

Interview of Rosario Casero, Director General of Investment and Finance



Rosario Casero was born in Valladolid and has a Degree in Economics and Business Studies from Valladolid University. Her entire career has evolved at ICO, where she has held a variety of responsible posts, including those of Deputy Director of Investments, Deputy Director of Strategy and Deputy Director of Risk and Control. Until her latest appointment, she was in charge of the Deputy Directorate of Investment Banking. As Director General of Investments and Finance, she supervises the performance of the organic units whose duty it is to design, formalise, arrange, manage and administer any financial instruments connected with the asset and liability operations carried out by the institute in the fulfilment of its mission.

Now that 2009 is over, how would you summarize ICO's activity on capital markets?

The year 2009 was highly positive for ICO. In a setting of financial instability and high volatility, with markets closed for some issuers, ICO succeeded in completing its funding programme at very competitive prices. At the same time, the institute continued to pursue its strategy of building a benchmark curve in the market's main currencies.

Moreover, we centred our efforts on diversifying our investor base, both geographically and in terms of investor type, by issuing in nine different currencies. Our benchmark issues in 2009 included our first 10-year euro issue ever, our first transaction on the Samurai market after a 10-year absence, our FRN in euros and deals aimed at the Italian and German retail markets.

And how would you summarize ICO's lending activity?

Last year, ICO played a key role in channelling funds to the real economy by offering all the products and business lines necessary in accordance with the criteria of the Government's economic policy. Mindful of the credit squeeze, ICO went all out to fulfil State policies regarding SME. In 2009, loans distributed through private credit institutions, mainly to SME, went up by 50%: €15,000m were distributed to over 360,000 enterprises.

Summing up, ICO brokered 25% of loans granted in the Spanish financial system in 2009, reflecting the strength of our countercyclical approach in such a difficult year.

Do you think ICO's targets for last year were reasonably fulfilled?

Strategically, we started the year with extremely ambitious short-term targets: (i) to increase our weight as a lender within the Spanish economy; (ii) self-finance growth by achieving the necessary profit; and (iii) surpass the average efficiency level of European public institutions. By year-end, we had achieved these aims.

Funds distributed by ICO to both small and large companies amounted to €18,000m. Considering that the private system's credit variation was negative (-1.7% y/y as at Nov. 2009), we can state that ICO was the benchmark credit institution in lending to companies.

As for tapping markets, we began the year with a broad funding plan to meet our asset needs: several benchmark deals in euros and dollars, portfolio diversification (areas, currencies and investors) and a wider euro maturities curve. Our plans succeeded, despite a year of much uncertainty and volatility on the markets.

Lastly, some of our year-end indicators reflect ICO's continued solvency level despite an intense pace of investment. The BIS ratio was 11.61 with a Pre-Tax Income of €30.26m. The default rate was 2.89 as against a credit sector average of 4.99 in October.

Which challenges will ICO face in 2010?

As ICO is expected to respond to the borrowing needs of Spanish enterprises while backing the Government's economic policies, it will again play a key role in the financial and corporate worlds by provisioning its facilities with as many resources as companies require. Our priorities will be domestic SME investment, internationalisation, backing for entrepreneurs and social housing, along with the working capital facility started last year to help alleviate the crisis.

We have just announced our most novel product: the Sustainable Economy Fund, designed by the Government as an anti-crisis measure. Managed by ICO, it is aimed at the environment, knowledge, innovation and social policies. To be launched jointly with financial institutions, it consists in four main products: a second-floor facility, a direct project co-financing programme between ICO and financial institutions, an infrastructure and energy fund and a venture capital fund. The allocation will be €20,000m for the next two years. Half will come from ICO.

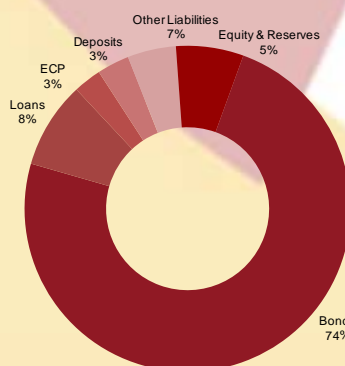
On the funding side, the programme and strategy will be similar to last year's: issues in the leading market currencies and seizing opportunities to get the best funding cost possible while diversifying the investor base. We have, in fact, just registered 144-A documentation, enabling us to access the US institutional investor market through our GMTN Programme.

