



**Instituto de Crédito Oficial**

# **Investor Presentation**

**September 2022**

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**Instituto de Crédito Oficial**

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**ICO Social and Green Bonds**

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# Instituto de Crédito Oficial



## State-owned investment bank and the State's Financial Agency

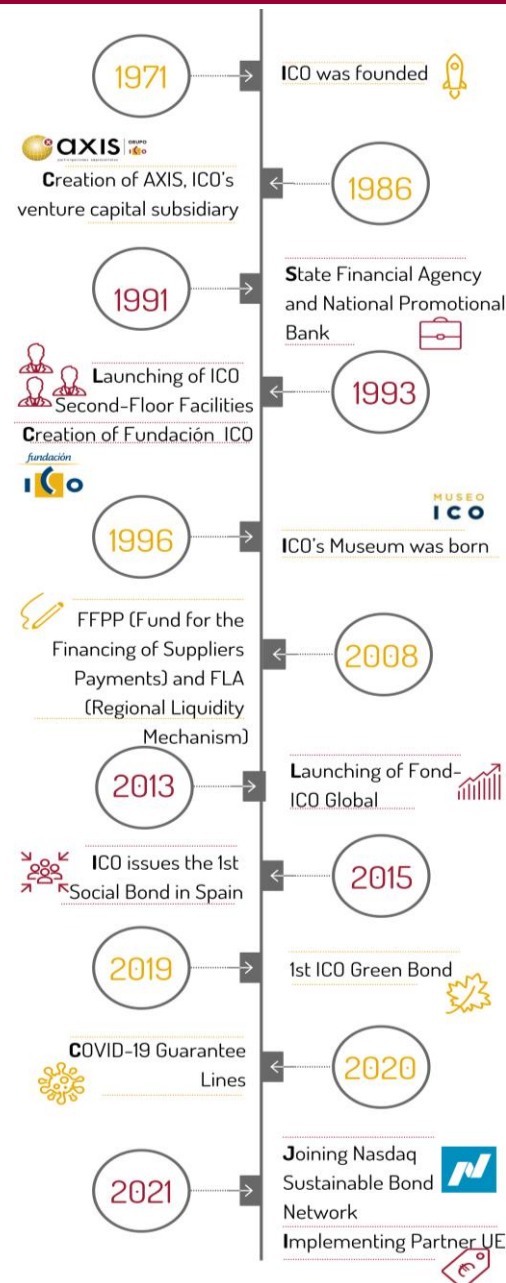


100% **State-owned** Institution  
The Kingdom of Spain **Financial Agency**



**Supervised as a credit institution** by the Central Bank of Spain

Based on the principle of **financial equilibrium**



To achieve its objectives, ICO performs three main functions

## NATIONAL PROMOTIONAL BANK

**Financing companies, SMEs and self-employed in Spain and abroad**

**Second Floor facilities**  
Channelled through financial entities

**Direct financing**  
Loans, credit lines, project finance, guarantees

**Complementary Financing**  
Bonds, promissory notes, securitizations

**Private capital and Venture capital AXIS**  
FondICO Global, FondICO Pyme, FondICO Infra II

## INSTRUMENT OF ECONOMIC AND FINANCIAL POLICY

**Instrument of Economic and Financial Policy**

**National**  
Joint implementation of initiatives from ministries, dependent agencies, regions, local corporations

**European Union**  
Channelling of EU resources

**Implementing partner MFF 21-27**  
Invest EU  
Connecting Europe Facility

**European Guarantee Fund**  
**Next Generation EU**

## STATE FINANCIAL AGENCY

**Management of Public Funds (off-balance sheet)**

**ICO COVID guarantee lines**  
on behalf of the Ministry of Economic Affairs

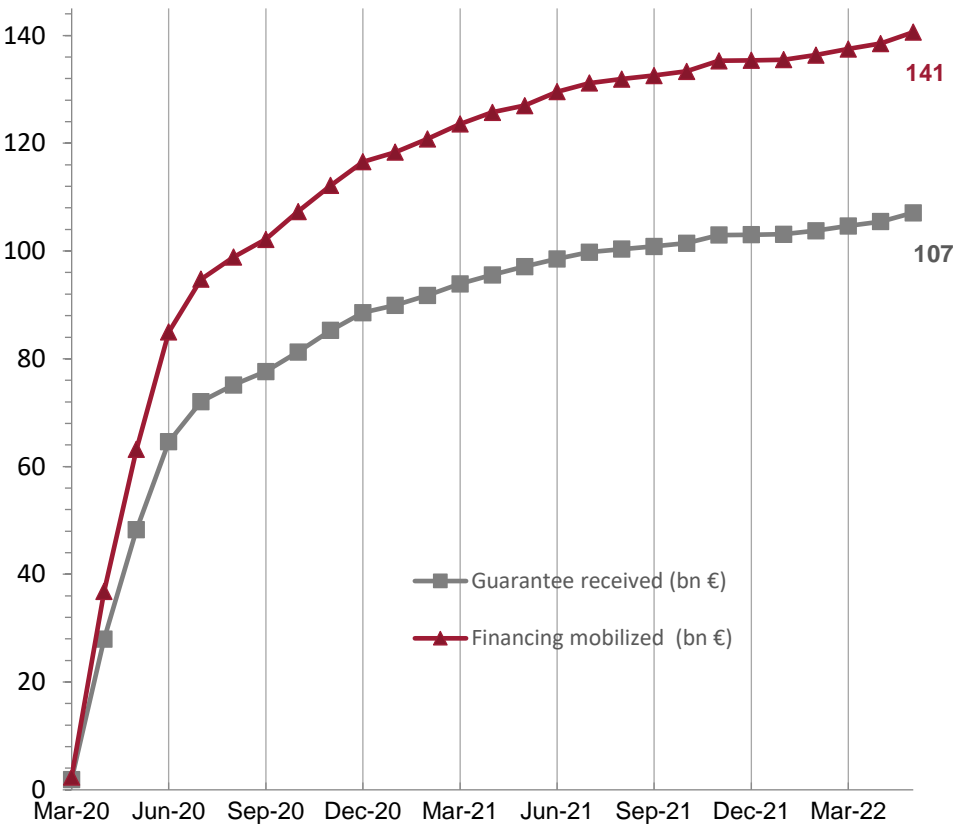
**Internationalization FIEM - CARI**  
on behalf of the Ministry of Industry, Commerce and Tourism

