AUDIT OF CONSOLIDATED ANNUAL ACCOUNTS

ICO - INSTITUTO DE CRÉDITO OFICIAL (CONSOLIDATED GROUP)

2022 Audit Plan - Financial Year 2021

AUDInet Code 2022/76 PUBLIC

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AUDIT REPORT OF CONSOLIDATED ANNUAL ACCOUNTS ISSUED BY THE COMPTROLLER GENERAL OF THE STATE ADMINISTRATION (IGAE)

To the General Council of Instituto de Crédito Oficial

Opinion

The Comptroller General of the State Administration (IGAE), using the powers conferred upon it by article 168 of the General Budgetary Law, has audited the consolidated annual accounts of Instituto de Crédito Oficial (the Parent Company or the Institute) and its subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2021, the consolidated profit and loss account, the consolidated statement of changes in equity, the consolidated cash flow statement and the consolidated notes to the financial statements for the year then ended.

In our opinion, based on our audit and the report of the other auditors for the companies listed in Appendix I, the accompanying consolidated annual accounts give, in all significant aspects, a true and fair view of the equity and financial position of the Group as at 31 December 2021, and of its results and cash flows for the year then ended, in accordance with the applicable financial reporting framework (specified in note 1.2 of the consolidated annual report) and, in particular, with the accounting principles and criteria contained therein.

Basis of the opinion

We conducted our audit in accordance with the standards regulating account auditing activity that apply to the Public Sector in Spain. Our responsibilities in accordance with these standards are described below in the *Responsibilities of the auditor in relation to the audit of consolidated annual accounts* section of our report.

We are independent from the Group in accordance with the ethical and independence protection requirements that are applicable to our audit of the consolidated annual accounts for the Public Sector in Spain, as required by the standards regulating Public Sector account auditing activity.

We believe that the audit evidence we have obtained provides a sufficient and appropriate basis for our opinion.

Key issues of the audit

The key issues of the audit are issues that, in our professional judgement based on our audit and the report of the other auditors for the companies listed in Appendix I, were of greater significance in our audit of the consolidated annual accounts for the current period. These issues have been addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not express a separate opinion on those issues.

Estimate of losses due to impairment of the portfolio of loans and advances

The estimate of the impairment of the value of Financial Assets at Amortised Cost is one of the most significant estimates in the preparation of the accompanying consolidated annual accounts.

To estimate credit risk hedges, the provisions of Circular 4/2017 of 27 November and other mandatory rules approved by the Bank of Spain are taken into account.

In general, the Institute recognises objective evidence of impairment when, following initial detection, an event or the combined effect of several events cause a negative impact on the future cash flows from loans and advances to customers. Objective evidence of impairment is determined individually for the debt instruments that the Institute has identified as significant and collectively for the others. The Institute's collective assessment includes groups of debt instruments that have similar risk characteristics, indicative of the debtors' ability to pay the principal and interest amounts, the type of instrument, the debtor’s sector of activity, the type of guarantee and the age of amounts due, among others.

Our audit approach has included both the assessment of the most relevant controls established by the Institute related to the calculation of impairment, as well as the performance of detailed and substantive tests. The main audit procedures carried out have included the following:

- The verification of the various internal control policies and procedures established in accordance with the applicable regulatory requirements.

- Examination of the individual databases used, with a review of their reliability and the consistency of the data sources used in the calculations.

- Evaluation of the review carried out of borrowers' records to ensure their proper classification and, where appropriate, possible impairment.

- For the detailed tests, for a sample of individualised loans we reviewed, , their proper accounting records and classification, and, where applicable, the corresponding impairment.

- Re-calculation of the provisions of loans classified as Normal risk or Normal risk under Special Surveillance, evaluated on the basis of the alternative solutions established in the Bank of Spain Circular.

The assessment methods used and the detail of information relating to the aforementioned items are included in notes 2 and 10 of the accompanying consolidated report.

Risks associated with Information Technology

The very nature of the Institute's activity and the process of the flow of financial information greatly depends on Information Systems.

The overall internal control framework for Information Systems in relation to the processing and recording of financial information is considered key to our assessment of internal control.

In this context, it is considered necessary to evaluate the effectiveness of General Controls of internal control relating to Information Technology Systems.

Our audit approach has included the following processes:

- The evaluation of the most relevant general controls carried out by the Institute in key processes. The main procedures carried out have consisted of general control tests on the main applications, where we reviewed:

    - Management of changes

    - Physical and logical security

    - Back-ups and Continuity

- Computer Systems Operations

- Revision of the existing interfaces between the main applications in the process of generating accounting information.

The results of the procedures employed have given us sufficient and adequate evidence to consider that our conclusion on these facts as key issues is appropriate.

Other issues

The audit firm Mazars Auditores, S.L.P. by virtue of the contract signed with the Ministry of Finance, at the proposal of the Comptroller General of the State Administration, has carried out the audit work referred to in the first section. In this work, the Comptroller General of the State Administration applied the Technical Standard for relations with auditors in the public sector of 30 December 2020.

The Comptroller General of the State Administration has drawn up this report on the basis of the work carried out by the auditing firm Mazars Auditores, S.L.P.

Likewise, Mazars Auditores, S.L.P., in accordance with the stipulations of the second additional provision of Law 22/2015, of 20 July, on Accounts Auditing, has issued, on 08 April 2022, another audit report on the consolidated annual accounts of the Institute and its subsidiaries, applying the regulations governing accounts auditing in force in Spain (ISA-ES). This report, intended to meet certain requirements laid down in sectoral regulations, as well as for other commercial or financial reasons, has been issued with the prior authorisation of the Comptroller General of the State Administration, by virtue of the provisions of the collaboration contract.

The audit report on the Institute's consolidated annual accounts includes the "Report on other legal and regulatory requirements - Single European Electronic Format", where the auditor expresses an opinion on the digital files examined and whether they correspond in full with the audited annual accounts, which are presented and have been marked up, in all material respects, in accordance with the requirements set out in the EUESF Regulation.

Other information

The other information comprises the consolidated management report for the financial year 2021, for which the Chairman of the Institute is responsible and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover this other information. Our responsibility for the other information, in accordance with the regulations governing the audit activity, consists of:

a) To verify only that the statement of non-financial information has been provided in the form required by the applicable regulations and, if not, to report it.

b) To assess and report on the consistency of the other information included in the other information with the consolidated annual accounts, based on the knowledge of the Group obtained in the course of the audit of the aforementioned consolidated accounts, and to assess and report on whether the content and presentation of this part of the other information are in accordance with the applicable regulations. If, based on the work that we have done, we conclude that there are material misstatements, we are obliged to report this.

On the basis of the work performed, as described above, we have verified that the information referred to in section a) above is provided in the manner prescribed by the applicable regulations and that the remaining information contained in the other information is consistent with that in the consolidated annual accounts for the financial year 2021 and that its content and presentation are in accordance with the applicable regulations.

Management's responsibility in relation to the consolidated annual accounts

The Chairman is responsible for formulating the accompanying consolidated annual accounts in a way that accurately represents the Group's equity, financial situation and consolidated results, in accordance with the normative framework of financial information applicable to the Group in Spain, and with the internal control that they consider necessary to allow for the preparation of annual accounts free from material misstatement, as a result of fraud or error.

In the preparation of the consolidated annual accounts, the Chairman is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as appropriate, going concern matters and using the going concern basis of accounting unless it is the intention or legal obligation of the management body to liquidate the Group or to cease operations or there is no realistic alternative.

The auditor's responsibilities in relation to the audit of the consolidated annual accounts

Our work did not include audits of the annual accounts of AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A., Compañía Española de Reafianzamiento, S.M.E., S.A., and COFIDES, Compañía Española de Financiación del Desarrollo, S.A., investee companies, whose information is detailed in Appendix I to the consolidated annual accounts, and whose net book value represents 0.60% and 15.66% of the Group's total assets and net results, respectively. The aforementioned annual accounts have been audited by the auditing firm Ernst & Young, S.L., in the case of AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo, S.A. and Mazars Auditores S.L.P. in the case of Compañía Española de Reafianzamiento, S.M.E., S.A., and COFIDES, Compañía Española de Financiación del Desarrollo, S.A., and our opinion expressed in this report on the consolidated annual accounts is based, as regards the shareholding indicated, solely on the report of the other auditors mentioned.

Our objectives are to obtain reasonable assurance that the consolidated annual accounts as a whole are free from material misstatement, due to fraud or error, and to issue an audit report that contains our opinion.

Reasonable assurance is a high degree of assurance, but it does not guarantee that an audit conducted in accordance with Spanish Public Sector Auditing Standards will always detect a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or at an aggregated level, they may reasonably be expected to influence users’ economic decisions taken based on the consolidated annual accounts.

As part of an audit in accordance with the standards regulating the account auditing activity for the Public Sector in Spain, we apply our professional judgement and we maintain an attitude of professional scepticism throughout the audit.

In addition:

- We identify and evaluate the risks of material misstatement in the consolidated annual accounts due to fraud or error, we design and implement audit procedures to respond to these risks and we obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material inaccuracy due to error, because fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous reports or the circumvention of internal control.

- We obtain knowledge of the relevant internal control for the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We assessed the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and related disclosures made by management.

- We establish whether the Chairman's use of the going concern principle is appropriate and, based on the audit evidence obtained, we conclude whether or not there is a material uncertainty related to the facts or conditions that may generate significant doubts about the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we must report this in our audit report on the corresponding information disclosed in the consolidated annual accounts or, if such disclosures are not adequate, we must express a modified opinion. Our findings are based on audit evidence obtained up to the date of our audit report. However, future facts or conditions may cause the Group to cease to be a going concern.

- We evaluate the overall presentation, structure and content of the consolidated annual accounts, including disclosed information, and whether or not the consolidated annual accounts accurately represent transactions and underlying facts.

- We obtain sufficient appropriate evidence regarding the financial information of the entities or economic activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for directing, overseeing and performing the group audit as described at the beginning of this section. We are solely responsible for our audit opinion.

We communicate with the Chairman on, among other issues, the scope and timing of the planned audit and the audit's significant findings, as well as any significant shortcomings in internal control that we identified during the audit.

Among the matters that have been communicated to the Chairman of the Institute, we identify those that have been of the greatest importance in the audit of the consolidated annual accounts for the current period and that are, consequently, the audit's key issues.

We describe these matters in our audit report unless legal or regulatory provisions prohibit public disclosure.

This audit report has been signed electronically through the CICEP.Red application of the Comptroller General of the State Administration by the Head of Public Audit Division I, in Madrid, on 8 April 2022.

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Free translation of the auditors' report originally issued in Spanish based on our work performed in accordance with audit regulations in force in Spain and of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see note 1.2 to the accompanying consolidated annual accounts). In the event of a discrepancy, the Spanish-language version prevails.

Independent Auditors' Report on the Consolidated Annual Accounts

To the General Council of **Instituto de Crédito Oficial**

Report on the annual accounts

Opinion

We have audited the consolidated annual accounts of Instituto de Crédito Oficial (hereinafter, the Parent Company or the Institute) and subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, and the consolidated income statement, consolidated statement of recognised income and expenses, consolidated statement of total changes in equity, consolidated cash flows statement and the consolidated notes thereto for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the regulatory financial reporting framework in Spain (identified in note 1.2 to the accompanying consolidated annual accounts).

Basis for opinion

We conducted our audit in accordance with audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's responsibilities for the audit of consolidated annual accounts* section of our report.

We are independent of the Group in accordance with ethical requirements, including those regarding independence, that are relevant to our audit of consolidated annual accounts in Spain pursuant to audit regulations in force. In this regard, we have not provided any services other than the audit of the annual accounts, nor have any situations or circumstances arisen that, under the aforementioned audit regulations, might have affected the required independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit matters

Most relevant audit matters are those matters that, in our professional judgement, have been assessed as the most significant risks of material misstatement in our audit of the consolidated annual accounts of the current period. These risks were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Estimate of impairment losses in the loan portfolio and advances

The estimate of impairment of Financial Assets at Amortised Cost is one of the most significant estimates made when preparing the accompanying consolidated annual accounts.

In estimating credit risk hedges, Circular 4/2017, of 27 November, and other compulsory standards approved by Bank of Spain are considered.

In general, the Institute estimates an objective impairment evidence when, after initial recognition, there is an event or the combined effect of several events that entail a negative impact on future cash flows of loans and advances to customers. The objective impairment evidence is individually determined for debt instruments identified by the Institute as significant, and collectively for the rest. In the collective assessment, the Institute includes groups of debt instruments with similar risk features, indicating the debtors' ability to pay the amounts of principal and interests, the type of instrument, the debtor's sector of activity, the type of guarantee and the ageing of overdue amounts, among others.

Our audit approach has included both the assessment of the most relevant controls established by the Institute in relation to the impairment calculation and the performance of tests of detail and substantive tests. The main audit procedures have included, among others, the following:

- Verification of the different internal control policies and procedures, according to applicable regulatory requirements.

- Examination of the different databases used, with a review of the reliability and coherence of data sources used in calculations.

- Evaluation of the review of borrowers' files to ensure their appropriate classification and, where applicable, possible impairment.

- For tests of detail, we have reviewed, for a sample of individualised loans, their appropriate accounting registration and classification and, where applicable, the corresponding impairment.

- Recalculation of provisions for loans classified as Normal or Normal Watch-list, valued based on alternative solutions established by Bank of Spain Circular.

Valuation criteria used and disclosures related to these items are included on notes 2 and 10 to the accompanying consolidated financial statements.

Information Technology risks

The nature of the Institute's activity and the financial reporting process largely depend on Information Systems.

The Information Systems' general internal control framework related to the financial reporting processing and accounting registration is considered key in our internal control assessment.

In this context, we believe it is necessary to evaluate the effectiveness of IT general controls.

Our audit approach has included the following procedures:

- Assessment of the most relevant general controls performed by the Institute in key processes. The main procedures have consisted in general control tests on the main applications, evaluating the following:

    - Change management
    - Physical and logical security

- Backup and Continuity
- Information Systems’ Operations

- Review of existing interfaces between the main applications in the accounting reporting generation process.

Other matters

Article 168 of Law 47/2003 General Budget allocated to the General Intervention Board of the State Administration (IGAE) the audit of the consolidated annual accounts of INSTITUTO DE CRÉDITO OFICIAL, with the consequent issuance of the auditor’s report, according to International Audit Standards adapted to the Spanish Public Sector (ISA-ES-SP). The contract entered into by Mazars Auditores S.L.P. and the Ministry of Tax and Public Function, to collaborate with the IGAE in the performance of the audit of the Institute’s consolidated annual accounts, establishes the issuance of the present auditor’s report in application of the regulations on auditing in force in Spain, as established therein.

Other information: Management Report

Our audit opinion on the consolidated annual accounts does not cover the management report. Our responsibility regarding the management report, in conformity with the audit regulation in force in Spain, consists of:

a) Solely assessing that the non-financial information statement has been provided as established in the applicable regulations and, otherwise, reporting on that fact;

b) Assessing and reporting on the consistency of the remaining information included in the management report with the consolidated annual accounts, based on the Group’s knowledge obtained by us during the audit of the aforementioned consolidated annual accounts, as well as assessing and reporting on whether the content and presentation of this part of the management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that a material misstatement exists, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information mentioned in the section a) above is provided as established in applicable regulations, and that the remaining information included in the management report is consistent with that disclosed in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the Chairman for the consolidated annual accounts

The Institute’s Chairman is responsible for the preparation of the accompanying consolidated annual accounts, such that they express the true and fair view of the Group’s consolidated equity, consolidated financial position and consolidated financial performance in accordance with the IFRS-EU and other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Institute’s Chairman is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis unless the Institute Chairman either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Institute’s Chairman.

- Conclude on the appropriateness of the use by the Institute’s Chairman of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the entities’ financial information or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Institute’s Chairman regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Institute’s Chairman, we determine those risks that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless laws or regulation preclude public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have analysed the digital files of the European single electronic format (ESEF) of Instituto de Crédito Oficial and subsidiaries of the financial year 2021, which comprise the XHTML file, which includes the consolidated annual accounts of the year, and the XBRL files with the tagging made by the Institute, which will be part of the annual financial report.

The Chairman of Instituto de Crédito Oficial is responsible for presenting the annual financial report of 2021, in accordance with the formatting and marking requirements established in the Delegated Regulation EU 2019/815, of 17 December 2018, of the European Commission (hereinafter, ESEF Regulation).

Our responsibility is to analyse the digital files prepared by the Institute's Chairman, in accordance with audit regulations in force in Spain. Such regulation requires us to plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in said digital files fully corresponds with that of the audited consolidated annual accounts, and whether their formatting and marking and that of the abovementioned files have been made, in all material respects, in agreement with requirements set in the ESEF Regulation.

In our opinion, the analysed digital files fully correspond to the audited consolidated annual accounts, and these are presented and have been marked, in all material respects, in accordance with the requirements set in the ESEF Regulation.

Madrid, 8 April 2022

Mazars Auditores, S.L.P.
ROAC Nº S1189

(signed in the original in Spanish)

Carlos Marcos Corral
ROAC Nº17577

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Consolidated Annual Accounts at 31 December 2021 and Consolidated Management Report corresponding to 2021

Free translation of consolidated annual accounts originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Expressed in thousands of Euros)

ASSETS	2021	2020
Cash, deposits at central banks and demand deposits (Note 6)	**9 379 645**	**2 729 630**
Financial assets held for trading (Note 7)	**10 701**	**61 724**
Derivatives	10 701	61 724
Memorandum item: loaned or advanced as collateral	-	-
Financial assets not held for trading obligatorily valued at fair value through profit or loss (Note 8)	**-**	**-**
Financial assets at fair value through other comprehensive income (Note 9)	**2 237 145**	**1 618 994**
Equity instruments	1 086 506	905 636
Debt securities	1 150 639	713 358
Loans and advances	-	
Memorandum item: loaned or advanced as collateral	-	
Financial assets at amortised cost (Note 10)	**25 327 301**	**29 343 703**
Debt securities	6 889 673	7 347 498
Loans and advances	18 437 628	21 996 205
Credit institutions	7 724 368	10 562 681
Customers	10 713 260	11 433 524
Memorandum item: loaned or advanced as collateral		
Hedging derivatives (Note 11)	**455 009**	**285 325**
Investments in joint ventures and associates (Note 12)	**76 277**	**69 346**
Joint ventures	-	-
Associates	76 277	69 346
Property, plant and equipment (Note 13)	**84 045**	**85 390**
Property, plant and equipment		
For own use	84 045	85 390
Memorandum item: Acquired under financial lease	-	
Intangible assets (Note 14)	**6 555**	**6 910**
Other intangible assets	6 555	6 910
Tax assets (Note 15)	**184 907**	**180 413**
Current	32 435	32 290
Deferred	152 472	148 123
Other assets (Note 16)	**28 851**	**25 449**
Non-current assets and disposable groups of elements qualified as held for sale (Note 17)	**-**	**-**
TOTAL ASSETS	**37 790 436**	**34 406 884**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Expressed in thousands of Euros)

LIABILITIES	2021	2020
Financial liabilities held for trading (Note 7)	**10 580**	**60 824**
Derivatives	10 580	60 824
Financial liabilities at fair value through profit or loss	**-**	**-**
Financial Liabilities at amortised cost (Note 18)	**30 526 631**	**27 759 956**
Deposits	10 180 880	12 166 825
Central Banks	3 444 351	3 155 040
Credit Institutions	5 894 436	7 597 761
Customers	842 093	1 414 024
Marketable debt securities	20 087 210	15 294 101
Other financial liabilities	258 541	299 030
Hedging derivatives (Note 11)	**331 071**	**600 770**
Provisions (Note 19)	**1 390 374**	**686 745**
Pensions and similar obligations	791	656
Provisions for contingent exposures and commitments	48 717	27 855
Other provisions	1 340 866	658 234
Tax Liabilities (Note 15)	**81 907**	**50 301**
Current	6 748	1 098
Deferred	75 159	49 203
Other liabilities (Note 16)	**40 439**	**7 342**
TOTAL LIABILITIES	**32 381 002**	**29 165 938**
EQUITY		
Equity (Note 20)	**5 436 168**	**5 366 261**
Capital or endowment fund	4 314 480	4 314 204
Accumulated reserves	-	-
Revaluation reserves	19 036	19 948
Other reserves	962 791	953 017
Profit and loss for the period	139 861	79 092
Minus: Dividends and remunerations		-
Other accumulated comprehensive income (Note 21)	**(26 734)**	**(125 315)**
Elements that cannot be reclassified at profit and loss	134 557	72 925
Changes in fair value equity inst. at fair value through other comprehensive income	134 557	72 925
Elements that can be reclassified at profit and loss	(161 291)	(198 240)
Cash-Flow hedges	(164 931)	(202 947)
Changes in fair value debt inst. at fair value through other comprehensive income	3 640	4 707
TOTAL EQUITY	**5 409 434**	**5 240 946**
TOTAL EQUITY AND LIABILITIES	**37 790 436**	**34 406 884**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2021 AND 2020
(Expressed in thousands of Euros)

MEMORANDUM ITEM	2021	2020
Granted guarantees (Note 22)	528 275	414 937
Granted contingent commitments (Note 22)	4 329 019	4 587 753

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNTS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Expressed in thousands of Euros)

	2021	2020
Interest and similar income (Note 24)	**252 191**	**290 849**
Interest and similar charges (Note 25)	**(147 640)**	**(269 060)**
NET INTEREST INCOME	**104 551**	**21 789**
Dividends income (Note 26)	**18**	**344**
Profit/(loss) from entities valued through equity method (Note 27)	**3 961**	**1 995**
Fee and Commission income (Note 28)	**57 902**	**55 547**
Fee and Commission expense (Note 28)	**(7 793)**	**(6 495)**
Gains or losses from financing operations (net)	**42 394**	**37 577**
Gains or losses on financial assets and liabilities not measured at fair value through profit or loss (net) (Note 29)	(356)	162
Financial assets at fair value through other comprehensive income	-	-
Financial assets at amortised cost	-	23
Financial liabilities at amortised cost	(356)	139
Gains or losses on financial assets and liabilities held for trading (net) (Note 30)	364	3 385
Gains or losses on financial assets obligatorily at fair value through results (net) (Note 31)	-	-
Gains or losses resulting from hedge accounting (net) (Note 32)	42 386	34 030
Exchange differences (net) (Note 2.4)	**5 619**	**(7 852)**
Other operating income and expenses (Note 33)	**833**	**840**
GROSS MARGIN	**207 485**	**103 745**
Administration expenses	**(42 560)**	**(40 246)**
Personnel costs (Note 34)	(23 612)	(22 580)
Other administration expenses (Note 35)	(18 948)	(17 666)
Depreciation and amortisation	**(4 782)**	**4 423)**
Property, plant and equipment (Note 13)	(2 023)	(1 975)
Intangible assets (Note 14)	(2 759)	(2 448)
Provisions expense or reversal of provisions (Note 19)	**(15 609)**	**72 850**
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	**48 435**	**(22 162)**
Financial assets at fair value through other comprehensive income (Note 9)	(8 767)	790
Financial assets at amortised cost (Notes 10)	57 202	(22 952)
Impairment or reversal of impairment on non-financial assets	**(81)**	**(96)**
Goodwill and other intangible assets (Note 14)	-	
Other assets (Note 17)	(81)	(96)
Gains/ (Losses) on non-current assets and groups held for sale of elements classified as held for sale not classified as discontinued operations (Note 17)	**1 782**	**755**
PROFIT OR LOSS BEFORE TAX FROM ONGOING OPERATIONS	**194 670**	**110 423**
Income tax expenses (income) from ongoing operations (Note 23)	**(54 809)**	**(31 331)**
PROFIT OR LOSS AFTER TAX FROM ONGOING OPERATIONS	**139 861**	**79 092**
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**139 861**	**79 092**
Profit or loss attributable to the parent company	139 861	79 092

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSES CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Expressed in thousands of Euros)

	2021	2020
Profit/(loss) for the year	**139 861**	**79 092**
Other comprehensive income	**98 581**	**(104 822)**
Elements not reclassified on profit and loss account	**61 632**	**36 009**
Variations in fair value equity instruments at fair value through other comprehensive income (Note 21)	88 046	51 441
Profit or loss hedge accounting		
Income tax of elements not reclassified in profit or loss	(26 414)	(15 432)
Elements that can be reclassified in profit or loss	**36 949**	**(140 831)**
Hedging of cash flows, effective portion (Note 21)	54 309	(203 944)
Debt instruments at fair value through other comprehensive income (Note 21)	(1 524)	2 757
Income tax of elements that can be reclassified on profit or loss	(15 836)	60 356
TOTAL RECOGNISED INCOME AND EXPENSES (global result)	**238 442**	**(25 730)**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Expressed in thousands of Euros)

At 31 December 2021

	EQUITY											
			RESERVES									
	Capital / Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities valued through equity method	Other capital instruments	Minus: Treasury shares	Profit/(loss) for the year attributable to the parent company	Minus: dividends and remunerations	Total equity	Other accumulated comprehensive income	Minority shareholders	Total Equity
Closing balance at 31 December 2020	**4 314 204**		**952 966**	**19 999**	**-**		**79 092**	**-**	**5 366 261**	**(125 315)**		**5 240 946**
Total recognised income and expenses							139 861		139 861	98 581		238 442
Other variations of equity:	276		6 997	1 865	-		(79 092)	-	(69 954)	-		(69 954)
Capital increases / endowment fund	276								276			276
Capital decreases												
Transfers between equity items							(79 092)		(79 092)			(79 092)
Other increases (decreases) of equity			6 997	1 865					8 862			8 862
Closing balance at 31 December 2021	**4 314 480**		**959 963**	**21 864**	**-**		**139 861**	**-**	**5 436 168**	**(26 734)**		**5 409 434**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Expressed in thousands of Euros)

At 31 December 2020

	EQUITY											
			RESERVES									
	Capital / Endowment fund	Share premium	Accumulated reserves (losses)	Reserves (losses) of entities valued through equity method	Other capital instruments	Minus: Treasury shares	Profit/(loss) for the year attributable to the parent company	Minus: dividends and remunerations	Total equity	Other accumulated comprehensive income	Minority shareholders	Total Equity
Closing balance at 31 December 2019	**4 314 033**		**952 401**	**18 262**			**109 378**	**-**	**5 394 074**	**(20 493)**		**5 373 581**
Total recognised income and expenses							79 092		79 092	(104 822)		(25 730)
Other variations of equity:	171		565	1 737			(109 378)	-	(106 905)	-		(106 905)
Capital increases / endowment fund	171								171			171
Capital decreases												
Transfers between equity items							(109 378)	25 000	(84 378)			(84 378)
Other increases (decreases) of equity			565	1 737				(25 000)	(22 698)			(22 698)
Closing balance at 31 December 2020	**4 314 204**	**-**	**952 966**	**19 999**			**79 092**	**-**	**5 366 261**	**(125 315)**		**5 240 946**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Expressed in thousands of Euros)

	2021	2020
A. CASH FLOWS FROM OPERATING ACTIVITIES	**6 654 970**	**1 972 545**
1. Consolidated profit/(loss) for the year	**139 861**	**79 092**
2. Adjustments to obtain operating cash flows	**26 177**	**(18 687)**
Depreciation and amortisation	4 782	4 423
Other adjustments	21 395	(23 110)
3. Net increase /(decrease) in operating assets	**3 278 190**	**(733 920)**
Trading portfolio	51 023	7 683
Other financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(618 151)	207 143
Financial assets at amortised cost (2019)	4 016 402	(874 256)
Other operating assets	(171 084)	(74 490)
4. Net increase/(decrease) in operating liabilities	**3 237 856**	**2 706 512**
Trading portfolio	(50 244)	(8 488)
Other financial liabilities at fair value through profit or loss	-	-
Financial liabilities at amortised cost	2 766 675	1 946 766
Other operating liabilities	521 425	768 234
5. Collections/(payments) for income tax	**(27 114)**	**(60 452)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	**(5 231)**	**(2 690)**
6. (Payments)	**(6 931)**	**(4 286)**
Property, plant and equipment (Note 13)	-	-
Intangible assets (Note 14)	-	-
Shareholdings (Note 12)	(6 931)	-
Non-current assets and liabilities associated for sale (Note 17)	-	(4 286)
Other payments related to investing activities	-	-
7. Collections	**1 700**	**1 596**
Property, plant and equipment (Note 13)	1 345	1 583
Intangible assets (Note 14)	355	13
Shareholdings (Note 12)	-	-
Non-current assets and liabilities associated for sale (Note 17)	-	-
Debt securities at amortised cost (Note 10.1)	-	-
Other collections related to investing activities	-	-

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS CORRESPONDING TO YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Expressed in thousands of Euros)

	2021	2020
C. CASH FLOWS FROM FINANCING ACTIVITIES	**276**	**(24 829)**
8. (Payments)	**-**	**(25 000)**
Dividends	-	(25 000)
Subordinated liabilities		
Amortisation of own equity instruments		
Acquisition of own equity instruments		
Other payments related to financing activities		
9. Collections	**276**	**171**
Subordinated liabilities	-	
Issue of own equity instruments	-	
Disposal of own equity instruments	-	
Other collections related to financing activities (Note 20)	276	171
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS	-	
E. NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**6 650 015**	**1 945 026**
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2 729 630**	**784 604**
G. CASH OR CASH EQUIVALENTS AT END OF THE YEAR	**9 379 645**	**2 729 630**
MEMORANDUM ITEM		
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD		
Cash (Note 6)	**5**	**9**
Cash equivalent balances with central banks (Note 6)	**9 344 958**	**2 704 007**
Other financial balances (Note 6)	**34 682**	**25 614**
Minus: bank overdrafts repayable	-	-

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
corresponding to the year ended at 31 December 2021

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CORRESPONDING TO THE YEAR ENDED AT 31 DECEMBER 2021

1. INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

Instituto de Crédito Oficial (hereinafter “the Institute” or “ICO”) created by the Law 13/1971 on Official Credit Organisation and System was regulated, up until the publication of Royal Decree Law 12/1995 on Urgent Budget, Tax and Financial Measures, by the provisions of Article 127 of Law 33/1987 on the General State Budgets for 1988 and some provisions not repealed of Law 13/1971.

The Institute is domiciled at Paseo del Prado, 4, in Madrid, place where it carries out all of its activities without having any other office network in Spain.

The Institute is a public business entity of those provided for Article 103 of Law 40/2015 on Legal Regime of the Public Sector, pertains to the Minister of Economic Affairs and Digital Transformation, through the Secretary of State for Economy and Company Support; it is a credit institution by law and is considered to be a State Finance Agency with its own legal personality, assets and finance, as well as management autonomy to fulfil its purpose.

The Secretary of State for Economy and Company Support is responsible for the strategic management of the Institute, as well as for the evaluation and control of the results of its activities.

The Institute is governed by the provisions of the Law 40/2015 on the Legal Regime of the Public Sector, through Additional Provision Six of Royal Decree-Law 12/1995, on Urgent Budget, Tax and Financial Measures; by applicable provisions of Law 47/2003, of 26 November, General Budget, by its bylaws, approved by Royal Decree 706/1999, on the adaptation of Instituto de Crédito Oficial to Law 6/1997 (14 April) and the approval of its bylaws, and any other matter not covered by the above regulation, are governed by the special legislation applicable to credit institutions and general civil, mercantile and employment legislation.

Concerning the Corporate Governance, in addition to the abovementioned Law 40/2015, Royal Decree 1149/2015, of 18 December, is applicable to the Institute. Since its entry into force, the General Council is made up by the President and 10 Members (9 until then), in whose appointment objective selection criteria are applied, such as the prestige and training, regulating incompatibilities, and establishing a three-year period, renewable (only once) for three more. Independent Members have double vote in financial business matters and will therefore be majority in the ICO's General Council. The Members' appointment and cessation is the responsibility of the Council of Ministers, at the proposal of the Minister of Economic Affairs and Digital Transformation.

The requirements to be appointed as independent Director include: recognised commercial and professional honourability, have appropriate knowledge and experience, not incurring potential permanent conflicts of interest and refrain from developing activities by self-employed or employed which involve effective competition with the ICO. Furthermore it is required not be linked to credit institutions; financial credit establishments; investment firms; collective investment schemes, risk capital entities, its subsidiaries and the group which they belong to or associations.

The General Board members will have to perform their functions always attending to the ICO interest, as well as keeping secret on information, data, reports and confidential backgrounds to which they have had access in the performance of their duties, even after ceasing their duties. The dismissal can occur by resignation accepted by the Minister of Economic Affairs and Digital Transformation, expiry of the mandate for the independent Members or termination in the case of Members from the public sector. Unexpected lack of suitability in the case of independent members will be cause of dismissal, just like serious breach of confidentiality duties or conflict of interest.

The Institute's purposes are to sustain and promote economic activities that contribute to growth, and the improvement of national wealth distribution, especially, of all those activities that deserve some support due to their social, cultural, innovative or ecological importance.

When pursuing these aims, the Institute must completely respect the principles of financial balance and the adaptation of the means to purposes.

The Institute has also the following functions:

a) Contribute to the mitigation of the economic effects deriving from serious economic recessions, natural catastrophes or similar situations, in accordance with the instructions received in this aspect from the Council of Ministers or the Government Commission for Economic Matters.

b) Act as the principal instrument for executing certain economic policy measures, in line with the fundamental guidelines established by the Council of Ministers or the Government Commission for Economic Matters, or the Ministry of Economic Affairs and Digital Transformation, subject to the rules and decisions adopted by its General Board.

Within the framework of these purposes and duties, the following types of operations are included:

1. Direct and mediation activities, modalities that count with a wide catalogue of financing products and collaterals through which ICO contributes to promoting feasible business projects, favouring the growth of companies, their long-term investments, and international activity, in order to promote the sustainable growth, employment generation, and wealth distribution.

2. Reciprocal Interest Adjustment Agreement (CARI for its initials in Spanish). This exportation support system ensures a good performance for the member financial institution, domestic or foreign. The Institute merely acts as an intermediary in the transaction, charging the State for its management costs, in accordance with the provisions of the General State Budget Act for each year.

   The net result of interest adjustments with member banks is regularly offset by the State or through a payment by the Institute to the State, depending on which part is the debtor or creditor, respectively.

3. Development Promotion fund (FONPRODE for its initials in Spanish). This Fund was established in 2010 under Act 36/2010. It is designed to finance development projects and programs in under developed countries in the form of State-to-State grants. The Institute acts as a Government agent. The structure, administration and accounting of these transactions is kept separated from all other operations, in independent accounts maintained by the Institute, and for what the ICO is reimbursed for the cost of management in accordance with the General State Budget for each year. As of December 2010, this particular Fund, acquired the Fund for micro-credits granting, also managed by the Institute since 1998 until its merger into FONPRODE.

4. Companies Internationalisation Fund (FIEM for its initials in Spanish). This Fund was established in 2010 under Act 11/2010. Its activity consists on providing reimbursable financing for projects, under concessions or market terms, tied to the acquisition of Spanish goods and services and to the execution of Spanish investment projects or those of national interest. The Institute acts as a Government agent and the structuring, administration and accounting for these transactions is kept separate from all other operations, in independent accounts maintained by the Institute and for what the ICO is reimbursed for the cost of management in accordance with the General State Budget for each year.

5. Water and Sanitation Cooperation Fund. It was created through the Sixty-First Additional Provision of Law 51/2007, 26 December, of the 2008 General State Budget to fund water and sanitation projects under the financing arrangements with the national authorities of the Latin America Countries, considered a priority for the Spanish cooperation.

6. Finance Fund to Local Entities, resulting from the 17/2014 Royal Decree-Law, of 26 December, measures of financial sustainability of the autonomous communities and local entities and others of economic nature, in order to ensure financial sustainability of the municipalities attached, by addressing its financial requirements. The equity of the Fund is endowed by the result of the liquidation of the Fund for the Financing of Payments to Suppliers (created by Royals Decrees 4/2012 and 7/2012), which happens in all its rights and obligations, effective January 1, 2015. ICO plays the trader role, without registering any of these operations on its accounting records. This activity generates for the Institute a pertinent trading commission.

7. Finance Fund to Autonomous Communities resulting from 17/2014 Royal Decree-Law of 26 December, measures of financial sustainability of the autonomous communities and local entities and others of economic nature, in order to ensure financial sustainability of the autonomous communities attached. The equity of the Fund is endowed by the result of the liquidation of the Autonomous Region Liquidity Fund (created by Royal Decree 21/2012), which happens in all its rights and obligations, effective January 1, 2015. Also it included in the equity part of the funding mechanism for payment to suppliers in the part corresponding to Autonomous Communities. ICO plays the trader role, without registering any of these operations on its accounting records. This activity generates for the Institute a trading commission.

8. ICO COVID-19 surety lines, established and regulated by RD Law 8/2020, of 17 March, RD Law 25/2020, of 3 July, RD Law 11/2020, of 31 March, RD Law 34/2020, of 17 November and RD Law 5/2021, of 12 March. This regulation, developed through the corresponding Agreements of the Council of Ministers, approved the establishment of several State surety lines, for an amount above 140,000 million Euros, in order to ease the maintenance of employment and palliate the economic effects of the health crisis caused by the COVID-19. Sureties are granted to financing granted by financial entities to ease the access to credit and liquidity for businesses and employers (liquidity surety lines), as well as to face the financial needs derived from the performance of new investments (investment surety lines). Additionally, specific tranches were enabled, establishing sureties in issues of promissory notes made by companies in the Alternative Fixed-Income Market (MARF). Sureties have a term of up to 8 years. Also, a surety line is contemplated for lessees, in the modality of liquidity loans, guaranteed and subsidised by the State to face the lease of the families' main residences. In this activity, ICO acts on behalf of the State, exercising management and administration functions, for which the Institute accrues the corresponding commissions, registered as income in the income statement.

Except for the direct and mediation activity, which is included in the Institute's accounts, its remaining functions are management operations of public funds, performed by ICO as State's Financial Agency, and therefore are not included in the Institute's accounts, by virtue of regulations applicable to them.

1.2 Bases of presentation of the consolidated annual accounts

The Group presents its consolidated annual accounts according to the International Financial Reporting Standards adopted by the European Union (hereinafter, IFRS-EU), taking into account accounting principles and standards established by Circular 4/2017, of 27 November (hereinafter, Circular 4/2017), of Bank of Spain, on public and reserved information standards and models of financial statements. This Circular 4/2017 is compulsorily applicable to individual annual accounts of the Spanish Credit Institutions.

Accordingly, the preparation of the accompanying consolidated annual accounts has been based on the Group Companies' accounting records and in agreement with the International Financial Reporting Standards (IFRS) adopted by the European Union (IFRS-EU) and Circular 4/2017 of Bank of Spain, and subsequent amendments, and with the Commercial Code, Capital Corporations Act or other applicable Spanish regulations, to show the true and fair view of the Group's consolidated equity and consolidated financial situation at December 31, 2021 and results from its operations, changes in consolidated equity and consolidated cash flows corresponding to the year therein ended.

The information contained on in these consolidated annual accounts corresponding to 2020 is solely and exclusively presented for comparison purposes with information related to 2021 and, accordingly, does not constitute the Group's annual accounts of 2020.

Note 2 summarises the most significant accounting principles, policies and valuation criteria, applied in the preparation of the Group's annual accounts corresponding to the year ended at December 31, 2021.

