

INFORMATION OF PRUDENTIAL RELEVANCE

31 DECEMBER 2024

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1. GENERAL INFORMATION REQUIREMENTS

■ 1.1. INTRODUCTION

The objective of this report is to comply with the market reporting requirements of the Instituto de Crédito Oficial Consolidated Group, as set out in Part Eight of Regulation EU 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter “the Solvency Regulation”).

Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions replaced, as from 1 January 2014, the previous legal text on prudential banking regulation (Law 13/1985 of 25 May and Bank of Spain Circular 3/2008). The main purpose of Law 10/2014, of 26 June, was to adapt the Spanish legal system to the regulatory changes imposed at international and European Union level, directly incorporating the provisions of Regulation (EU) 575/2013, of 26 June (CRR), and duly transposing Directive 2013/36/EU, of 26 June (CRD4). These Community regulations have substantially altered the applicable legislation for credit institutions, since aspects such as the supervisory regime, the capital requirements and the sanctioning regime have been extensively modified.

Pursuant to the 8th Additional Provision of Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, Instituto de Crédito Oficial will be subject to Titles II (Solvency of credit institutions), III (Supervision) and IV (Sanctioning Regime) of said Law, with the exceptions determined by regulation, and the provisions concerning information confidentiality.

In accordance with the information disclosure policies approved by the Institute, this report has been prepared on an annual basis by the Institute's Directorate General of Risks and Financial Control and approved by its Chairman, after verification by the Internal Audit Department.

Certain information required by the regulations in force that must be included in this report is presented, in accordance with said regulations, referenced to the consolidated annual accounts of the ICO Group for the financial year 2024, as it is contained therein and redundant with it. The aforementioned annual accounts, as well as this document on "Information of prudential relevance" can be consulted on ICO's website (www.ico.es).

■ 1.2. INSTITUTO DE CRÉDITO OFICIAL CONSOLIDATED GROUP

The information presented in this report corresponds to the Consolidated Group of Credit Institutions whose dominant entity is Instituto de Crédito Oficial (hereinafter, the Group or ICO Group).

Subsidiaries are those entities over which the Bank has control. It is considered that an entity controls an investee when it is exposed or entitled to variable returns because of its involvement in the investee and has the ability to influence those returns through the power it exercises over the investee.

In order to be considered as subsidiaries, the following must concur:

- **Power:** An investor has power over an investee when the former has rights in force that give it the capacity to manage the relevant activities, i.e. those that significantly affect the investee's returns.
- **Returns:** An investor is exposed to, or is entitled to, variable returns for his involvement in the investee when the returns obtained by the investor for such involvement may vary depending on the economic evolution of the investee. The investor's returns may be only positive, only negative or both positive and negative.

Relationship between power and returns: An investor controls an investee if the investor not only has power over the investee and is exposed to, or is entitled to, variable returns for his involvement in the investee, but also has the ability to use his power to influence the returns he obtains from that involvement in the investee.

The annual accounts of the subsidiaries are consolidated with those of the Institute using the full consolidation method as defined in the regulations. Consequently, all significant balances arising from transactions carried out between the companies consolidated using this method have been eliminated in the consolidation process. The Institute, the Group's dominant entity, accounts for 99% of the Group.

In addition, the participation of third parties in:

- **The Group's equity:** is presented under "Minority Interests" in the consolidated balance sheets. As at 31 December 2023 and 31 December 2024, there were no minority interests.
- **The consolidated income for the year** are presented under the "Income Attributable to Minority Interests" heading in the consolidated income statement. As at 31 December 2023 and 31 December 2024, there was no income attributed to minority interests.

The consolidation of the results generated by the subsidiaries acquired in a fiscal year is carried out taking into account only those related to the period between the acquisition date and the end of that fiscal year.

On the other hand, "associates" are those entities over which the Institute has the capacity to exercise significant influence, although they do not constitute a decision-making unit with the Institute nor are they under joint control. Usually, this capacity is manifested in a participation (direct or indirect) equal to or greater than 20% of the voting rights of the investee.

Investments in entities considered as "associates" are presented in the consolidated annual accounts recorded under the heading "Investments in Subsidiaries, Joint Ventures and Investees - Associates" in the consolidated balance sheet, valued at acquisition cost, net of any impairment losses that may have been suffered by such investments.

The results generated by transactions between the associated entity and Group entities are eliminated to the extent of the Group's interest in the associated entity.

The income obtained by the associate during the year, after the elimination referred to in the previous section, increase or reduce, as the case may be, the value of the investment in the consolidated annual accounts. The amount of this income is recorded under the heading "Share of profit or loss of entities accounted for using the equity method" in the consolidated income statement.

Changes in the associate's valuation adjustments after the acquisition date are recorded as an increase or decrease in the value of the shareholding. The amount of these changes is recorded under "Accumulated other comprehensive income" as valuation adjustments of consolidated equity.

There are no "jointly-controlled institutions" included in the Consolidation Group.

The following is a summary of the main differences regarding the scope of consolidation and the different consolidation methods applied between the Instituto de Crédito Oficial Consolidated Group of Credit Institutions, for which the information contained in this report is presented, and the ICO Group of Credit Institutions, defined in accordance with Rule 3 of Bank of Spain Circular 4/2017, of 27 November.

In the preparation of the consolidated annual accounts of the ICO Group of Credit Institutions, all subsidiaries have been consolidated applying the full consolidation method, as they meet the requirements to be considered as consolidable due to their activity. Therefore, there are no differences in the scope of consolidation for the purposes of applying the solvency requirements.

For the purposes of preparing the consolidated financial statements of the ICO Group of Credit Institutions, investments in financial institutions that do not meet the requirements to be considered as subsidiaries, jointly controlled entities or associates are considered financial instruments and are valued in accordance with the criteria established in Rule 22 of Bank of Spain Circular 4/2017, of 27 November.

However, for the purposes of applying the solvency requirements, financial institutions that have not been classified as subsidiaries, jointly controlled entities or associates in accordance with the provisions of Rule 47 of Bank of Spain Circular 4/2017 of 27 November, in which at least 20% of their capital or voting rights are owned or controlled, are valued using the equity method for the purposes of preparing the Consolidated Group information.

In accordance with the criteria indicated above, the following is a detail as at 31 December 2024 of the subsidiaries of the Consolidated Group to which the full consolidation method has been applied for the purposes of preparing the consolidated information thereof:

ENTITY: AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A S.M.E.

Annex I to the Institute's consolidated financial statements contains relevant information on the associates included in the Group.

■ 1.3. OTHER GENERAL INFORMATION

As at 31 December 2024, there is no material, practical or legal impediment to the immediate transfer of own funds or reimbursement of liabilities between the Group's subsidiaries and Instituto de Crédito Oficial, and there is nothing to suggest that such impediments may exist in the future.

As at 31 December 2024, there are no entities belonging to the economic Group and not included in the consolidated Group that are subject to minimum own funds requirements at individual level, in accordance with the various regulations applicable to them.

As at 31 December 2024, the stake in AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A S.M.E. included in the Consolidated Group is not subject to the calculation of own funds requirements in individual terms and is included in the ICO consolidated group, which is subject to such requirements.

All the amounts contained in this report are expressed in thousands of euros.

ICO is not considered a Global Systemic Entity.

2. RISK MANAGEMENT POLICIES AND OBJECTIVES

The information on risk management policies and objectives that the Regulations require to be provided to the market can be found in Note 5 (Risk Exposure) of the Consolidated Report included in the consolidated annual accounts of Instituto de Crédito Oficial Group for 2024, published on ICO's website. (www.ico.es).

3. INFORMATION ON ELEGIBLE OWN FUNDS

■ 3.1. SUMMARY OF THE MAIN CHARACTERISTICS AND CONDITIONS OF THE ITEMS ACCOUNTED FOR AS OWN FUNDS OF TIER 1 AND TIER 2 CAPITAL

For the purposes of calculating its minimum own funds requirements, the Group considers as own funds of Tier 1 capital the items defined as such, considering the corresponding deductions, in Part Two, Title I, Chapters 1 to 3, of the Solvency Regulation.

Own funds of Tier 1 capital are characterised by being components that can be used immediately and without restriction to hedge risks or losses as soon as they occur, the amount being recorded free of any foreseeable tax at the time it is calculated. These elements show stability and permanence over time, a priori higher than that of own funds of Tier 2 capital as explained below. As indicated in section 3.2 below, the Group's Tier 1 capital own funds as at 31 December 2024 consist mainly of the Institute's equity and actual and express reserves.

On the other hand, own funds of Tier 2 capital are considered to be those defined in Part Two, Title I, Chapter 4 of the Solvency Regulation, with the limits and deductions established in said Regulation. Although these own funds comply with the definition of own funds established in the current regulations, they are characterised by having, a priori, a lower volatility or degree of permanence than the elements considered as own funds of Tier 1. As indicated in section 3.2 below, as at 31 December 2024 there were no Group's own funds of Tier 2 capital.

All the concepts which, in accordance with the provisions of the Solvency Regulation, are part of ICO Group's eligible own funds, have homogeneous characteristics as far as their definition and characteristics are concerned, so that their content is not described individually.