**Development Cooperation FONPRODE - FCAS**  
on behalf of the Ministry of Foreign Affairs

**Territorial Funds, regions and local corporations**  
on behalf of the Ministry of Finance

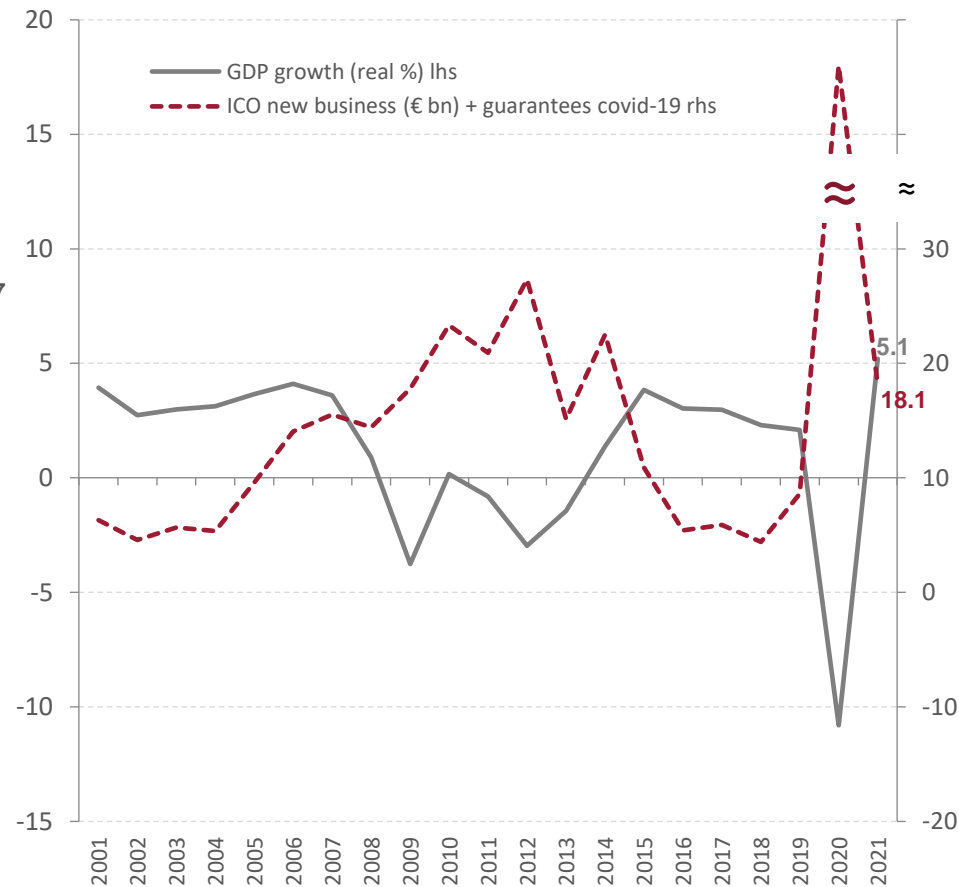
ICO, in its capacity as a national promotional bank, has traditionally worked **countercyclically** through the macroeconomic phases in the Spanish economy. ICO serves to mitigate “credit crunches” through increased credit production during economic downturns.

**Financing mobilized by Government guarantee line ICO Covid-19 (total, bn €)**



Source: ICO

**ICO lending (€ bn) vs economic activity (GDP %)**



Source: ICO, INE

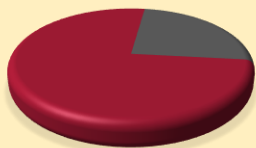
## €100 billion Liquidity Guarantee Line

It may also be allocated to mutual guarantee societies through the State-owned **CERSA**, as well as to short term notes incorporated into the Fixed Income Market of the Association of Financial Assets Intermediaries (**AIAF**) and the Alternative Fixed Income Market (**MARF**)

The guarantee will cover:

- Self employed and SMEs: 80% of the principal of new loans and 70% of renewals.
- Rest of the companies: 70% of new loans and 60% of renewals.

As at 30<sup>th</sup> June 2022:



Spanish companies had received **€122.4 billion** of financing for a guaranteed amount of **over €92.9 billion**

## €10 billion Liquidity Guarantee Line

Urgent measures within the framework of the **National Response Plan to the war in Ukraine**

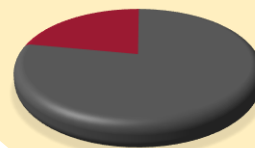
## €40 billion Investment Guarantee Line

This line will be mainly focused around two axes: environmental sustainability and digitization.

The guarantee will cover:

- Self employed and SMEs: 80% of the principal of new loans
- Rest of companies: 70% of new loans

As at 30<sup>th</sup> June 2022:



Spanish companies had received **€18.4 billion** of financing for a guaranteed amount of **over €14.3 billion**

## Support and flexibility measures for loans with public guarantee

- extend the maturity term of loans with public guarantee for an additional period
- convert the loans with public guarantee into participating loans
- reduce the principal of the debt with public guarantee
- **€2,750 Million** will be the limit for reductions for ICO

Guarantees are managed by ICO on behalf of the Government.  
**No credit impact on ICO financial accounts stemming from the guarantees.**



## Covid-19 special measures (II)

### €400 Million Tourism Sector specific second-floor facility

Includes a guarantee line provided by the Ministry of Industry, Trade and Tourism of up to 50% of the principal of the loan.

Interested companies applied through the collaborating financial entities **for loans up to €500,000**, with a maximum fixed interest rate of 1.5% and a term between 1 and 4 years, plus a grace period of 1 year.

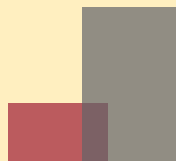
### Covid-19 Direct Loans

ICO has so far provided direct funding with medium to long term maturities for several companies, to smooth the impact of Covid-19 on their activity, including syndicated loans benefiting from up to a 70% government guarantee.

### Corporate Short-Term Debt Purchase and Guarantee Programme for Mid-Caps

Short-term corporate debt purchase programme for new issues in MARF

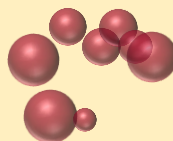
As at 30<sup>th</sup> June 2022 :



ICO has purchased over **€1,233 Million** that have succeeded to mobilize a total volume of **€3,191 Million**.

Guarantees of up to 70% for short-term financing issued in MARF

As at 30<sup>th</sup> June 2022:



These guarantees have been materialized through **100 transactions** that represent a total issued volume of **€1,156 Million**.

Guarantees are managed by ICO on behalf of the Government.  
**No credit impact on ICO financial accounts stemming from the guarantees.**



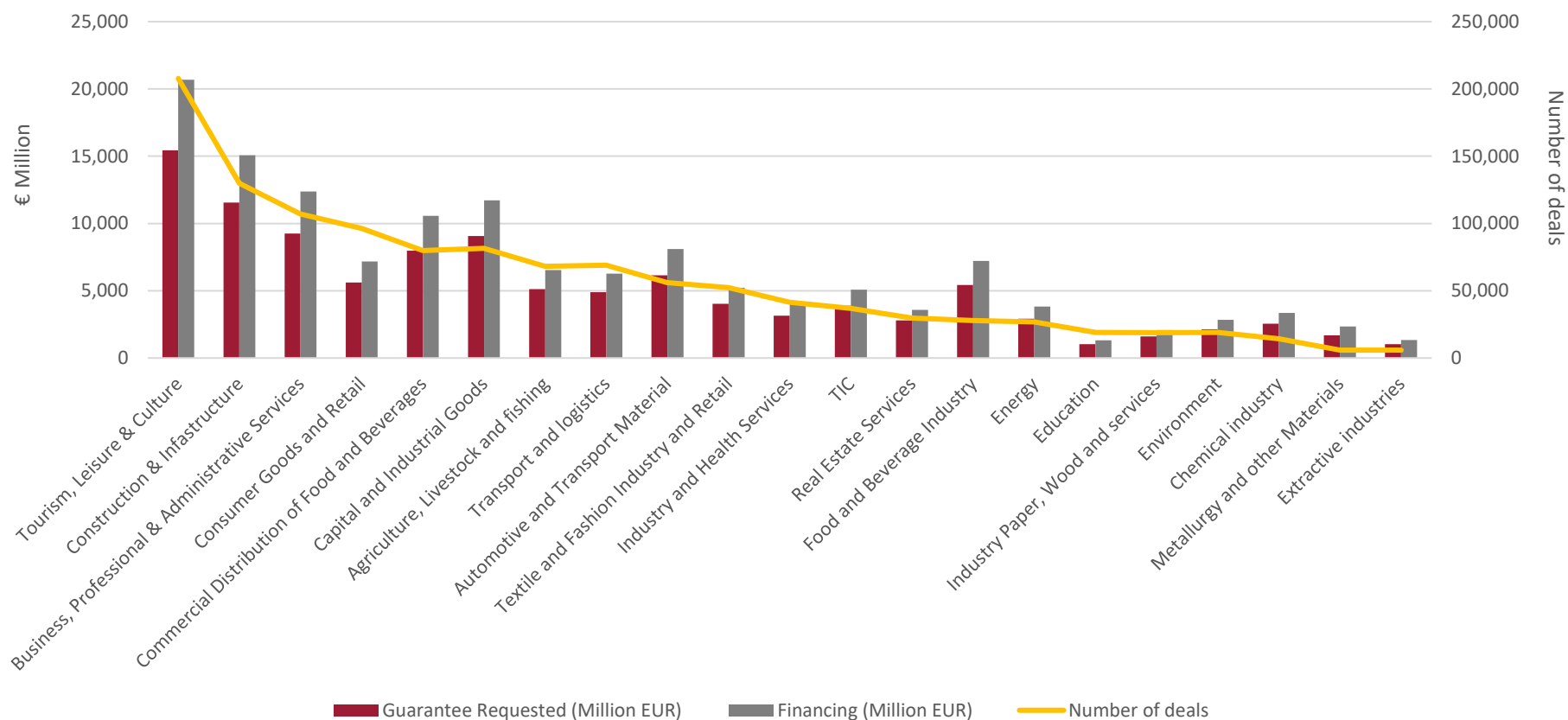
Total financing channeled to the self-employed and Spanish companies: **€141 billion**