Main regulatory changes during the period from January 1 to December 31, 2021

Circular 5/2021, of 22 December

This standard updates Circular of Bank of Spain 2/2016, of 2 February, and completes the adaptation of the Spanish legal system to Directive 2013/36/EU and EU Regulation 575/2013, on supervision and solvency. The standard has not had a significant impact in the ICO.

Circular 6/2021, of 22 December

The Circular amends Circulars 4/2017, of 27 November, and 4/2019, of 26 November, on financial reporting standards and models of financial statements for credit institutions and financial credit establishments. The standard updates certain reports to be issued to the Regulator (FINREP, UEM), which are being complied with by ICO in due time. It also updates the corresponding provisions in relation to the application of the reform of rates of reference IBOR (accounting hedges, other financial operations and information on the annual accounts), with a scarcely significant impact in the Institute. Finally, it updates Annex IX, of analysis and coverage of the credit risk: (i) adapting the standard on the concession and monitoring of loans to the EBA guidelines (already applied by ICO); (ii) adjusting criteria for the reclassification outside the doubtful risk of restructured or refinanced operations, to adapt them to EU Regulation 2021/451 (application from 31/12/21 or optionally from 30/06/21, already applied by ICO); (iii) amending tables of percentages of alternative solutions for the collective estimate of hedges, generally increasing them.

RD Law 5/2021, of 12 March, of extraordinary measures to support the business solvency in response to the COVID-19 pandemic and ACM of May 25, 2021

The standard establishes, among others, three measures to support the business solvency in relation to the debt guaranteed by the State under RD Law 8/2020 and RD Law 25/2020: (i) extension of the maturity and/or grace period; (ii) conversion of the guaranteed financing into participation loan; (iii) direct transfers to reduce of principal of the guaranteed debt, under the condition that the intermediary financial entity adheres to a Code of Best Practices. These solvency measures and those corresponding to the Code of Best Practices have been developed in ACM of May 11, 2021. Moreover, through ACM of May 25, 2021, a new sureties tranche is released for an amount of up to 15,000 million Euros, to guaranteed financing granted by credit institutions to companies and freelancers.
Standards and interpretations published until the date of formulation of the Group's financial statements that are not yet in force are included below. The Group intends to adopt these standards, if applicable, as soon as they become effective:

IFRS 17: "Insurance contracts"

IFRS 17 establishes the principles of registration, valuation, presentation and disclosure of insurance contracts. Its objective is to ensure that an entity provides relevant information, fairly representing such contracts. IFRS 17 substitutes IFRS 4 on insurance contracts and will enter into force for years beginning from January 1, 2023.

Modifications of IAS 1: "Presentation of financial statements"

It introduces clarifications on requirements to be applied in the classification of liabilities as current or non-current, and will enter into force in years beginning from January 1, 2023.

Modifications of IFRS 3: “Business combinations”

Modifications are made on references to the Conceptual Framework for Financial Information contained in the standard. It will enter into force for years beginning from January 1, 2022.

Modifications of IAS 16 “Property, plant and equipment”

Elimination that an entity deducts from the cost of a tangible asset net amounts from the sale of any element before the asset is available for use. It will enter into force for years beginning from January 1, 2022.

Modifications of IAS 37 “Provisions, contingent liabilities and contingent assets”

It specifies components that must be included by an entity in the determination of the cost for complying with the contract’s clauses for the purpose of assessing its onerous nature. It will enter into force for years beginning from January 1, 2022.

Annual project of “Improvements of IFRS” (cycle 2018-2020)

It will enter into force for years beginning from January 1, 2022, allowing early application. Improvements included in this cycle affect the following standards:

- IFRS 1 “First-time adoption of International Financial Reporting Standards”. For those subsidiaries that have adopted the IFRS at a date subsequent to the parent company’s adoption, they are allowed to measure accumulated conversion differences using amounts used by their parent company, preventing the need to maintain two parallel accounting registrations.

- IFRS 9 “Financial instruments”. The modification clarifies which costs or fees must be included by an entity for the purpose of performing the quantitative test of 10% to write off a financial liability. In this sense, the entity should only include as costs or fees those paid or received between the lender and borrower.

- IFRS 16 “Leases”. Modification of the illustrative example 13, attached to the standard, in order to avoid a possible confusion on the accounting treatment of lease incentives.

- IAS 41 “Agriculture”. Elimination of the requirement to exclude cash flows for taxes when measuring the fair value according to the IAS 41.

All compulsory accounting principles and standards with a significant effect have been applied in their preparation, including on Note 2 a summary of accounting principles and standards and the most significant valuation criteria applied on the present consolidated annual accounts. The Chairman of the Group’s Parent Company is responsible for the information contained on the present consolidated annual accounts.

The Group's consolidated annual accounts of 2021 have been formulated by the Parent Company's Chairman on March 30, 2022, awaiting approval by the Institute's General Board, Group's Parent Company, expecting their approval without significant changes. The present consolidated annual accounts, unless otherwise indicated, are presented in thousands of Euros.

1.3 Responsibility for information and estimates.

The information contained in the Group's consolidated annual accounts for the year ended at December 31, 2021 and the accompanying consolidated Notes are responsibility of the Institute's Chairman. In the preparation of these annual accounts, some estimates have been made by the Group to quantify certain assets, liabilities, income, expenses, and commitments included in those statements. These estimates basically refer to the following:

- Impairment losses of financial assets (Note 2.7).
- Assumptions used in actuarial calculations of liabilities and commitments related to post-employment benefits and other long-term commitments with employees (Note 2.10.2).
- Useful life of fixed assets and intangible assets (Notes 2.12 and 2.13).
- Losses on future obligations derived from granted contingent commitments (Note 2.14).
- The fair value of certain unlisted assets (Note 2.2.3).
- Recoverability of tax assets (Note 2.11).

Although these estimates were made based on the best information available at December 31, 2021 in relation to the analysed facts, future events could lead significant adjustments to be made (upward or downward) in coming years. These changes would be made prospectively, to recognise the impact of the change in the estimate of the consolidated profit and loss account for the specific years.

1.4 Transfer of assets and liabilities from the former Argentaria

The extinct entities Argentaria, Caja Postal and Banco Hipotecario, S.A., were the result of the merger between Corporación Bancaria de España, S.A., Banco Externo de España, S.A. (BEX), Caja Postal, S.A. and Banco Hipotecario de España, S.A. (BHE), in accordance with the public merger document dated September 30, 1998. Banco de Crédito Agrícola, S.A. (BCA), which was previously taken over by Caja Postal, S.A. and Banco de Crédito Local de España, S.A. (BCL), which also pertained to the first entity, Argentaria, maintains its legal personality.

Based on what was established in the A.C.M. on February 15, 1993, the Institute acquired on December 31, 1992, assets and liabilities pertaining to BCL, BHE, BCA and BEX derived from economic policy operations that were guaranteed by the State or the Institute and, specifically, the loans and guarantees provided to companies in conversion (covered by the conversion and re-industrialisation legislation). Also exceptional loans granted to victims of floods were acquired, as well as loans granted by these entities prior to their transformation into public limited liability companies, and other assets, rights and equity investments.

Furthermore, on March 25, 1993, a management contract was signed with the relevant banks, regarding the assets and liabilities transferred, including its administration as well as its correct accounting in accordance of the current banking legislation.

On January 2019, both the management, and the administration and bookkeeping of transferred assets and liabilities was assumed by the Institute. At December 31, 2021, the balance of net assets was of 17 thousand Euros and the amount of results generated in the year was of 247 thousand Euros (29 thousand Euros of net assets and 161 thousand Euros of results at December 31, 2020).

1.5 Presentation of individual annual accounts

In accordance with Article 42nd of the Spanish Code of Commerce, the Institute has formulated, at the same date as the present consolidated annual accounts, individual annual accounts, prepared in accordance with the same accounting principles and standards and valuation criteria applied on the Group's present consolidated annual accounts. The consolidation effect on the accompanying balance sheet at December 31, 2021 and 2020, the profit and loss account, the statement of total changes in equity, the statement of recognised income and expenses, and the statement of cash flows of 2021 and 2020, implies the following differences:

	Thousands of Euros			
	2021		2020	
	Individual	Consolidated	Individual	Consolidated
Assets	37 766 136	37 790 436	34 386 075	34 406 884
Equity	5 354 004	5 409 434	5 202 375	5 240 946
Profit/(loss) for the period	122 960	139 861	70 188	79 092
Total income and expenses recognised in equity	221 541	238 442	(34 634)	(25 730)
Net increase / (Decrease) of cash and cash equivalents	6 650 111	6 650 015	1 944 929	1 945 026

1.6 Environmental impact and greenhouse gas emission rights

The Group's global transactions follow the laws on environmental protection. The Institute considers that it substantially complies with these Laws and maintains procedures designed to ensure and encourage its compliance.

Also, the Group considers that appropriate environmental protection and improvement measures have been taken, and to minimise, when possible, the environmental impact following rules regarding this matter. In 2021 and 2020, the Group has not carried out significant environmental investments and has not considered it necessary to register any provision for environmental risks and charges. Furthermore, the Institute has not considered any significant contingencies in relation to environmental protection and improvement, and has not had greenhouse gas emission rights.

1.7 Minimum coefficients

1.7.1 Minimum equity ratio

Bank of Spain, on May 22, 2008, issued Circular 3/2008 on identification and control of minimum equity. The aforesaid Circular is the final development in the field of credit institutions, on the legislation on equity and supervision on a consolidated basis of the credit institutions issued from Law 36/2007 of 16 November. It amends Act 13/1985, of 25 May, of the investment ratio, equity and information obligations of financial intermediaries and other financial system that includes the Royal Decree 216/2008, of February 15 of credit institutions' equity. This also completes the process of adapting the legislation of Spanish credit institutions to EU Directives 2006/48/EC of the European Parliament and the Council of June 14, 2006 concerning the business of credit institutions (recast) and 2006/49/EC of the European Parliament and the Council of June 14, 2006 on capital adequacy of investment services companies and credit institutions (recast). The two Directives have been deeply revised, following the equivalent agreement adopted by the Basel Committee on Banking Supervision (known as Basel II), the minimum capital requirements due to credit institutions and their consolidated groups.

Law 10/2014 of 26 June, concerning management, supervision and solvency of credit institutions, has replaced, from January 1, 2014, the former legal body concerning prudential banking regulation (Law 13/1985, from 25 May, and Circular 3/2008 of the Bank of Spain). Previously, the European Union moved to its legal system Basel III accords, as of December 2010, by Regulation (EU) No 575/2013 of the European Parliament and of the Council from 26 June on the prudential requirements for credit institutions and investment services companies, amending Regulation (EU) No 648/2012 and Directive 2013/36/EU of the European Parliament and of the Council of 26 June, relating to the activity of credit institutions and the prudential supervision of credit institutions and investment services companies, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC as transposed into our system started with Royal Decree-Law 14/2013, of 29 November, on urgent measures for adaptation of Spanish law with the norms of the European Union supervision and solvency of credit institutions.

The main purpose of Law 10/2014, of 26 June, was to adapt Spanish law to regulatory changes imposed on the international stage and the European Union, directly incorporating the provisions of Regulation (EU) 575/2013 of 26 June (CRR), and making the proper transposition of Directive 2013/36/EU of 26 June (CRD). These Community rules have led to a substantial alteration of the rules applicable to credit institutions, since aspects such as the supervisory regime, capital requirements and penalty system has been extensively modified.

The CRR and CRD regulate capital requirements in the European Union and include the recommendations set out in the Basel III capital regulatory framework or agreement, specifically:

- The CRR, which is directly applicable to Member States, contains prudential requirements for credit institutions and covers, inter alia, the following:

  - The definition of elements of eligible equity, establishing requirements for hybrid instruments to be included and limiting the eligibility of minority interests.

  - The definition of prudential filters and deductions of items in each capital levels. In this respect, the Regulation includes new deductions compared to Basel II (deferred tax assets, pension funds) and introduces changes to existing deductions. Nevertheless, it notes that the Regulation establishes a phase calendar until its final full implementation between 5 and 10 years.

  - Establishment of minimum requirements (Pillar I), with three levels of equity: a Common Equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6% and a minimum requirement total capital ratio of 8%.

  - Requirement of credit institutions to calculate a leverage ratio, defined as Tier 1 capital divided by total exposure unadjusted for risk. The disclosure requirement will be applicable from 2016 onwards and the final definition was established in 2017 by supervisors.

- The aim and main purpose of the CRD, which must be transposed into national legislation by the Member States according to their criteria, is to coordinate national legislation regarding the access to the activity of credit institutions and investment firms and their governance and supervisory framework. The CRD includes, inter alia, additional capital requirements to those established in the CRR, which will be phased in gradually until 2019. Failure to comply will imply restrictions on the discretionary distributions of profit, specifically:

  - A capital conservation buffer and a countercyclical capital buffer, extending the regulatory framework of Basel III, to mitigate pro-cyclical effects of financial regulation. All credit institutions must maintain a capital conservation buffer of 2.5% above Common Equity Tier 1 and an institution-specific countercyclical capital buffer above Common Equity Tier 1.

  - A systemic risk buffer. For global systemically important institutions and other systemically important institutions to mitigate systemic or macro prudential risks;

i.e. risks of disruptions in the financial system with the potential to have serious negative consequences for the financial system and the real economy in a specific Member State.

- In addition, the CRD, within the oversight responsibilities, states that the Competent Authority may require credit institutions to maintain a larger amount of equity than the minimum requirements set out in the CRR (Pillar II).

Pursuant to Additional Provision 8th of Law 10/2014, of 26 June, on management, supervision and solvency of credit institutions, the Instituto de Crédito Oficial will apply Titles II (Solvency of credit institutions), III (Supervision) and IV (Legal penalties) of that Law, except as determined by regulations, and the provisions regarding duty of confidentiality of information.

From the period 2015, according with Circular 2/2014 of Bank of Spain, capital buffers established in this standard are applicable. To date, no amount has been established for the specific countercyclical capital buffer by the Banking Supervisor this year. ICO is not an entity of global systemic importance (EISM for its initials in Spanish) nor is it considered as a systemically important entity (EIS for its initials in Spanish).

In 2019, Regulation EU 2019/876, of 20 May, was approved, amending Regulation (EU) 575/2013 (CRR II) of Credit Entities' solvency. Although the standard will enter into force, in general, from June 28, 2021, certain provisions entered into force on June 27, 2019 (field of application, supervision powers, definitions, equity and admissible liabilities and definitions of the leverage ratio). These provisions did not affect ICO.

In 2020, Regulation EU 2020/873, of 24 June, was approved, amending Regulations EU 575/2013 and EU 2019/876 concerning certain adaptations made in response to the COVID-19 pandemic (including, among other measures, the extension of transitory provisions in relation to the effect of the IFRS 9 on provisions, for the purpose of solvency, establishment of new temporary prudential filters, and advancement of the new treatment for certain exposures, and application of the support factor to SMEs and Infrastructures). This standard's provisions have had a scarce impact in ICO.

At December 31, 2021 and 2020, the Group's computable capital is as follows:

	Thousands of Euros	
	2021	2020
Common Equity Tier 1 (*)	4 942 804	5 024 167
Capital	4 314 480	4 314 204
Reserves and prudential filters (**)	628 324	709 963
Tier 2	-	-
Other reserves (**)	-	-
Generic insolvency risk hedging	-	-
Total computable capital	4 942 804	5 024 167
Total minimum capital (***)	2 132 547	2 153 568

(*) The Group has no additional Tier 1.

(**) The total reserves used for the calculation of capital of the Group computable differ from those recorded in the consolidated balance sheet because in the calculation of capital are given: adjustments for intangible assets and adjustments for reserves.

(***) Calculated as 15.95% of risk-weighted assets (RWA), established by Bank of Spain for the Group for 2021 (same percentage established for 2020 closing)

At December 31, 2021 and 2020, the most important data of the minimal capital of the Group are (in thousands of Euros):

	Thousands of Euros	
	2021	2020
Tier 1	4 942 804	5 024 167
Risk-weighted assets (RWA)	13 370 200	13 501 994
Tier 1 ratio (%)	36,97%	37,21%
Computable total Capital	4 942 804	5 024 167
Computable total Capital ratio (%)	36,97%	37,21%
Minimum computable capital ratio (%) (*)	15,95%	15,95%

(*) The total minimum capital ratio from December 31 2021, established by Bank of Spain for the ICO Group, is 15.95%, considering both the requirements established by the Regulation EU 575/2013 (8%), and additional capital needs to cover concentration and business risks and other risks included in the Capital Self-Assessment Report corresponding to 2020 (5.45%) and the capital buffer (2.5%).

At December 31, 2021 and 2020, the Group's computable capital exceeds minimum requirements required by applicable regulations in 2,810,257 thousand Euros and 2,870,599 thousand Euros, respectively.

1.7.2 Minimum reserves ratio

The Institute must maintain a minimum level of funds deposited in a central bank of a Euro country to cover the minimum reserve requirements. At December 31, 2021, this level was 2% of computable liabilities. On November 24, 2011, Regulation (EU) No 1358/2011 came into effect, requiring 1% for additional computable liabilities (time deposits of over two years drawable subject to a notice period of more than two years, sales under repurchase agreements and securities other than shares with maturities of over two years). This amendment was applied following the maintenance period that started on January 18, 2012.

At December 2021 and 2020, and throughout 2021 and 2020, ICO complied with minimum ratios required by applicable Spanish regulations.

1.7.3 Capital management

The Group considers as capital, for management purposes, Tier 1 and Tier 2 computable regulated by the legislation which is applicable to it for solvency purposes (EU Regulation 575/2013).

In this sense, regulatory capital requirements are incorporated directly in the management, thereof in order to maintain at all times a solvency ratio not below the minimum established for the entity by Bank of Spain. This objective is met through a proper capital planning.

1.8 Post-balance sheet events

In accordance with Additional Provision of Law 24/2001, of 27 December, on Tax, Administrative and Social Security measures, amended by aforementioned Law 42/2006, the amounts recovered following the repayment by Central Government of the debts incurred with ICO as a result of certain credit and guarantee facilities granted by the former Entidades Oficiales de Crédito and the Institute itself, will form part of the Institute's equity. The amount estimated for 2021 totals 200 thousand Euros, which will be registered in 2022.

In 2022, the Instituto de Crédito Oficial, as a State Financial Agency, has capitalised by government order new credit lines for businesses and individuals in order to provide more liquidity to the Spanish credit system and to address other needs within the framework of the Institute's objectives. The main lines approved are the following:

- ICO Companies and Entrepreneurs Facility: this ICO line provides finance to freelances and companies performing its investments within the country and that need to fulfil their liquidity needs. Individuals and landlord communities can also take advantage of this line for housing restoration.

- ICO SGR/SAECA Guarantee Facility: this ICO line provides finance to freelances and Spanish or mixed companies, which resources are mainly located in Spain, within a

Reciprocal Guarantee Company (SGR for its initials in Spanish) or the state-owned corporation of Caución Agraria (SAECA for its initials in Spanish).

- ICO Commercial Facility: this ICO line provides finance to freelances and Spanish or mixed companies established in Spain, to obtain liquidity through the advance of the amount of invoices from their commercial business within the national territory.

- Línea ICO Red.es Acelera: Financing of projects for which the granting of aids by Red.es is approved, for the experimental development and promotion of digital technologies.

- ICO International Facility: this ICO line provides finance to freelances and Spanish or mixed companies with resources mainly Spanish performing productive investments overseas and/or that need to fulfil its liquidity needs.

- ICO Exporters Facility: this ICO line provides finance to freelances and Spanish companies that have a need of liquidity, and help them though advances in bills coming from its export activity.

- ICO International Channel Facility: Financing to support the internationalisation process for self-employed professionals and companies. The main difference between this product and ICO International Facility and ICO Exporters Facility is that the loans are applied for at local banks or international institutions that have a central office in the country where the investment projects or export activities are carried out.

As every year, during January 2022, ICO and credit institutions that submitted the application for membership of these credit lines handled the contracts' drafting and signatures.

The war caused by the Russian invasion in the Ukrainian territory is causing, among others, an increase in the price of raw materials and energy supplies, as well as the adoption of penalty measures by Western countries against Russia, affecting, to a greater or lesser extent, the economy in general and, in particular, those entities operating in the Ukrainian or Russian territory, or who have any bond with these countries. The ICO does not have a direct exposure with countries involved in the conflict and, despite the uncertainty it is causing, to date, the Entity's Directors do not expect this event to cause any issue in the Entity's daily activity and in the compliance with its obligations towards third parties.

No significant events other than those described in the previous paragraphs have occurred since the end of the reporting period (December 31, 2021) until the date these consolidated annual accounts were issued (March 30, 2022).

1.9 Information per business segment

The Group's activity is the granting of credit lines and direct loans. Therefore, in accordance with relevant legislation, it is considered that the information regarding the segmentation of operations into different lines of business at ICO is not relevant.

In addition, the Group develops its activity both inside and outside the Spanish territory. All operations are granted to fund Spanish interests.

1.10 'ICO Direct' lending activities

On June 2010, ICO launched a new business segment known as "ICO Direct", designed to provide financing to self-employed individuals, SMEs, and non-profit entities residing in Spain (which have been operating for more than one year) in order to make new investments in machinery, furniture, IT equipment and buildings. This business segment complements ICO's normal lending activities conducted through mediation lines to credit institutions and represents a broadening of the finance channels aimed at SMEs and self-employed individuals. ICO Direct line was renewed for 2011 and 2012, finishing at June 2012.

Transactions derived from ICO Direct activities were formally processed and administered by Banco Santander (BS) and Banco Bilbao Vizcaya Argentaria (BBVA). These credit institutions were awarded in the public tender held by ICO for this purpose.

The balance at December 31, 2021 of total net assets was of 174 thousand Euros (383 thousand Euros at December 31, 2020). Net results generated in 2021 have amounted to 3,728 thousand Euros (3,763 thousand Euros in 2020).

1.11 ICO local corporation lending activity in 2011

The 2011 ICO-Local Corporation Facility started as a consequence of Royal Decree-Law designed to foster the stability of public accounts and social protection approved in July 2011 by the Spanish Council of Ministers. Its aim was to alleviate the problems of many self-employed professionals and small businesses that, in light of the struggling economy, were suffering from major problems settling their charging rights on supplies, works and services provided to local entities.

This facility was designed to provide local corporations (local and municipal governments) with liquidity to settle their pending invoices until April 30, 2011. It was mostly designed to help them repay debts with self-employed individuals and SMEs based on the age of certifications or documents.

ICO-Local Corporation Facility was in operation from July 2011 to November 2011. During this time, the facility enabled 1,029 local, regional and inter-island town councils through Spain to settle 222,975 outstanding invoices, accounting a total amount of 967 million Euros for supplies, constructions and services provided by 38,338 self-employed individuals and SMEs during 2011. The formalisation and administration of the 2011 ICO-Local Corporation Facility operation is carried out through several EECC added to the project.

At December 31, 2021, the balance of these assets (classified as doubtful assets) has been of 2,557 thousand Euros (3,458 thousand Euros at December 31, 2020).

This line is guaranteed to the Institute with the Participation in State Income (PTE for its initials in Spanish) of the borrowing EELL. The reduction in the outstanding balance of this line, from the beginning of it and until December 31, 2021, under the PTE, is 62.79 million Euros (61.89 million Euros at December 31, 2020). Out of the 1,029 hosted entities to December 31, 2021, a total of 409 entities have had to resort to the PTE. At December 31, 2021, PTE deductions are still being claimed to 7 EELL, for an outstanding amount of 2.6 million Euros.

2. ACCOUNTING PRINCIPLES, POLICIES AND VALUATION METHODS APPLIED

During the development of the Group's consolidated annual accounts for the year ended at December 31, 2021, the following accounting principles, policies and valuation methods have been applied:

a) Going concern principle

In preparing the financial statements, it has been considered that the management of the Institute will continue in a foreseeable future. Therefore, the application of accounting standards is not designed to determine the net asset value for the purpose of global or partial transfer in the event of liquidation.

b) Accruals principle

The present annual accounts, except in relation to the statements of cash flows, have been elaborated based on the current flow of goods and services, regardless of their date of payment or collection.

c) Other general principles

The annual accounts have been prepared under the historical cost approach, but modified due to the revaluation, if any, of land and buildings (only at January 1, 2004) (Note 13), available for sale financial assets and financial assets and liabilities (including derivatives) at fair value.

2.1 Shareholdings

2.1.1 Group Companies

Subsidiaries are those over which the Institute has control. It is understood that an entity controls an investee when it is exposed, or has rights, to variable returns about its involvement with the investee and has the ability to affect those returns through the power exercised over the investee.

Consideration as subsidiaries requires:

- Power: An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities; i.e. the activities that significantly affect the investee's returns;

- Returns: An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative;

- Link between power and returns: An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.

These subsidiaries' annual accounts are consolidated with the Institute's in application of the global integration method, as defined on the regulation. Consequently, all balances derived from transactions between significant companies consolidated through this method have been eliminated in the consolidation process. The Institute, the Group's parent company, represents 99% of it.

Furthermore, shareholding by third parties, if any, in:

- The Group's equity is presented on caption "Minority shareholders" of the consolidated balance sheet, there not being any balance at December 31, 2021 and 2020.

- Consolidated results of the year are presented on caption "Results attributed to minority shareholders" of the consolidated profit and loss account, there not being any balance at December 31, 2021 and 2020.

  The consolidation of results generated by subsidiaries acquired on a year only takes into account those related to the period comprised from the acquisition date and the year's closing date.

Annex I provides relevant information on these entities, all of which close their financial year at December 31.

2.1.2 Associates

Associates are entities over which the Institute holds significant influence, although they are not part of a decision unit together with the Institute nor are they under joint control. Normally, significant influence generally accompanies a direct or indirect shareholding of 20% or more of the voting rights.

Shareholdings in associates are presented in these consolidated annual accounts under the heading "Investments in subsidiaries, joint ventures and associates – Associates" in the consolidated balance sheet and are valued at acquisition costs, adjusted impairment that they may have undergone.

Results generated from operations between the associate and Group Companies are written off from the percentage represented by the Group's shareholding on the associate.

Results obtained in the year by the associate, after the abovementioned write-off, increase or reduce, as applicable, the value of the investment on the consolidated annual accounts. The amount of these results is registered on the caption of "Profit/(loss) in entities valued through the equity method" of the consolidated profit and loss account (Note 27).

Variations in the associate's valuation adjustments, following the acquisition date, are registered as increase or decrease of the investment value. The amount of these variations has been registered on caption "Other accumulated comprehensive income" as valuation adjustments of the consolidated equity.

Annex I provides relevant information on these entities.

2.2 Financial instruments

2.2.1 Initial recognition of financial instruments

Financial instruments are initially recognised in the balance sheet when the Group becomes part of the relevant contract, in accordance with the terms of that contract. Specifically, debt instruments such as loans and deposits in cash are recognised as from the date on which, the legal right to receive or the legal obligation to pay the cash is generated, respectively. In general, financial derivatives are recognised on the date they have been contracted.

Purchases and sales of financial assets arranged through conventional contracts, understood as those contracts under the parties' reciprocal obligations must be fulfilled with a timeframe established by regulations or market conventions and which may not be settled by differences, such as stock market contracts or currency forwards, are accounted for from the date on which the benefits, risks, rights and duties inherent in all ownership are transferred to the acquirer. Depending on the type of financial asset, purchased or sold, this may be the date of the contract or the date of settlement or delivery. Specifically, transactions effected in the foreign exchange spot market are recognised at the settlement date, transactions affected using equity instruments traded in Spanish securities markets are recorded at the contract date and transactions affected using debt instruments traded in Spanish securities markets are recognised at the settlement date.

2.2.2 Transfers and disposal of financial instruments

Transfers of financial instruments are recorded taking into account the way in which risks and benefits associated with the transferred financial instruments are transferred, based on the following criteria:

- If risks and benefits are substantially transferred to third parties, as in unconditional sales, sales and repurchase at fair value at the date of the acquisition, sales of financial assets with a purchase option or sales gained issued deeply out of money, the securitisation of assets in which the grantor retains no subordinate financing or grant any credit enhancement to the new owners, etc., the transferred financial instrument is removed off from the balance sheet, recognising both any right or obligation retained or created as a result of the transfer.

- If risks and benefits associated with the transferred financial instrument are retained, such as sales of financial assets with repurchase agreements for a fixed price or the sale price plus interest, the loan contracts of values in which the borrower must return the same or similar assets, and so on., the transferred financial instrument is not removed off from the balance sheet and continues being measured with the same criteria used before the transfer. However, the associated financial liability by an equal amount to the consideration received is recognised, which is then valued at amortised cost, the transferred financial asset income, but not recognised and the new financial liability costs.

- If neither the risks and benefits associated with the transferred financial instrument are transferred nor substantially retained, such as sales of financial assets with a purchase option bought or sold that are neither inside nor outside money, securitisations in which grantor assumes a subordinated financing or other credit enhancements for a share of transferred assets, and so on, distinction is made between:

    - If the Entity does not retain control over the transferred financial instrument, in which case it is removed off from the balance sheet and recognises any right or obligation retained or created as a result of the transfer.

    - If the Entity retains control over the transferred financial instrument, in which case it continues recognising it on the balance sheet at an amount equal to its exposure to value fluctuations that can experience and a financial liability associated to an amount equal to the consideration received is recognised. Such liabilities are subsequently valued at amortised cost, unless it meets the requirements to be classified as financial liabilities at fair value through profit or loss. To calculate the amount of financial liabilities, the amount of its financial instruments (such as asset-backed securities and loans) that constitutes funding for the entity to which financial assets have been transferred will be deducted, in the exact amount as these financial instruments finance transferred assets specifically. The net amount between transferred assets and associated liabilities will be the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or fair value of the rights and obligations retained, if the transferred asset is measured at its fair value.

Therefore, financial assets are only removed from the balance sheet when the generated cash flows have been extinguished or when the implicit risks and benefits have been transferred to third parties.

Similarly, financial liabilities are only removed off the balance sheet when generated obligations have been extinguished or when they are purchased with the purpose of being cancelled or repositioned again.

2.2.3 Fair value and amortised cost of financial instruments

Financial assets

The fair value of a financial instrument at a given date is understood as the amount at which it may be purchased or sold at that same date between some informed parties, in an arm's length transaction. The most objective and common reference value for a financial instrument's fair value is the price that would be paid in an organised, transparent and deep market ("quoted price" or "market price").

In the absence of a market price for a specific financial instrument, its fair value is estimated on the basis of recent transactions involving similar instruments or, if failing this, using valuation techniques that have been accepted from the international financial community, taking into account the specific features of the instrument to be measured and, above all, the different types of associated risks.

Specifically, the fair value of a held-for-trading derivative financial instrument traded in organised, transparent and deep markets is the same as their daily market price. If, in exceptional circumstances, the price cannot be established on a given date, they are measured using similar methods to those applied to derivatives not traded in organised markets.

The fair value of derivatives not traded in organised markets, or traded in organised markets that are not deep or transparent, is equal to the sum of the future cash flows generated by the instrument, discounted at the measurement date ("present value" or "theoretical close"), employing valuation techniques accepted by the financial markets: "net present value" (NPV), option pricing models, etc.

Amortised cost is the acquisition cost of a financial asset or adjusted liability (upward or downward) for capital and interest repayments and, when applicable, for the (higher or lower) portion (recognised in the profit and loss account applying the effective interest method) of the difference between the initial amount and the repayment value of the financial instruments. The amortised cost of financial assets also includes impairment adjustments that may have occurred.

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows through its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that, in accordance with the provisions of Bank of Spain Circular 4/2017, must be included in the calculation of the effective interest rate The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions, and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

Other entities' shareholdings, whose fair value cannot be determined objectively and financial derivatives that have this instrument as its underlying assets and are settled by their delivery, are kept at cost, adjusted, where appropriate, by impairment losses experienced.

Variations in financial assets amounts are registered, in general, with a counterpart in the profit and loss account, differentiating the ones that are caused by the accrual of interest and similar items that are recorded in the heading of "Interest and similar income", and those corresponding to other causes that are recorded by the net amount under the heading of "Gains or losses on financial assets and liabilities" of the profit and loss account.

However, changes in instruments' value included under the portfolio of financial assets valued at fair value through other comprehensive income are temporarily recorded on caption "Other accumulated comprehensive income", unless they come from exchange differences. Amounts on caption "Other accumulated comprehensive income" for changes in the fair value of these financial instruments remain part of net equity until they are removed from balance sheet's assets where they are originated, moment when they are registered against a profit and loss account, unless they are financial instruments which valuation changes are never reclassified to the profit and loss account.

Also, value changes of the items included under the heading "Non-current assets held for sale" are recorded under "Other accumulated comprehensive income" as valuation adjustments in consolidated equity.

Related to financial instruments, valuations at fair value reflected in the annual accounts are classified using the following fair value ranking:

i) Level I: reasonable values are obtained from quoted prices (not adjusted) in active markets for the same instrument.

ii) Level II: fair values are obtained from valuation techniques in active markets for similar instruments, recent transaction prices or expected cash flows, or other valuation techniques in which all significant inputs are based, directly or indirectly, on observable market data.

iii) Level III: fair values are obtained from valuation techniques in which some significant inputs are not based on observable market data.

In financial assets designated as hedged items and hedging accounting, valuation differences are recorded taking into account the following criteria:

- In fair value hedges, the differences occurring in hedging items and in hedged items, in relation to the type of hedged risk are recognised directly in profit and loss account.

- Differences in valuation related to inefficiency of cash flows hedging and net foreign investments are sent directly to the profit and loss account.

- In cash flow hedges, the valuation differences arising on the effective hedging of the hedging items are temporarily registered under the heading of ‘Other accumulated comprehensive income’ as adjustment in net equity.

- In net foreign investments hedging, valuation differences arising on the effective hedging of the hedging items are temporarily registered under the heading of ‘Other accumulated comprehensive income’ as adjustment in net equity.

In the last two cases, valuation differences are not included in results until hedged item’s gains or losses are recorded in the profit and loss account or until the hedged item’s expiration date.

In interest rate risk’s fair value hedges of a financial instruments portfolio, gains or losses that arise when assessing the hedging instruments are recognised directly in the profit and loss account, whereas the gains or losses in the amount covered fair value changes, regarding the hedged risk, are recognised in “Other accumulated comprehensive income” as adjustment in financial assets by macro hedging.

In interest rate risk cash flows hedging of a financial instruments portfolio, the effective part of the hedging instrument’s value fluctuation is recorded temporarily in “Other accumulated comprehensive income” as adjustment in net equity until expected transactions occur, being then recorded in the profit and loss account. The ineffective portion of the hedging derivative's value fluctuation is directly registered on the profit and loss account.

Financial liabilities

Financial liabilities are recorded at amortised cost, as defined for financial assets in the note above, except in the following cases:

- Financial liabilities included in captions 'Financial liabilities held for trading' and 'Financial liabilities at fair value through profit or loss', are recorded at fair value, as defined for financial assets in the note above. Financial liabilities covered by fair value hedging operations are adjusted, being registered those fair value variations in relation to the hedged risk covered by the hedge operation.

- Financial derivatives whose underlying assets are equity instruments whose fair value cannot be determined in a sufficiently objective and be settled by delivery of these contracts are valued at cost.

Financial liabilities amount's variations are recorded, in general, offset by the profit and loss account, differentiating between those that are caused by interest accrual and similar items that are recorded in the heading of "Interest and similar income", and those corresponding to other causes, which are recorded under the heading 'Gains or losses on financial assets and liabilities measured at fair value through profit or loss' of the consolidated profit and loss account.

Financial liabilities designated as hedged items and hedging accounting valuation differences, are recorded taking into account the above criteria for financial assets, included in the previous note.

2.2.4 Classification and valuation of financial assets and liabilities

Financial instruments are classified into the following categories in the Institute's balance sheet:

- Central bank and credit institutions deposits, which are cash balances and amounts held in Bank of Spain, other central banks and other credit institutions;

- Financial assets and liabilities at fair value through profit or loss: this category is made up with financial instruments classified as trading portfolio and other financial assets and liabilities classified at fair value through profit or loss:

    - Financial assets are those financial assets included in the trading portfolio acquired in order to be realised in the short term or which form part of a portfolio of identified financial instruments for which there is evidence of recent actions taken to obtain short-term gains. Also, derivative financial instruments not designated as hedge instruments are considered as part of this category, including instruments segregated from hybrid financial instruments in accordance with applicable accounting rules.

- Financial liabilities are those liabilities included in the trading portfolio issued in order to be repurchased in the near future or that form part of a portfolio of financial instruments identified or jointly managed for which there is evidence of recent actions to obtain short-term gains, short positions in securities arising from sales of assets acquired under non-optional repurchase agreements and loans of securities, and derivative financial instruments not denominated as hedge instruments, including segregated from hybrid financial instruments. The fact that a financial liability is used to finance trading assets does not entail its own inclusion in this category.

- Other financial assets or liabilities at fair value through profit or loss are the following:

  - Financial assets that, not being included in the Trading portfolio, are considered as hybrid financial assets and are valued at fair value, and those that are jointly managed with Liabilities under insurance contracts valued at their fair value or with financial derivatives whose purpose and effect is to reduce its exposure to fluctuations in fair value or which are jointly managed with financial liabilities and derivatives in order to reduce the overall exposure to interest rate risk.

  - Financial liabilities designated at its initial recognition by the entity or when recognising them more relevant information is obtained because:

    - With it, inconsistencies in the recognition or appreciation arising from the asset or liabilities valuation or recognising the gains and losses will be deleted or significantly reduced, using different criteria.

    - A group of financial liabilities or both financial assets and liabilities is managed and their performance is evaluated based on their fair value, according to a risk management or investment information strategy. Documented information about groups is issued also on the basis of the fair value to the key Management staff.

- Assets valued at amortised cost. This category includes the following:

  - Debt securities with fixed maturities and cash flows of a determined or determinable amount. Debt securities included in this category are initially valued at fair value, adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognised in the profit and loss account using the effective interest method, defined in applicable accounting legislation as of Bank of Spain, 4/2020. They are subsequently valuated at amortised cost, based on the effective interest ratios.

- Loans and receivables: this category includes financing provided to third parties arising from the ordinary credit and loan activities carried out by the Institute and debts incurred by asset buyers and by service users. It also includes financial lease transactions in which entities act as lessors.

Financial assets included in this category are initially carried at fair value, adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under applicable accounting legislation as of Bank of Spain, 4/2020, must be recognised in the profit and loss account using the effective interest rate method. Once these assets are acquired, they are valued at amortised cost.

Assets acquired at discount are registered for the amount paid and the difference between the repayment value and that cash amount is recognised as a financial income, applying the effective interest rate method until maturity.

The accrued interest for assets included in this category, calculated using the effective interest rate method, is recognised in the caption “Interest and similar income” in the profit and loss account. Exchange differences on securities denominated in foreign currency, other than the euro included in this portfolio, are accounted as it is mentioned in Note 2.4. Possible impairment losses on these securities are recorded as indicated in Note 2.7. Debt securities included in fair-value hedging are recorded as mentioned in Note 2.3.

- Financial assets at fair value through other comprehensive income: this category includes debt securities not classified as instruments at amortised cost or at fair value through profit or loss, owned by the Institute, as well as equity instruments owned by the Institute corresponding to entities which are not subsidiaries, joint ventures or associated entities, which have not been classified as at fair value through profit or loss.