■ 3.2. TOTAL AMOUNT OF OWN FUNDS

Below are the details as of 31 December 2024 regarding the Consolidated Group's eligible own funds, indicating each component and deduction, and broken down into Tier 1 and Tier 2 capital:

	<i>Thousands of euros</i>
TOTAL ELIGIBLE OWN FUNDS	4,651,571
TIER 1 CAPITAL	4,651,571
Common Tier 1 capital	4,651,571
Capital instruments eligible as Common Tier 1 capital	4,314,901
Retained earnings	1,217,312
Other reserves	-734,902
Common Tier 1 capital adjustments due to prudential filters	728,514
Other intangible assets	-12,517
Common Tier 1 capital elements or deductions - Capital instruments	
Financial Sector Entities with significant investment	-1,243,025
Elements or deductions from Common Tier 1 capital - Others	381,287
Additional Tier 1 capital	0
TIER 2 CAPITAL	0
Adjustments for general credit risk using the standard method	0

■ 3.3. RECONCILIATION OF SHAREHOLDERS' EQUITY TO REGULATORY CAPITAL

Below is the reconciliation between the Institute's shareholders' equity as reflected in the financial statements and the regulatory capital for solvency purposes as of 31 December 2024:

CONCEPT	<i>(Thousands of Euros)</i>
	2024
Capital	4,314,901
Reserves	1,271,406
Net attributable profit	250,048
TOTAL OWN FUNDS IN PUBLIC BALANCE SHEET	5,836,355
Valuation adjustments	-353,615
TOTAL EQUITY PUBLIC BALANCE SHEET	5,482,740
Other adjustments to basic capital	0
Tier 1 capital deductions	-831,169
TIER 1 CAPITAL	4,651,571

4. INFORMATION ON MINIMUM OWN FUNDS REQUIREMENTS

Below is the summary of the total minimum own funds requirements by type of risk as of 31 December 2024:

TOTAL OWN FUNDS REQUIREMENTS	(Thousands of Euros)
	2024
For credit, counterparty credit and dilution risks, and free deliveries	1,544,820
For settlement and delivery risk	0
For position, currency and commodity risks	4,438
For operational risk	49,934
For credit valuation adjustment risk	9,711
TOTAL REQUIREMENTS	1,608,902

NOTE: The minimum total capital ratio for 2024, established by the Bank of Spain for the Entity's Group, is 14.91%, considering both the requirements of EU Regulation 575/2013 (8%) and the additional own funds needs to cover concentration and business risks and other risks set out in the Capital Self-Assessment Report (4.29%), the capital conservation buffer (2.50%), and the countercyclical capital buffer (0.12%).

■ 4.1. MINIMUM OWN FUNDS REQUIREMENTS FOR CREDIT, COUNTERPARTY CREDIT, DILUTION AND DELIVERY RISKS AND FREE DELIVERIES

The amount of the minimum own funds requirements of the Consolidated Group for credit risk at 31 December 2024, calculated, for each of the categories to which the standardised approach (Part 3, Title II, Chapter 2 of the Regulation) has been applied, as 8% of risk-weighted exposure amounts, is presented below:

<i>Thousands of euros</i>	
Total amount of requirements for credit, counterparty credit and dilution risks and free deliveries	1,544,820
Exposure categories of the standard method	1,528,274
Central governments or central banks	203,539
Regional administrations or local authorities	0
Public sector entities	180,009
Multilateral development banks	15,321
International organisations	0
Entities	245,379
Companies	728,466
Retail exposures	8,977
Exposures secured by mortgages on immovable property	0
Exposures in default	6,341
Exposures associated with particularly high risk	0
Covered bonds	0
Exposures to institutions and corporates with a short-term credit assessment	0
Shares in collective investment undertakings (CIUs)	0
Equity instruments	133,736
Others	6,507
Securitisation positions	16,545

■ 4.2. MINIMUM OWN FUNDS REQUIREMENTS FOR SETTLEMENT AND DELIVERY RISK

There are no Group own funds requirements for settlement/delivery risk (Part 3, Title V of the Solvency Regulation).

<i>Thousands of euros</i>	
Total amount of requirements for settlement/delivery risk	0
Settlement/delivery risk in the investment portfolio	0
Settlement/delivery risk in the trading portfolio	0

■ 4.3. MINIMUM OWN FUNDS REQUIREMENTS FOR POSITION, CURRENCY AND COMMODITY RISKS (MARKET RISK). MARKET RISK OF THE TRADING PORTFOLIO

<i>Thousands of euros</i>	
Total amount of requirements for position, currency and commodity risks	4,438
Amount of requirements for position, currency and commodity risks according to standard methods	4,438
Negotiable debt instruments	3,477
Equity instruments	0
Currency	960
Commodities	0

The calculation is made in accordance with the provisions of Part 3, Title IV, of the Solvency Regulation.

With respect to the market risk associated with the trading portfolio, it should be noted that the Group considers as such those positions in financial instruments that are held with the intention of trading or that serve as hedges for the elements of said portfolio. In this regard, there are no differences between the trading portfolio for the purposes of calculating the Group's own funds requirements and the trading portfolio defined in accordance with Bank of Spain Circular 4/2017, of 27 November, with respect to debt securities and capital instruments.

The entire amount of own funds requirements associated with the trading book at 31 December 2024 corresponds to the position risk of marketable debt instruments.

■ 4.4. MINIMUM OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK

<i>Thousands of euros</i>	
Total amount of requirements for operational risk	49,934
Operational risk - Basic indicator method	49,934
Operational risk - Standard/standard alternative methods	0
Operational risk - Advanced calculation methods	0

The Group uses the relevant indicator (or basic indicator) method to determine the own funds requirements associated with operating risk (Part 3, Title III of the Solvency Regulation).

■ 4.5. MINIMUM OWN FUNDS REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENT RISK

<i>Thousands of euros</i>	
Total amount of requirements for credit valuation adjustment risk	9,711
Advanced method	0
Standard method	9,711
Based on the original exposure method	0

The Group uses the standard method for determining the own funds requirements associated with credit valuation risk (Part 3, Title IV of the Solvency Regulation).

■ 4.6. PROCEDURES APPLIED FOR THE ASSESSMENT OF INTERNAL CAPITAL ADEQUACY

In accordance with the provisions of the Solvency Regulation, the Consolidated Group applies a series of risk identification, measurement and aggregation procedures that allow it to define and maintain a level of own funds in accordance with the risks inherent to its activity, to the economic environment in which it operates, to the management and control it carries out of these risks, to the governance systems at its disposal, to its strategic business plan and to its real possibilities of obtaining greater own funds, in other words, it carries out an assessment of internal capital, both at the present time and in the projected future based on its planning.

In assessing its internal capital, the Group applies the following procedures related to each of its risks:

- Assessment of capital needs for credit risk: the standard method established in the Solvency Regulation was applied to calculate the minimum own funds requirements associated with this risk.
- Assessment of capital needs for liquidity risk: The Group does not foresee capital needs associated with this risk, once its liquidity policy, liquidity control systems and contingency plans have been analysed, which show that it enjoys

an adequate liquidity situation and, therefore, does not require capital to cover this risk.

- Assessment of capital needs by market risk: the standard method established in the Solvency Regulation was used to estimate the minimum own funds requirements associated with this risk.
- Assessment of capital needs for operational risk: the basic approach is being applied
- Assessment of capital needs for credit valuation adjustment risk: the standard methodology for calculating the capital required for this risk is being applied.

The Group's total capital requirement has been estimated by aggregating the capital needs associated with each risk, obtained in accordance with the methods indicated above.

In addition, in order to adequately plan the Group's future capital requirements, the corresponding projections of profits assigned to reserves and capital consumption derived from expected activity growth in different scenarios that contemplate stress situations, among others, are carried out.

The capital planning process seeks to determine ICO's future capital requirements in a given time horizon. For the purposes of this report, three years are considered. To this end, the sources and consumptions of capital are estimated for the next three financial years, considering as a base for this financial year the forecasts of the Institute for the considered horizon, which will be the baseline scenario.

In addition to the baseline scenario, the Institute has estimated what its capital needs would be under an adverse macroeconomic scenario and under various additional stress scenarios, in line with the provisions of the PAC (Capital Self-Assessment Process) and PAL (Liquidity Self-Assessment Process) Guidelines.

The results of the capital planning process include, for all scenarios, the following information:

- Projected evolution of the main balance sheet and income statement amounts.
- Calculation of required capital and risk-weighted assets (RWA) for each of the Pillar I risk types in each year.
- Contrast between capital requirements and available capital.
- Action Plan to cover eventual capital needs (if applicable).

In all cases, it is confirmed that the Institute has a capital figure that is expected to enable it to meet the legally required minimums, even in crisis scenarios.

5. INFORMATION ON CREDIT RISKS

5.1. ACCOUNTING DEFINITIONS AND DESCRIPTION OF THE METHODS USED TO DETERMINE IMPAIRMENT CORRECTIONS

The concepts of positions in default and impairment corrections referred to in this document are based on the definitions in the Solvency Regulation and Annex IX of Bank of Spain Circular 4/2017.

Note 2.7 of the consolidated report forming part of the 2024 financial statements of the ICO Group describes the methods used by the Group in determining the provisions for impairment due to credit risk and in calculating the provisions for contingent risks and commitments associated with that risk.