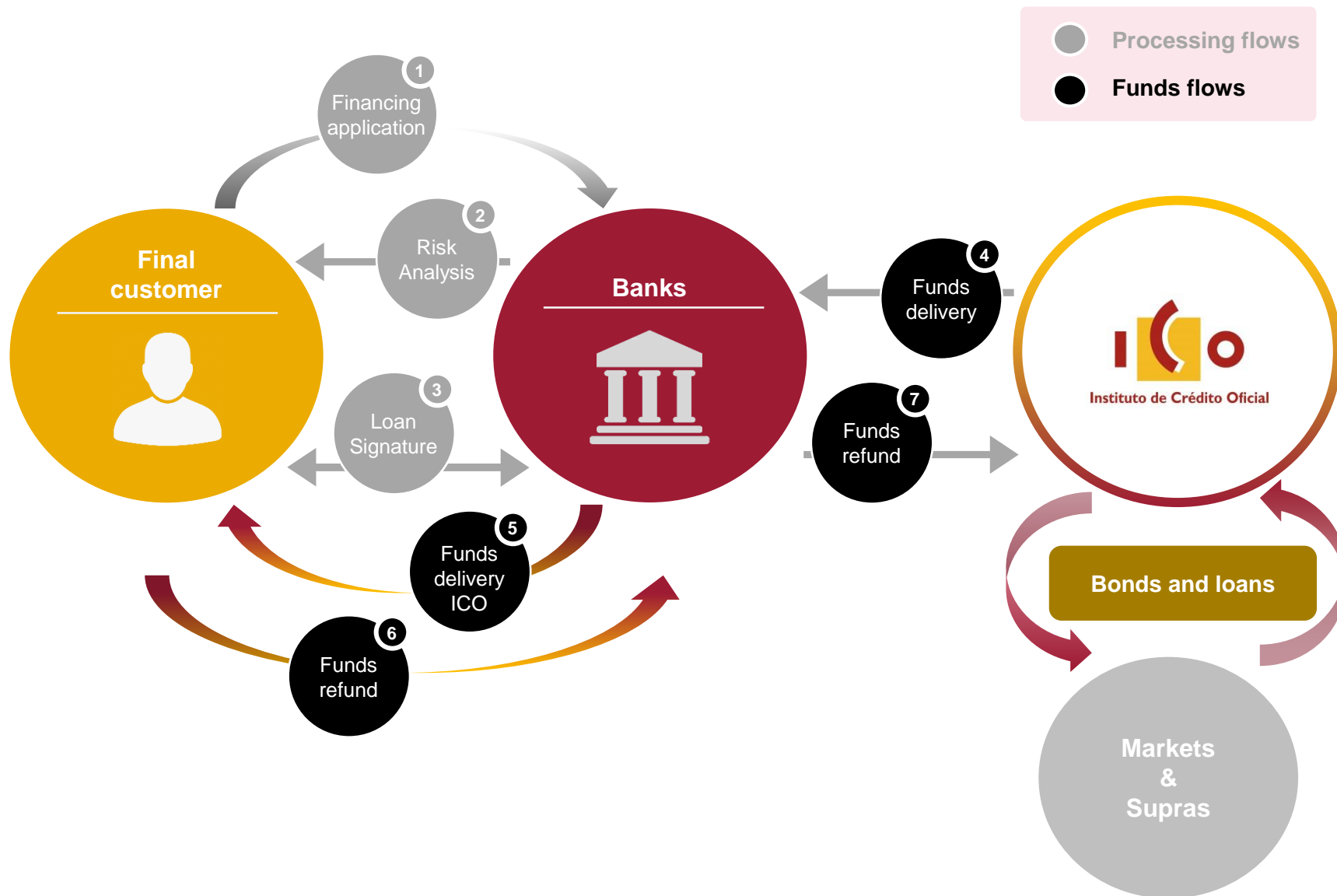
Total guaranteed amount: **€107 billion**

**More than 98%** of operations have been subscribed by SMEs (especially micro-SMEs) and self-employed.

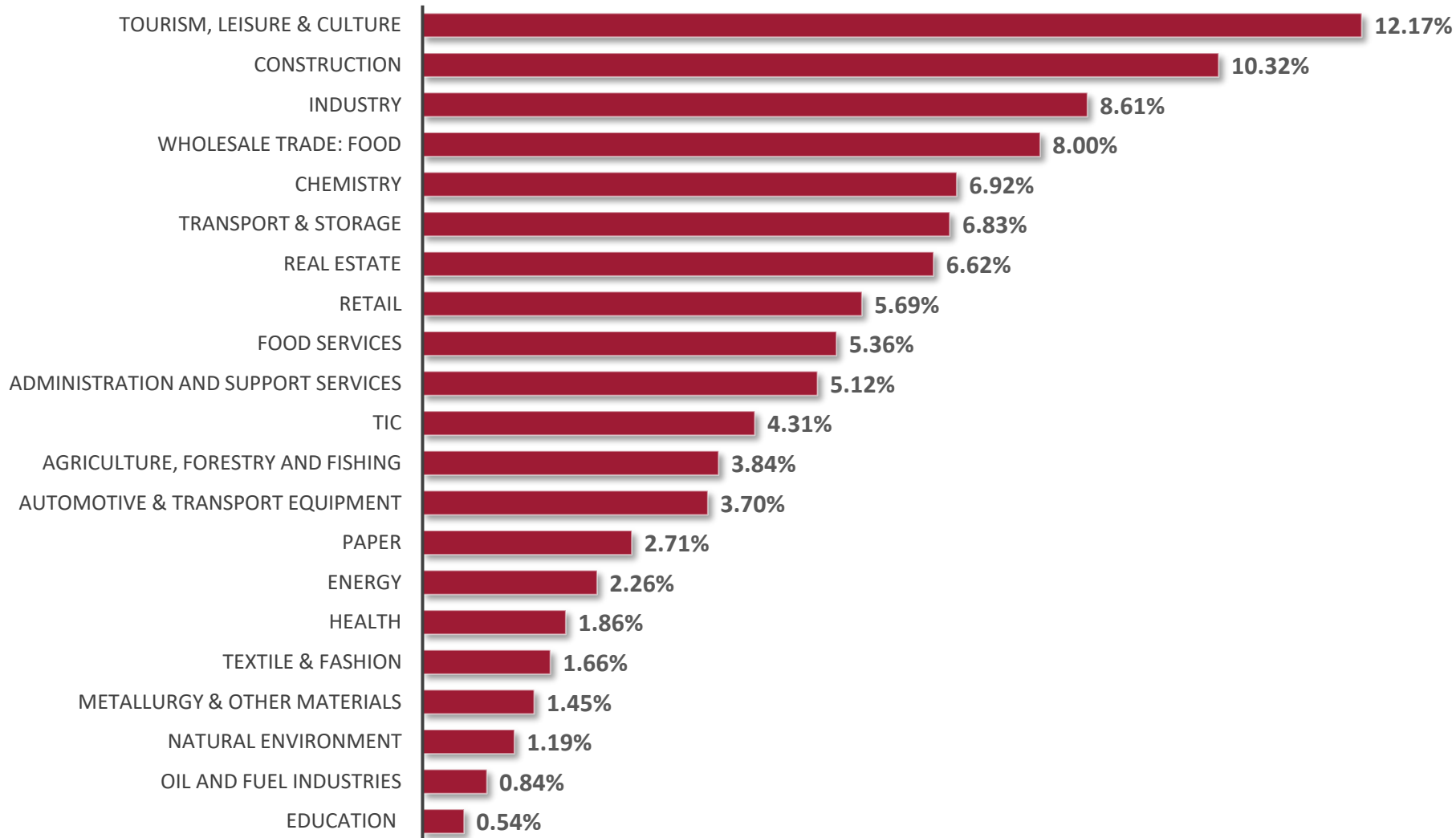
More than **1.2 million** operations have been approved under these programmes.

