to the energy improvement of residential buildings, within the framework of the RTR Plan. Future loans, which can only be granted to beneficiaries of NextGenerationEU funds, will be up to 2,200 million Euros and will be granted by financial institutions that adhere to the ICO guarantee line.	2,200 M€ financing and 1,100 M€ guarantees
	ICO-RRM Facility Social housing development [2nd phase RTR Plan].	Increase the stock of social or affordable rental housing, as well as improve the existing stock of social housing.	Up to 2,000 M€ (2024-2026)
Guarantee lines on behalf of the State (as State Financial Agency)	**ICO COVID-19 Lease Surety Line** *(application deadline expired)*	Article 9 of RDL 11/2020 of 31 March, which adopted urgent complementary measures in the social and economic sphere to deal with COVID-19, established the approval of a line of guarantees to cover, on behalf of the State, financing for tenants in a situation of social and economic vulnerability as a result of the expansion of COVID-19.	Guarantees of up to 1,200 M€. Guarantee balance of 28 M€ at 31.12.2023
	Line of guarantees for the purchase of a primary residence for young people under 35 years of age and families with dependent minors. *(conditions approved by the Council of Ministers on February 13, 2024)*	The term of the guarantee granted by MIVAU to the financial institution and managed by the ICO will be a maximum of 10 years from the date the transaction is formalised. In general, the ICO will guarantee up to 20% of the amount of the loan, unless the home purchased has an energy rating of D or higher, in which case up to 25% of this amount may be guaranteed. The deadline for formalising loans under this line of guarantees is 31/12/2025, which may be extended for a further two years.	Guarantees of up to 2,500 M€ (drawable from 10,000 M€ to 12,500 M€)

- **BROAD SECTORAL DISTRIBUTION, WITH PARTICULAR ATTENTION TO THE SECTORS MOST AFFECTED BY THE ECONOMIC CONTEXT AT THE TIME**
  - ✓ **All sectors of activity will be covered by ICO Group financing in 2023.**
  - ✓ **43% of total drawdowns are concentrated in Agriculture (affected by drought) and Capital goods, Food industry and Transport (affected by economic context)**

The funds lent in 2023 through the ICO Mediation Lines have had a broad sectoral distribution, with a greater contribution to those sectors most affected by the consequences of the drought in Spain, such as Agriculture (12.5% of the total amount and 26.4% of the total number of operations at 2023 closing), or those most affected by the consequences of the current economic context of tightening financial conditions, high uncertainty and increased geopolitical risks, with more energy-intensive activities such as Transport (7.9% of the total amount and 11.1% of the total number of operations, at 2023 closing) or Capital goods and industrial products (11.5% of the total amount and 6.6% of the total number of operations, at 2023 closing).

The following six sectors account for 57% of the total amount drawn down and 61% of total operations at 2023 closing:

ICO MEDIATION LINES 2023 (drawdowns) BY SECTOR OF ACTIVITY	Amount (millions of €)	% S/ AMOUNT	Nº OPERATIONS	% S/ OPERATIONS
Agriculture. livestock and fisheries	279	12.5%	3,202	26.4%
Capital goods and industrial products	258	11.5%	799	6.6%
Food and beverage industry	245	10.9%	421	3.5%
Transport and logistics	177	7.9%	1,344	11.1%
Business. professional and administrative services.	165	7.4%	787	6.5%
Tourism. leisure and culture	162	7.2%	870	7.2%
Other sectors	955	42.6%	4,688	38.7%
TOTAL	**2,243**	**100%**	**12,111**	**100%**

* Not including International Channel

ICO MEDIATION LINES 2022 (drawdowns) BY SECTOR OF ACTIVITY	Amount (millions of €))	% S/ AMOUNT	Nº OPERATIONS	% S/ OPERATIONS
Agriculture, livestock and fisheries	128	10.1%	2,325	18.8%
Capital goods and industrial products	127	10.0%	1,285	10.4%
Food and beverage industry	109	8.6%	1,285	10.4%
Transport and logistics	101	8.0%	1,021	8.2%
Business. professional and administrative services.	90	7.1%	817	6.6%
Tourism. leisure and culture	88	6.9%	180	1.5%
Other sectors	625	49.3%	5,475	44.2%
TOTAL	**1,268**	**100%**	**12,388**	**100%**

* Not including International Channel

As for the distribution by sector through direct activity, in 2023 it also shows a wide diversity of economic activities, with a greater weight in activities that require large investment projects, as well as those that promote the energy transition, avoiding greenhouse gas emissions. Therefore, the ICO Group's direct activity at 2023 closing will focus on the following sectors of activity: Business, professional and administrative services, which provide ancillary and support activities for the achievement of large projects (24.1% of total direct financing drawdowns in 2023), Environment (15.0% of the total), Construction and infrastructures (13.5% of the total) and Energy (11.8% of the total).

DIRECT ACTIVITY 2023* (drawdowns) BY SECTOR OF ACTIVITY	Amount (millions of Euros)	%/Total
Business, professional and administrative services	1,208	24.1%
Environment	751	15.0%
Construction and infrastructure	675	13.5%
Energy	592	11.8%
Other sectors	1,782	35.6%
TOTAL	**5,009**	**100.0%**

* Not including securitisation bonds

DIRECT ACTIVITY 2022* (drawdowns) BY SECTOR OF ACTIVITY	Amount (millions of Euros)	%/Total
Construction and infrastructure	717	20.6%
Energy	498	14.3%
Business. professional and administrative services	448	12.9%
Environment	426	12.3%
Other sectors	1,383	39.9%
TOTAL	**3,473**	**100.0%**

* Not including securitisation bonds

➢ BOOSTING INTERNATIONALISATION IS ONE OF THE ICO GROUP'S PRIORITIES

- ✓ **2,523 million Euros approved in 2023 from direct activity + mediation (+24% vs. 2022)**
- ✓ **24% for outward investment on total new activity formalised in 2023**

Boosting internationalisation is one of the factors that allow companies to increase their size, supporting a greater presence abroad, improving their competitiveness and growth and, consequently, job creation.

One of the objectives of the Spanish Government's RTR Plan is to boost SMEs, which represent practically all (99.9%) of the Spanish productive fabric and play a fundamental role in the EU and in Spain. Currently, the average size of Spanish SMEs (measured by number of employees) is smaller than the average size of other European countries, and this has a negative impact on productivity, competitiveness, growth and employment generation in the Spanish economy.

One of the ICO Group's priorities is to promote the internationalisation of Spanish companies of all sizes, sectors and geographical coverage to finance their activities in Spain and in international markets, paying special attention to SMEs, the self-employed and entrepreneurs, facilitating credit and adapting to the needs of these companies to make investments abroad, helping to strengthen the foreign sector and consolidating its role as an engine for the growth, recovery and transformation of the Spanish economy. In fact, ICO Group is part of and actively contributes to the Strategy for the Internationalisation of the Spanish Economy 2017-2027, directed and coordinated by the Secretary of State for Trade.

The ICO Group's entire catalogue of products is aimed, among other things, at supporting the growth and expansion of companies both nationally and internationally, although it has **more specific financial instruments to promote the international activity** of Spanish companies, expanding and diversifying markets, currencies and financial products with traction effects, and adapting financing to the needs of the Spanish productive fabric according to the environment in which companies operate.

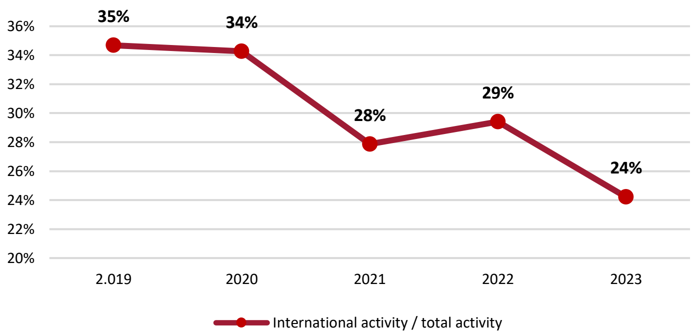
	ICO Group Product	Purpose
As NATIONAL PROMOTION BANK	**ICO Mediation Lines:** ***ICO International Line*** ***ICO Exporters Line*** ***ICO International Channel Line***	✓ **ICO International line**, aimed at financing business activities and/or investment and general needs outside the national territory of the self-employed, companies and Spanish public and private entities, both those domiciled in Spain and those domiciled abroad with Spanish interest. Repayment terms up to 20 years ✓ **ICO Exporters Line**, which provides short-term financing to the self-employed and companies for advances on invoices from the company's commercial activity abroad, as well as the company's liquidity needs to cover the costs of production and preparation of the goods or services to be sold abroad ✓ **ICO International Channel Line**, which promotes the activity and financing of projects of companies with Spanish interest with international presence in third markets, through intermediation with institutions. This programme transfers the operating scheme of the ICO Lines to multilateral, public promotional or private banks located abroad. In this way, the application procedures are made easier for companies and the entity's knowledge of the local market is incorporated as an added value. It also allows Spanish companies operating in third markets to finance their projects in local currency in the countries where the investment projects or commercial activity is being carried out
	International direct financing	This is an important part of ICO's activity, which promotes the development of companies' corporate activity and their investment projects abroad through various forms of direct financing. The financing is aimed mainly at mid-cap and large companies, to finance long-term operations in which ICO participates in a complementary manner together with other national or international private or public entities, under formulas such as corporate credits and loans, syndicated loans, project finance, corporate bonds and financial guarantees. At the international level, ICO has become a benchmark in project finance associated with large infrastructure projects, and its relationship with financial shareholders is a key factor in the growth of its activity.
	International Guarantees Programme	Relevance of ICO's role in international tenders, endorsements and guarantees through the International Guarantees Programme, through which ICO grants a bank guarantee to a company so that it can participate in international tender processes or formalise contracts awarded abroad in which the provision of guarantees is required.
	Venture Capital / *AXIS*	AXIS' activity is focused on promoting the growth, development and internationalisation of Spanish companies through capital and quasi-equity instruments through a public-private collaboration scheme. Currently, Axis has been approved by the ICO to manage 12,150 million Euros, of which 9,150 million Euros have already been allocated to its four funds.

As a FINANCIAL INSTRUMENT OF ECONOMIC POLICY	**Addendum to the RTR Plan (RRM):** **Component 13:** **ICO RRM Green** **ICO RRM EYE** **RRM Next Tech Fund** **Component 25:** **ICO RRM Spain Audiovisual Hub**	✓ The objectives of **Component 13 of the Addendum to the RTR Plan** are to introduce reforms and investments aimed at facilitating, inter alia, business creation, growth and restructuring, and increasing productivity through digitalisation, innovation and internationalisation. Within Component 13, **the following Facilities** have been **allocated to the ICO Group: Green ICO RRM, ICO RRM EyE and RRM Next Tech Fund** ✓ The objectives of **Component 25 of the RTR Plan Addendum** are to carry out investments and reforms to strengthen the audiovisual sector, improve the investment environment, consolidate Spain as an international platform for audiovisual investment and make Spain a benchmark exporter of audiovisual products, video games and digital creation. This component also includes actions to promote the internationalisation of companies in the audiovisual sector and to improve innovation in the sector. Within **Component 25**, **ICO Group** has been **assigned the ICO RRM Spain Audiovisual Hub Facility**
As STATE FINANCIAL AGENCY	**Management of funds for the Internationalisation of companies (on behalf of the State):** ***FIEM CARI***	✓ **Fund for the Business Internationalisation (FIEM)**: The purpose of the fund is to promote the export operations of Spanish companies and Spanish direct investment abroad, by financing operations and projects of special interest for the internationalisation strategy of the Spanish economy. It will also be possible to finance the technical assistance that these operations and projects require in both developed and developing countries. In general, financing will be mainly in the form of loans, credits and credit lines, although technical assistance and consultancy services may be financed on a non-reimbursable basis, as well as projects and operations when the special circumstances so require. ✓ **Reciprocal Interest Rate Adjustment Contract (CARI)**: A financial instrument that is similar to interest rate insurance, the aim of which is to promote Spanish exports by providing incentives for financial institutions to grant loans at fixed interest rates

In terms of ICO's direct activity, new approvals of direct international financing (with international guarantees) amounted to 1,395 million Euros at 2023 closing (1,261 million Euros in 2022, +11%), the purpose of which is to promote projects abroad.

	Approved 2023 *Millions of €*	Approved 2022 *Millions of €*
Direct activity (with guarantees)	*1,395*	*1,261*
ICO Mediation Lines	*1,129*	*778*
Internationalisation	**2,523**	**2,039**

International activity (with guarantees): Formalisations



With regard to ICO's mediation activity through financial institutions, an amount of 1,129 million Euros was approved in 2023 (778 million Euros in 2022, +45%), earmarked for investments outside the national territory. Guarantees issued during 2023, have been aimed at Spanish companies developing projects in offshore wind farms, renewable energy in its different forms, roads, industrial plants and sustainable transport, all activities that are a cross-cutting pillar of the ICO Group. Overall, ICO's international activity approvals (direct with guarantees and mediation) amounted to 2,523 million Euros in 2023, representing an increase of 24% compared to 2022; in terms of formalisations, 1,964 million Euros (+18% compared to 2022) and in terms of drawdowns, 1,357 million Euros (+18% compared to 2022). The weight of operations formalised for investment outside Spain (considering both direct activity and activity carried out through the ICO Mediation Lines) as a percentage of total ICO activity has remained above 24% over the last 5 years.

During 2023, ICO consolidated its support in different long-term currencies with the entry of new financing operations in Australia (wind farm) and Brazil (motorway), which have enabled ICO to finance (apart from issuing guarantees) projects in 8 different currencies in the medium and long term (GBP, AUD, EUR, USD, CAN, UF, COP, MXN).

During 2023, 8 financing agreements have been approved in the International Channel Line (compared to the approval of 6 agreements in 2022), for an amount of 991 million Euros, highlighting the start of collaboration with new shareholders that allow the opening of two new markets such as the Dominican Republic and Chile. In terms of formalisation, a total of 7 Financing Agreements have been reached (compared to 5 Agreements signed in 2022) for an amount of 830 million Euros at 2023 closing.

Since the launch of the ICO International Channel Line in 2015, a volume of 4,281 million Euros has been approved until the end of 2023 through 39 operations corresponding to 20 different counterparties. The cumulative amount formalised under the programme is 3,909 million Euros and the volume drawn down is 2,058 million Euros.

In addition, the ICO manages the FIEM and CARI funds on behalf of the State, whose objective is to support internationalisation. At 2023 closing, the total balance of the activity managed by the ICO in these two funds was 5,881 million Euros (6,507 million Euros at 2022 closing).

- **THE ICO, AS AN IMPLEMENTING PARTNER OF THE EUROPEAN COMMISSION, MANAGES EU FUNDS FOR SPANISH COMPANIES AND PROJECTS WITH SPANISH INTEREST**
  - ✓ **+1,000 million Euros drawable in initiatives to channel European resources from the NGEU and MFF 2021-2027 in public-private collaboration**

In 2020, ICO was accredited as an “Implementing Partner” to manage programmes under the EU’s new Multiannual Financial Framework 2021-2027, such as Invest EU or Connecting Europe Facility-Alternative Fuels Infrastructure Facility (CEF-AFIF), in collaboration with the European Commission, Ministries and other regional and local bodies, to channel European resources, thus expanding its actions to support Spanish companies.

This accreditation also increases its capacity to channel and implement EU resources from the NextGenerationEU programme, among others, or in collaboration with the EIB, the European Investment Fund (EIF) and other European institutions to channel funds from EU programmes to Spanish companies’ projects. In this regard, ICO Group has extensive experience in channelling European funds, such as the Juncker Plan in the 2016-2020 period, working with the European Commission, the EIB and the EIF to mobilise European resources for companies and projects of Spanish interest.

During 2023, the ICO continued to implement and promote blending programmes that combine bank financing with the granting of aid, subsidies or guarantees from European bodies through direct financing, with a multiplier effect in the mobilisation of financial resources towards the real economy.

The ICO, as Implementing Partner of the EC, published on June 5, 2023 the terms and conditions of the call called “ICO InvestEU Green Funds” to channel 150 million Euros, backed by a guarantee package of 75 million Euros, under the InvestEU Programme, into up to three venture capital/private equity funds investing in sustainable infrastructure and its industrial ecosystem in the EU and preferably in Spain. The resources channelled by the ICO with the InvestEU guarantees will contribute to mobilise, with the participation of private investors, a minimum of 300 million Euros towards projects to be developed in the energy, sustainable transport, environment and resources, critical infrastructure and social infrastructure sectors, in accordance with the parameters set out in the InvestEU programme. Proposals for participation in these funds were submitted to the InvestEU Investment Committee on December 2023.

Until November 2023, the ICO had an InvestEU Guarantee Agreement for up to 112.25 million Euros to guarantee its investment in four funds for up to 224.5 million Euros (124.5 million Euros InvestEU

Green Funds and 100 million Euros Marguerite III Infrastructure Fund - approved and established in 2022). On December 2023, the ICO's decision-making bodies approved the four-year renewal of the InvestEU Guarantee Programme, extending its validity until December 31, 2027. They also approved to increase the maximum amount of ICO's participation in the guarantee to a maximum guarantee amount of up to 500 million Euros and to include the new Strategic Technology Europe Platform (STEP) window. Therefore, 275 million Euros of guarantee is added to the 225 million Euros already approved, of which 112.25 million Euros have been consumed in 2023. The amount available for the various calls for the period 2024-2027 will be 387.75 million Euros.

EU PROGRAMMES		
CEF- Alternative Fuels Infrastructure Facility (AFIF)	AFIF combines ICO financing in the form of capital or debt up to 100% of the project with a minimum of 10 million Euros and a subsidy granted by the EC up to 30% of the investment to finance projects related to the change to less polluting alternative fuels and without dependence on the outside of the EU, within the framework of sustainable and multimodal mobility for the modernisation of the European transport network (Ten-T). Projects may be financed, among others, for alternative charging infrastructures (hydrogen, liquefied natural gas and electricity) and the production, storage and transport of green hydrogen, within the framework of the Ten-T network.	**Approvals 2023**: ✓72 M€ of new funding for smart electrification of operations centres; hydrogen as alternative fuel for transport; electric superchargers; fast charging points on road network ✓ The blending programme for 2024-27, which will give continuity to the current AFIF, is under negotiation and Spain is participating in the negotiations through MITMA.
CEF – CONNECT	It combines ICO funding up to 100% of the project with a minimum of 5 million Euros and a grant awarded by the EC for projects related to digitisation in the framework of the EU digital interconnection. The total amount of the CEF-Connect Programme 2021-2027 amounts to 2,000 million Euros and will target, among others, widespread 5G access, fibre interconnections, high-speed networks and integrated data centres.	**Approvals 2023**: ✓Total amount of the CEF-Connect Programme 2021-2027: 2,065 million Euros. ICO amount: 100 million Euros
InvestEU Programme	EC guarantee for equity or quasi-equity products, intermediation financing or direct financing to facilitate access to financing for Spanish companies through 5 windows of action: sustainable infrastructure, research, innovation and digitisation, SMEs, social investment and training, and Strategic Technology Europe Platform (STEP). The maximum EC guarantee will be 50% of the investment in direct operations, up to 75% in equity and 80% in mediation.	**Approvals 2023:** ✓ 125 M€ of Invest EU Green Funds (with 50% InvestEU guarantee). ✓Renewal for 4 years of the InvestEU Guarantee Programme, extending its validity until 31/12/2027. ✓Increase by 275 M€ the maximum amount of ICO participation in the guarantee (from 225 M€ to 500 M€). ✓Of the 500 M€, 112.25 M€ has been consumed until 2023. 388 M€ available in 2024-2027 ✓The new Strategic Technology Europe Platform (STEP) window is included.

- **STRONG SUPPORT FOR THE DIGITAL TRANSFORMATION OF SPANISH COMPANIES, ESPECIALLY FOR SMALLER ONES**
  - ✓ **+13,000 million Euros drawable, in public-private collaboration, towards Spanish companies investing in digital transformation**

❖ Through the traditional activity of the ICO Group

One of the strategic axes of ICO Group is to provide financing to the Spanish productive fabric to make the investments they need in their digital transformation process, which will allow them to increase their competitiveness, productivity, resilience and territorial and social cohesion, in line with the EU Digital Strategy and the Digital Spain Agenda 2026.

Within the ICO Group's extensive catalogue of products and initiatives, the following, more specific to digital transformation, should be highlighted:

Product of ICO Group (traditional activity of the ICO Group)	Purpose	Endowment Millions of Euros
ICO-Red.es Digital Kit Line Non-repayable aid to small enterprises, micro-enterprises and self-employed persons	Collaboration between Red.es and the ICO to promote access to ICO financing through financial institutions for beneficiary companies and digitalisation agents, for those projects that have received aid from Red.es within the Digital Kit Programme.	3,000 M€ (aids)
ICO-Red.es Acelera Line ICO will finance up to 100% of the amount of the project approved by Red.es minus the amount of the grant advance.	Loans through an ICO Mediation Line in collaboration with financial institutions to finance the digitalisation process of SMEs and establish measures to support the creation of technological solutions for their digitalisation.	Up to 300 M€ (aids)
Next Tech Fund (included in RRM) Holdings and underwriting commitments in companies and funds specialising in digital and artificial intelligence sectors	Venture capital fund to promote the development of innovative, high-impact digital projects and investment in scale-ups in collaboration with SEDIA, with the potential to mobilise up to 8,000 million Euros in public-private collaboration with the Spanish venture capital sector.	4,000 M€ (VC funds: drawable x2 with private sector)
ICO-RTVE Agreement	ICO direct financing programme for the production of new audiovisual works, such as feature and short films, films for television, documentaries and animated series and other European works of a cultural nature.	Up to 100 M€ (direct funding)

In addition, ICO's accreditation in 2020 as an "Implementing Partner" of the European Commission has since enabled it to finance projects through various instruments, including the following, as they are related to digital transformation:

- CEF- CONNECT: It combines ICO financing up to 100% of the project with a minimum of 5 million Euros and a grant awarded by the EC for projects related to digitisation in the framework of the EU digital interconnection. The total amount of the CEF-Connect Programme 2021-2027 amounts to 2,000 million Euros and the amount allocated to ICO is 100 million Euros, which will be used, among others, for widespread 5G access, fibre interconnections, high-speed networks and integrated data centres.

- InvestEU Programme: EC guarantee for equity or quasi-equity products, intermediation financing or direct financing to facilitate access to financing for Spanish companies through 5 action windows, one of which is Research, Innovation and Digitalisation (DIW) and a new window to incorporate the European strategic investment initiative Strategic Technologies for Europe Platform (STEP). The maximum EC guarantee will be 50% of the investment in direct operations, up to 75% in equity and 80% in mediation.

❖ **Through the allocation to ICO Group of Facilities of the Addendum to the RTR Plan: RRM**

According to the European Commission's Commission Staff Working Document of October 2, 2023, the **amended RTR Plan (with Addendum) will contribute 25.8% to the digital transformation** of society and the economy, amounting to **just over 40,000 million Euros**.

The **Addendum to the RTR Plan (RRM)**, approved on June 6, 2023 by the Council of Ministers and, subsequently, on October 2 by the European Commission and on October 17 by the EU Council, includes the **channelling through the ICO Group, in public-private collaboration, of 39,862 million Euros up to 2026 through** its mediation lines, direct financing programmes and venture capital (Axis). Of this amount, it is estimated that at least **5,862 million Euros will be earmarked** for financing projects aimed at the companies' **digital transformation**, as explained below. All this, without prejudice to the financing that may be granted in any of the facilities (green, companies and entrepreneurs...) that may be used for digital transformation without the product being specifically for this purpose.

During 2023, ICO Group has been working, together with other public bodies, on the implementation of the Facilities assigned in the Addendum to the RTR Plan. **The RRM Facilities that more specifically support the digital transformation** of companies are:

- ICO Facility ICO RRM-Enterprises and Entrepreneurs (C13.I6): This facility includes the **ICO-Tourism Line,** endowed with **1,000 million Euros,** which will finance under the preferential conditions of the RRM under the four European objectives (ecological transition, digital transformation, smart growth, and social and territorial cohesion). It therefore includes, among others, those investment projects of tourism companies that promote the **digital transformation of the Spanish tourism model, modernising and digitising the tourism business fabric** mainly through the digitisation of processes, investment in technological equipment (hardware or software) and the retraining of human resources. In addition, this facility also incorporates funding from the **PERTE New Economy of the Language** (endowed with **150 million Euros**), to grant funding to Spanish universities with the aim of deepening digitisation and artificial intelligence and carrying out transformative projects that allow them to achieve technological sovereignty.
- RRM Next Tech Funds (C13.I7): **FOND-ICO Next Tech** invests directly in Spanish growing companies in the technology sector through equity and quasi-equity investments (mezzanine, convertible loans, convertible notes, etc.), as well as funds (venture capital funds or corporate funds). This Fund is endowed with **4,000 million Euros** under the RRMF and, in addition, will be able to mobilise a further 4,000 million Euros through private investors in public-private collaboration with the Spanish venture capital industry. The objective of the Fund is to strengthen financing to facilitate the expansion of companies with a high innovative and technological content, and the promotion of digital entrepreneurship in digital enabling technologies to boost the digital transformation of the Spanish productive fabric. It will also strengthen the creation of high added value by the invested companies, through digitisation and the use of disruptive technologies, which will boost research, development and innovation in the Spanish economy. As part of the ICO Group's strong commitment to supporting digital transformation, it is worth highlighting its participation in the European Tech Champions Initiative (ETCI), a new fund of funds to finance innovative start-ups in Europe. During 2023, ICO Group has formalised an amount of 400 million Euros in this initiative through FondICO Next Tech and plans to raise up to 1,000 million Euros in a second phase.
- ICO RRM Spain Audiovisual Hub (C25.I3): This facility is endowed with **1,712 million Euros**, of which 1,500 million Euros will go to the audiovisual sector and 212 million Euros to actions under the PERTE New Economy of the Language. It will be channelled through mediation lines, direct financing programmes and capital injections (direct and/or through equity funds). The objective of this facility is to make Spain a hub for audiovisual production, to support the audiovisual and cultural industries as strategic sectors and to support the growth of SMEs operating in the audiovisual sector. This facility incorporates funding from the PERTE of the New Language Economy, which aims to boost the audiovisual and cultural industry in Spanish and in the co-official languages.

Facility RRM-Digital Transformation	RRM Facility Amount *millions of Euros*	Justification RRM Facility-Digital Transformation
ICO RRM-Enterprisese and Entrepreneurs ICO-Tourism Line PERTE of the New Economics of Language	*Up to 1,000* 150	To contribute to the transformation and improvement of the Spanish tourism model, making it more digital To further the digitalisation and artificial intelligence of Spanish universities
RRM Next Tech Funds	4,000	Facilitate the expansion of companies with a high innovative and technological content Strengthen the creation of high added value by invested companies / Boost R&D&i

ICO RRM Spain Audiovisual Hub Audiovisual sector PERTE of the New Economics of Language	1,500 212	To turn Spain into a hub for audiovisual production To promote the audiovisual and cultural industry in Spanish and in the co-official languages.

- **CONSOLIDATING NEW FUNDING THROUGH COMPLEMENTARY FUNDING PROGRAMMES**
  - ✓ **Around 2,300 million Euros in additional funding to be made available in 2023**

ICO has become a major investor in the MARF market, catalysing other investors in support of companies seeking alternative financing in this market through the issuance of fixed income securities and, in particular, through commercial paper programmes, which cover the short-term financing needs of the issuing companies.

In addition, longer-term bond issues in this market help these companies to raise funds to finance their general corporate needs, especially new investment projects and the adaptation of their financial structure.

For this reason, ICO continues to promote complementary sources of financing, whose presence in the MARF market, both in promissory notes and bonds, as well as in securitisations, is very important as it allows diversification of financial resources with other alternative sources to banking with the aim of supporting the growth of companies in all sectors and of all sizes, with special attention to small and medium-sized enterprises.

In addition, the recent approval of the Addendum to the RTR Plan, for the channelling of the loans allocated under the Recovery and Resilience Mechanism (RRM), allocates ICO Group almost 40,000 million Euros, part of which will be made available to the real economy during 2024-2026 through the purchase by the ICO of medium and long-term senior fixed income securities issued on organised markets, such as AIAF or MARF, issued by companies to finance their investment plans. Of the five facilities approved with RRM funds managed by ICO, the ICO-RRM Green, ICO-RRM Enterprises and Entrepreneurs and ICO-RRM Spain Audiovisual Hub facilities include, among others, the purchase of debt securities by ICO as a financial instrument to channel these funds.

Complementary sources of ICO funding include:

CORPORATE BONDS	**Disposals of 2,281 million Euros in 2023**	**Direct financing programme for companies through the acquisition of bonds and debentures** issued by Spanish companies to finance their medium and long-term investment plans. Preference will be given to companies certified as responsible issuers or listed on sustainability indices, favouring activities and projects that improve environmental performance.
PROJECT BONDS		**Project bond purchase programme** as a medium and long-term financing instrument especially linked to large infrastructure financing operations.
MARF BONDS AND NOTES		**ICO's direct financing programme for companies through the subscription of MARF promissory notes and bonds to** inject liquidity and finance the medium and long-term investment plans of Spanish companies with issuance programmes registered in the Alternative Income Market (MARF).
SECURITISATION BONDS		**General framework for investing in securitisation assets** to encourage the diversification of financing for SMEs and entrepreneurs in Spain. The ICO requires as a condition for its participation an explicit commitment from the originating institution to generate new financing for companies and the self-employed in Spain. In this way, it ensures that the impact of ICO's investment will be reflected in new credit in general and credit for the productive fabric in particular.

DIRECT ACTIVITY. ADDITIONAL FUNDING	Drawdown 2023 Millions of Euros	Drawdown 2022 Millions of Euros
Corporate bonds	*257*	*319*
Project bonds	*0*	*25*
MARF bonds	*9*	*10*
MARF Notes	*1,479*	*1,202*
Securitisation bonds	*536*	*383*
TOTAL	**2,281**	**1,939**

➢ MANAGING LINES OF GUARANTEES ON BEHALF OF THE STATE

- ✓ **ICO-Covid19 guarantee line (Liquidity + Investment): 107,187[3] million Euros of guarantees granted in 1,192,484 operations to almost 675,000 companies and self-employed workers since its launch, causing a positive impact on the maintenance of activity and employment.**
- ✓ **Ukraine Guarantee Facility: 4,499 million Euros of guarantees granted and mobilised financing of 5,803 million Euros during 2023, granted to 26,840 operations of more than 22,000 companies, avoiding liquidity tensions due to price increases.**
- ✓ **Line of guarantees for the purchase of first homes by people under 35 years of age or families with dependent minors for a maximum amount of up to 2,500 million Euros (conditions approved by the Council of Ministers on February 13, 2024).**

The ICO, as part of its function of managing public funds on behalf of the State as the State Financial Agency, has continued to carry out the financial management of the amounts guaranteed by the ICO-Covid19 guarantee lines and the Ukraine guarantee lines, and will soon launch the new line of guarantees approved by the Council of Ministers on February 13, 2024 for the partial coverage on behalf of the State of financing for the acquisition of the first home intended for habitual and permanent residence by young people under 35 years of age and families with dependent minors.

The **ICO-Covid19 line of guarantees** to support liquidity and investment by companies and the self-employed, launched in 2020 by the Spanish government to alleviate the consequences of the health crisis by Covid-19, and the subsequent measures to make the conditions of the guaranteed loans more flexible, have been efficiently managed by the ICO, helping to maintain activity and employment in the Spanish economy. This line of guarantees has been a successful model of public-private collaboration in its use and extension in the productive fabric, ranking as the most effective in the EU in terms of GDP. The deadline for granting guarantees under this line was June 30, 2022, although the ICO continues to carry out the financial management of the amounts guaranteed during the term of the loans granted. According to data as of June 30, 2022 (the end date for the granting of these guarantees), 140,737[i] million Euros have been injected in business financing, spread over 1,192,484 operations, with 107,187 million Euros guaranteed for liquidity and investment. The default ratio, defined as the proportion of the net principal outstanding (guaranteed and non-guaranteed part) of transactions with defaults with respect to the total principal of the loans formalised, was 2.81% with the default data reported in the October 2023 window (latest available data).

The ICO has also continued to promote the management associated with public guarantees through the **Ukraine Guarantee Facility, a** measure launched at the beginning of 2022 by the Spanish government to strengthen economic recovery and protect the activity of Spanish self-employed workers and companies affected by the liquidity tensions arising from the increase in energy and other raw material prices as a result of the war in Ukraine. The Agreement of the Council of Ministers of December 5, 2023 approved the launch of the third tranche of the Ukraine Guarantee Facility for the self-employed and companies for up to 4,500 million Euros, thus making available all of the 10,000 million Euros previously approved (5,000 million Euros launched on March 2022 and 500 million Euros as a specific reinforcement for the gas intensive industry on December 2022) that are already helping to strengthen the liquidity of companies. The Agreement also extends the maximum application period for guarantees subject to section 2.1 of the Temporary Framework from December 1, 2023 to June 1,

[3] This amount corresponds to the ICO-Covid19 guarantee lines for investment and liquidity support, but does not include the amount of guarantees for MARF promissory note issues, whose guarantee since inception is 859 million Euros, corresponding to 119 issues and financing of 1,255 million Euros.

2024, and raises the maximum amounts of guarantees that can be granted under this section. In addition, the aforementioned Agreement instructs the ICO to extend, even after the expiry of the Temporary Framework (June 30, 2024), when the conditions set out in the Agreement are met, the maturity of the guarantees granted to companies and the self-employed under the facility. Up to December 31, 2023, 26,840 operations have been formalised, requested by 22,259 companies and the self-employed. The amount of guarantees requested totals 4,499 million Euros, which has enabled resources to be mobilised through new loans and other forms of financing amounting to 5,803 million Euros. A total of 96% of the operations were subscribed by the self-employed and SMEs.