5.2. EXPOSURE TO CREDIT RISK AND AVERAGE VALUE OF EXPOSURES FOR THE YEAR

The total value of risk-weighted exposures, as at 31 December 2024, for credit risk of the Consolidated Group, and their distribution by counterparty class, is as follows:

	<i>Thousands of euros</i>
Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	19,310,246
Exposure categories of the standard method	19,103,430
Central governments or central banks	2,544,240
Regional administrations or local authorities	
Public sector entities	2,250,108
Multilateral development banks	191,515
International organisations	
Entities	3,067,240
Companies	9,105,821
Retail exposures	112,217
Exposures secured by mortgages on immovable property	
Exposures in default	79,257
Exposures associated with particularly high risk	
Covered bonds	
Exposures to institutions and corporates with a short-term credit assessment	
Shares in collective investment undertakings (CIUs)	
Equity instruments	1,671,695
Others	81,337
Securitisation positions	206,816

The average value of the Consolidated Group's risk-weighted exposure amounts for the year 2024 for credit risk and their distribution by counterparty class is as follows:

<i>Thousands of euros</i>	
Average amount of risk-weighted exposures for credit, counterparty credit and dilution risks and free deliveries	18,944,497
Exposure categories of the standard method	18,759,703
Central governments or central banks	2,459,588
Regional administrations or local authorities	0
Public sector entities	2,165,529
Multilateral development banks	177,066
International organisations	0
Entities	3,073,853
Companies	8,988,828
Retail exposures	73,287
Exposures secured by mortgages on immovable property	0
Exposures in default	89,531
Exposures associated with particularly high risk	0
Covered bonds	0
Exposures to institutions and corporates with a short-term credit assessment	0
Shares in collective investment undertakings (CIUs)	0
Equity instruments	1,650,684
Others	81,337
Securitisation positions	184,794

■ 5.3. GEOGRAPHICAL DISTRIBUTION OF EXPOSURES

The detail of the Consolidated Group's risk-weighted exposures to credit risk as at 31 December 2024, broken down by geographical area, is shown below:

GEOGRAPHICAL AREA	Exposure amount <i>(Thousands of euros)</i>
	2024
Spain	16,274,058
Other countries of the European Union	718,108
Latin America	1,001,125
United States	176,789
Rest of Europe (non-EU)	342,699
Rest of the world	797,468
Exposure as at 31 December 2024	19,310,246

5.4. RESIDUAL MATURITY OF EXPOSURES

The distribution by residual maturity of the Consolidated Group's risk-weighted exposure to credit risk as at 31 December 2024, using the standard method for calculating own funds requirements, is presented below:

Risk category	Residual maturity as at 31 December 2024						Total
	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More than 5 years	
<i>(Thousands of euros)</i>							
2024							
A) Central Governments and Central Banks	447,838	208,866	300,374	337,580	359,711	889,870	2,544,240
B) Regional administrations and local authorities							
C) Public sector entities	396,065	184,720	265,649	298,553	318,126	786,995	2,250,108
D) Multilateral development banks	33,711	15,722	22,610	25,411	27,077	66,984	191,515
E) International organisations							
F) Entities	539,897	251,801	362,120	406,974	433,654	1,072,794	3,067,240
G) Companies	1,602,811	747,531	1,075,037	1,208,197	1,287,405	3,184,840	9,105,821
H) Retailers	19,753	9,212	13,248	14,889	15,866	39,249	112,217
I) Exposures secured by immovable property							
J) Exposures in default	13,951	6,506	9,357	10,516	11,205	27,721	79,257
K) High risk exposures							
L) Covered bonds							
M) Short-term exposures to institutions and companies							
N) IIC Exposures							
Ñ) Equity Instruments						1,671,695	1,671,695
O) Other exposures	14,317	6,677	9,603	10,792	11,500	28,448	81,337
P) Securitisations	36,404	16,978	24,417	27,441	29,240	72,336	206,816
Exposure as at 31 December 2024	3,104,746	1,448,016	2,082,416	2,340,354	2,493,784	7,840,931	19,310,246

5.5. EXPOSURES IN DEFAULT

Exposures in default by counterparty

The following table presents the value of original exposures for default risk (impaired and in default) as at 31 December 2024, before adjustments and provisions, broken down by type of counterparty, together with the amount of impairment losses and provisions for contingent risks and commitments established in relation to those exposures at that date and the amount of impairment losses and provisions for contingent risks and commitments recognised, on a net basis, during the 2024 financial year (standard method for determining own funds requirements for credit risk) (there is no difference between the definitions of "in default" and "past-due" for accounting and regulatory purposes):

Counterpart	Total Impaired Exposure	Of which: Exposures in default	Impairment losses and provisions for contingent risks and commitments	Provisions for impairment losses and contingent risks and commitments for the year (net)
2024				
(Thousands of Euros)				
A) Central Governments and Central Banks				
B) Regional administrations and local authorities				
C) Public sector entities				
D) Multilateral development banks				
E) International organisations				
F) Entities				
G) Companies	529,184	69,746	424,317	1,939
H) Retailers				
I) Exposures secured by immovable property				
J) Exposures in default				
K) High risk exposures				
L) Covered bonds				
M) Short-term exposures to institutions and companies				
N) IIC Exposures				
Ñ) Equity Instruments				
O) Other exposures				
P) Securitisations				
Amounts as at 31 December 2024	529,184	69,746	424,317	1,939

Exposures in default by geographical area

Find below the detail, by significant geographical area, of the value of original impaired exposures and of those in default as at 31 December 2024, together with the amount of impairment losses and the provisions for contingent risks and commitments established in relation to these exposures:

Geographical Area			
<i>(Thousands of Euros)</i>			
	Total impaired exposures	Of which: Exposures in default	Impairment losses and provisions for contingent risks and commitments
2024			
Spain	240,144	69,746	197,012
Other countries of the European Union	99,653	-	79,102
Latin America	172,223	-	131,039
United States		-	
Rest of Europe (non-EU)	17,163	-	17,163
Rest of the world			
Amount as at 31 December 2024	529,184	69,746	424,317

Age of exposures in default

The breakdown of financial assets considered to be impaired due to credit risk at 31 December 2024, classified by counterparty and according to the time elapsed since the maturity of the oldest past-due amount at those dates for each operation, is as follows:

Counterpart	Age						
	<i>(Thousands of Euros)</i>						
	Without default	3 to 6 months	6 to 12 months	12 to 18 months	18 to 21 months	Over 21 months	Total
2024							
Non-financial institutions	459,438	-	-	-	-	69,746	529,184

As of 31 December 2024, there is a balance of impaired assets for country risk of 636,619 thousand euros, with a country risk hedge of 10,645 thousand euros.

The amount of non-impaired past-due assets for the year 2024 amounts to 36,294 thousand euros, which are between one and three months old.

Restructured and refinanced exposures

Information relating to refinanced and restructured operations as at 31 December 2024 (gross amounts), as required by Bank of Spain Circular 4/2017 on public and confidential financial reporting standards, is as follows:

Counterpart	With guarantee	Without guarantee	TOTAL AMOUNTS	TOTAL COVERAGE
			2024	(Thousands of Euros)
A) Public Administrations	-	35,340	35,340	26,318
- of which: doubtful	-	22,568	22,568	22,568
B) Financial corporations	-	-	-	-
- of which: doubtful				
C)) Non-financial corporations	333,869	179,513	513,382	238,091
- of which: doubtful	202,211	64,492	266,703	221,976
- of which: non-doubtful real estate fi	10,494	-	10,494	4,737
- Of which: doubtful real estate	2,311	-	2,311	2,311
D) Other households	156	2	158	-
at 31 December 2024	334,025	214,855	548,880	264,409

5.6. VARIATIONS OCCURRING DURING THE YEAR IN IMPAIRMENT LOSSES AND PROVISIONS FOR CONTINGENT RISKS AND COMMITMENTS FOR CREDIT RISK

The changes in 2024 in the impairment losses due to credit risk accounted for by the Group and in the provisions for contingent risks and commitments due to credit risk are in accordance with Bank of Spain Circular 4/2017, both in the type of losses and provisions constituted and in the methodology applied to calculate them (see section 5.1 above in this report).

The detail of the changes made in 2024 in the value adjustments for impairment of financial assets (including provisions for normal risk under special surveillance) and in the provisions for contingent risks and commitments due to credit risk is shown below:

	Impairment losses on financial assets	Provisions for contingent risks and commitments
	<i>(Thousands of Euros)</i>	
Balance as at 1 January 2024	532,326	50,579
Provisions charged to income	102,863	11,420
Recovery with credit to income	-55,854	-1,848
Amounts applied in the year	-	-
Effect of foreign currency exchange differences	381	53
Changes due to business combinations		
Changes in the scope of consolidation		
First application Circular 4/2017		
Other movements		
Balances as at 31 December 2024	579,716	60,204

In addition, the expenses recognised in the consolidated income statement of the ICO Group in 2024 for items transferred directly to written-off assets are nil, whereas the credit recorded in the consolidated income statement for the year for the recovery of assets previously recorded as written-off amounted to 66,063 thousand euros.