## Distribution by Sector of Activity (Liquidity + Investment Guarantee Lines):

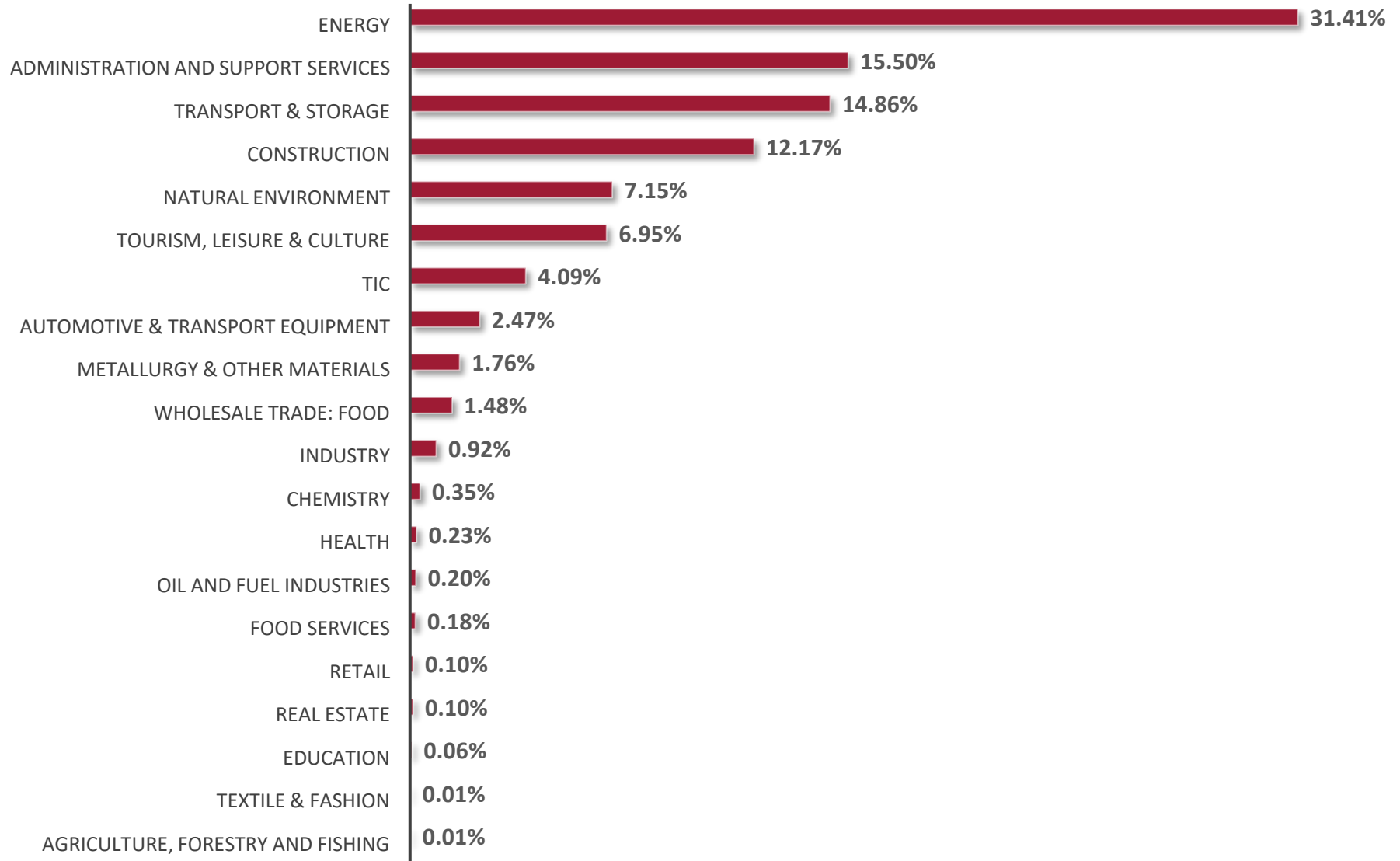


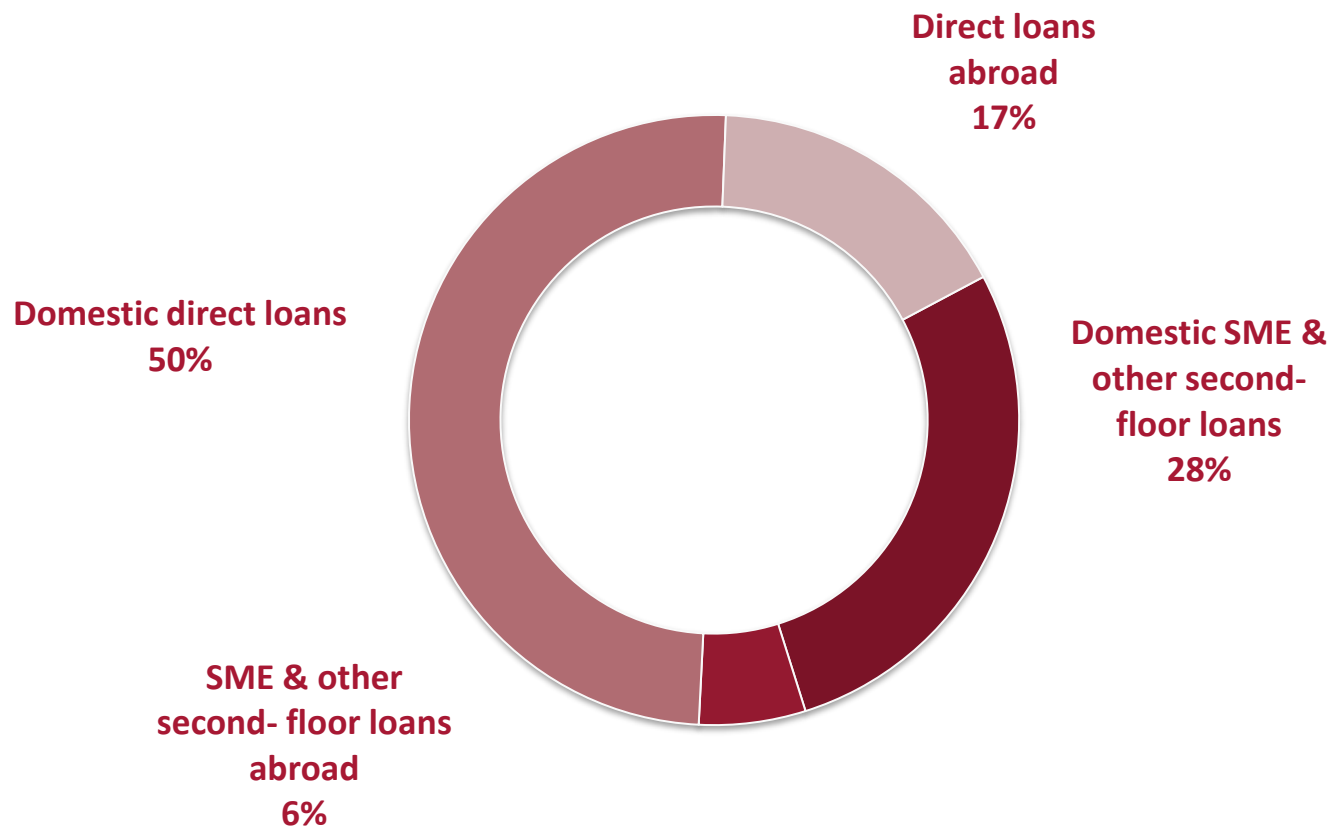


## On-lending facilities by sectors (As at 30/06/2022)



## Outstanding amount by sectors (As at 30/06/2022)





ICO loan portfolio is split roughly 66-34 between direct lending and second floor facilities