Financial Highlights 2009

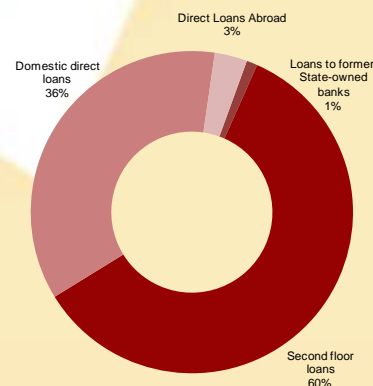
	2004	2005	2006	2007	2008	2009 Unaudited figures
Total assets (Mill. EUR)	24,551	26,961	32,292	39,882	52,970	60,360
Equity & reserves¹ (Mill. EUR)	1,206	1,299	1,345	2,316	2,867	3,147
Pre-tax income (Mill. EUR)	84.14	63.83	158.83	107.84	124.17	30.26
Net ordinary revenues (Mill. EUR)	98.72	130.57	207.42	227.33	299.17	269.59
Profitability						
ROA (%)	0.33%	0.25%	0.51%	0.28%	0.27%	0.05%
BIS ratio² (%)	11.93%	9.90%	8.48%	11.11%	11.23%	11.61%
Indebtness (%)	83.22%	89.95%	88.65%	85.32%	81.33%	82.99%
Non Performing Loans						
According to Bank of Spain (%)	6.58%	6.83%	3.98%	2.21%	1.89%	2.89%
Without economic policy & with mediation (%)	0.60%	0.73%	0.51%	0.78%	0.75%	1.07%
Provision coverage ratio	158.62%	127.85%	140.24%	179.05%	206.75%	157.27%
Efficiency						
Ordinary Expenditure/ATA (%)	0.13%	0.12%	0.11%	0.10%	0.09%	0.07%
Transf. Expenditure/Ordinary revenue (%)	31.47%	24.29%	16.42%	16.60%	10.75%	14.39%

(1) Eligible capital for solvency purposes

Liabilities breakdown 31/12/2009



Loan portfolio 31/12/2009



Funding Activity

The Institute carries the Spanish State's guarantee on debts and other obligations incurred in its funding activities. With no time limit, this guarantee is:

- Explicit
- Irrevocable
- Unconditional
- Direct

Ratings for ICO's long-term and short term issues 11/01/2010

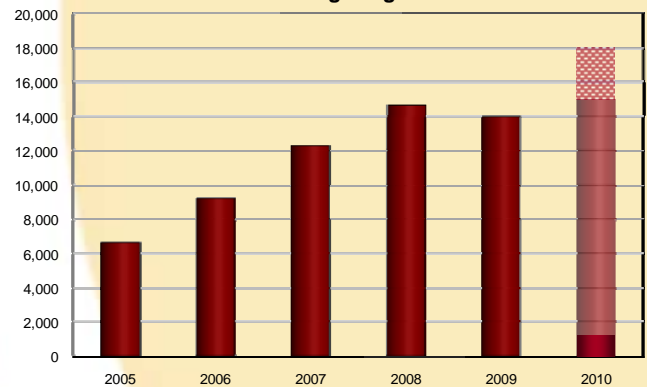
Agency	LT Rating	ST Rating	Outlook
Moody's	Aaa	P-1	stable
Standard & Poors	AA+	A-1+	negative
Fitch Ratings	AAA	F1+	stable

In recent years, ICO has increased its funding resources so as to cope with the sharp rise in its activity. The Funding Programme for 2009 was €14,000m, and the preliminary target for 2010 stands at €15,000-18.000m range.

Moreover, our funding comes from different markets (EUR, USD, GBP, NOK, AUD, JPY, SEK, BRL, CHF, NZD, TRY). When netting funds, ICO not only sets its sights on currency diversification but also draws on a broad range of structures.

