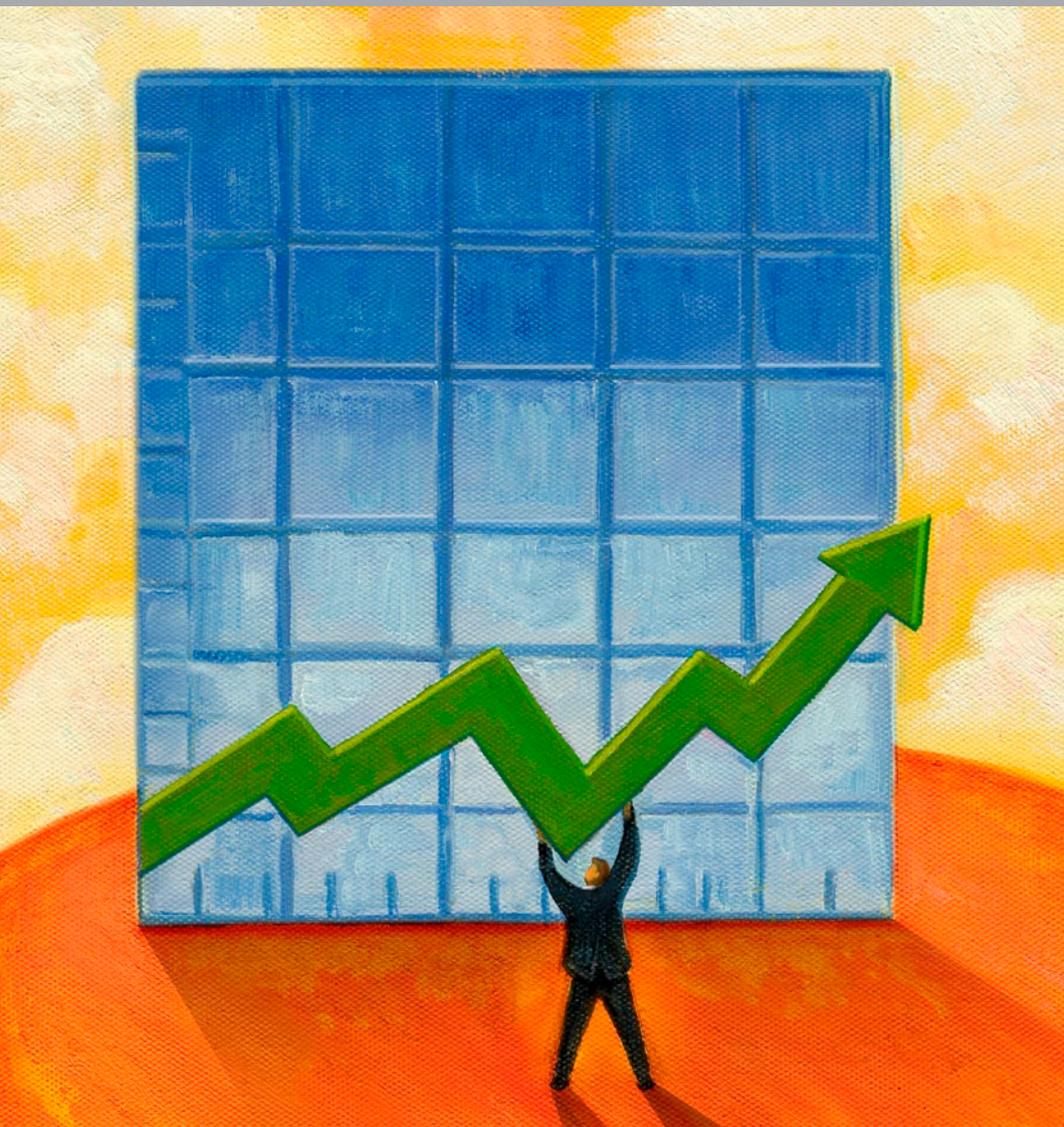


'08 Annual Report & CR Report



Informe Anual '08
y Memoria RC



Instituto de Crédito Oficial

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INSTITUTO DE CRÉDITO OFICIAL (ICO). KEY FIGURES

BALANCE ^(a)	2008	2007
Total assets	52,970	39,882
Lending investment	43,724	36,684
Second-floor loans ^(*)	25,065	21,650
Direct loans to customers	17,784	13,550
Market resources	43,039	32,780
Equity (inc. year's result)	2,736	2,225
STATEMENT OF INCOME ^(a)		
Net interest revenue	295	207
Gross revenue	350	228
Operating activities	122	108
Pre-tax profit	122	108
Net profit	89	82
RATIOS ^(b)		
ROE	3.09	3.56
ROA	0.19	0.21
Capital adequacy ratio ^(**)	11.19	11.23
Operating expense/ATA	0.09	0.11
HUMAN RESOURCES		
Number of employees	296	278
- Male	114	108
- Female	182	170
Technical specialists and middle managers	203	188
SOCIO-CULTURAL ACTIVITIES	Fundación ICO	Fundación ICO
CREDIT RATINGS		
Moody's	Aaa	Aaa
Fitch Ratings	AAA	AAA
Standard & Poor's	AAA	AAA

^(a) Million euros.

^(b) Percentages.

^(*) Inc. covered bonds.

^(**) Capital adequacy ratio figure not consolidated.

CHAIRMAN'S STATEMENT



As a part of the Spanish Economy and Employment Stimulus Package (the E-Plan), ICO has been instructed to execute a set of measures not only to overcome the crisis in overall terms of the economy but also to ease the burden of Spain's self-employed, SME, the medium-sized enterprise and households.

ICO now stands as a key financial instrument with the capacity to undertake and support the lines of action set down in the Government's economic policy for its area of activity. Thanks to the transformations put in place over the last few years, the institute is in a position to meet this challenge with a greater guarantee of success.



CHAIRMAN'S STATEMENT

In 2008, the Spanish economy witnessed the onset of a process of deterioration in real sector activity, with GDP growth at 1.2%, two-and-a-half points less than in 2007 (3.8%). The decline in GDP growth became more acute as of the second half of the year: although in the first quarter, the Spanish economy grew at a year-on-year rate of 2.7%, in the fourth, it entered a technical recession, posting a year-on-year contraction of 0.7% and a downtick of 1.0% quarter-on-quarter. This performance is attributable to a fall in domestic demand, which barely increased in 2008 as a whole and contributed a mere 0.1 percentage points (4.3 points less than in 2007), pulled down by weak private consumption and gross-fixed capital formation, above all as far as investment in construction was concerned.

The loss of impetus in work-intensive sectors such as construction led to an unfavourable performance of the labour market in the second half of 2008, as shown by figures from the Working Population Survey. In average terms for the year, employment dropped by 3.03% (in 2007, it had risen by 3.1%) and the unemployment rate shot up to 13.9% after reaching its lowest level since 1978 in 2007.

The world economic scenario was beset by the turmoil and acute deviations undergone by the international financial system, combined with a sharp draught in the real sector's indicators and outlook, especially in the first half of the year in the United States and OECD economies. This, in turn, spread to emerging economies at year-end. The financial turmoil was triggered by the liquidity problems of the interbank market and other financial instruments, which gradually led to solvency difficulties among some of the leading financial institutions in the US and Europe and had serious consequences for the real sector of the world economy.

In this setting, the sharp downward path taken by inflation rates in the summer of 2008 as a result of falling energy prices prompted central banks to apply monetary policies conducive to the stabilisation of financial markets, the mitigation of liquidity difficulties and the alleviation of the negative effects of the financial crisis on the real economy. Accordingly, they reduced benchmark interest rates and, in the main economic areas (the US, the eurozone and the UK), interest rates had dropped to record lows by year-end 2008.