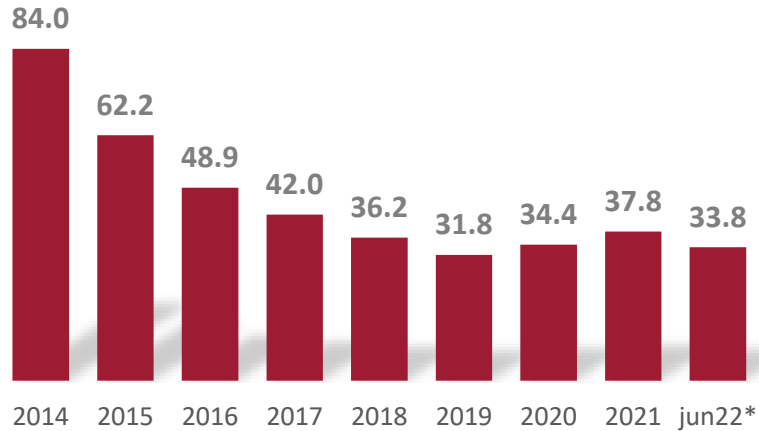
22% of the loan book is international

	2018	2019	2020	2021	30/06/2022*
<b>Total assets</b> (Mill. EUR)	36,237	31,823	34,386	37,766	33,756
<b>Equity &amp; reserves</b> (Mill. EUR)	5,246	5,257	5,202	5,354	5,789
<b>Pre-tax profit</b> (Mill. EUR)	112.91	149.25	97.55	171.70	122.52
<b>Net interest income</b> (Mill. EUR)	-96.54	-28.06	-10.63	104.55	57.07
<b>Gross revenue</b> (Mill. EUR)	55.23	90.53	88.22	181.86	98.70
<b>Profitability</b> ROA	0.28%	0.44%	0.29%	0.49%	0.70%
<b>Tier I Ratio</b>	40.54%	41.11%	37.21%	35.36%	34.63%
<b>Non-Performing Loans</b>					
Direct Loans	6.31%	4.72%	4.16%	3.81%	3.39%
Total loans incl. second floor loans	3.19%	2.43%	2.33%	2.33%	2.21%
Provision coverage ratio	154%	168%	145%	157%	160%
<b>Efficiency</b>					
Ordinary Expenditure/ATA	0.10%	0.12%	0.12%	0.13%	0.13%

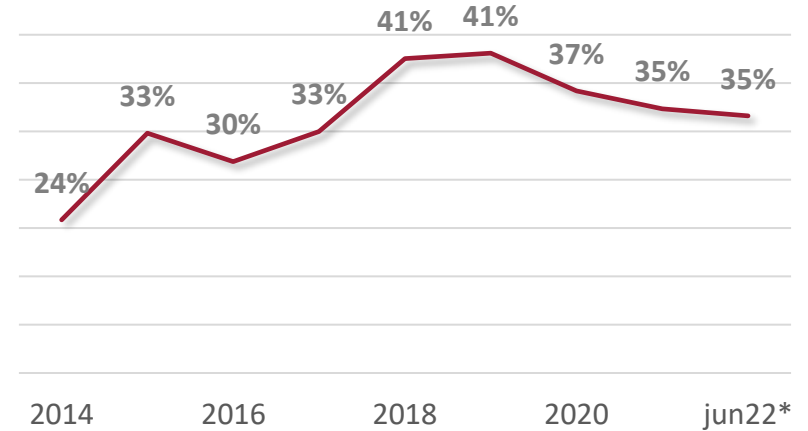
Source: ICO

\* Unaudited figures

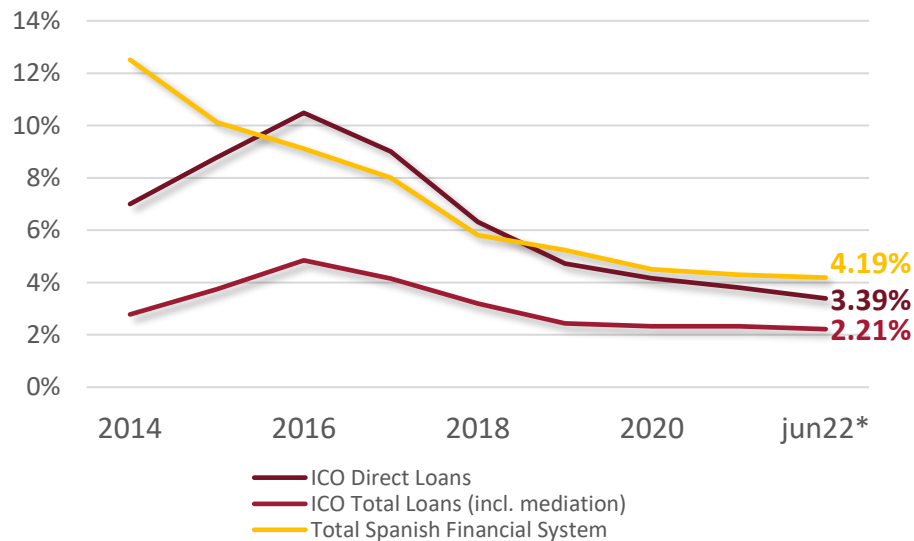
## Total Assets (EUR billion)