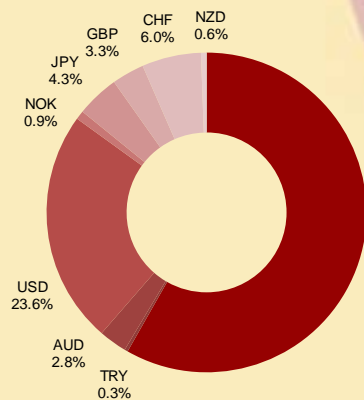
As more of ICO's lending activity is carried out in EUR, most of our issues are swapped back into this currency so as to avoid interest and exchange rate risks.

Funding Programme

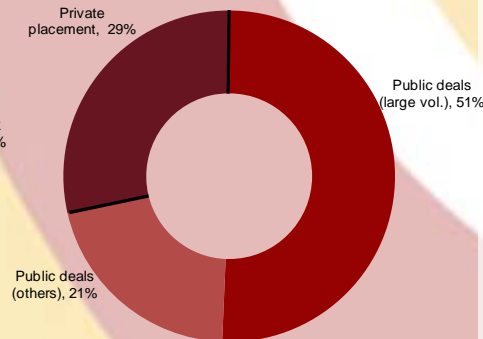


Funding activity 2009

By type of currency



By type of issue



EUR

- 1,000m 3.500% due Jan-2014 (5yr)
- 2,000m 2.875% due Mar-2012 (3yr)
- 2,000m 4.375% due May-2019 (10yr)
- 500m FRN due Jul-2012 (3y)

USD

- 1,000m 1.875% due Abr-2011 (2yr)
- 1,000m 2.5% due Sep-2012 (3yr)

JPY

- 50,000m due Apr-2014 (5yr)

GBP

- 200m 4% due Dec-2014 (5y)

CHF

- 350m 1.375% due Oct-2013 (4y)
- 200m 2.250% due Nov-2017 (8y)
- Uridashi NZD 164 m (2y)

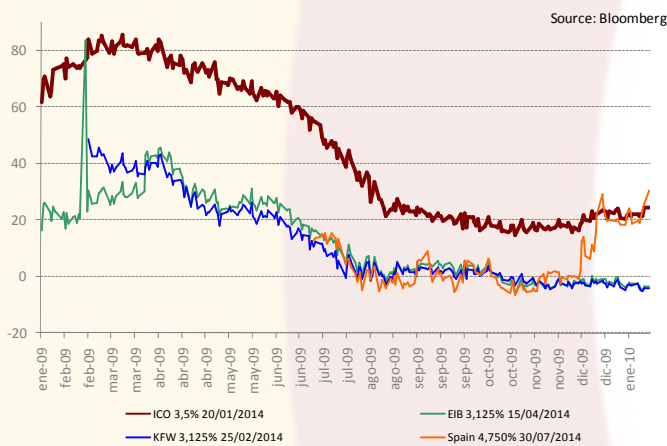
Funding policy 2010

1. Programme **volume** → €15,000-18,000 mm
2. **EUR and USD Benchmark** transactions → 2 or 3 each
3. Public deals in **complementary markets**: CHF, GBP, NOK, JPY, TRY...
4. MTN **private placements** and tailor-made transactions
5. Access to **US investor-base under 144-rule**.