■ 5.7. INFORMATION ON THE GROUP'S COUNTERPARTY CREDIT RISK

Counterparty credit risk is considered to be the credit risk incurred by the Group in the operations it carries out with derivative financial instruments and in the operations with repurchase commitments, securities or commodities lending commitments, in deferred settlement operations and guarantee financing operations.

It is controlled by means of a system that integrates the management of operations and the risks arising therefrom in real time, providing operators with updated information on the credit lines available at any given time.

A methodology for the consumption of counterparty lines based on the valuation of operations at market prices plus a potential future risk or "add-on" has been defined for derivatives and has been approved by ICO's competent bodies, which is measured as a percentage of the nominal value of the transaction and is calculated as the maximum potential loss (95% confidence) over the life of the operation.

The methodology is reviewed periodically (at least once a year) and the add-ons are adjusted at least semi-annually.

The basic criteria for establishing the counterparty lines are approved by the ICO General Council. These counterparty lines are divided into two main groups as a result of ICO's operational characteristics. On the one hand, the counterparty lines for treasury operations. On the other hand, the counterparty lines for mediation operations, operations in which finances

different investment projects through framework programmes signed with different entities operating in Spain, such as, for example, the SME Lines.

In order to mitigate exposure to counterparty risk, the Group signs ISDA and CMOF contracts with the counterparties and, where appropriate, the corresponding collateral annexes.

With respect to the management of collaterals, in the case of derivatives, for entities subject to collateral agreements, the position is periodically valued (normally on a day-to-day basis) and the parameters agreed in the collateral agreement are applied to this valuation, so that a collateral amount (cash) to be received or returned from the counterparty is obtained.

These amounts ("margin calls") are made on a weekly basis. The counterparty that receives the collateral payment request reviews the valuation, and discrepancies may arise in this process. If these discrepancies are material, they are analysed in detail.

The collaterals signed by ICO with the counterparties have the differential characteristic of being "one way", so that only ICO's counterparties are obliged to deposit collateral.

As 100% of collaterals received are in cash, value corrections for collateral impairment are not applicable.

With respect to the correlation between the guarantee and the guarantor in derivatives, since cash is received as collateral, there is no risk of adverse effects due to the existence of correlations.

Find below the detail of the Group's credit exposure to counterparty risk due to its operation in derivatives as at 31 December 2024, along with its valuation method at market prices, estimated as the amount of the Group's credit exposure for these financial instruments, net of the guarantees received from the counterparties of the transactions:

	<i>Amount (Thousands of Euros)</i>
	2024
Exposure value: method of valuation at market prices	286,967
Less: Effect of guarantees received	-922
Credit exposure in derivatives after guarantees as at 31 December 2024	286,044

The value of the exposure has been calculated according to the method of valuation at market prices (Part 3, Title II, Chapter 6 of the Solvency Regulation).

6. CREDIT RISK: CREDIT RATINGS

6.1. IDENTIFICATION OF INTERNAL RATING AGENCIES USED

For all categories of credit risk exposure to which the standard method is being applied, the external and export credit rating agencies whose ratings are being used by the Group as at 31 December 2024 are as follows (ECAIs recognised by the Bank of Spain):

- Moody's
- Standard & Poor's
- Fitch Ratings
- DBRS
- Ethifinance

6.2. DESCRIPTION OF THE PROCESS OF ASSIGNING EXTERNAL CREDIT RATINGS FOR THE DETERMINATION OF CREDIT RISK WEIGHTED EXPOSURES

The allocation rules defined in the Solvency Regulation apply:

- When, for a rated exposure, only one credit rating is available, this rating will be used to determine the risk weighting.
- When, for a rated exposure, two credit ratings are available and these ratings correspond to two different risk weightings, the highest risk weighting shall be applied to the exposure.
- When, for a rated exposure, more than two credit ratings are available, the two credit ratings that provide the lowest weightings are used. In the event that they do not match, the higher of the two will be applied.

7. CREDIT RISK: CREDIT RISK MITIGATION TECHNIQUES

7.1 GENERAL INFORMATION FOR CREDIT RISK

The Group generally applies the credit risk mitigation techniques referred to in the Solvency Regulation (Part 3, Title II, Chapter 4), depending on the guarantees received on the risk positions.

These guarantees may be personal (including credit derivatives) or collateral (including those of a financial nature), being valued for these purposes by the credit enhancement incorporated in the external rating of the guarantor (personal guarantees) or by market parameters in the case of collaterals.

7.2. POLICIES AND PROCESSES FOR POSITION NETTING AND VALUATION OF COLLATERAL FOR COUNTERPARTY RISK

Netting refers to the possibility of offsetting between contracts of the same type under the umbrella of a framework agreement such as ISDA or similar. It consists of offsetting the positive and negative market values of derivative transactions executed with a given counterparty, so that in the event of default, a single flow to be paid or received is generated and not a set of positive or negative values corresponding to each transaction. In this way and given that one of the components of counterparty risk is the market value, obtaining a net market value of the transactions reduces the risk.

An important aspect of framework contracts is that they involve a single legal obligation encompassing all the transactions covered by them; this makes it possible to offset the risks of all the transactions covered by the framework contract with the same counterparty.

The netting clauses are included independently of the possibility of their direct execution, in order to be able to apply the different applicable laws, so that the inclusion of these agreements does not imply the automatic consideration of netting for the calculation of the exposure to counterparty risk with the different counterparties. These exposures are calculated in accordance with the regulations applicable in each of the jurisdictions involved.

With regard to collateral, the Group enters into collateral agreements for the management of its counterparty risk exposures. These agreements involve a set of instruments, in the form of cash deposits, deposited by one counterparty in favour of another in order to guarantee/reduce the counterparty credit risk that may exist, resulting from the portfolios of transactions with risk existing between them.

The nature of such agreements is diverse and the ultimate objective, as in the netting technique, is to reduce counterparty risk by recovering part or all of the benefits (credit granted to the counterparty) generated at one point in time by the transaction (valued at market prices).

■ 7.3. QUANTITATIVE INFORMATION

The following detail shows the distribution of the Group's credit risk exposure as at 31 December 2024, broken down according to whether or not credit risk mitigation techniques have been applied and, where applicable, according to the mitigation technique applied (exposure data refer to exposures prior to the application of risk mitigation):

EXPOSURE VALUE	(Thousands of Euros)
	2024
A) Exposures to which no credit risk mitigation technique is applied	40,977,895
B) Exposures to which a credit risk mitigation technique is applied	505,471
- Netting agreements for balance sheet transactions	-
- Netting framework agreements relating to repurchase agreements, securities or commodities lending or other capital market transactions	-
- Collateral (1)	-
- Other collateral (2)	-
- Personal guarantees	505,471
- Credit derivatives	-

(1) It includes transactions guaranteed by means of debt securities, shares, collection rights and rights in rem in immovable property admitted by the Solvency Regulation as a credit risk mitigation technique.

(2) It includes cash deposits, deposit certificates and similar instruments held by third parties other than the Group pledged in favour of Group entities, life insurance policies pledged in favour of Group entities issued by insurance entities recognised as protection providers and by debt securities issued by other institutions not included in number (1) above that would receive a maximum weighting of 50%, which must be repurchased at a predetermined price by the issuing institutions at the request of the security holder.

The exposures to which risk reduction techniques are applied, classified by risk category, are the following:

Risk category	Hedged with other collateral	Hedged with personal guarantees	TOTAL
	<i>(Thousands of Euros)</i>		<i>2024</i>
Central governments and central banks			
Regional administrations and local authorities			
Public sector entities		190,860	190,860
Multilateral Development Banks			
International organisations			
Entities		170,062	170,062
Companies		48,924	48,924
Retailers			
High risk exposures			
Covered bonds			
Short-term Exposures Institutions and Companies			
Exposures in default		34,809	34,809
ClIs Exposures			
Equity instruments		60,816	60,816
Other exposures			
TOTAL EXPOSURES	-	505,471	505,471

7.4. EFFECT ON RISK EXPOSURES OF THE APPLICATION OF RISK MITIGATION TECHNIQUES AND EXPOSURES DEDUCTED DIRECTLY FROM OWN FUNDS

Below is a detail of the Group's credit risk exposures as at 31 December 2024 to which the standard method has been applied for their estimation, before and after applying the risk mitigation techniques allowed by the Solvency Regulation, broken down by exposure categories and by degrees of credit quality (measured as a function of the percentage applied for the purpose of calculating the value of the risk-weighted exposure):

Risk category	Positions before applying risk mitigation techniques	Positions after applying risk mitigation techniques
	(thousands of euros)	
	2024	
Central governments and central banks	13,289,245	13,794,716
Regional administrations and local authorities	480,681	480,681
Public sector entities	3,272,698	3,081,838
Multilateral Development Banks	1,042,842	1,042,842
International organisations		
Entities	11,791,587	11,621,525
Companies	10,467,467	10,418,543
Retailers	195,144	195,144
High risk exposures		
Covered bonds		
Short-term exposures to Institutions and Companies		
Exposures in default	114,066	79,257
CIIs Exposures		
Equity instruments	748,293	687,478
Other exposures	81,344	81,344
TOTAL EXPOSURES	41,483,366	41,483,366

Risk weightings	Positions before applying risk mitigation techniques	Positions after applying risk mitigation techniques
	(thousands of euros)	
Weighting 0%	11,578,665	12,084,136
Weighting 10%	0	0
Weighting 20%	10,920,671	10,750,609
Weighting 35%	0	0
Weighting 50%	2,714,544	2,714,544
Weighting 75%	195,144	195,144
Weighting 100%	13,653,256	13,379,538
Weighting 150%	121,125	120,250
Weighting 250%	2,299,960	2,239,145
TOTAL EXPOSURES	41,483,366	41,483,366

As at 31 December 2024 there were certain elements deducted directly from own funds. These are significant shareholdings in Financial Sector Entities, for the part that exceeds 10% of eligible own funds, in accordance with the provisions of Section 3 of Chapter 2 of Title I of Regulation EU 575/2013.