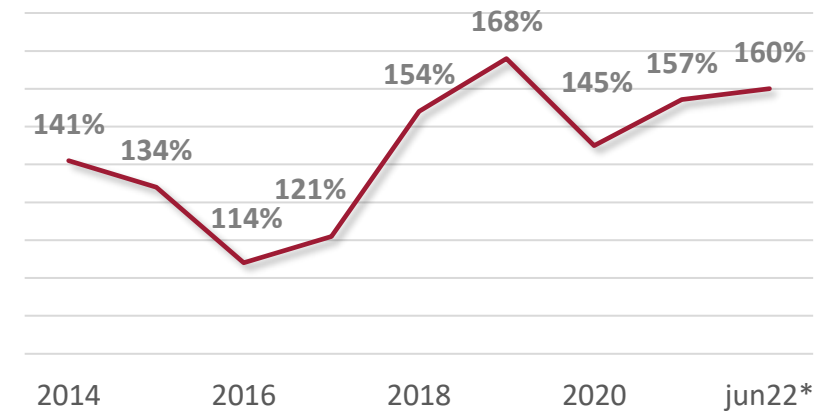
## TIER I capital ratio %



## NPL Ratios %



## Provision coverage ratio %

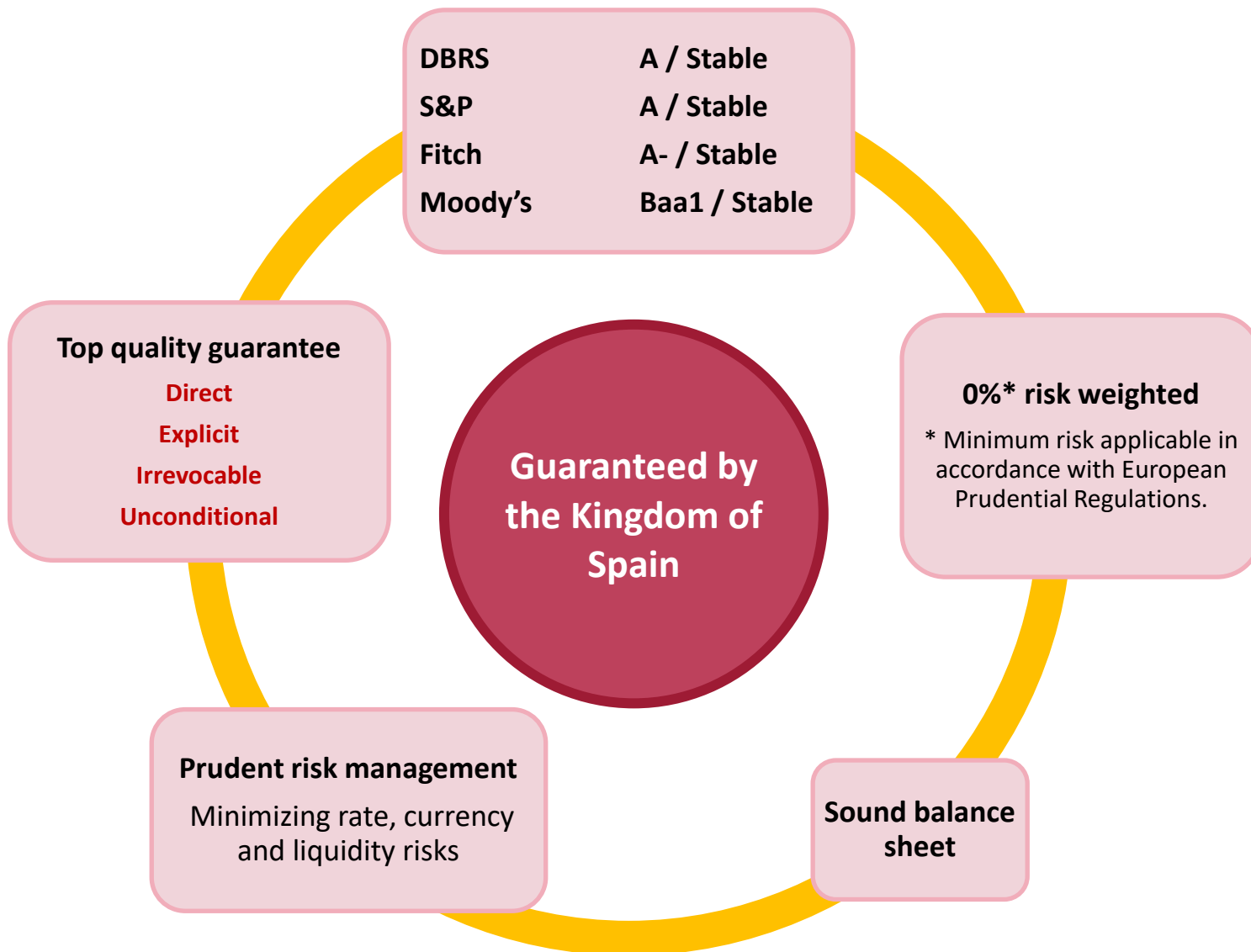




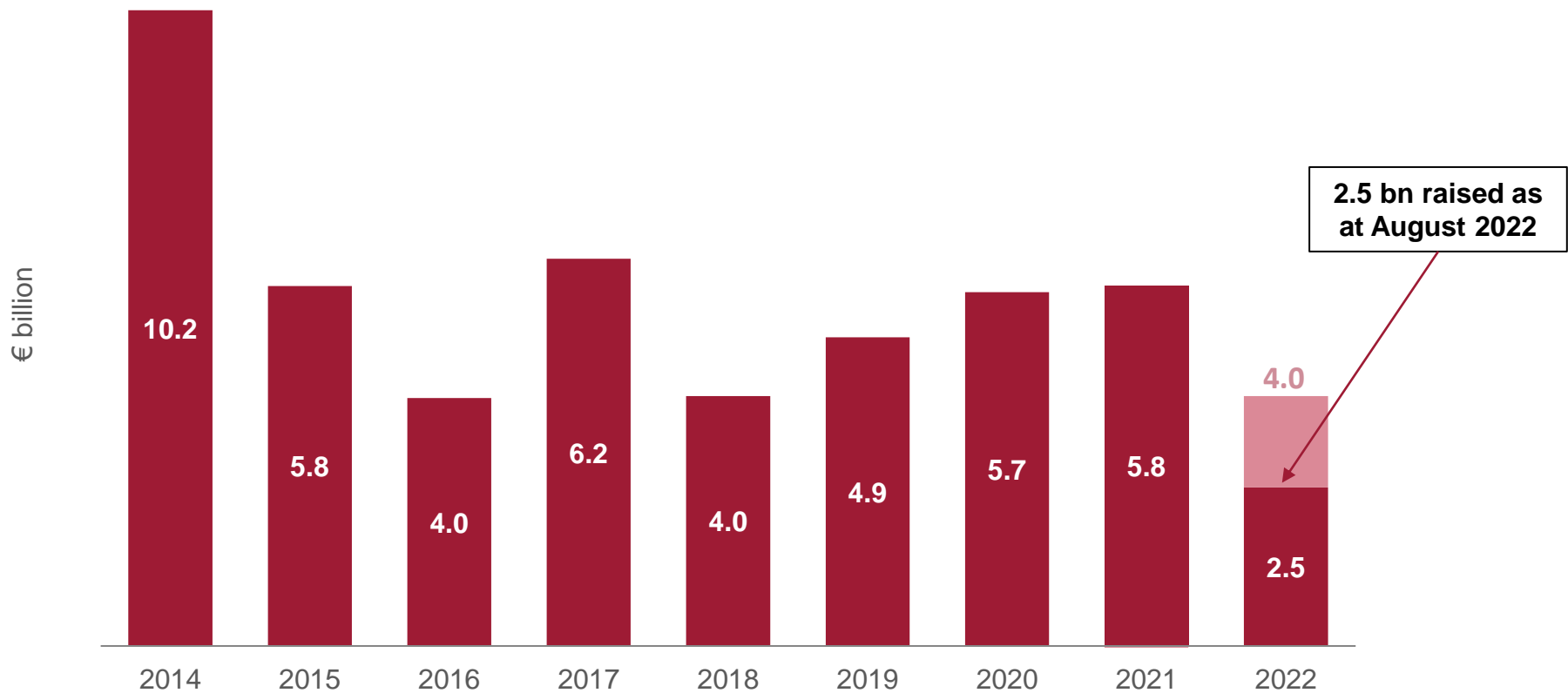
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# Funding Profile