The rapid downturn seen in projections and indicators as to the performance of both the national and international real economies translated to lower yields on the sovereign debt of Spain and other OECD economies. Moreover, variable-income indices took one tumble after another as 2008 elapsed. At the same time, growing uncertainty and a greater aversion to risk sparked a widespread repricing process in financial instrument yields and this was mirrored in 2008 in greater spreads between yields on Spanish sovereign debt and German debt.

As the cycle started to contract and the liquidity squeeze took hold of financial markets, the year 2008 saw less growth in total lending within the Spanish economy. Nevertheless, the variation rate was still above the eurozone average.

Such was the context in which ICO carried out its lending activity which, in 2008, reached a total of €14,400m in loan arrangements. This figure reflects a 7.2% decline on the previous year, caused by the economic slowdown which commenced in August.

However, it should be pointed out that, as indicated in last year's Chairman's Statement, ICO had given the go-ahead to a Strategic Plan designed to boost the lending activity necessary for any system seeking to take advantage of its economic and social impact. Now, three full years after the Strategic Plan's implementation, we are able to state that the target set for 2008 was easily fulfilled, placing ICO in an ideal position to go on providing the finance required by our corporate network, in the form of both second-floor loans and direct operations.

As regards second-floor loans, above all, the ICO-SME Facility, the institute continued to back the major investment effort made by the corporate sector and allocated a total €7,000m to the facility. The financial year of 2008 came to an end with a sum total of €6,734m in SME Facility arrangements, meaning that 96.20% of the facility was used up and 93,448 operations were arranged.

Unlike the previous year, as a result of the technical recession mentioned above, it was not deemed necessary to increase the facility's allocation, given the slight decrease in demand for these loans observed in the second half of the year.

The commitment acquired through this facility and the others making up the Corporate Promotion Plan was renewed in 2008 in the form of the Spanish Corporate Backing Plan, aimed at fostering society's enterprising spirit, promoting the creation of new enterprises, fanning corporate growth and encouraging internationalisation.

Turning now to the institute's other lending system, direct operations, in 2008, arrangements fell back somewhat (-4%) in respect of the previous year to stand at €5,747m. Of this amount, 70.3% was applied to the financing of investments located within the national territory, mostly projects relating to infrastructures and regional development.

It goes without saying that the major growth planned for the last few years has been achieved in compliance with one of the main premises governing the institute's activity: financial balance. Indeed, the generation of a reasonable profit rate enables our institution to act with a greater degree of autonomy when pursuing its lending activity as this is directly linked to an independent capacity to generate the necessary equity to reach a capital adequacy ratio suited to the institute's size. As I pointed out in previous years' statements, a prior step to this intended autonomy was the inclusion in the 2008 General-Government Budget Act of a number of measures geared towards the increase of ICO's equity. At year-end 2008, we saw the fruits of these measures, through which the institute's final equity figure was increased by €303m. The measures, along with others of an internal nature, took the capital adequacy ratio to 11.19% in 2008, thereby fulfilling the minimum required by Bank of Spain Circular 3/2008 and the regulations for adaptation to the Basel II Accord.

In addition, these measures will be a useful tool when dealing with the new economic situation and performing the role required of ICO as the State's Financial Agency. This role is necessary in any event for the accomplishment of its institutional mission to supply medium and long-term loans and to promote and back real investment processes, stepping up our economy's competitiveness in a bid to help the general public, the self-employed and SME cope with the tough economic situation foreseen for 2009.

In 2008, the leading rating agencies continued to award top credit ratings to the Kingdom of Spain, although a decline in sovereign debt yields was observed in the last quarter: In January 2009, one of the agencies, Standard & Poors, downgraded its rating to AA+. ICO has the same rating as the Kingdom of Spain and uses it on the markets when raising the funds necessary for the performance of its activity. Last year, in the constant pursuit of its aim to diversify the investor base, ICO used 11 different currencies to launch short, medium and long-term issues for a total €19,345m. In this way, the institute was able to net funds on the markets while profiting from the resources obtained and meeting risk premiums in conditions similar to those arranged by European State-owned institutions. These advantages were in turn passed on to its lending operations.

As the year 2008 went by, the institute not only played a considerable role in strengthening Spain's corporate network but also sought to broaden the social scope of its mission by offering members of the general public a number of financing instruments designed to enhance individual development. The period of reference saw the start-up of the Forum/Afinsa Facility, whose purpose was to offer financial assistance to the people affected; and the ICO-MAPA Facility, aimed at reviving the fishing sector. Furthermore, *Learning to drive for a euro a day*, the social facility launched in November 2007, remained in force. New facilities such as Plan Vive and the University Studies Loan were set under way while the more familiar Avanza, effective since 2006, remained in place to help private individuals acquire IT equipment and an Internet connection. This specialised activity on the part of the institute falls within the scope of its role as a supplier of funds through the appropriate earmarked lending facility.

The rise in activity, however, was not limited to the above, for ICO continued to contribute to the promotion of the Spanish export sector and stepped up its performance in loans seeking to boost exports through the two traditional financial tools, Official Development Aid (FAD) and Interest Makeup (CARI). In 2008, 198 FAD operations were arranged for a total €1,352m, while CARI credits posted 38 operations for an amount of €428m.



In the course of 2008, the institute made an all-out effort to fulfil each and every one of the targets set for the year and the final result obtained is worthy of a satisfactory appraisal. Here, merit is due to the first-class human capital upon which ICO relies for the effective performance of its functions.

On the subject of the workforce, in 2008, the V Collective Bargaining Agreement was renewed, with improvements to internal career development schemes and the ongoing consolidation of the Management-by-Targets System, all of which has laid the foundations for a culture based on the assessment of professional merit.

At the beginning of this statement, I said that the forecast for the Spanish economy in 2009 signals a gloomy scenario. It is accordingly from this reference point that the institute will establish its central courses of action as, more than ever before, it is called upon to fulfil its function as the State's Financial Agency, as a public financial instrument at the service of the Government's economic policy. In this sense, as part of the Spanish Economy and Employment Stimulus Package (the E-Plan), ICO has been instructed to execute a set of measures not only to overcome the crisis in overall terms of the economy but also to ease the burden of Spain's self-employed, SME, the medium-sized enterprise and households. Within these

measures, two are particularly noteworthy: the new Liquidity Facilities (SME, the self-employed and the medium-sized enterprise); and, of a marked social nature, the Mortgage Deferral Facility, which will enable people in financial difficulty (the unemployed, the non-productive self-employed, etc.) to delay the payment of their mortgage instalments over a period of two years.

Given the circumstances, ICO now stands as a key financial instrument with the capacity to undertake and support the lines of action set down in the Government's economic policy for its area of activity. Thanks to the transformations put in place over the last few years, the institute is in a position to meet this challenge with a greater guarantee of success.

A handwritten signature in black ink, consisting of stylized initials 'A.M.E.' followed by a long, sweeping horizontal line that tapers to a point on the right.

Aurelio Martínez Estévez
ICO's Chairman



■ PERFORMANCE OF ICO'S KEY FIGURES

The following charts and graphs provide an overview of the performance of some of ICO's key figures. The variables chosen as indicators of the institute's activity are loan arrangements, loan accounts, funding (especially market resources) and net interest revenue. In addition to fulfilling its role as an institutional lender, ICO acts as manager, on the State's account, of certain financial instruments designed to provide backing for the external sector and development. Some information on these activities is also furnished here.

This abstract seeks to give the reader an initial insight into ICO's missions. More comprehensive information will be found in the Annual Report.