Instruments included in this category are initially measured at fair value, adjusted for transaction costs directly related to the acquisition of the financial asset, which are recognised in the profit and loss account using the effective interest rate method defined in applicable accounting legislation as of Bank of Spain, 4/2020, to maturity, unless the financial assets have no fixed maturities. In such cases, they are taken to the profit and loss account, when they become impaired or are written off the balance sheet. Subsequently, financial assets included in this category are valued at fair value.

Nonetheless, equity instruments whose fair value cannot be determined in a sufficiently objective way are valued at cost in these annual accounts, net for impairment calculated as explained in Note 2.7.

Products corresponding to interests or dividends accrued from these financial assets are registered with counterpart on captions “Interests and similar income” (calculated using the effective interest rate method) and “Dividends income” in the profit and loss account, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are accounted as mentioned in Note 2.4. Changes in fair value of financial assets covered by fair-value hedges are stated as mentioned in Note 2.3.

The remaining changes in the fair value of financial assets from acquisition are registered with counterpart in the Institute’s equity under caption “Other accumulated comprehensive income” as valuation adjustments, until the financial asset is written off, moment at which the balance registered on such caption is booked on the profit and loss account under caption “Profit and loss for write-off of financial assets and liabilities valued at fair value through profit or loss”.

- Financial liabilities at amortised cost: This category of financial instruments includes financial liabilities that are not included in any of the previous categories.

  Financial liabilities included in this category are initially carried at fair value, adjusted for transaction costs directly attributable to the issue of the financial liability, which will be recognised in the profit and loss account using the effective interest rate method, defined in applicable accounting legislation (Bank of Spain Circular 4/2017) to maturity. Subsequently they are measured at amortised cost, calculated by applying the effective interest rate method defined in applicable accounting legislation (Bank of Spain Circular 4/2017).

  The interest accrued on these assets, calculated using the effective interest rate method, is recognised in the caption “Interest and similar charges” in the profit and loss account. Exchange differences on securities denominated in foreign currency, other than the euro included in this portfolio, are accounted as mentioned in Note 2.4. Financial liabilities included in fair-value hedging are recorded as mentioned in Note 2.3.

Nevertheless, those financial instruments that must be classified as non-current assets held for sale, in accordance with the provisions of Rule Thirty-Four of Circular 4/2017, Bank of Spain, are included in the annual accounts as explained in Note 2.16.

The classification of financial instruments in these categories will be based in two elements: (i) the entity’s business model to manage financial assets; (ii) the characteristics of financial assets’ contractual cash flows:

- A financial asset is classified on the portfolio of financial assets at amortised cost when two conditions are met: (i) it is managed with a business model which objective is to hold financial assets to perceive contractual cash flows; and (ii) contractual conditions lead to cash flows at specified dates, which always are payments of principal and interests on the amount of the outstanding principal;

- A financial asset is classified on the portfolio of financial assets at fair value through other comprehensive income when the two following conditions are met: (i) it is managed with a business model which objective combines the perception of the financial assets' contractual cash flows and the sale; (ii) contractual conditions lead to cash flows at specified dates, which always are payments of principal and interests on the amount of the outstanding principal;

- A financial asset is classified on the portfolio of financial assets held for trading or financial assets obligatorily at fair value through profit or loss, as long as, due to the entity's business model for their management or to the characteristics of its contractual cash flows, it cannot be classified in any of the portfolios above.

  Nonetheless, the entity shall opt, at initial recognition and in an irrevocable manner, for including on the portfolio of financial assets at fair value through other comprehensive income investments in equity instruments which should not be classified as held for trading and which would be classified as financial assets obligatorily at fair value through profit or loss. This option will be exercised on an instrument basis.

  Also, the entity shall opt, at initial recognition and in an irrevocable manner, for designating any financial asset at fair value through profit or loss if thus valuation or recognition incoherencies are eliminated or significantly reduced (also called «accounting asymmetry») which would otherwise derive from the valuation of assets or liabilities, or recognition of profit or loss, on different bases. When there are accounting asymmetries, this option shall be exercised regardless of the entity's business model for its management and the characteristics of the contractual cash flows.

  Additionally, and regardless of the above, the entity shall opt, at initial recognition or subsequently, for designating any financial asset as belonging to the portfolio of financial assets at fair value through profit or loss, as long as requirements established on Circular 4/2017 are met.

Reclassifications between financial instruments portfolios are made exclusively, according to the following assumptions**:**

- When an entity changes its business model for the management of financial assets, it will reclassify all financial assets according to the following sections. Such reclassification will be prospectively performed from the reclassification date, not requiring a restatement of previously recognised profit, loss or interests. In general, changes in the business model are rare.

- If the entity reclassifies a debt instrument from the portfolio of amortised cost into fair value through profit or loss, the entity must estimate its fair value at reclassification date. Any profit or loss generated for the difference between the previous amortised cost and the fair value will be recognised on the profit and loss account. If the entity reclassifies a debt instrument from the portfolio of fair value through profit or loss into amortised cost, the asset's fair value at reclassification date will be its new gross carrying amount.

- If the entity reclassifies a debt instrument from the portfolio of amortised cost into fair value through other comprehensive income, the entity must estimate its fair value at reclassification date. Any loss or profit generated for differences between the prior amortised cost and the fair value will be recognised in other comprehensive income. The effective interest rate and the estimate of expected credit losses will not be adjusted as a consequence of the reclassification.

- If a debt instrument is reclassified from the portfolio of fair value through other comprehensive income into amortised cost, the financial asset will be reclassified at the fair value at reclassification date. The accumulated profit or loss at reclassification date in other accumulated comprehensive income of equity will be cancelled using as counterpart the asset's carrying amount at reclassification date. Thus, the debt instrument will be valued at reclassification date as if it had been valued at amortised cost. The effective interest rate and the estimate of expected credit losses will not be adjusted as a result of the reclassification.

- If the entity reclassifies a debt instrument from the portfolio of fair value through profit or loss to fair value through other comprehensive income, the financial asset will continue being valued at fair value, without modification of the registration of previously registered value changes.

- If the entity reclassifies a debt instrument from the portfolio of fair value through other comprehensive income into fair value through profit or loss, the financial asset will continue being valued at fair value. The profit or loss previously accumulated in «other accumulated comprehensive income» of equity will be transferred to profit or loss of the period at reclassification date.

- When the investment in a subsidiary, joint venture or associate is no longer classified as such, the retained investment, if any, will be measured at its fair value at reclassification date, recognising all profits or losses generated for the difference between its carrying amount prior to the reclassification and such fair value in profit or loss or in other comprehensive income, as applicable, based on the subsequent valuation of the retained investment.

- The investment in an entity prior to its qualification as subsidiary, joint venture or associate will be valued at fair value until the date when control, joint control or significant influence is obtained. At this last date, the entity must estimate the fair value of the prior investment, recognising any profit or loss generated for the difference between its carrying amount prior to the reclassification and such fair value, in profit or loss or in other comprehensive income, as applicable. Where applicable, the accumulated profit or loss in other accumulated comprehensive income of equity will be maintained until the investment is written off from the balance sheet, moment at which it will be reclassified into an item of reserves.

- The entity will not reclassify any financial liability.

- For the purpose of sections above, changes derived from the following circumstances are not considered as reclassifications:

    - When an element that previously was a designated and efficient hedging instrument in a cash flow hedging or net investment hedging in a foreign business ceases complying with requirements to be considered as such.
    - When an element becomes a designated and efficient hedging instrument in a cash flow hedging or net investment hedging in a foreign business.
    - When there are changes in the valuation of financial instruments because they are designated, or cease being designated, at fair value through profit or loss.

There has been no reclassification during 2021 or 2020.

2.3 Financial derivatives

Financial derivatives are instruments that provide a loss or gain, and allow, under certain conditions, the compensation of the totality or part of the credit and / or market risks associated to transactions and balances, using interest rate and certain rates, individual securities prices, exchange rate cross-currency or other similar references as underlying assets. The Institute uses financial derivatives traded in bilateral organised or negotiated markets being the counterpart out of organised markets (OTC).

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign and market exchange rate, among others. When these operations meet certain requirements of the Rules Thirty-first and thirty-second of Circular 4/2017, Bank of Spain such operations are considered as “hedging”.

When the Group designates a transaction as a hedge, it does so from the initial moment of the transactions or the instruments included in those hedges, that hedge being appropriately documented. When documenting these hedging transactions the instrument or instruments hedged and hedging instrument or instruments are properly identified together with the nature of the risk which is intended to be covered and the criteria or methods followed by the Group to measure the efficiency of the hedge over its life, taking into account the risk that it must cover.

The Group only applies hedge accounting for hedges that are considered highly effective over their entire lives. A Hedge is considered highly effective if during the envisaged term any changes in fair value or cash flows attributed to the risk covered in the hedging of the financial instrument or instruments hedged, are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

In order to measure the efficiency of hedging defined as such, the Group analyses whether from the beginning until the end of the defined hedging period, changes in fair value or cash flows of the hedged item, which may be attributed to the hedged risk may prospectively, be expected to be offset almost completely by changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments and that retrospectively the results of the hedge have fluctuated in a measurement range of 80% to 125% with regard to the results of the hedged item.

Hedging transactions carried out by the Group are classified into the following categories:

- Fair-value hedges: They cover the exposure to changes in the fair value of financial assets and liabilities or firm commitments, or an identified portion of these assets, liabilities or commitments, attributable to a specific risk, provided that they affect the consolidated profit and loss account.
- Cash-flow hedges: they cover changes in cash-flow that are attributable to a specific risk associated with a financial asset or liability or a highly-probable planned transaction, which may affect the consolidated profit and loss account.

Measurement differences are recorded in accordance with the following criteria, when referring specifically to financial instruments designated as hedged components and book hedges:

- Fair-value hedges: They cover the exposure to changes in the fair value of financial assets and liabilities or firm commitments, or an identified portion of these assets, liabilities or commitments, attributable to a specific risk, provided that they affect the consolidated profit and loss account.
- Cash flows hedges: valuation differences arisen on the efficient hedging portion of hedging elements are transitorily registered on caption “Other accumulated comprehensive income” as valuation adjustments for cash flows hedged. Hedged financial instruments in this kind of hedging operations are registered according to criteria explained on Note 2.2 without any modification for the fact of being considered

as such hedged instruments.

In the last case, measurement differences are not recognised as results until the gains or losses on the hedged item are recorded in the profit and loss account, or until maturity.

Differences in the valuation of the hedge instrument, corresponding to the inefficient part of the hedging cash flow operations, are directly registered as “Gains or losses on financial assets and liabilities measured at fair value” in the consolidated profit and loss account.

The Group interrupts hedge accounting when the hedging instrument expires or is sold, when a hedge no longer meets the criteria for hedge accounting or when the transaction ceases to be classed as a hedge.

Where fair-value hedge accounting is interrupted as stated in the preceding paragraph, in the case of hedged items carried at amortised cost, the value adjustments made for hedge accounting purposes are recognised in the profit and loss account until the maturity date of the hedged items, applying the effective interest rate as recalculated on the interruption date.

In the situations in which a cash-flow hedge transaction is interrupted, the accumulated gain or loss from the hedge is registered under the heading “Other accumulated comprehensive income” in the balance sheet and it will remain under this heading until the planned hedge transaction takes place, time at which it will be taken to the consolidated profit and loss account, or the cost of acquiring the asset or liability to be recorded will be adjusted, in the event that the hedged component is a planned transaction that culminates with the recording of a financial asset or liability. In the event of planned transactions, when expected not to take place, the entry made under “Other accumulated comprehensive income” relating to that transaction is immediately recognised in the profit and loss account.

2.4 Foreign currency transactions and functional currency

The Group’s functional currency is the Euro. Therefore, all balances and transactions denominated in currencies other than the euro are considered denominated in foreign currency.

Set out below are the financial assets and liabilities denominated in foreign currency held by ICO, as Group’s parent company, at December 31, 2021 and 2020 (in thousands of Euros):

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Pounds Sterling	438 109	1 070 233	336 569	817 178
US Dollars	2 262 411	9 439 591	2 177 825	6 973 144
Swiss Francs	11	245 988	33	281 764
Japanese Yens	800	99 860	850	269 398
Other currencies	190 516	66 324	147 376	214 903

	2 891 847	10 921 996	2 662 653	8 556 387

The equivalent value in Euros of assets and liabilities denominated in foreign currency (in thousands of Euros), classified by nature, recorded by the Institute, at December 31, 2021 and 2020 is as follows:

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Loans to Credit Institutions	1 191 461	-	1 161 169	-
Loans to Customers	1 682 310	-	1 486 498	-
Other financial assets	18 076	-	14 986	-
Deposits in Credit Institutions	-	2 269 222	-	2 090 789
Debt securities issued	-	8 650 215	-	6 464 716
Other financial liabilities	-	2 529	-	882
	2 891 847	10 921 996	2 662 653	8 556 387

When initially recognised, debtor and creditor balances accounted in foreign currency are converted to the functional currency using the spot exchange rate at the date of recognition, understood as the exchange rate for an immediate delivery. After initial recognition, the following rules are applied to translate balances registered in foreign currency to the functional currency:

i) Monetary assets and liabilities are translated at the year-end exchange rate, understood as the average spot exchange rate at the date to which the annual accounts refer.
ii) Non-monetary items valued at historic cost are translated at the exchange rate on the date of acquisition.
iii) Non-monetary items measured at fair value are converted to the exchange rate on the date its fair value is determined.
iv) Income and expenses are converted by applying the exchange rate existing on the transaction date. Nonetheless, the average exchange rate for the period is used for all transactions carried out in that period, unless there have been significant fluctuations. Depreciation/ amortisation are translated at the exchange rate applied to the relevant asset.

Exchange differences arising from conversion of debtor and creditor balances denominated in foreign currency are generally recorded in the consolidated profit and loss account. Nonetheless, in the case of exchange differences that arise from non-monetary items measured at fair value, for which the fair-value adjustment is recorded under “Other accumulated comprehensive income”, the component of the exchange rate relating to the revaluation of the non-monetary element is broken down.

Exchange rates used by the Group to convert balances denominated in the main foreign currencies in which it operates, for the purpose of the elaboration of the consolidated annual accounts, are the market rates at December 31, 2021 and 2020 published by the European Central Bank at each of those dates.

The net amount of exchange differences arising from the conversion of receivables and payables denominated in foreign currency arises up to 5,619 thousand Euros profit at December 31, 2021 (7,852 thousand Euros losses at December 31, 2020).

2.5 Recognition of income and expenses

Below, there is a summary of the most significant accounting policies used by the Group to recognise income and expenses:

2.5.1 Interest income and expense, dividends and similar items

In general, interest income and expense and similar items are accounted on an accruals basis, applying the effective interest rate method defined in applicable legislation. Dividends received from other companies are recognised when consolidated companies become entitled to receive them.

2.5.2 Commissions, fees and similar items

Income and expense related to commissions and similar fees, which should not be included in the calculation of the effective interest rate of operations and/or do not form part of the acquisition cost of financial assets or liabilities, except for those carried at fair value through profit or loss, are recognised in the consolidated profit and loss account using different methods depending on their nature. The most significant methods used are explained below:

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through profit or loss are recognised in the profit and loss account at the payment date.
- Amounts arising from long-term transactions or services are recognised in the profit and loss account over the term of the transactions or services.
- Amounts relating to a one-off event are recorded in the profit and loss account when that event takes place.

2.5.3 Non-financial income and expenses

These amounts are accounted on an accruals basis.

2.5.4 Deferred collections and payments

They are registered on accounts by the amount resulting from financially updating at market rates expected cash flows.

2.6 Offsetting of balances

Only debtor and creditor balances arising from transactions which, under contract or legislation, provide the possibility to offset and exist in the company, to be settled at their net amount, or simultaneously realised and paid, are offset and therefore presented in the consolidated balance sheet at their net amount.

2.7 Impairment of financial assets

The carrying value of financial assets is generally adjusted against the consolidated profit and loss account when there is objective evidence that there are impairment losses. This is the case where:

- For debt instruments, understood as loans and debt securities, when, following their initial recognition, there is an event or combined effect of several events which have a negative impact on the relevant future cash flows.
- For equity instruments, when following their initial recognition, there is an event or the combined effect of several events, making it impossible to recover their carrying value.

As a general rule, impairment financial instruments value correction is charged to the profit and loss account of the period in which such impairment takes place and the recovery of previously recorded impairment losses, if takes place, are recognised in the profit and loss account of the period during which the deterioration is eliminated or reduced. In the event that the recovery of any amount in respect of the impairment recorded is considered impossible, such impairment is written off from the balance sheet, although the Group may carry out the necessary actions to attempt to secure collection until the definitive extinguishment of its debt claims due to lapsing, remission or other reasons.

Debt instruments and contingent risks portfolios, regardless of their owner, warranty or instrumentation, are analysed to determine the credit risk to which the Group is exposed and to estimate hedging requirements for impairment in value. For the annual accounts preparation, the Group classifies its operations in terms of its credit risk by analysing, separately, the insolvency risk due to the customer and country risk to which they are exposed.

Debt instrument's future cash flows estimated are all amounts, principal and interest, the Group believes will receive during the instrument's life. All relevant information which provides data about the possibility of future recovery of contractual cash flows that is available at the time of annual accounts elaboration is considered in this estimate. Also, in estimating instruments with security's future cash flows, are taken into account the flows that would result from its realisation, less the amount of costs for its acquisition and subsequent sale, irrespective of the probability of the guarantee.

In the calculation of the present value of estimated future cash flows, the instrument's original effective interest rate is used as the update rate, if contract rate is fixed, or the effective interest rate on the date to which the statements relate determined according to financial conditions of the contract, if variable.

In the case of debt instruments measured at amortised cost, the amount of impairment losses incurred is equal to the negative difference between the carrying value and the current value of future estimated cash flows, using the original effective interest rate as the adjustment rate, if that rate is fixed, or the effective interest rate at the date of the annual accounts calculated in accordance with the terms of the contract, when a variable ratio, in the case of listed debt instruments, market value may be used as a substitute, provided that it is enough reliable to consider it to be representative of the value the Group will recover.

Objective evidence of impairment will be determined individually for all debt instruments that are significant, and individually or collectively for the groups of debt instruments which are not individually significant. When a specific instrument cannot be included in any group of assets with similar risk characteristics, it will be analysed solely on an individual basis to determine whether it is impaired and, if appropriate, estimate the impairment loss.

The collective assessment of a group of financial assets to estimate impairment losses is as follows:

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor ability to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk, which are taken into account in order to group together assets, are, for example, the type of instrument, the debtor's sector of activity, the geographic area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.
- Future cash flows in each group of debt instruments are estimated based on the Group's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.
- Impairment losses in each group are the difference between the carrying value of all the group's debt instruments and the present value of its estimated future cash flows.

Debt instruments not measured at fair value through changes in the consolidated profit and loss account, contingent risks and commitments, are classified based on the insolvency risk attributable to the client or the transaction, in the categories defined by the Annex IX from the Bank of Spain's Circular 4/2017. For debt instruments not classified as normal risk, estimates are made regarding the specific impairment hedges necessary based on the criteria established in the above mentioned regulation, bearing in mind the age of the unpaid amounts, the guarantees provided and the client's financial situation and, if appropriate, the guarantors.

Similarly, these financial instruments are analysed to determine the credit risk deriving from country risk, understood to be the risk affecting clients resident in a certain country due to circumstances other than normal commercial risks.

In addition to the specific impairment hedges indicated above, the Group hedges against losses inherent to debt instruments not measured at fair value through consolidated profit or loss and contingent risks classified as normal through group hedges, calculated based on historical impairment and other familiar circumstances at the time of evaluation that are related to inherent losses incurred at the date of the annual accounts, calculated using statistical methods, that have yet to be assigned to specific transactions.

In this sense, the Group has used the parameters established by the Bank of Spain, based on its sector experience and information, which determine the method and amount to be used to cover inherent impairment losses incurred in debt instruments and contingent risks classified as normal risks, which are changed regularly on the basis of the development of the data in question. This method of determining the hedging for impairment losses is based on the application of certain percentages set in the applicable accounting legislation, which vary based on the risk classification of financial instruments as established in the applicable regulation, and which change depending on the risk classification of the financial instruments established by the abovementioned regulation.

In general, impairment of debt instruments is calculated by applying the following percentages to the outstanding risk not covered by the amount to be recovered from the effective collateral, based on the risk segment to which the operation belongs and the seniority of past due amounts:

	From 90 days to 6 months	From 6 to 9 months	From 9 months to 1 year	From 1 year to 15 months	From 15 to 18 months	From 18 to 21 months	More than 21 months
Non-credit institutions and individual entrepreneurs							
Special Financing							
Construc. and property develop.	60	70	80	85	90	100	100
Construc. civil work	55	65	70	75	85	90	100
Other espec. financing	50	60	70	85	90	100	100
Non-special Financing							
Large companies	50	60	70	85	90	100	100
SMEs	55	65	70	80	85	90	100
Individual entrepreneurs	30	40	50	60	75	90	100
Houses							
House purchase							
Main residence unpaid (LTV) <80% guarantee	40	45	55	65	75	90	100
Main residence unpaid (LTV) >80% guarantee	40	45	55	65	75	90	100
Secondary residence	40	45	55	65	75	90	100
Consumer credit (inc. credit card debts)	50	60	70	80	90	95	100
Other	50	60	70	80	90	95	100

Generic provisions for operations classified as normal risk, will be different to that calculated for regular risk in the watch-list. Both are calculated by applying the following percentages to the outstanding exposure not covered with effective guarantees:

	Normal risk	Normal risk in watch-list
Non-credit institutions and individual entrepreneurs		
Special Financing		
Construc. and property develop.	1.9	27.6
Construc. civil work	1.9	18.8
Other especial financing	0.5	7.5
Non-special Financing		
Large companies	0.5	7.5
SMEs	0.9	12.7
Individual entrepreneurs	1.1	11.6
Home		
Home purchase		
Main home unpaid (LTV) <80% guarantee	0.6	13.0
Main home unpaid (LTV) >80% guarantee	0.6	13.0
Secondary residence	0.6	13.0
Consumer credit	1.5	16.0
Which from: credit card debts	0.8	9.0
Other	1.5	16.0

In estimating effective collateral, for the purpose of calculating hedges, the following estimated discounts on the reference value of such collateral will be applied:

TYPE OF REAL GUARANTEE	Discount over reference value (%)
Mortgage guarantees (first charge)	
Buildings and finished building elements	
Homes	30
Offices, commercial premises and warehouses	40
Other	45
Urban and developable land ordered	40
Other immovable property	45
Posted collateral of financial instruments	
Money deposits	0
Other marketable financial instruments	10
Other non-marketable financial instruments	20
Other real guarantees (for example. second mortgages, movable assets)	50

In any case, at December 31, 2021, the Institute has decided to apply impairment coefficients included in Circular 6/2021 for the entire credit portfolio classified in normal situation and normal under special surveillance, and which is collectively valued. This anticipation of new coefficients has implied an impairment in addition to that resulting from the application of previous tables, by 48.7 million Euros at December 31, 2021.

In the case of real estate assets foreclosed or received in payment of debts, for the purposes of valuation of the hedging that may correspond, the following discounts will be applied on the reference value for said assets:

TYPE OF FORECLOSED PROPERTIES	Discount over reference value (%)
Buildings and finished building elements	
Homes	25
Offices, commercial premises and warehouses	27
Other	30
Urban and developable land ordered	30
Other immovable property	35

The recognition in the consolidated profit and loss account of the accrued interests on the base of the contractual terms is interrupted for all the instruments of debt qualified individually and for those that had calculated collective losses because of the deterioration for having amounts conquered with an antiquity top to three months.

The amount of impairment losses incurred in debt securities and equity instruments included under Financial assets at fair value through other comprehensive income is equal to the positive difference between their acquisition costs, adjusted to any repayment of the principal, and their fair value less any impairment loss previously recognised in the profit and loss account.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses, recognised directly under 'Other accumulated comprehensive income' as adjustment in net equity, are recorded immediately in the profit and loss account. If, subsequently, all or part of the impairment losses are recovered, the amount involved is recognised, in the case of debt securities, in the profit and loss account for the recovery period, and, in the case of equity instruments, under 'Other accumulated comprehensive income' as adjustment in net equity.

For debt and equity instruments classified under non-current assets held for sale, losses recorded previously under equity are considered to be realised and are recognised in the profit and loss account at the date of their classification.

For shareholdings in Associates, joint ventures and subsidiaries, the Institute estimates impairment losses by comparing the recoverable amount with their carrying value. Such impairment losses are recorded in the profit and loss account for the period in which they arise while subsequent recoveries are recorded in the profit and loss account for the recovery period.

In the case that the probabilities of recovery any amount recorded, like impairment, were considered impossible, these are eliminated from the balance sheet, although the Institute could carry out necessary actions to try to recover, as long as, their rights do not extinguish permanently by expiration, cancellation or other causes.

2.8 Financial guarantees and related provisions

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the creditor for the loss incurred when a debtor fails to perform specific payment obligation under the conditions, original or amended of an debt instrument, regardless of their legal form, which can be, inter alia, of a surety, financial guarantee insurance contract or credit derivative.

The issuer of financial guarantee contracts recognises them under the heading “Other financial liabilities” at fair value plus transaction costs, which are directly attributable to its issuance, except for contracts issued by insurance companies.

Initially, the fair value of financial guarantee contracts issued to a third party not connected within a single transaction in mutual independence conditions, is the premium received plus, presents cash flows value to receive, using a similar interest rate to the financial assets issued by the Group with similar term and risk. Simultaneously, it will be recognised as a receivable asset the present value of future cash flows to be received at the rate of interest mentioned above.

Subsequent to the initial recognition, the contracts are treated according to the following criteria:

i) The financial guarantee’s commissions or bonuses value to receive is updated by recording the difference in the profit and loss account as financial income.
ii) The value of financial guarantee contracts that have not been qualified as doubtful, is the initially recognised amount less the part charged to the profit and loss account on straight-line basis over the expected life of the guarantee or by other criteria, provided that this more accurately reflects economic risks and benefits of the warranty’s perception.

The classification of financial guarantee contracts as doubtful will imply the respective hedging action under the heading of “Provisions for contingent exposures and commitments”.

2.9 Accounting for leases

2.9.1 Financial leases

Financial leases are those in which all the risks and rewards substantially carried by the leased asset are transferred to the lessee.

Whenever the Group acts as lessor of an asset in a financial lease transaction, the sum of the present values of the amount that will be received from the lessee plus the guaranteed residual value, usually the purchase option price when the lease terminates, are recorded as financing provided to third parties. It is therefore included in “Loans and receivables” in the consolidated balance sheet, in accordance with the nature of the lessee.

When the Group acts as the lessee in a financial lease transaction, the cost of the leased assets is recorded in the consolidated balance sheet, on the basis of the nature of the asset leased and a liability is carried in the same amount, which will be the lower between the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor, plus, if appropriate, the purchase option exercise price. These assets are depreciated at similar rates to those applied to the Group’s property, plant and equipment for own use (Note 2.12).

In both cases, the financial income and expense on financial leases is credited and charged, respectively, to the consolidated profit and loss account captions “Interest and similar income” and “Interest and similar charges”, applying the effective interest rate method on the lease to estimate its accrual, calculated according to the applicable regulations.

2.9.2 Operating leases

In operating leases, ownership of the leased asset and substantially all risks and rewards of ownership are retained by the lessor.

Where consolidated companies act as the lessor in operating lease agreements, the acquisition cost of the leased asset is registered under “Property, plant and equipment” in “Property investments” or “Other assets assigned under operating lease”, depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use. The income from lease contracts is recognised in the consolidated profit and loss account on a straight-line basis in the caption “Other operating income”.

When the Institute acts as lessee in operating lease agreements, a lease liability is included at the current value of payments to be performed (fixed, variable, exercise of call option, and others), as the contract’s initial valuation, and a right-of-use asset valued at cost.

2.10 Personnel costs

2.10.1 Short-term remunerations

Short-term remunerations to employees are payments made within twelve months, following the end of the year in which the employees have rendered services. This remuneration is measured, without any adjustment, at the amount payable for the services received and recorded, in general, as personnel costs for the year and a liability accrual account, which is recorded for the difference between the total expense and the amount already satisfied.

2.10.2 Post-employment commitments

Pension commitments entered into by the Group, referring to those acquired by the Institute with regard to employees, are reflected in the collective wage agreement in force and correspond to defined contribution commitments.

The Institute's employees are members of the Joint Employment System Pension Plan offered by the State Administration and regulated by the Pension Plan and Fund Regulation Act approved by Legislative Royal Decree 1/2002 (29 November) and enabling regulations approved by Royal Decree 304/2004 (20 February), which is included in the BBVA Employment Pension Fund, managed by Gestión de Previsión y Pensiones, Entidad Gestora de Fondos de Pensiones and deposited at BBVA.

As defined contribution commitments, the Institute has assumed annual contributions for employees that have rendered services for more than two years at 1 May of each year, regardless of whether they are career civil servants or interim government employees, contracted personnel, temporary employees or senior management. The following parameters are taken into account when calculating the annual contribution:

- The professional group to which the employee pertains.
- Length of service (understood to be the number of three-year periods the employee has worked in the Administration, regardless of the contractual arrangement).

Amounts to be contributed are those approved in the General State Budget for each year. Under the heading “Personnel costs” of the consolidated profit and loss account, there is no cost registered for this year at December 31, 2021 and neither for the previous one at December 31, 2020.

2.10.3 Death and disability benefits and retirement bonuses

Commitments assumed with personnel for retirement bonuses and death or disability commitments prior to retirement and other similar items, are estimated by calculating the present value of legal and implicit obligations at the date of the annual accounts, after deducting any actuarial loss, less any actuarial gain, the cost of past services yet to be recognised and the fair value of the assets that cover the commitments, including insurance policies. The entire cost of past services and any actuarial gains or losses are immediately recognised.

At December 31, 2021 a provision was recorded by the Group for post-employment commitments amounting to 791 thousand Euros (656 thousand Euros at December 31, 2020).

2.10.4 Severances

Severances are recorded under the heading “Personnel costs” and the accompanying consolidated profit and loss account crediting the accounts “Provisions for pensions and similar obligations” under the heading “Provisions” in the accompanying consolidated balance sheet, only when the Group is demonstrably committed to terminating an employee or group of employees before their normal retirement date, or to pay remuneration as a result of an offer made as an incentive for the voluntary rescission of the employees.

At December 31, 2021 and 2020, the Group has not recorded any provisions regarding this aspect as there is no plan or agreement that would require such an allocation.

2.11 Corporate Income Tax

Corporate income tax is considered as an expense and is recorded under the heading of “Income tax” of the consolidated profit and loss account.

Income tax expense for the year is calculated as tax payable on taxable income for the year, adjusted for variations during the year in asset and liability balances arising from temporary differences, tax credits and allowances, and any tax-loss carry forwards (Note 23).

The Group considers that there is a temporary difference when there is a difference between the carrying amount and the taxable amount of an asset or liability. The amount attributed to an asset or liability for tax purposes is considered the tax base. A taxable temporary difference is understood as the one which will generate a future obligation for the Group to pay to the relevant Administration. A deductible temporary difference is understood to be the one which will generate for the Group some reimbursement right or a decrease in the payment to be made to the relevant administration in the future.

Tax credits and allowances and tax credits for tax-loss carry forwards are amounts that, though generated on completion of an activity or obtainment of a result, are not applied for tax purposes in the relevant tax return until the conditions stipulated in tax legislation are fulfilled, and providing the Institute the probability of application in future years.

Current tax assets and liabilities are amounts that the Institute expects to recover from or pay to the corresponding tax authorities within 12 months, from the date on which they were recognised. Deferred tax assets and liabilities are amounts that the Institute expects to recover from or pay to the corresponding tax authorities in future years.

Deferred tax liabilities are recognised for all taxable temporary differences. Nevertheless the above, no deferred tax liabilities are recorded based on the recognition of goodwill.

The Group only recognises deferred tax assets deriving from deductible temporary differences, tax credits or allowances or any tax-loss carry forwards, if they meet the following conditions:

- Deferred tax assets are only recognised in the case that the Group considers it likely to have enough future taxable against which they may be offset.
- In the case of deferred tax assets deriving from tax losses, they have arisen from identified causes that are unlikely to be repeated.

No deferred tax assets or liabilities are recognised when an asset is initially recorded, when it is not deriving from a business combination and when, at the time of recognition, there was no effect on book or taxable profits.

At the time of each accounting closing, deferred tax assets and liabilities are reviewed in order to verify that they remain valid and that any relevant adjustments are made in accordance with the results of the analysis performed.

2.12 Property, plant and equipment

2.12.1 Property, plant and equipment for own use

Property, plant and equipment for own use includes those assets that are owned or acquired under financial leases that the Institute holds for its own current or future use for administrative purposes or for the production or supply of assets and when they are expected to be used for more than one financial year. Among other things, this category includes property, plant and equipment received by the Group for the total or partial settlements of financial assets that represent debt claims against third parties which are expected to be used on a continuous and internal basis.

Property, plant and equipment for own use is carried in the balance sheet at acquisition cost, which consists of the fair value of any compensation paid plus any monetary payments made or promised, less accumulated depreciation and, if appropriate, any estimated losses that result from comparing the net value of each item with the relevant recoverable amount.

For these purposes, the acquisition cost of foreclosed assets that become part of property, plant and equipment for own use by the Group, is similar to the net amount of the financial assets exchanged for foreclosed.

Depreciation is calculated on a straight-line basis based on the acquisition cost of the assets concerned less any residual value, with the understanding that land on which buildings and other structures are located, have an undefined life and is therefore not depreciated.

Annual allocations to depreciation of property, plant and equipment are charged against the heading “Depreciation-Property, plant and equipment” in the consolidated profit and loss account and basically equals the following depreciation rates (calculated based on the estimated average useful life of the assets concerned):

	Annual percentage
Buildings	2%
Plant	4 to 15%
Furnishings and office equipment	10%
Data – processing equipment	25%
Transport elements	16%

At each accounting closing, the Group determines whether or not there are any internal or external indications that the net value of its property, plant and equipment exceeds their recoverable value. If so, the book value of the asset concerned is reduced to the recoverable value and future depreciation charges are adjusted in proportion to the adjusted book value and the new remaining useful life, if a new estimate is required. This reduction in the book value of property, plant and equipment for own use is applied, if necessary, by charging the heading “Impairment or reversal of impairment on non-financial assets” in the consolidated profit and loss account.

Similarly, when there are indications that the value of impaired property, plant and equipment has been recovered, the Institute recognises the reversal of the impairment loss recorded in prior years by crediting the heading “Impairment or reversal of impairment on non-financial assets” in the consolidated profit and loss account and, consequently, adjusts future depreciation charges. Under no circumstances may the reversal of an impairment loss affecting an asset, increases its book value above that which it would have had if the impairment losses had not been recognised in prior years.

In addition, the estimated useful life of property, plant and equipment for own use is reviewed at least on an annual basis in order to detect significant changes in these estimates and, if any are detected, adjustments will be applied by correcting the depreciation charge made to the consolidated profit and loss account in future years in accordance with the new estimated useful lives.

Repair and maintenance expenses for property, plant and equipment for own use, are charged against results of the year in which they are incurred under the heading “Other administration expenses” in the consolidated profit and loss account. The financial expense incurred as a result of financing property, plant and equipment for own use is charged against the profit and loss account at the time of accrual and these expenses do not form part of their acquisition cost.

2.12.2 Property investments

The consolidated balance sheet heading “Property investments” recognises the net value of land, buildings and other structures that are held for rental or to obtain a capital gain on their sale as a result of increases in their future market prices.

Criteria applied for recognising the acquisition cost of property investments for depreciation, for the estimate of their respective useful lives and for recording any possible impairment losses, match with those described with regard to property, plant and equipment for own use (Note 2.12.1).

2.13 Intangible assets

Intangible assets are considered to be identifiable non-monetary assets that, while not existing physically, arise as a result of a transaction or have been internally developed by the Group. Only intangible assets whose cost may be reasonably estimated on an objective basis and which the Institute deems likely to provide a future financial benefit, are recognised for accounting purposes.

Intangible assets, other than goodwill, are recognised in the balance sheet at their acquisition or production cost, adjusted to accumulated amortisation and any impairment losses they may have suffered.

Intangible assets may have an “undefined useful life” when the analysis performed on all relevant factors leads to the conclusion that there is no foreseeable limit to the period over which they are expected to generate net cash flows for the Institute, and they have an “definite useful life” in all other cases.

Intangible assets with an indefinite useful life are not amortised, although at the time of each accounting closing the Group reviews their respective remaining useful lives in order to ensure that they continue to be indefinite. If this is not the case, an appropriate action is taken.

Intangible assets with a defined life-span are amortised according to some criteria similar to those applied to property, plant and equipment. The annual amortisation charge for these intangible assets is carried in the consolidated profit and loss account caption “Amortisation - Intangible assets”.

For intangible assets with both an indefinite and definite useful life, the Group recognises any impairment in those assets and uses them as a balancing entry “Impairment or reversal of impairment on non-financial assets” in the consolidated profit and loss account. The methods applied to recognise impairment losses on these assets and, if appropriate, the recovery of impairment losses, recognised in prior years, are similar to those applied to property, plant and equipment (Note 2.12.1).

2.14 Provisions and contingent liabilities

When preparing the consolidated annual accounts the Group differentiates between:

- Provisions: creditor balances that cover obligations that exist in the balance sheet date, deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.
- Contingent liabilities: possible obligations deriving from past events which may materialise subject to one or more future events beyond the Group's control.

The Group's annual accounts include all significant provisions for obligations classified as probable. Contingent liabilities are not recognised in the consolidated annual accounts, but information is provided in accordance with requirements of Circular 4/2017 of Bank of Spain (Note 19).

Provisions are quantified using the best information available about the consequences of the event that justifies them and are re-estimated at the year end. They are applied to meet the specific obligations for which they were originally recognised and fully or partially reversed should such obligations cease to exist or decrease.

At the 2021 and 2020 year end, a number of legal procedures and claims had been initiated against the Group, arising in the ordinary course of business. The Group's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

Accounting provisions that are considered necessary, as stated in the previous criteria, are charged or credited to the consolidated profit and loss account caption "Provisions expense or reversal of provisions".

2.15 Statements of cash flows

The terms employed in the cash-flow statements have the following meanings:

- Cash flows: Inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.
- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.
- Investing activities: acquisition, sale or disposal through other means of noncurrent assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

2.16 Non-current assets held for sale and associated liabilities

The caption of “Non-current assets held for sale” of the consolidated balance sheet includes the carrying value of individual items which sale is highly likely, under these assets’ current conditions, within the term of one year to be counted from the date of the annual accounts.

When, in exceptional cases, the sale is expected to occur over a period exceeding one year, the Group assesses the updated sale cost, accounting time value fluctuation under the heading of “Gains/(Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated profit and loss account.

Consequently, the carrying amount of these items, which may be financial or non-financial in nature, will foreseeable be recovered through their selling price rather than through their continued use.

Specifically, the real estate assets or other non-current assets received by the Group to pay off all or part of the payment obligations of its debtors regarding to the Group, are deemed non-current assets held for sale, unless the Group has decided to use these assets on an on-going basis.

Symmetrically, “Liabilities associated with non-current assets held for sale” include the credit balances associated with groups or for interruption in the operations of the Group.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognised as such and their fair value, adjusted for estimated cost of sales. While included in this category, property, plant and equipment, and intangible assets, subject to depreciation and amortisation by nature, are not depreciated nor amortised.

