

UN Conference on Climate Change: ICO, along with the main Spanish banks, agrees to reduce the carbon footprint on its balance sheet in line with the Paris Agreement



On the occasion of the **United Nations Conference on Climate Change (COP25)**, held in Madrid, the main Spanish banks presented a joint commitment to proceed within a certain period of time to **reduce the carbon footprint in their credit portfolios**, in a way that can be measured with internationally approved criteria and in line with the objectives set out in the Paris Agreement. Thus, these financial entities, which together represent more than 95% of the sector, will be aligned with the Collective Commitment to Climate Action promoted by UNEP FI - United Nations Environment Programme Finance Initiative -.

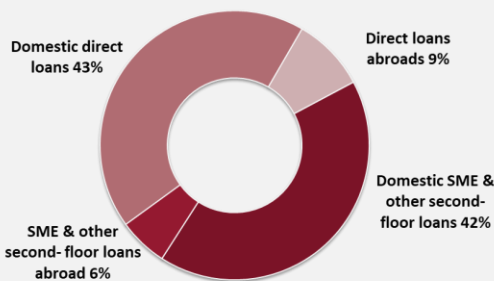
ICO Chairman José Carlos García de Quevedo, along with the Chairman and CEO of the Spanish Banking Association (AEB), José María Roldán, and the managing director of the Spanish Confederation of Savings Banks, José María Méndez, presented the event at the Spanish Pavilion at the COP25 meeting.

Under this agreement, the signatory banks undertake to develop the necessary methodologies to assess the impact that the activity carried out by their clients can have on their balance sheets, in order to ensure that they are aligned with both the Paris Agreement and the Spanish climate agreement. The main objective of both agreements is to reinforce climate action pledges by **keeping a global temperature rise well-below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius**. The agreement includes that, within a maximum period of three years, financial entities will have established and published the specific objectives of the sector. Each financial entity will also report annually on its individual progress and every two years on the collective progress achieved in the development of this commitment.

José Carlos García de Quevedo said that ICO's adhesion to this agreement "reinforces the public bank's commitment to contribute, from the public-private partnership model, to the banking sector's initiative for promoting a more sustainable growth model. Hence, ICO assumes the Paris objectives as its own and participates in all sector debates on the best way to tackle the challenges for the banking sector linked to climate change".

ICO in figures

Loan Portfolio as at 30/09/2019



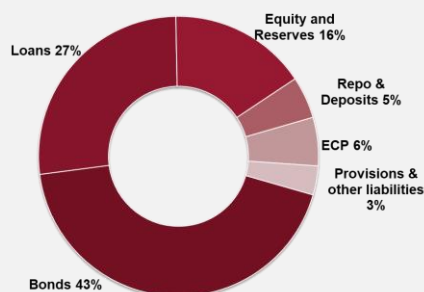
Financial Highlights

	2015	2016	2017	2018	30/09/2019*
Total assets (Mill. EUR)	62,173	48,851	42,186	36,237	32,452
Equity & reserves¹ (Mill. EUR)	5,302	5,222	5,295	5,262	5,182
Pre-tax profit (Mill. EUR)	59.47	448.1	145.99	112.91	88.55
Net interest income (Mill. EUR)	99.13	25.59	-69.11	-96.54	-24.8
Gross revenue (Mill. EUR)	85.96	-68.8	15.92	55.23	62.17
Profitability ROA	0.08%	0.81%	0.32%	0.28%	0.35%
Tier I Ratio	32.84%	29.44%	32.86%	40.54%	39.27%
Non-Performing Loans					
Direct Loans	8.79%	10.48%	9.00%	6.31%	4.97%
Total loans incl. second floor loans	3.74%	4.84%	4.15%	3.19%	2.66%
Provision coverage ratio	134%	114%	121%	154%	160%
Efficiency					
Ordinary Expenditure/ATA	0.05%	0.07%	0.09%	0.10%	0.12%

(1) Eligible capital for solvency purposes.