LOANS ARRANGED IN THE YEAR ^(a)

Distribution by purposes

Million euros and percentages

	2008	2007	Annual variation	
			Absolute	%
1. Financing of investments in Spain	12,166.8	13,731.4	(1,564.6)	(11.4)
1.1 SME investments	7,407.0	8,658.3	(1,251.3)	(14.5)
1.2 Technological innovation	0.0	104.7	(104.7)	(100.0)
1.3 Renewable energies	522.7	290.6	232.1	79.9
1.4 Large-scale projects	3,416.7	4,068.5	(651.8)	(16.0)
1.5 Audiovisual media	42.0	51.2	(9.3)	(18.1)
1.6 Other facilities	778.4	558.1	220.3	39.5
2. Financing of investments abroad	1,892.3	1,698.5	193.8	11.4
2.1 SME backing	184.7	135.6	49.1	36.2
2.2 PROINVEX Programme	1,707.6	1,562.9	144.7	9.3
3. (1+2) Total	14,059.0	15,429.9	(1,370.8)	(8.9)

^(a) Excluding disaster relief.

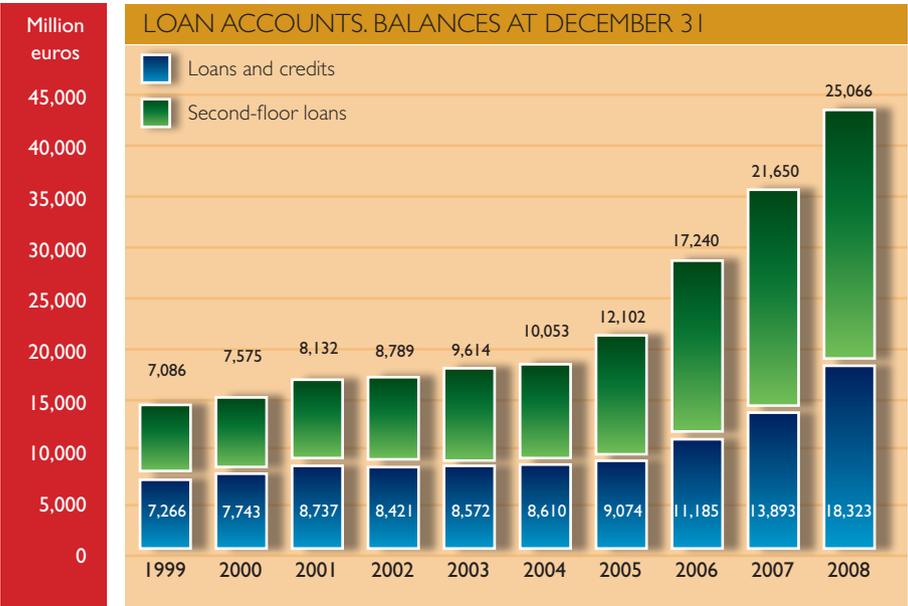
LOAN ACCOUNTS ^(a), BALANCES AT DECEMBER 31

Million euros and percentages

	2008	2007	Annual variation	
			Absolute	%
1. Ordinary operations	43,278.6	35,397.1	7,881.5	22.3
1.1 Second-floor loans ^(b)	25,065.5	21,650.2	3,415.3	15.8
1.2 Loan and credits	18,213.2	13,746.9	4,466.3	32.5
2. Special and exceptional operations	110.3	146.4	(36.1)	(24.7)
3. (1+2) Total	43,388.9	35,543.5	7,845.4	22.1

^(a) Prior to deduction of specific loan loss provisions.

^(b) Includes €7,084.6 m in covered bonds.

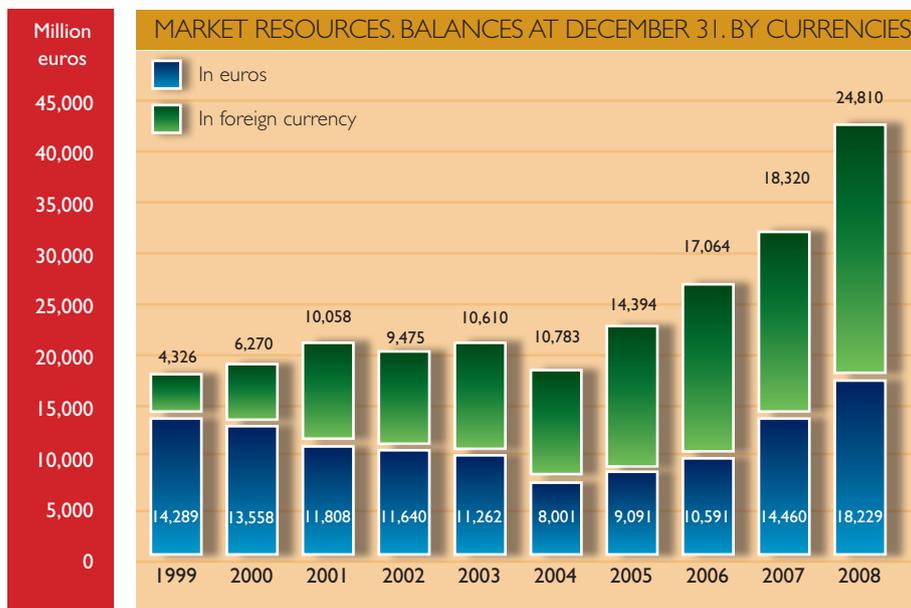


FUNDING. STRUCTURE. BALANCES AT DECEMBER 31

Million euros and percentages

	2008	2007	Annual variation	
			Absolute	%
1. Market resources ^(*)	43,039.3	32,780.1	10,259.2	31.3
1.1 Fixed-income securities	39,345.4	29,053.9	10,291.5	35.4
1.2 Loans from credit institutions	1,109.8	1,060.3	49.5	4.7
1.3 Customer funds	2,584.2	2,665.8	(81.6)	(3.1)
1.4 Denominated in euros	18,229.3	14,459.7	3,769.6	26.1
1.5 Denominated in foreign currency	24,810.0	18,320.4	6,489.6	35.4
2. Special funding	0.0	0.0	0.0	0.0
3. (1+2) Total	43,039.3	32,780.0	10,259.3	31.3

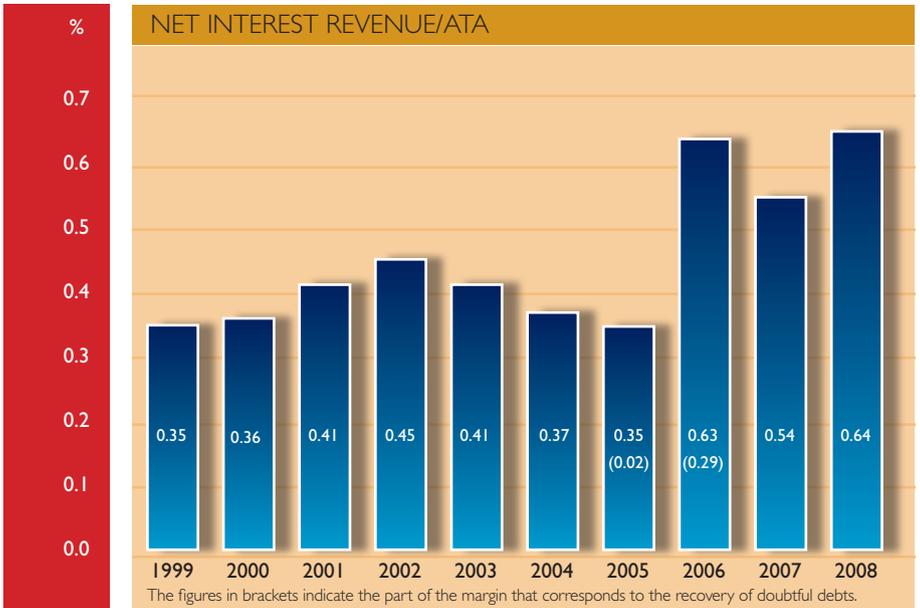
(*) 1=1.1 to 1.3=1.4+1.5



STATEMENT OF INCOME (NET). ANNUAL AMOUNTS

Million euros and percentages

	2008	2007	Annual variation	
			Absolute	%
Net interest revenue	294.9	207.3	87.6	42.3
Gross revenue	349.9	228.1	121.8	53.4
Result of operating activities	121.9	107.8	14.1	13.1
Pre-tax profit	121.8	107.8	14.0	12.9
The year's profit	88.7	82.3	6.4	7.7
Average Total Assets (ATA)	45,962.2	38,409.8	7,552.4	19.7