In the event that the carrying amount exceeds the fair value of the assets, adjusted for cost of sales, the Institute adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption “Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated profit and loss account. In the event that the fair value of the assets were increased at a later date, the Group reverses the losses previously recorded in the accounts, increasing the carrying value subject to the limit of the amount prior to their eventual impairment, against “Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated profit and loss account.

The results from the sale of non-current assets held for sale are presented under “Gains/ (Losses) on non-current assets held for sale not classified as discontinued operations” in the consolidated profit and loss account.

However, financial assets, assets from employee salaries, deferred tax assets and assets for insurance contracts that are part of a group of file or an operation in interruption are not valued in accordance with the previous paragraphs, but in accordance with the principles and rules applicable to these concepts, which have been explained in the preceding paragraphs of Note 2.

3. CUSTOMER SERVICE

On July 24, 2004, Order ECO 734 regarding customer service operations entered into operation. This has the purpose of regulating customer services and the defender at banks services and credit institutions. Regarding this Service, and although the Group is not obligated to have a customer service department, the Institute attends to all claims and complaints that receives during the course of its business, as a financial agency. In order to attain the highest quality of service, the Group decided to create a Unit in December 2006 to centralise the reception, processing, and a response to all complaints and suggestions received from suppliers, users and clients of ICO.

In 2021, a total of 537 complaints were received (1,493 in 2020), of which were addressed within an average of 4.4 working days (much lower than the established deadline of 15 working days). 81% of the total are related to credit transactions in the COVID-19 Surety Lines, and were therefore passed on to the relevant credit institutions. 16% were related to Mediation Lines, and the remaining 3% related to other issues, unrelated to products or services managed by the Group.

4. DISTRIBUTION OF RESULTS

The distribution of 2021 results of the Group’s Parent Company, at the date of formulation of these consolidated annual accounts, has not been established by the Ministry of Economic Affairs and Digital Transformation. Such distribution will adjust to the Bylaws.

5. RISK EXPOSURE AND OTHER INFORMATION ON THE INSTITUTE, AS GROUP’S PARENT COMPANY

5.1. Risks. General aspects

Risk is inherent to financial activity. Properly measuring, managing and controlling risk must contribute to attaining adequate margins and to the maintenance of an entity's solvency based on the confidence of clients, investors and employees.

Without any intention of exhaustively classifying the risks faced by a financial institution, they may be classified into four categories: Liquidity risk, market risk, credit risk and operating risk.

- Liquidity risk: The risk incurred as a result of an absence of sufficient liquid resources to comply with obligations. This situation could be thanks to the inadequate assets and liabilities maturity structure, or due to the exceptional market crisis situation.

- Market risk: Covers the influence on the income statement and equity exercised by adverse changes in relevant financial variables, such as domestic or foreign currency interest rates, exchange rates, share prices, etc. This risk may be subdivided into two large groups: Balance sheet or structural market risk and market risk affecting trading portfolios.

- Credit risk: This one refers to the risk of not fully recovering the principal and interests related to our investments within the estimated periods. This risk may also be subdivided into two broad groups: Counterparty risks with banking institutions and credit risk regarding investment transactions.

- Operating risk: Incurred as a result of administrative, internal, accounting, computer, legal or external errors due to unforeseen circumstances.

As a credit institution, the ICO is exposed to these types of risks, which must be identified, measured and monitored in order to operate efficiently. This is done according to the Risk Policy Manual approved by the General Board, which contains the different methods, applicable legislation, procedures and organisational structure.

5.2. Risks – Organisational structure

In order to cover the entire risk spectrum, within its organisational structure, the Institute (according to Presidential Organisational Circular 2/2021 of 19 November), has created specialised units under the Directorate for Risk, which reports to the General Directorate for Risk and Finance.
The Directorate for Risk's functions include, among others, drafting and proposing internal risk policies and methods for analysing, managing and monitoring the Institute's financial and credit risks, assessing the admissibility of ICO credit risk and overseeing ICO's adaptation to national and international risk regulations, while driving, coordinating and supervising the performance of the units under its remit.

The specialised Risk areas are Methodology and Acceptance department, the Global Risks Control area, and the Follow-up and Recovery Department, each one with specific duties.

The primary duties of the Global Risk Control area are the following:

- Preparing, proposing and controlling financial risk measurement methodologies applied by the Institute.

- Overseeing the correct compliance of the limits of financial risks and policies previously approved.

- Analyse, monitor and review periodically credit counterparty lines, analyse them, and monitor levels with the mediating entities and counterparts.

- Defining and reviewing measurement, back-testing and stress-testing systems.

- Proposing criteria for market valuation of new financial products, establishing methodologies, risk measurement and potential risk (Add-on).

- Analysing the adaptation of national and international legislation regarding risks within its competency.

- Value at market price new products and structures and their potential risk (Add-on).

- Supervise the correct application of approved methodologies risks.

- Analysis of credit risk in Liquidity Lines Securitisation Funds operations.

- Propose new Liquidity, Market, Credit and New Products risk limits.

- Reporting and diagnosis of the risk situation for Assets and Liabilities Committee, Operations Committee, Monitoring Committee and General Council.

- Report statements of interest rate risk, liquidity, large risks and Basel ratios for Bank of Spain.

- Update and maintain the Risk Adjusted Profitability tool (RAR).

- Update and maintain the ICO Price Control tool in RORAC.

- Risk Appetite Framework (MAR).

- Analyse, study and report on Securitisations.

The Methodology and Acceptance department, from which the Risk Methodology and Policies Area depends, has the following functions, among others:

- Evaluate the risk admissibility for new asset products and direct credit operations not included in automated procedures.

- Analyse under the assessment of eligibility of direct credit risk limits approved by ICO with clients and economic groups.

- Analyse and evaluate risks assumed by ICO, under any proposed modification to transactions already formalised, which require the approval of decision-making bodies.

- Analyse the adaptation to national and international standards regarding risks within its competence.

- Coordinate the Credit Committee in which agreements regarding the granting of new ICO direct loans, as well as modifications of operations already formalised are discussed and adopted.

- Define and propose for approval by ICO internal organs of decision direct credit risk policies and/ or, where appropriate, policy changes already approved at the ICO.

- Elaborate and update Country Risk reports related to financing operations as required.

- Reports with comparable economic financial data of the analysed client with regard to other companies in the same sector.

- Develop methodologies, elaborate application manuals and maintain tools related to the credit valuation in project financing.

- Development of tools to automate processes, as far as possible and necessary.

- Analysis of risks for direct financing operations under the ICO COVID-19 Surety Lines, including, together with the assessment of the company's risk profile, a specific analysis of the financing needs at the short term, the liquidity position, and action leverages available in the company to mitigate the impact derived from the health crisis.

- Analysis of risk of issuers in the Fixed Income Alternative Market (MARF), as alternative corporate financing instrument, through the subscription, by ICO, of the different debt issues.

The Monitoring and Recovery Department, from which the Wholesale Monitoring and Recovery Area and Retail Monitoring and Recovery Area depend, has the following among its functions:

The Wholesale Monitoring and Recovery Area:

- Control and follow the risk of direct financing operations, promote recoveries of balances derived from doubtful operations, resolved and failed, and supervise the compliance with the portfolio conditions of lines in force or products in the case of distribution of risks, and the monitoring and control of the recovery of COVID-19 surety lines.

- Analyse and value, from the ICO's credit risk point of view, proposals of mediation lines.

- Control and verify the compliance with non-financial conditions stipulated for ICO's mediation lines in case of risk sharing.

- Establish and maintain a system of internal rating, country risk rating, operational risk methodology and credit risk limit methodology for direct ICO economic groups clients. Perform control and reporting of large risk exposures.

- Ensure the quality of the ICO portfolio, using all the information needed.

- Coordinate the Monitoring Committee of the portfolio of direct loans from the ICO.

- Propose the allocation/reversal of provisions, based on regulations in force.

- Participate in the Credit Committee in which agreements concerning the granting of new direct loans from ICO, as well as modifications of already formalised operations, are discussed and adopted.

- Promote, in coordination with corresponding Legal & business areas appropriate recuperative actions regarding financing transactions that are in arrears, settled and failed.

- Respond to requests from regulatory agencies (rating agencies, internal and external auditors, Court of Auditors, the Bank of Spain, etc.).

- Analyse adaptation to national and international standards regarding risks within its competence.

The Retail Monitoring and Recovery Area:

- Control and monitor the risk of direct operations to retailers, propose refinancing operations or perform the necessary actions to recover balances derived from defaulting and failed operations in this segment, as well as monitor and control recoveries of the COVID-19 surety lines.

- Monitor and Control over the ICO-owned loans recovery actions which management is outsourced by the Institute to other entities. It is done through services agreements for SME, micro-SME, freelances and individuals segments.

- Recovery management of those ICO-owned loans which management and administration is carried out directly by the Institute for SME, micro-SME, freelances and individuals.

- Proposals preparation for the in-house ICO decision taking bodies, regarding each area records (resolution proposals, failed, refinancing agreement, cancellation, operations transfer for its direct management, etc.)

- Preparation and presentation at the Monitoring Committee of the situation of the retail risk loan portfolio.

- Coordination with the Legal Counselling Department of Financial Operations and Economic Policy in the response and resolution of incidents that will be transferred to the entities in which the presentation of contentious recovery services is delegated, as well as in other types of actions that require the positioning of ICO within the different phases in judicial claim processes, as well as in bankruptcy proceedings or similar characteristics.

- Management of requests received through the Customer Service Area, by holders and / or guarantors of all loans in the retail portfolio.

- Monitoring, formalisation and design of those direct finance operations which are Government-traded as a consequence of serious economic crisis, natural disasters, or any similar events. Later on, the assessment of any initiative or action proposal for its transfer to the ministerial departments related to that particular situation and of certain borrowing groups' action fields.

The ICO has a team of specialised professionals in each type of risk, each one responsible for his/her own duties and acting in accordance with the inspirational risk principles, the risk policy manual in force and existing internal procedures.

5.3 Liquidity risk at ICO

Community legislation and its development in Spain in this matter only establish general requirements for the measurement, control and management systems of liquidity risk in entities, and are contained in the following normative texts:

- Directive 2013/36/EU of 26 June, related to the access to the activity of credit institutions and to the prudential supervision of credit institutions and investment companies.
- Regulation (EU) No. 575/2013 of 26 June, on prudential requirements of credit institutions and investment services companies, part six.
- Implementing Regulation 680/2014 of 16 April, establishing the technical implementing rules in accordance with Regulation No. 575/2013, chapters 7, 7 bis and 7 ter.
- Law 10/2014 of 28 June, on the management, supervision and solvency of credit institutions, Articles 41, 42 and Additional Provision Eighth.
- RD 84/2015 of 13 February, which develops Law 10/2014, Article 53.
- Delegated Regulation (EU) 2015/61 of the Commission from October 10, 2014, completing Regulation 575/2013 with regard to the Liquidity Hedging Requirement (LCR).

- Circular 2/2016 of 2 February, which establishes accounting standards, annual accounts, public annual accounts and reserved statistical information of securitisation funds that replaces Circular 3/2008 of 22 May (repealed), rule 51, DT6 and Annex VII.
- Execution Regulation (EU) 2016/313 of the Commission, of 1 March, amending the Execution Regulation (EU) 680/2014 with regard to Additional Control parameters for the purpose of information on liquidity (ALMM).
- Execution Regulation (EU) 2017/2114, of 9 November, amending Regulation (EU) 680/2014 and 2016-31 with regard to templates and technical instructions on the regulatory statements of additional parameters of control for the purpose of information on the liquidity risk (ALMM).
- Circular 4/2017 of 27 November, standards 59 and 60.
- Execution Regulation (EU) 2018/634 of 24 April, updating the list of ECAI authorised by the UE, as well as the homogenisation per credit quality levels of the different qualifications in each ECAI.
- Delegated Regulation (EU) 2018/1620 of 13 July, amending several Articles of the Delegated Regulation (EU) 2015/61, concerning definitions of requirements on qualifications of liquidity levels and liquid assets
- Delegated Regulation (EU) 2019/0876 of 20 May, amending Regulation (EU) 575/2013 in several aspects, among others, definitively regulating the NSFR liquidity risk requirement.
- Execution Regulation (EU) 2020/429 of 14 February, substantially amending Execution Regulation (EU) 2016/322, concerning technical execution standards concerning the communication of information for supervision purposes on the Liquidity Coverage requirement (LCR), and also amending Execution Regulation (EU) 2017/2114, concerning templates and technical instructions on regulatory statements of additional control parameters for the purpose of information on the liquidity risk (ALMM)
- Execution Regulation (EU) 2021/451 of the Commission, of December 17, 2020, establishing technical execution standards for the application of the Regulation (EU) no. 575/2013 of the European Parliament and the Council in relation to the communication of information for supervision purposes by entities, and repealing Execution Regulation (EU) no. 680/2014.

In general, there is no specific requirement for capital for liquidity risk beyond a set of action standards to be followed (qualitative requirements) contained in Fifty-first Rule of chapter six of risk treatment of Circular 2/2016 where it is also mentioned the need to report on the actions carried out in the process of capital self-assessment and supervisory review contained in chapter 5, all in order to assess whether its internal capital is sufficient to cover its current and future activities.

Currently, with the publication of the updated version of the Basel III liquidity and solvency documents: Global regulatory framework to strengthen banks and banking systems and Basel III: International framework for measurement, the standardisation and monitoring of liquidity risk is a new step in the direction of guaranteeing more efficient parameters in the measurement and control of liquidity. As of January 1, 2013, the Basel Committee published: The liquidity Hedging Ratio and liquidity risk monitoring tools, which advance the definition and monitoring of the short-term liquidity ratio, and complemented this work with the publication on January 12, 2014 of the Guidance for Supervisors on Market-Based Indicators of Liquidity.

In this sense, on January 17, 2015 the Delegate Regulation 2015/61 was published, amending Regulation CRR 575/2013 of the European Parliament and of the Council is complete with regard to this ratio (LCR) and by calendar that starts on October 1, 2015 with an obligatory 60%, 70% as of January 1, 2016, 80% as of January 1, 2017, and which entered fully in effect (100%) from January 1,2018.

On January 2014, "Basel III: Net Stable Financing Ratio" (NSFR) consultation document was published for the definition and calculation of the ratio of long-term liquidity, which after a consultation phase, which lasted until April 11, 2014, led to the publication of the final document in October 2014. As a result it is necessary to calculate a minimum net stable financing ratio. After the publication, on June 2019, of Regulation 876/2019 is applicable since the end of June 2021.

During 2013 and following years, the Institute, calculated on a monthly basis, short and long term liquidity rates, as additional liquidity controls. In every period, the Institute has achieved results that are within the limits that would be applied in the future.

Furthermore, prospectively throughout 2015 and in following years, based on the document published by the BIS "Basel III: the Net Stable Financing Ratio" of October 2014, and with definitions and criteria in force at each moment, the results have been calculated quarterly, which provide the ICO balance with the introduction of different scenarios handled one year ahead (2022), in relation to the NSFR ratio.

At ICO, it is perfectly defined an organisational structure responsible for reporting, monitoring and controlling liquidity risk.

The measurement used to monitor balance sheet liquidity risk is the liquidity gap. The liquidity gap provides information regarding the mismatches between the inflow and outflow of funds on a daily basis, for periods of up to 12 months covering all balance sheet and off-balance sheet items that produce cash flows on the actual date occurring.

Liquidity gaps are measured in one week periods, and one, three and six month's periods. There is a percentage over the total of Institute's liabilities that cannot be exceeded for each period: one week-period: up to 0.5%, one month period: up to 1%, three month period: up to 2.5% and six month period: up to 5%.

Short-term liquidity is monitored on a daily basis. On a weekly basis, and at the end of each month, this monitoring and control of limits takes place with a horizon of 1 week, 1 month, 3 months and 6 months.

The ICO has established quantitative limits and alerts that allow us to get ahead from possible situations of liquidity tension.

There is also a policy of diversifying sources of basic finances in order to minimise this risk, and a regular review of liquidity including any projections for new activity, in order to establish needs in terms of amounts and dates of financing, for an annual financing plan, sufficiently in advance.

Likewise, approved by the General Board on February 27, 2018, there is a liquidity Contingency Plan that establishes a priority order as reference when resorting to financing sources in stress scenarios. This Contingency Plan was updated and presented, for the last time, to the Committee of Assets and Liabilities (COAP) last February 2021.

In general, ICO raises liquidity in a variety of ways, including raising the interbank market, repo and simultaneous liquidity and issuing debt securities in wholesale and retail markets.

The financial crisis that affected international and national markets, rooted in the US sub-prime market crisis, triggered a sharp downturn by financial markets, causing the resources for raising financing on which both international and national financial entities rely to decline sharply. As a result, fund raising on the interbank market or through the issuance of debt securities was also seriously affected.

Due to this new situation, decisions were taken throughout 2021, as done previously, to adapt ICO to the new circumstances in order to ensure the liquidity needed to meet its payment commitments on time and to achieve its strategic operating, investment and growth targets. Thanks to these measures, ICO's management also does not anticipate any liquidity shortages in 2022.

Maturity Analysis of trading and hedging derivatives denominated in Euros

The following table shows, by notional, the contractual maturities for euro-denominated derivatives, recognised as financial assets and financial liabilities at December 31, 2021 and 2020 (except for embedded derivatives in hybrid financial instruments) and loan commitments considered financial derivatives as they can be settled, by adjusting, in cash or with another financial asset, in which the maturities are deemed essential for understanding the Institute's cash flow projections:

At 31 December 2021:

	Thousands of Euros					
	Up to 1 year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	**Total**
Derivatives held for trading	1,021,100	273,500				**1,294,600**
-Of which: credit commitments considered as derivatives						
Hedging derivatives	11,046,877	2,693,694	2,184,951	617,000	70,689	**16,613,212**
	12,067,977	**2,967,194**	**2,184,951**	**617,000**	**70,689**	**17,907,812**

At 31 December 2020:

	Thousands of Euros					
	Up to 1 year	From 1 to 5 years	From 6 to 10 years	From 11 to 15 years	From 16 to 20 years	**Total**
Derivatives held for trading	71,188	136,813	248,553			**456,554**
-Of which: credit commitments considered as derivatives						
Hedging derivatives	8,468,088	2,981,508	1,911,208	200,000	69,554	**13,630,358**
	8,539,276	**3,118,321**	**2,159,761**	**200,000**	**69,554**	**14,086,912**

In relation to the information included in charts above, the following must be highlighted:

- Where a counterparty can choose when an amount should be paid, the derivative is assigned in the first period, in which the payment to the Institute may be demanded;

- The amounts included in the charts, correspond to undiscounted contractual amounts. Interest-rate swaps are shown at their net amount if settled by differences, loan commitments considered derivatives at their gross amount and all remaining financial derivatives at their contractual amount of exchange unsettled by differences;

- For derivatives with a non-stated contractual amount at the reporting date, e.g. because they depend on the performance of an index, the residual maturity, considered for classification purposes in the preceding tables, was determined based on prevailing conditions at December 31, 2021 and 2020, respectively;

Liquidity GAP analysis

The purpose of the liquidity management is to ensure that the entity maintains appropriate liquidity levels to cover its needs, both at the short and long terms, optimising the impact that the maintenance of its liquid funds could have in the profit and loss account.

On a daily basis, the liquidity profile on the balance is monitored for the purpose of control, information to management, and analysis of funds' needs for at least the following twelve months, additionally incorporating scenarios with the analysis of funds' needs to cover the activity foreseen for such period.

As explained above, ICO's liquidity management is based on the analysis of the difference between inflows and outflows generated by contractual maturities of operations of its balance (liquidity gap) and cash flows generated from activity forecasts. This analysis provides the necessary information on the volume of funds that will be necessary to gain, resorting to different financing sources available for the entity.

Moreover, the Institute maintains a buffer of high-quality liquid assets that will allow, where necessary, obtaining liquidity immediately through its discount on the European Central Bank. The balance of assets that may be used by the Institute as liquidity reserve has sufficient capacity to cover its negative liquidity gaps, for two purposes:

- Contribute flexibility when planning the volume and timing of the gaining of necessary funds to cover liquidity gaps.
- Security buffer to face possible tensions or crisis situations in markets.

The tables below compare liquidity inflows and outflows at different maturities (partial and accumulated liquidity gaps). Inflows and outflows in foreign currency are shown at their equivalent value in such currency.

Additionally, the evolution of the balance of liquid assets and their level of coverage over liquidity gaps are incorporated for the different terms.

At 31 December 2021:

	Thousands of Euros						
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years
Inflows equivalent value Euros	14,281,775	4,604,928	4,237,272	4,833,758	7,188,852	14,306,385	9,598,546
Outflows equivalent value Euros	-7,018,343	-9,247,844	-4,411,998	-7,676,236	-8,940,109	-9,979,363	-3,958,298
Partial liquidity gaps	7,263,432	-4,642,915	-174,726	-2,842,479	-1,751,257	4,327,021	5,640,248
Accumulated liquidity gaps	7,263,432	2,620,517	2,445,791	-396,688	-2,147,945	2,179,076	7,819,324
Buffer of highly-liquid assets	4,247,930	3,383,157	3,038,475	3,915,407	2,454,763	1,232,868	-
Difference between buffer of liquid assets and accumulated liquidity gaps	n.a.	n.a.	n.a.	3,518,719	306,818	n.a.	n.a.
% Coverage of buffer of liquid assets and accumulated negative liquidity gaps	n.a.	n.a.	n.a.	987%	114%	n.a.	n.a.

At 31 December 2020:

	Thousands of Euros						
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years
Inflows equivalent value Euros	5,862,401	2,194,084	4,752,066	5,722,815	8,973,232	16,220,140	10,679,896
Outflows equivalent value Euros	-4,059,266	-7,706,136	-5,543,916	-3,941,886	-6,424,758	-14,842,788	-4,669,308
Partial liquidity gaps	1,803,135	-5,512,052	-791,850	1,780,929	2,548,473	1,377,352	6,010,588
Accumulated liquidity gaps	1,803,135	-3,708,917	-4,500,767	-2,719,837	-171,364	1,205,988	7,216,576
Buffer of highly-liquid assets	5,563,981	5,792,810	5,453,151	4,484,647	2,374,360	480,097	-
Difference between buffer of liquid assets and accumulated liquidity gaps	n.a.	2,083,893	952,385	1,764,810	2,202,996	n.a.	n.a.
% Coverage of buffer of liquid assets and accumulated negative liquidity gaps	n.a.	156%	121%	165%	1,386%	n.a.	n.a.

As it may be seen in these charts, negative accumulated liquidity gaps are covered by the available buffer of liquid assets.

In addition to highly liquid assets, there is another series of eligible pledged assets in the ECB policy as coverage for provisions of funds in TLTRO III which volume at December 31, 2021 is of 3,495,000 thousand Euros.

In relation to the liquidity hedging ratio, a chart is presented below with quarterly averages of the ratio based on observations at the end of the month in the twelve previous months for each quarter of the period of 2021, indicating the averages of total liquid assets and averages of net liquidity outflows, liquidity outflows and liquidity inflows..

LIQUIDITY COVERAGE RATIO (LCR) YEAR 2021				
Data in % and thousands of Euros	QUARTERLY AVERAGE			
CONCEPT	1Q	2Q	3Q	4Q
LCR RATIO (%)	561.37%	374.86%	553.25%	947.63%
TOTAL LIQUID ASSETS	9,423,762	7,855,580	10,014,828	13,059,103
NET LIQUIDITY OUTFLOWS	2,824,784	2,236,127	2,111,763	2,138,543
- Liquidity outflows	4,558,271	4,764,854	4,378,639	4,596,061
- Liquidity inflows	1,733,487	2,528,728	2,266,876	2,457,518

Lastly, the following information chart shows the net stable financing ratio at the end of each calendar quarter of the period of 2021, additionally showing the stable financing available at the end of each quarter and the financing required at those dates.

NET STABLE FINANCING RATIO (NSFR) YEAR 2021				
Data in % and thousands of Euros	QUARTERLY AVERAGE			
CONCEPT	1Q	2Q	3Q	4Q
NSFR RATIO (%)	112.06%	116.16%	123.65%	125.23%
AVAILABLE STABLE FINANCING	22,959,068	22,803,960	23,821,226	22,209,180
REQUIRED STABLE FINANCING	20,487,732	19,630,862	19,018,578	17,734,606

5.4. Market risk at ICO

As indicated above, it is possible to distinguish two major groups within this risk: balance sheet or structural market risk, and the trading portfolio risk. In accordance with its internal policy, ICO is currently attempting to minimise trading portfolios and hold only those that, following the current accounting legislation, do not allow their classification as hedging or investment. Accordingly, market risk results almost exclusively from ordinary activities.

1) There are two basic **criteria** through which exposure to changes in interest and exchange rates is revealed: Profitability and Solvency:

   Profitability: At the ICO this, mainly derives from the income statement and therefore the relevant variable here is the Interest Margin or Financial Margin.

   Solvency: A company's equity is the primary guarantee for lenders. The value of this capital or equity is the main criterion for measuring solvency.

   Using these considerations, the ICO has implemented a system for measuring market risk based on three pillars: a) Calculation of the sensitivity of the annual Financial Margin. b) Calculation of the sensitivity of equity and c) Calculation of hypothetical trading portfolios' "Value at Risk", if any exist.

2) **Methodology.** In order to measure balance sheet risks relating to the Financial Margin, the weighted partial maturity gap method was used before 2015, calculated as the difference between asset and liability volume and off-balance sheet transactions that mature or renew interest rates within the following 12 months, weighted by the period affecting the Margin.

In order to measure the sensitivity of Equity, the duration gap method was used before 2015. The duration gap is obtained as the difference between the duration of assets and liabilities, and once the difference is obtained, the sensitivity gap may be calculated.

Both methods were replaced in mid-2014 by other simulations based on Interest Income and Net Asset.

Regarding the Value at Risk, the methodology to be used will be determined by the type of portfolio involved and may be based on parametric, historical simulation or Monte Carlo methodology.

3) **Risk degree.** The decision regarding the degree of risk assumed by ICO is the Senior Management's responsibility, which based on the proposal of the Directorate for Risks and Accounting, establishes the acceptable limits based on the particular characteristics of the ICO. These limits are reviewed regularly.

For the purpose of assessing a sensitivity limit of the Financial Margin, it will be estimated based on implicit rates, calculated on the basis of the market curve and on the one on which increases or decreases are applied by +/- 200 bps, applying in the decreasing scenario a floor in -1%. The difference between both calculations, in absolute value, will be the estimated sensitivity, which amount cannot imply a decrease of the simulated Financial Margin above -35 million Euros.

In order to determine the sensitivity of the Financial Margin for variations of the exchange rate in currencies Euro/US Dollar and Euro/Pound Sterling, variations of +/- 10% will be assumed.

The exchange rate risk shall not exceed, in any case, 25% of the global limit established for the Financial Margin.

As a result of applying these movements of +/- 200 bps, with these shifts in interest rates, the sensitivity of the balance of ICO to December 31, 2020 was -7,412 million Euros in total, distributed as follows: -4,535 million Euros for the balance in Euros, -587 thousand Euros of the balance in US Dollars, and -82 thousand Euros of the balance in British Pounds. Exchange rate (with movements of +/- 10% on changes in USD/EUR and GBP/EUR) was -1,941 million Euros in Dollars and -268 thousand Euros in Pounds.

Likewise, the sensitivity of the ICO's Financial Margin at December 31, 2021 was of

8,273 million Euros, representing 23.64% of the abovementioned self-imposed limit, with the following distribution: -4.350 for interest rate of the balance sheet in Euros, -0.802 for interest rate of US Dollar, and -0.630 for interest rate of the balance sheet in Pound Sterling. Per exchange rate (variations of +/-10% in interest rates USD/EUR and GBP/EUR), it was of -2.097 million Euros in Dollars and -394 thousand Euros in Pounds.

For the purpose of establishing a limit in the sensitivity of the net asset value, current values of our balance will be calculated through a market curve and another to which increases or decreases are applied by +/- 200 bps with a floor, in the scenario of decrease of rates, by -1% for immediate maturities, which floor will increase in 5 bps per year, until 0% is reached for maturities in 20 or more years. Such absolute floor is displacement. The difference between both values will be considered as the sensitivity of the net asset value of our balance in absolute value. The percentage (%) implied by this variation on the net asset value shall not represent a decrease above 10% of the estimated net asset value.

In order to determine the sensitivity of the net asset value for exchange rate variations in currencies Euro/US Dollar and Euros/Pound Sterling, movements of +/- 10% will be assumed.

At December 31, 2020, the values of the sensitivity of the ICO Net Asset reached -5.65% in value added with a distribution on balances as follows: -5.20% for Euro interest rate, -0.18% in the US Dollar, and -0.02% in the British Pound. Exchange rate for Dollar presented a sensitivity of -0.22% and -0.03% for Pounds.

At December 31, 2021 sensitivity values of ICO's Net Asset Value were of -3.08% with a balance distribution of: -2,42% for interest rate of Euro, -0,21% in the balance of US Dollars and -0.03% in the balance of Pound Sterling. Per exchange rate, sensibilities were of -0.36% in Dollars and -0.06% in Pounds.

In addition to the abovementioned sensibilities and results, the ICO has established a regular system integrated with the application for the risk measurement, management and control, in order to verify the impact that could derive from different scenarios of evolution of relevant financial variables in the Financial Margin or in the Net Asset Value and, on a monthly basis, other sensitivity estimates are performed, based on different assumptions of variations of interest rates. For instance, we note the sensitivity based on estimates of variation of interest rates provided by the Service of Studies at a one-month horizon, variations of the 5-year historical series of variations of interest rates or a stressed variation (6 times), historical variations, conversion to a positive rate curve or inversion of the curve.

4) **Risk modification.** The last step for efficient risk management is the ability to modify out maturity and duration gaps in order to bring them into line with desired risk values at any given moment, using balance sheet or off-balance sheet instruments based on

market opportunities and in accordance with the management decisions taken within the authority granted for this purpose or the Balance Management Department, the General Finance and Strategy Management or the Operations Committee.

The main currencies used by ICO to present its balance sheet at December 31, 2020 are the Euro and the US Dollar.

If we look at the assets of the balance sheet, the Euro concentrates approximately 92.11% of the total, the US Dollar being of 6.23%, while other currencies distribute the remaining amount.

Liabilities concentrate around 94.59% of the total balance sheet, with a total of approximately 71% in Euros, and almost 24% in US Dollars.

For 2021 closing, the ICO's main currencies in its activity are the Euro and the US Dollar. In this case, both of them together represent around 98.18% of total assets, where the Euro represents 92.28% and the Dollar the remaining 5.90%, while they represent 92.26% of liabilities, distributed in 63.10% in Euro and 29.16% in Dollar

Regarding currencies other than the euro and Dollar with which the Institute operates, its balance sheets are virtually saved from interest and exchange rate risks either because the operation involves financing obtained in the currency concerned and converted to Euros using a derivative instrument that completely covers all currency flows, or because the financial of a certain asset is designed to avoid these risks.

5.5. Credit risk at ICO

As has already been mentioned about credit risk, there are two broad groups: Counterparty and country risk.

The first group includes transactions with credit institutions, both on and off the balance sheet. Monitoring activities are carried out by using a system that integrates the administration of transactions and the risks deriving from them in real time, providing operators with current information regarding counterparty credit lines available at any given moment.

The competent bodies at ICO have defined and approved a method for consuming counterparty credit lines based on the evaluation of the transactions at market prices plus a potential future or add-on risk, that is measured as a percentage of the nominal value of the transaction, calculated as a potential maximum loss of 95% of confidence over the life of the transaction. The methodology is periodically reviewed, and the add-ons are adjusted at least on a half-yearly basis.

The basic criteria for establishing counterparty lines are also approved by ICO's General Board on a half-yearly basis and is performed an individualised analysis of them. These counterparty lines are subdivided into two broad groups as a result of the operating characteristics of the ICO. The first of the counterparty lines is related to cash transactions. The other counterparty line is related to mediation transactions, operations in which the ICO finances several investment projects through framework programmes arranged with several entities such as, for example, lines of Businesses and Entrepreneurs or Internationalisation.

Transactions involving derivatives contracted by ICO have counterparties with high credit ratings, so that a very high percentage of these, almost 100%, maintain an Agency rating investment grade. These counterparty institutions operate at the national and international level.

ICO's activities with credit institutions, in the area of both second-floor and direct facilities, are carried out with counterparties that, in more than 91% of cases, have an investment grade rating.

The ICO has structured several stages of evaluation and control relating to company credit risk: Acceptance, Monitoring and Recovery.
At the Acceptance stage, the Institute performs an analysis of companies and transactions based on an on-going concern evaluation, guarantees are analysed in order to issue an opinion about the risk and the potential client, which is the basis for taking decisions by the Operations Committee or General Board, as appropriate.

The Monitoring process has the purpose of making the Institute's credit portfolio to achieve the highest quality, i.e. ensures that our loans are being repaid on a timely basis, on the agreed dates. The basic monitoring unit is the client, not the transaction, such that any incident affecting a transaction affects the rating of a client and its group. This is achieved by a permanent control, with periodic reviews of the economic and financial situation of the same and keeping support tools updated for decision-making and it allow for detect warning signs; as well as promoting action plans against problematic risks in order to maximise the repayment of financing granted.

Finally, recovery tasks in the Monitoring and Retail Recovery area are focused in the recovery of defaulted operations via telephone, mail or e-mail. Focused also on payment agreements talks, once the operation is in legal dispute, and on the study of those operations that went out to tender in order to establish the Institute's vote in creditor's tender.

Under the heading regarding credit risk, special mention must be made to the so-called country risk. Country risk refers to the solvency of all counterparties characterised as pertaining to an area geographically, politically and legally defined as a State.

In this sense, ICO has approved a methodology for measuring country risk that follows current legislation and complies with the objective of evaluating countries by group risk based on multiple criteria, thereby allowing for a defined policy when recording provisions for that country risk, evaluating direct loan transactions and segmenting the non-resident loan portfolio. Rating agency and OECD-CESCE evaluations are used as a source of information when classifying countries into risk groups.

5.6. Operating risk at ICO

It is, increasingly, more important to measure and control operating risks, especially bearing in mind the New Capital Accord (Basel III). The risk deriving from inadequate processes, incorrect records, system failures, legal risks or the risk of loss inherent to the formalisation of transactions is included.

In this area, certain tools have been developed to facilitate the task of covering operating risk. Specifically, these tools consist of the policies covering the monthly monitoring of the control panel or activity indicators, the development of processes and internal procedures, the definition of client and operations monitoring and internal control of incidents, or the existing contingency plan. It is important to mention that the regular controls applied to procedures and operations are performed by internal and external auditors.

5.7 Outstanding credit risk with companies

5.7.1 Classification per sector

Taking into account a classification by sector, the distribution of the outstanding risk, (*) is as follows:

	Millions of Euros				
	2021			2020	
	Amount	% s/total	Amount	% s/total	Amount
Property investment	**452**	**4%**		**504**	**4%**
Construction of social housing for sale	5	0%		7	0%
Construction of social housing for rent	323	3%		355	3%
Acquisition and development of land	117	1%		140	1%
Others	7	0%		2	0%
Investment property, plant and equipment	**8,512**	**72%**		**8,520**	**70%**
Renewable energies	1,407	12%		1,340	11%
Water infrastructures	118	1%		144	1%
Electricity infrastructures	1,831	15%		1,272	10%
Gas and fossil fuel infrastructures	714	6%		1,172	10%
Transport infrastructures	3,232	27%		3,511	29%
Tourism and leisure	134	1%		119	1%
Social-health infrastructures	86	1%		87	1%
Telecommunications	100	1%		100	1%
Audio-visual production and exhibition	27	0%		22	0%
Business parks and other constructions	22	0%		9	0%
Other	635	6%		601	5%
Research and Development material investment	206	2%		141	1%
ICO Finance lines AA.CC. Agencies	-	-		-	-
Acquisitions of companies	**628**	**5%**		**694**	**6%**
General corporate needs	**834**	**7%**		**524**	**4%**
Restructuring of liabilities	**709**	**6%**		**1,048**	**9%**
General State Budgets	**764**	**6%**		**919**	**8%**
Financial intermediation	**-**	**-**		**-**	**-**

	11,899	100%	12,208	100%

(*) Including customer loans and advances without valuation adjustments or impairment losses (except for "other financial assets"). Also includes financial guarantees for customers and debt securities of resident Public Administrations classified as loans and advances receivable.

At December 31, 2021 and 2020 the total exposure is mainly concentrated in three sectors: "Investment property, plant and equipment", which account for 72% of total risk in 2021 (70% in 2020); the sector of "Restructuring of liabilities" with 6% of total risk in 2021 (9% in 2020), and "General State Budgets" for 6% of total risk in 2021 (8% in 2020).

Within the "Investment property, plant and equipment" sector, it is important to highlight the impact of the sub-sector named " Transport Infrastructures" on the sector, with 27% of weight over the risk of 2021 (29% in 2020).

5.7.2 Classification by geographic location of financial investments

The total risk at December 31, 2021 is distributed as follows: 72% in transactions financing investments in Spain amounting to 8,608 million Euros (76% at 2020 with 9,233 million Euros) and 28% in transactions aimed at financing investment projects in other countries.

The risk distribution for investment projects in the national territory per Autonomous Communities in 2021 is the following: Catalonia with 7%, Madrid 6%, Valencia 5%, Andalusia with 3%, and Extremadura with 2% (7%, 5%, 6%, 5% and 3%, in 2020, respectively).

Transactions taking place in the international market at December 31, 2021 and 2020 are distributed as follows in accordance with the active foreign risk:

	Millions of Euros			
	2021		2020	
	Amount	**Percentage**	**Amount**	**Percentage**
European Economic Community	1.168	35%	1.148	38%
Latin America	827	25%	743	25%
United States	146	4%	117	4%
Rest of Europe (not EU)	30	1%	30	1%
Other	1.120	35%	937	32%
	3.291	100%	2.975	100%

5.8 Information on payment deferrals to suppliers

In compliance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures against late payment in commercial transactions, developed by the Resolution of January 29, 2020 of the Spanish Audit and Accounting Institute (ICAC) on information concerning late payment to suppliers in commercial transactions to be included in the Notes to annual accounts, we should point out the following:

- Given ICO's core business (financial activity), the information presented in this Note concerning late payment, is exclusively related to payments to services suppliers and sundry suppliers to ICO other than depositors and holders of ICO securities. With the latter, the contractual and legal payment deadlines of both liabilities due to demand and with deferred payment have been met dutifully. Nor is any information provided concerning payments to suppliers excluded from the scope of this mandatory disclosure pursuant to the provisions of the aforementioned ICAC Resolution, such as suppliers of fixed assets that are not considered to be trade creditors.

Regarding the information required by Law 15/2010, of 5 July corresponding to the Institution's commercial and service suppliers and considering what it is included in the Article 6 of ICAC Resolution of January 29, 2020, presented below, with the scope defined in the preceding paragraph, the information required by those regulations:

	2021	2020
(in days)		
Ratio of paid operations	7	7
Ratio of operations payable	3.5	3.5
Average payment period to suppliers	6.75	6.75
(in thousands of Euros)		
Total amount of settled payments	30,266	25,471
Total amount of outstanding payments	666	1 376

When elaborating the information above, payments corresponding to intercompany credits and debits have been excluded.