Source: ICO
* unaudited figures

Liabilities breakdown as at 30/09/2019



Funding Policy for 2020

- Expected funding needs: EUR 4 - 5 bn.
- EUR benchmark transactions
- Preference for short to medium maturities
- Promotion of the sustainability bond market: further issuance of Social and Green Bonds

Funding activity

The Institute enjoys the **guarantee** from the Kingdom of Spain which is defined in its bylaws as :

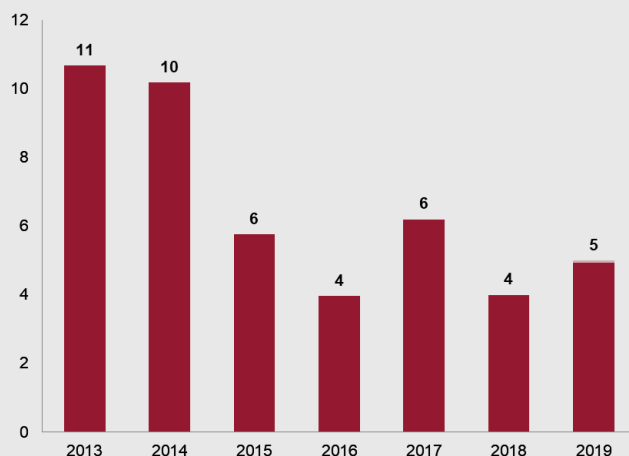
**Explicit
Irrevocable
Unconditional
Direct**

Long and short term ICO's ratings

Agency	LT Rating	ST Rating
DBRS	A / positive	R-1 (low)
Fitch Ratings	A- / stable	F1
Moody's	Baa1 / stable	P-2
S&P	A / stable	A-1

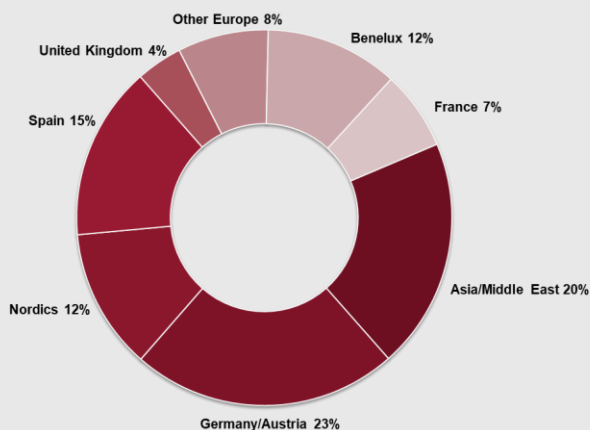
Funding Activity (EUR bn.)

4.94 bn. issued as at 30th November 2019



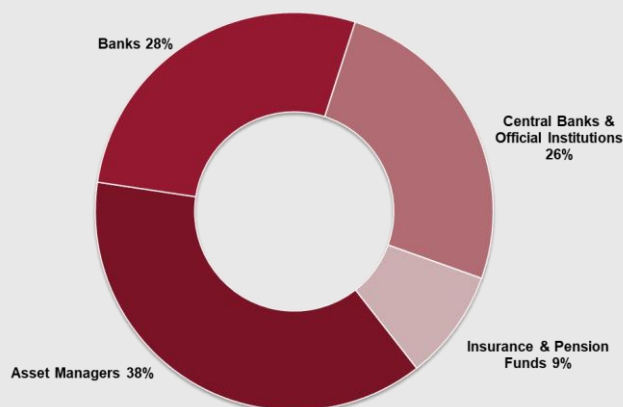
ICO's 2020 expected funding needs are EUR 4 - 5 bn.

By region



Borrowing profile 2019 (benchmark transactions)

By investor type



Spanish Economy

Recent macro developments

According to the Statistical Office's advanced figures, the **Spanish GDP grew by 0.4% qoq in the 3rd quarter of 2019**, same rate as in the previous quarter. **When compared with the same quarter of the previous year, growth was 2.0%**, also the same rate as in Q2. Consequently, these data show that Spanish economy, even slightly decelerating, maintains a solid growth record that remains well above the Euro Area average (0.2% qoq and 1.2% yoy in the 3rd quarter of 2019, in the Euro Area the growth rates in the 3rd quarter were also the same as in the 2nd quarter).