On June 2023, the Spanish Government approved a **line of guarantees managed by ICO** for the partial coverage on behalf of the State of financing for **the acquisition of the first home** intended for habitual and permanent residence by young minors and families with dependent minors for a maximum amount of up to 2,500 million Euros. On February 13, 2024, the Council of Ministers approved the agreement establishing the conditions for the Ministry of Housing and the Urban Agenda (MIVAU) to sign this line of guarantees with the ICO. In general, the ICO will guarantee up to 20% of the amount of the loan, unless the home purchased has an energy rating of D or higher, in which case it may guarantee up to 25% of this amount. The term of the guarantee granted by MIVAU to the financial institution and managed by the ICO will be a maximum of 10 years from the formalisation of the operation, regardless of the repayment of the loan.

STATE GUARANTEE LINES. Closing date 2023

LINE OF GUARANTEES	REQUESTED GUARANTEE Millions of Euros	MOBILISED AMOUNT Millions of Euros	NO. OF OPERATIONS	NO. OF COMPANIES
ICO- Covid19 Guarantee Lines [Liquidity + Investment] (from start of Line)	107,187	140,737	1,192,484	674,922
Guarantee Facility Ukraine	4,499	5,803	26,840	22,259
Line of Loans for the purchase of first homes for young people and families with dependent minors.	Line endowed by maximum amount of 2,500 million Euros *(conditions approved by the Council of Ministers on February 13, 2024)*			

- **MANAGING FUNDS ON BEHALF OF THE STATE**
  - ✓ **210,684 million Euros managed by ICO on behalf of the State at 2023 closing (+5.8% compared to 2022), in addition to the State guarantee lines.**
  - ✓ **Support for the internationalisation of Spanish companies, Spanish development cooperation and the financial sustainability of Autonomous Regions and local authorities**

In addition to managing the aforementioned ICO-Covid19 guarantee line, the Ukraine guarantee line and, soon, the line of guarantees for the purchase of first homes for groups with greater access difficulties, the ICO, as the State Financial Agency, provides financial services to manage, off-balance sheet and on behalf of other ministries, certain funds and instruments aimed at **supporting internationalisation** (through FIEM and CARI), **development cooperation** (through FONPRODE and FCAS) and facilitating the **sustainability of regional and local administrations** (through FFCCAA and FFEELL).

At 2023 closing, ICO had managed resources on behalf of the State (including lines of guarantees and State funds) with a total balance of **322,370 million Euros (+5% compared to 2022 closing).**

State Finance Agency *Management of funds on behalf of the State (off-balance sheet activity)*	**Initial guarantee 2023** Millions of €	**Initial guarantee 2022** Millions of €
COVID-19 ICO Guarantee Lines (Liquidity + Investment)	107,187	107,187
Ukraine Guarantee Lines	4,499	649
Guarantee Lines on behalf of the State	*111,686*	*107,836*
	Balance 2023 Millions of €	**Balance 2022** Millions of €
Internationalisation (FIEM + CARI)	5,881	6,507
Development Cooperation (FONPRODE + FCAS)	551	413
Territorial Funds (CCAA + CCLL)	204,252	192,031
Funds on behalf of the State	*210,684*	*198,951*
Total	**322,370**	**306,787**

At 2023 closing, the most relevant amounts of the total activity managed by ICO on behalf of the State were those corresponding to the Autonomous Community Financing Fund (197,968 million Euros, 61% of the total managed on behalf of the State) and the Covid-19 Guarantee Lines (107,187 million Euros, 33% of the total managed on behalf of the State).

SUPPORT FOR INTERNATIONALISATION

ICO acts on behalf of and under the instructions of the Secretary of State for Trade of the Ministry of Industry, Trade and Tourism.

Within this framework, ICO manages:

Business Internationalisation Fund (FIEM)

It promotes the export operations of Spanish companies, as well as Spanish direct investment abroad, by financing operations and projects of special interest for the internationalisation strategy of the Spanish economy. It may also finance the technical assistance that these operations and projects require in both developed and developing countries.

Reciprocal Interest Adjustment Contract (CARI)

A financial instrument that is similar to interest rate insurance, the aim of which is to favour Spanish exports by encouraging financial institutions to grant loans at fixed interest rates.

SUPPORT FOR DEVELOPMENT COOPERATION

ICO acts under the instructions of the Secretary of State for International Cooperation of the Ministry of Foreign Affairs, EU and Cooperation, managing:

Fund for the Promotion of Development (FONPRODE*)

Its purpose is the eradication of poverty, the reduction of inequalities and social inequities between people and communities, gender equality, the defence of human rights and the promotion of human and sustainable development in impoverished countries.

* Law 1/2023, of 20 February, on Cooperation for Sustainable Development and Global Solidarity, has been published in the Official State Gazette, creating the Spanish Fund for Sustainable Development (FEDES F.C.P.J.), which will assume the rights and obligations of FONPRODE once the latter has been extinguished.

Cooperation Fund for Water and Sanitation (FCAS)

Its purpose is to grant aid, mainly non-refundable and, where appropriate, loans to finance projects in the fields of water and sanitation, under the co-financing regime with the national authorities of Latin America and the Caribbean.

FINANCIAL SUSTAINABILITY OF REGIONAL AND LOCAL GOVERNMENTS

ICO manages in the name and on behalf of the Ministry of Finance:

Financing Fund for Autonomous Communities (FFCCAA)

Its purpose is to provide these administrations with liquidity. Among the functions of the ICO as financial manager of the fund are the formalisation of financial operations with the Autonomous Regions and the provision of technical instrumentation, accounting, cash, paying agent and monitoring services.

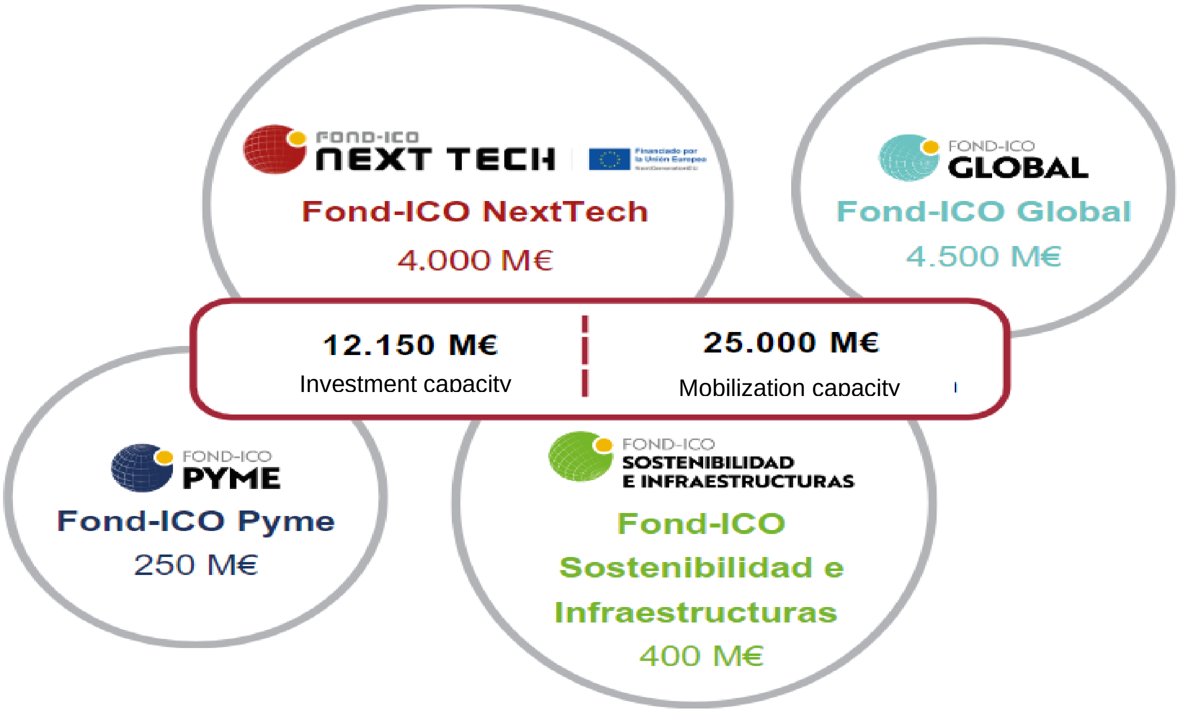
Local Entities Financing Fund (FFEELL)

Its function is to provide liquidity and guarantee the financial sustainability of municipalities by meeting their financial needs.

- **PROMOTING VENTURE CAPITAL THROUGH ITS SUBSIDIARY AXIS, AS AN ALTERNATIVE FINANCING VEHICLE**
  - ✓ **Axis has been approved by the ICO to manage 12,150 million Euros, of which 9,150 million Euros have already been allocated to its four funds**

ICO promotes complementary financing for companies through Axis, its 100%-owned venture capital managing company, in public-private collaboration. AXIS’ activity is carried out through investments in private equity and venture capital funds aimed at promoting the creation and growth of companies throughout the entire investment life cycle, from the early stages (Business Angels, incubation, technology transfer) to start-ups, scale-up, expansion and growth capital (equity) and debt.

Axis has currently been approved by the ICO to manage 12,150 million Euros, of which 9,150 million Euros are already allocated to the four funds it manages at 2023 closing, registered with the CNMV and whose sole participant is the ICO (7,150 million Euros at 2022 closing), in public-private collaboration:



Fond-ICO Next Tech, endowed with **4,000 million Euros**, is a joint initiative of the ICO and Axis with the Secretary of State for Digitalisation and Artificial Intelligence (SEDIA), included in the National Recovery, Transformation and Resilience Plan, with the aim of promoting the development of innovative, high-impact digital projects and investment in scale-ups.

Fond-ICO Global, endowed with **4,500 million Euros**, is the first public venture capital/private equity "fund of funds" created in Spain and aims to promote the creation of privately managed venture capital funds that invest in Spanish companies at all stages of their development. Through the 15 calls of Fond-ICO Global until the end of 2023, investments in Spanish companies have been approved for an amount of 3,427 million Euros with an invested volume of 11,474 million Euros (multiplier of 3.3x). On November 2023, the launch of the **16th Call of** this Fund was approved, the largest of Fond-ICO Global so far, to select 12 funds/managers in three categories: incubation and technology transfer, venture capital and expansion in which **up to 900 million Euros** will be invested. **The resources will come**, depending on the type of project, from one of the following facilities managed by ICO Group in the **Addendum to the RTR Plan**: ICO RRM Green, ICO RRM Enterprises and Entrepreneurs and ICO RRM Spain Audiovisual Hub.

Fond-ICO SMEs, endowed with **250 million Euros**, aims to invest in funds that invest in strategic or innovative segments of activity such as sustainability and social impact or the entrepreneurial ecosystem, also promoting complementary financing to banking through business angels or diversified debt (crowdlending/crowdfunding).

Fond-ICO Sustainability and Infrastructures, endowed with **€400 million**, is focused on participation in sustainable infrastructure projects in the transport, energy, social and services sectors, seeking a clear positive impact on people, the climate and the environment. The Council of Directors of AXIS also approved the change of name from Fond-ICO Infrastructures II, F.I.C.C.C. to Fond-ICO Sustainability and Infrastructures, F.I.C.C.C. and the adaptation of the prospectus and other legal documentation of the fund to Regulation (EU) 2019/2088 of the European Parliament on sustainability disclosures to achieve its classification within its article 8 (financial products promoting environmental or social characteristics). Once filed with the CNMV, it has already been registered with the CNMV.

During 2023, the number of formalisations in all funds under management increased compared to the previous year. Certain aspects (main investment vehicles, project selection process and investment policy) of the Entrepreneurship and Startups Initiative were also approved in response to the Startups Act and the Crea y Crece Act accompanying the RTR Plan.

In addition, the Facilities assigned to ICO Group within the framework of the **Addendum to the RTR Plan for** channelling the loans allocated to the **Recovery and Resilience Mechanism (RRM**) include the **ICO Next Tech Fund**, already in existence prior to the approval of the Addendum but with an increase in the size of the fund during the year 2023. The current size of the fund is **4,000 million Euros** and its main objective is to provide financial support to technology companies in their growth and scaling phase, promoting innovation and development in the technology sector. On February 2023, ICO Group formalised its participation in the **European Tech Champions Initiative (ETCI), a** new fund of funds to finance leading innovative start-ups in Europe, for 400 million Euros through FondICO Next Tech, which plans to reach up to 1,000 million Euros in a second phase. All these actions demonstrate the ICO Group's strong commitment to supporting digital transformation, in public-private collaboration.

Likewise, of the five **Facilities approved with RRM funds** and managed by ICO to be made available to the real economy during the period 2024-2026, the Facilities ICO-RRM Green, ICO-RRM Enterprises and Entrepreneurs and ICO-RRM Spain Audiovisual Hub **include, among others, venture capital as a financial instrument** to channel these funds, as shown in the following table:

	Venture Capital Amount (millions of €) **2024-2026**
Green ICO RRM Facility	2,200
ICO RRM Facility for Enterprises and Entrepreneurs	815
ICO RRM Audiovisual Hub Facility	171
FondICO Next Tech	4,000
TOTAL RRM FACILITIES IN VENTURE CAPITAL	**7,186**

Source: ICO's Management Budget approved on February 2024

By the end of 2023, the ICO has already begun to mobilise the loans from the Addendum to the RTR Plan with 900 million Euros in venture capital investment for sustainable and digital projects, in the largest call of Fond-ICO Global. The resources will come from three of the lines managed by the ICO in the RTR Plan Addendum (ICO-RRM Green, ICO-RRM Companies and Entrepreneurs, and ICO-RRM Spain Audiovisual Hub) and will boost investments that foster business growth and green and digital transformation.

During 2023, Axis has approved commitments of 1,206 million Euros across its four funds (1,790 million Euros in 2022, which mainly stems from the approval of up to 1,000 million Euros for participation in the European Tech Champions Initiative):

DIRECT ACTIVITY: Private Equity AXIS	**Fund size (**)** Millions of €	**Approved commitments 2023** Millions of €	**Approved commitments 2022** Millions of €
Fond-ICO Next Tech	4,000	244	1,290
Fond-ICO Global	4,500	900 (*)	410
Fond-ICO SME	250	30	35
Fond-ICO Sustainability and Infrastructures	400	32	55
RRM contribution - *to be distributed*	3,000		

Total	***12,150***	***1,206***	***1,790***

(*) The launch of the 16th Call has been approved for up to 900 million Euros / 12 funds. Pending resolution at 2023 closing.

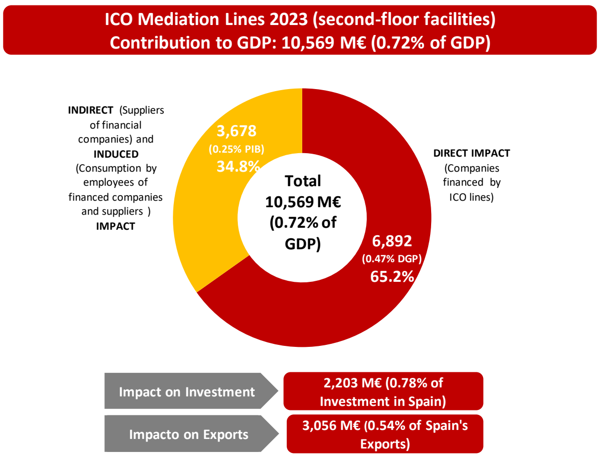
(**) Axis has been approved by the ICO to manage 12,150 million Euros, of which 9,150 million Euros have already been allocated to its four funds.

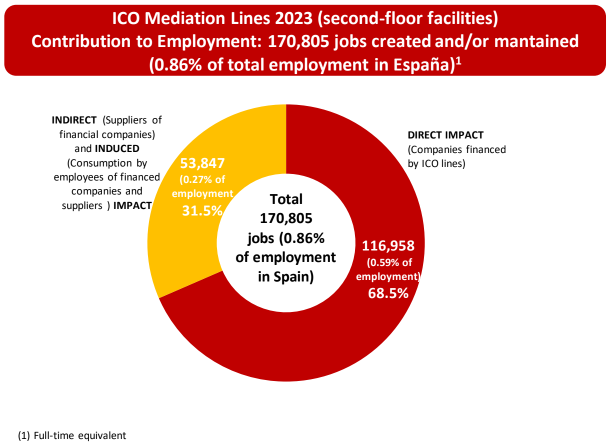
2.3 POSITIVE MACROECONOMIC IMPACT IN THE SPANISH ECONOMY

➢ MEDIATION ACTIVITY: IMPACT ON GDP AND EMPLOYMENT

The ICO has developed an analysis to quantify the macroeconomic impact generated by its financing activity. This analysis, based on a methodology that uses the Input-Output Tables of the National Accounts combined with statistical and econometric techniques, shows that the presence of ICO as a relevant actor in the Spanish financial sector has a significant impact on the economy, generating an important contribution to certain macroeconomic variables such as GDP, exports, investment and employment.

With regard to the impact on economic activity of the financing distributed by the ICO in 2023 through the Mediation lines, estimates place it, in terms of GDP, at 10,569 million Euros, equivalent to 0.72% of GDP. Similarly, this financing activity has led to 2,203 million Euros in investment, which represents 0.78% of total gross fixed capital formation (GFCF) in Spain last year. In relation to exports, the impact generated by ICO financing, estimated at 3,056 million Euros, represented 0.54% of the total volume of Spanish exports.



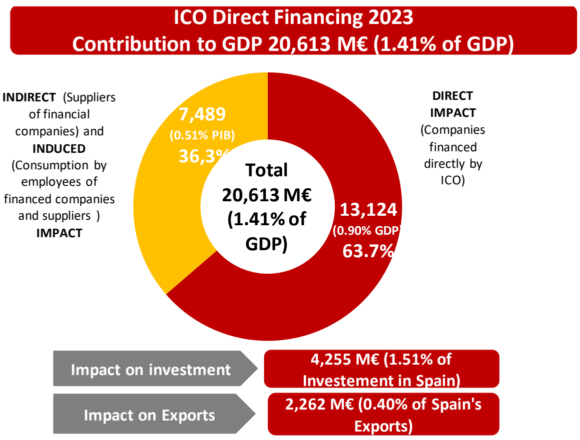


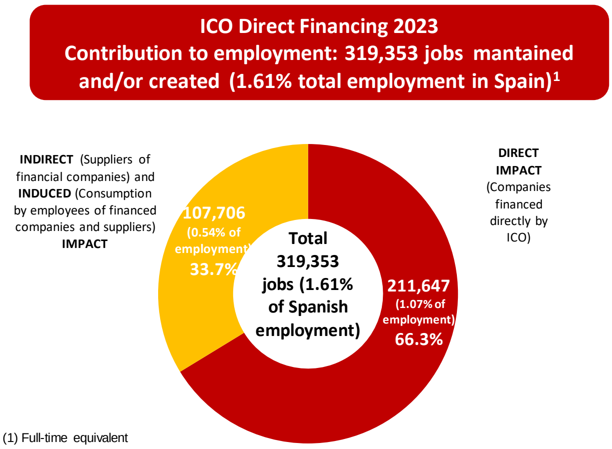
There is also a significant impact on employment. The estimated employment generated and/or maintained as a result of ICO activity in 2023 through Mediation lines is 170,805 jobs, which represents 0.86% of the total volume of full-time equivalent employment.

➢ DIRECT FINANCING ACTIVITY: IMPACT ON GDP AND EMPLOYMENT

Using the same methodological procedure, the ICO estimates the impact on certain macroeconomic variables of its activity as a direct financier.

The estimated impact on economic activity generated by the ICO's direct financing operations formalised in 2023 is estimated, in terms of GDP, at 20,613 million Euros, equivalent to 1.41% of GDP.





(1) Full-time equivalent

Similarly, these direct financing operations have led to 4,255 million Euros in investment, which represents 1.51% of total gross fixed capital formation (GFCF) in Spain in 2023, and have generated an impact on exports, estimated at 2,262 million Euros, which represents 0.40% of the total volume of Spanish exports.

The quantification, in terms of employment generated and/or maintained as a result of these direct financing operations, amounts to 319,353 jobs, which represents 1.61% of the total volume of full-time equivalent employment.

2.4 PROMOTING SUSTAINABILITY IN OUR ACTIVITY AS FUNDERS

ICO Group contributes to long-term sustainable development, seeking to achieve balanced economic development, social development and environmental protection. ICO Group promotes growth through the financing of business activities that contribute to the generation of employment and economic development, both in Spain and in third countries, aligning itself, among others, with the 17 Sustainable Development Goals of the United Nations 2030 Agenda, with the Paris Climate Agreement (COP 21), with the United Nations Guiding Principles on Business and Human Rights and with the EU Sustainable Finance Action Plan, all signed by Spain and implemented at European and national level.

The ICO Group's sustainable financing is part of the European context of promoting sustainable finance and is aligned with the European sustainability priorities set out in the EU New Green Deal, which have subsequently been transferred to the European Climate Law. Likewise, ICO Group endorses the environmental objectives included in the European regulation on sustainable investment when focusing its activity and is working to incorporate these criteria across the council in the institution.

ICO Group has a Sustainability Policy, which is updated in response to events that make it necessary to adapt it to reflect the current situation, and whose main lines of action are as follows:

- Acting as a signpost in the design and implementation of all ICO's sustainability actions by encouraging stakeholders to share the objectives and commitments in this area.
- Combating climate change and protecting natural capital, following the international best practice and, in particular, the principle of no significant harm of the European Union.
- Promoting just and inclusive transition, so that the ICO is a key player in the change process, making new opportunities available to all.

The ICO Group's Sustainability Policy establishes a general framework for action and is complemented by the other internal policies that govern the Institute's activity, such as the Environmental Policy, the Quality Policy, the Policy for the Prevention of Money Laundering and the

Financing of Terrorism, the Anti-Fraud Action Plan and Institutional Anti-Fraud Declaration, the Direct Financing Policy, the CSR Policy, the Equality Plan, the Data Protection Policy, the Code of Ethics and Conduct and the Internal Code of Conduct in the Securities Market, among others.

The ICO, as the National Promotional Bank, faces two major challenges. On the one hand, to promote and accelerate the transformation of the economic model towards a more environmentally and socially sustainable model. On the other hand, taking into account the structure of the business fabric, which is mainly made up of SMEs and the self-employed, to accompany the main players in the economy in this transition, leaving no one behind.

The ICO Group's strategic focus is the promotion of environmental and social sustainability, and it has set itself the target that at least 40% of all new financing in the period 2022-2027 should be sustainable. To this end, internal sustainability assessment procedures have been implemented in line with the main international standards, with the aim of identifying operations with an environmental and social contribution.

In recent years, ICO Group has given a strong boost to financing companies for sustainable projects -environmental and social- as a means of driving the transformation of the Spanish economy towards a more sustainable and fairer model. As can be seen in the following table, which covers the period 2021-2023, ICO Group has gone from approving new sustainable (environmental and social) direct financing activity for an amount of 1,810 million Euros in 2021 to an amount of 2,846 million Euros in 2023 (+57%). The same trend is observed in both International Channel and AXIS activity, whose new sustainable activity has increased from 597 million Euros in 2021 to 694 million Euros in 2023 in International Channel (+16%), and from 77 million Euros in 2021 to 274 million Euros in 2023 (x 3.6 times).

	Total amount			Sustainable			Environment			Social			Sustainability Quota		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Balance Direct Financing (Portfolio)	11,329	11,417	14,014	4,702	4,946	6,181	3,379	3,721	5,375	1,323	1,225	806	42%	43%	44%
New Activity Direct Financing	2,531	4,066	6,184	1,810	2,223	2,846	1,463	1,407	2,652	347	816	194	72%	55%	46%
International Channel (cum. disbursements)(1)	1,508	1,805	2,036	597	625	694	480	503	569	117	122	125	40%	35%	34%
AXIS (assets under management) (2)	229	242	385	76	94	160	69	82	143	7	12	17	33%	39%	41%
AXIS (new activity, approvals) (3)	93	380	306	77	294	274	50	196	191	27	98	83	83%	77%	90%

(1) Cumulative disbursements since the start of the Facility at 2023 closing
(2) Assets managed by Axis (amounts disbursed minus redemptions for each fund) in FondICO-SMEs, Fond-ICO Sustainability and Infrastructures and Fond-ICO Next Tech
(3) Approvals in FondICO-SMEs, Fond-ICO Sustainability and Infrastructures and Fond-ICO Next Tech

In **2023,** ICO continued to promote sustainability by approving operations with a positive environmental and social impact, resulting in a percentage of **direct sustainable approvals** representing **46% of total new approvals of ICO direct activity** (55% in 2022, higher than in 2023 due to a lower amount of total direct financing in 2022 compared to 2023) and a volume of **2,846 million Euros approved** (2,223 million Euros in 2022), **mobilising an investment of 16,314 million Euros** (15,931 million Euros in 2022) and an **investment of 16,314 million Euros** (15,931 million Euros in 2022). In the international sphere, 12 operations have been approved (9 loans and 3 guarantees) classified as sustainable for an amount granted of more than 800 million Euros and an estimated mobilised investment of 7,200 million Euros.

During 2022, the reporting of information on sustainable activities and projects was voluntary on the part of financial institutions, becoming mandatory from 2023, in order to encourage awareness and identification of sustainability in the SME segment, as well as to ensure alignment with the ICO's strategic objectives.

The **Addendum to Spain's RTR Plan**, approved by the EU Council on October 17, 2023, provides for the channelling through the ICO Group, in public-private collaboration, among others, of an **ICO-Green Facility amounting to 22,000 million Euros** for financial support to the green transition. The financing will be channelled in the form of Mediation Lines, direct financing, purchase of corporate bonds and capital injections (direct and/or through equity funds). Beneficiaries will be private sector companies, public sector and households.

The Addendum to the RTR Plan also assigns ICO Group a **4,000 million Euros** Facility for the promotion of social housing - the **ICO RRM Facility for the promotion of social rental housing -** whose objective is to increase the stock of social or affordable rental housing, as well as to improve the existing housing stock. This Facility will be able to finance the construction of energy-efficient rental housing or energy-efficient refurbishment by public or private developers and will be available to the real economy from 2024. The ultimate objective is to support the increase in the supply of rental housing through financing, with a special focus on territorial areas with the greatest tension in the residential market. It is estimated that from 2024 onwards the channelling of these European funds, in public-private collaboration, will further increase the ICO Group's new activity in the field of sustainability.

For its part, the **ICO RRM Business and Entrepreneurs Facility** includes a **tranche for the tourism sector of up to 1,000 million Euros** to finance projects that promote, among other things, the sustainability of the sector.

- **CONTRIBUTING TO SUSTAINABLE BUSINESS FINANCING**
  - ✓ **At least 40% new sustainable financing by 2022-2027**
  - ✓ **6,181 million Euros of net balance of direct sustainable operations at 2023 closing (+25% compared to 2022) with positive environmental and social impact, 44% of the total direct portfolio.**
  - ✓ **51,292 million Euros of investment mobilised by the end of 2023, in public-private collaboration**

ICO finances directly, or through financial institutions or Axis (its venture capital manager), projects that promote the ecological transition and the environmental, social and governance (ESG) sustainability of the business fabric. The purpose of the operations to be financed focuses, among others, on sustainable mobility, development of renewable energies, renewable hydrogen, energy efficiency, circular economy, water treatment, improved energy efficiency and sustainability of buildings, improved accessibility in buildings and housing, urban and rural regeneration and renovation, transport infrastructure projects, hospitals, homes for the elderly or education with public and private companies and construction and rehabilitation of social or affordable housing.

Detail of the Direct Financing portfolio, total and sustainable, at 2023 closing:

Sustainability Categorisation	No. Operations	Net balance (millions of €)		Mobilised Investment (millions of €)
Environment	**152**	**5,375**	**38.4%**	**44,772**
Climate Change	136	5,032	35.9%	42,404
Blue Economy	11	78	0.6%	808
Circular Economy	5	265	1.9%	1,560
Social	**254**	**806**	**5.8%**	**6,520**
COVID measures	19	382	2.7%	1,110
Housing	223	180	1.3%	761
Health and Social Inclusion	11	225	1.6%	4,514
Development Cooperation	1	19	0.1%	135
Sustainable	**406**	**6,181**	**44.1%**	**51,292**
Not determined	**491**	**7,833**	**55.9%**	**65,564**
Total	**897**	**14,014**	**100%**	**116,856**

x 8.33

x 8.09

❖ Green Asset Ratio - Alignment with European Taxonomy at 2023 closing

○ Voluntarily reported

ICO Group promotes sustainability as one of the pillars of its strategy, implementing sustainable criteria in all its areas of activity. For this reason, ICO has considered it good practice to carry out an analysis of the taxonomic alignment of its loan portfolio. The methodology applied is an approximation to the criteria set out in Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a Taxonomy to facilitate sustainable investments.

In this regard, it has been considered of interest to disclose the proportion of exposures to aligned economic activities relative to the total assets covered in the GAR.

The ratios calculated as at December 31, 2023 are as follows:

- % exposure to eligible economic activities (CAPEX): **15.12%.**
- % exposure to eligible economic activities (VN): **14.52%.**
- Green Asset Ratio (CAPEX): **7.93%.**
- Green Asset Ratio (GAR): **7.48%.**

Contextualisation of GAR information

The information reported is voluntary, but is more closely aligned with the criteria defined in Regulation (EU) 2021/2178. The criteria and procedures implemented for the calculation of the Green Asset Ratio (GAR) are set out below:

This is the first exercise in reporting alignment information. In order to obtain the most accurate information possible, publicly disclosed information has been compiled and, in some cases, clients have been contacted to:

- Confirm whether the counterparty is an undertaking subject to Articles 19a and 29a of Directive (EU) 2013/34 (public interest entities with more than 500 employees).
- In generalist activities, ask for the Taxonomy dissemination tables.
- In finalist activities, confirm their alignment.

In the coming years, work will be done to complete the alignment information and, where necessary, obtain supporting documentation from the partners.

In this exercise only stock information is reported as no alignment information is available from the previous exercise. Efforts are being made to disseminate flow information from next year onwards.

For the calculation of the ratio, the total assets covered by the GAR (denominator) have been considered. However, the eligibility and alignment analysis has only been applied to the loan portfolio (numerator).

For the intermediation portfolio, the end-customer has been considered to be entirely composed of small and medium-sized enterprises, counterparties that are not subject to NFRD.

For green bond transactions where no client information has been obtained, the eligibility and alignment ratios reported in the Taxonomy Tables disclosed by the counterparties have been applied.

Due to the availability of information, a breakdown of the amount for enabling and transition activities has not been incorporated.

- **New sustainable direct activity in 2023**
  - **46 sustainable operations approved in 2023**
  - **2,846 million Euros approved with positive environmental and social impact, 46% of total new direct operations**
  - **16,314 million Euros of investment to be mobilised, in public-private collaboration**

Within the framework of direct financing to companies with Spanish interest, ICO Group relies on the following financial instruments to encourage investment in activities that contribute to the achievement of sustainability objectives: green and social loans, loans linked to sustainability objectives, acquisition of sustainable bonds and green securitisations.

During 2023, ICO Group continued to promote sustainability by approving operations with a positive environmental and social impact. The **sustainable percentage** represents **46% of the new direct operations approved**, which translates into a volume of 2,846 million Euros in approved financing and a mobilised investment of 16,314 million Euros.

The amount of operations approved in 2023 with an **environmental impact** totals **2,652 million Euros**, with a **mobilised investment of 15,437 million Euros**. The largest volume of funding is concentrated in support for the fight against climate change, with a total amount of 2,483 million Euros allocated.

The amount of operations approved with a **social impact** totals **194 million Euros**, with a **mobilised investment of 877 million Euros**. Of the 194 million Euros, an amount of 64 million Euros corresponds to seven operations of the ICO Housing and Urban and Rural Regeneration Programme 2022-2025, whose objective is the promotion of social housing stock. A loan amounting to 50 million Euros has also been approved in line with the Sustainability Linked Loan Principles, which has been linked mainly to social inclusion objectives, such as the deployment of fibre optics in rural areas or gender equality. An 80 million Euros operation was approved for the electrification of rural areas in Senegal, which contributes to social objectives.

Detail of new approved direct activity, total and sustainable, at 2023 closing:

Sustainability Categorisation	No. Operations	Amount (millions of €)	%	Mobilised Investment (millions of €)
Environment	**37**	**2,652**	**43%**	**15,437**
Climate Change	34	2,483	40%	14,581
Circular Economy	3	169	3%	856
Social	**9**	**194**	**3%**	**877**
Housing	7	64	1%	98
Social inclusion	2	130	2%	779
Sustainable	**46**	**2,846**	**46%**	**16,314**
Not determined	**733**	**3,338**	**54%**	**14,071**
Total	**779**	**6,184**	**100%**	**30,385**

x 5.8

x 4.5

During 2023, the standardisation of sustainability information included in the proposal for direct operations continued, including, among other fields, identification of the contribution to taxonomy and SDG objectives, compliance of sustainable financing with international standards, compliance with Equator principles, as part of the process of continuous improvement of information in this area. Likewise, clauses continue to be incorporated and improved in asset transaction contracts to include sustainability reporting obligations.

- **New direct activity aligned with SDGs by 2023**
  - **Impact of operations on 8 SDGs**
  - **Decent Work, Climate Action and Affordable Clean Energy are the most important ones**

ICO Group is firmly committed to the United Nations 2030 Agenda for Sustainable Development, and through its direct financing activity contributes to the achievement of the Sustainable Development Goals (SDGs).

During 2023, the main purpose of ICO's direct activity has been the contribution to the SDG 8. Decent work and inclusive and sustainable economic growth, with approved direct financing of 3,167 million Euros, linked to SDG 8 and mobilised investment of 11,087 million Euros.

The contribution to the energy and climate transition is also notable, through SDG 7. Affordable and clean energy, and SDG 13. Climate action, with a volume of direct financing approvals of 2,159 million Euros and a mobilised investment of 13,001 million Euros. These objectives have been driven by the ICO through renewable energy projects, sustainable mobility, green bond underwriting and Sustainability Linked Loans with climate KPIs.