5.9 Risk concentration and other specific regulations of the ICO

At December 31, 2021 and 2020, the Group is exempt from the limits on large exposures set out in the applicable regulations (Part IV of EU Regulation 575/2013 and Circular 3/2008 of the Bank of Spain, respectively), according the provisions of the bylaws of the Institute.

Royal Decree-Law 12/2012, of March 31, 2012, established the treatment of exposures to credit institutions resident in EU Member States.

5.10 Information on construction and property development finance and associated foreclosed properties

Regarding property risk portfolio policies and strategies, the Institute has acceptance processes with specific policies for this type of product (e.g. experienced developers, percentages of accredited sales, data on rental demand by independent experts), assessing the economic and financial feasibility of projects.

Payments for certified work are subsequently validated and controlled, construction progress is monitored and sales are controlled.

In addition, studies have been conducted to detect the reasons behind the payment difficulties of customers that have not paid in order to suggest solutions that allow transactions to be completed successfully.

Information on construction and property development finance is as follows:

- Finance granted for construction and property development and related hedges:

	Thousands of Euros					
	2021			2020		
	Gross amount	Excess over value of collateral	Specific allowance	Gross amount	Excess over value of collateral	Specific allowance
Property financing	445 717	-	198 244	502.378	-	216.384
- Out of which doubtful	102 905	-	100 312	117.174	-	114.470
Memorandum item						
Defaulted loans	-	-	-	-	-	-

	Thousands of Euros	
	2021	2020
Memorandum item:		
Total loans to clients, excluding public administrations	8 427 818	8 907 878
Total assets	37 766 136	34 386 075
Total general allowance for normal risk	145 886	86 998

Total finance for construction and property development at December 31, 2021 represents 1.18% of the total balance sheet (1.46% at December 31, 2020).

- Finance for construction and property development (gross amounts):

	Thousands of Euros	
	2021	2020
1 Without mortgage collateral	**115 800**	**140 578**
2 With mortgage collateral	**329 917**	**361 800**
2.1 Finished buildings	324 324	352 301
2.1.1 Homes	324 324	352 301
2.1.2 Other	-	-
2.2 Buildings under constructions	5 593	9 499
2.2.1 Homes	5 593	9 499
2.2.2 Other	-	-
2.3 Land	-	-
2.3.1 Developed land	-	-
2.3.2 Other land		-
TOTAL	**445 717**	**502 378**

- Home purchase loans:

	Thousands of Euros			
	2021		2020	
	Gross amount	Of which: doubtful	Gross amount	Of which: doubtful
Home loans	11 864	-	12 648	-
Without mortgage collateral	11 154	-	11 528	-
With mortgage collateral	710	-	1 120	-

- Home purchase loans with collateral mortgage (percentage of risk on latest appraisal available, LTV):

At 31 December 2021:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	435	-	275	-	-
- Of which doubtful					

At 31 December 2020:

	Thousands of Euros				
	LTV<40%	40%<LTV<60%	60%<LTV<80%	80%<LTV<100%	LTV>100%
Gross amount	917	-	203	-	-
- Of which doubtful					

- Foreclosed assets received as the settlement of debts from construction and property development loans.

  None of the foreclosed assets on the Institute's balance sheet (Note 17) comes from financing granted to construction companies and property developers, or mortgage loans to households for home purchases, nor do they consist on equity instruments, investments and finance to non-consolidated companies holding the assets.

5.11 Information related to Institute's refinanced and restructured operations

Presented in the next table, there is the detailed information related to those refinanced and restructured operations as of December 31,, 2021 and 2020 (gross amounts), as requirement of Bank of Spain 6/2013 Circular, about financial public and reserved information rules:

At December 31, 2021 (gross amounts, in thousands of Euros):

	With real guarantee	No real guarantee	TOTAL amounts	TOTAL hedging
Public Administrations	40 428	75 372	115 800	62 928
Doubtful	40 428	-		40 428
Finance companies (finance assets)	-	-	-	-
Doubtful				
Non Finance companies and Industrial Business	377 919	37 291	415 210	211 988
Doubtful	214 311	11 342	225 653	202 491
Non-doubtful	38 986	-	38 986	5 808
Property doubtful	118 487	-	118 487	113 406
Rest of individuals	351	-	351	-
TOTALS	**418 698**	**112 663**	**531 361**	**274 916**

At December 31, 2020 (gross amounts, in thousands of Euros):

	With real guarantee	**No real guarantee**	**TOTAL amounts**	**TOTAL hedging**
Public Administrations	-	154 716	154 716	69 251
Doubtful		42 894	42 894	42 894
Finance companies (finance assets)	-	-	-	-
Doubtful				
Non Finance companies and Industrial Business	612 121	20 333	632 454	254 964
Doubtful	241 577	16 096	257 673	249 064
Non-doubtful	4 109	-	4 109	-
Property doubtful	3 016	-	3 016	3 016
Rest of individuals	370	3	373	-
TOTALS	**612 491**	**175 052**	**787 543**	**324 215**

6. CASH, DEPOSITS AT CENTRAL BANKS AND DEMAND DEPOSITS

The composition of this caption of the consolidated balance sheet at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	**2020**
Cash at hand	5	10
Cash in Bank of Spain	9 344 958	2 704 007
Mandatory to comply with minimum reserve ratios	9 344 958	2 704 007
Other demand deposits	34 682	25 613
	9 379 645	2 729 630

7. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

The total balance under this heading in the consolidated balance sheets at December 31, 2021 and 2020 is made up of trading derivatives.

Transactions involving trading derivatives are mainly related to instruments with which the Institute manages balance sheet positions globally, but which do not meet the requirements to be designated hedging and are therefore classified in the trading portfolio.

Below, there is a breakdown classified by type of derivative, of the fair value of the Group's trading derivatives and their notional value (amount on which future payments and collections of these derivatives are based) at December 31, 2021 and 2020:

	Thousands of Euros					
	Notional		Assets		Liabilities	
	2021	2020	2021	2020	2021	2020
By type of market						
Organised markets	-	-	-	-	-	-
Non – organised markets	1 294 600	456 554	10 701	61 724	10 580	60 824
	1 294 600	**456 554**	**10 701**	**61 724**	**10 580**	**60 824**
By type of product						
Swaps	1 294 600	456 554	10 701	61 724	10 580	60 824
	1 294 600	**456 554**	**10 701**	**61 724**	**10 580**	**60 824**
By counterparty						
Credit institutions	1 147 217	263 751	-	-	10 580	60 824
Other credit institutions	-	-	-	-	-	-
Other sectors	147 383	192 803	10 701	61 724	-	-
	1 294 600	**456 554**	**10 701**	**61 724**	**10 580**	**60 824**
By type of risk						
Exchange risk	257 282	417 137	9 411	59 521	8 541	58 687
Interest rate risk	1 037 318	39 417	1 290	2 203	2 039	2 137
	1 294 600	**456 554**	**10 701**	**61 724**	**10 580**	**60 824**

The fair value has been calculated for the 100% of the cases, both in 2021 and 2020, taking the implicit curve of the money markets and the public debt as a reference.

At December 31, 2021 and 2020 the trading portfolio classification, stated at fair value and taking the hierarchical order into account as shown in Note 2.2.3, is as follows:

	Thousands of Euros					
	2021			2020		
	Level I	Level II	Level III	Level I	Level II	Level III
Derivatives held for trading of assets	-	10 701	-	-	61 724	-
Derivatives held for trading of liabilities	-	10 580	-	-	60 824	-

The following chart shows amounts registered on profit and loss accounts of 2021 and 2020 (Note 30) for variations in the fair value of the Institute's financial instruments included on the trading portfolio, corresponding to unrealised capital gains and losses, distinguishing between financial instruments which fair value is determined by taking as reference listings published in active markets (Level 1), is estimated using a valuation technique which variables are obtained from data observable in the market (Level 2) and others (Level 3):

	Thousands of Euros					
	2021			2020		
	Profit	Loss	Net	Profit	Loss	Net
Level 1	-	-	-	-	-	-
Level 2	147 721	147 357	364	111 925	108 540	3 385
Level 3	-	-	-	-	-	-

In 2021 and 2020, changes in the fair value of derivatives classified as level 2 were solely the result of purchase, sales and changes in fair value arising from the application of the valuation techniques described, with no reclassifications between levels.

8. FINANCIAL ASSETS NOT HELD FOR TRADING OBLIGATORILY VALUED AT FAIR VALUE THROUGH PROFIT OR LOSS

The breakdown of the amount included in this chapter, in the balance sheet at December 31, 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
Equity instruments	-	-
Debt securities	-	-

At December 31, 2021 and 2020, this caption includes a debt instrument, classified as doubtful risk, with accounting hedging of 100% (amount of 40,167 thousand Euros); therefore, it is fully recorded as provision in both years.

In 2021, no results have been registered for the fair value valuation in the Profit and Loss Account of an amount for this concept (none in 2020) (Note 31).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The detail of this caption of the balance sheet at December 31, 2021 and 2020, per investment, is the following:

	Thousands of Euros	
	2021	2020
Equity instruments:		
FONDICO Pyme (1)	97 273	82 747
FONDICO Infraestructuras II (2)	131 392	102 239
FONDICO Global (3)	748 437	634 960
FONDICO Next Tech (4)	123	-
FONS MEDITERRANEA FCR (5)	6 330	6 444
FONDO MARGUERITTE MEH (6)	72 504	58 953
FONDO AFS CESCE (7)	8 579	7 044
FEI (8)	21 667	13 079
SWIFT (9)	6	-
EDW (10)	195	170
INVESTMENTS GROUP QUABIT (11)	-	-
INVESTMENTS CELTIC ROADS WATERFORD (12)	-	-
	1 086 506	905 636
Debt securities (11)	1 150 639	713 358
	2 237 145	1 618 994

The balance, net of the tax effect, of caption “Other accumulated comprehensive income” as changes in the fair value of these financial instruments at December 31, 2021 and 2020, is the following (Note 21):

	Thousands of Euros	
	2021	2020
Debt instruments	3 640	4 707
Equity instruments	134 557	72 925
	138 197	77 632

Variations, during 2021 and 2020, in the caption of Financial assets at fair value through other comprehensive income are shown below:

	Thousands of Euros	
	2021	2020
Initial balance	1 618 994	1 826 137
Purchase additions	2 625 740	672 325
Sales and amortisations	(2 061 564)	(918 197)
Variations for changes in fair value (Note 21)	60 565	37 939
Allocation impairment provision	(8 767)	-
Variations for impairment losses (application)	2 177	790

Closing balance	2 237 145	1 618 994

(1) FONDICO Pyme. Venture capital fund constituted on May 1993 and in which the Institute is the sole participant, managed by Axis Participaciones Empresariales. In 2021, the Institute made a new contribution to the Fund by 15,025 thousand Euros (no variation with regard to contributions or returns during 2020).

(2) FONDICO Infraestructuras. Venture capital fund constituted on 2019, fully invested by the Institute and managed by Axis Participaciones Empresariales. In 2021, the Institute's contributions amounted to 19,000 thousand Euros (21,000 thousand Euros in 2020).

(3) FONDICO Global. Venture capital fund created in 2014, fully invested by the Institute and managed by Axis Participaciones Empresariales. In 2021, the Institute's contributions amounted to 160,000 thousand Euros (140,000 thousand Euros in 2020). In 2021, the Fund has decreased equity through refund of contributions by 124,000 thousand Euros (124,000 thousand Euros in 2020). The amount committed by ICO and to be reimbursed amounts to 679,000 thousand Euros at December 31, 2021 (538,000 thousand Euros at December 31, 2020).

(4) FONDICO Next Tech. Venture capital fund created in 2021, wholly owned by the Institute and managed by Axis Participaciones Empresariales. In 2021, the Institute's contributions amounted to 965 thousand Euros.

(5) FONS MEDITERRANEA. Fund constituted in October 2005 and in which the Institute participates with other public and private entities. The Fund was created to invest in projects developed by Spanish companies in the African Maghreb. The allocations for this fund have a provision hedging of 30% of the total real capital (without including fair value changes) amounting 1,270 thousand Euros at December 31, 2021 (1,270 thousand Euros at December 31, 2020).

(6) FONDO MARGUERITTE MEH. With the participation of leading European public credit institutions, this is a European equity fund which seeks to promote investment in infrastructures, in order to implement the key policies of the European Union in the fight against climate change, with the aim of combining the principle of return to investors based on market policies and the objectives set by public policies. The Fund is managed by ICO, although the final result from its eventual liquidation would not affect the Institute's balance sheet, since it is fully guaranteed by the Spanish Ministry of Tax, which provides funds to finance the Fund. In 2021, there were no new contributions (285 thousand Euros in 2020) and no returns of participations were registered (6,549 thousand Euros in 2020).

(7) FONDO AFS CESCE. Participation of 9.96% in Fondo AFS Sicav, which main activity is the discount of commercial invoices with CESCE guarantee. In 2021, the Institute has not made any contribution (none in 2020). In 2021, there has not been any return of contributions (1,500 thousand Euros in 2020).

(8) FEI. Participation equal to 0.66% of the total of the European Investment Fund, at December 31, 2021 (0.72% at December 31, 2020). There have not been any contributions at 2021 or at 2020. At December 31, 2021 an amount remained payable by 23,500 thousand Euros (24,000 thousand Euros at December 31, 2020).

(9) SWIFT. Participation of the Institute in 1 share of this entity as a full member of the same from 2008.

(10) EDW. A 3.57% participation in European Datawarehouse GmbHG, from March 2012.

(11) PARTICIPACIONES GRUPO QUABIT. In 2019, as payment for several loan operations, ICO foreclosed several shares of QUABIT group, for a foreclosure amount of 5,700 thousand Euros. In 2020, part of them were disposed of, for an amount of 843 thousand Euros. These shares are fully covered by accounting provisions, and therefore their net value is null (provision of 4,857 thousand Euros at December 31, 2021).

(12) PARTICIPATIONS CELTIC ROADS WATERFORD. In 2021, the ICO was awarded a number of shares in this entity in payment for various loan operations, for a net awarding amount of 6,589 thousand Euros. These participations are 100% covered by accounting provisions (allocation of 6,589 thousand Euros at December 31, 2021).

(13) As part of its liquidity management policy and business models, the ICO is able to invest in debt instruments, classified as financial assets at fair value through other comprehensive income. In general, they are fixed income securities, issued by the State (Public Debt).

The detail of these assets per maturities is the following:

	Thousands of Euros	
	2021	2020
Maturity up to 1 year	-	250 514
Maturity from 1 to 2 years	458 238	-
Maturity from 2 to 3 years	565 842	462 844
Maturity over 3 years	126 559	-
	1 150 639	713 358

At December 31, 2021 and 2020, the classification of financial assets at fair value through other comprehensive income, taking the hierarchical level into account as shown in Note 2.2.3., is as follows:

	Thousands of Euros					
	2021			2020		
	Level I	Level II	Level III	Level I	Level II	Level III
Debt securities	1 150 639			713 358		
Equity instruments		1 086 506			905 636	

During 2021, the Institute has not registered on the income statement results from the write-off of financial assets at fair value through other comprehensive income as a consequence of the sale of equity instruments (none in 2020) (Note 29).

10. FINANCIAL ASSETS AT AMORTISED COST

The composition of this caption on the consolidated balance sheets at December 31, 2021 and 2020 is the following (including impairment losses and other valuation adjustments):

	Thousands of Euros	
	2021	2020
Debt securities (Note 10.1)	6 889 673	7 347 498
Loans and advances:	18 437 628	21 996 205
Credit institutions (Note 10.2)	7 724 368	10 562 681
Customers (Note 10.3)	10 713 260	11 433 524
	25 327 301	29 343 703

The variation of impairment losses registered for the credit risk coverage and their accumulated amount at the beginning and closing of 2021 and 2020 of the portfolio of financial assets at amortised cost has been the following:

	Thousands of Euros			
	Provision for Country risk	**Provision for doubtful risk and normal risk in watch-list**	**Provision for normal risk**	**Total**
Balance at 1 January 2020	4 423	616 174	31 190	651 787
Allocations charged to results	162	51 190	66 244	117 596
Recoveries against results	(1 496)	(81 980)	(434)	(83 910)
Application of funds	-	(4 160)	-	(4 160)
Other variations	-	-	-	-
Adjustments for exchange differences	(241)	290	(170)	(121)
Balance at 31 December 2020	2 848	581 514	96 830	681 192
Allocations charged to results	196	25 212	49 758	75 166
Recoveries against results	(2 321)	(79 003)	(799)	(82 123)
Application of funds	-	(27 949)	-	(27 949)
Other variations	-	-	-	-
Adjustments for exchange differences	174	(41)	97	230
Balance at 31 December 2021	897	499 733	145 886	646 516

The following table details provisions for doubtful risks and normal risks in watch-list based on determination criteria:

	Thousands of Euros	
	2021	**2020**
Provision for doubtful risks (with defaults):	355 631	423 634
Default	17 210	113 043
Other than default	338 421	310 591
Provision for normal risk in watch-list	144 102	157 880
TOTALS	499 733	581 514

The provision for normal risk in watch-list corresponds to credit assets for an amount of 741,024 thousand Euros at December 31, 2021 (975,677 thousand Euros at December 31, 2020).

The table below provides a breakdown of financial assets classified as loans and receivables considered impaired due to their credit risk at December 31, 2021 and 2020, by counterparty and period elapsed from the amount unpaid at said dates and the age of the risk. Impaired assets guaranteed by the State are disclosed in Note 10.3.

Impaired assets at 31 December 2021

	Thousands of Euros								
	Without delay	3-6 months	6-9 months	9-12 months	12-15 months	15-18 months	18-21 months	More than 21 months	TOTAL
By counterparty category -									
Non-financial companies	390 457	194	-	-	-	-	-	17 104	407 755

Impaired assets at 31 December 2020

	Thousands of Euros								
	Without delay	3-6 months	6-9 months	9-12 months	12-15 months	15-18 months	18-21 months	More than 21 months	TOTAL
By counterparty category -									
Non-financial companies	368 108	40 384	10 503	-	-	-	-	54 473	473 468

As of December 31, 2021 there is a balance of assets impaired by country risk of 28,852 thousand Euros, with a hedging per country risk of 897 thousand Euros (169,656 thousand Euros at December 31, 2020 with a hedging of 2,848 thousand Euros).

The amount of non-impaired past due assets for 2021 and 2020 was of 16,347 thousand Euros and 178,274 thousand Euros, respectively, with an age in both years of between one and three months.

The movement of the impaired financial assets derecognised from the asset when their recovery is deemed to be remote (failed) is as follows:

	Thousands of Euros	
	2021	2020
Opening balance	1 658 430	1 678 116
Additions:	36 994	6 193
Balance recovery	22 644	-
Other causes	14 350	6 193
Recoveries:	(172 437)	(22 818)
Cash collection without additional financing	(50 246)	(10 735)
Asset allocation		
Others	(122 191)	(12 083)
Definitive write-offs: other causes:		-
Net variation for exchange difference	2 766	(3 061)
Closing balance	1 525 753	1 658 430

The net amount included on the accompanying consolidated profit and loss account of 2021 and 2020 as a consequence of the variation of assets which recovery is deemed remote (failed assets) amounts to profits by 50,201 thousand Euros and 10,734 thousand Euros, respectively (caption “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss” and “Financial assets at amortised cost (Note 10)”).

10.1 Debt securities

The caption “Debt securities” includes the amount of fixed-income financial assets valued at amortised cost, and supported with securities.

At the end of 2013, the Institute’s Operations Committee approved the document Annex V to the ICO Contract Mediation lines framework 2015, to regulate the conditions and operations to which the conversion operation is subject to the conversion to bonds of loans made by Entities in ICO lines in 2015. Such approval included the general specifications for conversion susceptible lines, amounts, interest accruals, eligible entities, schedule and compensation to credit institutions were included. Debt securities resulting from the conversion of loans mediation are also included in the heading “Debt securities”.

The composition of this caption of the consolidated balance sheet at December 31, 2021 and 2020, based on the counterparty category, is the following:

	Thousands of Euros	
	2021	**2020**
Per counterparty category -		
Resident Public Administrations	5 444 417	6 259 098
Resident Credit Institutions	3 394	13 082
Other resident sectors	1 260 802	965 139
Other non-resident sectors	181 060	110 179
	6 889 673	7 347 498

The detail per maturity terms at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	**2020**
Per maturity		
Up to 1 year	3 050 281	2 176 833
From 1 to 2 years	1 216 829	2 713 883
From 2 to 3 years	285 439	1 010 498
From 3 to 4 years	353 323	223 598
From 4 to 5 years	264 239	295 639
More than 5 years	1 719 562	927 047
	6 889 673	7 347 498

At December 31, 2021, these assets accrued an annual interest rate of 0.53% (0.53% at

December 31, 2020).

Interest accrued by these assets in 2021 and 2020 amounted to 41,396 thousand Euros and 43,857 thousand Euros, respectively, included under caption “Interests and similar income” of the profit and loss account (Note 24).

The Institute has coverage for credit risk at December 31, 2021 (normal risk) of 21,651 thousand Euros for these assets (9,312 thousand Euros at December 31, 2020).

In 2021, the ICO was awarded debt securities in payment for several loan operations, for an awarding amount of 2,177 thousand Euros. These securities, classified as doubtful assets, are fully covered by accounting provisions, and therefore their net value is nil.

Variations undergone during 2021 and 2020 in caption of Debt securities at amortised cost are the following:

	Thousands of Euros	
	2021	**2020**
Opening balance	7 347 498	7 843 423
Purchase additions	2 819 753	4 423 291
Variations for impairment losses	(14 516)	(7 273)
Amortisations and sales	(3 263 062)	(4 911 943)
Closing balance	6 889 673	7 347 498

At December 31, 2021, the Institute has not registered results from financial operations derived from the write-off of assets included in the caption of “Debt securities” (profit of 23 thousand Euros at December 31, 2020) (Note 29).

10.2 Loans and advances to Credit Institutions

The composition of this caption of the consolidated balance sheet at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	2020
By nature -		
Deposits in credit institutions (Note 10.2.1)	661 771	1 288 841
National mediation loans (Note 10.2.2)	6 130 929	8 355 157
International mediation loans (Note 10.2.3)	931 123	920 584
Other loans to credit institutions (Note 10.2.4)	8 002	12 435
	7 731 825	10 577 017
Impairment losses	(3 016)	(5 307)
Other valuation adjustments (*)	(4 441)	(9 029)
	7 724 368	10 562 681

(*) Valuation adjustments mainly correspond to the accrual of interests and similar revenues, as well as a correction for financial commissions.

10.2.1 Deposits in credit institutions

The following table details the balance of “Deposits in credit institutions”, grouped by maturity, at December 31, 2021 and 2020:

	Thousands of Euros	
	2021	2020
Up to 1 year	661 771	1 288 841
From 1 to 2 years	-	-
From 2 to 3 years	-	-
From 3 to 4 years	-	-
From 4 to 5 years	-	-
More than 5 years	-	-
	661 771	1 288 841

During 2021, the caption “Deposits in credit institutions” accrued an average annual interest of -0.30% (-0.3% during 2020). All deposits included are time deposits as of December 31, 2021 and 2020.

Interests accrued during 2021 and 2020 for these loans have amounted a total of (1,763) and (5,357) thousand Euros, respectively, which are included under the heading “Interest and similar charges” of the consolidated profit and loss account (Note 25).

10.2.2 National mediation loans

These operations in the Group, implanted since 1993, has the aim to help finance small and medium enterprises in the national territory. These lines are instrumented through loans granted by the Institute to various credit institutions, which formalise loans with the respective companies. Thus, each year, different lines are approved for different amounts and objectives, always focusing on the Spanish SMEs.

In general, in these lines, the Group does not assume any risk of insolvency of final borrowers. Occasionally, the ICO, as the Group's parent company, assumed a part of the risk in certain liquidity lines 2009-2012, with no risk exposure at December 31, 2021 and 2020. During the years 2021 and 2020 no new lines have been approved in which the Institute assumes risk from final borrowers.

The detail of the balance of national mediation loans at December 31, 2021 and 2020 per years of maturity is the following:

	Thousands of Euros	
	2021	**2020**
Up to 1 year	2.011.747	2 557 113
From 1 to 2 years	1.359.034	1 979 546
From 2 to 3 years	920.470	1 296 858
From 3 to 4 years	571.806	908 461
From 4 to 5 years	403.195	508 234
More than 5 years	864.677	1 104 945
	6 130 929	8 355 157

At December 31, 2021 and 2020, mediation loans accrued an annual average interest rate of 0.64% and 0.80%, respectively.

Interests accrued during 2021 and 2020 for national mediation loans have amounted to 42,587 and 61,706 thousand Euros, respectively, included on caption "Interests and similar income" of the profit and loss account (Note 24).

10.2.3 International mediation loans

International mediation loans are a new activity in the Group, launched in 2018, in order to support the internationalisation of the Spanish company through financing banks, instead of through investment.

The detail of the balance of international mediation loans at December 31, 2021 and 2020 detailed per years of maturity is the following:

	Thousands of Euros	
	2021	2020
Up to 1 year	216.037	172 588
From 1 to 2 years	126.947	147 988
From 2 to 3 years	129.946	117 835
From 3 to 4 years	101.369	121 465
From 4 to 5 years	70.453	91 361
More than 5 years	286.371	269 347
	931 123	920 584

At December 31, 2021 and 2020, international mediation loans accrued an annual average interest rate of 0.64% and 0.80%, respectively.

Interests accrued during 2021 and 2020 by international mediation loans have amounted to 9,101 thousand Euros and 17,954 thousand Euros, respectively, which are included in the caption "Interests and similar income" of the consolidated profit and loss account (Note 24).

This caption includes an amount of impairment losses, for risk of bad debt (normal credit risk and country risk), for a total amount of 3,016 thousand Euros (5,307 thousand Euros at December 31, 2020) (Note 10.2).

10.2.4 Other loans to credit institutions

This caption includes balances for direct loan operations (without mediation) to credit institutions, resident and non-resident.

The detail of the balance of these loans at December 31, 2021 and 2020 detailed per years of maturity is the following:

	Thousands of Euros	
	2021	2020
Up to 1 year	4.309	4 739
From 1 to 2 years	2.455	4 144
From 2 to 3 years	1.238	2 361
From 3 to 4 years	-	1 191
From 4 to 5 years	-	-
More than 5 years	-	-
	8 002	12 435

At December 31, 2021 and 2020, loans to credit institutions accrued an annual average interest rate of -0.30% and -0.33%, respectively.

Interests accrued during 2021 and 2020 by these loans have amounted to 10 thousand Euros and 61 thousand Euros, respectively, included on caption “Interests and similar income” of the consolidated profit and loss account (Note 24).

10.3 Customer loans and advances

The composition of this caption of the consolidated balance sheet at December 31, 2021 and 2020, based on the counterparty category, is the following:

	Thousands of Euros	
	2021	2020
Counterparty category -		
Resident Public Administrations	2 212 678	2 448 796
Non-resident Public Administrations	167 919	163 085
Other resident sectors	7 481 816	8 216 224
Other non-resident sectors	1 377 052	1 158 612
Other financial assets	29 628	4 050
	11 269 093	11 990 767
Impairment losses	(621 849)	(666 573)
Other valuation adjustments (*)	66 016	109 330
	10 713 260	11 433 524

(*) Valuation adjustments mainly correspond to the accrual of interests and similar revenues, as well as to corrections for financial commissions.

The value of certain investments in some Economic Interest Groupings is included in “Other resident sectors” (17,806 thousand Euros at December 31, 2021 and 10,908 thousand Euros at December 31, 2020) considering that are assured-return structures. Profitability of these shares has a fiscal-financial component due to the fact that these entities negative taxable bases are included in the Institute’s taxable base. In order to adjust the fiscal-financial profits obtained along with the final result determined for the investment, a provision is registered annually on the Income tax heading in the consolidated income statement (14,923 thousand Euros at December 31, 2021, 21,773 thousand Euros at December 31, 2020) (Notes 19 and 23).

Interests accrued, during 2021 and 2020, for these loans have amounted to 127,804 thousand Euros and 137,927 thousand Euros, respectively, which are included on caption "Interests and similar income” of the consolidated profit and loss account (Note 24).

Of the above balances, information is provided below regarding transactions guaranteed by the Public Sector, set out by counterparty and type of instrument, included under “Other resident sectors” and “Resident Public Administrations”, which are classified under the heading ‘Customer loans and advances’ at December 31, 2021 and 2020:

	Thousands of Euros	
	2021	**2020**
Balances included under "Resident Public Administrations"		
Loans to the national government	1 476 973	1 506 308
Loans to regional governments	735 705	942 487
Valuation adjustments	(124 183)	(115 216)
	2 088 495	2 333 579
Balances included under "Other resident sectors"		
Doubtful assets	5 400	68 162
Loans to other public entities	2 149 358	2 650 668
Loans to other sectors	134 025	161 340
	2 288 783	2 880 170
Total operations guaranteed by the State	4 377 278	5 213 749

The breakdown of "Loans to the national government", excluding valuation adjustments, is as follows at December 31, 2021 and 2020:

	Thousands of Euros	
	2021	**2020**
Loans to the State and its Autonomous Entities	1 475 009	1 504 367
Accounts receivable from the Public Treasury	1 964	1 941
	1 476 973	1 506 308

The caption of "Accounts receivable from the Public Treasury" includes amounts liquidated by the Group to the Public Treasury, pending from being effective under the concept of Subsidiaries, for the adjustment of interest rates differentials in mediation loans. These accounts, which are carried at their nominal value, do not accrue any interest.

Interest and similar income contributed to the consolidated profit and loss by public sector entities for 2021 and 2020 (Note 24) are the following:

	Thousands of Euros	
	2021	**2020**
Central government	7 726	5 928
Regional governments	6 610	5 538
Other public sector entities	16 586	19 834
	30 922	31 300

The breakdown of the main amounts of loans included under the heading ‘Customer loans and advances’, including measurement adjustments, and set out by maturity date at December 31, 2021 and 2020, is as follows:

	Thousands of Euros	
	2021	2020
Maturities		
Up to 1 year	1.343.331	1 626 524
From 1 to 2 years	886.246	972 749
From 2 to 3 years	1.307.310	1 405 203
From 3 to 4 years	1.511.308	1 303 005
From 4 to 5 years	1.281.432	1 632 090
More than 5 years	5.005 482	5 160 526
	11 335 109	12 100 097

At December 31, 2021 and 2020, loans to clients accrued an annual average interest rate of 0.98% and 1.18%, respectively.

At December 31, 2021, the Group has not registered profits or losses on the consolidated income statement for financial operations derived from the write-off of assets included on caption “Loans and receivables” (neither at December 31, 2020) (Note 29).

11. HEDGING DERIVATIVES

This caption in the accompanying consolidated balance sheet records the hedging instruments carried at fair value in accordance with the explanation provided in Note 2.3.

Derivatives contracted and the hedged items were fundamentally the following:

- Interest-rate swaps, which hedge financial instruments remunerated at a rate other than the Euribor, mainly issues from the Group.
- Exchange hedges, which cover changes in fair value and cash flows relating to several financial instruments.

Measurement methods used to determine the fair value of derivatives have been the discounted-cash-flow method, to measure interest rate derivatives and exchange risk derivatives.

Total notional values of derivatives and fair values of financial derivatives designated as "Hedging derivatives" at December 31, 2021 and 2020, by counterparty and risk (all contracted in non-organised OTC markets), are as follows:

	Thousands of Euros					
	Notional		Assets		Liabilities	
	2021	2020	2021	2020	2021	2020
By type of hedging						
Fair value hedges	10 691 453	10 493 915	433 655	253 887	76 949	279 891
Cash flow hedges	5 921 759	3 136 443	21 354	31 438	254 122	320 879
	16 613 212	**13 630 358**	**455 009**	**285 325**	**331 071**	**600 770**
By type of product						
Swaps	16 613 212	13 630 358	455 009	285 325	331 071	600 770
	16 613 212	**13 630 358**	**455 009**	**285 325**	**331 071**	**600 770**
By counterparty						
Credit institutions	16 613 212	13 630 358	455 009	285 325	331 071	600 770
Other credit institutions	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-
	16 613 212	**13 630 358**	**455 009**	**285 325**	**331 071**	**600 770**
By type of risk						
Risk of exchange	11 672 765	6 418 380	368 356	172 198	222 099	498 632
Interest rate risk	4 940 447	7 211 978	86 653	113 127	108 972	102 138
	16 613 212	**13 630 358**	**455 009**	**285 325**	**331 071**	**600 770**

At December 31, 2021 and 2020, the classification of hedging derivatives, valued at fair value, based on level hierarchies established on Note 2.2.3., is the following:

	Thousands of Euros					
	2021			2020		
	Level I	Level II	Level III	Level I	Level II	Level III
Hedge derivatives of assets	-	455 009	-	-	285 325	-
Hedge derivatives of liabilities	-	331 071	-	-	600 770	-

The fair value of these items has been calculated in 100% of the cases, both in 2021 and in 2020, taking as reference the implicit curves of the money.

Once the IFRS 13 of January 1, 2013 has become effective, the Group included for the derivative instruments valuation, the corresponding risk valuation adjustments from counterparties and its own (Notes 7 and 30).

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The variation of this caption of the consolidated balance sheets during 2021 and 2020 is the following:

	Thousands of Euros
	Associates
Balance at 1 January 2020	**65 059**
Additions	2 426
Withdrawals	-
Other variations	1 861
Impairment	-
Balance at 31 December 2020	**69 346**
Additions	3 306
Withdrawals	-
Other variations	3 625
Impairment	-
Balance at 31 December 2021	**76 277**

Annex I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at December 31, 2021 and 2020.

The caption "Other variations" includes consolidation adjustments.

13. PROPERTY, PLANT AND EQUIPMENT

The variation during 2021 and 2020 in accounts of property, plant and equipment and their corresponding accumulated amortisation, has been the following:

	Thousands of Euros			
	Buildings of own use	**Furniture, vehicle and other assets**	**Property investments**	**Total**
Cost				
Balances at 1 January 2021	114 605	16 473		131 078
Additions	328	350		678
Disposals and other write-offs		(38)		(38)
Balances at 31 December 2021	114 933	16 785		131 718
Accumulated amortisation -				
Balances at 1 January 2021	36 702	8 335		45 037
Allocations	1 723	300		2 023
Transfers and other variations		(38)		(38)
Balances at 31 December 2021	38 425	8 597		47 022
Impairment losses				
At 31 December 2021	-	651	-	651

Net property, plant and equipment				
Balances at 31 December 2021	76 508	7 537		84 045
Cost				
Balances at 1 January 2020	114 586	16 100		130 686
Additions	19	373		392
Disposals and other write-offs				
Balances at 31 December 2020	114 605	16 473		131 078
Accumulated amortisation -				
Balances at 1 January 2020	34 962	8 100		43 062
Allocations	1 740	235		1 975
Transfers and other variations				
Balances at 31 December 2020	36 702	8 335		45 037
Impairment losses				
At 31 December 2020		651		651
Net property, plant and equipment				
Balances at 31 December 2020	77 903	7 487		85 390

At December 31, 2021 there are fully-depreciated property, plant and equipment for own use for a gross amount of approximately 18,488 thousand Euros (18,826 thousand Euros at December 31, 2020).

In compliance with Institute's policy, as the Group's parent company, all property, plant and equipment is insured at December 31, 2021 and 2020.

Transitional Provision One, section B).6 of Bank of Spain Circular 4/2004, allows any asset recorded under Property, plant and equipment to be carried at its fair value. To implement this measurement adjustment, the Group carried out the relevant appraisals of property used in operations, which allowed the value of the Group's property, plant and equipment to be increased by 53,106 thousand Euros. A restatement reserve was recorded for the resulting capital gain, net of the tax effect. The restated book value will be applied as an attributed cost at that date.

The revaluation reserve at December 31, 2021 amounted to 19,036 thousand Euros (19,948 thousand Euros at December 31, 2020) (Note 20).

The table below presents the fair value of certain items of the Group's property, plant and equipment at December 31, 2021 and 2020 by category, along with the related carrying amounts at those dates:

	Thousands of Euros			
	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Property, plant and equipment for own use	84 045	109 151	85 390	109 042
Buildings	76 058	101 164	77 903	101 164
Other	7 537	7 537	7 487	7 450
Property investments			-	-
Property under construction	450	450	428	428

The fair value of property, plant and equipment in the preceding table was estimated as follows:

- For those assets for which an updated appraisal by a Bank of Spain-approved value is not available, fair value was determined based on estimates made by the entity using market data relating to trends in prices of similar assets.
- For those assets for which an updated appraisal by a Bank of Spain-approved value is available, fair value was determined based on the appraisal as provided for in the Ministerial Order 805/2003.

All properties for own use were appraised by a Bank of Spain approved appraiser using the comparison approach, at December 31, 2021 and 2020.

14. INTANGIBLE ASSETS

The breakdown of Intangible assets in the consolidated balance sheet at December 31, 2021 and 2020 relates exclusively to the account named 'other intangible assets'.

		Thousands of Euros	
	Estimated useful life	**2021**	**2020**
With indefinite useful life	-	-	-
With defined useful life	3 to 10 years	48 703	46 299
Gross total		48 703	46 299
Of which:			
Internal developments	3 years	42 997	40 638
Remainder	10 years	5 706	5 661
Accumulated depreciation		(40 011)	(37 252)
Impairment losses		(2 137)	(2 137)
		6 555	6 910

All intangible assets at December 31, 2021 and 2020 related to computer software. Fully amortised intangible assets at December 31, 2021 amounted to 36,418 thousand Euros (36,221 thousand Euros at December 31, 2020).

15. TAX ASSETS AND TAX LIABILITIES

The detail of Tax Assets and Tax Liabilities at December 31, 2021 and 2020 is the following:

	Thousands of Euros			
	Assets		**Liabilities**	
	2021	**2020**	**2021**	**2020**
Current taxes:	32 435	32 290	6 748	1 098
Corporate income tax (Note 23)	32 258	32 258	5 810	-
VAT	177	32	35	26
Personal income tax withholdings	-	-	553	724
Social Security contributions	-	-	350	348
Deferred taxes:	152 472	148 123	75 159	49 203
Impairment losses on credits, loans and discounts	81 787	61 146		-
Measurement of cash-flow hedges (Note 21)	70 685	86 977	-	-
Restatement of property	-	-	15 932	15 932
Restatement of financial assets at fair value through OCI (Note 21)	-	-	59 227	33 271
	184 907	180 413	81 907	50 301

Variations undergone, during 2021 and 2020, on balances of deferred tax assets and liabilities are shown below:

	Thousands of Euros			
	Assets		Liabilities	
	2021	2020	2021	2020
Opening balance	148 123	95 051	49 203	32 943
Impairment losses on credits, loans and discounts	20 641	(8 111)	-	-
Valuation of cash flow hedges (Note 21)	(16 292)	61 183	-	-
Restatement of property	-	-	-	-
Restatement of financial assets held for sale (Note 21)	-	-	25 956	16 260
Closing balance	152 472	148 123	75 159	49 203

16. OTHER ASSETS AND OTHER LIABILITIES

The composition of this caption in the consolidated balance sheet at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
OTHER ASSETS	2021	2020
Other assets	17 719	500
Accruals	11 132	24 949
	28 851	25 449

The heading “Accruals” includes, among other items, the accrual of fees receivable by the Group, for the Management of Operational mechanisms Fund for the Financing of Payments to Suppliers and operational management of Autonomous Region Liquidity Fund and for the operational management of the Financing Fund to Autonomous Communities (Note 1.1). In 2021, the overall amount of these fees receivable for ICO is 5 million Euros per year (15 million Euros at December 31, 2020), also recorded in the consolidated income statement for these amounts within the section of 'Fee and commission income'“ (Note 27).