8. SECURITISATION TRANSACTIONS

8.1. GENERAL INFORMATION ON SECURITISATION ACTIVITY

As at 31 December 2024 the Institute has several securitisation positions in its balance sheet (Part 3, Title II, Chapter V of the Solvency Regulation). All exposures are as an investor (there are no risks transferred in securitisation transactions), through holding financial assets at amortised cost in the most protected tranches of the investee structures.

8.2. EXPOSURES IN SECURITISATION TRANSACTIONS AND AMOUNT OF SECURITISED ASSETS

As at 31 December 2024, the Group holds positions in securitisation transactions (as an investor) to which the Group applies, for the purposes of calculating its own funds requirements for credit risk, the treatment set out in Section Four of Chapter Four of the Circular on Solvency

Type of exposure	Exposure net of adjustments	Risk-weighted exposure
		<i>Thousands of euros 2024</i>
STS exposures	927,099	201,623
Other exposures	34,616	5,192
TOTAL EXPOSURES	961,715	206,816

9. MARKET INFORMATION REQUIREMENTS: INFORMATION ON REMUNERATIONS

ICO is a Corporate State-owned Entity and, consequently, is subject to Royal Decree 451/2012, of 5 March, which regulates the remuneration system for senior managers and directors of the public business sector and other entities. It is also subject to the approval of the CIR Executive Committee (Interministerial Remuneration Committee) regarding the determination of remuneration for personnel not covered by the Entity's agreement. As a result of the foregoing, the remuneration of ICO executives is limited by the aforementioned rules, which prevents the competent bodies from approving different remuneration measures.

Pursuant to the 8th additional provision of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, Title I of said Law will not apply to the Instituto de Crédito Oficial, which includes the rules of Corporate Government and the remuneration policy

10. INFORMATION ON SHARES AND EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO

Note 2.1 to the Group's consolidated report for 2024 includes a description of the portfolios in which the Group's investments and equity instruments are classified, together with the accounting policies for recognition and measurement applied to each of them. The Note also indicates the models and assumptions used to determine the value of the instruments included in each portfolio. During the 2024 financial year there were no changes that significantly affect the practices and assumptions used by the Group in the valuation of its investments and equity instruments.

The Group has investments and equity instruments with different objectives. In this sense, it has investments in entities in which it intervenes to a greater or lesser extent in their management and decision-making processes, with which it pursues the attainment of objectives that form part of the strategy and objectives of the Group as a whole and/or in which there is an intention to maintain a permanent relationship with its shareholders ("strategic investments"). It also has investments in other entities with different objectives, basically consisting of maximising the results obtained through their management, in coordination with the Group's risk management objectives and strategies ("portfolios valued at fair value through other comprehensive income").

Investments and equity instruments owned by the Group for strategic purposes are generally classified for accounting purposes in the category of Group companies, associates and jointly controlled entities, whereas investments held with a view to sale, and which do not form part of the trading portfolio are classified in the category of financial assets at fair value with changes in other comprehensive income.

A detailed description of the ICO Group's holdings, including information on the investees and their book value, is included in Appendix I of the notes to the consolidated financial statements for 2024.

Note 9 to the Group's consolidated financial statements for 2024 includes an indication of the types, nature and amounts of exposures in investments and equity instruments measured at fair value with changes in other comprehensive income.

The unrealised gains or losses recognised in equity during the period are included in notes 9 and 21 to the Group's consolidated financial statements for 2024.

Actual gains or losses recognised in income during the year as a result of the sale or settlement of equity instruments not included in the trading portfolio are disclosed in note 29 to the Group's consolidated financial statements for 2024.

11. INTEREST RATE RISK. MARKET RISK

Interest rate risk is the risk to which the Group is exposed in its activity because it has asset and liability transactions with different interest rates (fixed and variable interest rates or referenced to different indices) and with different maturities, so that changes in the reference interest rates of these transactions upwards or downwards may have asymmetrical effects on its assets and liabilities with an effect on the Group's income statement and equity.

Interest rate risk is managed by the Group in an integrated manner for all Group entities with significant positions exposed to this risk. The Group's measurement and analysis of this risk is performed considering the following aspects and in accordance with the following premises:

Risk measurement and analysis is performed on a permanent basis.

The effects that variations in interest rates in the different currencies in which significant exposures are held could have on the Group's income and on the various margins in the profit and loss account are analysed.

The analyses include all positions that are sensitive to interest rate risk, including both implicit and explicit interest rate derivatives.

Separate interest rate risk measurements are performed for each of the positions held in each currency, as well as aggregated interest rate measurements for all of them.

On the basis of the foregoing analyses, the Group adopts the necessary measures to guarantee optimum management of this risk.

Note 5.4 of the notes to the Group's financial statements for 2024 includes information on market risk management.

12. CAPITAL BUFFERS

As at 31 December 2024, the Bank of Spain had not made it compulsory for ICO to comply with the requirement to have an anti-cyclical capital buffer, in accordance with Title VII, Chapter 4, of Directive 36/2013/EU.

Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and EU Regulation 575/2013, regulates, in chapter 3, capital buffers as from its entry into force (February 2016). In this sense:

- A common capital buffer of 2.5% is established, which the Institute complies with as at 31 December 2024;
- An anti-cyclical capital buffer is established in accordance with the requirements established for this purpose. For 2024, the quarterly percentage established for this buffer by the Bank of Spain is 0% for credit exposures in Spain;
- The Institute is not subject to the buffers for entities of global systemic importance or for other entities of systemic importance.

No systemic risk buffer has been established by the Bank of Spain.

13. INFORMATION ON UNENCUMBERED ASSETS

Below is information on the Group's unencumbered and encumbered assets as at 31 December 2024 (Recommendation JERS/2012/2):

	Carrying amount of Unencumbered Assets		Fair Value of Unencumbered Assets	
		Of which: issued by other entities in the group	Of which: eligible by central banks	Of which: eligible by central banks
2024				
<i>Thousands of euros</i>				
Assets of the Reporting Entity	2,053,384		2,053,384	
Call Loans				
Equity instruments				
Debt securities	2,053,384		2,053,384	2,071,966
of which: Covered bonds				
of which: Asset-backed securities				
of which: issued by Public Administrations	2,053,384		2,053,384	2,071,966
of which: issued by financial corporations				
of which: issued by nonfinancial corporations				
Loans and advances other than call loans				
of which: mortgage loans				
Other Assets				
2024				
<i>Thousands of euros</i>				
Assets of the Reporting Entity	35,764,577		8,670,119	
Call Loans	2,684,921		2,664,864	
Equity instruments	1,933,852		0	1,933,852
Debt securities	6,779,345		6,005,255	5,660,791
of which: Covered bonds	0		0	0
of which: Asset-backed securities	0		0	0
of which: issued by Public Administrations	3,621,827		3,621,827	3,622,859
of which: issued by financial corporations	1,254,615		872,791	869,144
of which: issued by nonfinancial corporations	1,902,903		1,510,636	1,625,653
Loans and advances other than call loans	23,375,061			
of which: mortgage loans	303,157			
Other Assets	991,398			

SOURCES OF CHARGES	Financial liabilities	Of which: reused warranties	Of which: own debt securities
2024			
<i>Thousands of euros</i>			
Selected financial liabilities	1,010,606		
Derivatives			
Deposits	1,010,606		
of which: repurchase agreements	1,010,606		
of which: guaranteed deposits realised with Central Banks			
Other sources of charges			

14. INFORMATION ON LEVERAGE

Below is information on the Group's leverage ratio as at 31 December 2024:

Exposure corresponding to the leverage ratio	
Exposure values	(Thousands of Euros)
Derivatives: current replacement cost	89,341
Derivatives Potential Future Exposure standard method (multip. 1).	103,741
Off-balance-sheet items conversion factor 10%	
Off-balance-sheet items conversion factor 20%	
Off-balance-sheet items conversion factor 50%	4,749,812
Off-balance-sheet items conversion factor 100%	722,227
Other assets	36,521,364
Assets deducted from Tier 1 capital (according to the transitory definition)	
TOTAL LEVERAGE RATIO EXPOSURE (according to the definition to be applied upon completion of the phasing-in process)	42,186,485
TOTAL LEVERAGE RATIO EXPOSURE (according to the transitory definition)	42,186,485
Capital	
Tier 1 capital (according to the definition to be applied upon completion of the phasing-in process)	4,651,571
Tier 1 capital (according to the transitory definition)	4,651,571
Leverage ratio	
Leverage ratio (according to the definition to be applied upon completion of the phasing-in process)	11.03%
Leverage ratio (according to the transitory definition)	11.03%

