

Investor Newsletter

September 2020

ICO to manage the new Guarantee Line launched by the Government to support new investments in Spain

After the launch on March 19th of the EUR 100 billion COVID-19 Guarantee Line, which has allowed **more than 100 billion in new loans** through over 800,000 operations guaranteed with more than EUR 75 billion, ICO is now to manage the new Guarantee Line launched by the Spanish Ministry of Economic Affairs and Digital Transformation on behalf of the Government. Aimed to promote and support the granting of **new financing to self-employed, SMEs and companies** so that they can carry out **new investments** in Spain, this new line can be used to adapt, expand or renew their productive and service capacities, as well as to restart or reopen their activities.



With a new and additional provision of **up to EUR 40 billion** in investment guarantees, a first tranche of EUR 8 billion has already been activated, 5 bn of which will be reserved to guarantee up to 80% of new loans and renewals of transactions requested by the self-employed and SMEs. The other 3bn will be available for bigger companies and will cover up to 70% of the amount of the loans. The guarantee line will admit operations approved by financial entities until December 1st and will be valid for the term of the granted loan, with a maximum of 8 years.

ICO grants a EUR 59.4 million loan to Iberdrola to finance the installation of 2,500 electric vehicle public charging points in Spain and Portugal

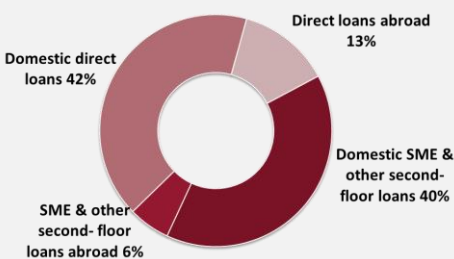
The funding, with nine-year maturity, is the 4th green loan that ICO has granted to Iberdrola **to bolster the production and the use of energy from renewable, non-polluting sources**. Iberdrola's charging points provide 100% clean energy and have a Guarantee of Origin (GdO) certificate, plus a green certificate from G-AdvisoryExternal, which has issued its second party opinion.

The Iberdrola electric mobility plan, aligned with its green recovery strategy, also has the **support of the European Commission** in the form of a EUR 13 million subsidy, granted to the company by the Innovation and Networks Executive Agency (INEA) as part of the CEF Transport Blending Facility call, which will help to finance the installation of 2,339 fast, super-fast and ultra-fast electric vehicle charging points in Spain and Portugal by 2023.

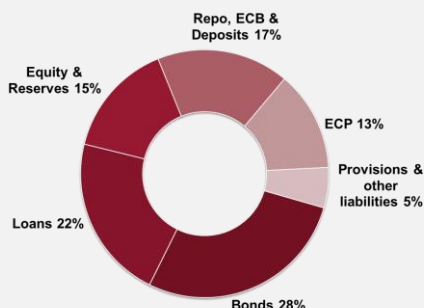
ICO is an Implementing Partner in the CEF programme, with the aim of providing **easier access by Spanish companies to European Union initiatives** of this type. Specifically, this operation combines the use of the CEF subsidy mechanism with a loan component from one of the approved partners in this programme, such as ICO.

ICO in figures

Loan Portfolio as at 31/08/2020



Liabilities breakdown as at 31/08/2020



Financial Highlights

	2016	2017	2018	2019	30/06/2020	31/08/2020
Total assets (Mill. EUR)	48,851	42,186	36,237	31,823	34,005	34,282
Equity & reserves⁽¹⁾ (Mill. EUR)	5,222	5,295	5,246	5,257	5,128	5,153
Pre-tax profit (Mill. EUR)	448.1	145.99	112.91	149.25	131.95	148.6
Net interest income (Mill. EUR)	25.59	-69.11	-96.54	-28.06	-2.27	5.59
Gross revenue (Mill. EUR)	-68.8	15.92	55.23	90.53	34.54	52.64
Profitability ROA	0.81%	0.32%	0.28%	0.44%	0.80%	0.67%
Tier I Ratio	29.44%	32.86%	40.54%	41.11%	35.87%	34.79%
Non-Performing Loans						
Direct Loans	10.48%	9.00%	6.31%	4.72%	3.99%	4.18%
Total loans incl. second floor loans	4.84%	4.15%	3.19%	2.43%	2.18%	2.27%
Provision coverage ratio	114%	121%	154%	168%	228%	245%
Efficiency						
Ordinary Expenditure/ATA	0.07%	0.09%	0.10%	0.12%	0.13%	0.13%

(1) Eligible capital for solvency purposes.