OPERATIONS ON THE STATE'S ACCOUNT

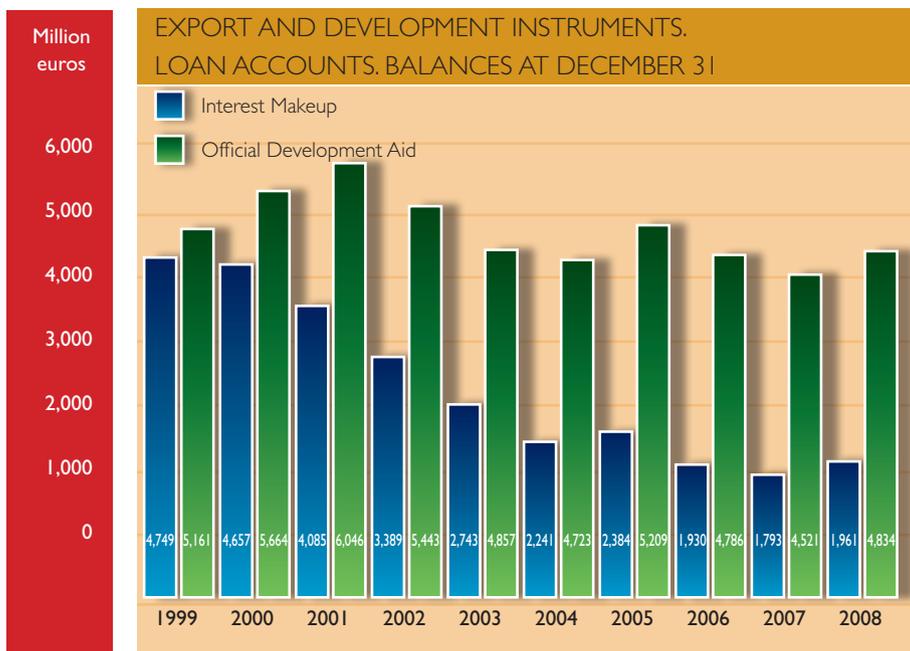
Loans arranged in the year

Million euros and percentages

	2008	2007	Annual variation	
			Absolute	%
Official Development Aid (FAD)	2,351.6	1,095.6	1,256.0	114.6
Interest Makeup (CARI)	427.6	432.3	(4.7)	(1.1)
Microcredits (FCM)	94.9	54.4	40.5	74.4

Balances at December 31

Official Development Aid (FAD)	4,833.7	4,520.8	312.9	6.9
Interest Makeup (CARI)	1,961.4	1,793.2	168.2	9.4
Microcredits (FCM)	637.7	542.8	94.9	17.5



■ DIRECTORS' REPORT





FINANCIAL CONTEXT

In 2008, the international financial situation was marked by turbulence and uncertainty in financial markets that caused generalized liquidity issues, solvency problems in some credit institutions (mainly in the USA and UK) and credit restrictions, all of which adversely affected the real economy.

Two phases may be distinguished in the evolution of the European Central Bank (ECB)'s monetary policy during the year: In phase one, which continued well into the third quarter of 2008, the increase in inflation derived from the rise in energy prices in international markets led the ECB to apply a restrictive monetary policy and to increase the reference interest rate in July by 25 basis points to 4.25%, despite the liquidity difficulties observed in the interbank market. However, the strong distortions in the international financial environment resulting from Lehman Brothers' bankruptcy in October 2008 and the reduction in the inflation rate due to the sharp fall in oil prices as from August persuaded the ECB to considerably relax its policy and cut the repo rate from 4.25% in September to 2.50% in December. The extraordinary and coordinated reduction in intervention rates on 10 October 2008 is striking in symbolic terms: the rate was cut 50 bp by the ECB, the Federal Reserve, the Bank of England and the central banks of Canada, Sweden and Switzerland.

However, in October the interbank market was still strained and depo-repo spreads reached maximum levels during the month (the spread between the 3-month Euribor and the 3-month Eonia swap averaged 85 bp in 2008, having risen from 65 bp in January to 109 bp at the end of 2008).

Sovereign debt yields also declined during 2008 in the world's main economies. In Spain, yields on 10-year and 5-year bonds fell from 4.41% and 4.12%, respectively, at the beginning of January 2008 to 3.81% and 2.32% at the year end, while spreads against the benchmark German bond increased (the spread on the 10-year bond rose from 7.7 bp at the start of the year to 87.2 bp at the end of December).

Variable income was not immune to this financial turbulence or to the slump in world economic growth during 2008, particularly with respect to financial and real estate stocks. In Spain, although the Ibex-35 also suffered (having closed the year 39.4% down), it proved more resistant than other international indices (for example, the Eurostoxx-50 fell by 44.4%).

In line with the turbulence and uncertainty in international financial markets, and the deterioration of economic activity throughout the world, 2008 saw a progressive decline in lending, which was more pronounced in Spain than in other countries. In year-on-year terms, the total increase in borrowings in the Spanish economy in 2008 (15.7%) was below 2007 (17.7%), although the rate of growth remained higher than in the Eurozone (7.7% in 2008 and 11.4% in 2007), as in previous years. Similar differences were observed in lending to non-financial companies and households, which rose by 14-6% in Spain and by 8.1% in the Eurozone.



SCOPE OF ACTIVITIES

The ICO performs the functions entrusted to it as a public institutional lender, subject to its statutory principles of "financial balance and alignment of means and objectives".

In the past year, following the instructions and guidelines of the Economic Authorities and the resolutions of its General Council, the ICO once more prioritized funding for companies, focusing partly on SMEs, under the Business Development Plan, and partly on financing investment in infrastructures, strategic activities, renewable energies and the direct internationalisation of Spanish companies. In addition to these programmes, a smaller volume of funds was assigned to stimulate energy efficiency, film making, tourism, public road transport and the acquisition of computer equipment. In the course of its activities as the State's Financial Agency, the ICO also provided credit lines for disaster victims. Financing granted in 2008 totaled euro 14,399,930k.

The maximum limit on the funds that the ICO is allowed to capture each year is stipulated in the annual National Budget Law.

Financial resources are obtained for the fundamental purpose of generating new equity capital and, additionally, to settle liabilities and structure the balance sheet in order to eliminate or minimize implicit liquidity, interest rate and foreign exchange risks. Besides these basic objectives of achieving the necessary and most adequate level of financing, the ICO also seeks to consolidate and extend its investor base. For this reason, the transparency and liquidity of its public issues are always afforded particular attention when designing and executing the ICO's financial programmes.

As in 2007, in 2008 the ICO captured funds mainly through large strategic issues, significantly expanding its scope into other currencies and markets. Issues were launched in eleven different currencies and gross funds obtained during the year, including long-, medium- and short-term issues, valued at the exchange rates prevailing at the transaction dates and excluding funds obtained from the interbank market and from customer deposits, amounted to euro 19,345,640k.