The detail of the exposure values considered is as follows

	Leverage ratio exposure according to the standard method	Risk-weighted assets: exposure standard method
	<i>(Thousands of Euros) 2024</i>	
Exposures treated as exposures to Central Governments	14,148,611	2,766,134
Central Administrations and Central Banks	10,877,168	522,713
Regional administrations and local authorities treated as central governments		
Multilateral development banks and international organisations treated as central governments		
Public Sector Entities treated as central governments	3,271,443	2,243,422
Exposures to regional governments, multilateral development banks, international organisations and public sector bodies not treated as central governments	1,347,459	170,363
Regional administrations and local authorities NOT treated as central governments	515,851	
Multilateral development banks NOT treated as central governments	831,608	170,363
Public Sector Entities NOT treated as central governments		
Entities	10,548,017	2,726,202
Secured by mortgages on immovable property, of which:		
Secured by mortgages on residential property		
Retail exposures	55,865	33,893
Of which: Retail exposures to SMEs	55,865	33,893
Companies	8,984,191	8,039,791
Financial		
Non-financial	8,984,191	8,039,791
Exposures to SMEs	1,352,366	1,215,405
Exposures to non-SME companies	7,631,825	6,824,386
Exposures in default	538,382	79,257
Other exposures (e.g. equities and other assets other than credit obligations), of which:	898,839	1,753,031
Securitisation exposures		
Trade finance (memo item), of which:		
In the framework of an official export credit insurance scheme		

The leverage ratio as at 31 December 2024 was 11.03%. Management is informed on a monthly basis of the leverage ratio and its evolution.

15. OTHER KEY INDICATORS:

15.1 LIQUIDITY COVERAGE RATIO (LCR) AND NET STABLE FUNDING RATIO (NSFR)

As regards the liquidity coverage ratio, a table with quarterly averages of the ratio based on month-end observations over the previous twelve months is presented below for each of the quarters of the 2024 period, indicating the averages of total liquid assets and the averages of net liquidity outflows, liquidity outflows and liquidity inflows:

LIQUIDITY COVERAGE RATIO (LCR) YEAR 2024				
Amounts in % and thousands of euros	QUARTERLY AVERAGE			
CONCEPT	1Q	2Q	3Q	4Q
LCR RATIO (%)	376.80%	595.43%	351.04%	519.05%
TOTAL LIQUID ASSETS	5,698,796	6,779,612	6,463,320	8,893,326
NET LIQUIDITY OUTFLOWS	1,537,542	1,291,957	1,882,742	2,316,150
- Liquidity outflows	4,354,475	4,171,121	4,462,383	5,847,326
- Liquidity inflows	2,816,933	2,879,164	2,579,641	3,531,176

An informative table of the net stable funding ratio at the end of each calendar quarter of the period 2024 is shown below, which additionally shows the stable funding available at the end of each quarter and the funding required at the same dates:

NET STABLE FUNDING RATIO (NSFR) YEAR 2024				
Amounts in % and thousands of euros	QUARTERLY AVERAGE			
CONCEPT	1Q	2Q	3Q	4Q
NSFR RATIO (%)	117.17%	108.58%	113.21%	124.55%
STABLE FUNDING AVAILABLE	23,804,184	23,634,104	25,354,593	27,828,661
STABLE FUNDING REQUIRED	20,315,615	21,765,575	22,396,773	22,342,600

16. RISKS RESULTING FROM CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION

Business model and strategy

Strategic approach to sustainability

The ICO Group integrates sustainability as a core pillar of its strategy, aligning its activity with the transition towards a low-carbon, resource-efficient economy.

The ICO Group's 2022-2027 Strategy promotes sustainable financing, digitalisation and the creation of quality employment, fostering a productive model aligned with a fair, ecological transition.

In 2024, an Addendum to the Strategy was developed, strengthening ICO's role in identifying areas of strategic impact (such as market failures, access to housing, supporting digitalisation and promoting sustainability), and ensuring its continued relevance throughout the economic cycle. The Addendum complements the Institute's traditionally counter-cyclical role with a non-cyclical approach, allowing the Group to take proactive action not only in times of crisis but also in times of economic growth, ensuring ongoing and sustainable engagement.

In this context, the four fundamental strategic axes that have guided the Group's initiative are maintained: Business growth and competitiveness, digital transformation, sustainable finance and corporate governance. These pillars continue to serve as the foundation guiding the Group's initiatives in its commitment to economic and social development and are integrated coherently in the reorientation of the business model set out in the Addendum.

Key Performance Indicators

ICO has incorporated key indicators to ensure compliance with its sustainability commitments.

Sustainable financing objective

It has set a target that at least 40% of all new financing between 2022 and 2027 should be sustainable. To this end, internal sustainability assessment procedures inspired by the EU Taxonomy and ICMA and LMA standards have been implemented.

By the end of 2024, 56% of the new activity analysed was classified as sustainable, exceeding the established target.

In addition, the sustainability policy sets out the goal of achieving the 2050 climate-neutral goal in accordance with applicable law.

Carbon footprint

As a financial institution, most of ICO's emissions are generated indirectly through its investment and financing portfolio (Scope 3). However, the Institute is also committed to preventing and mitigating the environmental impact of its own facilities and energy consumption (scopes 1 and 2) by monitoring and assessing environmental performance, including pollution and emissions.

- **Scope 1 and 2**

ICO's scope 1 and 2 emission sources are located mainly in the offices of its main headquarters in Madrid, located at Paseo del Prado, 4 -28014 Madrid, 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 power generator. The ICO Museum (Calle Zorrilla 3, Madrid 28014) hosts different exhibitions, and the management of this activity and space also generates electricity use and emissions from refrigerant gases.

Additionally, ICO has a warehouse located in the Gitesa Industrial Estate in Daganzo de Arriba (Madrid), which serves as logistical support and documentation archive and generates emissions from electricity consumption and coolant gases.

Below is an estimate of total emissions for the year 2024 and comparison with 2023. All calculations have been carried out in accordance with the indications published by the Ministry for the Ecological Transition and Demographic Challenge (MITECO), using the ministry's own calculator for scopes 1 and 2.

EMISSIONS (t CO ₂ e)	2024	2023
Scope 1	96.5	111.3
Scope 2	0.0	400.3
SCOPE 1 and 2	96.5	511.6
INTENSITY (t CO ₂ e/employee)	0.2	1.3

Emissions were reduced by 81% in 2024 compared to the previous year, significantly shrinking the organisation's carbon footprint.

- **Scope 3 - financing portfolio**

In its commitment to decarbonisation, and aware of the impact of the greenhouse gas emissions it has financed, the ICO Group has taken a significant step by calculating the Scope 3 carbon footprint of its lending and investment portfolio. This calculation is an important milestone in setting clear targets to reduce CO₂ emissions and strengthen the bank's climate transparency.

In April 2024, ICO formalised its membership of the Partnership for Carbon Accounting Financials (PCAF), and developed an internal calculation tool based on the methodological guidelines of PCAF and the GHG Protocol. This calculation focuses on category 15 of Scope 3, related to emissions from financing and investment.

The 2024 calculation covers emissions generated by companies and projects financed by ICO, including both Scope 1 and 2 emissions and Scope 3 emissions across all sectors of activity.

ICO's total assets at the end of 2024 amount to EUR 37.78 billion. The calculation of emissions has been conducted for the following items:

- Direct financing: Represents 39% of the total assets and generates 4.9 million tCO₂eq.
- Investment in sovereign bonds: Accounts for 15% of total assets and contributes 2.1 million tCO₂eq, including emissions from land use and land use change (LULUCF).

The intermediated portfolio represents 21% of total assets not included in the calculation due to limited access to reliable data for each transaction.

Of the total items considered, the calculation covers 100% of investments in sovereign bonds and 96% of direct financing operations. The remaining 4% of direct loans were omitted because they were not covered by the PCAF methodology.

Credit Assets - Investment Emissions	Outstanding balance as of 31 December 2024 (€M)	% of total assets	% item covered by the calculation	Scope 1 and 2 Emissions (tCO ₂ eq)	Scope 3 Emissions (tCO ₂ eq)	Total emissions (tCO ₂ eq)	Total emissions intensity (tCO ₂ eq/€M)
1. Mediation Loans	7,865	21%	0%	-	-	-	-
2. Direct Financing	14,633	39%	96%	859,454	4,006,459	4,865,914	347
2.1. Direct loans	12,680	34%	97%	767,419	3,268,156	4,035,575	327
2.2. Corporate bonds	1,668	4%	84%	76,212	630,712	706,924	503
2.3. MARF promissory notes	285	1%	100%	15,823	107,591	123,414	434
3. Guarantees ¹	750	-	-	-	-	-	-
4. Financial Assets and other	15,283	40%	38%	1,303,696	832,952	2,136,648	369
4.1 Sovereign debt (incl. LULUCF)	5,788	15%	100%	1,303,696	832,952	2,136,648	369
4.2. Other ²	9,494	25%	0%	-	-	-	-
TOTAL	37,780	100%	52%	2,163,150	4,839,411	7,002,561	354

¹ Balance available for guarantees granted. Does not add to the balance sheet.

² "Other" includes items such as Bank of Spain and cash, interbank market, fixed assets, etc.)