Source: ICO
2020: unaudited figures
31/08/2020: provisional figures

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Funding Policy for 2020

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

* Subject to potential adjustments depending on the new activities that ICO may have to carry out to alleviate the economic effects of Covid-19 pandemic

Funding activity

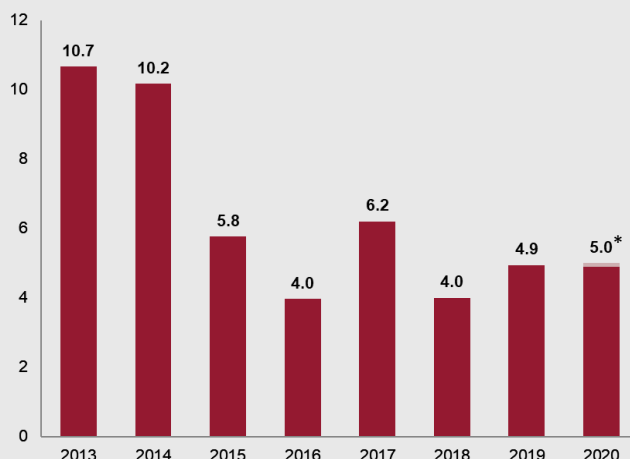
ICO enjoys the **guarantee** from the Kingdom of Spain which is defined in its bylaws as:

**Explicit
Irrevocable
Unconditional
Direct**

Long and short term ICO's ratings

DBRS A / Stable
S&P A / Negative
Fitch A- / Stable
Moody's Baa1 / Stable

Funding Activity (EUR bn.)



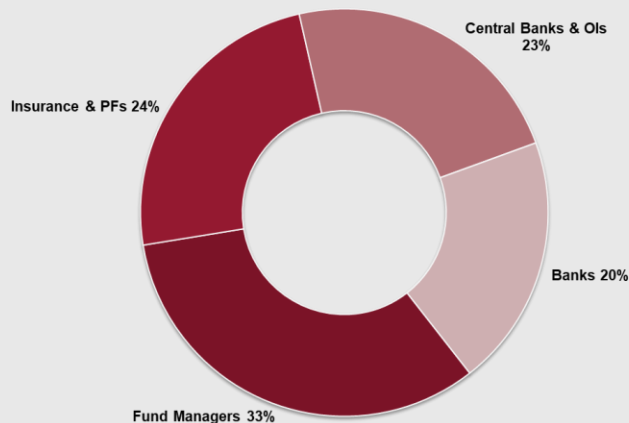
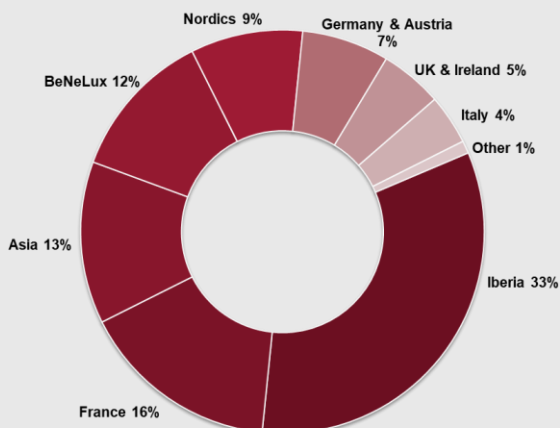
ICO's 2020 expected funding needs are around EUR 5 bn.

*4.9 bn. raised as at September 2020

By region

Borrowing profile 2020 (latest benchmark transaction)

By investor type



Spanish Economy: latest figures and comments

Recent macro developments

The **global spread of Covid-19** and the adoption of extraordinary measures to mitigate its effects, such as the economic shutdown and the confinement measures, have had a **huge impact on GDP and employment worldwide**.