This caption also includes commissions paid by the ICO for the COVID guarantee of operations owned by the Group (paid to the Fund RDL 12/95, by virtue of applicable regulations) and to be accrued in the Institute’s consolidated income statement (2,877 thousand Euros at December 31, 2021 and 3,104 thousand Euros at December 31, 2020).

The composition of the balance of “Other liabilities” of the balance sheet at December 31, 2021 and 2020 is the following:

OTHER LIABILITIES	Thousands of Euros	
	2021	2020
Other liabilities	1 025	1 008
Accruals	39 414	6 334
	40 439	7 342

Under the heading “Accruals” includes the amounts accrued and unpaid, for commissions to be paid to credit institutions by the concepts of “rappel 2021 mediation lines” by 500 thousand Euros (1,668 thousand Euros in 2020). It also includes fees for the management of COVID sureties, which have been charged to the Fund RDL 12/95 (by virtue of applicable regulations) and which are pending accrual in the Group’s consolidated income statement (34,354 thousand Euros at December 31, 2021).

17. NON-CURRENT ASSETS HELD FOR SALE

The totality of the balance in this caption corresponds to foreclosed assets. None of these foreclosed assets recorded on this heading at December 31, 2021 and December 31, 2020 comes from any funding related neither to Property development land nor to any other property development business.

Movements for years 2021 and 2020 in the balances under this balance sheet heading are shown below:

	Thousands of Euros		
	Cost	Impairment	Total
Balance at 1 January 2020	67 685	(67 685)	-
Additions	695		695
Withdrawals/Applications	(2 464)	1 769	(695)
Transfers			
Balance at December 31, 2020	65 916	(65 916)	-
Additions	119	(119)	-
Withdrawals/Applications	(3 431)	3 431	-
Transfers	-		
Balance at December 31, 2021	62 604	(62 604)	-

Out of the total amount of “Non-current assets held for sale” at December 31, 2021 and 2020, 48,678 thousand Euros correspond to a single asset, which is fully provisioned.

In 2021, impairment allocations of these non-financial assets have been registered, for an amount of 81 thousand Euros (96 thousand Euros in 2020).

In 2021, profits from the sale of non-current assets held for sale have been registered, for an amount of 1,848 thousand Euros (profits of 755 thousand Euros in 2020).

The Institute’s Board of Directors body gives its approval annually to the Disinvestment Plan referred to these assets.

Pursuant to the standard 60th of Circular 4/2017 of the Bank of Spain, non-current assets held for sale are classified into broad categories: soil, urban and urbanising splitting rustic and constructions, distinguishing between residential, industrial and commercial uses. On the following chart are included Appraisal Companies, its methodology to appraise the assets and the amount given to each of it (company/agency):

INDUSTRIAL USE BUILDINGS

Thousands of € last appraisal	Appraiser	Appraisal methodology
882	EUROVALORACIONES	COST AND COMPARISON
882		

RESIDENTIAL USE BUILDINGS

Thousands of € last appraisal	Appraiser	Appraisal methodology
85	ALIA TASACIONES	COST AND COMPARISON
587	EUROVALORACIONES	COMPARISON
66	EUROVALORACIONES	COST
381	EUROVALORACIONES	MAXIMUM LEGAL PRICE
12	JLL	COMPARISON
20	JUDICIAL	COMPARISON
47	GRUPO TASVALOR	COMPARISON
258	GRUPO TASVALOR	COST AND COMPARISON
1,456		

TERTIARY USE BUILDINGS

Thousands of € last appraisal	Appraiser	Appraisal methodology
784	EUROVALORACIONES	COMPARISON
81	EUROVALORACIONES	COST
30	EUROVALORACIONES	RESIDUAL DYNAMIC
895		

RUSTIC LAND

Thousands of € last appraisal	Appraiser	Appraisal methodology
42	ALIA TASACIONES	COMPARISON
44	EUROVALORACIONES	RENT UPDATE
69	EUROVALORACIONES	COMPARATION
185	JUDICIAL	OTHERS
38	GRUPO TASVALOR	RENT UPDATE
25	GRUPO TASVALOR	COST AND COMPARISON
17	GRUPO TASVALOR	COMPARISON
420		

		URBAN AND DEVELOPABLE LANDS
Thousands of € last appraisal	**Appraiser**	**Appraisal methodology**
6.366	EUROVALORACIONES	RESIDUAL DYNAMIC
84	GRUPO TASVALOR	RESIDUAL DYNAMIC
50	GRUPO TASVALOR	OTHERS
40	UVE VALORACIONES	RESIDUAL DYNAMIC
6,540		
TOTAL		
10,193		

18. FINANCIAL LIABILITIES AT AMORTISED COST

The items that make up the balances recorded under this consolidated balance sheet heading are as follows:

	Thousands of Euros	
	2021	**2020**
Counterparty categories		
Deposits from Central Banks (Note 18.1)	3 444 351	3 155 040
Deposits from credit institutions (Note 18.2)	5 894 436	7 597 761
Deposits from customers (Note 18.3)	842 093	1 414 024
Issued debt securities (Note 18.4)	20 087 210	15 294 101
Other financial liabilities (Note 18.5)	258 541	299 030
	30 526 631	27 759 956

18.1 Deposits in Central Banks

In 2019 and 2020, ICO, as parent company, responded to several LTRO and TLTRO calls from the European Central Bank. The amount of this caption corresponds to such operations.

18.2 Deposits in credit institutions

The composition of this caption of the balance sheets at December 31, 2021 and 2020 based on the nature of operations is the following:

	Thousands of Euros	
	2021	2020
By nature:		
Loans from the European Investment Bank	4 476 130	6 139 758
Interbank loans	178 645	36 041
Loans from other credit institutions	1 211 001	1 365 965
Valuation adjustments – accruals	28 660	55 997
	5 894 436	7 597 761

Interbank deposits fall due within less than one year from December 31, 2021 and 2020, respectively.

Loans from the European Investment Bank present the following final repayment schedule.

	Thousands of Euros	
	2021	2020
Up to 1 year	1.377.669	1 811 832
From 1 to 2 years	808.872	1 360 465
From 2 to 3 years	579.904	789 688
From 3 to 4 years	782.349	563 001
From 4 to 5 years	440.059	744 035
More than 5 years	487.277	870 737
	4 476 130	6 139 758

The breakdown by maturity date of “Loans from other credit institutions” is as follows:

	Thousands of Euros	
	2021	2020
Up to 1 year	853.338	338 073
From 1 to 2 years	59.042	652 691
From 2 to 3 years	77.493	78 878
From 3 to 4 years	77.493	78 878
From 4 to 5 years	47.972	78 878
More than 5 years	95.663	138 567
	1 211 001	1 365 965

18.3 Customers' deposits

The composition of this caption of the consolidated balance sheets at December 31, 2021 and 2020 based on the sector is the following:

	Thousands of Euros	
	2021	2020
By counterparty category		
Public Administrations	659 130	1 337 519
Other resident sector (1)	182 923	76 480
Other non-resident sectors	-	-
Valuation adjustments – accruals	40	25
	842 093	1 414 024

(1) Out of which, at December 31, 2021 and 2020, 169,423 thousand Euros and 62,980 thousand Euros, respectively, were demand accounts

At December 31, 2021 and 2020, the detail by nature of the balance registered on "Public Administrations" is the following:

	Thousands of Euros	
	2021	2020
Reciprocal Interest Adjustment Agreement (C.A.R.I.)	25 304	19 301
Public Administration Current Accounts and other items	633 826	1 318 218
	659 130	1 337 519

18.4 Issued debt securities

The detail of this caption at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	2020
Bonds and debentures issued	20 070 571	15 049 917
Valuation adjustments (*)	16 639	244 184
	20 087 210	15 294 101

(*) Including transaction costs and value corrections for accounting hedging

Variations of this caption, during 2021 and 2020, have been the following:

	Thousands of Euros	
	2021	**2020**
Opening balance	15 049 917	15 499 902
Issues	28 023 011	14 806 982
Amortisations and depreciations	(23 529 344)	(14 766 684)
Exchange differences	526 987	(490 283)
Closing balance	20 070 571	15 049 917

Detailed below are debenture issues outstanding at December 31, 2021 and 2020, grouped per currency:

Number of issues			Thousands of Euros	
2021	**2020**	**Divisa**	**2021**	**2020**
0	1	Norwegian Krone	-	47 754
89	36	US Dollar	7 511 081	5 316 541
63	48	Euro	10 414 189	8 601 856
1	2	Swiss Franc	241 990	277 703
23	1	Australia Dollar	948 978	44 021
1	1	Sweden Krone	48 779	49 829
10	3	Pound Sterling	867 205	611 730
1	3	Yen	38 349	100 483
			20 070 571	15 049 917

A breakdown of each issue may be consulted on the Institute's webpage (www.ico.es), as the dominant entity of the Group, in “Investments - Issues of reference”.

In 2021 the total financial cost of debenture loans in both Euros and foreign currency recorded under the heading ‘Interest and similar charges’ in the consolidated income statement was 241,044 thousand Euros, which is an average annual interest rate of 2.40% (0.59% with the effect of accounting hedges). In 2020 financial costs amounted 305,270 thousand Euros, which was an average annual interest rate of 2.66% (1.45% with accounting hedges) (Note 25).

As of 2021, the Institute has recorded results for financial operations derived from the repurchase of financial liabilities at amortised cost (bonds and debentures issued by the ICO), with losses of 356 thousand Euros (profits of 139 thousand Euros in 2020), included on caption 'Gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net’. (Note 29).

18.5 Other financial liabilities

The composition of this caption of the consolidated balance sheets at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	**2020**
Treasury Funds	239 391	286 497
Other concepts	19 150	12 533
	258 541	299 030

“Treasury funds” include funds received by the Group and repayable under the attaching terms of each. Detailed information on the lines associated with each of these funds can be found on the Institute’s website www.ico.es .

Funds associated with the most important lines are the following:

- Línea FOMIT – Renove Turismo (FOMIT - Tourism line): this line is to provide financial support to financial projects aimed to renovation and modernisation of infrastructure and tourist destinations.

- Línea Préstamos Renta Universidad: this line is to guarantee a future income for postgraduate studies as a Doctorate or a Master degree for 2011-2012.

- Línea Futur E: This line is to provide incentives for projects in support of sustainable tourism, helping to redirect current tourist activity with a view to sustainability and ecological efficiency, taking into account variables related to the environment and sustainable development, in order consolidate the position of Spanish tourism at the vanguard of the rational use of energy, the use of renewable energies, the reduction of the water footprint, and waste management.

Unlike other of the Group’s mediation lines, which are funded through market fundraising by ICO, the financial funds designated to these operations are provided directly by the state, being instrumented through Institute’s opened accounts on behalf of the correspondent Ministries. These funds balance, corresponds to the amount provided by formal transactions that are also listed under the heading of ‘Loans and receivables’ (net amounts, less unamortised willing), so that amount plus the balance of the associated current account (which reflects the balance of the above lines) is always equal to the amount received by the Institute for the provisioning of the line.

Balances at December 31, 2021 and 2020 of such funds are shown below:

	Thousands of Euros	
	2021	2020
FOMIT – Renove Turismo	49 903	86 068
Préstamos Renta University	93 684	110 657
Futur E	4 336	10 333
Others	110 618	91 972
	258 541	299 030

19. PROVISIONS

At December 31, 2021 and 2020 the detail of this caption of the accompanying consolidated balance sheet is the following:

	Thousands of Euros	
	2021	2020
Provisions for pensions and similar obligations	791	656
Provisions for contingent risks and commitments	48 716	27 855
Other provisions	1 340 867	658 234
	1 390 374	686 745

The composition of the caption of “Other provisions” of the consolidated balance sheets at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	2020
Fund Royal Decree – Law 12/1995	1 316 127	626 471
Fund for amounts recovered from BBVA	160	8 304
Fund Prestige Facility	8 312	21 773
Fund to compensate AIE shareholdings results (Note 10.3)	14 923	1 526
Other funds	1 345	1 429
	1 340 867	658 234

Royal Decree- Law 12/1995

Royal Decree- Law 12/1995 (28 December), published in the Official State Gazette (BOE) on 30 December 1995 and taking effect on January 1, 1996, it is stipulated that Instituto de Crédito Oficial would create, by charging the resources obtained from the State Loan referred to by Section 4.1 of the Council of Ministers Resolution (11 December 1987), a Fund totalling a maximum of 150,253 thousands of Euros to provide provisions and charge the amounts relating to doubtful and default loans that could arise in the future from the activities listed in Note 1, in accordance with the regulations in force for credit institutions. Additional Provision 4 of Law 66/1997 (30 December) on Tax, Administrative and Social Order Measures stipulated that notwithstanding the application of these regulations, the Council of Ministers or the CDGAE could authorise the ICO to charge the Special provision Fund established under RDL 12/1995 for any defaults arising during the course of its business, provided that they did not receive any specific coverage in the General State Budgets. This Fund was created in 1996 under the heading “Other Provisions”.

Those loans or transactions that, in view of the relevant terms and conditions, require the application of this Fund are provided for by charge to the same. The Group’s income statement is therefore not affected.

Since they are already provided for through this Fund, the loans covered by the same are not therefore included in the calculation of the general and specific bad debt provision.

The Fund is credited, in addition to the initial allocation, with future allocations that the Instituto de Crédito Oficial makes out of profits obtained and any made or authorised by the State when assuming or offsetting losses, or through any other appropriate system. Similarly, the Fund is credited with the amounts of an recoveries obtained from loans for which provisions have been recorded or any that have been declared to be in default and charged against the fund, that in 2021 and 2020 amounted to 5 thousand Euros and 644 thousand Euros, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2021 and 2020, amounted to 5,073 thousand Euros and (1,416) thousand Euros, respectively.

In accordance with the provisions of Law 12/1996 (30 December) on the General State Budget, in 1997 an additional 150,253 thousand Euros was allocated to this Fund by charging the Ordinary State Loan.

In 2004 another allocation totalling 249,500 thousand Euros was charged against the State Loan granted to ICO in accordance with the Council of Ministers Resolution dated at July 30, 2004.

As a consequence of the COVID-19 health crisis and of the implementation of the State’s surety lines to support the private sector’s financing, the financial entities pay surety commissions to ICO which, by virtue of procedures established for such purpose, are registered as direct credits to the Fund RDL 12/95. Also, costs for the necessary contracts entered into by the Institute to manage this activity are also charged to the Fund RDL 12/95. The purpose of these allocations is to face future defaults that may derive from the execution of granted sureties and which, in any case, shall not affect the Institute’s equity (in case of insufficiency of funds, the State shall directly provide ICO with the necessary amounts).

This fund's variations in 2021 and 2020 included on caption of "Other provisions" of the balance sheet at December 31, 2021 and 2020 are the following:

	Thousands of Euros
Balance at 1 January 2020	182 610
Capitalisation of interests	(1 416)
State Contributions	-
Application ICO results 2018	81 941
Loan recoveries (principal and interests)	644
Applications	-
Credits COVID lines commissions (net of contracting expenses)	362 692
Balance at 31 December 2020	626 471
Capitalisation of interests	(5 073)
State Contributions	-
Application ICO results 2020	70 188
Loan recoveries (principal and interests)	1
Applications	-
Credits COVID lines commissions (net of contracting expenses)	624 540
Balance at 31 December 2021	1 316 127

In 2021 an extraordinary contribution to the Fund of 70,188 thousand Euros has been registered, as part of the net profit distributed by ICO for 2020.

Fund for amounts recovered from BBVA

An additional provision Eleven of Law 24/2001 (27 December) on Tax, Administrative and Social Order Measures, was applied by the Institute, the Group's Parent entity, in 2001 and 2002, with regard to the heading "Funds for amounts recovered from BBVA", to allocate part of its equity to cancel an amount owed to the Institute by the State as a result of certain loans and guarantees granted by the former Official Credit Institutions and secured by the State.

Nonetheless, the management of the transactions affected by the cancellation process has meant that ICO continues receiving collections pertaining to these loans, which, following the prudence accounting principle, are not generally registered as income in the income statement. For those accounted as income, in 2021, there is a provision by 160 thousand Euros (160 thousand Euros at December 31, 2020).

Prestige Line Fund

The Prestige Line Fund has its origins in the ROL 7/2002, 22 November, which authorises to charge on the Fund Special Provision 12/1995 ROL, the default amounts from loans Prestige line, with credit to this fund specific provision.

Fund to offset results AIE shareholding results

Heading Fund to offset AIE shareholdings includes the provision in order to adjust its profit to the transactions performance conducted through the Economic Interest Groupings (Note 10.3). This provision has been recognised under the rubric of corporate income tax of the income account for an amount of 8,922 thousand Euros and 12,258 thousand Euros, respectively in the years 2021 and 2020 (Note 23).

The following chart shows variations of the caption of Provisions in 2021 and 2020:

	Thousands of Euros				
	Provision for taxes	**Fund for pensions and similar obligations**	**Provisions for risks and contingent commitments**	**Other provisions**	**Total**
Balances at 1 January 2020	-	579	7 778	295 183	303 540
Allocations (1)	-	77	24 416	201	24 694
Recoveries (1)	-	-	(3 810)	(93 734)	(97 544)
Application of funds	-	-	-	(306)	(306)
Transfers and other variations (2)	-	-	-	456 890	456 890
Exchange differences	-	-	(529)	-	(529)
Balances at 31 December 2020	-	656	27 855	658 234	686 745
Allocations (1)	-	135	20 730	5 220	26 085
Recoveries (1)	-	-	(143)	(180)	(323)
Application of funds	-	-	-	-	-
Transfers and other variations (2)	-	-	-	677 592	677 592
Exchange differences	-	-	210	-	210
Balances at 31 December 2021	-	791	48 652	1 340 866	1 390 309

(1) *Recoveries charged to results from 2020 (other provisions) include an amount of 92,318 thousand Euros for the recovery of the provision for liquidity mediation loans with ICO risk, having ended the term available for financial entities to file their claims.*

(2) *Transfers and other movements at December 31, 2021, mainly include credits to the Fund RDL 12/95 for the collection of commissions for COVID-19 sureties (624,540 thousand Euros) and for the provision to the Fund to offset results from investments in AIE (Note 23), for an amount of 8,922 thousand Euros.*

Transfers and other movements at December 31, 2021, mainly include credits to the Fund RDL 12/95 for the collection of commissions for COVID-19 sureties (362,692 thousand Euros) and for the provision to the Fund to offset results from investments in AIE (Note 23), for an amount of 12,258 thousand Euros.

20. EQUITY

The reconciliation of the opening and closing carrying value in 2021 and 2020 of the heading "Equity" in the consolidated balance sheets throughout 2021 and 2020 is the following:

	Thousands of Euros				
	Share Capital	Restatement reserves	Other reserves	Profit/(loss)	Total
Balance at 1 January 2020	4 314 033	20 858	949 805	109 378	5 394 074
Distribution of results				(109 378)	(109 378)
Other variations of reserves		(910)	3 212		2 302
Profit/(loss) for the period				79 092	79 092
Other variations	171				171
Balance at 31 December 2020	4 314 204	19 948	953 017	79 092	5 366 261
Distribution of results				(79 092)	(79 092)
Other variations of reserves		(912)	9 774		8 862
Profit/(loss) for the period				139 861	139 861
Other variations	276				276
Balance at 31 December 2021	4 314 480	19 036	962 791	139 861	5 436 168

At December 31, 2021, the caption of "Distribution of results" includes an amount of 70,188 thousand Euros (81,941 thousand Euros at December 31, 2020), as part of the distribution of previous year's results, for contribution to the Fund RDL 12/95 (Note 19).

The caption of "other variations" mainly includes the annual contribution to equity, by virtue of Law 24/2001, of 27 December, for an amount of 276 thousand Euros in 2021 (171 thousand Euros in 2020). According to the Additional Eleventh Provision of such Law, amounts recovered after the cancellation of debts contracted by the State with the ICO, as a consequence of certain credits and sureties granted by former Official Credit Entities and by the Institute will become part of the Institute's equity.

20.1 Reserves of fully or proportionally consolidated entities

The detail per consolidated companies of balances of the equity caption "Equity – Reserves – Accumulated reserves" of the consolidated balances sheets at December 31, 2021 and 2020, in the portion of such balance originated from the consolidation process and excluding revaluation reserves, detailed per fully or proportionally consolidated companies on the consolidated financial statements, is the following:

	Thousands of Euros	
	2021	2020
AXIS Participaciones Empresariales, S.A.	16 665	9 668
Instituto de Crédito Oficial	924 262	923 350
	940 927	933 018

20.2 Reserves of entities valued through the equity method

The detail per consolidated companies of balances of the equity caption "Equity – Reserves – Reserves of entities valued through the equity method" of the consolidated balance sheets at December 31, 2021 and 2020, in the portion of such balance revealed as part of the consolidation process, detailed per company valued through the equity method in the consolidated financial statements, is the following:

	Thousands of Euros	
	2021	2020
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	21 807	19 945
CERSA, Compañía Española de Reafianzamiento, S.A.	57	54
Other entities		
	21 864	19 999

21. OTHER ACCUMULATED COMPREHENSIVE INCOME (valuation adjustments)

The balance of this caption detailed by gross and net amount of the tax effect is the following:

	Thousands of Euros					
	2021			2020		
	Gross	Tax effect (Note 15)	Net	Gross	Tax effect (Note 15)	Net
Financial assets at fair value through other comprehensive income (Note 9)	197 425	(59 228)	138 197	110 903	(33 271)	77 632
Cash flow hedging of assets and liabilities	(235 615)	70 684	(164 931)	(289 924)	86 977	(202 947)
TOTAL	(38 190)	11 456	(26 734)	(179 021)	53 706	(125 315)

The balance of this heading relates to the concepts of available-for-sale financial assets at fair value through OCI and cash flow hedge derivatives in the accompanying balance sheets. The first account records the net amount of changes in the fair value of the assets at fair value through OCI that, in accordance with Note 2.2.4, must be included as part of the Institution's equity. The second account records the net amount of changes in the fair value of the cash flow hedge instruments.

	Thousands of Euros	
	2021	2020
Opening balance	(125.315)	(20 493)
Change in fair value of financial assets at fair value through other comprehensive income (Note 9)	60 565	37 939
Reclassification to financial assets at fair value through profit or loss		
Cash flow hedges	38 016	(142 761)

Closing balance	(26 734)	(125 315)

22. GRANTED GUARANTEES AND CONTINGENT COMMITMENTS

These headings in the balance sheets record the amounts that ICO must pay on behalf of third parties in the event that the obligated parties do not do so, in response to commitments acquired during the normal course of its business (granted guarantees) and amounts available to third parties (contingent commitments).

The detail of this caption at December 31, 2021 and 2020 is the following:

	Thousands of Euros	
	2021	2020
Granted guarantees		
Financial guarantees	528 275	414 937
	528 275	414 937
Granted contingent commitments		
Available by third parties:		
Credit institutions	473 654	720 415
Public Administrations sector	1 739 361	2 054 000
Other resident sectors	1 130 718	773 796
Non-resident sector	189 070	339 848
Other contingent commitments	93 716	92 694
Subscribed values pending disbursement:	702 500	607 000
	4 329 019	4 587 753
	4 857 294	5 002 690

Income obtained from guarantee instruments (guarantees and other sureties) are recorded under the heading “Commissions received” in the consolidated income statement.

23. TAX POSITION

The Institute is effectively taxed for the Corporate Income Tax, under general regime, since 1999 (previously, it was exempt, by virtue of specific regulations).

The reconciliation of the accounting Institute's profit, as the Parent firm of ICO, as the Group's parent company, for 2021 and 2020 with the corporate income tax basis is as follows:

	Thousands of Euros	
	2021	2020
Accounting profit before income tax	171 698	97 548
Permanent differences		
Foreign taxes paid	554	806
Non-accounted accounting income	-	3 232
Tax-loss carry forwards attributed to invested companies	(38 096)	(49 216)
Deductible expenses from previous years		
	134 156	52 370
Temporary differences:		
Due to impairment losses and provision non-deductible	84 614	92 694
Due to the reversal of temporary differences arising in other years	(15 814)	(119 731)
	68 800	(27 037)
Tax assessment basis	202 956	25 333
Gross tax payable (30%)	60 887	7 600
Deductions and allowances	(431)	(609)
Withholdings and interim payments	(54 646)	(39 249)
Tax payable (Note 15)	5 810	(32 258)
Corporate income tax	39 816	15 102
Adjustments CIT expense allocated investees' bases (Note 19)	8 922	12 258
Other adjustments		-
Corporate income tax expense	48 738	27 360

In the year, the allocation of tax losses carried forward in the AIE, in which ICO invests in different capital proportions, is incorporated: 38,096 thousand Euros in 2021 (allocation of tax losses by 49,216 thousand Euros in 2020). The allocation of basis has been based on information supplied by the entities. It was decided to allocate these concepts in the same year of the closing of AIE's balances.

There are no tax losses carried forward at 2021 closing.

No tax incentive deductions applied in the year 2021 nor in 2020. There is an international double tax deduction (taxes borne) amounting to 431 thousand Euros and 609 thousand Euros, respectively. There are not international double taxation deductions at end 2021.

There are no changes in the methods used to depreciate/amortise fixed assets owing to exceptional causes.
Taxes and other tax obligations applicable to the Institute are open to inspection by the tax authorities during last four years.

Due to the possible interpretations of tax legislation that may be afforded to some transactions, basically related to new subject ability to corporate income tax following the full exemption from the same, there could be certain contingent tax liabilities. However, in the opinion of the Institute's tax managers, the possibility of these liabilities crystallising is remote and in any event, the tax debt that may derive from them would not significantly affect the accompanying annual accounts.

24. INTERESTS AND SIMILAR INCOME

The detail of interests and similar income of 2021 and 2020, based on their origin, is the following:

	Thousands of Euros	
	2021	2020
Financial assets at fair value through other comprehensive income	99	2 484
Financial assets at amortised cost	224 924	266 955
Derivatives, hedge accounting	(12 173)	(10 408)
Other assets	312	143
Interests and similar income from liabilities	39 029	31 675
	252 191	290 849

25. INTERESTS AND SIMILAR CHARGES

The detail of this caption of the profit and loss account during 2021 and 2020 is the following:

	Thousands of Euros	
	2021	2020
Financial liabilities at amortised cost	306 947	396 153
Derivatives, hedge accounting	(181 953)	(135 633)
Other liabilities	-	-
Interests and similar charges from assets	22 646	8 540
	147 640	269 060

26. INCOME FROM DIVIDENDS

The totality of yields obtained for this concept corresponds to the variable income portfolio, for an amount of 18 thousand Euros in 2021 (344 thousand Euros 2020).

27. PROFIT/(LOSS) FROM ENTITIES VALUED THROUGH THE EQUITY METHOD

The totality of results from entities valued through the equity method, included on this caption of the consolidated profit and loss account, amounts in 2021 and 2020 to profits by 3,961 thousand Euros and profits by 1,995 thousand Euros, respectively. Annex I includes the detail of shareholdings, as well as their most relevant data at December 31, 2021 and 2020.

28. FEE AND COMMISSION INCOME AND EXPENSES

The detail of this caption of the consolidated profit and loss account is the following:

	Thousands of Euros	
	2021	**2020**
Commissions received		
Contingent risks	5 319	4 041
Availability commissions	3 219	294
Management commissions COVID sureties	6 946	3 166
Other commissions	42 418	48 046
	57 902	55 547
Commissions paid		
Signature risk	(96)	(96)
Other commissions	(7 697)	(6 399)
	(7 793)	(6 495)
Net Commissions for the year	50 109	49 052

The heading “Other commissions” of commissions income, at December 31, 2021, includes 5,000 thousand Euros related to commissions of the Autonomous Communities’ Financing Fund and of the Local Entities’ Financing Fund, for the management of both funds (15,000 thousand Euros at December 31, 2020) (Note 16).

29. GAINS OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

The detail of this caption of the consolidated profit and loss account, based on the origin of its items is the following:

	Thousands of Euros	
	2021	2020
Financial assets at fair value through other comprehensive income (Note 9)	-	-
Financial assets at amortised cost, loans and receivables (Note 10.3)	-	-
Financial assets at amortised cost, debt securities (Note 10.1)	-	23
Financial liabilities at amortised cost (Note 18.4)	(356)	139
	(356)	162

30. PROFIT OR LOSS ON FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING, NET

The detail of this caption of the consolidated profit and loss account, based on the origin of its items is the following:

	Thousands of Euros	
	2021	2020
Trading derivatives (Note 7)	364	3 385
	364	3 385

Following the entry into force of IFRS 13 (January 1, 2013), the Group did not incorporate the corresponding adjustment for counterparty and equity credit risk (CVA-DVA) for the valuation of the derivative instruments. The adjustment made under this heading (including this caption) at December 31, 2021 amounts to profits by 357 thousand Euros (profit of 1,836 thousand Euros at December 31, 2020).

31. PROFIT OR LOSS FOR FINANCIAL ASSETS AND LIABILITIES OBLIGATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

The detail of this caption of the profit and loss account is the following:

	Thousands of Euros	
	2021	2020
Equity instruments at fair value through profit or loss (Note 8)	-	-
	-	-

32. PROFIT OR LOSS RESULTING FROM HEDGE ACCOUNTING, NET

The detail of this caption of the profit and loss account is the following:

	Thousands of Euros	
	2021	2020
Hedging derivatives (Note 11)	42 386	34 030
	42 386	34 030

This caption includes results from the variation of fair value both of hedging elements and of hedged elements.

33. OTHER OPERATING INCOME. OTHER OPERATING EXPENSES

The detail of this caption of the consolidated profit and loss account is the following:

	Thousands of Euros	
OTHER OPERATING INCOME	2021	2020
Income from exploitation of estates	34	506
Other concepts (*)	800	334
	834	840

(*) It mainly includes expenses recovered from returns of supplies and advances performed for the management of assets by BBVA

OTHER OPERATING EXPENSES	Thousands of Euros 2021	2020
Other concepts	(1)	-
	(1)	-

34. PERSONNEL COSTS

The composition of this caption of the consolidated profit and loss account of 2021 and 2020 is the following:

	Thousands of Euros 2021	2020
Wages and salaries	17 879	16 917
Employee benefits expense	4 218	4 284
Other expenses	1 515	1 379
	23 612	22 580

The number of the Group's employees at December 31, 2021 and 2020, distributed per professional categories and gender, has been the following:

	Payroll's distribution			
	Men		Women	
	2021	2020	2021	2020
Management	13	14	16	15
Managers and technicians	110	114	151	151
Administrative staff	7	8	48	47
	130	136	215	213

The average number of the Group's employees in 2021 and 2020, distributed per professional categories and gender, has been the following:

	Payroll's average distribution			
	Men		Women	
	2021	2020	2021	2020
Management	13	14	16	15
Managers and technicians	112	113	151	145
Administrative staff	8	8	46	47
	133	135	213	207

The average number of the Group's employees, in 2021, with disability above 33% has been of 4 persons (3 persons in 2020).

Remunerations and other benefits for the General Board

In 2021 and 2020 the Group recorded in the consolidated income statement 137 thousand Euros and 127 thousand Euros (on the section of "Other administration expenses"), respectively, in respect of remuneration accrued by the members of the General Board in respect of wages, allowances and other remunerations. These were paid to the Treasury, according to the applicable regulation law, in the case of General Board members considered as Senior Positions in the Civil Service.

Remunerations perceived by the President and Senior Management of the Institute, as the Group's parent company, during 2021 and 2020, are the following:

Year 2021:

	Salaries and wages Thousands of Euros			
No. persons	Fixed	Variable	Other Remunerations Thousands of Euros	Total Thousands of Euros
6	695	70	17	782

Year 2020 (*):

	Salaries and wages Thousands of Euros			
No. persons	Fixed	Variable	Other Remunerations Thousands of Euros	Total Thousands of Euros
6	694	96	15	805

(*) Data from 2020 do not coincide with those registered in the annual accounts of 2020, as new concepts have been incorporated in the caption "Other remunerations".

At December 31, 2021 and 2020 there were no loans granted to the executive members of the Group's General Board. At December 31, 2021 loans granted under internal regulations on loans to staff, had an outstanding amount of 12,524 thousand Euros and the average interest rate was 2.51% (13,450 thousand Euros at December 31, 2020, with an average interest rate of 2.51%).

In addition, at such date, no pension or life insurance obligations had been acquired with regard to current or former members of the General Board.

35. OTHER ADMINISTRATION EXPENSES

The detail of this caption of the consolidated profit and loss account is the following:

	Thousands of Euros	
	2021	2020
Buildings, installations and materials	713	862
Computers	4 979	3 738
Communications	2 089	2 021
Advertising and publicity	1 427	1 433
Rates and taxes	1 573	1 761
Other general administration expenses	8 167	7 851
	18 948	17 666

Audit expenses

The annual accounts audit has been made by the General Intervention of the State Administration (IGAE for its initials in Spanish). Consequently, there are no remunerations to auditors for this concept, as they are assumed by the General Intervention (Ministry of Treasury and Public Administrations).

The amount invoiced by Mazars Auditores S.L.P. for the audit of CERSA and COFIDES, Group's associates, of 2021 and 2020, which is attributable to the Group's consolidation (that is to say, fees accrued for the Group's shareholding percentage in CERSA) is of 12 thousand Euros in 2021 and 12 thousand Euros in 2020.

The amount invoiced by companies under the Mazars trademark (who audit, by virtue of a contract formalised with the IGAE to deliver a collaboration service in the performance of the audit of the annual accounts of 2021 and 2020), for audit-related services delivered to the ICO amounted to 10 thousand Euros (85 thousand Euros for audit services of the individual annual accounts and 5 thousand Euros for the consolidated accounts); the amount invoiced for non-audit services during 2021 has been of 42.5 thousand Euros, taxes not included (37.5 thousand Euros in 2020).

36. FAIR VALUE

As mentioned above, financial assets are recorded on the balance sheet at fair value, except for loans and receivables and equity instruments whose market value cannot be estimated reliably.

In the same way, financial liabilities are recorded on the balance sheet at amortised cost, except those included in the trading portfolio.

Part of the assets registered under “loans and receivables” and liabilities registered under the heading “Financial Liabilities at amortised cost”, from the consolidated balance at December 31, 2021 and 2020, are accounted at variable rate, with an annual revision of that rate, so their fair value coming from movements of interest rates, it is not significantly different from the one registered in the consolidated balance. The fair value of these has been obtained using a weighted average maturity and a weighted average rate through which it has proceeded to calculate the fair value using discount flows. The value calculated for these operations at December 31, 2021 and 2020, for the Institute as the Group’s parent company, is as follows:

	Thousands of Euros			
	Carrying value		Fair value	
ASSETS	**2021**	**2020**	**2021**	**2020**
Financial assets at amortised cost	25 327 301	29 343 703	25 694 336	29 871 708
LIABILITIES				
Financial liabilities at amortised cost	30 558 851	27 778 726	30 605 063	27 944 499

Fair value has been calculated, in all cases, both in 2021 and in 2020, taking as reference implicit curves in monetary and Public Debt markets.

37. OPERATIONS WITH SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Balances at December 2021 and 2020 of the Company related to Joint Ventures and Associates are as follows:

CERSA

- Deposits to customers (financial liabilities at amortised cost): 110,500 thousand Euros at December 31, 2021 (13,995 thousand Euros at December 31, 2020).

INSTITUTO DE CRÉDITO OFICIAL

MANAGEMENT REPORT

Financial environment and frame of action

The Spanish economy, in line with the international economies as a whole, **resumed in 2021 the economic growth** interrupted in 2020 by the Covid-19 pandemic. Indeed, the rapid vaccination campaign, during 2021, was essential for the economic activity to regain dynamism. Thus, the gradual recovery allowed to end the year, as a whole, with a significant economic expansion, at the highest pace for the Spanish economy in the last two decades. The economic growth has been generalised among sectors, and has been reflected at all levels, such as in employment, where both the quarterly data of the Labour Force Survey and the monthly data on Social Security enrolment and registered unemployment show that, by the end of 2021, levels immediately prior to the pandemic had already been exceeded.

Vaccination was a key element, during 2021, that led to an **acceleration of activity**, from the second quarter of the year, with an expansion by 1.2% compared to the first quarter, with activity gradually picking up to reach 2.6% growth in the third quarter of the year. During the fourth quarter, growth was 2.0%, and thus the **average GDP growth during 2021 stood at 5.0%**, which contrasts with the 10.8% fall in 2020.

As for **growth components**, in 2021, both domestic demand (4.6%) and the foreign sector (in this case, the positive contribution was of 0.4%) made a positive contribution to growth. These positive contributions contrast with what happened in 2020, when domestic demand made a negative contribution of 8.6% (with negative components, except for public consumption) and the foreign sector of -2.2%. Within domestic demand, in 2021, both the components of consumption and investment were expansionary, with household consumption and investment in machinery and capital goods having the greatest increase.

The positive contribution of the **external sector** came against a backdrop of double-digit growth in both exports and imports of goods and services. This contribution from the foreign sector was driven by the recovery in world trade and the gradual reopening of tourism, which, although still below its 2019 levels, increased strongly compared with what happened in 2020. Thus, the total number of international tourists arriving in Spain stood at 31 million in 2021, up from 19 million in 2020 but still below the 83.7 million international tourists who entered Spain in 2019. Exports of goods reached 316,609 million Euros in 2021, representing a growth of 21.2% over the 2020 figure and an all-time high in the volume of exports. The number of regular exporting companies increased by more than 7% in 2021, with regard to the previous year, exceeding 59,000. All in all, according to data available from Bank of Spain, the Spanish economy increased its external financing capacity in 2021 and its current account surplus compared to 2020. However, the continuity of positive external balances will allow the Net International Investment Position to continue to improve.

The notable progress of the vaccination process has been pointed out as a differentiating factor, in 2021, together with the effectiveness of measures adopted to maintain the business fabric, employment and household incomes, in order to achieve a **return to economic growth**. Thus, the gradual normalisation of the health situation and economic policy measures adopted to mitigate the economic and social impact brought to the surface consumption that had been dormant for several quarters.

The State-guaranteed guarantee programmes approved during 2020, which enabled the mobilisation of a credit volume of more than 135 billion Euros in more than 1,150,000 operations by the end of 2021, represented a much greater effort in terms of GDP than in other European countries. These programmes have proven their usefulness in sustaining productive activity in a crisis situation, facilitating a faster recovery (according to the latest data published in 2021 by Bruegel and made in relation to each country's GDP in 2019, in Spain, these programmes have represented a GDP volume of 10.6%, slightly below Italy's by 12.2%, but well above France's by 5.8% or Germany's by 1.7%). In addition, the arrival of European funds from the Next Generation EU programme began to have an impact in 2021, and this is expected to be even more important in 2022 and 2023. Finally, the fact that the economic recovery was practically generalised at international level contributed to the boost experienced by Spanish exports.