The ICO is required to maintain the same level of regulatory capital as other credit institutions, with the exceptions stipulated in applicable regulations. At year-end 2008, regulatory capital prior to consolidation stood at euro 2,867,345k or 5.41% of total assets. The increase in computable regulatory capital during 2008 is due initially to the implementation of a number of measures stipulated in Additional Provision Forty-Nine of Law 42/2006 on the 2007 National Budget (28 November 2006), which has allowed the Official Credit Institute's capital adequacy ratio to reach 11.19%, above the legal minimum required by the Bank of Spain and the 9.5% figure stipulated in the National Budget Law.



ACTIVITIES

As explained in the previous year's report, on 8 March 2007 the ICO and the company Ahorro y Titulización Sociedad Gestora de Fondos de Titulización (SGFT) created the securitisation fund "ICO Mediación I AyT, FTA", for a total of euro 14,099,000k. The dual objective was to improve the credit quality of the Institute's balance sheet by including financial assets with a higher credit quality and to reduce banking exposure by avoiding the high concentration of risks with financial institutions caused by the considerable volume of loans drawn down on indirect subsidised financing granted.

At 31 December 2008, outstanding bond issues launched by the Asset Securitisation Fund and acquired by the ICO totaled euro 7,084,680k (including adjustments and rated AAA). This amount was supplemented by a syndicated loan of euro 930,000k. Additionally, to improve credit quality, the fund has a credit line of euro 169,000k. Bonds redeemed during the year totaled euro 3,584,600k.

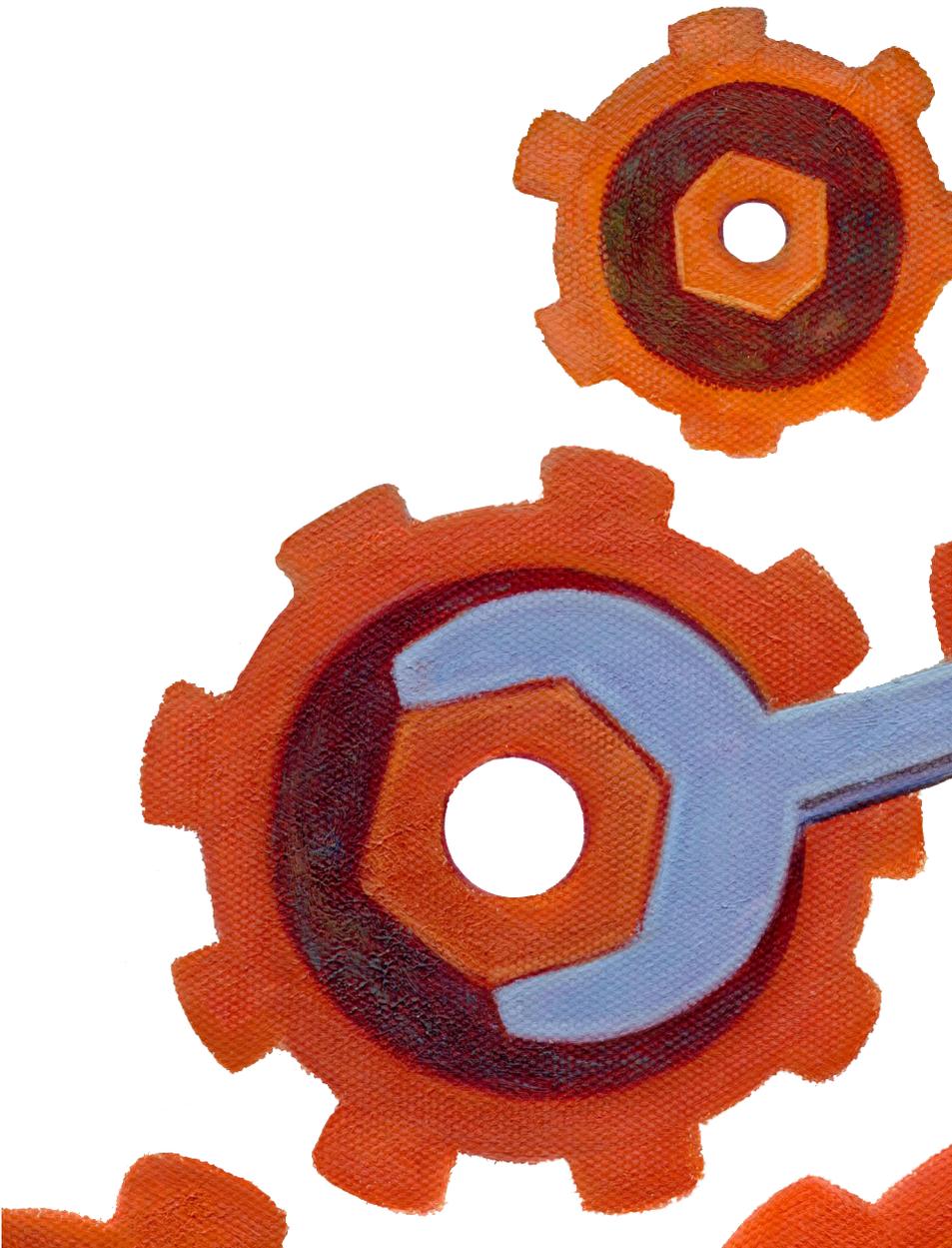
For the purposes of comparison with the previous year and treating the outstanding balance of the bonds acquired by the ICO as loans and receivables, the balance of loans and receivables excluding deposits assigned on the interbank market, after deducting provisions and adjustments, amounted to euro 43,724,306k at 31 December 2008, which is 19.19% up on the figure at 31 December 2007. At year-end 2007 and 2008, net loans and receivables represented 91.98% and 82.85%, respectively, of the ICO's total balance sheet.

The balance of ordinary loans and receivables relating to direct operations with customers, after deducting provisions and adjustments, stood at euro 17,714,424k, while indirect subsidised financing (granted, arranged and transferred to final customers by collaborating banks), including the amounts securitised and represented by the AAA bonds, amounted to euro 25,065,459k. These balances were 31.76% and 15.77% up on 2007, respectively. Special and exceptional loans and receivables, after provisions, granted for "important economic or social reasons" totaled euro 69,397k, which is 34.26% down on the figure at year-end 2007.

At the end of 2008, the balance of the financing granted by the ICO to credit institutions (excluding the above-mentioned indirect lending) stood at euro 2,533,630k, which is 20.66% below the figure for 2007. Of that amount, euro 1,658,604k relates to the sum of deposits assigned on the interbank market (not classed as a lending activity), euro 677,103k relates to operations with BBVA (almost entirely attributable to the refinancing of the amounts granted prior to privatization to the former Official Credit Entities) and the remaining euro 197,923k consists of net loans (after valuation adjustments and country-risk provisions) granted to non-resident credit institutions.

Ordinary loans and receivables as a percentage of total loans and receivables rose from 36.74% at year-end 2007 to 40.51% at year-end 2008, while indirect financing decreased from 59.01% to 57.33% of the total, special and exceptional lending declined from 0.29% to 0.16% and loans to credit institutions fell from 4.04% to 2%, respectively.