Finally, it is worth highlighting the boost during 2023, to SDG 11. Sustainable cities and communities with an amount of 606 million Euros and a mobilised investment of 4,633 million Euros. This objective has been promoted through sustainable mobility and social housing projects.

Detail of new direct activity approved according to SDG at 2023 closing

SDG		Approvals (millions of €)	%
SDG 1	End of poverty	-	-
SDG 2	Zero hunger	-	-
SDG 3	Health and well-being	-	-
SDG 4	Quality education	-	-
SDG 5	Gender equality	38	0.6%
SDG 6	Clean water and sanitation	-	-
SDG 7	Affordable and clean energy	893	14.4%
SDG 8	Decent work and economic growth	3,167	51.2%
SDG 9	Industry, innovation and infrastructure	63	1.0%
SDG 10	Reducing inequalities	50	0.8%
SDG 11	Sustainable cities and communities	606	9.8%
SDG 12	Responsible production and consumption	102	1.6%
SDG 13	Climate action	1,266	20.5%
SDG 14	Underwater life	-	-
SDG 15	Terrestrial life and ecosystems	-	-
SDG 16	Peace, justice and strong institutions	-	-
SDG 17	Partnerships to achieve the objectives	-	-
TOTALS		6,184	100%

x 3.5

SDG		Mobilised investment (millions of €)
SDG 8	Decent work and economic growth	11,078

x 6.02

+

SDG		Mobilised investment (millions of €)
SDG 7+13	Affordable and clean energy Climate action	13,001

x 7.6

SDG		Mobilised investment (millions of €)
SDG 11	Sustainable cities and communities	4,633

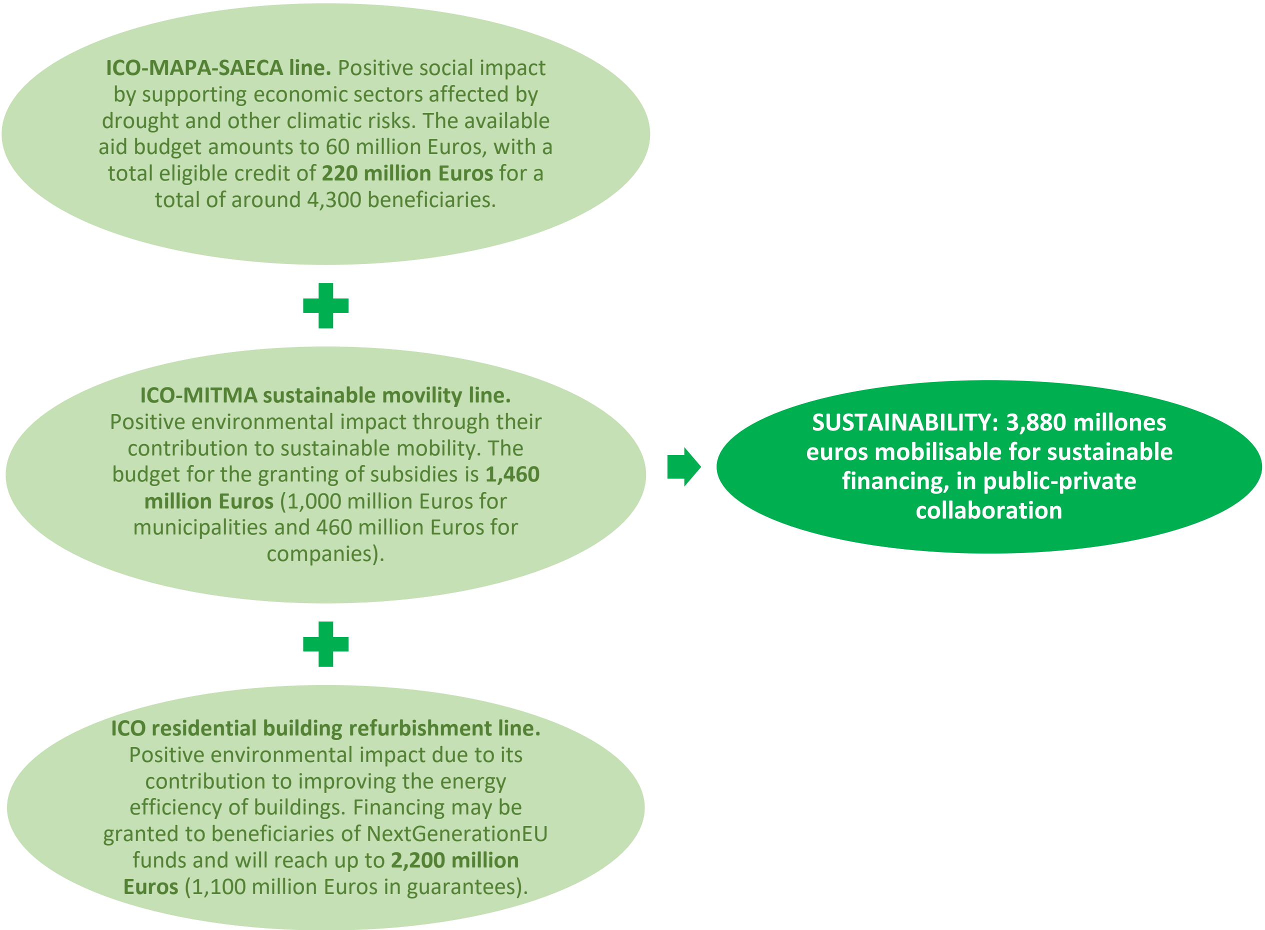
- **ICO Sustainability mediation lines**
  - **3,880 million Euros drawable for sustainable investments, in public-private collaboration**
  - **Around 15,500 million Euros in new ICO RRM Lines contributing to the green transition**

In the area of sustainability, during 2023, the ICO has continued to work on channelling budgetary resources by making available to companies and the self-employed lines that promote sustainable mobility and the refurbishment of residential buildings, which have grants or guarantees from the Ministry of Transport, Mobility and the Urban Agenda (MITMA).

The ICO also provides financing to the agri-food and fisheries sector with the aim of supporting economic sectors affected by drought and other climatic risks, offering aid from the Ministry of

Agriculture, Fisheries and Food (MAPA). During 2023, the deadline for applying for aid under the ICO-MAPA-SAECA line has been extended to September 15, 2024, the aid limits per customer have been raised from 10% to 15%, and the MAPA aid allocation has been increased from 20 million Euros to 60 million Euros.

The aid and guarantees of these three lines will mobilise around 3,900 million Euros, in public-private collaboration. ICO's objective in managing the lines, in public-private collaboration, is to boost financing for Spanish companies for sustainable projects.



In addition, during 2023, ICO has collaborated with MIVAU in the implementation of a **new line of guarantees to facilitate financing for the acquisition of the first habitual residence for young people** under 35 and families with dependent minors for a maximum amount of **2,500 million Euros**, which will be partially covered by the State to the tune of 20% or 25% if it has a minimum energy rating D. Following the approval by the Council of Ministers on February 2024 of the conditions of the line, during 2024 MIVAU and ICO will process the signing of the agreement to implement and manage this line of guarantees, whose potential beneficiaries will be able to apply for the guarantee through the participating financial institutions.

During 2023, ICO Group has been working, together with other public bodies, on the implementation of the **ICO RRM Mediation Lines from the** resources assigned to ICO in the **Addendum to the RTR Plan (2nd Phase of the Plan)**, which will be made available to the Spanish productive fabric during 2024-2026, **in public-private collaboration**. Of the total amount of 20,976 million Euros of the new ICO RRM mediation lines, an **amount of up to 15,505 million Euros** is earmarked for the contribution to improving **energy efficiency** and supporting **climate objectives:**

	Period 2024-2026
ICO RRM Green Line Investment projects contributing to the climate objectives of the RRM Regulation	**12,505**
ICO RRM Enterprises and Entrepreneurs Line / Tourism Tranche Tourism sector projects promoting sustainability	**1,000**
ICO RRM Social Housing Line Construction of energy efficient buildings. Refurbishment of existing buildings where an improvement in energy efficiency can be demonstrated.	**2,000**
TOTAL ICO-RRM SUSTAINABILITY MEDIATION LINES	**15,505**

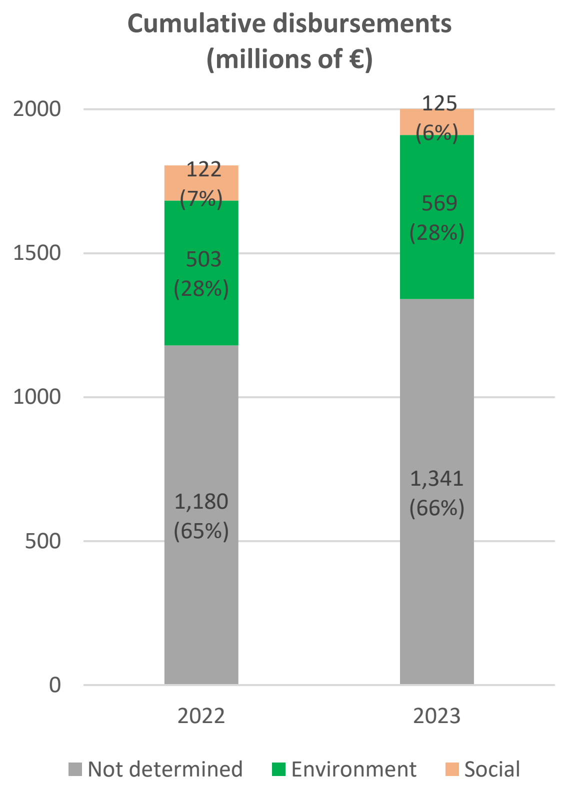
Source: ICO management budget approved on February 2024

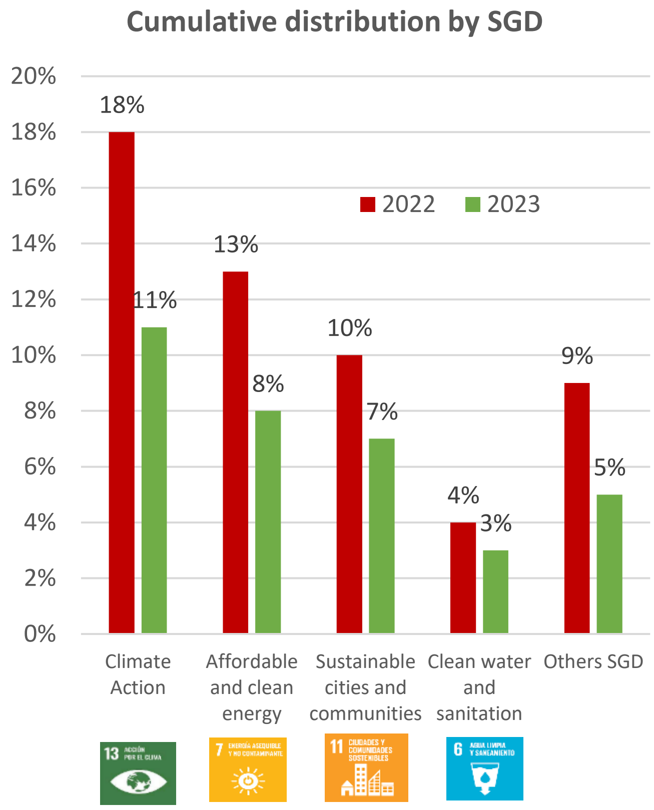
The **International Channel Line** fosters the financial support of sustainable projects, enabling ICO, as one of the leading national promotional banks at European level, to play a key role by working in public-private collaboration in the development of sustainable finance. In this way, the Institute can align financing activity with the economic policy objectives included in the green transition pillar of the Recovery and Resilience Mechanism, enabling the transition to a climate-neutral economy in the areas of energy efficiency, renewable energy production, sustainable transport and industrial decarbonisation.

In addition, following the adoption of the Granada Declaration on October 2023, a strategic line of action is established for the common future for the benefit of all the countries of the European Union, which will enable closer links with LATAM and Caribbean countries. Between January and December 2023, through the ICO International Channel Line, new disbursements were made and/or justified for 17 sustainable projects, amounting to 81 million Euros, financed through CABEI, FONPLATA and Santander Brazil. In addition, six of these projects were allocated to the Clean Oceans Initiative (COI), in which ICO participates together with the EIB and KFW to support projects in Asia, Africa and Latin America to reduce ocean pollution, with a special focus on plastics and other solid waste through projects for the collection, treatment, recovery and recycling of this waste.

The activity of the ICO International Channel Line is aligned with the ICO Group's strategy and with ICO's various cross-cutting priority lines of action, including environmental and social sustainability. In **terms of commitment to sustainability**, it should be noted that 34% of the cumulative disbursements of the ICO International Channel Line have been categorised as sustainable at 2023 closing (35% in 2022), of which 28% is environmental and 6% is social (28% and 7%, respectively, in 2022). The main contributions to the SDGs have also been categorised, as shown below.

ICO International Channel Line: Cumulative disbursements and distribution by SDGs





ICO continues to increase its efforts to improve the information available on sustainability in its intermediated activity, where the low average size of the companies financed and the intermediation model make it a major challenge.

During 2023, the Sustainability Annex in the ICO Mediation Lines implemented in 2022 has become mandatory. This makes it possible to obtain information on the sustainability of SMEs in a very capillary manner. This information should enable companies and projects to be better identified in terms of sustainability, although this is a new process in which it is still necessary to continue introducing improvements to ensure the highest standards of information quality.

- **AXIS (venture capital manager of the ICO Group) in the field of sustainability**
  - **90% sustainable of new AXIS approvals by the end of 2023**
  - **274 million Euros of approved amount in sustainable investments in 2023**
  - **900 million Euros call launched in 2023 for sustainable and digital investments to mobilise loans from the RTR Plan Addendum**

Axis' actions complement those of the Institute and reinforce the ICO Group's clear positioning in favour of sustainability. In 2023, Axis has approved a total amount of 274 million Euros in sustainable investments through its venture capital activity.

Axis implements sustainability criteria through the following financial instruments:

Fund	Target achieved in 2023	Approvals / Calls 2023
Fond-ICO Global	In its latest calls for proposals, the digitalisation and ESG sustainability criteria of companies and projects have been included as qualitative criteria to be assessed for the selection of funds. On December 2023, the ICO has begun to mobilise the RTR Plan loans with 900 million Euros in venture capital investment for sustainable and digital projects, in the largest call of Fond-ICO Global. The resources will come from three of the lines managed by the ICO in the Addendum to the Recovery Plan -ICO Green, ICO Enterprises and Entrepreneurs, and Spain Audiovisual Hub - and will boost investments that foster business growth and green and digital transformation.	900 million Euros* (16th call for proposals)
Fond-ICO Sustainability and Infrastructures	In 2023, the change of name from Fond-ICO Infrastructures II, F.I.C.C.C. to Fond-ICO Sustainability and Infrastructures, F.I.C.C.C. and the adaptation of the prospectus (and other legal documentation) of the fund to Regulation (EU) 2019/2088 of the European Parliament on sustainability disclosures, for classification under article 8 (financial products promoting environmental or social characteristics), were approved. To date, the changes have already been registered with the CNMV. This fund is focused on participation in sustainable investment projects in the energy, sustainable mobility, environment and social infrastructure sectors, seeking a positive impact for people, the climate and the environment. During 2023, a total of 30 million Euros has been invested in a fund for the development of a renewable energy project.	30 million Euros
Fond-ICO Next Tech	In 2023, the following has been approved: - Investment of 89 million Euros in 5 companies whose activities contribute to the objectives of Climate Change Mitigation and Circular Economy. - 70 million investment in three funds under Article 8 of the SFDR Regulation (EU), the assets of which will be used for environmental and social impact projects. - 55 million investment in an Article 9 SFDR fund, the assets of which will be allocated to projects that develop innovative solutions that promote the achievement of the goal of zero net carbon emissions.	214 million Euros
Fond-ICO SME	In 2023, the following has been approved: - 20 million investment in two European Social Entrepreneurship Funds (EuSEF) under Article 9 SFDR Regulation (EU). - 10 million investment in an Article 9 SFDR fund, the assets of which will be allocated to different sustainable impact sectors such as food and healthy lifestyles, health sciences, education, energy efficiency, renewable energy, waste management and circular economy, among others.	30 million Euros

* The date of publication of the rules of the 16th call was December 14, 2023 and the deadline for submission of documentation is January 23 and 24, 2024.

- **Channelling European funds on a sustainable basis: InvestEU, CEF and RRM Addendum**
  - **72 million Euros of funding approved under the European Connecting Europe Facility-Alternative Fuels Infrastructure Facility (CEF-AFIF) programme for the promotion of alternative fuels infrastructure.**
  - **It also invests in green infrastructure venture capital funds**

ICO, as an implementing partner of the European Commission, collaborates with various ministries, organisations and entities channelling resources from European programmes, including the European Commission's InvestEU programme. Through this European programme, based on guarantees and which includes sustainable infrastructure (SIW) as one of its main lines of action, ICO will be able to facilitate Spanish companies' access to financing for sustainable investments.

The ICO, as a collaborating entity (Implementing Partner-IP) of the European Commission for channelling European resources, will continue to provide blending financing (long-term ICO financing and EU CEF grant) for projects under the CEF (Connecting Europe Facility) programme. At present, the ICO, together with MITMA, is studying and contributing to the search for eligible projects in the CEF-AFIF (Alternative Fuels Infrastructure Facility) programme, within the MFF 2021-2027, with a budget of 1,575 million Euros for the whole of Europe. This programme promotes the participation of private sector investors and financial institutions in projects that contribute to the environmental sustainability and efficiency of the transport sector in Europe, promoting alternative fuels supply infrastructures.

ICO, as IP of the EC, published on June 5, 2023 the terms and conditions of the call called "ICO InvestEU Green Funds" to channel 150 million Euros, backed by a guarantee package of 75 million Euros under the InvestEU programme, into up to three venture capital/private equity funds investing in sustainable infrastructure and its industrial ecosystem in the EU and preferably in Spain. The resources channelled by the ICO with the InvestEU guarantees will contribute to mobilise, with the participation of private investors, a minimum of 300 million Euros towards projects to be developed in the energy, sustainable transport, environment and resources, critical infrastructure and social infrastructure sectors, in accordance with the parameters set out in the InvestEU programme. Proposals for participation in these funds were submitted to the InvestEU Investment Committee on December 2023.

At 2023 closing, the ICO has an InvestEU Guarantee Agreement for up to 112.25 million Euros to guarantee its investment in four funds for up to 224.5 million Euros (124.5 million Euros Invest EU Green Funds and 100 million Marguerite III Infrastructure Fund - approved and constituted in 2022).

On December 2023, the **4-year renewal of the InvestEU Guarantee Programme** was approved, extending its validity until December 31, 2027, increasing the maximum amount of ICO's participation in the guarantee by 200 million Euros, from 225 million Euros to 500 million Euros, and including the **new Strategic Technology Europe Platform (STEP) window**, which will reinforce various European programmes (including InvestEU) with the aim of investing in strategic sectors for Europe.

During 2023, ICO has continued to approve new financing operations for long-term sustainable projects for a **total amount of 72 million Euros**, which will be submitted to the European Commission to obtain the CEF-AFIF facility grant. These operations consist of the approval of a 36 million Euros financing for the **smart electrification of two operations centres** in a public utility company (total investment of 51.5 million Euros), the approval of a 3 million Euros financing for the production, storage and supply of **hydrogen as an alternative fuel for transport** in the Community of Madrid (total investment of 26.3 million Euros), the approval of funding of 4 million Euros for the construction of 80 **electric superchargers** in 10 different locations across Spain (total investment of 40 million Euros), the approval of funding of 29 million Euros for the installation of more than 1,200 **fast charging points on the road network** in Spain and Portugal (total investment of 117 million Euros).

In addition, as mentioned above, in the period 2024-2026 ICO Group will channel around 40,000 million Euros, in public-private collaboration, from the loans of the Addendum to the RTR Plan, including specific resources to finance investments that support the green transition of companies.

These resources will be made available to the Spanish productive fabric through mediation lines, direct financing instruments and risk/private capital funds.

- **TO CONTINUE TO PROMOTE AND EXPAND THE SPANISH AND EUROPEAN SUSTAINABLE BOND MARKET**
  - ✓ **15 emissions issues until 2023 (5 green and 10 social) for an amount of 7,550 million Euros**
  - ✓ **Promote projects that generate a positive social and environmental impact**

The Institute finances its medium and long-term activity mainly through debt issues on the capital markets and through bilateral loans from multilateral or private financial institutions. The ICO is not financed through the General State Budget, nor does it take deposits from private individuals. During 2023, medium and long-term funds of 7,314 million Euros were raised, of which **1,000 million Euros were sustainable issues (13.7% of the total).** ICO channels the funds raised through these operations towards the business fabric through its direct financing programmes, the ICO Mediation Lines and funds managed by AXIS.

ICO issued its first social bond in early 2015 when guidelines had not yet been established. Since this first issue, ICO has demonstrated its leadership in the social bond market. ICO has issued its **tenth social bond** on June 2023 for an amount of **500 million Euros** maturing on October 31, 2028, to finance, in public-private collaboration, projects of the self-employed, SMEs and Spanish companies that promote social and territorial cohesion and generate a positive impact on employment, also in line with the objectives of the National RTR Plan. This **issue** brings the volume of funds raised in the **social bond market by** ICO issues to **5,050 million Euros**.

ICO reinforced its commitment to the sustainable bond market with its first issue in the green bond market in 2019. ICO has issued its **fifth green bond** on February 2023 for an amount of **500 million Euros** to finance projects carried out by Spanish companies that contribute to boosting the ecological transition and the development of sustainable finance, in line with the objectives of the National RTR Plan. The fifth green bond is part of the ICO's strategy to contribute to the growth of the sustainable bond market, which guarantees the channelling of funds to finance projects linked to sustainability from a social and environmental point of view. **This new operation** brings **the volume of green bonds issued by the ICO** to **2,500 million Euros** and strengthens its commitment to the development of the market for this type of transaction. With the funds raised in these operations, the ICO has so far promoted **37 renewable energy and clean transport projects** by Spanish companies, which **will prevent the emission of more than 900,000 tonnes of CO2 per year.**

Transparency towards investors remains a cornerstone for ICO. **In 2023, the impact reports corresponding to the social bond and the green bond issued in 2022 were published.** Through these reports, ICO provides investors with information on the destination of the funds raised and the impact generated. Funds raised through the **social bond reported in 2023** (ninth social bond, issued in 2022) financed **3,875 projects**, **mobilised a** total of **705 million Euros** and enabled the **creation or retention of 34,586 jobs in regions with below-average GDP per capita.** In addition, funds have also been earmarked to finance health care in places facing health difficulties, to provide access to basic infrastructure and, finally, to social housing. **With the green bond reported in 2023** (fourth green bond, issued in 2022), **14 projects** were financed in the categories of **renewable energy and clean transport**, which will **avoid the emission of 184,712 tonnes of CO2**.

With the two new issues made in 2023, the ICO consolidates its position as a benchmark issuer in the European sustainable bond market, with **15 sustainable operations** (**10 social operations** totalling **5,050 million Euros and 5 green operations** totalling **2,500 million Euros),** with **a total amount issued** of **7,550 million Euros**, which are channelled towards projects of Spanish companies to promote sustainable growth.

ICO has also carried out other initiatives to promote this sustainable debt issuance market. On June 2023, ICO brought together international investors and issuers at the 7th ICO Sustainable Bond Forum, now in its seventh year, a benchmark event for analysing the evolution of green, social and sustainable bond markets. The event was organised by ICO in collaboration with BBVA, Crédit Agricole, HSBC, ING and Santander.

- **PROMOTING SEVERAL SUSTAINABILITY INITIATIVES**
  - ✓ **Ensuring a more sustainable and inclusive economic growth model**

❖ Equator Principles

The Equator Principles (EP) are the financial industry's framework for identifying, assessing and managing potential environmental and social risks in project finance. Published in 2003, they are based on the International Finance Corporation (IFC) Performance Standards and the World Bank's Environmental, Health and Safety (EHS) Guidelines.

In keeping with its values and its mission to promote a more sustainable economy, ICO joined the SP on October 2016 with the intention of improving its risk management system for large financing projects and in order to identify and mitigate the possible negative impacts on the environment, people and the climate that these projects could cause.

In 2023, following the Equator Principles Partnership's proposal for the implementation of a new legal structure and governance framework, ICO has reaffirmed its commitment to the Principles by signing a new adherence agreement. This update ensures that the EPs are applied and managed in a robust and consistent manner, strengthening the Institute's commitment to the sustainable management of large projects.

In the projects it finances, both nationally and internationally, ICO categorises projects according to risk and encourages the implementation of environmental and social management systems and plans by clients and borrowers in the planning and execution of projects.

ICO voluntarily adopts the Equator Principles and undertakes to be a benchmark in their management and compliance, including the publication of all projects financed within its scope, on an annual basis and following the reporting guidelines indicated in the Principles themselves.

ICO's annual reports are available at the following link: https://www.ico.es/quienes_somos_ico/transparencia_y_buen_gobierno/principios_de_ecuador

❖ Progress in measuring the carbon footprint of our portfolio – PCAF

In its commitment to decarbonisation, and aware of the weight that greenhouse gas emissions financed by a credit institution represent, ICO Group has made significant progress in its process to calculate the scope 3 carbon footprint of its credit and investment portfolio, as a first challenge to be able to set targets for reducing its CO2 emissions.

To quantify these financed emissions, ICO has an internal tool based on the PCAF (Partnership for Carbon Accounting Financials) methodology, based on the GHG Protocol. PCAF is an initiative created in 2015 by Dutch financial institutions that over the years has been consolidated internationally. The aim of this initiative is to develop a globally accepted standard for the measurement and disclosure of greenhouse gas emissions associated with loans and investments.

The work carried out in 2023 has made it possible to obtain the first quantitative data, identifying, by CNAE code, the sectors with the greatest exposure in the entity's portfolio in terms of absolute CO2 equivalent emissions. Specifically, these sectors were "A-Agriculture, livestock, forestry and fishing; C-Manufacturing industry; D-Supply of electricity, gas, steam and air conditioning; H-Transport and storage".

Formal accession to PCAF as a committed entity is also expected in 2024.

❖ International Climate Finance Strategy

It should also be noted that the ICO is part of the Spanish International Climate Finance Strategy approved by the Council of Ministers, which aims to meet Spain's commitments in terms of international climate finance, specifically in countries defined as non-Annex 1 in the United Nations Framework Convention (developing countries). The budgets prepared by ICO for the coming years identify the item that will be allocated to this ICO commitment to finance climate mitigation and adaptation in these countries.

❖ Annual participation in the elaboration of the SDG Budget Alignment Report

The ICO participates annually, along with other public bodies, in the preparation of the Report on the alignment of the 2024 General State Budget with the Sustainable Development Goals of the 2030 Agenda, which is carried out by the Ministry of Finance. The ICO has submitted the contribution of its initiatives to the Sustainable Development Goals, assessing them in accordance with the methodology proposed by the Ministry of Finance in the ministerial order laying down the rules for the preparation of the General State Budget for 2024. (Order HFP/1254/2023 of 23 November).

❖ Joint initiatives with other National Promotional Banks

- **Joint Initiative for the Circular Economy (JICE):** ICO is part of this initiative from 2019, together with other national promotional banks (BGK in Poland, CDC in France, CDP in Italy and KfW in Germany) and the EIB, aiming to prevent and eliminate waste, increase resource efficiency and foster innovation by promoting circularity in all sectors of the economy. JICE involves a joint funding commitment to the initiative for the period (2019-2023) of 10,000 million Euros (2,000 million Euros/year). As of June 2023, the initiative has jointly reached a committed amount of 8,887 million Euros and plans to potentially extend the initiative in amount and timeframe, while bringing in new shareholders in 2024.

- **Clean Oceans Initiative (COI):** Since 2020, ICO has been participating in this initiative together with the EIB, AFD, KFW, CDP and EBRD (new shareholder from 2022) to support projects in Asia, Africa and Latin America that reduce ocean pollution, with a special focus on plastics and other solid waste through projects to collect, treat, recover and recycle this waste. The initiative was extended to 4,000 million Euros at the beginning of 2022 (more than double the initial amount). By December 2022, 60 transactions have been formalised between the six shareholders of the initiative for 2,432 million Euros of financing, which represents 61% of the target achieved with 3 years to go (2025). By sector, 65% is wastewater treatment, 18.8% solid waste treatment and 16% stormwater treatment.

- **European Long Term Investors Association (ELTI):** In 2023, ICO brought together Europe's national promotional banks at the 10th anniversary of the European Long Term Investors Association (ELTI), which brings together 32 national promotional banks and institutions in the European Union, including ICO, two international financial institutions and the European Investment Bank (EIB) as a permanent observer. The entities that make up ELTI have channelled new financing amounting to 320,000 million Euros in 2022 - of which more than 30% is qualified as sustainable financing - into projects in the fields of energy, digitalisation and the fight against climate change, in line with the priorities of the EU and the different Member States. At the meeting held in 2023, the ELTI members validated the new Strategic Framework 2023-2033, with which the national promotional banks reaffirm their commitment to continue working, in public-private collaboration, to promote long-term financing for companies, paying special attention to SMEs, and projects in the fields of innovation, sustainable finance, infrastructure development, education and housing.

- **Water Finance Coalition (WFC)**: ICO became a member of the WFC coalition in 2021. The aim is to promote and improve the financing of the water and sanitation sector to meet SDG 6 of the Paris Treaty and to contribute to the protection of biodiversity through the establishment of a network of national and international National Promotional Banks. The coalition meets quarterly to collaborate, research and exchange knowledge. The founding members are AFD, CAF, EIB, World Bank and Sanitation and Water for All (SWA), with CAF acting as chair. At the Finance in Common Summit on September 2023, the WFC Declaration signed in 2021 was renewed and expanded. This declaration has been endorsed by ICO and has defined objectives aimed, among others, at contributing to attracting finance for climate commitments and increasing financing for water security.

3 COMMITMENT WITH THE SOCIETY: BEYOND OUR FINANCIAL ACTIVITY

ICO Group's activity is eminently financial and therefore projects its effects on society and the Spanish economy mainly through its financial initiatives. These impacts are those described above. However, not all of the Group's contribution to society is through its financial products. Through various initiatives and projects, ICO Group contributes directly to the sustainable development and prosperity of communities, economically, socially and culturally. The Corporate Social Responsibility Policy and the Sustainability Policy specify the Group's strategic guidelines.

The bulk of the Group's non-financial activities with an impact on society are carried out through the Fundación ICO, whose activity is summarised in the specific section, which has an impact on multiple fronts of support for culture, knowledge and sustainability in general. In 2024, Fundación ICO will celebrate its 30th anniversary. Its activity contributes to disseminating the ICO Group's actions, supporting environmental, economic and social initiatives that share the Group's objectives and facilitating society's knowledge of ICO's activity, as well as collaboration and social interaction with individual actors and with other public and private entities. The Foundation's activities add value by complementing and complementing those of the rest of the Group.

But these actions are not exhausted here, as there are positive contributions through policies on Human Rights, the treatment of customers and suppliers or specific initiatives such as corporate volunteering. Lastly, ICO Group also contributes to sustaining public spending through the generation of profits from its activities and the payment of the corresponding taxes in Spain.

3.1 FUNDACIÓN ICO. PROMOTING CULTURE AND KNOWLEDGE

A. <u>AREA OF ART AND SUSTAINABLE ARCHITECTURE</u> (AP 2023[4]: 1,221,500.16)

➢ ICO COLLECTIONS

ICO Collections represent the most important artistic contributions of the 20th century in Spain. The loan of its works to national and international cultural institutions was maintained in 2022 to further consolidate the dissemination of this exceptional collection. A comprehensive review of the ICO Collections was also undertaken and the usual preventive conservation actions were carried out.

➢ COLLABORATION AGREEMENT WITH MUSEO NACIONAL CENTRO DE ARTE REINA SOFÍA

In the framework of the collaboration agreement signed by the Fundación ICO and Museo Nacional Centro de Arte Reina Sofía (MNCARS) on August 30, 2012, which was extended twice, seven works from the ICO Collections have been on deposit at the MNCARS since July 9, 2013. In 2023, the loan agreement with the MNCARS was renewed for a period of five years.

➢ TEMPORARY LOANS

During the year 2023, four requests for temporary loans from the ICO Collections were dealt with:

- Juan Muñoz, *Raincoat Drawing*, 1992-93: exhibition Juan Muñoz. En la hora violeta, CA2M, Museo Centro of Arte two of Mayo, Mostoles (from June 17, 2023 to January 7, 2024).

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[4] AP is Action Plan for 2023. Amounts budgeted in the Action Plan for the main activities of the Fundación ICO during 2023 are included.

- Pablo Ruiz Picasso. *Femme débout*, 1961: exhibition Las edades de Pablo, Museo Casa Natal Picasso, Málaga (from June 23 to October 1, 2023).
- Antonio López, *Calabazas*, 1992-93: exhibition Antonio López, Fundació Catalunya La Pedrera Barcelona (from September 22, 2023 to January 14, 2024) and Drents Museum, Assen, Holland (from January 28 to June 2, 2024).
- Contemporary Spanish Painting Collection (19 works): exhibition *The Eighties*, Benalmadena Málaga Exhibition Centre (from September 28, 2023 to January 7, 2024).

➢ ICO COLLECTIONS ON THE CER.ES NETWORK

Since 2016, the ICO Collections have been part of the Digital Network of Spanish Museum Collections (CER.ES). This is a network managed by the Ministry of Education, Culture and Sport, which allows the online dissemination of the collections belonging to the ICO Collections (http://ceres.mcu.es).

➢ ICO MUSEUM EXHIBITIONS

The Fundación ICO, in addition to being entrusted by the ICO with the management of its art collections, is in charge of the temporary exhibition programme of the Museo ICO, which since 2012 has specialised in the research and dissemination of Architecture as an artistic and cultural discipline.