With regard to the **labour market**, during 2021, levels prior to the outbreak of the pandemic have generally recovered. According to data from the Labour Force Survey (EPA), 840,700 jobs were created in 2021, equivalent to an increase in employment of 4.4%, compared to the loss of 622,600 jobs during 2020 (which represented a rate of decline of 3.1%). Moreover, the total number of unemployed stood at 3,103,800 at the end of the year, below the figure for the fourth quarter of 2019. This brought the unemployment rate to 13.3%, in the fourth quarter of 2021, compared with 16.1% in the last quarter of 2020 and 13.8% in the fourth quarter of 2019. Thus, more jobs have been recovered in 2021 than those lost during 2020. It should be recalled that these figures do not include employees affected by ERTE (Temporary Layoff Plans), who for the purposes of the official figures count as employed at all times. In any case, they continued to fall during 2021, so that from more than 3.5 million workers in this situation on April 2020, they fell to just over 100,000 affected by the end of 2021. Thus, even if the number of workers in ERTE is subtracted from the total number of employed workers, the total number of "effective" employees at the end of 2021 was already higher than the total number of employed workers before the pandemic. In this way, ERTE have been confirmed as an effective tool to facilitate the rapid adjustment of companies' employment in crisis situations (and for the rapid reincorporation of employees afterwards), allowing the Spanish economic fabric to adjust its effectively available workforce without having to resort to redundancies, as had traditionally been the case.

In 2021, we witnessed a pick-up in **inflation** at international level, initially transitory. In Spain, inflation averaged 3.1% in 2021, up from -0.3% in 2020. This pick-up was largely due to higher energy prices, price pressures stemming from global supply problems for certain components, such as semiconductors, and also to a base effect stemming from low inflation in the previous year. Looking at the year-on-year rate of change on December, the headline CPI ended 2021 at 6.5%, showing an upward trend throughout the year. For its part, the year-on-year change in the core CPI (excluding energy goods and unprocessed food, as they are components with greater price variability) showed a more moderate trend and stood at 2.1% in December (0.6% on January). Based on these data, inflation was once again the focus of attention, especially in the second half of the year, although the consensus of analysts and institutions such as the Bank of Spain pointed to a progressive moderation in inflation throughout 2022.

Concerning **public accounts**, the public deficit stood at 11.0% of GDP in 2020, as a result of measures to mitigate the economic and social impact, implemented at the start of the health crisis, well above the 2.9% in 2019. In 2021, there has been a recovery in public revenue and a containment of expenditure that anticipates a moderation of the deficit figure with regard to 2020. In the last Budgetary Plan submitted to the European institutions, on October 2021, the Spanish Government envisaged a deficit of 8.4% for 2021, although the final figure will be lower, around 7.0 to 7.5% of GDP, according to forecasts by institutions such as Bank of Spain and AIReF, in view of partial data available. Public debt has behaved along the same lines, ending 2021 at a GDP of 118.7%, below the 119.5% projected by the Government in its Budget Plan and the GDP of 120.0%, at which debt ended in 2020. Due to the pandemic context, the European institutions approved in March 2020 the activation of the general safeguard clause foreseen in the PEC, which allows for “temporary coordinated and orderly deviations from normal requirements in situations of generalised crisis, caused by a severe economic slowdown in the Euro area or in the EU as a whole”. This clause has rendered inapplicable any actions that might be taken in 2020, 2021 and 2022, with the fiscal rules expected to be reactivated in 2023, either in their current form or with some reform of rules. In line with the budgetary flexibility applied at the European level, with respect to the Member States, the monitoring of the deficit targets applied to the Autonomous Regions and Local Authorities has also been made more flexible at the Spanish level.

In the **European environment**, the activity expansion in Spain of 5.0%, during 2021, continued in line with the average growth in the Euro Area (EA), which was of 5.2% in 2021. Thus, the EA as a whole also returned to growth in 2021 after its 2020 decline of 6.4%. As was the case in Spain, GDP growth in the EA in 2021 was also the highest in decades. This growth at the European level was driven in 2021 by a generalised advance in the components of domestic demand (public and private consumption and investment grew in 2021), with notable growth in exports and imports.

With regard to inflation, a very similar trend to that described above for Spain was observed in the EA as a whole. Thus, average headline inflation in the EA stood at 2.6% in 2021, above the rate of 0.3% observed in 2020. Core inflation also increased, albeit at much lower levels, standing at 1.5% in 2021, compared with an average rate of 0.9% in 2020. This average inflation followed a gradual acceleration of the inflation rate throughout the year: headline inflation ended the year at 5.0% while core inflation stood at 2.7% in December (in January 2021 the headline rate was 0.9% and the core rate 1.4%).

The **European Central Bank** has maintained, during 2021, expansionary monetary policies adopted during 2020, in response to the crisis caused by the pandemic. Thus, during 2021, interest rates have remained unchanged at their current levels since September 2019 (0.0% for the main refinancing operations, 0.25% for the marginal lending facility and -0.5% for the deposit facility). The APP asset purchase programmes (20 billion new purchases each month) also remained unchanged in 2021. The extraordinary asset purchase programme introduced in response to the situation created by Covid-19, the PEPP programme, continued during 2021 as set out in 2020, with a total maximum amount of 1.85 trillion Euros until March 2022, with only one-off technical adjustments to the pace of purchases. There were also no developments with regard to the long-term refinancing operations (TLTRO-III and PELTRO), which were carried out as announced in December 2020. Thus, the main change during the year came from the modification in July 2021 of the **ECB's strategy** by setting a symmetric price growth target of 2% over the medium term, making it clear that the medium-term inflation target allows for positive and negative deviations. Thus, this new target envisages the possibility of inflation being moderately above the target on a temporary basis, given the medium-term orientation of the target. It should also be noted that, although no changes were implemented in 2021, the progressive change in macroeconomic circumstances, in particular with rising inflation and the consolidation of growth in the face of the lesser impact of the pandemic, meant that, on December 2021, the end of some of the exceptional instruments and an incipient change in the current monetary policy stance began to be considered. Specifically, it was proposed that the PEPP would end on March 2022 (although the amount corresponding to issues maturing until the end of 2024 would continue to be reinvested), so that the APP would be temporarily increased until, on October 2022, the APP would return to its previous level of new purchases. In addition, it has been indicated that, at some point after October 2022, the APP programme will stop its new purchases, as a prelude to a rate hike, which the ECB has indicated will not occur before the end of such purchases under the APP. In any case, any decisions would be taken on the basis of the available data, taking into account the circumstances at any given time.

Financial markets progressively reacted to the changes in expectations in the different instruments. Thus, the benchmark 10-year Spanish debt stood at 0.06%, at the beginning of January 2021. After an upward trend in the first months of the year, it reached 0.6% on May, before moderating again to 0.14% on August. In the latter part of the year, it rose again, ending the year at around 0.6%. For its part, the spread between Spanish debt and the German benchmark increased during the year from 63 basis points at the beginning of 2021 to around 75 basis points at the end of the year, without showing major fluctuations throughout the year around these levels.

Household and corporate **lending rates** continued to decline during 2021. Thus, interest rates on smaller transactions in Spain (less than 1 million Euros, used as a proxy for loans to SMEs) stood at 1.59% at the end of 2021, down from 1.78% on December 2020. Moreover, as in 2020, the interest rate on these loans in Spain was lower than the interest rate on these same loans in Germany for virtually the entire year, with the spread standing at 32 basis points on December 2021.

Concerning **financing volumes**, in 2021, there were setbacks in the amount of new operations, after many companies had accumulated precautionary liquidity buffers during 2020, through the State-backed loan lines managed by ICO in response to the COVID-19 crisis. In this regard, the annual cumulative amount of operations of more than 1 million fell by 19.5% in 2021, compared to 2020, when operations grew by 5.5%. Meanwhile, cumulative transactions of less than 1 million Euros fell by 12.6% in 2021 (compared with a fall of 0.5% in 2020), while transactions of up to 250 thousand Euros fell by 5.9% in 2021 (the fall was 8.9% in 2020). Based on the above, the outstanding amount of bank credit to enterprises moderated its growth during 2021, which was 1.6% in 2021, down from 4.6% in 2020.

With regard to banks' **asset quality**, the doubtful assets ratio continued to decline in 2021. It stood at 4.3% on December 2021, compared with 4.5% on December 2020. Doubtful assets thus stood at their lowest rate since March 2009, in a decrease that is mainly explained by the reduction in the credit volume classified as doubtful.

In the **Bank Lending Survey** published by the ECB in collaboration with the national central banks, a certain normalisation in the demand for credit was observed over the course of 2021. Thus, after a 2020 in which large fluctuations were observed, with a large increase in demand for credit from Spanish SMEs in the second quarter under the government-approved guarantee facility and subsequent falls in demand, during 2021, movements were less acute. Thus, although the year started with a fall in credit demand, thereafter much less pronounced changes were observed, with slight increases in demand in the second and third quarters, and a slight contraction in the fourth quarter. With regard to the trend for the coming quarters, based on this Bank Lending Survey, SME credit demand is expected to grow slightly in the more immediate future.

At **institutional level**, 2021 saw the start of the management of the Multiannual Financial Framework of the European Union (EU) for the period 2021-2027 (MFF 2021-2027) and the Next Generation EU (NGEU) instrument. The latter, endowed with 750 billion Euros, aims to underpin the recovery of the European Union by laying the foundations for a transformation of the economic structures of the member states that will strengthen them in the event of future crises. In relation to NGEU, Member States presented their plans for using the resources made available to them and the first disbursements were made. In the specific case of Spain, the plan for the use of the funds was submitted on time, making it one of the countries whose plan was first approved. Subsequently, the processing and fulfilment of milestones associated with the plan followed the established timetable, so that, following receipt of the pre-financing associated with the approval of the plan, Spain was the first EU country to receive a regular amount associated with the plan's implementation. Thus, between the pre-financing and the first instalment received, Spain received around 19 billion Euros in 2021, in an amount that has been allocated to the different projects set out in the Recovery, Transformation and Resilience Plan, drawn up by the Spanish government and approved by the European institutions. Forecasts by government institutions, the European Commission and Bank of Spain anticipate that these funds will have an impact on Spanish GDP of close to 2% in both

2022 and 2023. Overall, Spain is expected to receive up to 140 billion Euros under the NGEU for the entire period 2021-2027, half in direct transfers and the other half in repayable loans.

In the **European Union** as a whole, both the MFF 2021-2027 and the NGEU programme abound in the European Green Deal initiative, with the progressive digitalisation of the economy as the other major priority in the use of the funds available in the current budget period. Thus, according to figures made public by the European Commission after analysing all the national plans, 39.9% of the funds of the Recovery and Resilience Mechanism (the main component of the NGEU) are earmarked for climate-related investments, while investments linked to digitalisation account for 26.4% of the total. In relation to climate, the EU's target of achieving a 55% reduction in emissions compared to 1990 levels by 2030 was maintained (this target had been raised in 2020 from a 40% reduction). All this while maintaining the objective of full decarbonisation of the economy and consequent complete climate neutrality by 2050.

Thus, during 2021, the deployment of the European budgetary policy package for the period 2021-2027 began. In particular, the InvestEU programme, which receives its funds from both the MFF 2021-2027 and the NGEU and brings together in a single structure the previously existing guarantee mechanisms. InvestEU, which will have more than 26 billion Euros mobilising estimated investments of more than 372 billion Euros through public-private partnerships across the EU, had during 2021 its first call for proposals, to which accredited implementing partners such as ICO could apply for approval of their financial products. InvestEU will focus on four priority areas of action: sustainable infrastructures; research, innovation and digitalisation; SMEs; and social investments and skills.

For its part, the **European Banking Authority** (EBA) published its **annual report** on risks and vulnerabilities in the European banking sector on December 2021, together with the **2021 transparency exercise**, which provides detailed information for 120 banks across the EU. According to the EBA, banks increased their CET1 liquidity ratio during 2021 thanks to the use of retained earnings and an increase in reserves, thereby more than surpassing the pre-pandemic level of this ratio. In addition, the positive disposition of financial markets and central bank policy allowed banks to maintain “comfortable positions” in terms of liquidity. On the other hand, the doubtful assets ratio maintained a downward trend at the aggregate level, although, according to the EBA, the doubtful assets ratio for the sectors most exposed to the pandemic showed an upward trend. The EBA also highlighted the progress made by institutions with regard to environmental, social and governance (ESG) risks, as well as the efforts made to reduce their structural costs. However, the EBA indicated that the structural risks facing the sector remain. The EBA also published on July 2021 the outcome of the stress tests initially planned for 2020 for 38 significant banks in the euro area (these banks account for around 70% of the total assets of the euro area banking sector). The ECB also complemented this exercise by conducting stress tests on 51 additional banks under its supervision. According to this stress test, the banks were in a better situation than when the last exercise of this type was carried out three years ago, although the reduction in capital in the system as a whole in the simulated scenarios would be greater than then. The explanation is that the scenario used for the 2021 exercises was more severe than the one used in the 2018 stress test.

In short, the Spanish economy, in line with what happened in the main European economies, experienced strong economic growth in 2021, after the contraction in activity experienced in 2020 as a result of the Covid-19 pandemic. Looking ahead to 2022, forecasts of organisations such as the European Commission and the International Monetary Fund anticipate that GDP growth will continue in the EA as a whole, with Spain at the forefront of this expansion. Thus, the European Commission forecasts Spanish GDP growth of 5.6% in 2022, above the 4.0% expected for 2022 in the EA as a whole. Meanwhile, the International Monetary Fund estimated Spanish economic growth of 5.8% in 2022, compared with the 3.9% growth forecast for the EA as a whole. This growth would be driven by a normalisation at the health level, by the recovery of the international economy as a whole (in particular trade flows) and by the implementation of the recovery and resilience plans financed by the Next Generation EU programme. The economic consequences of the war in Ukraine introduce important uncertainties that will force a revision of previous projections.

Activity

Since its creation, in 1971, the Institute has been working to provide added value to the financing of the Spanish business fabric, and to respond flexibly to the needs and challenges posed by the different economic scenarios, all with the aim of contributing to boosting economic growth and job creation. Likewise, it has played an important role in exceptional economic situations, the most recent being the one generated by the COVID-19 health crisis, in which, through an effective public-private partnership model, it has managed the various COVID-19 Guarantee Lines on behalf of the State.

As highlighted above, the Liquidity and Investment Guarantee Lines are proving to be, since their launch in 2020, one of the most effective programmes in the countries of the European Union, in terms of their use and extension in the productive fabric. According to data at the end of 2021, thanks to this mechanism, more than 136,400 million Euros in business financing have been injected in more than 1,150,000 operations (98% formalised by the self-employed and SMEs) and with a mobilisation of more than 103,700 million Euros guaranteed.

In addition, during 2021, Royal Decree Law 5/2021, of 12 March, on extraordinary measures to support business solvency, established various measures to make loans guaranteed by the State more flexible. These measures, aimed at facilitating the renegotiation of the financial debt of companies and the self-employed with financial institutions, establish a set of extraordinary solutions to support business solvency, protecting the productive fabric and avoiding a structural impact on the economy and employment.

In addition to the COVID-19 guarantees, in 2021, the Institute continued to manage other funds and instruments on behalf of the State in three areas of action: promoting the internationalisation of Spanish companies through the Fund for the Internationalisation of

Companies (FIEM) and the Reciprocal Interest Contract (CARI) on behalf of the Ministry of Industry, Trade and Tourism; financial cooperation for development, through the Fund for the Promotion of Development (FONPRODE) and the Water Fund (FCAS) on behalf of the Spanish Agency for International Development Cooperation (AECID); and the financing of the State's peripheral administration through the Territorial Funds of Autonomous Communities and Local Entities on behalf of the Ministry of Finance. At the end of the 2021 financial year, the total balance managed by the ICO corresponding to these funds amounted to 192,775 million Euros.

- The Autonomous Community Financing Fund, for which the ICO acts as financial manager, had an outstanding balance of 179,764 million Euros at the end of 2021.

- The Local Entities Financing Fund closed 2021 with a balance of 6,176 million Euros.

- The State Funds for internationalisation and financial cooperation for development (CARI, FIEM, FONPRODE and FCAS) have a combined balance of 6,836 million Euros at the end of 2021.

All this, while continuing to accompany and support Spanish companies with its own lines of financing, both through the mechanism for distributing funds in collaboration with the intermediary credit institutions operating in Spain (ICO Lines) and through the financing and guarantee programmes in which the ICO acts directly with customers.

The financing and issue of guarantees allocated by ICO to companies, entrepreneurs and territorial administrations during 2021 amounts to 2,516,239 thousand Euros, representing a growth of 3.7% compared to the previous year. Specifically, 41.2% of this amount (1,035,423 thousand Euros) correspond to drawdowns made through the different ICO 2021 mediation lines, accumulating a total of 10,969 operations. Of these, 73.6% were targeted at micro-SMEs (companies with up to nine employees) and 44.6% corresponded to loans of 25,000 Euros or less.

In the mediation activity, there are two distinct strategic areas of action:

- Area of companies and entrepreneurs**:** lines aimed to finance investment projects and liquidity needs of employers and companies, in Spain. 9,621 operations have been granted, for an amount of 651,532 thousand Euros, representing 62.9% of the total amount applied to mediation lines in 2021.

- International area**:** these lines are aimed to finance the internationalisation and exporting activity of Spanish companies. In 2021, 1,348 operations have been granted, for an amount of 383,891 thousand Euros.

In terms of direct activity, during 2021 the ICO complemented its financing operations through loans and issue guarantees, with complementary non-banking financing through purchases of different corporate debt instruments: bonds issued by Spanish companies to provide companies with the necessary financing to undertake their medium- and long-term investment plans (corporate bonds); through the acquisition of project bonds, as a financing instrument especially linked to large infrastructure operations; and with purchases of corporate bonds and promissory notes issued through the Alternative Fixed Income Market (MARF) to provide issuers (especially SMEs) with access to financing to cover their short and medium-term liquidity needs.

Through all these direct financing modalities and guarantees, during 2021, ICO has made available funds and issued guarantees for an amount of 1,480,816 thousand, thereby helping to meet the liquidity needs of companies as a result of the economic impact of COVID-19 and continuing to promote the development of major long-term investment projects both in Spain and abroad, always respecting the principle of complementarity with private initiative.

- Through the direct banking activity, loans and credits have been disposed of, for an amount of 870,547 thousand Euros, and sureties have been granted, for an amount of 196,436 thousand Euros.

- Through the complementary direct activity, corporate bonds and MARF bonds have been acquired, for an amount of 136,127 thousand Euros and, at the short term, MARF promissory notes, for an amount of 277,706 thousand Euros.

Overall, the balance of the total lending activity managed by the ICO (including the amounts guaranteed by the COVID-19 guarantee lines, the funds managed on behalf of the State and its own activity) amounted to 315,451 million Euros, 4.3% higher than in December 2020.

In terms of fundraising, medium- and long-term financing was raised in 2021 for 5,764,575 thousand Euros. In 2021, we highlight the issuance of a social bond and a green bond:

- A social bond was issued by 500,000 thousand Euros to finance projects in public-private collaboration to promote the economic and territorial cohesion and to have a positive impact over employment.

- The issue of the green bond, the third issue of this kind made by ICO, amounted to 500,000 thousand Euros. Funds will be applied to financing projects made by Spanish companies to contribute to the promotion of the ecologic transition, one of the axis of the Spanish Economy's Recovery, Transformation and Resilience Plan in the framework of the Next Generation EU programme.

By the end of 2021, ICO had issued eleven sustainable bonds (eight social and three green), consolidating its position as one of the benchmark issuers in this market at European level with a total of 4,550 million Euros issued.

Another of the main strategic lines of action in this period has been through the funds, whose sole participant is ICO, and which are managed by AXIS, the ICO Group's venture capital subsidiary.

FOND-ICO Global is Spain's first public "Fund of Funds". Its aim is to promote the creation of privately managed venture capital funds that invest in Spanish companies to provide alternative financing channels to banks and boost their capitalisation and growth.

This fund, with an initial endowment of 1,200,000 thousand Euros, has been gradually expanded given its positive evolution, currently reaching 4,500,000 thousand Euros, with ICO as the sole participant; extending the Fund's investment term until May 17, 2026 and extending the Fund's duration until May 17, 2034. In 2021, a new call has been resolved with the selection of 15 funds in which 750,000 thousand Euros will be invested, the largest amount allocated to date. This call, called Fond-ICO Consolida, multiplies the capacity to mobilise resources in public-private partnerships, aimed at consolidating the growth of Spanish companies at all stages, helping to consolidate the economic recovery.

In this line of action, AXIS and the Secretary of State for Digitalisation and Artificial Intelligence launched Fond-ICO Next Tech, on July 2021, aimed at boosting the development of high-impact digital projects and consolidating the growth of scale-ups. The aim of Fond-ICO Next Tech is to mobilise joint resources in public-private collaboration to the tune of 4 billion Euros (half public funds and half private investment) over an initial period of four years.

In 2020, in response to the COVID-19 crisis, the AXIS Board of Directors approved the COVID-19 Entrepreneurial Ecosystem Initiative, through FOND-ICO Pyme, for 50,000 thousand Euros. As part of this initiative, in 2021 Axis participated in the Extension Fund, with a commitment of 49% up to a maximum of 17,150 thousand Euros. This 35,000 thousand Euro investment fund was created in 2021, as a vehicle of opportunity to energise the post-Covid environment.

In addition, with resources from FondICO Pyme, an investment of 5 million euros was made in BSocial Impact Fund, as part of the Sustainability and Social Impact initiative launched in 2019. This fund was created with the aim of investing in impact start-ups that respond to three major social and sustainable challenges: improving the quality of life of vulnerable groups, climate change and school failure.

Through FOND-ICO Infraestructuras II, we have continued with the objective of investing directly or through other investment funds in sustainable infrastructure projects in Spain and abroad with Spanish companies, contributing to the national objectives for the ecological transition.

Balance sheet

ICO Group occupies a prominent position within the Spanish financial system and has an important role in the Spanish economy.

During 2021, there has been an increase in the size of the Institute's balance sheet, from 34,406,884 thousand Euros at 2020 closing to 37,790,436 thousand Euros in 2021.

The outstanding amount of financial assets at amortised cost has amounted to 25,327,301 thousand Euros (29,343,703 thousand Euros at December 31, 2020):

- Loans to credit institutions amount to 7,724,368 thousand Euros (10,562,681 thousand Euros in 2020). This caption mainly includes outstanding balances from mediation operations.

- Loans to customers close the year with a balance of 10,713,260 thousand Euros with regard to 11,433,524 thousand Euros in the previous year.

- Debt securities amount to 6,889,673 thousand Euros; 7,347,498 thousand Euros at 2020 closing.

The outstanding balance of the portfolio of debt securities at fair value through other results, aimed to cover possible liquidity needs, amounts to 1,150,639 thousand Euros (713,358 thousand Euros at December 31, 2020). Also, cash and balances in central banks and other deposits amounts to 9,379,645 thousand Euros (2,729,630 thousand Euros at December 2020).

During 2021, there has been an increase of the balance of financial liabilities at amortised cost, closing the year in 30,526,631 thousand Euros (27,759,956 thousand Euros in 2020).

Equity in ICO amounts to 5,409,434 thousand Euros at 2021 closing, 14.3% of the balance sheet. The Institute's solvency coefficient at year-end closing amounts to 36.97%, much higher than regulatory minimums.

Risk management policy

The Institute's actions with regard to liquidity, market, credit and operational risk management are described on the corresponding Notes 5.3 to 5.6.

Results

Net interest income at the end of December 2021 amounted to 104,551 thousand Euros, an increase of 82,762 thousand Euros with regard to 2020.

The gross margin in 2021 has significantly increased, with regard to 2020 (207,485 thousand Euros and 103,745 thousand Euros, respectively).

Operating expenses (administration and depreciation) amounted to 47,342 thousand Euros, above figures in 2020 (44,669 thousand Euros).

It should be noted that the financial year 2021 ended with net provision allocations of 15,609 thousand Euros and a reversal of the value of financial assets not measured at fair value of 48,435 thousand Euros.

As a result, profit before tax amounted to 194,670 thousand Euros.

Research and development expenses

No research or development activities were carried out in 2021.

Treasury stock

Not applicable to the Institute.

Personnel

The Institute's average payroll, in 2021, amounts to 346 employees, with regard to 342 in 2020.

Post-balance sheet events

The war caused by the Russian invasion in the Ukrainian territory is causing, among others, an increase in the price of raw materials and energy supplies, as well as the adoption of penalty measures by Western countries against Russia, affecting, to a greater or lesser extent, the economy in general and, in particular, those entities operating in the Ukrainian or Russian territory, or who have any bond with these countries. The ICO does not have a direct exposure with countries involved in the conflict and, despite the uncertainty it is causing, to date, the Entity's Directors do not expect this event to cause any issue in the Entity's daily activity and in the compliance with its obligations towards third parties.

The coming years will be crucial to consolidate the process of recovery, transformation and strengthening of Spain's growth model, as well as to deal with the economic consequences that may arise from the war in Ukraine. The priorities of the European Union, embodied in the Multiannual Financial Framework 2021-2027 and the European recovery plan Next Generation EU, have been transferred to our country through the Recovery, Transformation and Resilience Plan, which determines the direction of our country's economic policy in the short, medium and long term.

The transformations that our economy will undergo in the coming years mean that companies will have to rely on different financing sources, which will require the mobilisation of financial resources in different modalities.

In this area, the ICO group will have to play a very important role in collaboration with the private banking system, consolidating the process of recovery and transformation of the

Spanish economy, environmental and social sustainability, as well as business growth as a source of innovation, competitiveness and job creation.

The ICO Group's strategic lines have been reoriented in such a way that they contribute to strengthening its means and instruments, and develop its autonomy and capacity to anticipate, adapt and reach, responding at all times to the needs of companies, the self-employed and social economy entities in line with economic policy priorities.

To this end, in 2021 the Strategic Plan 2022-2027 for the ICO Group is based on the following four main action lines:

- Boosting business growth, competitiveness and resilience of the economy.
- Promoting the digital transformation of the Spanish productive fabric.
- Boosting the ecologic transition and the environmental, social and governance sustainability of the business fabric.
- Strengthening the governance in ICO, promoting the organisational transformation and extending the institutional, communication and business social responsibility activity.

Other significant events that occurred after the reporting date are detailed in Note 1.8.

Non-financial information statement

By virtue of Law 11/2018 of 28 December, on non-financial information and diversity, the Institute has elaborated the non-financial information statement related to 2021, which is included as a separate document accompanying the management report of 2021, in compliance with article 44 of the Code of Commerce.

Annex I:
Investments at 31.12.2021 and 31.12.2020 (direct and indirect of the ICO, as the Group's parent company)

The relevant information on shares in associates and subsidiaries at December 31, 2021 and 2020 is the following:

At 31 December 2021:

			Shareholding %			Investment's carrying value			Entity's details		
	Address	Activity	Direct	Indirect	Total	Gross	Impairment	Net	Assets	Equity	Results
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Supporting guarantee of guarantee operations granted by the SS.GG.RR.	24.34%	-	24.34%	42 193	-	42 193	654 482	501 474	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132 - Madrid	Financial support to private projects with Spanish interest performed in developing countries	20.31%	-	20.31%	8 466	-	8 466	174 369	167 580	18 490
Subsidiaries						50 659	-	50 659			
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo , S.A.	Los Madrazo, 38 - Madrid	Financial investments	100.00%	-	100.00%	1 940	-	1 940	32 841	31 752	18 146
						52 599	**-**	**52 599**			

Non-audited economic information, referring to December 31, 2021

Annex I:
Investments at 31.12.2021 and 31.12.2020 (direct and indirect of the ICO, as the Group's parent company)

At 31 December 2020:

			Shareholding %			Investment's carrying value			Entity's details		
	Address	**Activity**	**Direct**	**Indirect**	**Total**	**Gross**	**Impairment**	**Net**	**Assets**	**Equity**	**Results**
Associates											
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana 151 - Madrid	Supporting guarantee of guarantee operations granted by the SS.GG.RR.	24,30%	-	24,30%	38 886	-	38 886	490 496	343 199	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132 - Madrid	Financial support to private projects with Spanish interest performed in developing countries	20,31%	-	20,31%	8 466	-	8 4665	155 399	149 742	9 826
						47 352	-	47 352			
Subsidiaries											
AXIS Participaciones Empresariales Sociedad Gestora de Entidades de Capital Riesgo , S.A.	Los Madrazo, 38 - Madrid	Financial investments	100,00%	-	100,00%	1 940	-	1 940	19 526	18 518	11 909
						49 292	**-**	**49 292**			

Non-audited economic information, referring to December 31, 2020

Annex II

ANNUAL BANKING REPORT

The present Annual Banking Report has been prepared in compliance with Article 87 of Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions. According to this Article, from January 1, 2016, credit institutions must provide Bank of Spain and annually publish, as a report accompanying the audited financial statements according to the regulation on auditing, per country where they are established, the following consolidated information for each year:

a) Denomination, nature and geographic location of the activity.
b) Turnover.
c) Number of FTE employees.
d) Gross profit/(loss) before tax.
e) Income tax.
f) Public grants or aids received.

The criteria used in the preparation of the annual banking report of 2021 and 2020 are detailed below:

a) Denomination, nature and geographic location of the activity

This information is available on Section 1 of the Group's Notes to the Consolidated Financial Statements. In the case of Instituto de Crédito Oficial, the main activity developed by the Group is the direct and mediation credit activity, developing such activity exclusively under Spanish jurisdiction, not having establishments or subsidiaries outside our borders.

b) Turnover

For the purpose of the present report, turnover is total net operating results, as defined and presented on the consolidated profit and loss account that is part of the Group's consolidated annual accounts.

c) Number of FTE employees

Data on FTE employees have been obtained from the Group's average payroll.

d) Gross profit/(loss) before tax

For the purpose of the present report, gross profit/(loss) before tax is profit/(loss) before tax, as defined and presented on the Group's consolidated profit and loss account.

e) Income tax

The corresponding amount of accrued tax has been included and registered on the caption of income tax of the consolidated profit and loss account.

f) Public grants or aids received

In the context of information requested by the legislation in force, this term has been interpreted as any aid or grant in line with the Guidelines of Estate's Aids of the European Commission and, in such context, the Group companies have not received any public grant or aid in 2021 or 2020.

The detail of the information corresponding to 2021 and 2020 is the following (amounts in thousands of Euros):

At 31 December 2021:

	Thousands of Euros			
JURISDICTION	Turnover	Average no. Employees	Gross profit/(loss) before tax	Income tax
Spain	207 485	346	194 670	(54 809)

At 31 December 2020:

	Thousands of Euros			
JURISDICTION	Turnover	Average no. Employees	Gross profit/(loss) before tax	Income tax
Spain	103 745	342	110 423	(31 331)

At December 31, 2021 the Group's return on assets (ROA) (net consolidated profit divided by total average assets) has been estimated at 0.35%.

STATEMENT OF NON-FINANCIAL INFORMATION 2021
(Adapted to the requirements of Law 11/2018)

30 March 2022

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1 THE ICO GROUP AND OUR BUSINESS MODEL

1.1 COMPOSITION

The ICO Group is made up of:

- Instituto de Crédito Oficial, Entidad Pública Empresarial (ICO)
- AXIS Participaciones Empresariales, S.G.E.I.C., S.A., S.M.E. (hereinafter referred to as AXIS), a company wholly owned by ICO
- Fundación ICO, whose sole sponsor is ICO.

ICO Consolidated Group has been defined by considering Group entities as those over which the Institute has the capacity to exercise control; this capacity is generally, but not exclusively, manifested by the ownership, directly or indirectly, of 50% or more of the voting rights of the investee entities or, even if this percentage is lower or zero, if, for example, there are agreements with shareholders of these entities that give the Institute control. In accordance with the provisions of the regulations, control is understood to be the power to direct the financial and operational policies of a company, in order to obtain benefits from its activities.

The annual accounts of the subsidiary 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's consolidated balance sheet.

1.2 NATURE AND FUNCTIONS

A. <u>Policy</u>

Instituto de Crédito Oficial is a Corporate State-Owned Entity that has the legal status of a credit institution and is considered a State Financial Agency. It has its own corporate status, assets and treasury, as well as management autonomy to fulfil its goals. ICO is financed in the capital markets and through loans. It has the Spanish State's guarantee for the debts and obligations it incurs for fundraising.

Attached to the Ministry of Economic Affairs and Digital Transformation, the State Secretariat for Economy and Business Support is responsible for the strategic management of ICO, as well as the evaluation and control of the results of its activity.

ICO's legal nature and framework, as well as its aims and functions, are defined in its Statutes, approved by Royal Decree 706/1999, as amended by Law 40/2015 on the Legal Framework of the Public Sector, Royal Decree 1149/2015 and Royal Decree 390/2011.

The organisation chart is included in point 9 of this document.

➢ **Mission**

The purpose of the Instituto de Crédito Oficial is to sustain and promote economic activities that contribute to growth and improve the distribution of national wealth, especially those that, due to their social, cultural, innovative or ecological importance, deserve to be promoted.

➢ **Vision**

These objectives are carried out by the Institute in its triple role as a National Promotional Bank, a Financial Instrument of Economic Policy and a State Financial Agency.

ICO seeks to be a leading international organisation and a national institution of reference in terms of transparency, solvency and credibility, to be recognised, especially by SMEs and financial institutions, as an ally for the growth of wealth and employment, and to be made up of a highly qualified, motivated, efficient and committed team that carries out its functions in an atmosphere of trust and collaboration.

➢ **Functions**

• Contribute to alleviating the economic effects produced by situations of serious economic crisis, natural catastrophes or other similar events, in accordance with the instructions of the Council of Ministers or the Delegate Commission of the Government for Economic Affairs.

• To act as an instrument for the implementation of certain economic policy measures in accordance with the fundamental lines that are established by the Council of Ministers, the Delegate Commission of the Government for Economic Affairs or the Minister for Economic Affairs and Digital Transformation, and subject to the rules and decisions agreed upon by its General Board.

INSTITUTO DE CRÉDITO OFICIAL, CORPORATE STATE-OWNED ENTITY (ICO)
NIF (Tax ID): Q-2876002-C
Paseo del Prado, 4.
28014 MADRID
www.ico.es
Twitter @ICOgob

B. AXIS

AXIS is a state limited trading company as provided for in art. 2.2(c) of Law 47/2003, on the General Budget, in art. 166(c) of Law 33/2003, on the Assets of the Public Administrations, and in art. 111 of Law 40/2015 on the Legal Framework of the Public Sector.

As stated in its Statutes, the Company's main corporate purpose is the administration and management of venture capital funds and the assets of venture capital companies, as well as the control and management of their risks. In addition, the Company may perform the functions described in Article 42.4 of Law 22/2014 of 12 November regulating Venture Capital Companies, Other Collective Investment Companies and Management Companies of Collective Investment Institutions (hereinafter "Law 22/2014"). As a complementary activity, the Company may carry out advisory tasks to non-financial companies defined in Article 7 of Law 22/2014.

Axis acts in the interests of the funds it manages and of its sole participant and shareholder, Instituto de Crédito Oficial, in the investments and assets of these funds, in accordance with the provisions of Law 22/2014 and other applicable legislation.

The organisation chart is included in point 9 of this document.

➢ **Mission**

The purpose of AXIS is to promote the dynamisation and consolidation of the private venture capital ecosystem, both early stage: venture capital, incubation and technology transfer and business angels, as well as expansion, growth and debt, thus supporting the creation and growth of highly innovative and technology-based companies.

➢ **Functions**

- Serve as a catalyst for the creation of venture capital entities with a majority of private capital with the ultimate aim of providing SMEs with alternative financing to bank financing.
- To directly support companies in their expansion plans to contribute to the development of the business fabric, job creation and the revitalisation of the economy.
- To mobilise the greatest possible amount of private sector resources through investments in co-investment schemes with other private venture capital funds.
- To improve the quality and security of Spanish infrastructure as a key piece in the country's economic growth and modernisation.

AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A., S.M.E.
NIF (Tax ID): A78290269
c/ Los Madrazo, 38 2ª planta
28014 MADRID
www.axispart.com

C. FUNDACIÓN ICO

Fundación ICO is a state-owned public sector foundation created in 1993 with a permanent character and non-profit making aim that develops its activity with the main sponsorship of ICO. It has corporate status and its own assets.

- **Mission**

The mission of Fundación ICO is to contribute to and support the development of society.

- **Vision**

Fundación ICO aims to become a leader in the promotion and dissemination of knowledge, with an international vocation and on two axes: Sustainable Economics and Finance and Contemporary Art with special emphasis on Architecture.

- **Functions**
  - **Area of Art and Sustainable Architecture:** To manage and preserve ICO Collections. Helping to promote Marca España ("Spain Brand") and Marca ICO ("ICO Brand") through the loan of these collections for exhibition in other spaces. To organise educational and inclusive activities to make the Museo ICO a learning space for everyone.
  - **Area of Sustainable Economy and Finance:** To promote activities aimed at generating and disseminating knowledge in economic and financial matters through the development of studies and the creation of spaces for debate and the exchange of knowledge on matters of interest referring to the environment in which ICO operates.
  - **Internationalisation Area**: To promote and strengthen relations with China in the economic and cultural fields through the Fundación ICO Becas-China Scholarships Programme. To promote the exchange of knowledge through the development of alliances with prestigious institutions. To carry out and sponsor specialised courses to broaden knowledge.

FUNDACIÓN ICO
NIF G-80743503
Paseo del Prado, 4.
28014 MADRID
www.fundacionico.es
Contact in relation to this report: rse@ico.es

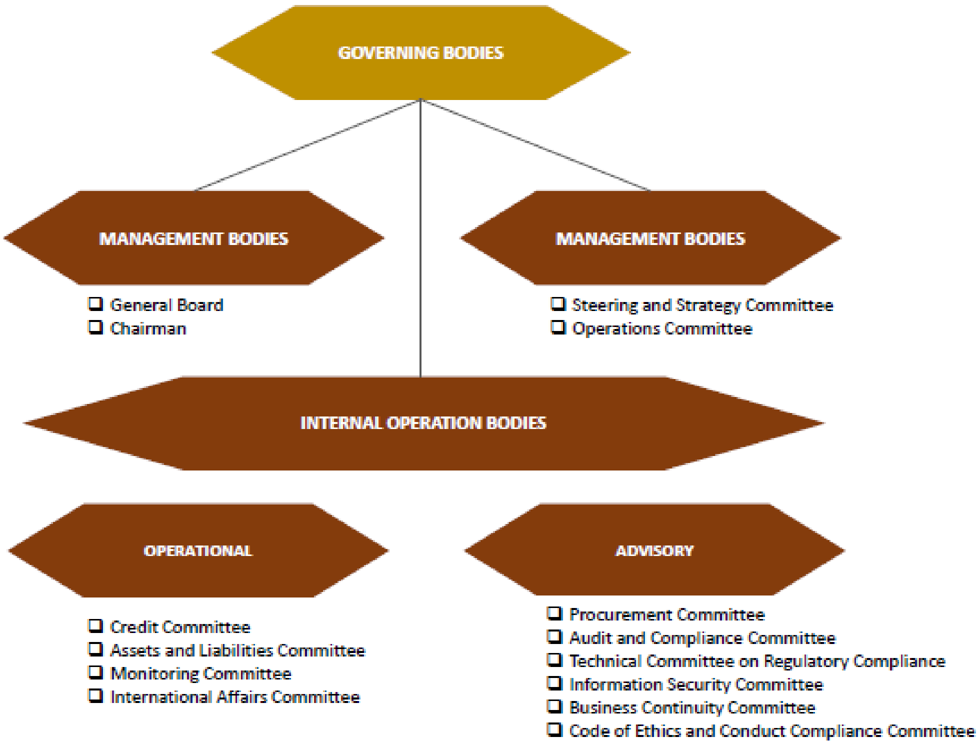
The organisation chart is included in point 9 of this document.