ICO's benchmarks: strong performance in secondary market

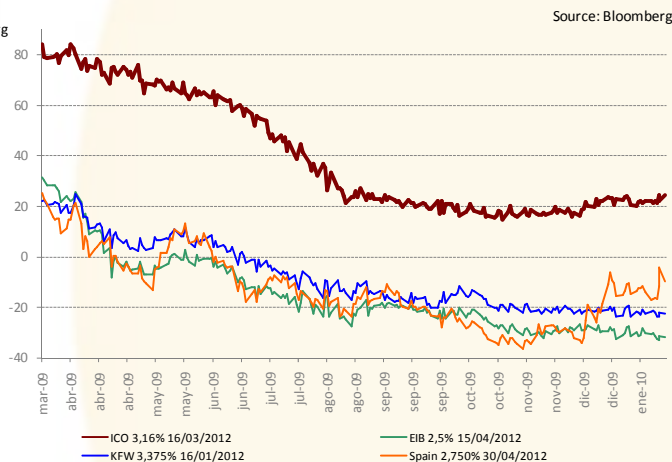
ICO EUR 1000m 3.5% Due Jan 2014

Issued in January 2009



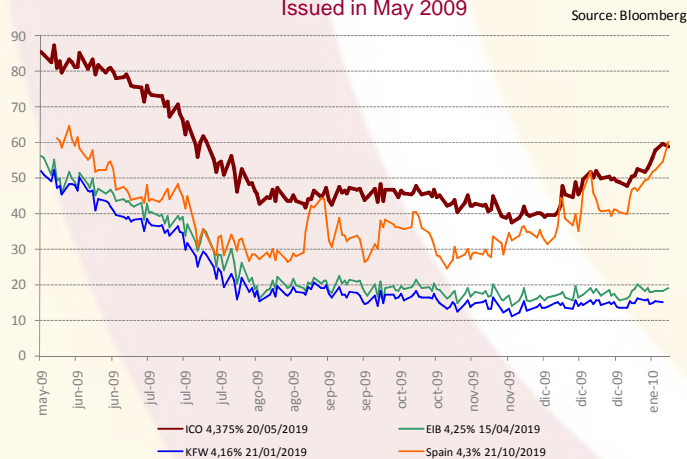
ICO EUR 2000 2.875% Due Mar 2012

Issued in March 2009



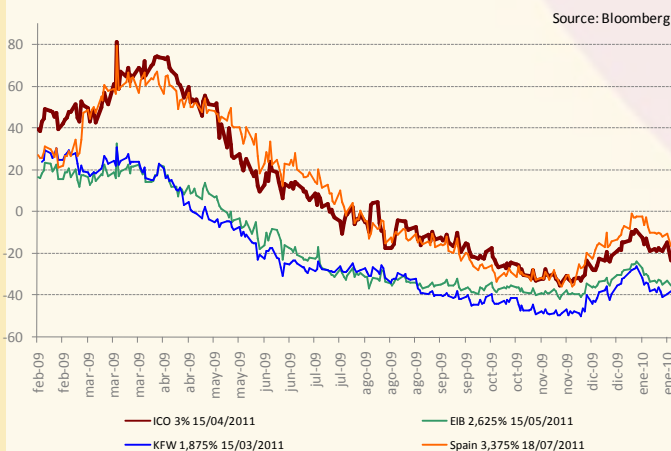
ICO EUR 2000m 1.875% Due May 2019

Issued in May 2009



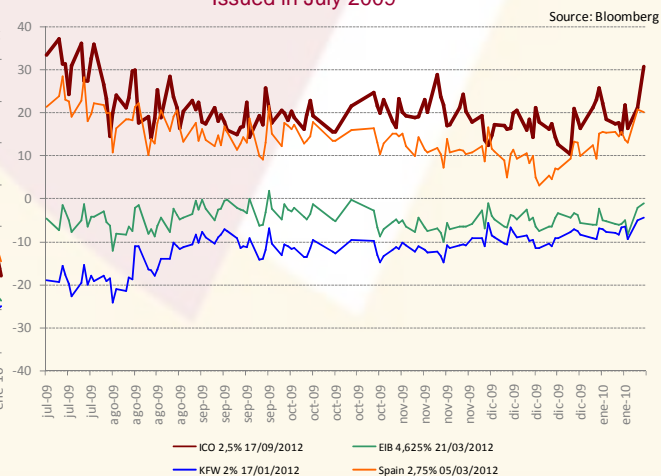
ICO USD 1000m 1.875% Due Apr 2011

Issued in Feb 2009



ICO USD 1000m 2.5% Due Sep 2012

Issued in July 2009

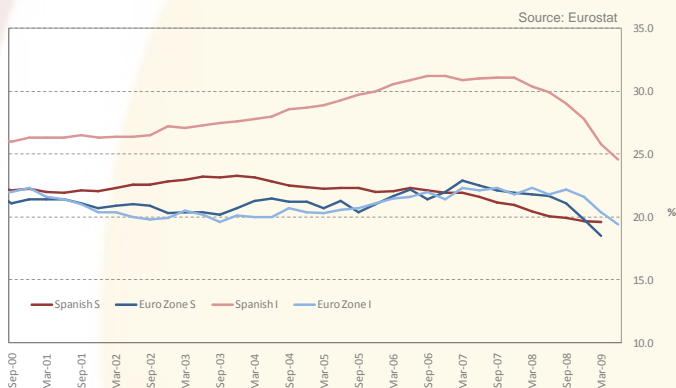


Spanish Economy: latest figures and comments

Public sector capital expenditure growth (YoY growth rate of the 12-month moving average)