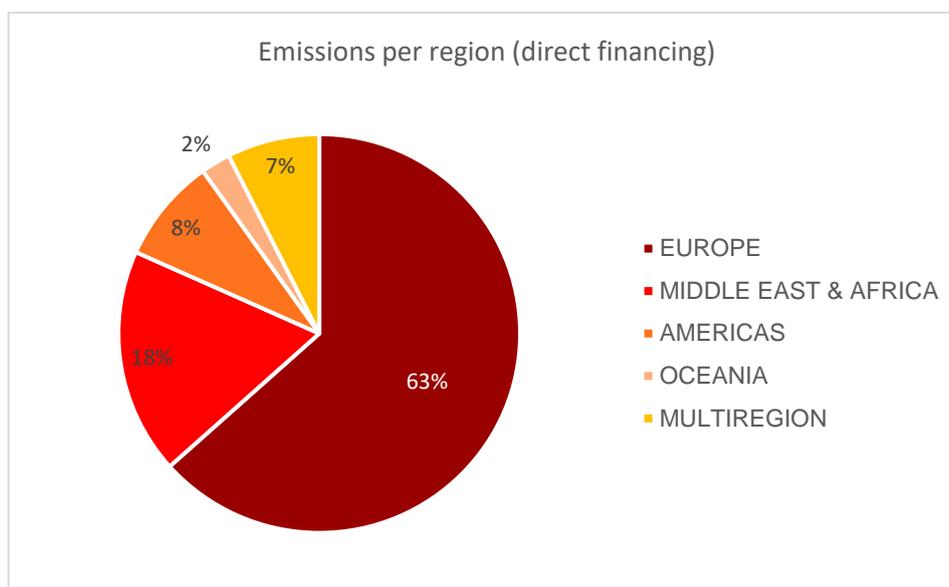
Sectoral distribution of emissions

The distribution of emissions in the sectors representing the highest percentage of outstanding amounts in the direct financing portfolio is as follows:

- Electricity, gas, and steam supply: 43% of total emissions
- Transport and storage: 7%
- Financial and insurance activities: 0.1%
- Construction: 6%
- Manufacturing industry: 11%
- Other sectors: 33%

Geographical distribution of emissions

As a national promotional and development bank, most of ICO's financing activity takes place in Spain. As a result, 61% of its financed emissions are located in this country, amounting to 63% across Europe.

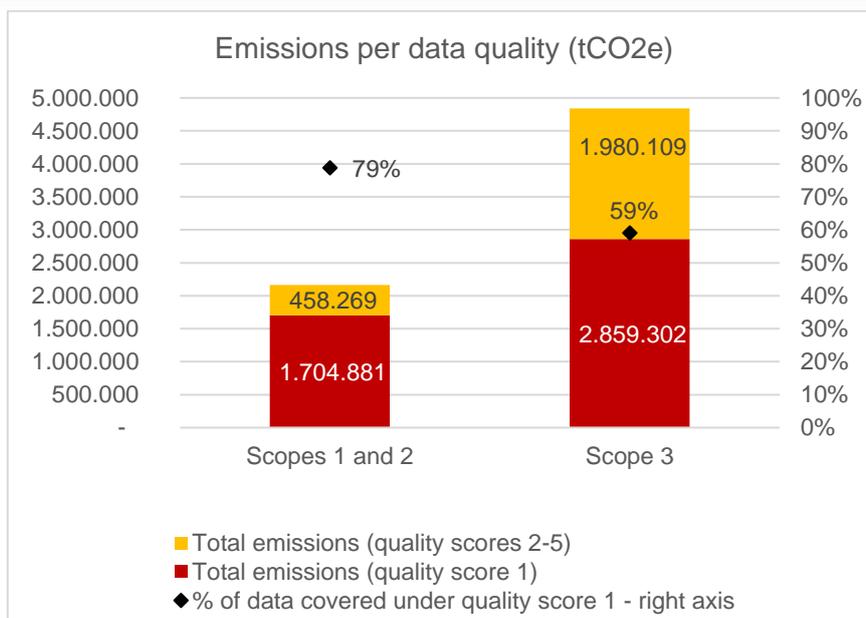


Data quality

PCAF sets out five levels of data quality, ranked from most accurate to least accurate, in line with the requirements of Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022, which requires financial institutions to explain whether their data are derived from reported, physical activity-based or economic activity-based issues:

- Level 1 (highest quality): Emissions reported directly by the funded entities and externally verified (official audit or certification).
- Level 2: Emissions reported by funded entities, but without external verification.
- Level 3: Emissions estimated by the financial institution based on physical activity data collected from the borrower.
- Level 4: Emissions estimated using borrower economic activity data (e.g. using sectoral emission intensities).
- Level 5 (minimum quality): Estimated emissions based on proxies or sectoral average values, which introduces more uncertainty in the calculation.

ICO's data collection efforts are reflected in the high quality of its financed emissions data: 79% of Scope 1 and 2 emissions, and 59% of Scope 3 emissions, fall under Level 1. Average data quality is lower for Scope 3 emissions, primarily due to the absence of reporting obligations for many companies and the inherent complexity of capturing emissions data in certain sectors.



As next steps in the process of continuous improvement of the emissions calculation, the ICO Group will continue to make progress in improving data quality, reducing reliance on proxies by strengthening collaboration with clients and beneficiaries. A decarbonisation plan is also under development, with clear targets aligned with its Net Zero commitment.

Participation in European programmes

ICO also reinforces its commitment to the integration of sustainability criteria through its participation in European programmes such as the Recovery and Resilience Mechanism (RRM) and InvestEU, which require compliance with advanced sustainability standards. In the case of the RRM, all investments must respect the principle of Do No Significant Harm (DNSH), ensuring that funded activities do not have adverse impacts on EU-defined environmental objectives. In addition, under InvestEU, funding must comply with the requirements of Sustainability Proofing, entailing comprehensive ESG risk assessment and monitoring throughout the investment cycle.

Green Asset Ratio (GAR) - Measuring portfolio impact

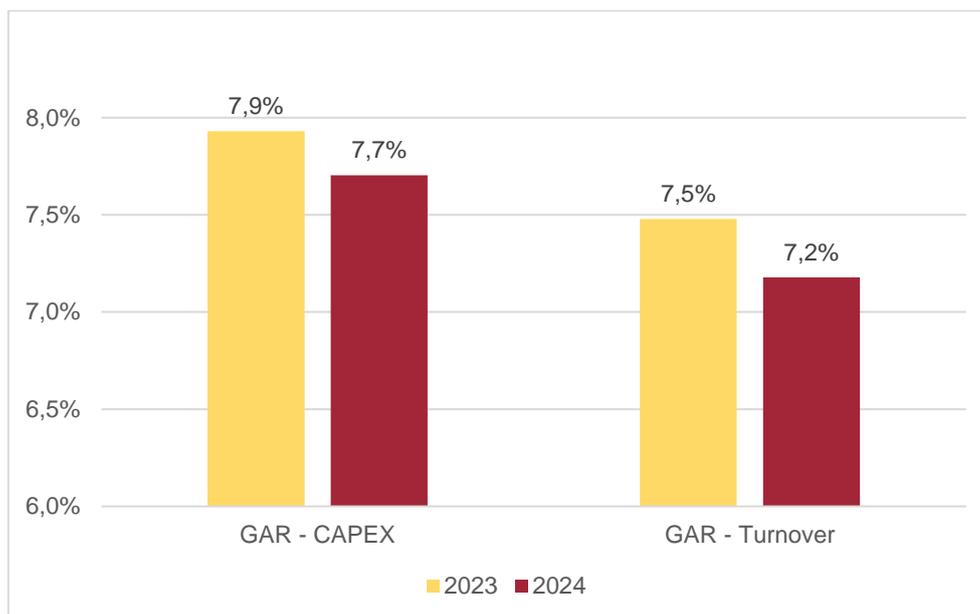
ICO has considered it a good practice to conduct an analysis of the alignment with the EU Taxonomy of its credit portfolio. The methodology applied is an approximation to the criteria established under Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020, regarding the establishment of a Taxonomy to facilitate sustainable investments.

In this sense, it has been considered convenient to disclose the proportion of exposures to qualifying economic activities aligned with the total assets covered in the GAR.

The ratios calculated as of 31 December 2024 are:

- % exposure to eligible economic activities (CAPEX): 14.3%
- % exposure to eligible economic activities (Turnover): 14.2%
- Green Asset Ratio (CAPEX): 7.7%
- Green Asset Ratio (Turnover): 7.2%

The comparative GAR 2023-2024 is as follows:



Although voluntary, the reported information aligns with the criteria defined in Regulation (EU) 2021/2178. The criteria and procedures used to calculate the Green Asset Ratio (GAR) are presented below:

With the purpose of having the most accurate information possible, publicly disclosed information was gathered and, in some cases, clients were contacted to:

- Confirm if the counterpart is a company subject to Articles 19 bis and 29 bis of Directive (EU) 2013/34 (public interest entities with over 500 employees).
- In generalist activities, request the Taxonomy disclosure tables.
- In fixed-purpose activities, confirm their alignment.

This report includes only stock information. Efforts are underway to enable the disclosure of flow data from next year onward.

To calculate 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 credit portfolio (numerator).