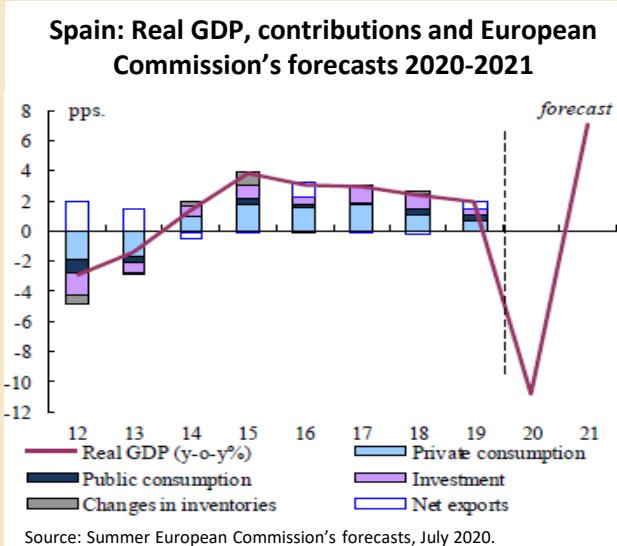
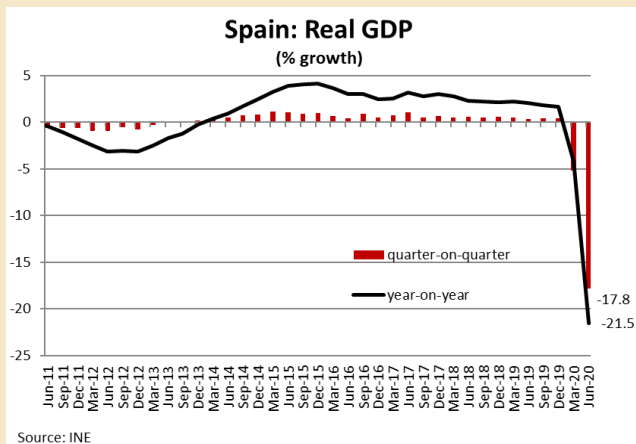
In Spain, the severe outbreak of the pandemic made it necessary to establish strict containment measures from March to June that resulted in an unprecedented contraction in economic activity in the second quarter of 2020. According to the Spanish Statistical Office, Spanish GDP registered a variation of -17.8% in the second quarter compared to the previous quarter and -21.5% compared to one year ago. This is a consequence of the intense decline of domestic demand (its contribution to the year-on-year GDP growth was -18.8 pp) and the drop of external demand that registered a contribution of -2.7 pp.

In the second half of the year a rebound is expected as activity gradually resumes. Recent indicators suggest that the economy has gained momentum in the 3rd quarter of 2020 that could be sustained until the end of the year and in 2021. Thus, the last **European Commission's forecasts for Spain** indicate an annual GDP drop in 2020 of -10.9%, followed by a GDP growth of +7.1% in 2021 thanks to the activity recovery and the strong positive carryover from the last quarters of 2020. The EC's forecasts for the Euro area are in the same line: a GDP contraction of -8.7% in 2020 and a rebound in 2021 (+6.1%).

Regarding the labour market, **unemployment increased to 15.3% of the active population in the 2nd quarter of 2020**, according to Labour Force Survey, from 14.4% in the 1st quarter and 14.02% one year ago. "ERTEs" (emergency paid leave schemes) have prevented a further increase of unemployed and have supported household income during the downturn. Three out of four of these workers had exited this job retention scheme in August

Spanish Government have sought to mitigate the impact of the pandemic through various packages of measures

The authorities response has been rapid and strong with measures aimed to increase their expenditure on health and social services, to facilitate the use of ERTes with a view to keep people in employment and support household's income and to give specific aid for SMEs and self-employed workers (deferral of tax payments, reductions of social security contributions and state guarantees to loans). Furthermore, **Spain will widely benefit from the Next Generation EU Fund, the European recovery instrument**, that will facilitate resources to boost growth and jobs, to contribute to green and digital transition of the economy and to strengthen economic and social resilience, following the European Council specific recommendations to Spain and the Spanish National Recovery Plan. **Spain will also receive financial assistance from SURE (Support mitigating Unemployment Risks in Emergency)** to support short-time work schemes and other benefits to workers and the self-employed.



Contact us

Investors can find further information at: http://www.ico.es/en/web/ico_en/investor-relations
Please contact us via e-mail with any queries or requests you may have: investors@ico.es
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