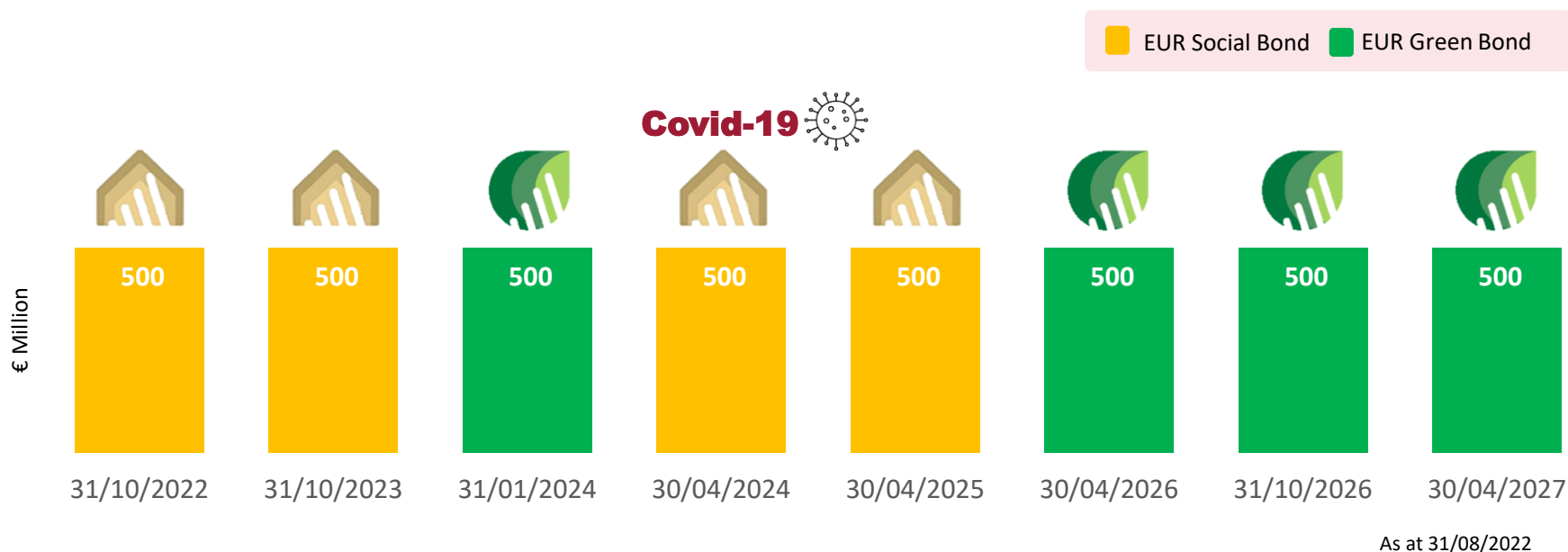








As at 31<sup>st</sup> August 2022



## Strategy

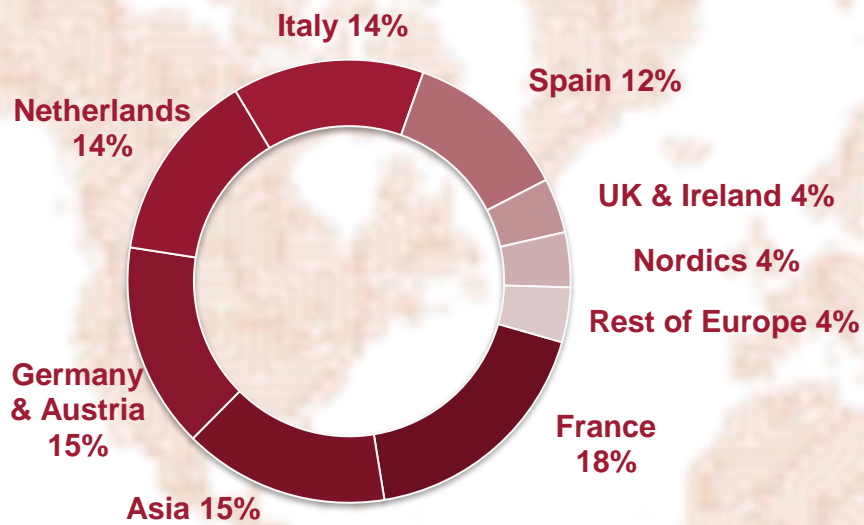
**Benchmark** minimum size: **500 Million**

**Taps** minimum size: **50 Million**  
(adding up clips of 25 Million)

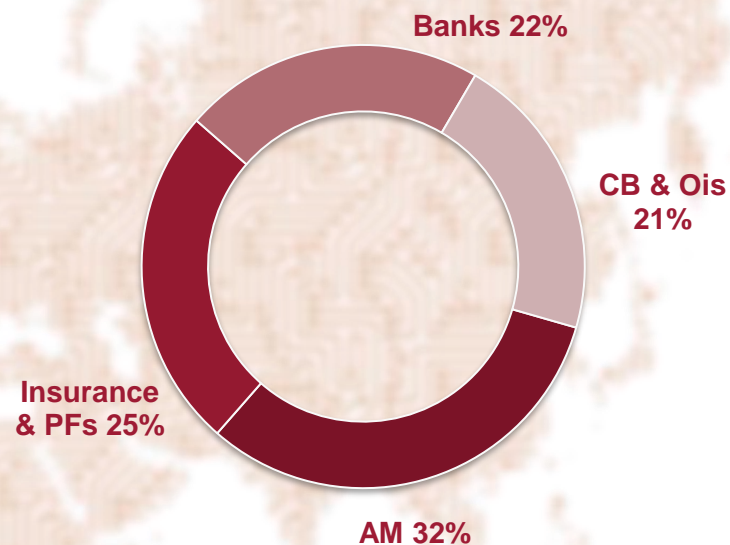
**Private placements** minimum size: **10 Million**

## GREEN BOND €500 Million 1.3% Oct 2026 Issued in May 2022

### By Region



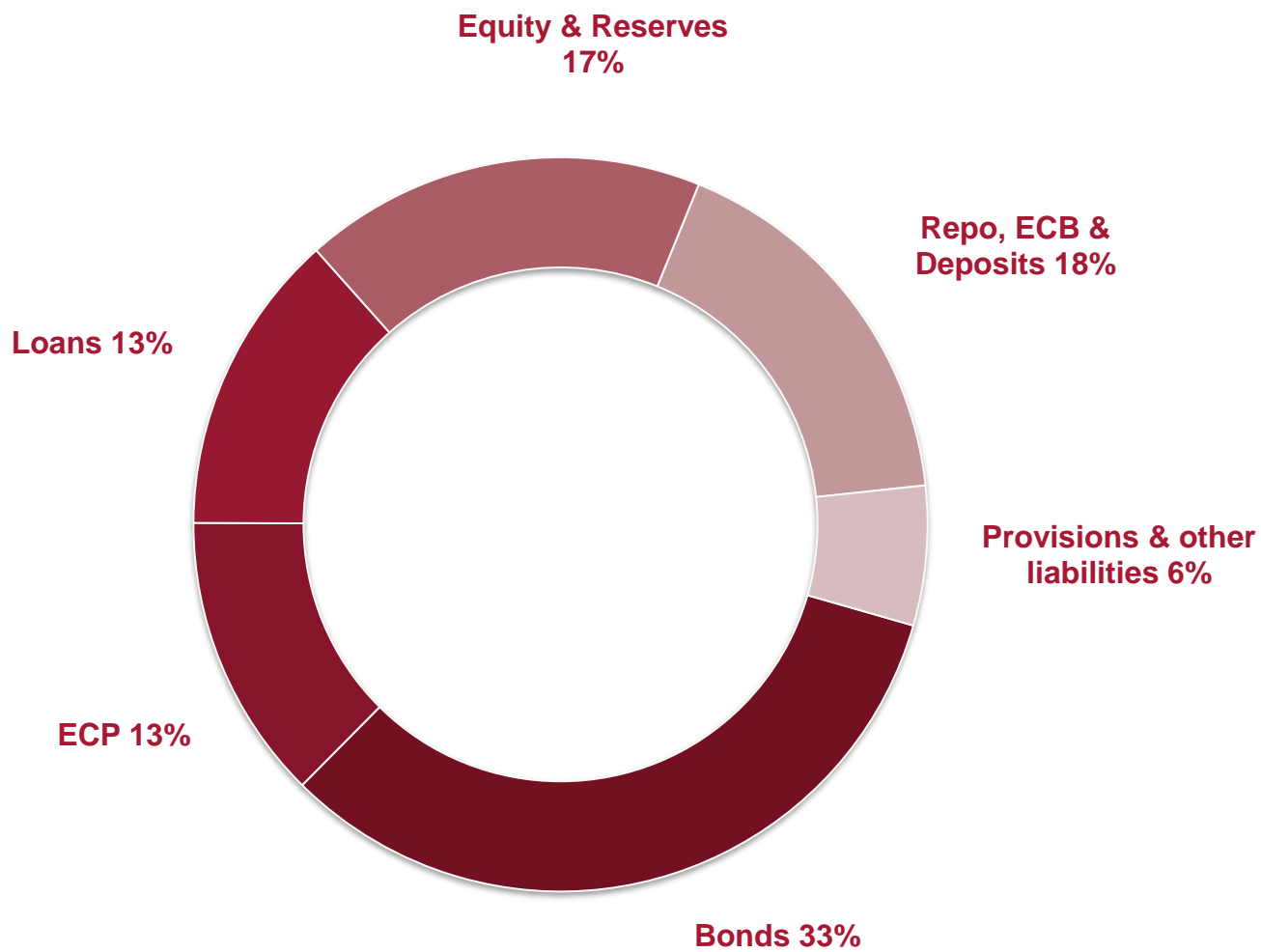
### By Investor Type



### By ESG participation



## Liability Breakdown



**Total Liabilities: €35,332 Million**



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# ICO Social and Green Bonds



ICO issued its inaugural social bond in early 2015 when no guidelines were still established on this regard. Since this first issuance, ICO has demonstrated its leadership in the social bond market, having issued **8 social bonds amounting over €4,050 Million**, so far.