Throughout 2023, the exhibition activity offered to the public at the ICO Museum was as follows:

- Pablo Palazuelo. *The line as a dream of architecture (*February 15 - May 7, 2023).
- *Bleda y Rosa* (PHE23). (May 31 – September 10).
- *Balkrishna Doshi. Architecture for all* (Oct 5, 2023 - Jan 14, 2024).

A catalogue was published for all these exhibitions.

The ICO Museum received a total of 42,995 visits in 2023, the second best year in the Museum's history.

➢ 20/XXI. IMAGES OF SPAIN

In 2022, the conceptual phase of this wide-ranging photographic project was completed, which aims to open a debate on the current situation in Spain and generate a new and important public heritage. In addition, as a pilot project, the photographer Juan Baraja was commissioned to add 16 works from his series “Y vasca / Euskal Y” to the ICO Collections. As a continuation of the above, in 2023 a new commission was made to the photographers Bleda and Rosa and meetings were held with several institutions to try to concretise the implementation of the project).

➢ COMPLEMENTARY ACTIVITIES AND INCLUSION AND ACCESSIBILITY

This section includes guided tours and cultural mediation, workshops for schools, families and young people, and workshops for people with cognitive disabilities. All these activities are offered to the interested public free of charge.

Special attention has been devoted to inclusion and accessibility issues, working on activities especially with deaf people and those with cognitive diversity, aimed at facilitating access to the ICO Museum for all types of public. Special mention should also be made of the *Empower Parents* programme, aimed at families with children with Autism Spectrum Disorder.

B. SUSTAINABLE ECONOMY AND FINANCE AREA (AP 2023: 777,800 €)

The Economy Area promotes activities aimed at generating and disseminating knowledge in economic and financial matters, mainly through shared reflection and debate between experts and agents in these fields, with a special focus on Circular Economy and sustainable finance. The activities within this area are classified into four main sections: publications, training, collaborations and discussion platforms.

➢ **PUBLICATIONS** (AP 2023: 208,000 €)

Classics of Spanish economic thought

As part of the international Classics collection, promoted by the Foundation itself, the work "Resources, Opportunities and Welfare" by the economist Amartya Sen was published, with a translation and introductory study by Professor Carmen Herrero.

With regard to the collection published in collaboration with the Royal Academy of Moral and Political Sciences, "Escritos de Francisco de Cabarrús. Economista ilustrado" (Writings of Francisco de Cabarrús. This work, published in two volumes, was presented at the headquarters of Bank of Spain, with the participation of its governor, the president of the Fundación ICO and academics Benigno Pendás, Alfonso Sánchez Hormigo and Pedro Schwartz.

EURO 2023 Yearbook

Published under the title "The Union in a Fragmented World, A yearbook on the Euro 2023"". https://www.fundacionico.es/economia/anuarios/anuario-del-euro

The presentation of this edition took place on March 2, 2023 at the Uría Menéndez auditorium in Madrid. The event was attended by Salvador Sánchez Terán, Managing Partner of Uría Menéndez, Lola Solana, President of the Spanish Institute of Analysts, José Carlos García de Quevedo, President of the ICO Group, and Fernando Fernández, Director of the Yearbook. At a subsequent round table, the Secretary of State for the Economy and Business Support, Gonzalo García, the President of the AEB, Alejandra Kindelán, the Director General for Economics and Statistics of the Bank of Spain, Ángel Gavilán, and the Deputy Director of the European Commission Representation Office in Madrid, Lucas Gómez Ojeda, took part.

Sustainable Finance Notebooks

Three issues of the new publication, "Cuadernos de finanzas sostenibles y economía circular de la Fundación ICO", coordinated by Analistas Financieros Internacionales (Afi), have been published. During 2023, one issue focused on the impact of climate risks on the financial sector, another on the various aspects of the Blue Economy and, finally, a third on sustainable investments.

The Notebooks are conceived as a biannual publication on relevant and topical issues relating to sustainable finance and the circular economy in Spain and the EU, with a practical and useful approach for the different audiences, institutions and sectors concerned. The three notebooks have been presented at public events held in Madrid (at the AFI headquarters and the ICO) and in Santander, at the UIMP.

Fundación ICO 2022 Report

As in previous years, the Fundación ICO's 2023 Annual Report, corresponding to the financial year 2022, has been published

Other publications

In addition to the Euro Yearbook, the Fundación ICO has also maintained the website of the Competition Yearbook with the repository of all the issues published from 1996 to 2019, culminating in the transfer of the Yearbook to the National Markets and Competition Commission (CNMC) in 2023.

Two books have also been published in 2023: “Finance and Public Banking in the 21st century: proposals from the Spanish economy” and “Valuation of companies and other assets” in collaboration with the Fundación de Estudios Bursátiles y Financieros. In addition, a Study on the impact of the Circular Economy on Construction has been commissioned and will be delivered on January 2024.

- **TRAINING** (AP 2023: 329,800 €)

FUNDACIÓN ICO PROGRAMME - CHINA SCHOLARSHIPS. Call for applications 2022-23

The Foundation’s China Scholarship Programme, launched in 2003, has trained approximately 400 young Spanish professionals in Chinese language, culture and economy through an academic and immersion programme, with very good results. As of March 2020, the Programme was affected by restrictions on international mobility, with the courses being held *online* and it not being possible to travel to Beijing. The Council of Trustees of the Fundación ICO decided that the last call for this programme would be for the academic year 2022-2023.

The 12 students of the 2022-23 call for applications started *online* classes on September 2022 at the three universities with which agreements were in place. During the second semester, from January to June 2023, they were finally able to travel and continue their studies in person. As mentioned above, the programme ended in 2023.

MUSEOGRAPHY SCHOLARSHIP

It has existed as such since 2006. It is aimed at graduates in Art History, with knowledge of English and, preferably, specialised training in museology and museography.

The last call for applications took place in 2022, the year in which the entire process was managed. The new grantee chosen as a result of this process joined the Art Area on March 2023 and will complete her training period on February 2024.

NEW SUSTAINABLE FINANCE TRAINING PROGRAMME

In 2023, a contract has been signed with the Spanish Chamber of Commerce to initiate a programme to raise awareness among SMEs of the impact of sustainable finance on their activity. This programme will be carried out in collaboration with the territorial Chambers of Commerce and will consist, in this first phase, of awareness-raising workshops and the publication of a Guide for SMEs on sustainable finance, with an eminently practical approach. The conferences will be held in 2024 and, after them, a training programme for SMEs will be planned.

FINANCIAL EDUCATION

It has been articulated through the following activities:

- **e-FP Programme**

In 2023, this collaboration was maintained with the Créate Foundation, through the contracting of the Programme Coordination services, in order to ensure the quality of the contents, the fluidity of the contacts between the agents involved, the elaboration and analysis of indicators and the attention to the mentoring network.

- **Financial Education Plan**

We collaborated with the organisation of a conference on training for primary education teachers, within the framework of the activities for the celebration of Financial Education Day 2023, and by participating in the conference organised by the entities promoting the Plan in Seville.

- **“Training course on financial education for primary school teachers”.**

Through an agreement signed with the Universitat de Barcelona and the Universitat Autònoma de Barcelona, the design and creation of an *online* course for primary school teachers has been completed, with the aim of providing them with the knowledge and tools that will enable them to teach the essential concepts of financial education to their students. The course had its first “pilot” edition on June 2023 and was presented at the ICO on September 2011.

- **Student visits to the ICO**

In 2023, Fundación ICO has taken on the coordination of student visits to ICO, having carried out three such visits for a total of more than 200 students (two visits by vocational training and secondary education students and one visit by Master’s students).

CIRCULAR ECONOMY

- **MOOC on circular economy**

On December 2022, the MOOC opened on March of that year, aimed at SMEs and carried out together with the UNED (corresponding to the 2021 budget), was closed. 542 people enrolled in that first edition, of which 18.82% completed it (considered a very good completion rate). The final survey showed a high level of satisfaction, so the course has been updated during 2023, in order to keep open a second edition until the end of 2024.

- **ICO Circular Programme**

In 2023, a training programme on Circular Economy for primary schools in the Community of Madrid was contracted through a public tender. The programme has been conceived jointly with the CSR area of ICO and will be implemented throughout 2024.

- **PARTNERSHIPS** (AP 2023: 180,000 €) **and DISCUSSION PLATFORMS** (AP: 60,000 €)

Fundación ICO promotes collaborations with other entities and platforms for debate that encourage reflection and expert analysis through the creation of work forums and the exchange of experiences and knowledge on highly specialised subjects, most of which are complementary to the activities carried out by the ICO, thus boosting the Institute’s image.

Under the heading of **partnerships**, the main activities in 2023:

- **Carolina Foundation**

Fundación ICO collaborates with the Carolina Foundation in an annual programme whose objective is to hold a seminar related to the different aspects of relations between Spain, the EU and Latin America. A seminar was planned for 2023 focusing on the possible application of a taxonomy of sustainable finance in Latin America, in line with what has been approved in the EU; however, this seminar did not take place in 2023 and has been moved to 2024.

- **BRUEGEL Foundation**

Fundación ICO is a member of this Brussels-based non-profit organisation, whose mission is to contribute to improving the quality of economic policies through research, analysis and open debate.

- **Ibero-American Business Foundation (VIII Meeting of Multilatin Companies**)

In 2023, Fundación ICO collaborated with the Ibero-American Business Foundation (FIE) in the organisation of the VIII Meeting of Multilatin Companies, which was held at the headquarters of the UIMP in Santander on July 13, 14 and 15, 2023. These annual meetings are dedicated to analysing the global panorama and the main challenges facing Ibero-America and its relations with Spain and the EU, highlighting the fundamental role of Multilatin companies in the development and integration of the region.

- **Complutense Institute of International Studies (ICEI**)

The Fundación ICO collaborates with the ICEI of the Complutense University of Madrid (ICO is a trustee of the ICEI). In 2023, the collaboration materialised in the financing of the seminar *"2nd EIBA EU CatChain Summer School Innovation and Catching-Up Along the Global Value Chains: Research MethSDG and New Approaches in International Business Joint event EIBA-CATCHAIN EU Project*", which took place at the UIMP in Santander from August 28 to September 1, 2023.

- **SERES Foundation (Society and Responsible Business Foundation).**

The Fundación ICO collaborates with the SERES Foundation as a shareholder. SERES activities and products are designed to promote and measure the social impact of business activity, contributing to the promotion of corporate social commitment. Thus, the SERES Social Footprint Index© is a methodology that allows companies to identify the relevant (material) social contributions of their projects, the identification of metrics that enable their comparability and, above all, provides a framework of transparency in the criteria for awarding NextGen grants linked to valuing not only the environmental impact of projects but also their objective social contribution.

- **Collaboration with the Spanish Global Compact Network and ICEX in the Training Programme: Sustainable Suppliers.**

During 2023, Fundación ICO collaborated with the Spanish Network of the United Nations Global Compact and ICEX in the development and implementation of a sustainable supplier training programme. This programme was designed by the UN Global Compact Spain (UN Global Compact), Fundación ICO and ICEX España Exportación e Inversiones.

This is an international programme aimed at training the supply chains of large Spanish companies, partners of the initiative in Spain, in the field of sustainability, taking as a reference the Ten Principles of the UN Global Compact and the Sustainable Development Goals (SDGs). This first edition of the programme closed on November 2023, with the participation of more than 2,000 SMEs.

- **CRE100DO Foundation**

In 2023 the Fundación ICO has started its collaboration with the CRE100DO Foundation, becoming part of its Council of Trustees. The CRE100DO Foundation was created in 2014 as a country programme promoted by the Bankinter Foundation for Innovation, ICEX and the Círculo de Empresarios, with the aim of supporting the growth of medium-sized companies, and was set up as a foundation in 2019.

The Fundación ICO and the CRE100DO Foundation share the objective of fostering excellence in medium-sized Spanish companies, promoting best management practices, the adoption of new technologies, collaboration between companies, and social and environmental responsibility.

Within the **debate platforms** section, during 2023, the Fundación ICO has promoted the holding of several days of reflection and dialogue related to its priority areas of action. Thus:

- In the area of Sustainable Art and Architecture, it has promoted several conferences on the dissemination of Architecture, related both to the temporary exhibitions of the ICO Museum and to the work of prominent Spanish architects. It also organised a conference to mark the 10th anniversary of its "Empower Parents" programme and a conference in collaboration with the Higher Council of Spanish Architects' Associations (CSCAE) to discuss the role and prospects of the circular economy in the construction and architecture sector. Also, as in previous years, it participated, together with the Arquia Foundation, in the presentation of the Barcelona International Architecture Festival in Madrid.

- In the area of Sustainable Economy and Finance, in 2023 Fundación ICO sponsored and participated in:

  - The presentation of the Euro 2023 Yearbook
  - The presentation of the book, published jointly with the Royal Academy of Moral and Political Sciences, on the work of Francisco de Cabarrús, which took place at the Bank of Spain.
  - The presentation of the book, published jointly with the Fundación de Estudios Bursátiles y Financieros, "Valoración de empresas y otros activos", which took place in the ICO
  - The presentation of the three issues of the Cuadernos de Finanzas Sostenibles y Economía Circular, which took place in Madrid and Santander, Spain.
  - The presentation of the financial education course for primary school teachers, in conjunction with the Autonomous University of Barcelona and the University of Barcelona.
  - The VIII Meeting of Multilatinas Companies, which was held at the UIMP in Santander on July 2023.
  - The EIBA seminar, jointly with the Complutense Institute of International Studies, which took place at the UIMP in Santander.
  - The presentation, together with the Spanish Global Compact Network and ICEX, of the results of the sustainable supplier training course, which was held on November at ICEX.

3.2 OUR ROLE IN THE SOCIETY

3.2.1 HUMAN RIGHTS

ICO recognises that respect for human rights and, therefore, the protection of people's dignity, well-being and development, is a basic and unavoidable pillar on which to build and manage all its activities.

As explained in point 4 of this document, in its internal management, ICO Group ensures the protection of Human Rights by integrating mechanisms for the Prevention of Money Laundering and Terrorist

Financing, the Internal Code of Conduct in the Securities Market and the Group's Code of Ethics and Conduct, as well as multiple internal procedures to prevent any type of corruption or bribery.

ICO also integrates the protection of Human Rights by providing its staff with the appropriate training, awareness and initiatives. In this respect, ICO is especially and expressly committed to:

- The Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities for men and women and the fight against all forms of discrimination.
- The reconciliation of work, family and personal life.
- Professional development and training.
- Health and safety at work.
- Reconciling professional activity with respect for the environment.
- The socio-occupational inclusion of groups with functional diversity.
- Corporate volunteering.

In its role as a financier, ICO promotes development and social welfare by expressly prohibiting the financing of any activity that could have the effect of violating human rights. In addition, the ICO, in its commitment to the United Nations Guiding Principles on Business and Human Rights, ensures that its financing incorporates the protection, respect and reparation of the potential damage that its financial activity may cause and will ensure that its borrowers or counterparties do not allocate the funds received from the ICO to activities that may be related to the violation of Human Rights.

As a signatory to the Equator Principles, it relies on due diligence processes to determine and avoid the human rights impact of its major funding projects.

In its relationship with suppliers and in compliance with the requirements of the Public Sector Contracts Act, ICO prohibits the contracting of individuals or legal entities convicted of terrorism, setting up or joining a criminal organisation or group, illicit association, illegal financing of political parties, human trafficking, corruption in business, influence peddling, bribery, fraud, offences against the Treasury and Social Security, offences against workers' rights, prevarication, embezzlement, negotiations prohibited to civil servants or money laundering. Procurement systems make it possible to ensure compliance with procurement conditions without the need for a specific supplier monitoring and auditing system. No supply chain non-compliance has been detected in 2023.

In addition, social responsibility criteria are incorporated into contracting and tendering mechanisms to ensure that suppliers comply with human rights and labour regulations.

Within the scope of its business relations and as a complement to its commitment to promote the SDGs and the 2030 Agenda, it also promotes the 10 Global Compact Principles which, in terms of Human Rights, determine that companies should support and respect the protection of fundamental Human Rights within their sphere of influence, and that companies should ensure that their employees are not complicit in Human Rights abuses.

With respect to its environment and society, ICO's own purpose and the performance of its professional activity promote the development of people and the positive impact on the sustainable progress of the economy, fighting poverty and social differences and, therefore, collaborating in the minimisation of Human Rights violations.

Specifically, the ICO promotes social development and employment through its direct lending activity and mediation lines to support SMEs, entrepreneurs and the self-employed, by issuing social and green bonds or by managing financing instruments in its role as the State Financial Agency.

Finally, the ICO has a channel for external reports, complaints or suggestions, and an Information area that manages, transfers and resolves, in internal coordination with the necessary departments, any communications received from third parties and the different stakeholders, as detailed in subsequent sections.

In 2023, no complaints were received in relation to human rights violations in the course of ICO's business, from its shareholders or its suppliers, nor in the previous year.

3.2.2 SUPPLIERS

ICO Group is governed by Law 9/2017, of 8 November, on Public Sector Contracts, although to a different extent depending on the legal nature of each of the entities forming part of the ICO Group. Thus, the Instituto de Crédito Oficial and the Fundación ICO have the status of contracting authority and do not have the status of Public Administration. Therefore, the contracting of both entities is governed to a large extent by the aforementioned law in the terms established for entities with this status in accordance with the provisions of articles 316 and following of the aforementioned law.

Furthermore, the ICO, as a Public Business Entity, is subject to centralised procurement rules, which means that a series of goods and services have been declared centralised by Ministerial Order EHA/1049/2008, of 10 April, and must be procured through the Directorate General for the Rationalisation and Centralisation of Procurement.

For its part, AXIS is not a contracting authority, and is governed by the provisions of articles 321 and 322 of the aforementioned Law. In compliance with the same, it has approved the Internal Procurement Instructions that regulate the contracting procedures, guaranteeing the effectiveness of the principles of publicity, concurrence, transparency, confidentiality, equality and non-discrimination

In accordance with the provisions of Law 9/2017, of 8 November, on Public Sector Contracts, ICO Group analyses the incorporation of environmental and social requirements in accordance with the object of the contract. In this regard, each procedure includes a report from the human capital and CSR area that analyses the relevance of the possible incorporation of this type of clauses.

The economic and technical solvency of suppliers is analysed in accordance with the provisions of the Contracts Act and the specifications for each contract, and due diligence procedures are carried out with suppliers in accordance with current regulations. Contracts expressly include the obligation to abide by ICO's code of conduct. Each contract has a person responsible for ensuring that it is properly complied with. Work is underway to establish some kind of formal control procedure in the future.

All tenders and contracts signed are accessible through the Public Procurement Platform.

In 2023, 54 tendering processes were launched for the procurement of goods and services for a total amount of 26.3 million Euros, of which 24.2 million Euros corresponded to the 20 tendering processes subject to harmonised regulation. In 2022 these figures were 48 tendering processes for a total amount of 35.8 million Euros, of which 33.8 million Euros corresponded to the 11 tendering processes subject to harmonised regulation.

32.15 million Euros were paid to suppliers during the financial year 2023, of which 31.90 million Euros were paid to suppliers resident in Spain (99.2%), compared to the total of 30.6 million Euros paid in 2022 (99.3% to residents).

3.2.3 CUSTOMERS

- **Consumer health and safety measures**

ICO Group, due to its financial services activity, does not have a significant impact on the health of consumers. Therefore, given the nature of the ICO Group's activity, in 2023 there were no significant impacts on customer health through any of the categories of products and services offered, as in 2022. Therefore, there were no incidents or cases of non-compliance in this area either.

In terms of consumer safety, the only area identified is the protection of consumers' personal data as described in point 4.3 above.

➢ Reporting systems, complaints received and their resolution

Communication with our stakeholders and, in particular, with our customers, is considered by ICO Group to be one of the main tools for continuous improvement and for gathering information to define our future lines of action.

The ICO Group, through the centralised action of its information area, has three channels for communication with the public:

- Written attention is provided through the corporate website (https://www.ico.es/contacto), where interested parties can request further information on products or express their complaints or suggestions. This tool also enables customers to find out about the activities and information that the institutions' offices have on the ICO Group's lines of credit. This tool also enables customers to obtain information on other ICO Group activities that are not necessarily related to financing products.
- There is a call centre, managed by the firm Konecta, which communicates through telephone calls, the Click to Call application, and through Web Chat, a communication channel with customers implemented in 2020.
- ICO Group has implemented an on-site customer service to cover all customers who decide to request information or make their complaints and suggestions directly at the Institute's premises.

In 2023 there was a general increase in the number of telephone contacts and letters sent by citizens compared to the previous year, as a result of the interest aroused by the announced line of guaranteed financing for the purchase of homes for young people and families. Complaints fell by 51%, as most of them related to the different lines of guarantees, the relevance of which has been decreasing.

Face-to-face care remained stable in 2023, following an increase in 2022 due to the end of health restrictions.

Service Channel	2023	2022	Variation (%)
In writing	**4,185**	**3,831**	**+9%**
Complaints	140	289	-52%
Information Requests	4,033	3,536	+14%
Suggestions	12	6	+100%
Call Centre	**22,313**	**17,799**	**+25.4%**
Call Centre	13,282	13,708	-3%
Click to Call	5,535	1,713	+223%
Web Chat	3,496	2,378	+47%
Direct service	**566**	**567**	**0%**
Total	**27,064**	**22,197**	**+22.4%**

Despite not yet being in force, citizens have shown interest in finding out about the conditions and dates of the line of guarantees for home purchases by under 35s and families with dependent children, with more than 9,000 **enquiries** on the subject. Requests for information from the self-employed and companies regarding the ICO lines, mainly Companies and Entrepreneurs, also continued.

With regard to **complaints**, a total of 140 complaints were received in 2023 (289 in 2022), which were responded to within an average of 2.7 working days (well below the maximum time limit of 15 working days). By December 31, 2023, all complaints for the year had been resolved. Of the total, 66% related to credit operations under the COVID-19 Guarantee Lines, so many of them were passed on to the financial institutions. Of these, 30% related to the Mediation Lines and the remaining 4% concerned other issues not related to the products or services managed by ICO.

In addition, an annual survey is conducted among credit institutions mediating ICO loans to ascertain their expectations of demand for these products, the reasons for their evolution, and opportunities for improvement. The last wave of the survey revealed that the institutions expect a certain stability in the demand for credit from the Spanish business community and a certain increase in the use of ICO products.

3.2.4 PARTNERSHIP WITH SUSTAINABILITY ASSOCIATIONS

Specifically, and apart from the joint initiatives mentioned in point 2.4 (Equator Principles, JICE and CEO), it plays an active role in several associations or groups that promote sustainability in different areas, as a demonstration of its commitment to sustainability.

Among the agreements with national and international institutions in the field of sustainability, it is worth highlighting its collaboration with the **Spanish Network of the United Nations Global Compact,** of which it has been a shareholder since 2005 and signatory of its principles and has been a member of its executive committee for 8 years, to promote the important work of this organisation in the dissemination of the SDGs and the Ten Principles of the Global Compact in the areas of human rights, labour, the environment and anti-corruption.

ICO is also an active member of associations aimed at promoting sustainable finance. Since 2021, the Institute has been a member of the Spanish Sustainable Finance Observatory (**OFISO**), a forum for meeting, information and debate for companies, financial institutions, public administrations, investors and other agents in the financial industry, as well as a platform to give visibility and notoriety to its commitment to Sustainable Finance. It also forms part of **SPAINSIF**, where in 2023 ICO continued to form part of the Council of Directors and Executive Committee, holding the vice-presidency of Group I, which represents the group of financial institutions, and participated in various activities such as the “Corporate Engagement” round table at its annual event. We also participate in **FINRESP** (Centre for Responsible and Sustainable Finance), which aims to address the difficulties and needs of the business community, particularly Spanish SMEs, to contribute positively to the commitments of the 2030 Agenda.

Grupo de Acción Sostenibilidad y RSE en Empresas Públicas

ICO is also a member of **FORETICA**, where ICO led the launch of the CSR Action Group for public companies. In 2023, ICO continued to co-lead the working group, which has 30 public entities with a vocation to advance towards the achievement of the 2030 Agenda, in which public companies exchange knowledge, implement individual and joint actions for the integration of the SDGs and promote best management practices in the field of Sustainability and CSR. As an additional objective, this Group aims to serve as an example and guide to act as a driving force and lever for change for the rest of the economic and social actors. In 2023, the Group’s work has focused on understanding the challenges and opportunities of Scope 3 emissions, focusing on measuring and reducing this type of indirect emissions that occur in the value chain to contribute to the “Net Zero” objective. In addition, it has addressed the regulatory developments on sustainability reporting and the most important aspects reflected in the new European Directive on Corporate Sustainability Reporting (CSRD), in addition to the reporting standards that accompany it (ESRS).

ICO is one of the 18 public companies that signed the **collaboration agreement** with the Secretary of State for the 2030 Agenda in 2021. This collaboration agreement facilitates the exchange of good practices in the implementation of the SDGs and their targets, and the development of joint projects in this area, including the certification of goods and services. In addition, this alliance also serves to support outreach and awareness-raising activities for the achievement of the 2030 Agenda. Throughout 2023, through this Working Group, ICO has been involved in promoting relevant issues such as responsible public procurement, human rights and due diligence, sustainability indicators and reports, circular economy, among others.

ICO is firmly committed to the important role that women and female talent must play in the development of our economy, which is why in 2019 ICO is joining the **"Women and Internationalisation"** working group promoted by the Secretary of State for Trade with the aim of promoting the role of women in the development and internationalisation of the Spanish economy and laying the foundations to advance in a committed, firm and coordinated manner in the incorporation of women in international trade.

In 2023, the second edition of the roundtables was held under the title "**The role of women in the internationalisation of the Spanish economy", which took place in** thematic roundtables. ICO Group participated in the roundtables on Visibility and Leadership and Training, Financing Instruments and Support.

Within the framework of this working group, in 2023 ICO has presented different initiatives to strengthen the role of women in its different fields of action:

- Endorsement of the European Parliament's **#WhereAreThey**
  ICO is committed to the promotion of female talent and the participation of women in conferences and debates.

As of 2022, it is agreed that all ICO Group collaboration or sponsorship agreements will include a clause to encourage the participation of women in the conferences and debates organised within the framework of each sponsorship or agreement, promoting gender equality in the different events organised, with greater importance being given to those in which ICO Group representatives participate.

- **Collaboration in the visibility of the Womenalia event** in its event for the day of the enterprising woman.

- **ASCRI Diversity Club**. The ICO Group, through AXIS, its Venture Capital manager, is a member of this initiative whose objective is to promote measures in the Venture Capital & Private Equity industry that promote gender equality, diversity, parity and talent.

- **Level 20**. The ICO Group, through AXIS, its Venture Capital manager, is part of the Spanish Committee of Level20. A non-profit organisation **that meets on a monthly basis** to pursue the goal of having women occupy 20% of management positions in the private equity industry. It represents a network with a presence in several countries through its 12 committees.

  The objective of the Spanish Committee is to work with the private equity industry in Spain to:
  - Attract more women to the sector.

- Ensure that there is support to retain as many women as possible in the industry.
- To help those women who have the ability and determination to reach the highest levels of the profession.

- **UN Women's Empowerment Principles** (Global Compact and UN Women).

- **Promoting gender equality in SMEs**. Through the icoSMEsSDG.ico.es initiative.

In addition, ICO's participation in the sustainable bond market is not only limited to that of issuer of this type of debt instruments, but also actively collaborates in the development and promotion of the market for these bonds as an active member of the working groups of the **International Capital Market Association (ICMA),** to whose principles we adhere. Since its launch in 2019, ICO has been a member of the Advisory Council of the GBP and SBP Executive Committee of ICMA.

ICO Group hosted the ICMA *Women's Network* Iberia committee meeting on February 2, 2023. It is a global, non-partisan forum that seeks to encourage and inspire women of all positions to address gender equality in the capital markets. The aim is to create a networking platform where different generations and different levels of seniority discuss equality issues. At this event, several speakers from the industry discussed the role of diversity in establishing best practices and value for the future in the financial and technology industries. The event was attended by 83 representatives. Topics covered included diversity: active listening to new recruits, an inclusive mindset for LGTBI groups and different cultures and/or nationalities. In addition, a debate was opened among senior staff on diversity and the incorporation of male panellists.

Updated information on the different initiatives and commitments can be found on the website: https://www.ico.es/web/guest/sustainability/compromisos-y-estrategias

3.2.5 CORPORATE VOLUNTEERING

Corporate volunteering enables the ICO Group, through the solidarity, dedication and vocation of its staff, to contribute directly to the maintenance of social cohesion and development of the local community, through local social entities.

Through its Corporate Social Responsibility (CSR) policy, ICO is committed to contributing to the social purpose of third sector organisations by signing alliances and collaboration agreements. This commitment is embodied in the annual preparation and development of a corporate volunteering plan in which actions are carried out to support the activities of third sector organisations and training actions in which ICO employees contribute their experience and knowledge to entrepreneurs and groups at risk of social and employment exclusion.

Throughout 2023, this commitment materialised in a set of activities carried out in collaboration with the following entities:

- **Leukaemia and Lymphoma Foundation** - collaboration in the 14th edition of the Leukaemia and Lymphoma Foundation Basketball Tournament and the Gifts with Heart campaign, both organised to raise awareness in society of the need to take an active role in the fight against leukaemia, lymphoma and myeloma by donating bone marrow. In total, a contribution of 2,000 Euros was made.

- **Gmp Foundation** - participation in the 23rd Solidarity Paddle Tennis Tournament for Companies, to raise funds for the implementation and equipping of a new Early Intervention Centre in Benejúzar (Alicante). The project would reduce waiting lists for families in the province of Alicante. A contribution of 1,750 Euros was made.

- **Madrid Golf Federation** - participation in the 2023 edition of the Adapted Golf Tournament to promote awareness and participation in support activities that favour the social integration of people with intellectual disabilities and disadvantaged groups. A contribution of 1,000 Euros was made.

- **Rafael del Pino Foundation** - workshops given by ICO employees in schools in the Community of Madrid to raise awareness of the 10 Global Compact Principles and the SDGs among high school students. No monetary contribution was made.

- **Children's Christmas party** - In 2023, a children's Christmas party was organised for the children of ICO Group employees. The Juan XXIII Foundation, which promotes the social and occupational inclusion of people in a situation of psychosocial vulnerability, and the Juegaterapia Foundation, which helps children suffering from cancer through play, collaborated in the organisation and details of the party.

- **International Cooperation** - ICO Group took part in the 11th Inter-company Charity 7-a-side Football Tournament organised by International Cooperation in favour of children at risk of social exclusion. This project focuses on promoting the comprehensive socio-educational development of minors through educational reinforcement activities and the development of skills that favour healthy lifestyle habits, social inclusion and child and youth participation, through prevention and intervention actions complementary to standardised educational, leisure and social services. A contribution of 1,600 Euros was made.

3.2.6 RESULTS, TAX AND SUBSIDY INFORMATION

ICO Group is only taxed in Spain. Profit before tax in 2023 (consolidated data for ICO and AXIS): 356.98 million Euros, profit earned in Spain. Corporate income tax accounted for amounted to 104.7 million Euros. In 2022, the profit was 203.9 million Euros and the corporate income tax was 57 million Euros.

There is a tax management procedure on which the approach to tax compliance is based. The ICO is taxed under all the applicable tax headings, with no specialisation as a credit institution and as a public law entity. The tax strategy consists of complying with all legal obligations.

GRI INDICATORS - YEAR 2023 (ICO and AXIS):

Millions of €	2023	2022
Economic value generated (gross margin)	384.8	233.5
Economic value distributed (including staff costs, other administration costs, contributions and taxes)	152.6	102.4

ICO's contribution to the Fundación ICO was 2.82 million Euros in 2023, the same as the previous year, which is the only relevant contribution to foundations and non-profit entities, as the rest of the payments to non-profit entities amounted to 27,000 Euros in different social responsibility actions such as those detailed in section 3.2.5.

The Fundación ICO prepares its accounts separately from the other entities of the ICO Group, The profit for the year in 2023 was 343,629 Euros (732,950 Euros in 2022). The Foundation does not pay tax on the profits arising from its foundational activities, by virtue of the provisions of Law 49/2002, of 23 December, on the Tax Regime for Non-Profit Entities and Tax Incentives for Council of Trustees.

In 2022, the Fundación ICO received a grant of 60,000 Euros from the Ministry of Transport, Mobility and Urban Agenda under the General State Budget Law for 2022, which was executed during 2023. There has been no subsidy in the General State Budget for 2023. The ICO and AXIS have not received any public subsidies.

4 OUR WAY OF DOING THINGS: RESPONSIBLE MANAGEMENT

ICO Group is a modern organisation with internal management systems that enable it to meet the challenges it faces. ICO Group has developed management and corporate governance tools that ensure the ethical behaviour, sustainability and transparency of ICO's activity in all its areas of activity and internal management.

As a credit institution, risk management is a core element of its activity, with an approach that goes beyond traditional credit risk management to adopt a much more comprehensive approach that takes into account the impacts that the Group's operating and financial activity has on society and the economy, as well as the impacts that the environment may have on the Group. In this respect, all due diligence procedures are applied to our activity under the terms provided for in the applicable legislation and our internal regulations.

Sustainability is of particular relevance, where environmental, social and corporate governance factors are taken into account, and which constitutes a basic pillar integrated in all the activity in a transversal manner, both in its asset and liability operations as well as in the internal management of the organisation, from the perspective of governance and corporate social responsibility.

In recent years, ICO has made progress in sustainability and its integration into its governance, strategy, business model and risk management, adapting its organisational structure and internal organisation to the ever-increasing demands of sustainability.

4.1 RISK MANAGEMENT: IDENTIFICATION AND MONITORING

The identification, management and control of risks is a priority task for the Instituto de Crédito Oficial. This section describes the main instruments available to ICO Group for identifying and monitoring the different types of risk, as well as the management mechanisms that enable them to be kept under control. ICO's status as a credit institution means that it is subject to certain regulatory requirements; however, the policies and procedures are not exhausted by regulatory mandates, but rather there are a series of elements that ICO adopts voluntarily as a commitment to best management practices.