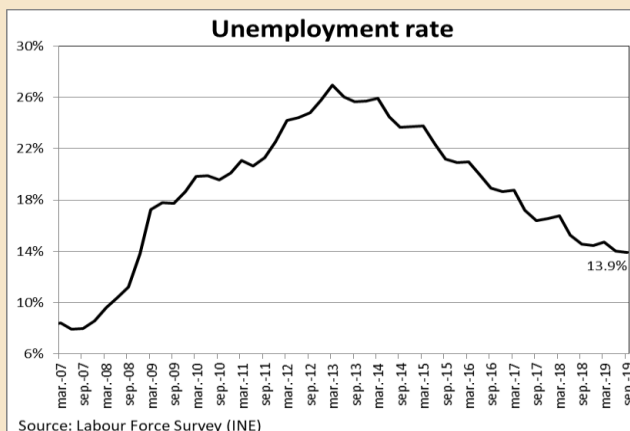
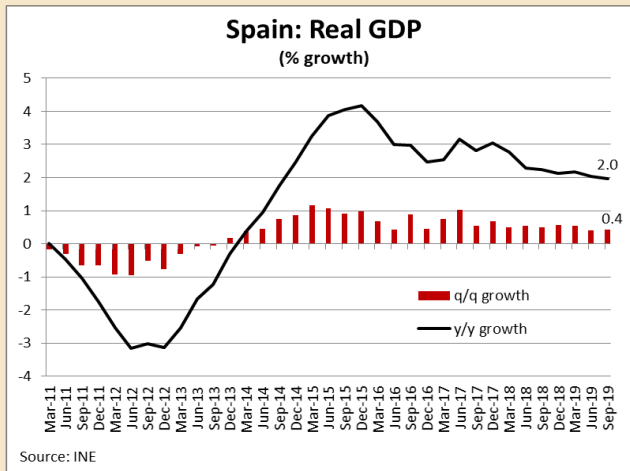
After a balanced contribution of both domestic and external demand in the 2nd quarter (1.0 pp of each component), **domestic demand** turned again into the main driver of growth in the 3rd quarter, as it contributed with 1.8 pp to the overall growth, while external demand contributed with 0.2 pp in the 3rd quarter. This acceleration of domestic demand was driven by both private consumption (which grew 1.6% y/y, nine tenths more than in previous quarter) and investment (GFCF advanced 2.0% y/y in Q3 vs 1.0% in Q2). The improvement in investment was led by investment in machinery, as housing investment deteriorated. Regarding **external demand**, its deceleration was explained by the recovery of imports (from -0.7% to 2.0%), as exports grew at a very similar rate (2.2% in the 2nd quarter and 2.3% in the 3rd quarter).

Unemployment rate was 13.92% of the active population in the 3rd quarter, slightly below the previous quarter (14.02%) and the same quarter of 2018 (14.55%). Employment growth has continued to moderate in line with the overall growth rate of the Spanish economy.

Forecasts

On October 2019, the **Spanish Government updated its Budgetary Plan for 2020** and revised downwards its growth prospects. It now foresees that **growth will be 2.1% this year and 1.8% next year**, one tenth below its previous forecasts. Part of the downward revision is due to a methodological revision of the historical series. Growth is expected to be driven by domestic demand, while the external sector will have a minor albeit positive contribution.

The **European Commission Autumn forecast** foresees for Spain a GDP growth of 1.9% this year and 1.5% in 2020, below the 2.4% growth of 2018 but above the figures for the Euro Area (1.1% for 2019 and 1.2% for 2020). Growth in employment will continue although at a slower pace. The Government budget balance will be -2.3% of GDP this year, and, under the no policy change scenario, it will be -2.2% in 2020. These figures will allow to continue reducing the debt-to-GDP ratio in the coming years.



	Main Economic Forecast - Real GDP growth (%)			
	2019	2020	2021	updated
Government	2.1	1.8	1.8	Oct-19
Bank of Spain	2.0	1.7	1.6	Sep-19
Funcas	1.9	1.5	1.8	Nov-19
Consensus	2.0	1.6	-	Nov-19
European Commission	1.9	1.5	1.4	Nov-19
IMF	2.2	1.8	-	Oct-19
OECD	2.0	1.6	1.6	Nov-19

Contact us

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