For the mediation portfolio, it has been considered that the end client is made up entirely of small and medium-sized companies, counterparts not subject to NFRD.

For green bond transactions in which client information has not been obtained, the eligibility and alignment ratios reported in the Taxonomy Tables disclosed by the counterparts have been applied.

Due to the characteristics of the available information, a breakdown of the amount by facilitating and transition activities has not been given.

There is a 0.2% drop in GAR-CAPEX and 0.3% in GAR-VN compared to 2023. This variation is mainly explained by lower CAPEX and VN KPIs reported by our counterparties, which are applied on the gross balances of generalist operations.

Corporate governance

ICO's General Council is the body responsible for integrating climate and environmental risks into the institutional strategy. It receives regular information on regulatory developments, frameworks, initiatives taken and metrics.

The Sustainability Committee, led by the Chairman of ICO and comprising members from all Directorates General, AXIS and the ICO Foundation, defines the Group's sustainability framework, oversees the implementation of new regulations, raises internal awareness, and monitors the Group's positioning in sustainable finance. It meets at least three times a year, with the option to hold extraordinary sessions as needed.

Sustainability governance is articulated through the Strategy Directorate, which reports directly to the Chairman of ICO and leads the integration of sustainability into the institutional strategy. Within this framework, the Sustainability, Business Development and Evaluation Department defines ICO's commitment to sustainability, monitors regulatory compliance and supports strategic development in this area.

Within this structure, the Sustainability Methodology and Development Area is responsible for defining the sustainability criteria applicable to ICO's different lines of action, monitoring the commitment it makes and communicating relevant information to decision-making bodies. This model ensures there is adequate oversight and accountability in sustainability matters.

Frameworks and internal policies

Governance of climate and environmental risks in ICO is implemented through the following mechanisms:

Sustainability Policy: ICO's commitment to sustainability is articulated through its Sustainability Policy, which was updated in 2023 and approved by ICO's General Council in January 2024, defining sustainability as the guiding pillar of the Group's activity.

This policy establishes three main lines of action:

1. Leadership in applying sustainability principles
2. Action against climate change and protection of natural capital
3. Support of a fair and inclusive transition

Key objectives of this policy include expanding sustainable business activities, contributing to setting market standards and committing to carbon neutrality by 2050.

Environmental Policy: Ensures environmentally responsible and preventive practices, supported by a code of good conduct. Adapted to the ISO 14001 Environmental Management Systems standard, from 2020, and certified by European Quality Assurance from 2021.

Corporate Social Responsibility Policy (CSR): Guarantees transparent and socially committed management, integrating ethical, social and environmental values

Adherence to voluntary commitments:

- Equator Principles: the framework used by the finance industry for the identification, assessment and management of potential environmental and social risks in project financing

- 10 Principles of the United Nations Global Compact: Integration of sustainability, ethics and responsibility criteria internally and in relations with customers, investors and other stakeholders in the value chain.

Furthermore, ICO aligns its sustainability strategy with the overall goals of the 2030 Agenda and the 17 SDGs, as well as with the commitments of the Paris Agreement, ensuring its activities support the transition to a low-carbon, climate-resilient economy.

Risk management

Integration of climate and environmental risks

Risk Appetite Framework (RAF)

In line with current prudential regulations, as well as with the supervisory expectations in this area published by the Bank of Spain in 2020, ICO has added indicators relating to climate and environmental risk to its Risk Appetite Framework (RAF). Specifically, three ratios are included in the Tier III indicators:

- **Transition climate risk: emissions intensity in the electricity, gas, steam and air conditioning supply sector.** The thresholds are set according to the Institute's strategy, which aims to provide for the development of a business plan aligned with international and national commitments to environmental matters, via the flow transformation (approvals), aiming to foster sustainable economic growth among companies and building a portfolio in which industries with greater environmental risk have gradually less weight, thus limiting its physical and transition risk.
- **Transition climate risk: average emissions intensity of operations in the Transport and Storage Sector.** The thresholds are set according to the Institute's strategy, which aims to develop a business plan aligned with national and international environmental commitments, promoting operations in the Transport and Storage sector with lower emissions intensity, limiting the transition risk associated with the operations.
- **Physical climate risk: sub-index of the natural hazard category of the INFORM Risk Index.** This indicator is based on the European Commission's Joint Research Centre's INFORM Risk Index methodology. The index measures country-level exposure to physical hazards such as river and coastal flooding, cyclones, or droughts. The thresholds are set as indicators for the control and monitoring of physical risk from climate change. ICO considers that this indicator offers insight into acute physical risks from climate change with potential short- to medium-term impacts.

Identifying, measuring, mitigating and monitoring risk

Materiality analysis

In 2023, the ICO Group performed a materiality study to determine the most important aspects that can have an impact on its environment and how this can in turn impact the Group's activity. This materiality study was begun through an exhaustive internal and external analysis to identify the relevant aspects, trends and reference frameworks.

In accordance with the highest standards in the subject, the study was performed from a double materiality perspective, assessing both external and internal impacts. The methodology

considered, on one hand, the real and potential impacts of the Group's activity externally and the real and potential impacts that material issues might have within the Group.

In addition, the ICO Group conducted an exercise to identify the impacts associated with each one of these issues on the economy, the environment and people. Taking into account the severity and probability of occurrence, a set of priorities was established for the issues based on the results of the exercise both from the outside in and from the inside out.

These material issues were prioritised according to the impact and relevance criteria in both directions; from the inside out, taking into account the potential impacts, severity and probability of occurrence, and from the outside in, in terms of how the Group's commitments, results, current position and future development might be affected.

Until now the approach has focused on climate and environmental risks, as these are of a greater priority; in alignment with the ICO strategic plan, sustainability considerations are being progressively embedded into risk management.

ICO is working according to a set of applicable regulations and market practices to develop a model for the assessment of ESG Risks that can be more formally included in the analysis of direct financing operations that affect credit risk.

Internally, the management of environmental risks is integrated into the Environmental Management System, but the management of this type of risk is done comprehensively for all institute activity through the appropriate management mechanisms.

Mitigation measures: decarbonisation plan

ICO, as a National Promotional Bank, plays an essential role in financing projects that contribute to the energy transition and sustainability. Reducing financed emissions is crucial, not only to support global climate goals, but also to manage climate risks and comply with European regulations.

In this regard, ICO is developing a decarbonisation plan with specific targets and defined strategies for emissions reduction. This effort aligns with international standards, such as PCAF, and reinforces our commitment to sustainability and transparency.

In addition, ICO is making progress in integrating sectoral information into its analysis of climate and environmental risks based on EBA guidelines and Pillar III disclosure requirements, which set prudential reporting standards on financial institutions' exposure to sectors with higher transition risks. In this regard, and in line with the Recital 6 of Delegated Regulation (EU) 2020/1818, sectoral analysis methodologies are being implemented to more accurately assess the materiality of climate risk in our portfolio, have better risk management and strengthen our sustainable financing strategy.

Importantly, CO's ability to reduce its carbon footprint is inherently tied to how quickly its clients decarbonise. Therefore, ICO not only measures and monitors emissions, but also actively encourages companies and the projects it funds to adopt sustainable practices, by offering tools and financing to support their energy and climate transition.

Scenario analysis and stress tests

ECB climate stress test 2023

ICO, using the results published in September 2023 by the ECB in its second climate stress test, has estimated the potential one-off impact on expected loss resulting from sector-specific increases in probability of default (PD). The ECB model considers increases in default probabilities over the 2022-2030 period under three transition scenarios (accelerated, late push and delayed). ICO based its impact analysis on the late push transition scenario.

Physical risk assessment

To assess physical risk, ICO used the INFORM Risk Index (developed by the European Commission's Joint Research Centre), focusing on the 'natural hazard' category, which encompasses key physical risks for the countries included in the INFORM database. This provided a composite indicator for assessing physical risk exposure across ICO's credit portfolio.

The result of these exercises is used internally as elements for monitoring and assessing climate-based transition and physical risk.

Data quality

Robust management of climate and environmental risks depends on the availability of accurate and timely data. Obtaining reliable data remains a challenge, especially in sectors with a high proportion of SMEs and in operations where environmental reporting is not yet standard.

ICO is working on the continuous improvement of data quality, in line with the principle of proportionality, tailoring requirements to the profile of its clients and operations. Priority is given to strengthening collaboration with clients and stakeholders to improve the availability of relevant information without creating excessive burdens.

An internationally recognised methodology for measuring the carbon footprint of the financing portfolio (PCAF) has been implemented, and there is ongoing exploration of mechanisms to improve the collection and verification of data on financed emissions and exposure to environmental risks. To this end, ICO has worked with specialised consultants to develop carbon footprint and GAR calculation tools, ensuring alignment with international standards and best practices.

Transparency and disclosure of information

ICO upholds transparency by applying both regulatory requirements and voluntary standards in its disclosures. In this way, Non-Financial Information Statements are prepared in accordance with Law 11/2018 and GRI (Global Reporting Initiative) standards, which are verified externally.

Looking ahead, ICO will continue to enhance its communication strategy to improve understanding of environmental risk exposure and management, reinforcing trust among investors and regulators. It will also work on progressively adapting to new regulatory requirements, ensuring coherence between the information disclosed and the Institute's internal capacities.



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