- **COMPLETE RISK MANAGEMENT SYSTEM**
  - ✓ **Involvement of the General Council**
  - ✓ **The Risk Map sets out the guiding principles in this area**
  - ✓ **Coherence between risk treatment instruments**

In 2022, the General Council of ICO approved the **ICO's Strategic Risk Management Framework (Risk Map)**, with the aim of setting the guiding principles for risk control, housing the risk map and establishing guidelines to ensure the alignment of all the risk control tools of ICO Group as a whole. The Risk Map is in any case in line with the provisions of the Capital and Liquidity Self-Assessment Report (CLAR) and the Risk Appetite Framework (RAF). ICO Group is exposed to **financial** (credit, liquidity and market) and **operating risks**. Other types of risk are also considered, such as **reputational risk, strategic risk, business risk, environmental risk and technological risk**.

At a general level, risks are characterised on the basis of the so-called "three lines of defence":

- 1st line of defence. The units of the Directorate General Business have the main responsibilities for risk identification, recognition and management.
- 2nd line of defence. The risk management function should oversee the effectiveness of risk management, being responsible for identifying, measuring, monitoring and disclosing risk at the enterprise level, independently of the first line of defence. It also includes the compliance function, which is responsible, among others, for ensuring that the bank operates with integrity and in accordance with applicable laws, regulations and internal policies.
- 3rd line of defence. The internal audit function conducts both risk-based and more general audits and reviews to ensure that the overall governance framework, including the risk governance

framework, is effective and that policies and processes are in place and consistently applied, providing independent and objective advice.

Financial risks

ICO has appropriate methodologies and procedures adapted to its specific nature that enable the identification, management, monitoring and control of financial risks, allowing them to be monitored and followed up. In particular, ICO has a Risk Policy Manual approved by the General Council in 2013 and amended periodically (most recently on November 2023) which sets out in detail the treatment of these risks, which in this manual are grouped into three main categories: liquidity, market and credit (which is the one that receives the most detailed treatment). This treatment of risks is carried out in accordance with existing regulations, both in terms of the Bank of Spain's circulars and recommendations, and in terms of international standards, such as the Basel II Capital Accord.

Operating risks

With regard to operating risk, ICO has monitoring policies and activity indicators, also adapted to its specificities, relating to the development of internal processes and procedures, the definition of policies for monitoring customers and operations and internal control of incidents, and the existing contingency plan. In addition, there are also a series of periodic controls on procedures and operations, which are carried out by the various internal and external auditing services.

Sustainability risks

So far, the focus has been on climate and environmental risks, as these are the most developed, and in line with the ICO's strategic plan, sustainability is gradually being transferred to risk management. Of note, for example, is the implementation and incorporation of the environmental performance ratio and the average emissions intensity ratio in the electricity production, transmission and distribution sector in the Risk Appetite Framework. These level III indicators (in accordance with the classification included in the RAF as described below) are not linked to capital, so the thresholds are defined according to the Institute's strategic criteria that enable the development of a business plan aligned with international and national commitments in environmental matters, seeking to promote the sustainable economic growth of companies and achieve a portfolio in which the sectors with the greatest environmental risk gradually lose weight, limiting the physical and transition risk of the portfolio. For the categorisation of operations that can be included as environmental, categories are identified according to internal criteria, including, among others, the approximation to the Taxonomy[5] of the objectives developed to date, and internationally recognised standards such as the *Green Loan Principles* (Loan Market Association and Asia Pacific Loan Market Association) and the *Sustainability Linked Loan Principles* (Loan Syndications and Trading Association). There is also a social categorisation.

As part of this commitment to identifying and managing climate risks, in 2023 the ICO carried out an exercise to calculate average GHG emissions intensities by sector of the Spanish economy, based on global data and accepted methodologies. This resulted in a ranking of all sectors in which the most polluting sectors are electricity and gas supply, manufacture of other non-metallic mineral products, extractive industries and maritime transport.

Using these data, a **transition risk** assessment was carried out through the ICO portfolio classification.

With regard to **physical risk** and based on the INFORM Risk indices (a multi-stakeholder forum for developing quantitative analyses relevant to humanitarian crises and disasters, whose scientific lead is the European Commission's Joint Research Centre), the "natural hazard" category was selected

[5] The methodology for the Taxonomy will be incorporated into the categorisation as and when the Taxonomy regulation comes into force.

from the components representing physical risks (earthquakes, floods, tsunami, cyclones and droughts) for the 191 countries included in the INFORM database and cross-referenced with the outstanding stocks of the ICO portfolio.

The outcome of these exercises is used internally as input for monitoring and assessing climate-related physical and transitional risk.

The ICO is working on the development of a model for the assessment of ESG risks that can be included in a more formalised way in the analysis of direct financing operations affecting credit risk, in accordance with the applicable regulations and market practice.

Internally, the management of environmental risks is integrated in the Environmental Management System explained in section 4.4.5, but the management of this type of risks is done in an integrated manner for all the Institute's activity through the management mechanisms explained in this section.

- **REGULATORY RISK MANAGEMENT TOOLS: CAPITAL AND LIQUIDITY SELF-ASSESSMENT REPORT (CLAR) AND RISK APPETITE FRAMEWORK (RAF)**
- **Required by Bank of Spain in accordance with banking supervision regulations.**

Without prejudice to the other mechanisms and policies discussed below, the following two instruments stand out as key elements in risk management

The **Capital and Liquidity Self-Assessment Report (CLAR)** is one of the existing tools in this area. The ICO is obliged to prepare the CLAR, a document in which institutions identify, measure and aggregate their risks in order to determine the capital and liquidity needed to cover them and in which they plan their capital and liquidity levels in the medium term. Since 2016, a multidisciplinary ICO team has been responsible for preparing the Institute's CLAR every year. In recent years, ICO's risk profile has remained at low to medium-low levels. This report includes three stress tests (macroeconomic, business and liquidity) on ICO's baseline scenario, with a 3-year time horizon. The tests are used to determine ICO's capital needs in the event of the different scenarios envisaged in the tests, determining its capacity to face crisis situations. In addition, the liquidity stress scenario will also analyse the evolution of different metrics related to the Institute's liquidity. Elements related to sustainability and its management are also introduced. Once this has been done, the ICO's General Council must be informed of and approve the CLAR, which is then submitted to the Bank of Spain.

The **Risk Appetite Framework (RAF)** defines a series of indicators at three different levels depending on the importance within the management of the Institute. According to the latest update approved by the General Council on July 2023, 30 indicators are considered:

- **3 Tier I indicators:** two of them required by the Regulator, which measure the capital and liquidity position, and a third one, which measures the impact on the income statement in a stress scenario on ICO's 5 main direct borrowers.
- **6 Tier II indicators:** regulatory or basic indicators that develop the previous ones for the most relevant risks of ICO, whose objective is to measure the impact on capital and liquidity and their evolution.
- **21 Tier III indicators:** monitoring and management **indicators**, which allow the evolution of the ICO's current activity to be monitored, including those related to environmental risk (two indicators) and technological risk.

The RAF is reviewed annually and adapted on the basis of the results of the CLAR. The General Council receives regular information on the evolution of the indicators through a scorecard.

4.2 GENERAL INSTRUMENTS FOR RESPONSIBLE MANAGEMENT

All of the ICO Group's internal regulations are focused on the correct monitoring of the various types of risks it faces and on appropriate management in accordance with the best standards. The approach is always holistic and the entire organisation is involved to ensure that management is always carried out in accordance with the highest ethical and corporate social responsibility standards, applying due diligence in its actions. Both the General Council and senior management receive regular information on these matters and are involved in their areas of competence. The most relevant policies are approved at the General Council level and the General Council receives regular information on performance in the areas of activity, sustainability, internal control and anti-fraud. There are units and collegiate bodies with specific functions, the most important of which are detailed below, in addition to those described in the previous section.

- **ICO STRUCTURE INCLUDES APPROPRIATE RISK MANAGEMENT UNITS**
  - ✓ **The Internal Audit and Compliance units cover functions that are fundamental to the treatment of risks**
  - ✓ **The General Council has an important role to play**

- **Internal Audit Department and Audit Committee**. The ICO has a policy, called "Internal Control Functions", which sets out the internal control bodies of the Institute and the internal control functions performed by them. As set out in the policy, the ICO has risk measurement methodologies that enable it to analyse the various risk factors to which it is exposed in an appropriate manner. Likewise, the identification, quantification, control and continuous monitoring of risks enable an appropriate relationship to be established between the profitability obtained from the transactions carried out and the risks assumed, and an adequate internal control environment.

  In accordance with the Basel Committee on Banking Supervision's Principles of Corporate Governance for Banks, the ICO has in place a robust corporate governance framework with well-defined organisational responsibilities for risk management, commonly referred to as "the three lines of defence" mentioned above: - The Business line. - A Risk Management and Compliance function, independent of the first line of defence and - An Internal Audit function independent of the first and second line of defence.

  Internal control in ICO Group with regard to corporate governance is carried out by the internal operating bodies with competence in the regulatory area of the activities.

  In accordance with the Audit Guidelines approved by the General Council, the Internal Audit Function in the ICO is exercised by the Audit and Compliance Committee and the Internal Audit Department. The Internal Audit Department audits the business and operational procedures, risk management and the internal control system on an ongoing basis. The internal control carried out by the Internal Audit Department is reinforced by the work of the Audit and Compliance Committee, whose functions include proposing measures to speed up and facilitate compliance with recommendations. In order to comply with article 43.2 of Royal Decree 84/2015, of 13 February, which implements Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, the Internal Audit function reports periodically to the ICO's General Council on the verification work carried out by the Internal Audit function.

  Externally, ICO Group periodically submits its actions to the control of external experts and various national bodies (General State Comptroller's Office -IGAE, Inspectorate of the Services of the Ministry of Economy, Trade and Business, Court of Auditors, Bank of Spain and, more recently, the Independent Authority for Fiscal Responsibility - AIReF) and those EU bodies that are competent to do so. In 2023, 22 audit reports were issued (26 in 2022), with no significant incidents arising from them.

- **Regulatory Compliance Area and Regulatory Compliance Technical Committee**. The Regulatory Compliance Area was created to protect the reputation and integrity of the Institute, to promote the ethical standards applicable to it and to reinforce responsibility and transparency. It is also responsible for identifying and assessing compliance with regulations related to the prevention of money laundering and the financing of terrorism, and for coordinating the internal policies and procedures implemented in this field. It is also involved in identifying, assessing and controlling the risks that may affect the integrity and reputation of the ICO Group, generated as a result of non-compliance or non-observance of the rules or measures recommended by the ICO Group's internal policies or regulations, or by external recommendations or regulations that may affect it.

  The Technical Committee for Regulatory Compliance also deals with issues related to the prevention of money laundering and the financing of terrorism and due diligence measures, as well as matters related to the correct application of the data protection policy. It is also aware of and analyses any new regulations that may be applicable to the ICO and proposes relevant training actions in this area. Finally, it also oversees the implementation of the decisions adopted by the Audit and Compliance Committee.

4.3 SPECIFIC ETHICS AND RESPONSIBLE MANAGEMENT TOOLS

Without prejudice to the global nature of the measures and tools described so far and the interrelation between them, the main tools available for ethical and responsible management are grouped below by topic. ICO Group has developed management and corporate governance tools that ensure ethical behaviour, sustainability and transparency in all its areas of activity and internal management.

- **FIGHT AGAINST FRAUD, CORRUPTION, MONEY LAUNDERING AND TERRORIST FINANCING**
  - ✓ **In compliance with applicable regulations and with a cross-cutting approach for the entire organisation**

In all the Group's actions, undesirable conduct such as those described above is prevented through due diligence. Prior to approval, all direct transactions are analysed for these risks. Specific tools include the following:

- **Code of Ethics and Conduct, Internal Code of Conduct for the Securities Market**. The purpose of the ICO Code of Ethics and Conduct is to define and develop the basic foundations of behaviour and the necessary guidelines for action so that the Institute's principles are manifested in the individual actions of its employees, managers and directors, in internal and external relations established with customers, suppliers and third parties, as well as in its actions in the markets. The Code of Ethics and Conduct is therefore applicable to all ICO staff and directors of the General Council, and to trainees undergoing training at the Institute; 100% of them receive it when they join. In the case of suppliers, the company providing the service will be required to comply with the code for those of its collaborators who provide services for the ICO. This section regulates ethical conduct and includes internal policies on, among other issues, Social Responsibility, Corporate Gifts, Travel, Representation Expenses and Corporate Credit Cards.

  The Internal Rules of Conduct for Securities Markets identify the units of ICO Group that carry out securities market-related activities and define the separation they must adopt to avoid potential conflicts of interest or insider trading. The version in force was approved by the General Council on February 2017 and was last revised on February 2022. In 2023, there were no incidents of non-compliance with the regulations, as in the previous year.

The Code of Conduct and the Internal Code of Conduct of the Securities Market are public and accessible through the website[6] .

- **Ethics Channel.** The ICO Group's Ethics Channel is an internal information channel for reporting breaches or omissions of applicable regulations, set up in accordance with Law 2/2023, of 20 February, regulating the protection of persons who report breaches of regulations and the fight against corruption. This is an obligation derived from the aforementioned Law and which ICO Group has adopted during 2023.

  The channel is implemented through an on-line tool external to the domain of the Instituto de Crédito Oficial. The message is transmitted to an external provider's tool in order to guarantee total objectivity and transparency in the communication management process. Communications may be anonymous, with identification of the informant not being obligatory, and will be answered through the same channel through which they were received. Communications may be followed up by means of the tracking code assigned in the message in which the report was received.

  This channel may be used by any employee of the Instituto de Crédito Oficial or any other third party envisaged in the scope of the regulation, who may have knowledge of unethical, fraudulent or unlawful conduct within the ICO Group. The use of the Ethics Channel requires that users act in good faith and that the information provided is truthful.

  The channel is accessible via the following address: https://www.ico.es/canal-etico

  In 2023, no complaints were received either through the previous IT system or through the newly implemented functionality of the ethics channel. In 2022 there was one labour-related complaint, which was processed and resolved.

- **Prevention of money laundering and terrorist financing**. ICO Group is aware of the important role that financial institutions play in prevention and therefore collaborates with the competent authorities and joins forces with the rest of the Spanish financial system in the fight against all forms of money laundering and terrorist financing. The Prevention of Money Laundering Policy, the latest version of which was approved by the General Council on December 2022, sets out the rules of action and control and communication systems to prevent access to the institution by undesirable persons or groups, and establishes the criteria for accepting customers. The aforementioned Policy is developed in a procedure called Management Procedure for the Prevention of Money Laundering and Financing of Terrorism, incorporating the latest regulatory developments at national and European level, the latest revision of which took place on June 2023 and which incorporates specific forms on the knowledge of customers. In compliance with the aforementioned Policy and the Group's Training Plan, two training sessions were held in 2023, given by the AML/CFT TRAINING CENTRE, attended by a total of 160 people, with special emphasis on training people who have recently joined the ICO.

  In addition, following the recommendations of the External AML/CFT Expert, a physical mailbox was installed at the ICO's headquarters, managed by the Regulatory Compliance area, to facilitate the anonymous submission of internal complaints and reports of irregularities, which, should they occur, would be handled either directly through the Regulatory Compliance area or by communication to the Ethics Channel. This mailbox is located in an accessible area of the ICO's headquarters, but is free of security cameras and is not directly associated with the Compliance area. No notifications were received through this mailbox in 2023, as in the previous year.

- **Anti-Fraud Measures Plan.** ICO Group has adopted a new Anti-Fraud Measures Plan for 2023 that reflects its commitment to the prevention of fraud and corruption, through a robust control system in which all its employees participate.

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[6] https://www.ico.es/en/web/guest/pol%C3%ADticas-internas-de-funcionamiento
https://www.ico.es/web/guest/sustainability/compromisos-y-estrategias

- The entities that make up ICO Group have a zero tolerance policy towards fraud and corruption, which is exercised through a robust control system specially designed to prevent and detect, as far as possible, acts of fraud and to correct their impact, should they occur. The purpose of the ICO Group's Anti-Fraud Plan is to prevent fraud and detect irregularities that could constitute a first indication of fraud or any other illegal act covered by Order HFP/1030/2021. The aim of this Plan is to systematise the internal regulations (policies, procedures, processes and instructions) applicable in the entities that make up the ICO Group, regulations that are geared towards transparency in operations, and which must serve as a guarantee of integrity and for the prevention of fraud in its activity.
- This Plan is complemented by the Institutional Declaration on the Fight against Fraud, signed by the President on May 2023.
- Both the Plan and the Declaration are accessible through the website: https://www.ico.es/pol%C3%ADticas-internas-de-funcionamiento

  In order to improve staff awareness of their obligations in this area, several training actions were organised in 2023 for the entire workforce and specifically for the areas most involved, which were held in the first months of 2024.

All internal regulations are in line with the general aim of preventing fraud or other undesirable conduct. For example, the Direct Financing Policy includes a series of exclusions from financing to potential customers operating in non-cooperative jurisdictions in tax matters, subject to sanctions or in other cases such as human rights violations.

➢ DATA PROTECTION AND CYBERSECURITY

✓ To comply with legal obligations and to ensure the highest standards of protection

- **Protection of personal data**. The ICO has approved a personal data protection policy adapted to EU Regulation 2016/679 and Law 3/2018, which is developed and implemented in the internal processes and processing carried out at the Institute itself. It also has a Register of Processing Activities and its website provides information on ICO's personal data protection policy. Furthermore, ICO Group has a data protection officer who supervises, confidentially and independently, compliance with personal data protection regulations within the Group. There were no data protection incidents in 2023, as in the previous year.

- **Information Security Committee**. **Information Security Policy.** Information security is managed in an integrated and coordinated manner with the requirements inherent to the nature of the ICO Group's activity in order to prevent potential threats. All of this is in accordance with current legislation and, in particular, with the National Security Scheme. Specifically, the National Security Status Report (INES) periodically assesses the security status of the systems as a method of security governance, and no significant deficiencies have been detected.

➢ SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

✓ Sustainability is an overarching principle for the whole of activity

In accordance with the ICO Group's Strategy 2022-2027, the Group's actions seek to transform the growth model of the Spanish economy in order to achieve a more sustainable and digital growth pattern with a greater capacity to generate quality employment. In this way, sustainability is a strategic pillar that permeates the ICO Group's activity as a whole. Consequently, sustainability is reflected both in terms of assets and liabilities and in any aspect of the Group's activity. This commitment to sustainability at all levels includes continuous reporting to the General Council on regulatory developments, frameworks, actions and metrics.

- **Sustainability Policy**. The Sustainability Policy, approved by the General Council on February 2020, establishes sustainability as a basic guiding pillar of the ICO Group's actions, both for its asset and liability operations, as well as in the internal management of the organisation, also from the perspective of governance and Corporate Social Responsibility (ESG - CSR). It therefore involves all areas of the organisation and its activity, acting as a management foundation that enables it to fulfil its mission as a public and promotional bank. The effects of this orientation spill over into other policies, such as direct financing, which contemplates the impossibility of financing projects with possible negative social or environmental impacts where there is no adequate mitigation. During 2023, work has been carried out on a review of this policy with a view to its approval during 2024. This revision will maintain the ICO Group's commitment to sustainability, clearly establishing the presence of sustainability in the Group's mission, strategy and values.
- **Sustainability Committee**. This committee meets ordinarily every four months, without prejudice to other meetings at the discretion of the President of ICO Group when any matter so requires. The functions of this committee include defining the concept of sustainability adopted by the ICO Group, as well as raising awareness and communicating it to the entire workforce. This body, chaired by the President of ICO and made up of members from all the General Directorates, AXIS and the Fundación ICO, is also responsible for drawing up and monitoring ICO's position with regard to the activity considered sustainable by the ICO Group. It also identifies the regulatory developments on sustainability that affect ICO Group and, where appropriate, is responsible for the implementation of such standards. Finally, it also promotes and coordinates the sustainability initiatives carried out in the ICO Group, as well as any other sustainability issues that may arise outside the scope of the aforementioned.
- **Environmental policy**. In order to guarantee environmentally friendly and preventive action, ICO Group has approved and documented an environmental policy fully adapted to the requirements of the ISO 14001 Environmental Management Systems standard since 2020 and a code of good environmental practices. ICO, as a signatory of the 10 Principles of the Global Compact, the Equator Principles and the Spanish Collective Commitment to Climate Action signed with the AEB, CECA and other Spanish financial institutions, and in its alignment with the 17 Sustainable Development Goals for the 2030 Agenda and the Paris Climate Agreement (COP-21), is committed to controlling and managing its direct and indirect environmental impacts. Since 2021, the Environmental Management System has been certified by European Quality Assurance as detailed in section 4.4.5.
- **Corporate Social Responsibility Policy**. ICO Group has approved and published a CSR Policy, with the aim of being an entity that integrates ethical, social and environmental values, that is transparent and socially committed, that applies the principles of good governance and is thus recognised in its activity and in its relationship with its stakeholders. To this end, the principles that govern its activity are established: good governance and transparency, respect for the environment and the environment and the 10 principles of the United Nations Global Compact.

➢ PERSONNEL MANAGEMENT

✓ With respect for workers' rights

- **Labour relations**. The personnel policies applied in ICO Group are based on respect for the human and labour rights of employees, and the implementation of actions to facilitate and enhance their professional aptitude and development. Equal opportunities, non-discrimination policies, diversity and work-life balance are fundamental principles in the development and implementation of labour relations between ICO Group and its staff. The following chapter gives details of the ICO Group's personnel management.
- **Management by objectives**. management model implemented to effectively direct and improve ICO's performance, establishing strategic and general objectives and contributing to the valuation of employees' professional merits, rewarding effort and the achievement of objectives.

Management by objectives is of great value due to its uniqueness within the Administration, as it allows the efforts of the different areas to be aligned with the roadmap, and to improve the quality of work and professional performance. The approval of the strategic objectives proposed by the Management Committee is subject to the approval of the Ministry of Economy, Trade and Enterprise. All employees receive an annual performance appraisal.

The Management by Objectives System, which allows variable remuneration to be linked to the achievement of objectives, incorporates transversal objectives in the organisation related to the four strategic axes, allowing this system to be aligned with the provisions of the Group's Strategy and fostering the integration of the strategic axes into the culture of the organisation. Thus, in 2023, in line with the Strategy for the period 2022-2027, for example, a sustainable direct activity objective and a digitalisation and governance objective were established, which, as in previous years, were met.

- **ORGANISATION AND QUALITY**
  - ✓ **To ensure effective and accountable management**

- **Quality Policy**. ICO has implemented a process management model and approved a Quality Policy fully adapted to the ISO 9001 standard. This Policy is the appropriate framework for the development of the procedures and tools necessary for the establishment of quality objectives and the implementation of an effective Quality Management System, based on the requirements of the ISO 9001 standard. It aims to identify and satisfy the needs and requirements of ICO's internal and external customers and stakeholders. It also aims to guide ICO towards operational excellence, with the implementation and application of efficient processes and products, carried out with the full involvement of all employees.
- **Regulatory roadmap.** ICO Group has a complete, coherent and systematic body of regulations, aimed at ensuring that the overall operation of the ICO is in line with the best standards in the sector and with all the ethical and responsible management practices addressed in this section.

- **TRANSPARENCY**
  - ✓ **To provide society with information on its activities**

- **Transparency**. ICO Group provides its stakeholders with all relevant information on its organisational structure and activity. In addition, and in accordance with the provisions of the Transparency Act, it provides direct access to the Spanish Government's Transparency Portal, via a link available on the ico.es website. This makes it easier for users to consult all the available data. Every year, the Audit Report on the "Consolidated Financial Statements and Consolidated Management Report" is prepared and published on the website, with all the economic information and information relating to its activity as a financial institution, including this Non-Financial Information Statement (NFS). The financial statements are audited by an independent expert. This NFS is prepared in accordance with the GRI Standards and the requirements of Law 11/2018 on non-financial information and diversity. This annual report is also subject to verification by an independent expert in order to increase stakeholder confidence. Along the same lines, ICO Group prepares the Progress Report in relation to the 10 Principles of the United Nations Global Compact.

In addition, in order to raise public awareness of the Group's activities, intense communication and dissemination work is carried out, as detailed in section 4.4.4

4.4 MAIN INTERNAL MANAGEMENT RESULTS

All of the above with respect to internal management is reflected in the results discussed in this section. The ICO Group, like any other entity, consumes resources, which are included below, including the estimated carbon footprint for 2023. The communication of the activity is also mentioned and, finally, the certifications obtained that demonstrate the effectiveness of the current management systems.

4.4.1 RESPONSIBLE USE OF NATURAL RESOURCES

ICO Group identifies the following environmental aspects in the development of its activity in its corporate facilities:

- **Efficiency in the consumption of resources and adaptation to climate change**. ICO Group carries out regular awareness-raising campaigns on the consumption of electricity, water and paper in order to ensure the responsible use of these resources by employees in the workplace and that these habits can be transferred to the personal sphere. Thus, the objective of maximising efficiency in the use of resources is transversal in the ICO Group. In order to achieve greater efficiency in the use of resources, an awareness campaign has been implemented during 2023, which has taken the form of the installation of posters at ICO headquarters reminding of the importance of reducing the consumption of materials as far as possible. In addition, during 2023, lighting systems at the end of their useful life have been replaced with LED technology, with the consequent lower consumption, as well as the replacement of some electric water heaters with less energy-consuming equipment. Work is also underway to undertake a comprehensive refurbishment of the ICO headquarters that will result in an overall improvement in the efficiency of the facilities. In order to adapt to climate change, an energy efficiency study has been carried out and will be taken into account in this refurbishment, which will also lead to a better adaptation of working conditions to the foreseeable consequences of climate change.
- **Atmospheric emissions**. An important objective for ICO is to avoid and reduce greenhouse gas emissions as much as possible. It does this through the implementation of energy saving measures and the use of energy from renewable sources in the heating and air conditioning of its offices: since November 2023, the electricity supplier has been subject to a guarantee of origin commitment certifying that all consumption comes from renewable sources. In addition, in order to reduce its carbon footprint per employee, it promotes the use of alternative means of travel, such as videoconferencing, and ensures that each trip is kept to a minimum.
- **Waste generation**. ICO has the necessary means at its facilities to segregate and recycle the waste generated in the course of its activities and endeavours to use ecological and recycled materials.
- **Biodiversity protection**: ICO only operates in Madrid in locations that do not generate negative impacts on biodiversity and land use.

With regard to the consumption of natural resources, ICO Group consumes the resources necessary to carry out its activity, with a lower impact than other sectors of activity. In any case, annual consumption is measured in order to analyse the impact of the measures implemented. The consumption of the Group’s two main buildings is taken into account, in line with the certified environmental management system.

The environmental management system determines the functions and responsibilities in the area of environmental risk prevention, led by the General Services and Assets area, without these resources being dissociated from the rest of the functions they perform.

In 2021, the return of employees to a higher level of attendance led to an increase in electricity consumption. In 2023, the moderation in electricity consumption that began in 2022 continued, so that electricity consumption in 2023 was lower than in 2020, in contrast to 2021 and 2022. All energy consumption comes from electricity consumption. As a measure to promote sustainable mobility through the use of electric vehicles as opposed to fossil fuel vehicles, in 2023 ICO maintained 8 electric vehicle charging points located in the parking spaces made available to ICO employees. These 8 charging points can serve up to 19 vehicles in shifts. For the allocation of the parking spaces, the criterion of the environmental categorisation of the vehicle is included in the scoring scale.

On the other hand, ICO Group does not have fleet cars, so it does not generate fuel consumption, except for the fuel used in the generator set , whose consumption is residual as it is only used in the event of an occasional power cut or for maintenance work.

Water consumption decreased during 2023, compared to 2022 although it remained above the 2020 and 2021 data, due to variations in the degree of personal attendance. All water consumption comes from the public network of Canal de Isabel II.

Paper consumption in 2023 maintained the downward trend of previous years due to the increased use of digital formats to the detriment of physical formats in work documentation.

NATURAL RESOURCE	UNIT	2023	2022	2021
ELECTRICITY	kWh	1,728,122	1,997,767	2,204,474
WATER	m^3	1,697	2,274	1,352
PAPER	kg	3,755	4,229	5,613

4.4.2 CIRCULAR ECONOMY AND WASTE MANAGEMENT

Waste segregation at the plant is one of the objectives defined by ICO Group within its environmental management system. Since 2021, ICO Group has had *environmental islands* equipped with containers for waste segregation. These areas are installed on the office floors. In each of them there are 3 islets that allow the proper segregation of waste generated in the workplace. These areas have been completed with containers for the collection of waste related to Covid-19 (masks, gloves, etc.) installed since 2020 and present until April 2023, when they were removed in accordance with the measures established at a general level by the health authorities. Due to the activity carried out by the ICO Group, food waste is not relevant and there are no specific measures in this respect.

Saving measures for the consumption of paper, toner and other materials include the following:

- ✓ Signature digitisation processes in day-to-day operations
- ✓ The allocation of laptops to all staff, allowing dual monitors at workstations and reducing the need for paper documents.
- ✓ Programming printers to print double-sided by default, and restricting colour printers to centralised services.
- ✓ Use of recycled paper in all printers available in each plant.
- ✓ Printer equipment that incorporates a standby power saving system, which allows for greater energy efficiency.

The figures for waste managed in 2023 and the two previous years are given below:

MANAGED WASTE	UNIT	2023	2022	2021
Paper and cardboard	Estimated litres. kg (from Oct)*	28,800 l 98.60 kg	38.400 l	38.400 l

Plastic and packaging	Estimated litres. kg (from Oct)*	28,800 l 81.10 kg	38.400 l	40.000 l
Organic waste	Kg (estimated)	288	288	288
Toner and ink cartridges	Units	132	99	63
Fluorescent tubes	Units	175	310	305
Batteries	Units	192	384	694
Batteries	Units	6	3	127

**For the consumption of paper and cardboard and plastic and packaging, an estimate is given in litres from January to September 2023, while from October to December 2023 data is available for the actual weight in kg, since from October onwards the waste actually generated has been weighed instead of being estimated on the basis of the number of collections as was done until then.*

Data are also provided on the evolution of waste generated per employee (as in the case of total general waste, this calculation per employee includes, for paper and cardboard and for plastic and packaging, the estimated calculation per employee up to September and the actual kilos per employee from October to December), taking the data on employees for ICO Group as a whole presented in the chapter on Human Resources in this report:

MANAGED WASTE	UNIT	2023	2022	2021
Paper and cardboard	litres per employee kg empl. (from Oct)	75 l 0.26 kg	109 l	109 l
Plastic and packaging	litres per employee kg empl. (from Oct)	75 l 0.21 kg	109 l	113 l
Organic waste	Kgs. Per employee	0.75	0.81	0.82
Toner and ink cartridges	Units per employee	0.34	0.28	0.18
Fluorescent tubes	Units per employee	0.46	0.88	0.86
Batteries	Units per employee	0.50	1.09	1.97
Batteries	Units per employee	0.02	0.01	0.36

In relation to the consumption of paper and cardboard, as well as plastics and packaging, on October 2023, weighing of the waste actually collected has begun, so that the tables presented reflect this change in the data. For the months between January and September an estimate of the litres of waste generated is presented based on the number of waste collections and the number of containers, while from September onwards data can be provided on the kilograms of waste weighed. In relation to other consumption during 2023, the consumption of toners increased slightly while the downward trend in fluorescent tubes and batteries continued. In relation to these consumptions, they are largely conditioned by the placing of orders of different amounts due to the less uniform nature of their consumption, which has an impact on the figures presented. With regard to the data per employee, the increase in the number of employees in 2023 has to be taken into account, which influences the overall decrease in waste per employee during 2023.

4.4.3 POLLUTION. EMISSIONS. INTERNAL CARBON FOOTPRINT

The products and services offered by ICO Group do not in themselves generate greenhouse gas emissions that seriously affect the environment. In other words, the carbon footprint is that which comes from the development of its activity (carbon footprint inherent to an organisation).

With regard to pollution, the products and services offered by ICO Group do not generate noise pollution that could substantially affect the environment. Neither does it generate light pollution that could substantially affect the environment. Therefore, there are no specific measures in these matters.

The ICO's scope 1 and 2 emission sources are mainly located in the offices of its only headquarters in Madrid, located at Paseo del Prado, 4, and in its annex building, Calle los Madrazo 36, 38, so the emissions generated correspond mainly to electricity consumption, maintenance and recharging of air conditioning equipment and fuel for a generator set. In addition, the building has an installation of photovoltaic panels on its roof, but this has not been considered to reduce the calculation of emissions, as the energy produced is discharged into the electricity grid and is not for self-consumption. In 2023, this installation produced 5,973 kWh, up from the figure for 2022, which was 2,243 kWh due to a breakdown of the installations that prevented production for several months of the year. Production in 2023, once the 2022 breakdown had been rectified, was in line with 2021 production (5,830 kWh).

The ICO Museum (Calle Zorrilla 3 - Madrid 28014) hosts different exhibitions, and the management of this activity and space also generates electricity and refrigerant gas consumption.

In addition, the ICO has a warehouse located in the Gitesa Industrial Estate in Daganzo de Arriba (Madrid), which serves as logistical support and documentation archive, and which generates emissions from electricity consumption and refrigerant gases.

Finally, ICO Group does not have a fleet of vehicles, nor does it need one to carry out its activities, which are mainly carried out at the offices at Paseo del Prado, 4 - 28014 Madrid. However, it does have a vehicle that Parque Móvil del Estado (State Vehicle Fleet) makes available to the President of the ICO for his business trips, the management, maintenance and fuel of this vehicle being the responsibility of Parque Móvil del Estado, and therefore this vehicle has been excluded from the calculation of ICO's emissions to avoid double-counting.

Below is an estimate of the total emissions for the year 2023 and their comparison with the year 2022. All calculations have been made in accordance with the indications published by the Ministry for Ecological Transition and the Demographic Challenge (MITECO), using the calculator published by MITECO for scopes 1 and 2.