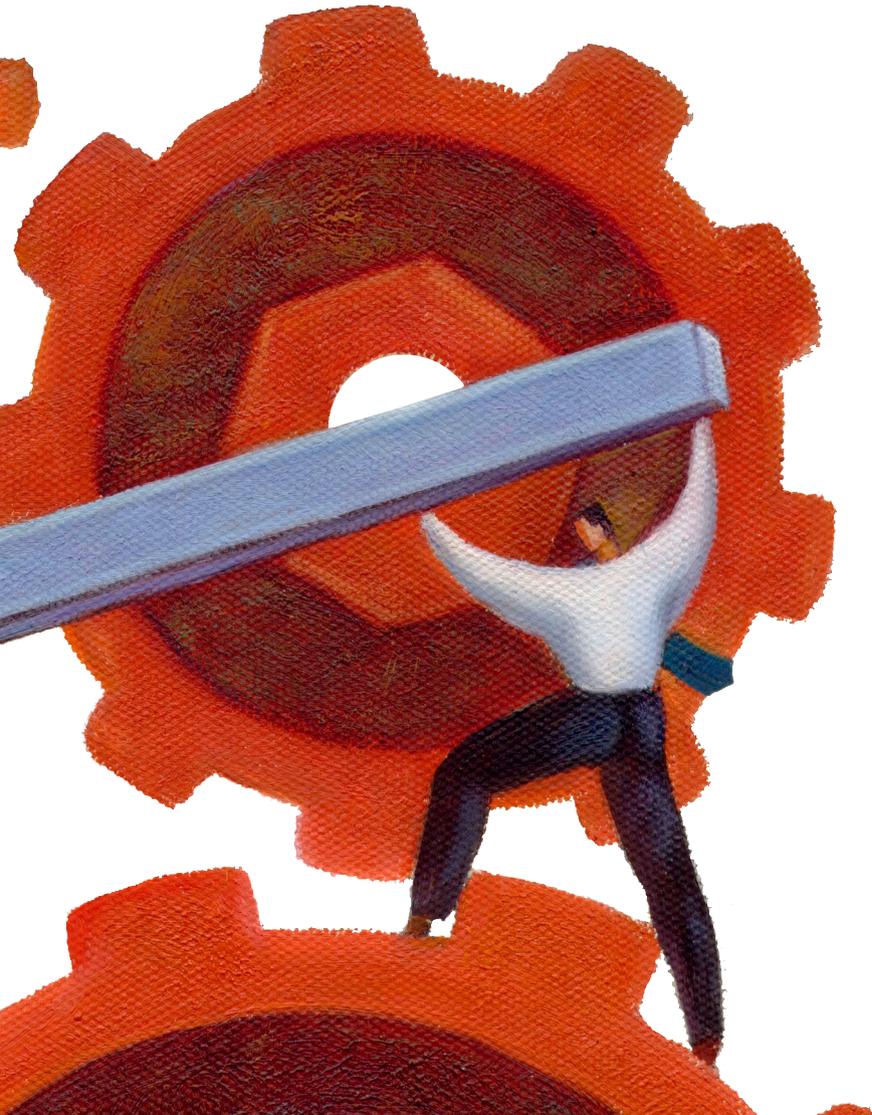
The ICO's borrowings consist 96.86% of market financing. The ICO's ordinary financing amounted to euro 43,039,304k, representing an increase of 31.3% on the previous year. Fixed-income securities outstanding (debentures, bonds and notes) totaled euro 39,345,358k and funds received from credit institutions (European Investment Bank, other banks and interbank funds) amounted to euro 1,109,771k, having increased by 35.42% and 4.66%, respectively, with respect to 2007 figures. Customer deposits, consisting almost entirely of deposits held at call, totaled euro 2,584,175k, which is 3.06% down on 2007.





RISK MANAGEMENT POLICY

The Institute's management of credit risk, liquidity risk, market risk and operational risk is described in the relevant note to the Consolidated Annual Accounts.





RESULTS

Bank of Spain Circular 6/2008 (26 November) amended Circular 4/2004 on public and reserved financial reporting and model financial statements. Under Circular 6/2008, the net interest margin (formerly net interest income) no longer includes yields from equity instruments, which are included in the new gross margin (formerly the ordinary margin). The gross margin also includes other operating income and expenses. The caption Results from operating activities (formerly the net operating margin) includes net provisioning expense and impairment losses on financial assets forming part of the business activity.

The net interest margin obtained by the ICO in 2008 totaled 294,897k, representing an increase of 42.26% on 2007, which is explained by the growth in lending and the increase in lending margins and in funds captured in markets. The ratio of net interest income to average total assets stood at 0.64%. The gross margin totaled euro 349,929k and results from operating activities amounted to euro 121,914k, representing annual increases of 53.39% and 13.12%, respectively.

The net aggregate value of asset impairment (provisioning expense and other gains and losses) totaled euro 186,819k. Profit for the year before income tax amounted to euro 121,844k and net profit for the year totaled euro 88,723k, which is 7.75% up on 2007. The ratio of profit after tax to average total assets amounted to 0.19% and 0.21%, respectively in 2008 and 2007.



EVENTS AFTER THE BALANCE SHEET DATE

As occurred in previous years, the 2009 National Budget Law includes budget item 15.16.931M.871 in the amount of euro 140,000k to increase the Institute's regulatory capital.

As from the third quarter, due to the international financial crisis and in the 2009 crisis scenario, the Institute, as the State's Financial Agency, will focus on the execution of measures to alleviate the impact of the crisis. At the reporting date, the Spanish Plan to Stimulate the Economy and Employment has already been implemented. Under this plan, the Institute is implementing measures to provide financing through new credit facilities.



ICO'S GOVERNING COUNCIL





ICO'S GOVERNING COUNCIL AT DECEMBER 31, 2008

Chairman:

Mr. Aurelio Martínez Estévez

Members of the Council:

Mr. Ángel Torres Torres¹

Secretary General of Economic Policy and International Economy
Ministry of Economy and Finance

Mr. Ricardo Lozano Aragüés

Director General of Insurance and Pension Funds
Ministry of Economy and Finance

Mr. Alfredo Bonet Baiget

Secretary General of Foreign Trade
Ministry of Industry, Tourism and Trade

Mr. Luis Díez Martín

Personal Assistant to the Second Deputy Prime Minister
Ministry of Economy and Finance

Mr. José Antonio Benedicto Iruñ

Undersecretary of Public Administrations
Ministry of Public Administrations

Mr. Fernando Rojas Urtasun²

Director General of Budgets
Ministry of Economy and Finance

Mr. Luis Felipe Palacios Arroyo³

Director General of Economic Planning
Ministry of Public Works

Mr. Antonio Sánchez Bustamante⁴

Director General of Trade and Investments
Ministry of Industry, Tourism and Trade

Mr. Santiago Menéndez De Luarda Navia-Osorio⁵

Undersecretary for the Environment and Rural and Marine Affairs
Ministry of the Environment and Rural and Marine Affairs

Mr. Juan Manuel López Carbajo⁶

Secretary General of Territorial Financing
Ministry of Economy and Finance

Secretary to the Council:

Ms. Eva María González Díez

State Counsel

Deputy Director of the Legal Advisory Department
Instituto de Crédito Oficial (ICO)

Other members who sat on the Governing Council during 2008:

- Until 19.05.2008: Mr. José Antonio Godé Sánchez.

- Until 21.05.2008: Mr. Tomás Merola Macanás.

- Until 29.05.2008: Ms. Concepción Toquero Plaza.

- Until 06.06.2008: Mr. Óscar Vía Ozalla.

- Until 22.09.2008: Ms. Silvia López Ribas.

Management personnel:

Mr. Aurelio Martínez Estévez

Chairman

Mr. Ramón M^a Iribarren Udobro

Assistant Director General to the Chairman

Mrs. M. Rosario Casero Echeverri

Director General of Investment and Funding

Mr. José David Cabedo Semper

Director General of Control and Administration

Mr. Enrique Villareal Rodríguez

Director General of Technical Affairs

¹ Until 14.04.2008, Director General of Economic Policy and Fair Trade.

² A member since 19.05.2008.

³ A member since 21.05.2008.

⁴ A member since 06.06.2008.

⁵ A member since 09.07.2008.

⁶ A member since 22.09.2008.