ICO reinforced this commitment to the sustainable bond market with the debut on the green bond market in 2019. Since then, the institution has issued **4 green bonds amounting €2,000 Million**.

ICO has become a referent in the sustainable bond market by having issued **more than €6,050 Million** in different types of sustainable bonds that will help to contribute to a more sustainable world.



ICO's first **Social Bond Framework** was dated January 2015. This framework positioned ICO at the forefront of the Social Bond market, having issued 6 Social Bonds amounting over €3.5 billion.

ICO has the intention to go further on the contribution to the development of a sustainable financial market. In this line, ICO **updated its framework in 2020** to better reflect its social objectives as a promotional bank





















1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review (here)



*“Sustainalytics is of the opinion that the ICO Social Bond Framework is credible and impactful, and aligns with the four core components of the Social Bond Principles 2018.”*



Project Category	Definition	SDG
Second floor facilities		
SME Lending (1) Economically underperforming regions	Loans to SMEs established in economically underperforming regions of Spain	  
SME Lending (2) Depopulation	Loans to SMEs established in municipalities of Spain facing depopulation, hence supporting the fight against the ‘Empty Spain’	
SME Lending (3) Natural disasters	Loans to support SMEs and self-employed affected by any natural / health disaster (pandemics, earthquakes, floods, droughts...)	
Direct lending		
Socioeconomic advancement and empowerment	Programs that support the Socioeconomic advancement and empowerment (projects aiming at supporting, integrating and providing basic services to vulnerable population or developing job security / basic needs / equal opportunities)	   
Social Housing	Loans dedicated to the development and provision of Social Housing, including renovation, maintenance and improvement of social housing projects and Social Housing with adapted rents to disadvantaged targeted populations	 
Access to essential services	Healthcare, education, professional training or financing for companies facing natural / health disasters (pandemics, earthquakes, floods, droughts...)	  
Affordable basic infrastructure	Water and sanitation, connectivity and digital access	 
Axis Venture Capital		
Socioeconomic advancement and empowerment	Investments in Social Funds providing funding to social enterprises, recognized as European social entrepreneurship fund, aligned with the European Union regulation for Social entrepreneurship funds.	   



€500 Million for social projects that have help mobilize €710 Million funds



## Social Housing

1%

- €9.2 Million allocated
- **81 homes**, in order to be incorporated into the rental market for vulnerable groups
- 15 out of these 81 houses have enabled **15 families** to be assigned a home adapted to their mobility problems



## Access to essential services (1) Access to healthcare

7%

- €18.85 Million allocated
- **1 hospital** built
- **207 beds**
- **339,494 patients** benefitting from healthcare or medical treatment

## SME

### SME Lending (1) Economically underperforming regions

75%

- €373.25 Million allocated
- **4,998 projects** financed
- **36,227 jobs** created and/or retained



## Socioeconomic advancement and empowerment

3%

- €35 Million allocated
- **300 people with disabilities** provided with a new job opportunity



## Access to essential services (4) Access to financing for companies facing natural / health disasters:

14%

- €69 Million allocated
- **3 projects** financed
- **1,458 jobs** created and/or retained



## Social Bond Reporting (LINK)



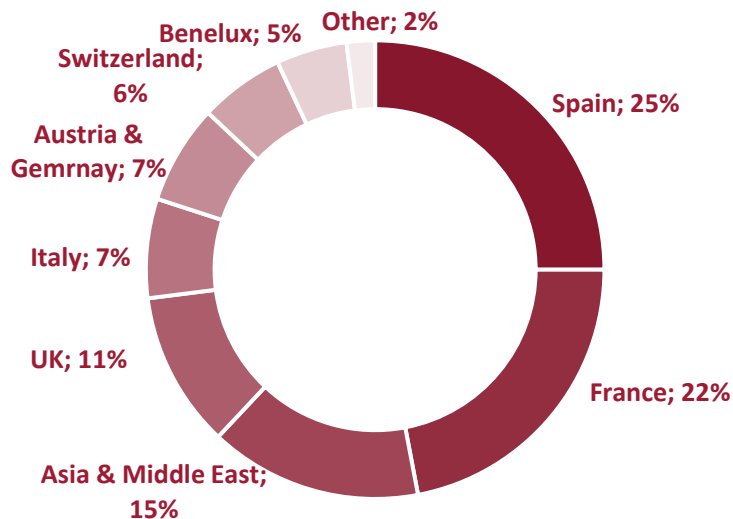
## Portfolio Review (Sustainalytics) (LINK)

## Last Social Bond issue

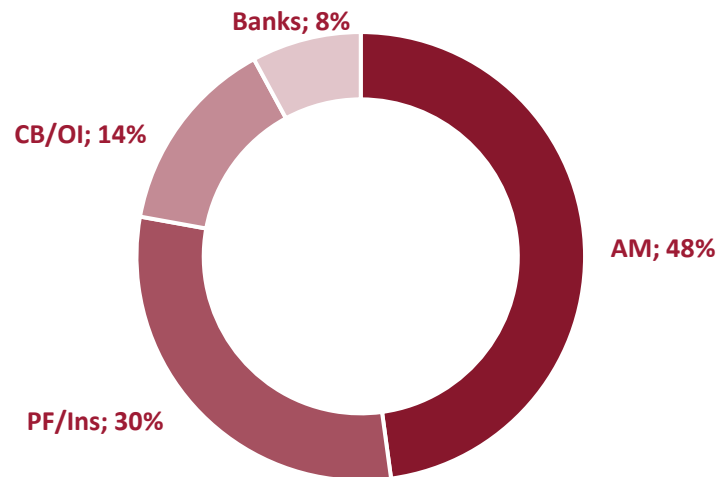
8<sup>th</sup> ICO **SOCIAL BOND EUR 500 mm 0% April 2025**

Issued in November 2021

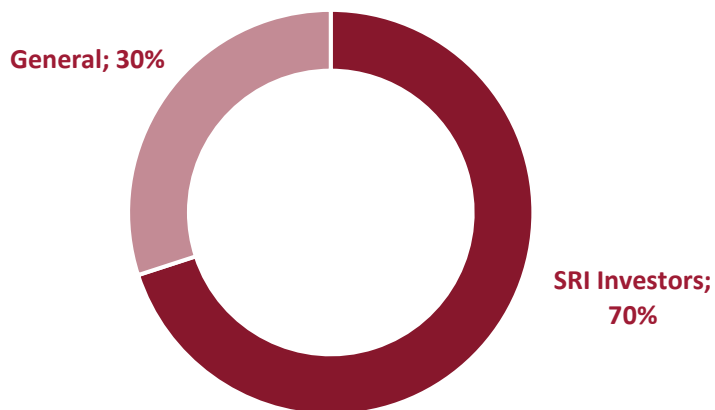
By Region



By Investor Type



By ESG participation





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## ICO GREEN AND SOCIAL BONDS

Supporting sustainable growth in Spain



Investing in ICO Green and Social Bonds provides the opportunity to take part in the transition of the Spanish economy to a more sustainable growth model.

ICO is playing a key role on the current recovery and transformation process and has been a pioneer in the Sustainable Bond market in Spain, gaining extensive experience and providing confidence and attractive returns.