For 2023, a provisional calculation of the carbon footprint including scopes 1 and 2 has been made. The calculation is provisional for 2023 as the tools available for 2022 have been used, as discussed below.

Work is underway to calculate the internal scope (staff travel, urban commuting, etc.), in order to design and apply a methodology to measure this scope in the best possible way.

EMISSIONS (t CO2e)	**2022**	**2023**
Direct emissions (Scope 1)	168.21	94.76
Indirect emissions purchased energy (Scope 2)	542.49	420.44
Total	775.07	**515.20**

The evolution of emissions (referring to scopes 1 and 2) shows a reduction of the carbon footprint of 33.52% in 2023 compared to the previous year.

This significant reduction is due to the implementation of the measures put in place by ICO Group as part of its carbon footprint registration process with MITECO. Indeed, ICO Group has a Carbon Footprint Reduction Plan for the period between 2022 and 2025 that has been submitted to MITECO, which includes, among other things, ICO's commitment to contract an electricity supplier with a Guarantee of Origin for renewable energy, and this measure was effectively implemented in 2023. One of its objectives was to reduce emissions by at least 20%, which has already been achieved with the aforementioned Guarantee of Origin contracting. Furthermore, as part of these measures, an energy efficiency study of the building and a study on low-carbon technologies were carried out in 2023, focusing on the decision-making process for a comprehensive refurbishment of the ICO's headquarters. This eventual refurbishment will aim to increase the functionality of the current facilities as well as their energy efficiency and adaptation to climate change.

On the other hand, the teleworking policies applied by ICO Group linked to energy saving have also led to lower energy consumption per employee. The tCO2e / ICO Group staff ratio shows a reduction of 28.72% compared to 2023. A considerable reduction, taking into account the increase in the ICO Group's workforce in 2023:

	2022	2023
Carbon footprint (t CO_2e). Scopes 1 and 2	775.07	515.20
Footprint per employee (t CO_2e)	2.0190	1.4391

ICO Group's organisational carbon footprint includes direct and indirect emissions, according to location and determined emission sources:

Location	Emission sources	Scope 1	Scope2
Paseo de Prado Building, 4 - 28014 Madrid	Air conditioning equipment Electricity Generating set	Possible refrigerant gas recharges - Diesel B	- Electricity consumption -
Los Madrazo Building 36, 38 - 28014 Madrid	Air conditioning equipment Electricity Generating set	Possible refrigerant gas recharges - Diesel B	- Electricity consumption -
ICO Museum -Calle Zorrilla 3 - 28014 Madrid	Air conditioning equipment Electricity	Possible refrigerant gas recharges -	- Electricity consumption
Gitesa Industrial State - Daganzo de Arriba (Madrid)	Air conditioning equipment Electricity	Possible refrigerant gas recharges -	- Electricity consumption

ICO has the “Calculation” seal and the “Certificate of Registration of carbon footprint, offsetting and CO2 absorption projects of the Ministry for Ecological Transition and the Demographic Challenge” for the years 2018, 2019, 2020, 2021 and 2022, with the final calculation of the HC for 2023 (scope 1 and 2) pending publication of the new emission factors by the MITECO and the CNMC, so this report presents a provisional calculation that has taken into account the emission factors for 2022.

4.4.4 COMMUNICATION FOR SUSTAINABLE GROWTH

ICO Group’s 2022-2027 strategy focuses on promoting activities that contribute to the transformation of the Spanish production model, boosting business growth, innovation and digitisation, internationalisation and environmental, social and governance sustainability.

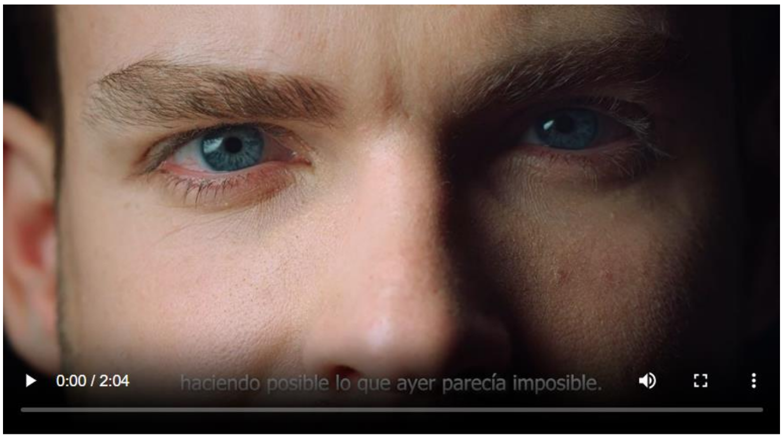
For the ICO Group, it is a priority to contribute to a model of recovery and sustainable growth in all the actions it carries out, in line with the guidelines set by the Government in the Recovery, Transformation and Resilience Plan for the Spanish economy, which reflects the priorities established in the European Next Generation EU programme and the Multiannual Financial Framework 2021-2027.

Moreover, ICO and Axis, its venture capital subsidiary, are particularly relevant in the second phase of the Recovery, Transformation and Resilience Plan, approved by the European Commission on October 2023, as they are entrusted with managing almost 40,000 million Euros in loans to finance projects for the self-employed, SMEs and companies, paying special attention to those that promote the green transition and digitalisation.

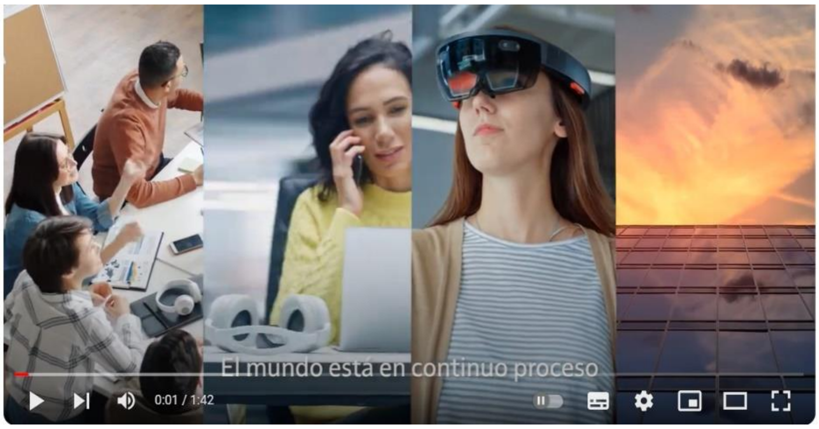
ICO’s communication policy integrates these strategic objectives as a priority focus of action and during the year 2023, in addition to the Institute’s usual communication actions, efforts have been focused on the following:

- ✓ **Strengthen and enhance Axis’ communication and corporate identity,** to increase society’s knowledge of the activity carried out by the entity and support its image as a benchmark player in the Spanish venture capital sector. To this end, we have carried out various actions:
- ✓ **Create a corporate identity for the 4 funds managed by AXIS.** A logo has been designed for each of the funds managed by AXIS, aligned with the AXIS logo design. In this way, the 4 funds acquire their own identity but with common elements associated with the AXIS corporate identity.

- ✓ **Produce an Axis corporate video.** The objective of the video is to increase the knowledge that the business sector, and society as a whole, have about AXIS. The video explains in a visual and summarised way the different aspects of its operation. The video outlines the performance in public-private collaboration with the venture capital sector in all areas of activity, with a special focus on high-impact, sustainable projects and in the field of technology through its four funds. The video has been produced in both English and Spanish, has been disseminated on social networks and has been placed in a prominent position on the homepage of the Axis website.

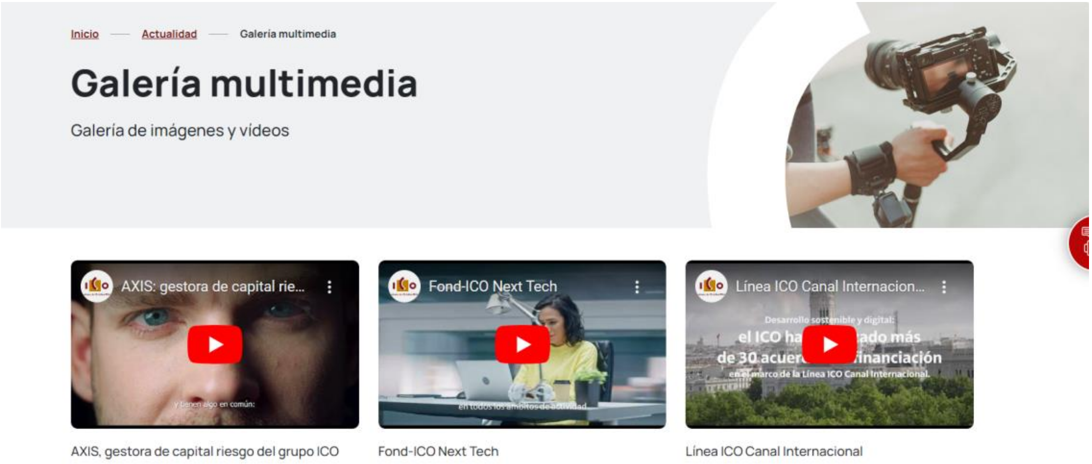


- ✓ **Produce a product video on Fond-ICO Next Tech.** Work has also been done on the creation of a specific video on **Fond-ICO Next Tech,** highlighting its activity in promoting high-impact innovative digital projects and investment in growth companies (scale-ups). This video has been used as support material at various Fund promotion events, on the AXIS website and on social networks.



- ✓ **Renew the architecture and content of the AXIS website.** During 2023, work has been carried out to expand and improve the architecture and content of the AXIS website, **reinforcing and creating specific and more visual content, with the** aim of communicating more effectively the features of the various Axis products.

➢ **Enhance ICO's audiovisual communication.** During 2023, the ICO Group's audiovisual and digital material was considerably expanded to reinforce the communication of our strategic objectives and complement the written messages. Various interactive videos and infographics have been produced for use on the website, social networks, etc.



In this sense, and in line with **ICO Group's commitment to the Financial Education initiative,** two new videos have been produced for use as audiovisual teaching material during student visits to ICO's headquarters. These videos explain in a simple and attractive way the different aspects of ICO's activity, using a visual and communication code specific to the target group at which they are aimed: young students.

OTHER COMMUNICATION ACTIONS CARRIED OUT IN 2023

- **Renewal of ICO's Institutional Presentation**. In order to help maintain the ICO Group's positive brand image, the Institutional Presentation has been revamped, updating and modernising its design and content.

  Its collective use by employees will help us to project a homogeneous identity of the Institute, AXIS and Fundación ICO to the outside world.

  The presentation includes all the new features of the Addendum to the Recovery Plan. The Institutional Presentation is published on the ICO Group's website, both in Spanish and English, and also in editable format on the intranet to facilitate its use by employees in all presentations, conferences and any public event of the ICO Group.

- **International Advertising Campaign.** "ICO GREEN AND SOCIAL BONDS. Supporting Sustainable Growth in Spain"'.

  The ICO carries out publicity actions in the international arena with the dual objective of supporting the Institute's role as an issuer in the capital markets and reinforcing ICO's identification as one of the benchmark players in the development of the social and green bond market.

  The campaign was concentrated in two waves during June and September 2023. The campaign included on-line and off-line advertisements in economic magazines, magazines specialising in the financial sector, with a special focus on issues dedicated to sustainable financing. In the on-line part, the ICO's presence in specialised information terminals and international economic sites was boosted.

- **Information seminars.** During 2023, ICO participated in 231 workshops and was a speaker on 318 occasions. Participation in these conferences was carried out in collaboration with various institutions, sectoral associations and collaborating agents, covering the entire country.

Of the total number of interventions, the President of ICO participated as a speaker in 63 of them. Of the remaining 255, in 149 cases (58% of the total) it was women who participated on behalf of ICO, reaffirming ICO's commitment to give visibility to female talent in the European Parliament's #dóndeEstánellas initiative.

- **On-line communication channels.** One of ICO's priority objectives in recent years has been to increase the Institute's presence in the various online communication channels.
- **ICO Newsletter.** In recent years (in 2023 it continued to be distributed normally), the use of the electronic newsletter has been consolidated as a channel of communication between ICO and the self-employed and SMEs to publicise the activity, the main products and financing programmes of the ICO Group, as well as success stories of our client companies.

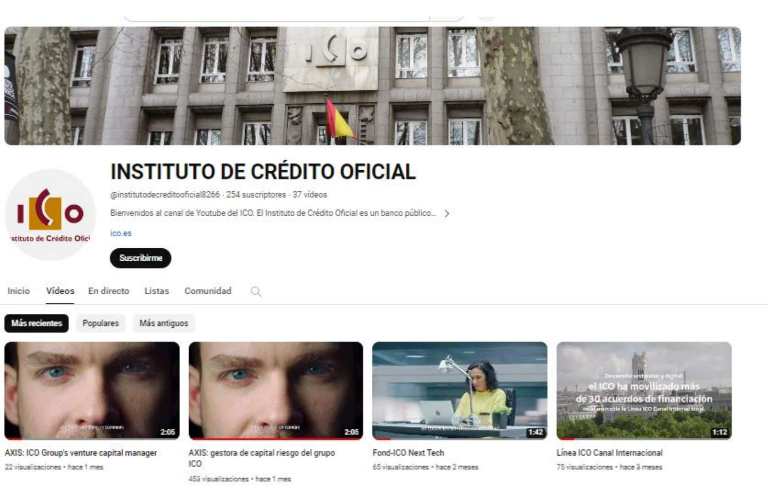
  It is distributed by e-mail to the ICO's database (approximately 380,000 contacts), with an **average open rate of around 39.**8% and an average click rate of 13%. The newsletter is among the top 10 most visited content/pages on the ICO website.
- **Newsletter for investors.** This quarterly newsletter provides up-to-date information of interest to investors. This newsletter continued to be published on a regular basis throughout 2023. It is published in English, posted on the ICO website and sent by email to the ICO's investor database (more than 1,500 records).
- **Social networking.**
  - **X @ICOgob**

  X (formerly Twitter) has become one of the ICO's main online channels for publicising its activities.

    - ✓ In 2023, the **number of followers** of the verified @ICOgob account stood at 7,780, an increase of 2.14% over the previous year. This growth has been recorded progressively throughout the year.
    - ✓ Of the total number of publications in 2023, **9 out of 10 were** accompanied by graphic or **audiovisual** material (photographs, infographics, videos).
    - ✓ The **interaction rate** stood at 3.91%, 5.11% higher than the previous year.

- **ICO YouTube channel**

ICO maintains its YouTube channel active to promote audiovisual communication of the ICO Group's activities. At 2023 closing, this channel had a total of 254 subscribers and a total of 62,960 views, with the publication of a total of 37 videos.



4.4.5 CERTIFICATIONS AND OTHER MENTIONS

As a result of the application of the entire policy structure and management instruments, ICO has obtained several certifications confirming compliance with the highest standards.

- A certification of its **Environmental Management System** was obtained in 2021, in accordance with the requirements of **ISO 14001**. This certification guarantees to third parties that ICO follows standards of good practice to help protect and respect the environment at all levels of its activity. The certification of the environmental management system is an objective established in the Environmental Policy of Instituto de Crédito Oficial, and affects the procedures for identifying and evaluating environmental aspects, the identification and treatment of environmental risks and opportunities, as well as the procedures for management, control, monitoring and evaluation of environmental performance in the development of our activity. The ICO Group's Environmental Management System develops the Environmental Policy, which, in order to guarantee environmentally friendly action, includes the following commitments, among others:
    - Identify environmental aspects and control the associated environmental impact.
    - Identify and assess compliance with legal and other environmental and biodiversity protection requirements voluntarily subscribed to by ICO (Equator Principles, 10 Global Compact Principles, Paris Agreement).
    - Identify and assess the environmental risks and opportunities of its activity and its products and services.
    - Measure GHG emissions and carry out prevention, reduction and remediation actions.
    - To facilitate the segregation and management of the waste generated in its facilities, and to promote awareness among its professionals so that waste segregation practices are also applied in their daily lives.
    - Formalise agreements that promote circular economy practices for the reuse of waste.
    - Implement tools for environmental protection and pollution prevention.
    - Promote sustainable and responsible consumption of natural resources, and define energy efficiency and improvement plans.

Precautionary principle: ICO has implemented an environmental management system that complies with the requirements of ISO 14001. This management system is certified by European Quality Assurance (EQA). The control and monitoring of the management system is the responsibility of the general services and assets unit, which is equipped with the necessary resources to carry out this function. As the environmental impact is not significant, there is no specific provision or guarantee in the income and expenditure budget to cover environmental damage.

- On April 2022, a certification was obtained that its **quality management** system complies with the requirements established in the **ISO 9001**:2015 international standard. The quality management system applies to the development of all activities carried out by the ICO, both management and support, in its triple role as National Promotion Bank, Financial Instrument for Economic Policy and State Financial Agency. The international ISO 9001 standard regulates the quality process in all areas of development, implementation and improvement, and is consistent with the ICO's Quality Policy. This certification, also issued by EQA, demonstrates to stakeholders ICO's commitment to quality and to the procedures established in this ISO 9001 standard.

ICO International Channel Line distinguished with the ALIDE 2023 Award

On June 2023, the ICO International Channel Line was distinguished with the **ALIDE 2023 Award in the** "Extra-regional Banks" category. This award recognises **best practices in development financial institutions**, including the contribution of the Instituto de Crédito (ICO) in the internationalisation process of companies through the financing and support of their activities.

The award received by the Institute highlights one of the financial instruments specialised in internationalisation included in the ICO product catalogue: the ICO International Channel Line, a **benchmark in the promotion of international investment and foreign trade activity of Spanish and Latin American companies, with Spain's position as a window of entry between Europe and Latin America and the Caribbean being relevant.**

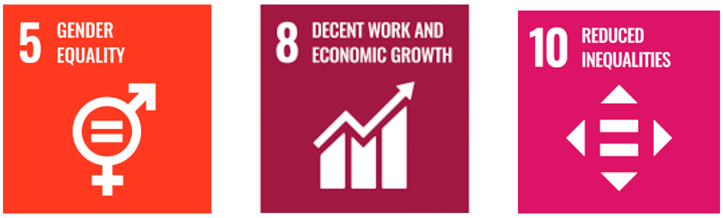
The International Channel line has promoted projects with the participation of Spanish companies that improve people's quality of life in collaboration with multilateral and development banks in LATAM. Some of the sustainable projects financed include the agreement between ICO and FONPLATA to expand and modify two wastewater treatment plants in Uruguay; the construction of several wind farms in Brazil, under the Institute's agreement with BNDES; the construction of the Nicaraguan hospitals of Bilwi and Chinandega thanks to the agreement signed between ICO and CABEI; and the construction of the first metro line in Quito (Ecuador), following the agreement reached between ICO and CAF.

- As mentioned in chapter 2, ICO Group plays a very important role in the management of various instruments within the framework of the European Union. Much of this activity is done thanks to the accreditation obtained by ICO in 2020 as ***Implementing Partner* of the European**

Commission for the management of European programmes, in particular InvestEU. This accreditation followed a comprehensive review of ICO's policies, processes and actions in the 9 pillars defined by the European Commission (*Pillar Assessment*), which include aspects such as internal control, accounting, external audit, management of financial instruments, procurement procedures, data protection or exclusions from funding, among others. This examination was passed by ICO in its entirety, which on the one hand allows the management of European funds and guarantees and on the other hand demonstrates that it complies with EU management standards.

- There are also extra-financial ratings by specialised and independent rating agencies that categorise ICO's ESG performance and risk and whose ratings can be found at: https://www.ico.es/web/guest/sustainability/evaluacion-divulgacion-y-trasnparencia
- ICO is also certified as a **Family-Responsible Company (EFR)** by the Másfamilia Foundation. This EFR certificate demonstrates the ICO Group's firm commitment to advancing in the area of work-life balance to improve the quality of life of its employees, and it is one of the first companies in the public sector to hold this certificate. In order to obtain the certificate, a thorough process of diagnosis and external audit was carried out to accredit the implementation of processes that promote quality employment, equal opportunities or cohesion between family and professional life, based on the legislation in force. This certification is also subject to periodic review, the last renewal having taken place on December 2022, valid until 2025.

5 HUMAN TEAM AND DIVERSITY MANAGEMENT



ICO Group's most important asset is its human and intellectual capital, committed professionals who drive the organisation every day towards the achievement of its mission in an atmosphere of collaboration and trust.

In its relationship with the professionals who make up the organisation, ICO Group is committed to:

- The Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities for men and women and the fight against all forms of discrimination.
- The reconciliation of work, family and personal life.
- Professional development and training.
- Health and safety at work.
- Reconciling professional activity with respect for the environment.
- The social and labour inclusion of groups with functional diversity.
- Corporate volunteering, developed through collaboration agreements with social entities.

These commitments made to its staff are set out in the Sustainability Policy approved in 2020 and renewed by the ICO Council on January 2024, and are embodied in the personnel policies and procedures and in the actions carried out in each area.

ICO also guarantees its observance of equality between women and men through the 2nd Equality Plan, negotiated with its Works Committee, which incorporates more than 45 measures and certifies its commitment to the welfare of its employees through the Family-Responsible Company seal awarded by the Masfamilia Foundation since 2014. The milestones for 2023 include the approval of a formal policy on Safety, Health and Wellbeing at work, as well as the approval of the Digital Disconnection Policy, which consolidates the process of implementing teleworking as a service provision method and enables progress in efficiency, flexibility and contributes to creating an optimal working environment while favouring a work-life balance.

Throughout this section, we explore how these core values have been integrated into our corporate culture, contributing to the well-being of our employees and progress towards a more equitable and sustainable future.

Instituto de Crédito Oficial

5.1 PAYROLL INFORMATION

Distribution of ICO Group staff by age, gender and professional groups.

At 2023 closing, the Group's staff numbered 396, an increase of 28 compared to the previous year. Of these, 93% work at ICO , 5% at AXIS and 2% at the Fundación ICO . The distribution by age, professional group and gender is as follows:

ICO GROUP	31/12/2023				31/12/2022			
	Under 30 years old	Between 30 and 50 years old	Over 50 years old	TOTAL	Under 30 years old	Between 30 and 50 years old	Over 50 years old	TOTAL
Senior Management		**5**	**11**	**16**		**5**	**13**	**18**
Women		4	3	7		4	3	7
Men		1	8	9		1	10	11
Middle Management		**31**	**28**	**59**		**35**	**23**	**58**
Women		20	13	33		24	8	32
Men		11	15	26		11	15	26
Technical Staff	**40**	**113**	**110**	**263**	**18**	**110**	**103**	**231**
Women	21	70	66	157	9	67	62	138
Men	19	43	44	106	9	43	41	93
Administrative staff		**8**	**50**	**58**		**14**	**43**	**57**
Women		7	45	52		13	38	51
Men		1	5	6		1	5	6
TOTAL GROUP ICO	**40**	**157**	**199**	**396**	**18**	**164**	**182**	**364**
Total Women	21	101	127	249	9	108	111	228
Total Men	19	56	72	147	9	56	71	136

In terms of annual average, the number of staff rose to 384 in 2023, compared to 352 in 2022.

In line with the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, as well as national and international standards, ICO Group does not employ any underage employees.

In addition, ICO Group had the support of an average of 10 young university students participating in the SEPI Foundation's practical training scholarship programme. 100% were under 30 years of age and 50% were women. This number has decreased by 18 young people compared to 2022. In addition, the Fundación ICO has one person who has a Museography grant, this year 2023 as in 2022.

The high specialisation of the products and services offered by ICO Group institutions is reflected in the distribution of the workforce by professional group. Thus, 66% of the workforce is included in the professional group of Technicians, 3 percentage points more than in 2022.

With regard to the distribution of the workforce by age, the majority of employees are in the "Over 50" age bracket, with 50% of the total. This is due to the fact that ICO Group is a consolidated institution that offers its employees a stable working environment and conditions, which means that 36% of the workforce has more than 25 years' seniority.

Given the nature of ICO as a national Public Business Entity, 100% of our staff carry out their professional activity in Spain.

In 2023, there has been an increase of 22 people over the previous year in the group of technicians under 30 years of age, with the consequent gradual rejuvenation of the workforce and promotion of youth employment. ICO Group also participates in initiatives described in sections 5.9 and 5.10 to facilitate access to employment for young people.

ICO Group staff additions and departures

Staff additions and departures have been the following:

ICO Group 2023	TOTAL	Under 30 years old	Between 30 and 50 years old	Over 50 years old	Men	Women
NO. OF DISCHARGES	**68**	35	28	5	33	35
CONTRACTING RATE	**17.2%**	87.5%	17.8%	2.5%	17.6%	14.1%
NO. LEAVES	**34**	6	21	7	20	14
ROTATION RATE	**8.6%**	15.0%	13.4%	3.5%	10.7%	5.6%

ICO Group 2022	TOTAL	Under 30 years old	Between 30 and 50 years old	Over 50 years old	Men	Women
NO. OF DISCHARGES	**47**	15	32	0	22	25
CONTRACTING RATE	**12.9%**	83.3%	19.5%	0.0%	16.2%	11.0%
NO. LEAVES	**34**	4	24	6	18	16
ROTATION RATE	**9.3%**	22.2%	14.6%	3.3%	13.2%	7.0%

The hiring rate is the number of new hires compared to the total number of staff at year-end for each category and the turnover rate is the number of departures compared to the total number of staff at year-end for each category.

Among the departures in 2023, the most common cause is leave of absence (50%) granted to employees to take up other jobs in the public sector. In 2023 and 2022, there were no departures due to dismissal.

Employees with disabilities

There are 5 persons with recognised disabilities (functional diversity/physical disability) in the workforce at December 31, 2023, all of whom are women. In 2022 there were also 5 persons, 80% of whom were women.

In addition, ICO has signed an agreement with the A LA PAR Foundation through which 1 person with a disability completed their studies by doing work experience at ICO during 2023, (one less than in 2022).

Also, since November 2021, ICO has been authorised by the Regional Ministry of Economy, Finance and Employment of the Community of Madrid to comply with the disability quota on an exceptional basis by adopting alternative measures by contracting with Special Employment Centres to provide certain services. During 2023, 6 contracts were maintained with these centres. The services associated with these contracts are provided by 13 people with disabilities working at the ICO Group's headquarters, of whom 5 are women and 8 men, compared to 8 women and 8 men in 2022.

5.2 CONTRACT MODALITIES

Total number and distribution of types of employment contracts. Average annual number of permanent, temporary and part-time contracts by gender, age and occupational classification.

In 2023, 93% of the ICO Group's workforce had permanent contracts (356 people), the same percentage as the previous year, proving once again that ICO provides stability to its employees. In the case of temporary jobs (5%), these were for very specific reasons: to cover temporary disability leave, maternity/paternity leave, relief contracts associated with partial retirements and vacancies until they are filled indefinitely through a public job offer. Staff working part-time due to retirement represent 2%.

ICO GROUP	AVERAGE 2023			AVERAGE 2022		
	Under 30 years old	Between 30 and 50 years old	Over 50 years old	Under 30 years old	Between 30 and 50 years old	Over 50 years old
INDEFINITE	**16.8**	**146.4**	**192.4**	**9.3**	**145.1**	**171.8**
Women	**8.3**	**93.1**	**121.5**	**5.3**	**95.5**	**103.7**
Men	**8.6**	**53.3**	**70.9**	**4.0**	**49.6**	**68.2**
Senior Management	**-**	**5.1**	**12.8**	**-**	**5.0**	**12.3**
Women	-	4.0	3.0	-	3.3	3.0
Men	-	1.1	9.8	-	1.7	9.3
Middle Management	**-**	**29.3**	**28.8**	**-**	**32.2**	**24.5**
Women	-	19.1	13.0	-	21.8	8.3
Men	-	10.3	15.8	-	10.3	16.2
Technical Staff	**16.8**	**106.8**	**104.4**	**9.3**	**97.8**	**99.3**
Women	**8.3**	65.8	64.1	5.3	61.2	61.4
Men	**8.6**	41.0	40.3	4.0	36.6	37.9
Administrative staff	**-**	**5.3**	**46.4**	**-**	**10.2**	**35.7**
Women	-	4.3	41.4	-	9.2	30.9
Men	-	1.0	5.0	-	1.0	4.8
PART-TIME	**-**	**-**	**8.2**	**-**	**-**	**8.6**
Women	**-**	**-**	**5.2**	**-**	**-**	**4.7**
Men	**-**	**-**	**3.0**	**-**	**-**	**3.9**
Technical Staff	**-**	**-**	**4.9**	**-**	**-**	**3.9**
Women	-	-	1.9	-	-	2.9
Men	-	-	3.0	-	-	3.7
Administrative staff	**-**	**-**	**3.3**	**-**	**-**	**3.3**
Women	-	-	3.3	-	-	1.8
Men	-	-	0.0	-	-	0.3
TEMPORARY	**10.7**	**8.9**	**1.30**	**2.2**	**11.1**	**3.4**
Women	**5.2**	**6.1**	**1.10**	**1.6**	**9.4**	**2.7**
Men	**5.5**	**2.8**	**0.2**	**0.6**	**1.7**	**0.8**
Technical Staff	**10.7**	**6.6**	**0.2**	**2.2**	**7.8**	**1.3**

Women	5.2	3.8	0.0	1.6	6.1	0.6
Men	5.5	2.8	0.2	0.6	1.7	0.8
Administrative staff	**-**	**2.3**	**1.1**	**-**	**3.3**	**2.1**
Women	-	2.3	1.1	-	3.3	2.1
Men	-	-	-	-	-	-

5.3 AVERAGE REMUNERATIONS AND SALARY GAP

A. AVERAGE SALARIES

Average earnings and their evolution by gender, age and occupational classification.

The calculation of this data takes into account the total remuneration (salary, in kind and non-wage) of the workforce as at December 31, 2023, annualised, to avoid deviations due to the date of incorporation, including the variable remuneration for meeting objectives regardless of its accrual, and is broken down by professional group, age and gender.

GENERAL METRICS (EUROS)	2023	2022
Salary expenditure ICO	**18,656,521**	**17,540,886**
Average ICO remuneration	**53,304**	**52,205**
ICO median remuneration	**48,007**	**47,649**
Minimum wage	**15,120**	**14,000**

In 2023, monetary remuneration was increased by 3.5% for management and middle management, and by 3.7% for the wage bill of the employees covered by the collective labour agreement, in accordance with current regulations. On the other hand, in accordance with current budgetary regulations, the increases do not affect remuneration in kind or non-wage remuneration. In any case, the process of setting remuneration is subject to the applicable budgetary regulations.

Both the figures for 2022 and 2023 take into account base salary, variable salary and salary and fringe benefits.

In overall terms, the change in the average remuneration of ICO employees as a whole has been influenced by the incorporation of newly created posts as envisaged in the new Strategic Plan 2022-2027, whose entry, in accordance with the collective bargaining agreement, is generally through the lower levels of each professional group. The median, as the average value of the set of remuneration ordered from lowest to highest, is in turn influenced not only by the new incorporations to newly created posts (as in the average), but also by the incorporations derived from the filling of posts generated by the replacement of departures or retirements from the previous year, given that, like the newly created posts, in general, they are also covered by the entry remuneration levels of each professional group.

AVERAGE ICO REMUNERATION (EUROS)	2023	2022	% growth	WOMEN 2023	MEN 2023	DIFFERENCE (Women compared to average)
Average remuneration of senior management	**101,434**	**98,150**	3.4%	101,275	101,592	-0.2%
Average remuneration Head of Department	**88,423**	**85,755**	3.1%	88,377	88,450	-0.1%

Average remuneration Head of Area	**70,903**	**68,561**	3.4%	70,068	72,016	-1.2%
Average remuneration ICO Technical staff	**49,810**	**48,846**	2.0%	51,118	47,890	2.6%
Average remuneration ICO Administrative staff	**38,831**	**38,129**	1.8%	38,824	38,900	0.0%

Note1: For the calculation, the salary expenditure of the President and Senior Management has not been taken into account as this information can be found in section 1.3. Governance and Management Structure. Neither are the training contracts of the First Experience in Administration Programme, which are financed by their specific programme and are governed by their own regulations.

Note 2: The amounts include variable remuneration linked to the achievement of objectives paid in each financial year, remuneration in kind and non-wage remuneration.

Note 3: In all cases the individual increase in monetary remuneration has been at least 3.5% authorised by the LPGE 2023, applied to all remuneration items except for remuneration in kind and non-wage remuneration. However, the % variation in average remuneration is influenced by the incorporation of staff to newly created posts, which have always occurred at entry levels.

MINIMUM ANNUALISED ICO REMUNERATION BY OCCUPATIONAL GROUP (EUROS)	2023	2022	% growth
Entry level Technicians	**38,909**	**37,804**	2.9%
Entry level Administrative	**26,868**	**26,102**	2.9%

Note: The calculation takes into account the remuneration received by all employees, including the minimum variable remuneration subject to meeting targets.

GRI INDICATORS:

- The President's salary is 3.2 times the median salary of the rest of the organisation.
- The remuneration increase for the president in 2023 was identical to that of all employees.
- The ratio between the minimum annualised entry level pay and the average pay is (for managers and executives the technical group is used as a reference):
  - 145% for women and 145% for men in administrative groups
  - 131% for women and 123% for men in technical groups
  - 180% for women and 185% for men in area headships
  - 227% for women and 227% for men in heads of departments
  - 260% for women and 261% for men in managerial positions

ICO	AVERAGE 2023			
	Average ICO	Under 30 years old	Between 30 and 50 years old	Over 50 years old
Senior Management	101,434	-	101,157	101,618
Women	101,275	-	100,943	101,773
Men	101,592	-	101,799	101,541

Department Heads	88,423	-	88,377	88,450
Women	88,377	-	87,982	89,561
Men	88,450	-	89,560	88,265
Area Heads	70,903	-	68,559	75,122
Women	70,068	-	67,095	76,013
Men	72,016	-	70,687	74,104
Technical Staff	49,810	35,154	43,301	60,027
Women	51,118	35,431	44,471	61,856
Men	47,890	34,822	41,436	57,457
Administrative staff	38,831	-	30,744	40,207
Women	38,824	-	31,007	40,096
Men	38,900	-	28,905	41,398
TOTAL ICO	53,304	35,154	49,836	58,569

The average remuneration of the groups reflected in this table in 2023 was 53,304 Euros. Comparatively, this is 3.5 times higher than the Spanish Minimum Interprofessional Wage, which is 15,120 Euros in 2023.