■ CORPORATE RESPONSIBILITY REPORT





CORPORATE RESPONSIBILITY REPORT

ICO's Corporate Responsibility (CR) Policy is based on a profound respect for the values underpinning the institute's culture. Hence, CR does not act as a complement to ICO's activity but forms an integral part of its entire performance. CR does not consist in the fulfilment of minimum requirements but in the voluntary incorporation of social and environmental concerns into the institute's day-to-day management and into relations with all its stakeholders.

In this, the fifth edition of our Annual CR Report, we provide our main stakeholders with as comprehensive and clear an insight as possible into our economic, social and environmental performance in the financial year of 2008.

A major stumbling block facing people wishing to start up or consolidate a business concern lies in the lack of access to the finance necessary to set the activity under way. ICO, in the accomplishment of its traditional mission of helping disadvantaged groups, launches new products seeking to meet the needs of such people. Moreover, the current economic situation calls on the institute to broaden its role and the scope of its activity by stepping up the effort to enable SME and the self-employed to access credit.

Through the foundation, Fundación ICO, our social commitment also encompasses initiatives to back projects of a social nature and those deemed to be of general interest. Acting as the outlet for the institute's social action, the foundation promotes and sponsors activities conducive to the social and cultural integration of immigrants; provides backing for training; and fosters international cooperation and the protection of the environment.

We are fully aware of the importance of CR at a time like the present. Accordingly, although CR is intrinsically linked to the institute's very nature, we wish to convey our sense of responsibility to society while showing that, through our activity, it is possible to create business opportunities to enhance general wellbeing. In our bid to make further headway in CR, in 2009, we intend to strengthen the commitment of management and workforce alike to play a part in all courses of action relating to CR and our stakeholders.



ICO AND ITS EMPLOYEES

The institute advocates the principles of non-discrimination and equal opportunities. In 2003, a Career Development System (SDP) was implemented for the purpose of improving the management of ICO's human resources. The system's main aims are to provide an objective procedure with which to design the career of technical specialists and involve employees in the fulfilment of their units' targets. At the same time, it is seen as a means of motivating the workforce as a whole. In 2008, 36 employees were promoted to a higher salary level through this system. Moreover, an SDP was set up for clerical staff.

Professional grade	Male	Female	Employees
Managers	11	3	14
Middle managers	19	17	36
Technical specialists	67	100	167
Clerical staff	17	62	79
Total	114	182	296

At ICO, training is seen as a useful tool in employee motivation, promotion and integration. Every year, a considerable investment is made in employee training: in 2008, 106 training courses were held, with a total investment in time of 15,805 hours, or an average of 54.7 hours per employee. In terms of expense, the total investment was €215,400.45, with a cost per employee of €745.33.

Last year, once the V Collective Bargaining Agreement had been signed, the Biannual Social Training Plan for clerical staff was started up, aimed at promotion to the technical specialist grade. By means of this plan, clerical staff are given the opportunity to receive the training necessary in economics and finance to perform their new job or carry out the new functions assigned to them once they have successfully completed the course and been reclassified into the technical specialist group. The course is attended by 25 clerks.



ICO AND ITS CUSTOMERS

In its lending activity, the institute attends to applicants either directly or indirectly. In the latter case, it uses the branch networks of financial institutions established in Spain.

The purpose of the institute's direct financing programmes is to provide resources for large-scale, public and private investment projects both in Spain and abroad. As for indirect lending, ICO markets various loan facilities designed to finance the investment projects of SME and the self-employed, availing itself of the services of on-lending institutions to achieve this end.

At the present time, one of the greatest difficulties to be overcome by people wishing to start or consolidate a business concern lies in the lack of access to the finance necessary to set the activity under way. During 2009, ICO, in the fulfilment of its traditional task of helping disadvantaged groups, plans to start up new financing facilities designed with such people in mind. The idea is that these facilities will go some way towards alleviating the financial needs deriving from the lack of liquidity in the financial system. For this purpose, at year-end 2008, the institute designed the following set of facilities, scheduled to be operative by early 2009:

- **ICO-Liquidity Facility.** The provision of finance to enable enterprises to meet their working capital requirements.
- **ICO-Mortgage Deferral Facility.** The temporary and partial postponement of the obligation to pay 50% of mortgage instalments. This facility is directed at social groups undergoing financial difficulty and holders of a mortgage arranged for the acquisition of the usual place of residence.
- **ICO-SME Deferral Facility.** Through this facility, enterprises which are paying back a loan under the ICO-SME 2006, 2007 and/or 2008 Facilities may benefit from a one-year postponement. Accordingly, these enterprises will pay only the interest and will be free of the obligation to pay back capital in that period.
- **ICO-Housing Facility.** The partial or total cancellation of promotional loans arranged between the enterprise and the credit institution for the construction of housing. In exchange, the housing must be put onto the rent market.

MAIN LINES OF PERFORMANCE IN 2008

SECOND-FLOOR

SME
 Internationalisation
 Corporate Growth
 Entrepreneurs
 Information Technologies "Plan Avanza"
 Film production
 Microcredits
 University Studies Loan
Learning to drive for a euro a day

DIRECT FINANCING

Corporate finance
 Project finance
 International finance
 Institutional finance
 Security and guarantees



ICO AND THE ENVIRONMENT

In 2008, the greatest effort to reduce ICO’s direct impacts on the environment was focussed on energy-saving. The building’s roof was fitted with 36 photovoltaic panels to harness energy and convert it into electricity. Photovoltaic solar energy contributes to the reduction of greenhouse gas emissions as it does not generate emissions of either CO₂ or other contaminating gases into the atmosphere. It thus constitutes another step forward in the fulfilment of the commitments acquired in the Kyoto Protocol, in addition to which it does not consume any fuel or produce waste and is in endless supply.

Last year saw the complete overhaul of the institute’s heating and air-conditioning system so as to improve its efficiency. Furthermore, the new timers and thermostats offer users a broader range of choices when setting the system. In 2008, largely as a result of the overhaul, electricity consumption was 18.95% below that of the previous year:

ECOEFFICIENCY INDICATORS	Variation 2008-2007
Total electricity consumed	(18.95%)
Total CO ₂ emitted	(18.90%)
Total paper consumed	7.80%
Total paper consumed per employee ⁽¹⁾	(3.16%)
Total paper recycled ⁽²⁾	25.00%
Total water consumed	(12.80%)

⁽¹⁾ The calculation of the workforce has taken account of ICO employees plus employees from other companies who have been working on the institute’s premises (64 external employees in 2007 and 87 in 2008).

⁽²⁾ Estimated calculation based on the number of bins installed on the premises and their capacity.

The institute participates in initiatives conducive to the mitigation of the effects of climate change. Thus, in 2006, on a joint basis with Banco Santander Investment, it set up a Carbon Fund for the Spanish Enterprise (FC2E); and, in 2008, together with four leading European public institutions (the European Investment Bank (EIB), Caisse des Dépôts et Consignations (CDC), KfW and the Nordic Investment Bank (NIB)), it launched the Post-2012 Carbon Credit Fund, a European initiative whose aim is to continue in the fight against climate change beyond 2012. This initiative was taken in view of the fact that the Kyoto Protocol expires in 2012 and there is some uncertainty as to the form the carbon rights trading system should take after that date.

The fund’s committed capital amounts to €125m.

Million euros

Institution	Amount committed
EIB	50
KfW	25
CDC	25
NIB	15
ICO	10
Total committed	125

Of an exclusive nature, this innovative, ground-breaking fund is to be used in the purchase and sale of carbon credits generated in the post-Kyoto period, which will last initially until 2022. In assuming the inherent regulatory risk, the fund will give the market a clear sign of the confidence of the EIB and its partners in the development of a post-Kyoto system through the direct support of projects of environmental significance.