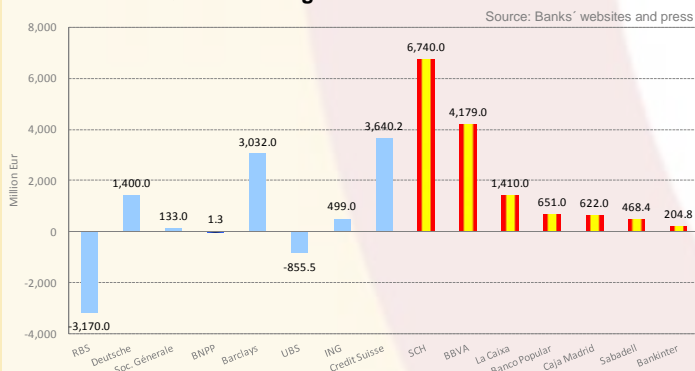


Total Investment & Saving Ratios

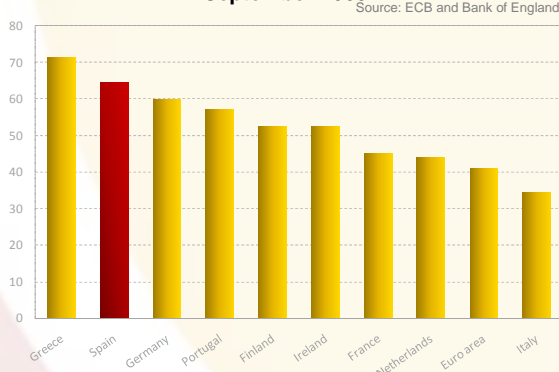


The Spanish Public Sector will reinforce the economy with productive investment to boost the economy. At the same time, a VAT increase next June will ease the Government deficit. In addition, the Spanish Investment Ratio remains at significantly higher levels than the EuroZone ratio.

3Q2009 Banking Sector Net Profits

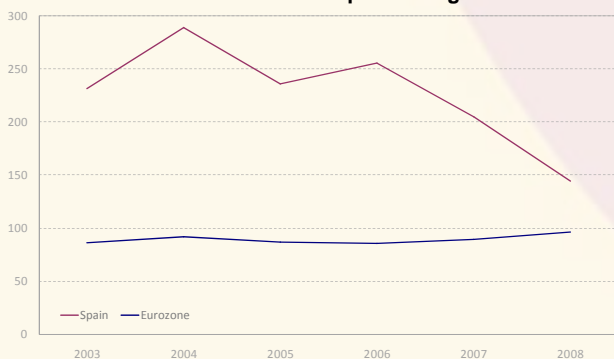


Deposits to Liabilities Ratio September 2009

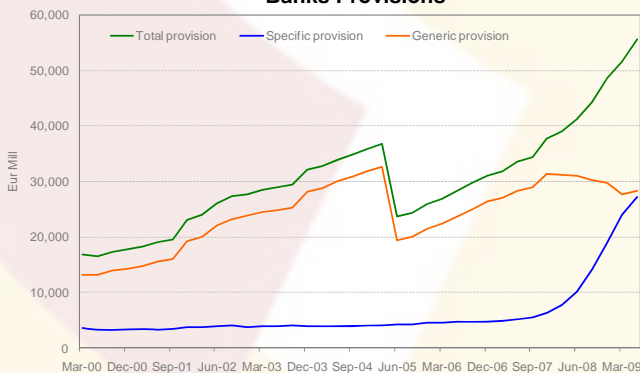


As at 30 September, the Spanish banking sector was showing a good performance in net profits. At the same date, the Spanish Deposits to Liabilities Ratio reflected the proven strength of the Spanish Banking System.

Bank Provisions to Nonperforming Loans %



Banks Provisions



Spanish banks continue with the countercyclical provisions policy, consisting in increasing Generic Provisions at the peak of the cycle and set the stress on Specific Provisions now. This model has proved useful in counteracting economy ebbs and flows.

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Please e-mail us if you have any queries or requests: investors@ico.es