The average remuneration of the Foundation in 2023 was 41,367 Euros, and that of AXIS was 58,481 Euros. These figures were 40,086.16 Euros and 61,227.93 Euros in 2022, respectively. The difference in the average salary in the Axis workforce is due to an increase in junior profiles. A breakdown is provided for AXIS in 2023, but no breakdown is provided for the Foundation due to its small size, in accordance with data protection regulations.

AXIS	Year 2023
Senior Management	117,237
Intermediate Command	90,273
Technical Staff	40,351
Administrative staff	38,692

AXIS	Year 2023
Men	62,629
Women	60,768

AXIS	Year 2023
Under 30s	22,189
Between 30 and 50 years old	51,710
Over 50 years old	83,667

B. SALARY GAP

From the analysis of the salary record data, it can be concluded that **there are no significant salary differences between men and women** at ICO.

In compliance with the provisions of art. 28.2 of the Workers' Statute and Royal Decree 902/2020, of 13 October, on equal pay for men and women, and in line with the commitments made in the 2nd Equality Plan, the ICO has drawn up a salary register at the end of 2023.

This wage register makes it possible to analyse the wage gap between women and men and thus determine whether there is a gender pay gap.

The concept of positions of equal value is reflected in the calculation of the pay gap, which compares the total remuneration received by men and women in positions of equal value at ICO. For this purpose, staff subject to collective bargaining agreements have been classified according to professional group and salary level, following the job structure agreed with the legal representation of workers. With regard to staff excluded from the scope of application of the collective agreement, a distinction was made between middle management, area manager and department manager posts.

Likewise, a comparison has been made of the salaries of management staff (Management, General Management and President's Office).

For each of the above positions, the median of the total pay received by all men and women in these positions is calculated. The pay gap for the job is calculated as the percentage by dividing the difference of the median pay for men minus the median pay for women by the median pay for men. The total pay gap is the weighted average of the pay gaps for each job.

At December 31, 2023, the ICO pay gap for positions of equal value is -1.7%.

The regulations governing the remuneration policy for management and middle management positions are set by the Ministry of Finance and guarantee equal pay for men and women. Likewise, the collective agreement establishes pay levels for staff covered by the agreement (belonging to the professional groups of Technicians and Administrative staff) that guarantee equal pay for people with the same pay level. The promotion of pay levels is linked to performance appraisal.

5.4 WORK ORGANISATION

Working time arrangements

The collective bargaining agreement determines the working day and hours of staff, who may choose between continuous or split working hours, in accordance with the terms of the agreement itself.

In 2023, the average number of ICO Group employees working split working day regime was 363.4 (94.6% of the group's total). 0.78% of the Group worked a continuous working day and 4.73% worked a reduced working day due to reasons of conciliation for partial retirement, relief contract, and/or care of ascendants or descendants.

	AVERAGE 2023			AVERAGE 2022		
ICO GROUP	Under 30 years old	Between 30 and 50 years old	Over 50 years old	Under 30 years old	Between 30 and 50 years old	Over 50 years old
SPLIT	**27.5**	**146.8**	**189.1**	**11.3**	**142.8**	**169.9**
Women	**13.4**	**91.8**	**120.3**	**6.8**	**92.5**	**103.0**
Men	**14.1**	**55.1**	**68.8**	**4.5**	**50.3**	**66.9**
Senior Management	**-**	**5.0**	**10.9**	**-**	**5.0**	**12.3**
Women	-	4.0	3.0	-	3.3	3.0
Men	-	1.0	7.9	-	1.7	9.3
Middle Management	**-**	**27.3**	**23.8**	**-**	**32.2**	**24.5**
Women	-	17.1	9.0	-	21.8	8.3
Men	-	10.3	14.8	-	10.3	16.2
Technical Staff	**27.5**	**96.9**	**96.3**	**11.3**	**94.1**	**96.5**
Women	13.4	57.1	59.1	6.8	55.8	59.8
Men	14.1	39.8	37.2	4.5	37.3	36.7
Administrative staff	**-**	**6.6**	**43.2**	**-**	**12.5**	**36.6**
Women	-	5.6	39.2	-	11.5	31.8
Men	-	1.0	4.0	-	1.0	4.8
CONTINUED	**-**	**-**	**3.0**	**-**	**-**	**3.0**
Women	**-**	**-**	**1.0**	**-**	**-**	**1.0**
Men	**-**	**-**	**2.0**	**-**	**-**	**2.0**
Technical Staff	**-**	**-**	**3.0**	**-**	**-**	**3.0**

Women	-	-	1.0	-	-	1.0
Men	-	-	2.0	-	-	2.0
Administrative staff	**-**	**-**	**-**	**-**	**-**	**-**
Women	-	-	-	-	-	-
Men	-	-	-	-	-	-
REDUCED	**-**	**8.4**	**9.8**	**-**	**13.4**	**8.9**
Women	**-**	**0.0**	**0.0**	**-**	**12.4**	**4.3**
Men	**-**	**0.0**	**0.0**	**-**	**1.0**	**4.6**
Technical Staff	**-**	**7.4**	**5.2**	**-**	**11.4**	**3.9**
Women	-	6.4	1.9	-	11.4	0.3
Men	-	1.0	3.3	-	1.0	3.7
Administrative staff	**-**	**1.0**	**16.5**	**-**	**1.0**	**5.0**
Women	-	1.0	16.5	-	1.0	4.1
Men	-	0.0	0.0	-	-	0.9

Teleworking has proven to be a key tool in the modernisation and flexibility of work management. For its effective operation, ICO Group is subject to the rules and regulations that govern it in the State Administration. In 2023, ICO Group continues with its Remote Work Plan implemented in 2022 within the framework of energy saving and efficiency measures for the General State Administration and state public sector entities approved by the Council of Ministers Agreement of May 24, 2022. Under this system, after accrediting compliance with the targets set for 2022, ICO Group resolved to implement the maximum regime of up to three days of remote working, as opposed to the maximum of two days allowed in 2022.

At December 31, 2023, 383 employees had joined, of whom 36.1% were men and 63.9% women, or 84.5% of the total staff, an increase of 58 people over the previous year at ICO.

Employees who are members of the Remote Work Plan			
	No. of applications	**Total number of employees (31/12/23)**	**% applications**
ICO	361	369	97.8%
AXIS	17	20	85%
FUNDACIÓN ICO	5	7	71%
TOTAL GROUP ICO	**383**	**396**	**84.5%**

5.5 WORK-LIFE BALANCE

Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of these measures by parents

The Institute's commitment to work-life balance responds to the search for the well-being of the people who form part of ICO, our main source of value. Work-life balance seeks to balance the achievement of work and private life objectives through flexible formulas that allow for the development and success of both. Therefore, it is not just about paid leave. It is a way of organising the working environment that makes it easier for men and women to carry out their work, personal and family responsibilities.

ICO has been certified as a Family-Responsible Company by Fundación Másfamilia since December 2014, in accordance with the efr 1000-1 standard, a certification that was renewed on December 2022 for an additional period of 3 years, until 2025. This management and work organisation model provides a simple and effective work-life balance methodology and enables progress to be made in the implementation of a social, work and business culture based on flexibility, respect and mutual commitment. In order to effectively implement this model, ICO has an efr Model Work-Life Balance and Equality Management Procedure.

As a driver of well-being and in response to the commitment of the people who make up the organisation, ICO's management model aims to:

- Contribute through its policies to the elimination of barriers that hinder the participation of women and men in their personal lives and in the company's processes.
- To promote a working environment that is compatible with personal development, allowing its professionals to balance the fulfilment of their work responsibilities in a public institution such as the ICO with the needs of their personal and family life.

Below there is a breakdown of the work-life balance measures related to reduced working hours adopted by ICO Group employees in 2023 and 2022 (average figure).

ICO GROUP	AVERAGE 2023			AVERAGE 2022		
	Under 30 years old	Between 30 and 50 years old	Over 50 years old	Under 30 years old	Between 30 and 50 years old	Over 50 years old
Upstream care			**1.00**			**1.0**
Administrative staff			**1.00**			**1.0**
Women			1.00			1.0
Offspring care		**10.42**	**0.08**		**12.4**	
Administrative staff		**1.00**	**0.08**		**1.0**	
Women		1.00	**0.08**		1.0	
Technical Staff		**9.42**			**11.4**	
Women		8.42			11.4	
Men		1.00			1.0	
Partial retirement			**8.67**			**7.9**
Administrative staff			**3.50**			**4.0**
Women			3.50			3.1
Men			0.00			1.3
Technical Staff			**4.50**			**3.9**
Women			1.25			1.0
Men			3.25			3.7

Note: Data from ICO and Axis, as there is no person with a reduction in the Foundation.

To guarantee and ensure proper compliance with the values and principles that underpin ICO's commitment to conciliation, an external communication channel has been set up so that ICO staff, as an entity certified under the efr model, can express their complaints and claims regarding conciliation directly to the Fundación Másfamilia. The latter guarantees the absolute confidentiality of the information received through this channel. In 2023, the Fundación Másfamilia did not receive any claims or complaints through this channel, as it did in 2022.

ICO has 90 work-life balance measures divided into 8 blocks, 67 of which provide an improvement over current legislation and are therefore considered work-life balance measures of the family-friendly company (efr) certification .

ICO GROUP	Data 2023			Data 2022		
	Men	Women	Total	Men	Women	Total
Total number of employees entitled to parental leave	6	6	12	6	8	14
Total number of employees who have taken parental leave	6	6	12	6	8	14
Total number of employees who have extended their parental leave with parental leave in 2023	0	1	1	1	4	5
Return to work rate (employees who returned to work after parental leave in the year over total number of those who were due to return) (%)	100%	100%	100%	100%	100%	100%
No. of employees who returned to work	6/6	5/5	11/11	5/5	7/7	12/12
Retention rate (employees retained 12 months after return over total number of returnees) (%)	100%	100%	100%	100%	100%	100%
No. of employees retained	5/5	7/7	12/12	7/7	3/3	10/10

ICO also has an ethics channel available to its staff for reporting breaches of its code of conduct and a Compliance Committee that keeps a record of all reports received through the ethics channel or any other means that the person making the report considers appropriate. The Compliance Committee guarantees the confidentiality of the complaints received. In 2023 no complaints were received, during 2022 one complaint was received which was dealt with and resolved in accordance with the procedure.

In 2023, the Group updated the Ethics Channel to comply with the requirements of Law 2/2023 of 20 February, which regulates the protection of persons who report breaches of regulations and the fight against corruption. With these adaptations, the internal reporting channel makes it possible to report, even anonymously, facts that may involve a serious criminal or administrative offence or a breach of EU law, and may be used both by ICO Group employees and by third parties who may be aware of unethical, fraudulent or unlawful conduct within the ICO Group. The law, as well as the Code of Ethics, guarantees that there will be no retaliation against those who use the Ethics Channel in relation to reports of breaches of the internal rules of conduct and conduct that may constitute a criminal or administrative offence. The Works Council was informed of the establishment of this new internal information channel, which is accessible through the external website of the ICO, AXIS and the Foundation.

Implementing digital disconnection policies in the workplace

In the remote work plan approved in ICO Group in 2022, the right to digital disconnection outside working hours is recognised in accordance with article 88 of Organic Law 3/2018 of 5 December on the Protection of Personal Data and Guarantee of Digital Rights. Following the implementation of the remote working regime, in 2023 the **digital disconnection policy was** created and approved and announced on the intranet, including the principles of action and a decalogue of good practices for better management of working time and respect for rest time.

5.6 SECURITY AND HEALTH

According to the World Health Organisation (WHO), a healthy company is one where management and employees work together to develop continuous improvement processes to protect and promote occupational health, safety and well-being.

In this sense, ICO Group understands that a healthy organisation is one that, understanding the importance of health for the proper functioning of its activity, makes systematic, planned and proactive efforts to improve the organisation and design of workplaces, operational processes and the strategy of work-life balance, health and safety at work. In this way, employee wellbeing is positioned as a strategic element of strength, essential for the achievement of company objectives.

This is reflected in the Safety, Health and Wellbeing Policy approved by ICO Group in 2023, which develops the commitments established at the highest level in the Sustainability Policy, which includes occupational health and safety as a commitment to employees.

The ICO Group's Health, Safety and Wellbeing Policy defines ICO's general principles in this area, taking as a reference the recognition of good practices established by international guidelines (WHO), the EU's strategic framework for health and safety at work 2021-2027 and the Spanish Strategy for Health and Safety at Work 2023-2027, as well as the Sustainable Development Goals, specifically SDG 3, referring to health and well-being, with the aim of ensuring the health, safety and well-being of ICO professionals, promoting healthy lifestyles and creating long-term value, both for employees and their families, as well as for society in general.

The policy develops the ICO Group's corporate action principles on human resources, aligning ICO's concern for the health and well-being of its employees with the EU Strategic Framework for Health and Safety at Work 2021-2027 and its three main axes:

- Anticipate and manage the shift to new jobs and occupations resulting from the ecological, digital and demographic transitions.
- Improve the prevention of accidents and illnesses in the workplace.
- Increase preparedness for possible future health crises.

Furthermore, ICO Group understands that it is the responsibility of everyone, staff, employees and management, to contribute to building and maintaining an environment of health, safety and well-being. Accordingly, the Health, Safety and Wellbeing Policy sets out the following general objectives:

- ✓ To achieve a healthy working environment and well-being that allows employees to carry out their work in the best physical, psychological and social conditions, promoting the participation of its employees and worker representation through the channels provided.
- ✓ To achieve an optimal level of occupational safety beyond mere compliance with occupational risk prevention regulations.

The management of health and safety in the workplace affects 100% of the workforce, and is developed through two main lines of action: (A) technical prevention referring to the specialities of occupational safety, industrial hygiene, ergonomics and applied psycho-sociology, which includes occupational risk assessments, action plans to eliminate or minimise the risks detected, monitoring the implementation of action plans, the preparation and implementation of emergency and evacuation plans, health and safety training and the coordination of preventive activities; and B) occupational medicine, with the performance of medical examinations of personnel, the protection of particularly sensitive employees and the adaptation of work stations with specific ergonomic material, as well as programming preventive activities and campaigns with the aim of maintaining and improving the health of workers and promoting the development of both a preventive culture and healthy habits among the workforce.

During 2023, the prevention service was carried out with the collaboration of two companies: the MPE Group during the first half of the year and the Preving Group during the second half. Since June 2023, we have unified the external prevention service for the entire Group. There is a procedure for the coordination of business activities in compliance with R.D. 171/2004, which details the functions and measures to be adopted in the relationship with companies for the prevention of occupational risks.

Control of health and safety at work is the responsibility of the Health and Safety Committee, made up of 3 representatives from the Company and 3 from the Workers' Legal Representation, and by the Medical Service (company doctor) and the External Prevention Service (prevention technician). The Health and Safety Committee meets quarterly. In 2023, 4 meetings were held, recorded in minutes, which dealt with issues related to the appointment of alarm and evacuation teams and first intervention teams, training in occupational risk prevention for office staff (including teleworking) and accidents at work. This body participates in the elaboration, implementation and evaluation of risk prevention plans and programmes in the company. No major injury risks have been identified and no such events have occurred. Workers can report any risks or incidents directly to HR or through union representatives.

In 2023, 208 medical examinations were performed in the ICO Group, representing 54% of the Group's average workforce. This represents an increase of 15 check-ups compared to the previous year. In addition, a course entitled "prevention of occupational risks for office staff" was given to 64 people and "a practical course on fire prevention and handling fire extinguishers" was given to 17 people, all of them from ICO.

On the other hand, as part of its commitment to the health of its employees, ICO Group has a medical service available to all its employees at the work centre, from Monday to Friday mornings, for medical, nursing and physiotherapy consultations. The health service for the medical care of ICO staff is authorised by the Health Department of the Community of Madrid. This measure promotes health care, conciliation, flexibility and the reduction of absenteeism by facilitating medical consultation and assistance for ICO staff in the workplace.

During the year 2023, 760 assistances have been provided, which means an average of 63 assistances per month, 29% to men and 71% to women. Of the assistances, 51% were provided by the medical professional, 36% by the nursing professional and 13% by the physiotherapist. An average of 51 workers per month have been assisted. By type of assistance, 69.9% was due to common illness, 0.2% to non-occupational accidents and the remaining 29.9% to health campaigns.

During the year 2022, 1,565 assistances have been provided, which means an average of 130 assistances per month, 32% to men and 68% to women. Forty-eight percent of the assistance was provided by medical professionals, 42% by nurses and 10% by physiotherapists. An average of 82 workers per month have been assisted. By type of assistance, 84% was due to common illness, 1% to non-occupational accidents and the remaining 15% to health campaigns.

Two health campaigns were carried out in 2023, one for seasonal flu vaccination and the other for health promotion to prevent cardiovascular risk. These campaigns, aimed at the entire workforce, benefited 117 professionals and 66, respectively.

In addition, ICO collaborates annually in the blood donation campaign promoted by the Red Cross. In 2023, two campaigns were held, one on March with 41 donors and another on September with 34, a total of 75 volunteers who were able to donate blood at the work centre. This contributed to improving the lives of 225 people, as each donation saves 3 lives.

Sick leave and absenteeism

On the other hand, 4,383 days of sick leave were recorded, 82.2% for common illness, 15.6% for maternity or paternity and 1.6% for accidents.

In addition, there were 2 occupational accidents, 1 of which was in itinere, both involving women, with medical leave. Due to the nature of the ICO Group's activities, there is no risk of occupational illnesses as defined in current legislation, as assessed by the prevention service.

The number of absence hours recorded in 2023 was 32,173 (in 2022 it was 26,442), bringing the absence rate at ICO to 4%. This is a decrease from 5% in 2022.

ICO	2023			2022		
	Total	Men	Women	Total	Men	Women
Number of days off work	4,383	1,642	2,741	4,368	1345	3023
Number of absence hours	32,173	10,140	22,033	26,442	5,899	20,543
Number of total occupational accidents	2	0	2	6	1	5
Number of occupational accidents in itinere	1	0	1	6	1	5
Number of occupational accidents requiring time off work	2	0	2	2	0	2
Frequency rate (%)	3.31	0	3.31	0	0	0
Incidence rate (%)	0.56	0	0.56	0.62	0	0.62
Severity rate (%)	0.32	0	0.32	0.24	0	0.24
Absenteeism rate (%)	4	3.75	4.71	5	3	6

Note: Frequency rate = number of lost time accidents per million hours worked.
Severity rate = number of days lost out of 1 million hours worked
The frequency rate does not include accidents on the way to and from work. The calculation is based on one million hours.
At AXIS and Fundación ICO, there were no occupational accidents or occupational diseases in 2023.

Health certifications

During 2023, ICO has been preparing intensively for the ISO45001 Occupational Health and Safety certification, which it expects to obtain during 2024 and thus integrate all ISOs obtained into a single Management System.

5.7 SOCIAL RELATIONS

Organisation of social dialogue

In line with Principle 3 of the Global Compact, ICO respects the right of its staff to join trade unions according to their needs and to form their Works Council.

At ICO, the Works Council acts as a collegiate body representing the workers and interacts with the company through its autonomous functioning, and through its participation in different committees (Joint Committee, Health and Safety Committee, Training and Professional Promotion Committee and Social Affairs Committee), in addition to the working groups and specific negotiating committees that may be set up to deal with specific issues that may require it.

In order to carry out its functions, the ICO has provided the Works Council with its own physical space to meet and store documentation, as well as its own e-mail address to receive queries and a space on the intranet to publish its information.

Procedures for informing, consulting and negotiating with staff through their representatives. Implementation of the Collective Bargaining Agreement

1) Percentage of employees covered by collective bargaining agreements by country

At present, the VI Collective Bargaining Agreement remains in force, published in the BOCM on January 11, 2014 (http://w3.bocm.es/boletin/CM_Orden_BOCM/2014/01/11/BOCM-20140111-3.PDF), which applies only to ICO staff and whose scope of application is the Community of Madrid, where the work centre is located.

Social benefits are stipulated in the Collective Bargaining Agreement and apply to all staff on equal terms, and there is no distinction by type of working day.

The Agreement applies to 82% of the ICO staff, excluding the President, the management team and the professional group of middle managers, whose employment relationship is governed by the terms of their individual contracts.

2) Review of collective agreements, particularly in the field of occupational health and safety at work

The ICO Works Council has 13 members. On March 29, 2023, elections to the Works Council were held, with 71% of the ICO staff participating. As a result, the Committee consisted of 3 different trade union sections and 13 members. 31% of the Works Council members are women.

During 2023, 8 meetings of the Joint Commission and the Health and Safety Committee were held and documented in the minutes. In addition, roundtables were set up with employee representatives to address issues relating to the working conditions of greatest concern to the workforce.

Mechanisms and procedures to promote employee involvement in terms of information, consultation and participation.

With regard to the existing means of informing staff, the ICO, in addition to sending general and personalised communications by e-mail, has a channel for announcements, new developments and news related to the institution's activity on its intranet. The intranet also contains all applicable internal regulations, as well as information on training, work-life balance, the works council, institutional and other activities. All employees are encouraged to participate in the evolution of the institution, either by commenting on the news published or by making suggestions in the Contribute Your Idea channel. In addition, the employee portal has been revamped and allows more interaction between the company and employees for the communication of requests and visibility of training.

In addition, the Presidency holds meetings open to all staff to explain matters of general interest such as the Strategy, results or the management of European funds. The last meeting of this type was held on November 2023 to explain the role of the ICO in the management of the European funds of the Recovery and Resilience Mechanism, giving staff the opportunity to ask questions.

Unit managers maintain a constant open dialogue with employees to receive their concerns, which is formalised annually through performance appraisal and Management by Objectives interviews, where impressions, expectations and other work-related issues can be discussed, in addition to the quarterly monitoring of progress in meeting objectives.

In addition, regular surveys are also conducted, for example on the Group's material topics or on satisfaction with work-life balance measures . In the area of training, there is a training coordinator in each Directorate-General as a point of reference for employees and an interlocutor with HR to convey the training needs of the teams, and satisfaction surveys are conducted on the training courses given.

5.8 TRAINING

Policies implemented in the field of training

Training and empowering staff is key to contributing to Sustainable Development Goal 8: "Decent work and economic growth". ICO Group promotes the improvement of knowledge, skills and abilities of its human and intellectual capital and, at the same time, in accordance with its mission to promote the growth and development of the country, it responds to the training needs of other groups, such as young people and people with intellectual disabilities, to achieve their integration into the labour market.

This commitment of ICO Group to professional development and training is included in the Sustainability Policy, and is materialised in the Training Policy and in the Training Plan on which planned and unplanned training actions are developed annually in response to needs identified throughout the year.

In 2023, ICO Group has reinforced its demanding level of staff training hours, which has been increased by 6% compared to 2022. This has increased from 16,083 to 17,022 hours from 2022 to 2023, respectively. The investment has increased by 38%, from 115,052 to 159,121 Euros from 2022 to 2023, respectively.

This commitment to the professional development of ICO's human and intellectual capital is reflected in the fact that investment in training represents 1.42% of ICO's salary expenditure in 2023 compared to 1.10% of ICO's salary expenditure in 2022. The same can be seen in the average number of hours per employee, which stands at 44 hours in 2023 compared to 42 hours in 2022, 10% more than in 2022 for the ICO Group.

The Training Plan includes the training objectives for the number of hours and investment in: training in sustainability, in the Systems Plan, on-the-job training related to the ICO's activity and regulations, language learning and improvement, and the development of personal skills useful for the job.

In line with the Training Plan, this year's highlights were, in this order, on-the-job training, language training and training in sustainability. The Systems Plan, which focuses on training in new technologies, was also maintained in order to help the team adapt to the new technological tools needed to implement the projects developed by the ICO.

In 2023, there has been an increase in the investment dedicated to the workplace, which represents 42% compared to 16% the previous year, while investment in language learning and improvement has decreased to 37% of the investment, 15% has been allocated to training in sustainability compared to 7% in 2022, 3% to training in the Systems Plan, which remains stable compared to 2022, and 2% to training in skills and postgraduate training and certifications.

DISTRIBUTION OF TRAINING HOURS BY OCCUPATIONAL GROUP - GROUP ICO						
HOURS	2023	2022	WOMEN 2023	MEN 2023	HOURS PER PERSON (TOTAL)	HOURS PER PERSON (WOMEN)
DIRECTORS	694.86	758	279.85	415.01	40.87	39.98
MIDDLE MANAGEMENT	2,272	1,693	1,138.02	1,133.73	39.17	35.56
TECHNICIANS	11,903	11,458	7,404.59	4,498.9	47.61	49.70
DIRECTORS	1,272	2,050	1,264.86	7	21.56	23.87
SCHOLARS	70	124	31	39		
TOTAL	**16,212**	16,083	10,118	**6,094**		

DISTRIBUTION OF INVESTMENT IN TRAINING BY TRAINING AXIS - ICO GROUP					
EUROS	2023	2022	Variation s/2022	WOMEN	MEN
LANGUAGES	58,595	74,384	-21%	42,275	16,320
ON-THE-JOB TRAINING	67,184	18,966	254%	46,571	20,613
SUSTAINABILITY	24,540	8,003	207%	17,543	6,998
SYSTEMS PLAN	5,177	3,600	44%	1,234	3,943
SKILLS TRAINING	1,646	327	403%	1645,6	0
ACADEMIC TRAINING, POSTGRADUATE STUDIES AND CERTIFICATION	1,979	9,772	-80%	266	1,713
TOTAL	159,121	115,052	38%	109,534	49,587

The differences between women and men must be interpreted in relation to the weight of each sex in the overall workforce or category.

Lastly, it should be noted that ICO Group plans to provide voluntary access to the training activities contained in its Training Plan to professionals who are on childbirth and childcare leave, breastfeeding leave or leave of absence to care for children or family members, so that absence is not a barrier to professional progress. In fact, of the 12 people who took any of these leaves in 2023, 75% of the professionals took part in some training activity during this period.

5.9 UNIVERSAL ACCESSIBILITY OF PERSONS WITH DISABILITY

Accessibility for people with disabilities

ICO Group has facilities, tools and workstations adapted to allow accessibility for people with reduced mobility or other types of functional disability who carry out their professional activity at ICO or who visit the facilities. Thus, there are 5 people with recognised disabilities (functional diversity/physical disability) on the staff, 80% of whom are women. In addition, in 2023, we have a person with a disability on a grant from the A LA PAR Foundation.

The Fundación ICO holds the Accessible Tourism badge awarded to the ICO Museum for incorporating universal accessibility measures into its establishment and for its commitment to welcoming and caring for people with disabilities and with accessibility needs in general, developed through the provision of adapted, easy-to-read material on the Museum's exhibitions and the organisation of activities with a sign language interpreter.

The ICO corporate portal is designed to comply with Royal Decree 1112/2018, of 7 September, on Accessibility of Public Sector Websites and Applications for Mobile Devices. A practical and accessible corporate portal is made available to society, guaranteeing access to the information and services on its pages to all users without restriction due to disability, medium or context through which this portal is accessed.

At the same time, the www.ico.es portal aims to adapt to the standards and regulations in force in relation to accessibility, complying with the double A (AA) verification points defined in the Web Content Accessibility Guidelines (WCAG 2.1) specification belonging to the W3C.

Integration of people with disabilities

Since 2016, ICO has been hosting several students from the A LA PAR Foundation who are part of the CAMPVS educational project aimed at young people with functional diversity who, after completing their formal education, wish to access higher education in order to develop a higher degree of personal, social and professional competence.

Through this programme, these young people specialise in the administrative branch, acquiring general knowledge of business, information technology, economics, law, financial culture and English, as well as working on personal autonomy and socio-labour skills. The studies last three years and end with a six-month training internship in a company, a stage in which ICO helps them to complement their training with practical experience and acquire the knowledge and skills necessary to function fluently in the work environment.

Since the collaboration with the ALAPAR Foundation began, ICO has taken in 14 students; 7 have found employment, 3 of them are preparing for competitive examinations and the rest are continuing their training to improve their employability.

5.10 EQUALITY AND DIVERSITY

Equality

One of the guiding principles on which the responsible management of ICO Group is based is equal opportunities, in a broad sense, which is evident both in the public employment offer processes and in tenders for the purchase of goods or the contracting of services.

The above sections show the breakdown of the workforce by gender, and how women have a greater participation in practically all professional groups. In terms of female representation on governing bodies, the ICO General Council (50% women and 50% men), the Council of Directors of AXIS (50% women and 50% men) and the Council of Trustees of the Fundación ICO (40% women and 60% men) stand out.

Managing diversity and combating inequalities and discrimination

1) Measures for the empowerment of women

In the fourth year of the II Equality Plan, approved at the end of 2019, actions were carried out in the seven axes that structure the Plan. Of the 45 measures included in the II Equality Plan, 43 (96%) have been fulfilled by 2023 and another 2 are in progress. In total, more than 100 actions have been carried out, and the number of actions carried out in previous years of the Plan has been greatly surpassed. In 2023, the negotiating table for the III Equality Plan was set up, with the aim of approving it in 2024.

In 2020, ICO joined the Where Are They? Manifesto, an initiative launched by the European Parliament to promote and enhance the presence of women in discussion forums and conferences. During 2023, ICO participated in 231 conferences as a speaker (both in person and *online*), organised in collaboration with various institutions, sectoral associations and collaborating agents, covering the whole of Spain. Of the total number of conferences, the President of ICO participated as a speaker in 63 of them. In the remaining 255 conferences, 149 women participated in representation of the ICO (58%).

2) Protocols against sexual and gender-based harassment

With regard to the prevention of sexual and gender-based harassment, the 2nd ICO Equality Plan has a procedure against harassment in the workplace available to all employees that specifically incorporates the prevention of sexual and gender-based harassment. To date, this has not been activated at any time. No complaints have been received regarding discrimination.

In addition, within the framework of the commitments assumed in the Equality Plan, ICO has joined the Ministry of Equality's Red de Puntos Violeta initiative to combat gender violence and massively disseminate the information necessary to know how to act in the event of violence against women.

3) Measures taken to promote employment

The ICO, as a Public Sector entity and in accordance with the dictates of the Basic Statute of the Public Employee, promotes access to employment under the principles of equality, merit and ability through periodic competitive examination procedures with public notice, reserving a quota of no less than 5% of vacancies to be filled by people with disabilities.

Internally, ICO encourages professional development and internal job mobility among its employees through the system of promotion by filling vacancies established in the institution’s Collective Bargaining Agreement.

In addition, the Instituto de Crédito Oficial has signed a collaboration agreement with the SEPI Foundation whose objective is to organise and develop a programme of practical training scholarships in the work centres of the ICO Group, under the supervision of suitable tutors, aimed at young people with recent university degrees in order to facilitate and prepare them for their access to the world of work, ensuring that they acquire practical knowledge, maturity, employability, status and vision of the business world. In 2023, ICO Group welcomed 24 scholarship holders from the SEPI Foundation, whose scholarships have a maximum duration of 18 months.

At the end of the fellowship, the ICO conducts a survey to find out their degree of satisfaction. In 2023, the average level of satisfaction of the scholarship holders who completed their scholarship at ICO was 8.24 out of 10, highlighting the success of the programme. Many of them, after completing their scholarship, participate in the selection processes published by ICO Group to hire permanent staff. In fact, in the last three ICO job offers, 8 of the selected candidates were previously ICO scholarship holders at Fundación SEPI.

Collaterally, there are further advantages in broadening the framework of participation in the company by involving the professionals in the successful implementation of the Fellowship Programme. Although some act as tutors and others as trainers, all can have the opportunity to participate in the orientation and integration of the trainees. In addition to the practical training, they are offered the possibility of attending training actions tailor-made for ICO staff if places are available.

During 2023, 18 young people have had the opportunity to join the “First Professional Experience Programme in Public Administrations”, a grant obtained by the ICO within the framework of the Transformation and Resilience Recovery Plan, whose purpose is to promote the hiring of young unemployed people in the form of a 12-month internship contract, so that they can acquire their first experiences in public employment, and training for the job, as well as develop social and professional skills and competences. Of these, 44% (8/18) are women.

All of this is part of ICO’s social commitment to offer real opportunities for the integration of young people into the labour market by increasing their employability.

6 ABOUT THE REPORT

This report is part of the Management Report of the Consolidated Financial Statements of the ICO Group, in accordance with article 44.1 and 6 of the Commercial Code, as amended by Law 11/2018 on Non-Financial Information and Diversity.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) standard for the preparation of sustainability reports, as well as taking into account the reference frameworks described throughout the document and, in particular, the Sustainable Development Goals. The GRI methodology allows reporting on the most relevant issues in relation to the sustainability of the company and its management.

Point 8 of the document details in table form the concordance of the different reporting requirements of GRI, Law 11/2018, the Global Compact Principles and their relationship with the SDGs.

For the drafting of the Non-financial information statement, information has been gathered from all available and timely internal and external sources, and internal organisational documents such as the Strategic Plan, relevant Policies and Procedures, as well as all internal reporting and monitoring information have been taken into account to give a true picture of the company's performance in terms of sustainability and social responsibility.

- **SCOPE AND APPROVAL**

The Non-financial information statement forms part of the management report of the consolidated financial statements of ICO Group and therefore follows the same approval procedure, i.e. it is drawn up by the President on March each year and subsequently approved by the Operations Committee, the highest governing and management body of the ICO Group, and endorsed by the General Council in its capacity as the Institute's highest governing body.

The information in this document refers, inter alia, to the sustainability performance of ICO Group in a broad sense between January 1 and December 31, 2023, based on the materiality study described in section 1.4. Wherever possible, the data has been provided on a consolidated level. Where the information does not refer to all the companies included in the scope, this is expressly stated. This report is prepared on an annual basis.