The fund will apply those post-2012 carbon credit flows which correspond to projects approved or pending approval by the Clean Development Mechanisms (CDM) or Joint Implementation (JI) of the UNFCCC (United Nations Framework Convention on Climate Change).



ICO AND ITS SUPPLIERS

At ICO, the hiring of goods and services is governed by an internal manual, drawn up in accordance with the Public Administrations Hiring Act, which takes account of the principles of advertising, competition and transparency. In 2007, when the act was modified, it became possible to include criteria of a social and environmental nature in contracts' terms and conditions. Moreover, it states that failure to fulfil these conditions may constitute a cause for the contract's termination or lead to fines to be calculated in proportion to the degree of non-fulfilment. As a result of this modification, ICO is able to bring Corporate Responsibility criteria into its relations with suppliers as the act now provides for the inclusion of clauses of a social and environmental nature in selection processes. In 2009, the institute intends to establish a set of standard social and environmental criteria for this purpose, within the limits of the principles of public hiring to which it is subject.

In 2008, ICO hired Special Employment Centres to manage the e-mail information box, the free customer service telephone line and the mailing service. The cost of these services summed up to €135,846.04.



ICO AND SOCIETY

Instituto de Crédito Oficial channels its social action through the foundation, Fundación ICO. In 2008, the budget allocated to the foundation for the performance of its activity amounted to €4.5m. An outline of its main activities is provided below:

- The management of ICO's artistic holdings, which are displayed at Museo Colecciones ICO. The organisation of exhibitions and cultural activities.
- A post-graduate scholarship programme aimed at the Social Sciences and a special programme in Chinese culture and economy.
- The provision of aid for international cooperation and the protection of the environment.
- Publications. The foundation promotes and sponsors activities of a social nature and those deemed to be of general interest.

In the area of **social patronage**, the foundation makes contributions to humanitarian organisations and provides aid to overcome emergency situations or to attend to the basic needs of disadvantaged collectives. In 2008, it announced a public competition for the awarding of financial support for a total of 12 initiatives directed at the social and cultural integration of immigrants, with a special focus on the empowerment of women. In addition, through bilateral agreements, it collaborated with two non-profit-making institutions whose objective is the performance of various activities of general interest.

As the foundation looks on **training** as a key instrument for development, this activity naturally constitutes one of the central pillars of its overall performance. This is reflected in the great importance it has always attached to its scholarship programme, thanks to which a sizeable number of people are able to take courses at top-drawer universities and higher research centres both in Spain and abroad. At the same time, Fundación ICO has entered into agreements of cooperation with several institutions with a view to promoting Chairs that contribute to the development of knowledge and research. The foundation also sponsors summer courses at Universidad Menéndez Pelayo.

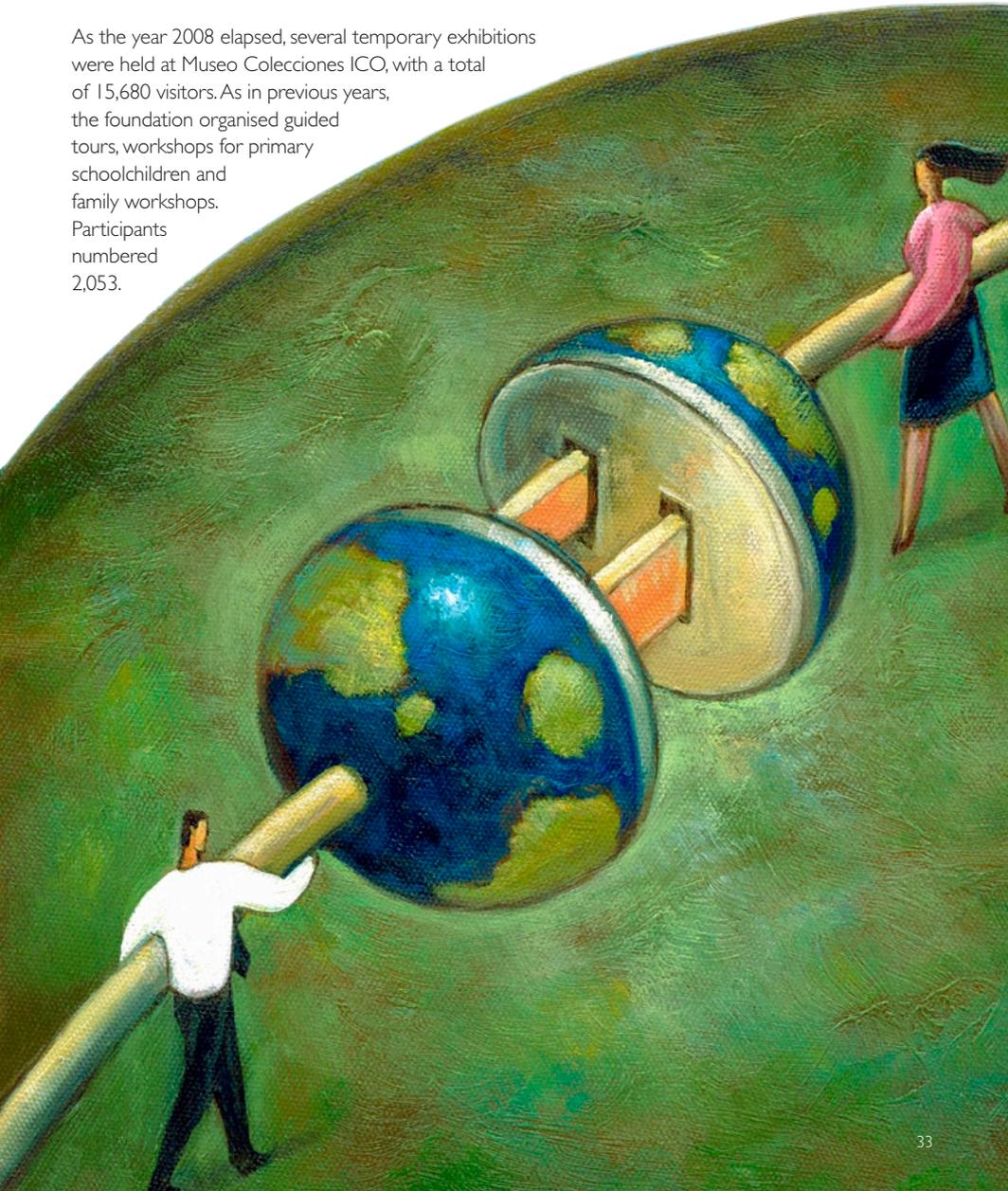
TRAINING	2009
Scholarships	51
Chairs	3
Summer courses	5

The **environment and international cooperation** form another of the foundation's main spheres of activity; one which it has broadened and consolidated over the last few years. As far as the environment is concerned, last year, one of the most noteworthy developments consisted in the School Awareness Agreements, which seek to enhance children's awareness of issues relating to the environment. In the area of cooperation for development, the principal activity in 2008 was the launching of an aid scheme for international cooperation in development, whereby support

was provided for 10 projects designed by Non-Governmental Organisations and local development agencies in developing countries.

In the scope of **economy**, the foundation signed agreements with four institutions, including Cajasol. On a joint basis with this entity, a microcredit pilot project was started up in Spain, with the participation of an expert adviser from the Grameen Bank in Bangladesh. A pupil of Professor Yunus, this expert gives Cajasol the benefit of his experience as regards the implementation of a microcredit project based on models whose effectiveness has been proven in other countries.

As the year 2008 elapsed, several temporary exhibitions were held at Museo Colecciones ICO, with a total of 15,680 visitors. As in previous years, the foundation organised guided tours, workshops for primary schoolchildren and family workshops. Participants numbered 2,053.





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