- **PRINCIPLES FOR THE PREPARATION OF THE NON-FINANCIAL INFORMATION STATEMENT**

The principles set out in the European Commission's guidelines (2017/C 215/01) have been taken into account in the preparation of this NFIS, in particular the principles that the information disclosed should be meaningful; accurate, balanced and understandable; and complete but concise.

In this respect, the ICO Group's NFI contains the information necessary to understand its evolution, results and situation, as well as the impact of its activity, relating at least to environmental and social issues, as well as to personnel, respect for human rights and the fight against corruption and bribery. The non-financial information provided gives a true and fair view of the issues developed, providing information that is comparable with other entities or with previous years where appropriate.

Likewise, the content of the non-financial information statement has been defined taking into account the stakeholders and the material aspects identified. In this respect, ICO Group has carried out a materiality study through an exhaustive process of internal and external analysis to identify the relevant aspects. The study has been carried out from a dual materiality and impact assessment perspective, and includes the different aspects ordered by priority, with more specific explanations as to why they are relevant.

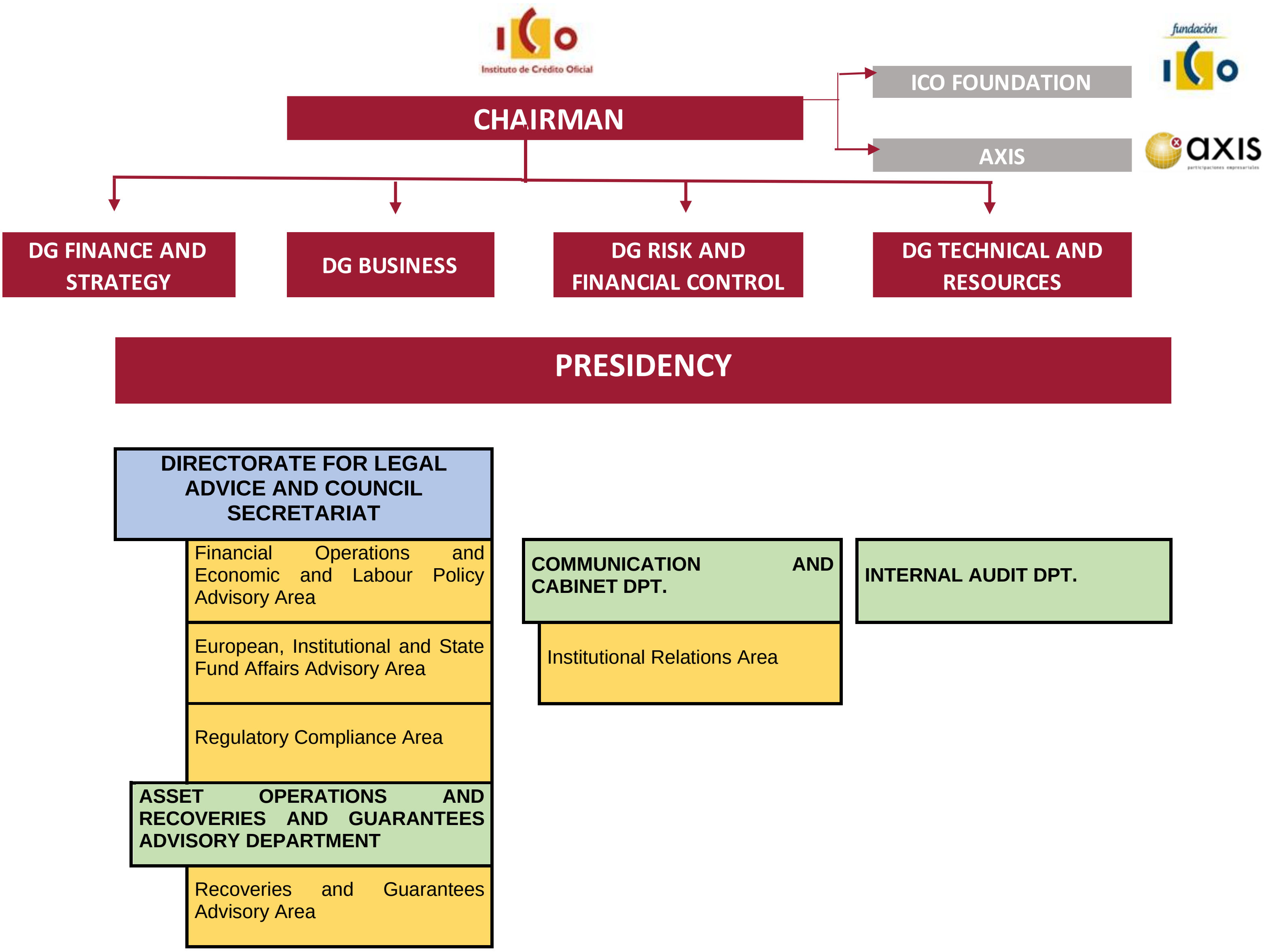
The ICO Group's financial statements and financial information have been audited by the General State Comptroller's Office (Intervención General de la Administración del Estado, IGAE) through Mazars Auditores, S.L. In relation to the Non-financial information statement, ICO Group has submitted its content to verification by independent experts in order to increase the confidence of stakeholders, having also been carried out by Mazars Auditores, S.L. During the verification process, it has been verified that the non-financial indicators selected by ICO Group comply with the principles of comparability, materiality, relevance and reliability and the information is accurate, comparable and verified by an independent verification service provider. The independent assurance report, which includes the objectives and scope of the process, as well as the review procedures used and its conclusions, is attached as an annex to this report.

- **CONTACT**

For any questions regarding the content of this report, please contact: estudios.evaluacion@ico.es.

7 ORGANISATION CHART

The organisational structure of ICO Group entities is as follows:



DIRECTORATE-GENERAL FOR FINANCE AND STRATEGY

STRATEGY AND SUSTAINABILITY MANAGEMENT
- Sustainability Development Area
- Methodologies and Sustainability Measurement Area
- Studies and Evaluation Service Area

FINANCE AND TREASURY MANAGEMENT
- Financial Operations Management Area
- Capital Markets Area
- Treasury Area
- Securitisation and Investee Management Area

BALANCE SHEET MANAGEMENT DPT.

GENERAL BUSINESS MANAGEMENT

INTERNATIONAL DIRECTORATE FOR STATE FUNDS
- Operations Restructuring Area
- FEI Management Area
- FEI Administration Area

MEDIATION MANAGEMENT AND SMES
- Mediation with Financial Institutions
- Information Area
- **SME FINANCING AND GUARANTEES DPT.**
  - Guaranteed Lines Management Area

CORPORATE AND INSTITUTIONAL FINANCE DIRECTORATE
- Territorial State Funds Area
- **CORPORATE FINANCE DPT.**
  - Medium Enterprise Finance Area

DIRECTORATE INTERNATIONAL FINANCE AND EUROPEAN UNION
- International Financing and Guarantees Area

PRODUCT DEVELOPMENT DPT.

DIRECTORATE GENERAL FOR RISK AND FINANCIAL CONTROL

RISK MANAGEMENT
- Global Risk Control Area
- **METHODOLOGIES AND CREDIT RISK DPT.**
  - ESG Admissions and Risk Area
  - Risk Methodology and Policy Area

MONITORING AND RECOVERIES DIRECTORATE
- Wholesale Tracking and Recovery Area
- Retail Tracking and Recovery Area

BUDGET AND FINANCIAL CONTROL DIRECTORATE
- Information Management Area
- Budgeting and Management Control Area
- Management Control Analysis and Methodologies Area
- **ACCOUNTING DEPARTMENT**
  - Accounting and Solvency Management Area
  - Financial Reporting Area and CIRBE

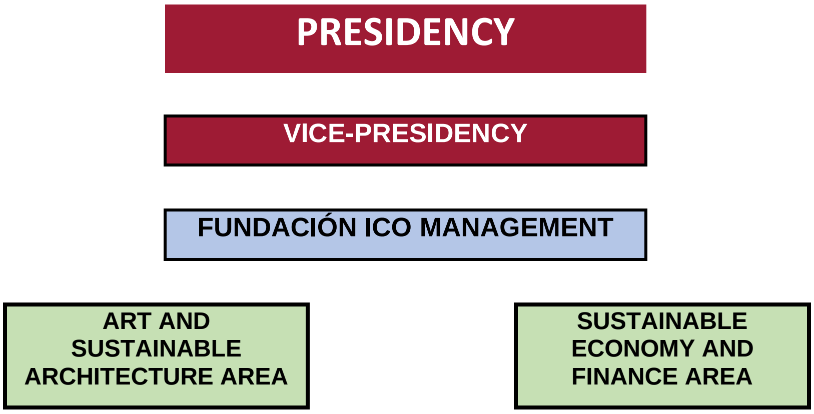
OPERATIONAL MANAGEMENT DPT.
- Direct Operations Administration Area
- Issue and Treasury Management Area
- Administration Area Mediation Operations and Certification of Public Bodies

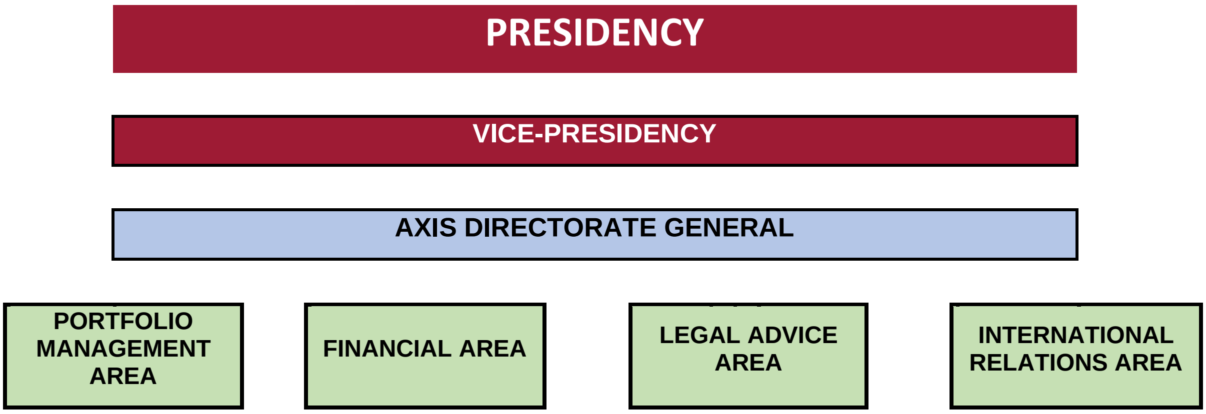
TECHNICAL AND RESOURCES DIRECTORATE GENERAL

INFORMATION SYSTEMS DIRECTORATE
- Application Development Area
- Platforms Area
- Digital Solutions Area

HUMAN RESOURCES AND CSR DEPT.
- Human Capital and CSR Area
- Labour Relations Area

- Organisation and Quality Area
- General Services and Assets Area


PRESIDENCY
VICE-PRESIDENCY
FUNDACIÓN ICO MANAGEMENT
ART AND SUSTAINABLE ARCHITECTURE AREA
SUSTAINABLE ECONOMY AND FINANCE AREA


PRESIDENCY
VICE-PRESIDENCY
AXIS DIRECTORATE GENERAL
PORTFOLIO MANAGEMENT AREA
FINANCIAL AREA
LEGAL ADVICE AREA
INTERNATIONAL RELATIONS AREA

8 TABLE OF CONTENTS LAW 11/2018 AND GRI

Table of contents Law 11/2018		
	Description Law 11/2018	**Chapter**
Business Model	Brief description of the group's business model -Business environment -Organisation and structure - Markets in which it operates - Objectives and strategies - Factors and trends that may affect its future development	1. ICO Group, its strategy and its environment
Applied Policies	- Policies applied by the group on non-financial aspects, due diligence procedures applied and measures taken - Results of these policies accompanied by non-financial key performance indicators	4.3. Specific ethics and responsible management tools 4.4 Main internal management results
Main Risks	- Main risks related to non-financial aspects linked to the group's activities - Procedures used to identify, assess and manage these risks - Impacts identified on the main risks in the short, medium and long term	4.1. Risk management: identification and monitoring 4.2. General instruments for ethics and responsible management
Non-Financial KPIs	Reference in the report to the national, European or international reporting framework used for the selection of non-financial key performance indicators that are relevant to the specific business activity, and that meet the criteria of comparability, materiality, relevance and reliability.	1.4. Materiality analysis 2.1. Reference frameworks 2. Our model of value contribution to the society: promoting sustainable growth. 6. About the report
Environmental Management	- Current and foreseeable environmental, health and safety impacts of the company's activities - Environmental assessment/certification procedures - Resources devoted to the prevention of environmental risks - Application of the precautionary principle - Amount of provisions and safeguards for environmental risks	4.1 Risk management: identification and monitoring 4.4. Main internal management results
Pollution	Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment, taking into account any form of	4.4.3. Pollution. Emissions. Internal carbon footprint

	activity-specific air pollution, including noise and light pollution.		
Circular Economy and Waste Prevention and Managemen t	- Measures for prevention, recycling, reuse, reuse or other forms of waste recovery and disposal - Actions to combat food waste		4.4.2. Circular economy and waste management
Sustainable Use of Resources	- Water consumption and water supply according to local constraints - Consumption of raw materials and measures taken to improve efficiency of their use - Direct and indirect energy consumption - Measures taken to improve energy efficiency - Use of renewable energies		4.4.1. Responsible use of natural resources 4.4.2. Circular economy and waste management 4.4.3. Pollution. Emissions. Internal carbon footprint
Climate Change	- Significant elements of GHG emissions generated as a result of the company's activities, including the use of the goods and services it produces - Measures taken to adapt to the consequences of climate change - Voluntary medium- and long-term reduction targets set to reduce GHG emissions - Means implemented to reduce GHG emissions		2.4. Promoting sustainability in our activity as funders 4.4.1. Responsible use of natural resources 4.4.3. Pollution. Emissions. Internal carbon footprint
Protection of Biodiversity	- Measures taken to conserve or restore biodiversity - Impacts caused by activities or operations in protected areas		2.4. Promoting sustainability in our activity as funders 4.4.1. Responsible use of natural resources
Employmen t	- Total number and distribution of employees by gender, age, country and job classification - Total number and distribution of employment contracts, average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and job classification - Number of dismissals by gender, age and job classification - Average remuneration and its evolution broken down by gender, age and job classification, Average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payments to long-term savings schemes and any other payments disaggregated by sex - Implementation of policies to disconnect from work - Employees with disabilities		5.1. Payroll information 5.2. Contract modalities 5.3. Average remunerations and salary gap 1.3. Governance structure and management 5.5 Work-life balance 5.9. Universal accessibility of persons with disability

Work organisation	- Organisation of working time - Number of hours of absenteeism - Measures aimed at facilitating the enjoyment of work-life balance and encouraging co-responsibility of both parents		5.4. Work organisation 5.5. Work-life balance 5.6. Security and health
Health and Safety	- Health and safety conditions at work - Accidents at work (frequency and severity) and occupational diseases, disaggregated by sex.		5.6. Security and health
Social Relations	- Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff - Percentage of employees covered by collective agreements by country - Balance of collective agreements, particularly in the field of occupational health and safety at work - Involvement of workers in the management of the company (Law 5/2021)		5.7. Social relations
Training	- Policies implemented in the field of training - Total number of hours of training by professional category		5.8. Training
Universal Accessibility Persons with Disabilities	Measures implemented by the organisation to facilitate accessibility (physical and digital) for persons with disabilities		5.9. Universal accessibility of persons with disability
Equality	- Measures taken to promote equal treatment and equal opportunities between women and men - Equality plans - Measures taken to promote employment - Protocols against sexual and gender-based harassment - Integration and universal accessibility of persons with disabilities - Anti-discrimination and diversity management policy		5.10. Equality and diversity
Respect for Human Rights	- Implementation of human rights due diligence procedures - Prevention of risks of human rights abuses and measures to mitigate, manage and redress		3.2.1. Human rights

	possible abuses - Reporting of human rights abuses - Promotion and enforcement of the provisions of the International Labour Organisation's core conventions related to respect for freedom of association and the right to collective bargaining - Elimination of discrimination in respect of employment and occupation - Elimination of forced or compulsory labour - Effective abolition of child labour		
Combating Corruption and Bribery	- Measures taken to prevent corruption and bribery - Measures taken to combat money laundering - Contributions to foundations and non-profit entities		3.2.1. Human rights 3.2.5. Corporate volunteering 3.2.6. Results, tax and subsidy information 4.3. Specific ethics and responsible management tools
Company Commitments to Sustainable Development	- Impact of the company's activity on employment and local development - Impact of the company's activity on local populations and on the territory - Relations maintained with local community stakeholders and the modalities of dialogue with them - Partnership or sponsorship actions		2.2. Its financial activity: supporting the productive fabric 2.3. Positive macroeconomic impact in the Spanish economy 2.4. Promoting sustainability in our activity as funders 3.1. Fundación ICO. Promoting culture and knowledge 3.2.4. Partnership with sustainability associations 3.2.5. Corporate volunteering
Subcontracting and Suppliers	- Inclusion in procurement policy of social, gender equality and environmental issues - Consideration in relations with suppliers and subcontractors of their social and environmental responsibility - Monitoring and auditing systems and audit results		3.2.2. Suppliers
Consumers	- Consumer health and safety measures - Complaints systems, complaints received and resolution of complaints		3.2.3. Customers
Tax Information	- Profits earned country by country - Taxes on profits paid - Public grants received		3.2.6. Results, tax and subsidy information

Instituto de Crédito Oficial

GRI Content Index with references to Global Compact Progress Report and SDGs

Declaration of use	ICO Group has prepared the report in accordance with the GRI Standards for the period from January 1 to December 31, 2023.
GRI 1 used	GRI 1: 2021 Fundamentals
Applicable GRI Sector Standards	Not applicable as there is no sectoral standard developed for the banking sector.

	Standards GRI	Description	Ref. Global Compact Progress Report	Ref. SDG	Chapter / Link / Omissions
	General Contents				
	The organisation and its reporting practices				
GRI2: General contents 2021	GRI 2-1	Organisational details	General information		1.1. Composition – pag.4 1.2. Nature and Functions – pag.4
GRI2: General contents 2021	GRI 2-2	Entities covered by sustainability reporting	General information		1.1. Composition – pag.4 6. About the report – pag.134
GRI2: General contents 2021	GRI 2-3	Reporting period, frequency and contact point	General information		6. About the report – pag.134
GRI2: General contents 2021	GRI 2-4	Updating of information	General information		4.4.3. Pollution, Emissions, Internal carbon footprint – pag. 106
GRI2: General contents 2021	GRI 2-5	External verification	General information		6. About the report – pag.134
	Activities and workers				
GRI2: General contents 2021	GRI 2-6	Activities, value chain and other business relationships	General information		1.2. Nature and Functions – pag.4 1.5. ICO Group's strategy – pag. 22 2.2. Its financial activity: supporting the productive fabric – pag.36 2.4. Promoting sustainability in our activity as funders – pag.63 3.2.2. Suppliers – pag.87 3.2.3. Customers – pag.87
GRI2: General contents 2021	GRI 2-7	Employees	Principle no.6	8	5.1. Payroll information – pag.116 5.2. Contract modalities – pag.118
GRI2: General contents 2021	GRI 2-8	Non-employed workers	Principle no.6	8	5. Human team and diversity management – pag.115
	Governance				
GRI2: General contents 2021	GRI 2-9	Governance structure and composition	General information	5, 16	1.3. Governance structure and management – pag.7
GRI2: General contents 2021	GRI 2-10	Appointment and selection of the highest governance body	General information	5, 16	1.3. Governance structure and management – pag.7
GRI2: General contents 2021	GRI 2-11	President of the highest governing body	General information	16	1.3. Governance structure and management – pag.7
GRI2: General contents 2021	GRI 2-12	Role of the highest governance body in overseeing sustainability reporting	General information	16	1.3. Governance structure and management – pag.7 4.1. Risk management: identification and monitoring – pag.94

					4.2. General instruments for responsible management – pag.97
	GRI 2-13	Delegation of responsibility for impact management	General information		1.3. Governance structure and management – pag.7 4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97 4.3. Specific ethics and responsible management tools – pag.98
	GRI 2-14	Role of the highest governance body in sustainability reporting	General information		6. About the report – pag.134
	GRI 2-15	Conflicts of interest	General information	16	1.3. Governance structure and management – pag.7
	GRI 2-16	Communication of critical concerns	General information		4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97 4.3. Specific ethics and responsible management tools – pag.98
	GRI 2-17	Collective knowledge of the highest governance body	General information	4	1.3. Governance structure and management – pag.7
	GRI 2-18	Performance evaluation of the highest governance body	General information		1.3. Governance structure and management – pag.7
	GRI 2-19	Remuneration policies	General information		1.3. Governance structure and management – pag.7
	GRI 2-20	Process for determining remuneration	General information	16	1.3. Governance structure and management – pag.7 5.3. Average remunerations and salary gap – pag.119
	GRI 2-21	Total annual compensation ratio	General information		1.3 Governance structure and management – pag.7
	Strategy, policies and practices				
GRI2: General contents 2021	GRI 2-22	Sustainable Development Strategy Statement	General information		1.5. ICO Group's strategy – pag.22
	GRI 2-23	Commitments and policies	General information Principle no. 10	16	1.5. ICO Group's strategy – pag.22 4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97 4.3. Specific ethics and responsible management tools – pag.98 3.2.1. Human rights – pag.85
	GRI 2-24	Incorporation of commitments and policies	General information		4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97 4.3. Specific ethics and responsible management tools – pag.98

	GRI 2-25	Processes to remedy negative impacts	General information	12, 13, 14, 15	3.2.3. Customers – pag.87 4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97 4.3. Specific ethics and responsible management tools – pag.98 5.5 Work-life balance – pag.123
	GRI 2-26	Mechanisms for seeking advice and raising concerns	Principle no. 10	16	3.2.3. Customers – pag.87 4.3. Specific ethics and responsible management tools – pag.98
	GRI 2-27	Compliance with legislation and regulations	Principles no. 7,8,9	12, 13, 14, 15, 16	4.3. Specific ethics and responsible management tools – pag.98
	GRI 2-28	Membership of associations	General information		1.7. Public-private partnerships and collaboration – pag.27 3.2.4. Partnership with sustainability associations – pag.89
	Stakeholder involvement				
GRI2: General contents 2021	GRI 2-29	Approach to Stakeholder Engagement	General information		1.4. Materiality analysis – pag.17 3.2.3. Customers – pag.87
	GRI 2-30	Collective bargaining agreements	General information	8	5.7. Social relations – pag.128
	Material topics				
GRI3 Material topics 2021	GRI 3-1	Process of determining the material topics	General information		1.4. Materiality analysis – pag.17
	GRI 3-2	List of material topics	General information		1.4. Materiality analysis – pag.17
	MT1 - Good Corporate Governance, Transparency and Business Ethics				
GRI3 Material topics 2021	GRI 3-3	Management of material topics	Principle no. 10	16	1.2. Nature and Functions – pag.4 1.3. Governance structure and management – pag.7 4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97 4.3. Specific ethics and responsible management tools – pag.98
GRI 205 Anticorruption 2016	GRI 205-1	Operations assessed for corruption-related risks	Principle no. 10	16	4.3. Specific ethics and responsible management tools – pag.98
	GRI 205-2	Communication and training on anti-corruption policies and procedures	Principle no. 10	16	4.3. Specific ethics and responsible management tools – pag.98
GRI 207 Fiscality 2019	GRI 207-1	Fiscal approach	General information	16	3.2.6. Results, tax and subsidy information – pag.92
	GRI 207-2	Fiscal governance, control and risk management	General information	16	3.2.6. Results, tax and subsidy information – pag.92
	MT2 - Management of financial and non-financial risks				

GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 7, 8 and 9	16	4.1. Risk management: identification and monitoring – pag.94
GRI 201 Economic performance 2016	GRI 201 - 2	Financial implications and other risks and opportunities arising from climate change	Principle no. 7, 8 and 9	13	2.4. Promoting sustainability in our activity as funders – pag.63 4.1. Risk management: identification and monitoring – pag.94 4.2. General instruments for responsible management – pag.97
	TM3 - Sustainable financing linked to ESG criteria				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 7, 8 and 9	7, 8, 9, 10, 11, 13, 14, 15	1.5. ICO Group's strategy – pag.22 2.1. Reference frameworks – pag.32 2.4. Promoting sustainability in our activity as funders – pag.63
GRI 203 Indirect economic impacts 2016	GRI 203 - 1	Investments in infrastructure and services supported	Principle no. 7, 8 and 9	7, 8, 9, 10, 11, 13, 14, 15	2.2. Its financial activity: supporting the productive fabric – pag.36 2.4. Promoting sustainability in our activity as funders – pag.63
	MT4 - Solvency and economic resilience				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	8, 16	2.2. Its financial activity: supporting the productive fabric – pag.36 2.4. Promoting sustainability in our activity as funders – pag. 63
GRI 201 Economic performance 2016	GRI 201 - 1	Direct economic value generated and distributed	General information	8, 16	3.2.6. Results, tax and subsidy information – pag.92
	Privacy, data protection and cyber-security				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	16	4.3. Specific ethics and responsible management tools – pag.98
GRI 418 Customer privacy 2016	GRI 418 - 1	Substantiated complaints regarding breaches of customer privacy and loss of customer data	General information	16	4.3. Specific ethics and responsible management tools – pag.98
	MT6 - Digital transformation and innovation				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	9, 16	1.5. ICO Group's strategy – pag.22 2.2. Its financial activity: supporting the productive fabric – pag.36
	MT7 - Public-private collaboration				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	16, 17	1.7. Public-private partnerships and collaboration – pag.27
	MT8 - Support for the productive fabric and value creation				

GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	1, 2, 3, 8, 10, 17	2. Our model of value contribution to the society: *Promoting sustainable growth* – pag.31
GRI 203 Indirect economic impacts 2016	GRI 203 - 2	Significant indirect economic impacts	General information	1, 2, 3, 8, 10, 17	2.3. Positive macroeconomic impact in the Spanish economy – pag.62
	MT9 - Respect for Human Rights				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 1 and 2	16	3.2.1. Human rights – pag.85
	MT10 - Customer experience and satisfaction				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	16	3.2.3. Customers – pag.87
	MT11 - Talent management, training and development of your professionals				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 3, 4, 5 and 6	4, 5 ,8	5. Human team and diversity management – pag.115
GRI 401 Empleo 2016	GRI 401 - 1	Recruitment of new employees and staff turnover	Principle no. 3, 4, 5 and 6	5, 8	5.1. Payroll information – pag.116
	GRI 401 - 3	Parental leave	Principle no. 3, 4, 5 and 6	5, 8	5.5. Work-life balance – pag.125
GRI 404 training and Education 2016	GRI 404 - 1	Average hours of training per employee per year	Principle no. 3, 4, 5 and 6	4, 5, 8	5.8. Training – pag.131
	GRI 404 - 2	Programmes to develop employee skills and transition assistance programmes	Principle no. 3, 4, 5 and 6	8	5.8. Training – pag.131
	GRI 404 - 3	Percentage of employees who receive regular performance and career development appraisals	Principle no. 3, 4, 5 and 6	5, 8	4.3. Specific ethics and responsible management tools – pag.98
	MT12 - Safety, health and well-being				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
GRI 403 Health and Security in the work 2019	GRI 403 - 1	Occupational health and safety management system	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 2	Hazard identification, risk assessment and incident investigation	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 3	Occupational health services	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 4	Worker participation, consultation and communication on occupational health and safety at work	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 5	Training of workers on occupational health and safety at work	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 6	Promoting workers' health	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 8	Coverage of the occupational health and safety management system	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126

	GRI 403 - 9	Injuries due to accidents at work	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	GRI 403 - 10	Occupational diseases and illnesses	Principle no. 3, 4, 5 and 6	3, 8	5.6. Security and Health – pag.126
	MT13 - Diversity, inclusion and equal opportunities				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 1, 2, 3, 4, 5 and 6	5, 8, 10, 16	5. Human team and diversity management – pag.115
GRI 401 Empleo 2016	GRI 401 - 2	Benefits for full-time employees that are not provided to part-time or temporary employees.	Principle no. 3, 4, 5 and 6	8	5.7 Social relations – pag.128
GRI 405 Diversity and equal opportunities 2016	GRI 405 - 1	Diversity of governing bodies and employees	Principle no. 3, 4, 5 and 6	5, 8	1.3. Governance structure and management – pag.7 5.1. Payroll information – pag.116 5.10. Equality and Diversity – pag.132
	GRI 405 - 2	Ratio between basic salary and remuneration of women and men	Principle no. 3, 4, 5 and 6	5, 8, 10	5.3. Average remunerations and salary gap – pag.119
GRI 406 No discrimination 2016	GRI 406 - 1	Cases of discrimination and remedial action taken	Principle no. 3, 4, 5 and 6	5, 8, 16	3.2.1 Human rights – pag.85
	MT14 - Financial education				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	4	3.1. ICO Foundation. Promoting culture and knowledge – pag.79
	MT15 - Social engagement and community impact				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	General information	4, 12	2. Our model of value contribution to the society: *Promoting sustainable growth* – pag.31 3. Commitment with the society: Beyond our financial activity – pag.79
GRI 204 Supply practices 2016	GRI 204 - 1	Proportion of expenditure on local suppliers	General information	12	3.2.2 Suppliers – pag.86
	MT16 - Protecting the environment, combating climate change and energy transition				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 7, 8 and 9	7, 11, 13, 14, 15	2.1. Reference frameworks – pag.32 2.4. Promoting sustainability in our activity as funders – pag.63 4.4. Main internal management results – pag.103 3.2.4 -Partnership with sustainability associations– pag.89
	MT17 - Just ecological transition				
GRI3 Material topics 2021	GRI 3 - 3	Management of material topics	Principle no. 7, 8 and 9	7, 11, 13, 14, 15	2. Our model of value contribution to the society: *Promoting sustainable growth* – pag.31 3. Commitment with the society: Beyond our financial activity – pag.79

APPENDIX. GLOSSARY OF ABBREVIATIONS

AEB	Spanish Banking Association
AFD	French Development Agency
AFIF	Alternative Fuels Infrastructure Facility
AIReF	Independent Fiscal Accountability Authority
ALIDE	Latin American Association of Development Finance Institutions
AML/CFT	Prevention of Money Laundering and the Financing of Terrorism
ASCRI	Capital, Growth and Investment Partnership
BGK	The National Promotional Bank of Poland
BIS	Bank for International Settlements
CABEI	Central American Bank for Economic Integration
CAPE	Coalition of Finance Ministers for Climate Action
CAPEX	Capital Expenditure
CARI	Reciprocal Interest Adjustment Contract
CDC	Caisse des dépôts et consignations
CDP	Cassa Depositi e Prestiti
CECA	Spanish Confederation of Savings Banks
CEF	Connecting Europe Facility
CERSA	Spanish Counter guarantee Company
CESCE	Spanish Export Credit Insurance Company
CLAR	Capital and Liquidity Self-Assessment Report
CNMV	Spanish Securities and Exchange Commission
COFIDES	Spanish Development Finance Company
COI	Clean Oceans Initiative
COP	United Nations Climate Change Conferences
COPER	Operations Committee
CSCAE	Spanish Higher Council of Architects' Associations
CSRD	Corporate Sustainability Reporting Directive
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
EDW	European Datawharehouse, GmbH
EFR	Family-Responsible Company
EFRAG	European Financial Reporting Advisory Group
EIB	European Investment Bank
ELTI	European Long-Term Investors Association
EPA	Labour Force Survey
EQA	European Quality Assurance
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ETCI	European Tech Champions Initiative
EU	European Union
EuSEF	European social entrepreneurship funds
FCA	Financial Conduct Authority
FCAS	Water and Sanitation Cooperation Fund
FEI	European Investment Fund

FFCCAA	Financing Fund for Autonomous Communities
FFEELL	Financing Fund for Local Authorities
FIEM	Internationalisation of Enterprise Fund
FINRESP	Centre for Sustainable and Responsible Finance in Spain
FOCIT	State Financial Fund for Tourism Competitiveness
FONPRODE	Development Promotion Fund
FSB	Financial Stability Council
GHG Protocol	Greenhouse Gas Protocol
GRI	Global Reporting Initiative
ICEI	Complutense Institute of International Studies
ICEX	Spanish Institute for Foreign Trade
ICMA	International Capital Market Association
IFC	International Finance Corporation
IGAE	General State Administration Comptroller's Office
INES	National State of Security Report
JICE	Joint Initiative on Circular Economy
KFW	Kreditanstalt für Wiederaufbau
MAP	Ministry of Agriculture, Fisheries and Food
MARF	Alternative Fixed Income Market
MITECO	Ministry for Ecological Transition and the Demographic Challenge
MITMA	Ministry of Transport, Mobility and Urban Agenda
MIVAU	Ministry of Housing and Urban Agenda
MOOC	Massive Online Open Courses or massive open online courses
NEFI	Network of European Financial Institutions for Small and Medium Sized Enterprises
NFIS	Non-financial information statement
NFRD	Non-Financial Reporting Directive or Directive on non-financial information
NGEU / NextGen	Next Generation EU
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
OFISO	Spanish Sustainable Finance Observatory
PCAF	Partnership for Carbon Accounting Financials
PERTE	Strategic Projects for Economic Recovery and Transformation
PNACC	National Climate Change Adaptation Plan
PNIEC	National Integrated Energy and Climate Plan
RAF	Risk Appetite Framework
RRM	Resilience and Recovery Mechanism
SAECA	State Agricultural Guarantee Company
SDG	Sustainable Development Goals
SEDIA	Secretary of State for Digitalisation and Artificial Intelligence
SFDR	Sustainable Finance Disclosure Regulation
SGR	Mutual Guarantee Societies
SIW	Sustainable Infrastructure Window
STEP	Strategic Technology Europe Platform
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UIMP	Menéndez Pelayo International University
UNED	National University of Distance Education
UNEP	UN Environment Programme or United Nations Environment Programme
VPO	Social Housing