1.3 GOVERNANCE AND MANAGEMENT STRUCTURE

The Chairman of ICO is also Chairman of Axis and Fundación ICO.

A. Policy

The governing structure of Instituto de Crédito Oficial is set out in its statutes, approved by Royal Decree 706/1999, as amended by Law 40/2015 on the Legal Regime of the Public Sector, Royal Decree 1149/2015 and Royal Decree 390/2011. It is completed by the operating and internal control bodies, approved by ICO's Chairman within the scope of the powers conferred on him by the Statutes. The internal regulation in force in the 2019 financial year was the Circular 4/2018 of 14 September, which defines the Institute's collegial bodies and forms, together with the Circular 3/2018 of 29 August, on the organisational structure.



MANAGEMENT BODIES

GENERAL BOARD

The composition of ICO's General Board, its functions, meetings and agreements are defined in the Statutes, approved by Royal Decree 706/1999.

Law 40/2015 and Royal Decree 1149/2015 incorporate and develop the role of the General Board's independent directors, reinforcing the Institute's autonomy and its alignment with the best European standards. The figure of the independent director plays a key role in the functioning of the Board, as he/she has a double vote for the operations of the Institute's financial business, which means that he/she can obtain a majority.

Structure and composition

The General Board is formed by the Chairman of the entity and ten Members, and is attended by the Secretary and, where appropriate, their Deputy Secretary. The Secretary is not considered to be a Director, so therefore attends the meetings with the right to speak but not to vote.

Following the amendment by Law 40/2015 to Royal Decree-Law 12/1995 and by Royal Decree 1149/2015 of 18 December, the appointment and removal of the members of the General Board is the responsibility of the Council of Ministers, by means of an Agreement, at the proposal of the Minister of Economic Affairs and Digital Transformation, who shall appoint them from among persons of recognised prestige and professional competence in the ICO's field of activity.

Members shall be appointed in accordance with the following terms:

- Four members shall be independent, understood as those that are not Public Sector staff. The independent members' mandates will be three years, and they can only be re-elected once.

- Six members shall be appointed who are Public Sector staff with recognised competence. A maximum of two members shall come from the Ministry of Finance, while at least two public members shall come from the Ministry of Economy and Digital Transformation.

As at 31 December 2021, the General Board of ICO consisted of:

NAME	POSITION	BODY	APPOINTMENT
Jaime Iglesias Quintana	Director General of Budgets	Ministry of Finance	15.02.2012
María del Carmen García Franquelo	Director General of Economic Programming and Budgets	Ministry of Transport, Mobility and Urban Agenda	31.08.2018
Elena Aparici Vázquez de Parga	Director General of Economic Policy	Ministry of Economic Affairs and Digital Transformation	18.02.2020
César Veloso Palma	Member of the Cabinet of the Minister of Finance	Ministry of Finance	05.10.2018
Andrés Barragán Urbiola	Director of the Technical and Financial Analysis Department	Ministry of Economic Affairs and Digital Transformation	28.09.2021
Ignacio Mezquita Pérez-Andújar	Deputy Director-General for Foreign Investment	Ministry of Industry, Trade and Tourism	22.09.2020
Enrique Feás Costilla	Independent Director	--	01.11.2021
Silvia Iranzo Gutiérrez	Independent Director	--	16.11.2018
Clara García Fernández-Muro	Independent Director	--	16.11.2018
Blanca Montero Corominas	Independent Director	--	14.07.2021
José Carlos García de Quevedo Ruiz	Chairman of ICO and the Board	Instituto de Crédito Oficial (ICO)	Royal Decree 683/2018 of 22 June (BOE 23.06.2018)
Cayetana Lado Castro-Rial	Board Secretary	Instituto de Crédito Oficial (ICO)	22.02.2021

Gerardo Harguindey Valero	Board Deputy Secretary	Instituto de Crédito Oficial (ICO)	25.01.2016

Changes to the composition of the General Board in 2021
During the financial year 2021, the following directors left the board:

NAME	POSITION	BODY	DATE OF TERMINATION
José Manuel Reyero García	Independent Director	--	16.11.2021
Judith Arnal Martinez	Director of the Technical and Financial Analysis Cabinet	Ministry of Economic Affairs and Digital Transformation	09.06.2021
Teresa Santero Quintillá	Independent Director	--	26.03.2021

To replace these directors, the following appointments were made:

NAME	POSITION	BODY	APPOINTMENT
Enrique Feás Costilla	Independent Director	--	01.11.2021
Blanca Montero Corominas	Independent Director	--	14.07.2021
Andrés Barragán Urbiola	Director of the Technical and Financial Analysis Department	Ministry of Economic Affairs and Digital Transformation	28.09.2021

During the financial year 2021, the secretary of the Board was replaced. Cayetana Lado Castro-Rial replaced the previous secretary, Juan Alfonso Domenech Gil.

Equality and diversity in the General Board
As at 31 December 2021, there were 5 women on the ICO General Board (46%). 75% of the independent directors are women.

In terms of age, 5 directors are under 50 years old, while 2 of them are over 60 years old. The average age of the directors at year-end was 51.64 years (52.6 years for female directors and 50.8 years for male directors).

Although the independent directors represent 36.4% of the board, they have a double vote in the most important decisions. Consequently, in these cases, independent directors represent 53.3% of the total possible votes. In this context, women's votes represent 60.0% of the total votes on the Board. Taking into account age and considering the double value of the Independent Directors' vote, those under 50 years of age hold 40% of the total votes.

Directors' expenses policy
Royal Decree 462/2002, of 24 May, on compensation due to service, provides for the payment of compensation for attending meetings of Public Administration and agency collegiate bodies.

In accordance with article 10 of Royal Decree 706/1999, on the adaptation of Instituto de Crédito Oficial to Law 6/1997, of 14 April, on the organisation and operation of the General State Administration and approval of its Statutes, the General Board's members, Secretary and Deputy Secretary shall be entitled to receive the economic compensation corresponding to their attendance of meetings, to be determined by the Board itself, according to what is provided for by the regulations on compensation due to service for Public Administration staff. Notwithstanding the foregoing, when the director has the status of senior officer, the remuneration for attending board meetings shall be paid into the Public Treasury.

The per diem for attendance at the Board was 1,089.48 euros, with no difference for reasons of gender or age. The total accrued in 2021 by all ICO directors (excluding the Chairman) was 127,469.16 euros, the same figure as in the previous year.

The members of the General Board are not beneficiaries of loans or any other social benefit granted by ICO.

CHAIRMAN

Appointed by Agreement of the Council of Ministers of 22 June 2018 (Royal Decree 683/2018), José Carlos García de Quevedo Ruiz holds a degree in Economics and Business Studies from the Complutense University of Madrid and is a Commercial Technician and State Economist.

Previously, he held the position of Executive Director of Invest in Spain at ICEX, España Exportación e Inversiones, and was responsible for attracting and promoting direct foreign investment in Spain and obtaining international financing for new investment projects.

The positions that he has previously held include Director General of Trade and Investments in the State Secretariat for Trade of the Ministry of Economy and Competitiveness, Head Economic and Trade Advisor at the Permanent Representation of Spain to the European Union in Brussels and Director General for Insurance and Pension Funds at the Ministry of Economy and Finance.

He has been a member of Management Committees and Boards of several companies and funds, including: ICO, ICEX, CESCE, COFIDES, FIEM, Crédito y Caución, Consorcio de Compensación de Seguros and Repsol gas

He has written and published several articles about economics, finance, trade and investment and he speaks at business and professional conferences and forums both in Spain and abroad.

MANAGEMENT BODIES

STEERING AND STRATEGY COMMITTEE

The Steering and Strategy Committee is the body that assists the Chairman in the exercise and development of the functions and powers belonging to him, and facilitates coordination between ICO's different Directorates General.

The Steering Committee’s functions, structure and composition are defined in the Chairman’s Circular concerning management and internal operation and control bodies.

Functions

The Steering and Strategy Committee’s functions are essentially to manage ICO’s actions by determining, fostering and coordinating:

- ICO’s objectives, as well as the management of processes for their implementation.
- The Institute’s strategic lines, for which the Operations Commander is responsible for implementing in concrete actions.

- The programmes of action of ICO's various organisational units, and the evaluation of their results in order to fulfil ICO's purposes and functions.
- The positioning of ICO at both the national and international level.
- Organisational, HR and IT Systems strategies will be discussed in the Steering and Strategy Committee to achieve greater motivation and professional performance in achieving the approved objectives.

Structure and composition
The Steering and Strategy Committee is made up of the Chairman, the Institute's Directors General, the Department of Legal Counsel, the Department of the Chairman's Cabinet and the Directorate General of Axis. As at 31 December 2021, the composition was as follows:

NAME	POSITION
José Carlos García de Quevedo Ruiz	Chairman
Antonio Cordero Gomez	Director General of Finance and Strategy.
Rosario Casero Echeverri	Director General of Business.
Miguel Lopez De Foronda Perez	Director General of Risks and Financial Control
Jose Manuel Pacho Sanchez	Director General of Technical Issues and Resources.
Cayetana Lado Castro-Rial	Director of Legal Counsel
Alfonso Noriega Gómez.	Director of the Chairman's Cabinet
Guillermo Jiménez Gallego	Director General of AXIS
Lucinio Muñoz Muñoz	Director of Fundación ICO

Changes in 2021
During the financial year 2021 there was a replacement in the Directorate of Legal Counsel. Cayetana Lado Castro-Rial replaced the previous Director, Juan Alfonso Domenech Gil.

Remuneration system
The Steering and Strategy Committee's members do not receive specific remuneration for attending meetings.

ICO's Chairman holds a "high office" (Law 3/2015 of 30 March 1984, governing the exercise of the high office of the General State Administration). The remuneration scheme of ICO's Chairman is determined by the State Secretariat for Budgets and Expenditure of the Ministry of Finance and Civil Service. The gross annual remuneration for the financial year 2021 amounts to 140,766.92 euros,which includes all the remuneration to be received for the exercise of the post, except for the long-service bonus that may be paid to him/her in accordance with the regulations in force and including, if applicable, any remuneration in kind.

ICO has four Directorate General posts and one Legal Counsel Directorate post which are considered as "senior management" posts. The remuneration of ICO's senior management is governed by Royal Decree 451/2012, of 5 March, which regulates the emoluments of heads and managers in the public business sector and other entities. The responsibility for setting remuneration lies with the Ministry to which ICO is attached, which must take into account the basic remuneration and the limits established in the Ministerial Order of 12 April 2012 of the Ministry of Finance and Public Administrations approving the classification of public business entities and other entities governed by public law.

The regulations governing the remuneration policy for senior management staff guarantee equal pay for men and women. Each Directorate-General post receives gross annual remuneration of 132,524.96 euros for the financial year 2021. In the case of the Directorate of Legal Counsel, this amount is 112,230.86 euros. Average remuneration is not included, as total remuneration per post is included.

These senior management positions, like the rest of the staff, also receive meal vouchers, health insurance and life insurance cover. The total remuneration paid to senior management in 2021, including this remuneration in kind, except for any long-service bonuses to which the incumbent may be entitled in accordance with current legislation, amounted to 659,158.45 euros.

OPERATIONS COMMITTEE

This collegiate management body exercises decision-making and counsel powers in the terms and limits that are assigned to it by the General Board or by the Chairman.

Structure and composition

On 31 December 2021, the composition of the Operations Committee was as follows:

NAME	POSITION
José Carlos García de Quevedo Ruiz	Chairman
Antonio Cordero Gomez	Director General of Finance and Strategy.
Rosario Casero Echeverri	Director General of Business.
Miguel Lopez De Foronda Perez	Director General of Risks and Financial Control
Jose Manuel Pacho Sanchez	Director General of Technical Issues and Resources.
Cayetana Lado Castro-Rial	Director of Legal Counsel

Changes in 2021

During the financial year 2021 there was a replacement in the Directorate of Legal Counsel. Cayetana Lado Castro-Rial replaced the previous Director, Juan Alfonso Domenech Gil.

B. AXIS

In accordance with Article 13 of the Company's Statutes, the General Meeting of Shareholders, the Board of Directors and its Chairman hold the powers of governance, administration and representation of the Company.

BOARD OF DIRECTORS

It is the governing body responsible, among other functions, for the judicial and extrajudicial representation of the Company and the full management and administration of all matters relating to the corporate purpose and its assets and business, being empowered to enter into and grant all kinds of civil and commercial acts and contracts of administration and ownership, whatever the nature of the assets to which they refer and the person or entity they affect, and to approve investment and divestment decisions.

According to the Company's statutes, the Board of Directors shall be composed of a minimum of three and a maximum of nine members.

Composition of the Board as at 31.12.2021:

NAME	POSITION	DATE OF APPOINTMENT
José Carlos García de	Chairman	27/06/2018

Quevedo Ruiz	ICO Chairman	06/07/2018
Rosario Casero Echeverri	Deputy Chairman Chief Investment Officer of ICO	23/07/2018 25/07/2018
Blanca Gloria Navarro Pérez	Member Director of Strategy and Evaluation of ICO	19/09/2018
Mª Elena Aranda García	Member Head of Mediation and SMEs	25/05/2017
Luís Javier Morales Fernández	Member Director of Budget and Financial Control of ICO	25/05/2017
Jaime Cervera Madrazo	Member Head of ICO's Operations Administration Department	29/09/2015
Antonio Bandrés Cajal	Member Head of the ICO's International Financing and EU Affairs Dept.	27/04/2017
Silvia Díez Barroso	Member Director of International Financing of ICO	13/09/2017
Cayetana Lado Castro-Rial	Non-Director Secretary ICO's Legal Counsel Director	22/02/2021

Changes in the composition of the General Board during the financial year 2021
During the financial year 2021, the secretary of the Board was replaced. Cayetana Lado Castro-Rial replaced the previous secretary, Juan Alfonso Domenech Gil.

Equality and diversity on the Board of Directors
As at 31 December 2021, there were 4 women on the AXIS Board of Directors (50%).

Directors' expenses policy
The members of the Board of Directors receive remuneration for attending Board meetings, except for the Chairman and Vice-Chairwoman, who, as they hold senior management and senior executive contracts, respectively, may not receive attendance fees for attending Board meetings, in accordance with the legislation in force applicable to them in each case. The maximum remuneration for attending the Board of Directors' meetings is established by Ministerial Order of the Ministry of Finance.

In 2021, the annual remuneration received by each member of the Board of Directors amounted to € 6,809.77, the same amount as in 2020. There is no wage gap between women and men in the remuneration of the AXIS Board of Directors.

In 2020 the Company did not have any pension obligations towards former or current members of the Board of Directors and senior management, nor did it have any obligations assumed on their behalf under guarantee.

Nor were there any loans or advances to members of the Board of Directors and Senior Management.

Incompatibilities
No director of the management company (AXIS) is a director of another company in which AXIS has an interest through the managed funds.

Prohibitions on the exercise of office
No member of the Board of Directors has informed the Company during 2021 that he or she has been prosecuted, or that a court order has been issued against him or her, for any of the offences referred to in Article 213 of the Law on Capital Companies.

COMMITTEES

AUDIT AND CONTROL COMMITTEE. Specialised body set up within the Board of Directors to provide technical support and assistance in the field of monitoring.

INVESTMENT COMMITTEES. There is one for each of the following funds: FOND-ICOpyme, F.C.R., FOND-ICO Next Tech, F.C.R. and FOND-ICO Infraestructuras II, F.I.C.C., whose members are mainly appointed by Axis or ICO and include at least two independent members. These are the bodies responsible for giving investment and disinvestment operations the green light before they are presented to the Board of Directors.

C. FUNDACIÓN ICO F.S.P.

Fundación ICO has two governing bodies: the Board of Trustees and the Executive Committee.

GOVERNING BODIES
BOARD OF TRUSTEES
It is the governing, administrative and representative body of the Foundation. It consists of a minimum of six members. The Chairman of the Board of Trustees is the Chairman of ICO. It also has a secretary, a position held by the Secretary of ICO's General Board.

As at 31 December 2021, the Board of Trustees was made up of eight personalities from the economic, cultural and scientific world, five of whom are men and three of whom are women.

NAME	POSITION	POST
José Carlos García de Quevedo Ruiz	Chairman	ICO Chairman
Alfonso Noriega Gómez	Deputy Chairman and Trustee	Director of the ICO Chairman's Cabinet
Eva María González Díez	Trustee	Director of the Legal Department of Grupo Mutua Madrileña
Pedro Nueno Iniesta	Trustee	Technical Architect, Industrial Engineer and Doctor in Business Administration from Harvard University
Concepción Osácar Garaicoechea	Trustee	Managing Partner of Azora

Cecilia Pereira Marimón	Trustee	Commissioner of Xacobeo 2021 and Managing Director of SA do Plan Xacobeo
Juan José Toribio Dávila	Trustee	Emeritus Professor of Economics and President of the International Center for Financial Research (CIIF) of the IESE Business School
Pablo Vázquez Vega	Trustee	University Professor of Applied Economics
Lucinio Muñoz Muñoz	Non-Trustee Director of the Foundation	Director of Fundación ICO
Cayetana Lado Castro-Rial	Non-Trustee Secretary	Secretary of ICO's General Board and ICO Director of Legal Counsel
Ángeles Blanco Fernández	Non-Trustee Deputy Secretary	Counsellor of ICO's Legal Counsel Office

Changes in the composition of the Board of Trustees during the financial year 2021
During the financial year 2021, the Secretary of the Board of Trustees was replaced. Cayetana Lado Castro-Rial replaced the previous secretary, Juan Alfonso Domenech Gil.

Equality and diversity in the Board of Trustees
As at 31 December 2021, there were 3 women on the Board of Trustees of Fundación ICO (36%).

Per diem policy of the members of the Board of Trustees
The members of the Board of Trustees of Fundación ICO do not receive any economic retribution in the performance of their duties.

COMMITTEES
EXECUTIVE COMMITTEE. The Executive Committee is the body in charge of studying and proposing Fundación ICO's programmes and specific actions to the Board of Trustees. It is established as a resolution and agreement body in those matters which, for reasons of urgency, require it.

The Executive Committee is chaired by the President of the Board of Trustees and consists of a minimum of three trustees and a maximum of five.

As at 31 December 2021, the Executive Committee was composed of the following members of the Board of Trustees:

NAME	POSITION
José Carlos García de Quevedo Ruiz	Chairman
Eva María González Díez	Member
Pablo Vázquez Vega	Member
Alfonso Noriega Gómez	Member

The Director of Fundación ICO attends the meetings of the Executive Committee, with the right to speak but not to vote.

Changes in the composition of the Executive Committee during the financial year 2021
There were no changes in the composition of the Executive Committee during the financial year 2021.

ART ADVISORY COMMITTEE. Its functions are to advise on the design of the programming of the Museo ICO museum. It consists of:

- **Franscico Javier Martín Ramiro**, Director General for Housing and Land Secretary General of the Urban Agenda and Housing. Ministry of Transport, Mobility and Urban Agenda.
- **Museo Nacional Centro de Arte Reina Sofía**, represented by its Director, Manuel J. Borja-Villel.
- **Martha Thorne,** Associate Dean of External Relations at IE School of Architecture and Design.
- **Jorge Ribalta,** photographer and exhibition curator.

ADVISORY COMMITTEE OF FUNDACIÓN ICO – BECAS CHINA PROGRAMME. Its functions are to advise on the evaluation and selection of scholarship candidates. It consists of:

- **Taciana Fisac Badell,** Professor of East Asian Studies, specialising in Chinese Language and Literature, and Director of the Centre for East Asian Studies at the Autonomous University of Madrid.
- **Ana Wang Wu,** CEO of Fenix Globe Consulting (Spain-Asia). Former Director for Asia-Pacific at Banco Santander.
- **Javier Serra Guevara**, Director General of Business Internationalisation of ICEX España Exportaciones e Inversiones. Economic and Commercial Adviser in Beijing during the years 2002 - 2007 and 2010 - 2016.

1.4 STAKEHOLDERS

ICO	SUB-GROUP	DESCRIPTION
CLIENTS	FINANCIAL INSTITUTIONS	Financial institutions that act as mediators for the ICO Group's loans for SMEs and the self-employed
	SMEs	Companies benefiting from the ICO Group's financing facilities
	SELF-EMPLOYED	Individual entrepreneurs who benefit from the ICO Group's financing facilities
	LARGE COMPANIES	Companies benefiting from the ICO Group's direct loans
	STATE FUND MANAGERS	Ministries managing state funds for internationalisation
ANALYSTS AND AUDITORS	MARKETS	Economic and financial analysts and rating agencies
	NON-FINANCIAL	Auditors and verifiers of GRI reports and sustainability reports subject to non-financial disclosure and diversity laws
	SPECIALISING IN SUSTAINABILITY AND CSR	Analysts and agencies specialising in sustainability and ESG performance ratings
	MANAGEMENT SYSTEMS	Management systems auditors

	AUDITORS	
INVESTORS	INVESTORS	Underwriters of bonds issued by the ICO Group to finance its activity
INDIVIDUALS	ACTIVE EMPLOYEES	Staff with a fixed or temporary contract
	GRANT HOLDER	Graduates enrolled in the training programme with the SEPI Foundation who carry out their scholarship in the ICO Group.
	EXTERNAL SERVICES PERSONNEL	Staff of service providers
	OTHERS	Staff who are on work leave due to retirement, leave of absence or any other reason
SUPPLIERS	SUPPLIERS	Companies supplying goods and services for the ICO Group
BODIES AND ENTITIES INVOLVED IN ECONOMIC AND FINANCIAL MARKETS	MULTILATERAL AGENCIES	International entities of a supranational nature, made up of a group of member countries or states, constituted to achieve common objectives that benefit the community or regions in which they operate
	ICO GROUP COUNTERPARTS	Entities from EU member states and other countries with similar functions to the Institute
	REGULATORS AND SUPERVISORS	Agencies and bodies responsible for issuing standards and monitoring the activity
	LEAD OR INSURANCE ENTITIES IN FINANCIAL MARKETS	Financial institutions placing the bonds issued by the ICO Group for their financing
	MANAGEMENT SYSTEM CERTIFICATION BODIES	Bodies accredited by ENAC for the certification of management systems
MEDIA	SPECIALISED MEDIA	Economic and financial media
	GENERAL MEDIA	General media
PUBLIC ADMINISTRATIONS	MINISTRY OF ECONOMIC AFFAIRS AND DIGITAL TRANSFORMATION	Ministerial department to which the ICO Group is attached through the State Secretariat
	OTHER MINISTRIES	Other ministries with which the ICO Group interacts in the course of its activity
	BODIES DEPENDENT ON THE GENERAL STATE ADMINISTRATION	Bodies dependent on the General State Administration with which the ICO Group interacts in the course of its activity

	AUTONOMOUS COMMUNITIES	Autonomous Communities with which the ICO Group interacts in the course of its activity
	LOCAL ENTITIES	Local entities with which the ICO Group interacts in the course of its activities
SECTORAL ORGANISATIONS	FINANCIAL SECTOR	Sectoral organisations in the economic and financial sector of which the ICO Group is a member or actively participates in
	SUSTAINABILITY AND CSR	Organisations specialising in sustainability and CSR of which the ICO Group is a partner
	OTHER	Other sectoral organisations in which the ICO Group participates
SOCIAL ORGANISATIONS	NON-PROFIT ORGANISATIONS AND FOUNDATIONS	Social organisations and foundations with which the ICO Group collaborates in the development of the volunteering plan and in the *PYMES solidarias* project.

1.5 ISSUES RELEVANT TO MATERIALITY

ICO carries out a cross-cutting materiality analysis based on the provisions of the statutes, the strategic axes, the recommendations of the Pillar Assessment, and the materiality study of its counterparts in Europe.

Material issue	Explanation
Corporate governance, sustainability, CSR and transparency	For the ICO Group, implementing best practices in Corporate Governance is a fundamental pillar on which its activity is based, in order to align with its institutional mission, regulations, sector-specific guidelines and in the area of sustainability. The ICO Group incorporates Corporate Social Responsibility as the backbone of the whole organisation, as well as transparency, good governance, and the promotion of sustainability in all business activities within its reach and over which it can exert influence.
Sources of financing and financial balance	Solvency, liquidity and shared value are key concepts with which ICO finances itself in the financial markets, always maintaining an adequate financial

	balance under the principle of prudence and sustainability. ICO does not consolidate with the State accounts nor does it have recourse to the General State Budget. As a credit institution, it operates under market conditions, without granting public aid, and is subject to the supervision and control regulations of the Bank of Spain, under the principles of financial equilibrium and sufficiency. In addition, ICO has the explicit, irrevocable, unconditional and direct guarantee of the Spanish State, applicable to all debt and obligations contracted with third parties. The resources it obtains are allocated to financing facilities that generate economic, social and environmental benefits, making it the Spanish national promotional bank of reference in the issuance of sustainable bonds.
Promoting development and improving the distribution of wealth Digitalization and adaptation to new environments	The ICO Group works to reverse the economic and social effects of economic and health crises, natural disasters, ecological disasters and other events of general interest, financing the recovery of the most affected sectors and providing the Government of Spain with all its operational capacity as a State Financial Agency. We promote exports and development aid by managing the State's official financing instruments. The ICO Group promotes digital transformation, innovation and technological development in order to maintain its competitiveness, adapt to new environments and continue to offer the best service as a national promotional bank and as a State Financial Agency.
Employment and sustainable economic growth Environment, climate and human rights	Through its financing products, the ICO Group aims to have a positive impact on employment, the country's economy and sustainable development, while generating shared value for the environment, the climate and the protection of human rights. The SDGs, the Paris Climate Agreement and the Guiding Principles are also reflected in its financing decisions, expressly prohibiting, through its internal policies, the financing of activities that go against its

	commitment to sustainability. ICO relies on public-private partnership models to finance strategic sectors, providing long-term value and financing. Its work complements that of private banks or is carried out in partnership with other national promotional and development banks similar to ICO. Support for entrepreneurship, the growth and internationalisation of SMEs, direct and complementary financing of large investment projects, and financial support from Axis funds, the ICO Group's venture capital management company, are always carried out in the common interest.
People	The ICO Group's most important asset is its human and intellectual capital. Professionals who drive the organisation forward on a daily basis and make it possible to overcome the organisation's challenges. Given the ICO Group's activities and its status as a public entity, it is essential to promote and foster a culture of efficiency and ethical and responsible management, starting with the integrity and high level of training of its professionals. Training, health and safety plans, equality and family reconciliation policies, reflected in the EFR (Family Responsible Company) certification, are some of the most important aspects focused on protecting and caring for the people are part of the organisation.
Partnerships	Through public-private partnerships, ICO will seek to maximise the positive impacts generated in its activity and to work in harmony with the financial sector, capital markets, civil society and the third sector for a more sustainable economic model and compliance with global sustainability agendas. The ICO Group works in partnership and collaboration with other multilateral and regional investment and development banks and counterpart promotional banks in third countries and at EU level. The ICO Group shares best practices and management models with private credit institutions, which it supports and

	complements in their efforts to boost business financing. As part of the Public Administration, ICO coordinates with other bodies to share knowledge and best practices and implements the economic policy measures mandated by the Government.
Community service	The ICO Group contributes to the social, cultural and environmental development of its immediate surroundings. Through collaboration agreements with social entities, the ICO Group promotes corporate volunteering initiatives to help the most vulnerable groups or those at risk of exclusion. It also promotes actions to raise awareness and disseminate key aspects related to social responsibility and sustainability. The mission of the ICO Group, through the Fundación ICO, is to contribute to and support the development of society by promoting culture and knowledge in the areas of economics, architecture and contemporary art.

1.6 RISKS AND OPPORTUNITIES

The identification, management and control of risks is a priority task for ICO. This is primarily done in accordance with the Institute's Risk Policy Manual and Risk Appetite Framework (RAF).

The Manual, updated in September 2021, compiles the different methodologies, applicable regulations, procedures and organisational structure of the Group in this area. The RAF, updated in July 2021, sets out the number and diversity of risks that, based on ICO's operations and business, the institution is willing to assume in order to achieve its strategic and business objectives under current conditions and stress scenarios.

To this end, a series of indicators (29 in total) are defined at three different levels according to their importance in the management of the Institute.

- **3 indicators of Level I:** two of them required by the Regulator, which measure the capital and liquidity position, and a third one, which measures the impact on the income statement in a stress scenario on ICO's 5 main direct borrowers.
- **5 indicators of Level II:** regulatory or basic indicators that develop the previous ones for the most relevant risks of ICO, whose objective is to measure the impact on capital and liquidity and their evolution.
- **21 indicators of Level III:** monitoring and management indicators, which make it possible to control the evolution of the ICO's current activity, including those related to environmental risk and technological risk.

  - **Environmental risk**

In line with ICO's strategic plan, sustainability is transferred to the entity's risk management through the implementation and incorporation of the environmental performance ratio.

This level III indicator is not linked to capital, so the thresholds are defined according to the Institute's strategic criteria that allow the development of a business plan aligned with international and national commitments in environmental matters, seeking to promote the sustainable economic growth of companies and achieve a portfolio in which the sectors with the greatest environmental risk gradually lose weight, limiting the physical and transitional risk of the portfolio.

For the categorisation of operations that can be included as environmental, categories are identified according to internal criteria, including, among others, the Taxonomy[1] of Objectives approach developed to date, and internationally recognised standards such as the Green Loan Principles and the Sustainability Linked Loan Principles.

1.7 OUR BUSINESS MODEL

Article 2 of the Statutes of the Institute (regulated by Royal Decree 706/1999, of 30 April, adapting the ICO to Law 6/1997, of 14 April, on the organisation and functioning of the General State Administration and partially revised by Royal Decree 1149/2015, of 18 December) establishes that the aims of ICO are to support and promote economic activities that contribute to the growth and improvement of the distribution of national wealth and, in general, those which, due to their social, cultural, innovative or ecological importance, deserve to be encouraged. In order to achieve these objectives, the Institute acts in full compliance with the principles of financial equilibrium.

In accordance with the functions set out in its Statutes, the Institute's activities can be grouped into three main areas:

1. As a **National Promotional Bank**, ICO offers a comprehensive range of financing for companies and social economy entities of all sectors and sizes, aimed at boosting their activity in Spain and in international markets, with special emphasis on SMEs, the self-employed and entrepreneurs, operating with its balance sheet under market conditions, without granting public aid, subject to the supervision and control regulations of the Bank of Spain, under the principle of balance and financial sufficiency. The main forms of financing are the second-floor facilities, direct financing to companies and complementary and alternative financing to bank financing through bonds, promissory notes, securitisations and private equity funds.

- ICO Second-Floor Facilities, channelling public-private partnership financing through credit institutions, with the ICO acting as a second-tier bank, funding banks which, based on the capillarity of their commercial network, carry out the identification and risk analysis of the companies, determining the granting of the financing.
- Direct financing to companies through different types of structures: corporate loans (bilateral, syndicated loans, club deal), project finance, national and international guarantees and collateral or underwriting of issues in the primary market of bonds, corporate notes, securitisations.
- Venture capital activity through the venture capital manager AXIS, wholly owned by Instituto de Crédito Oficial. This activity is carried out through investments in private equity and venture capital funds aimed at fostering the creation and growth of companies throughout the entire investment life cycle, from the early stages (Business Angels - jointly with the European Investment Fund -, incubation, technology transfer), to start-up, scale-up, expansion and growth capital (equity) and debt. AXIS' actions take the form of minority co-investments in projects and funds alongside the Spanish venture capital sector.
- Fundación ICO contributes to the development of society in areas related to ICO's activity and heritage, both in the field of financial education and national, European and international economic and financial knowledge, as well as in the dissemination of sustainable finance and museum specialisation.

2. As a **Financial Instrument for Economic Policy**, ICO supports economic policy measures promoted by different government agencies and developed at various levels that may be interrelated.

- At national level, collaborating with Ministries, Autonomous Communities (hereinafter, ACs), Local Authorities (hereinafter, LAs) and their dependent bodies to channel public budgets and aid to social

[1] *The methodology for the Taxonomy will be incorporated into the categorisation as and when the Taxonomy regulation comes into force.*

economy enterprises and entities in order to achieve economic and sectoral policy objectives.

- At the European level, ICO works by channelling and implementing EU resources from programmes under the EU's Multiannual Financial Framework 2021-2027 (Invest EU, Connecting Europe Facility) or the Next Generation EU programme, among others, or in collaboration with the European Investment Bank (EIB), the European Guarantee Fund or the Marguerite Fund, with other national promotional banks.

3. As the **State Financial Agency**, ICO performs off-balance sheet financial services to manage certain funds and instruments on behalf of other ministries. In terms of internationalisation, it should be noted that ICO always acts on behalf of and under the instructions of the Secretary of State for Trade of the Ministry of Industry, Trade and Tourism. In this framework, ICO manages the FIEM—Corporate Internationalisation Fund—and the CARI—Reciprocal Interest Adjustment Contract—in accordance with the OECD consensus on exports. In the area of development cooperation, ICO acts under the instructions of the Secretary of State for International Cooperation of the Ministry of Foreign Affairs, EU and Cooperation, managing the Fund for the Promotion of Development (FONPRODE) and the Cooperation Fund for Water and Sanitation (FCAS).

As the State Finance Agency, it is also responsible for the management of the ACs' Financing Fund and the LAs' Financing Fund, on behalf of the State through the Ministry of Finance. As regards the React-EU funds, ICO has been entrusted with the additional task of carrying out the financial management of the new compartment of the ACs' Financing Fund "REACT-EU Liquidity Fund" established in the General State Budget Law 2021 (hereinafter, LPGE 2021) in its Twenty-ninth Final Provision, and more recently the extension and adaptation of the LAs Financing Fund.

This function would also include the management of the COVID Guarantee Facilities, on behalf of the Ministry of Economic Affairs and Digital Transformation. These programmes, thanks to an unprecedented public-private partnership exercise, have contributed to maintaining business activity and preserving employment. ICO, in its capacity as the State Financial Agency, is responsible for the management and monitoring of these facilities, as well as the additional measures approved within the framework of these facilities with the aim of strengthening business solvency.

ICO is not financed through the General State Budgets, nor does it accept deposits from individuals. Its source of financing comes from the capital markets, whose debt has the unlimited and irrevocable guarantee of the Spanish State.

1.8 ICO INVESTEES

Instituto de Crédito Oficial has shareholdings in the following entities:

- **Axis Participaciones Empresariales , SGEIC, S.A. S.M.E. (AXIS)**, venture capital fund manager established in 1986. ICO owns 100% of the share capital.

- **Compañía Española de Reafianzamiento, S.A (CERSA)**. ICO owns 24.30% of the share capital. This is a state-owned trading company, attached to the Ministry of Industry, Trade and Tourism. Its goal is to make it easier for SMEs and the self-employed to obtain all kinds of financing, especially start-up companies and smaller companies. CERSA provides support through its refinancing to the Sistema de Garantía Recíprocas (Mutual Guarantee System) in Spain, consisting of CERSA itself, 20 Guarantee Associations and SAECA.

- **Compañía Española de Financiación del Desarrollo, COFIDES, S.A, S.M.E**. ICO holds 20.31% of the share capital. This is a state-owned trading company, attached to the Ministry of Industry, Trade and Tourism. It aims to finance private and viable investment projects overseas in the medium- and long-term where there is some kind of Spanish interest, in order to contribute, with profitability criteria, both to the development of recipient countries of investments, as well as to the internationalisation of the economy and Spanish companies.

- **The European Investment Fund (EIF).** ICO has been a partner since its foundation in 1994 and currently has a holding of 0.72% in the capital. The main shareholder is the EIB and its fundamental aim is to provide financing for infrastructure and provide guarantees for SMEs. In 1997, the EIF also began to perform venture capital operations.

- **European Datawharehouse (ED), GmbHG**. ICO's shareholding is 3.57%. ED is a European centralised securitisation repository that collects data on loans that make up the securitised portfolios to be used by investors and other market participants in their analysis. Through ED data, users can analyse underlying portfolios and compare portfolios systematically.

- **Society for Worlwide Interbank Financial Telecomunication, SCRL (SWIFT)**. ICO has had a stake in this company since 2008. SWIFT was created in 1986 under Belgian law, which aims to provide a secure network that allows financial institutions around the world to send and receive information on financial transactions. The society has around 2,400 partners worldwide, of which 27 are Spanish financial institutions. This participation allows ICO to use this platform to perform financial transactions in a secure, standardised and reliable environment.

1.9 PUBLIC-PRIVATE PARTNERSHIPS AND ALLIANCES

- **Map of alliances**

2 SOCIAL RESPONSIBILITY AT ICO

2.1. SUSTAINABILITY AND DIGITALISATION IN THE ICO GROUP

- **SUSTAINABILITY:**

Sustainability and the transition to a low-carbon, more resource-efficient and circular economy that safeguards climate balance, biodiversity and human rights are key to ensuring long-term competitiveness and our development as a society.

For this reason, for ICO, sustainability, which takes into account environmental, social and corporate governance factors, is a basic pillar integrated in all its activity in a transversal manner, both in its asset and liability operations and in the internal management of the organisation, from the perspective of governance and corporate social responsibility. ICO's sustainability commitments are set out in the Sustainability Policy approved in 2020.

ICO plays a key role in promoting the development of a sustainable finance model that incorporates environmental, social and governance objectives into business decisions. It also mobilises resources to facilitate the transition to a future model of sustainable growth in line with the guidelines set by the new EU Financial Framework for 2021-2027 and the Next Generation EU initiative.

In this regard, ICO is accredited by the European Commission as an implementing partner of the new Multiannual Financial Framework 2021-2027 to manage European funds from programmes such as InvestEU and the Connecting Europe Facility. Obtaining accreditation from the European Commission in 2020 to manage European funds under the InvestEU Programme provides the Institute with new capabilities to expand the type of support it makes available to companies, reinforcing its involvement in the field of sustainability, in line with the action plans set out in the Recovery, Transformation and Resilience Plan, focusing on four main areas of action: Sustainable Infrastructures; Research, Innovation and Digitisation; SMEs; and Social Investments and Skills.

The extra-financial rating of the Institute, carried out by Sustainalytics[2], places ICO among the 36 best entities in its industry, out of more than 1,000 entities analysed. Within the global universe of the 14,765 companies examined by this rating agency, ICO ranks among the 179 best, with a rating that classifies its ESG risk as negligible.

ICO's extra-financial rating again supports the confidence that ICO's management generates in the financial markets and its stakeholders in environmental, social and governance issues.

In 2021, of the amount of operations aimed at financially supporting large and medium-sized enterprises, ICO allocated 1,463 million euros to approve operations with an environmental impact and 347 million euros to operations with a positive social impact.

As regards debt issuance, in 2021 ICO has updated the reference framework for green bonds. In addition, it has launched its third green bond issue for 500 million euros, aimed at boosting the green transition to consolidate the recovery and sustainable economic growth.

It has also launched the eighth issue of social bonds for an amount of 500 million euros, which will finance projects aimed at promoting economic and territorial cohesion with a positive impact on employment.

Moreover, AXIS' actions complement those of ICO and reinforce the ICO Group's clear positioning in favour of sustainability. AXIS has continued to strengthen complementary financing channels aimed at both moderating the economic effects of COVID-19 and boosting business recovery in the medium and long term through funds managed by AXIS, in collaboration with the private equity and venture capital sector.

In 2021, the AXIS Board of Directors approved the change of name from Fond-ICO Infraestructuras to Fond-ICO Infraestructuras, ESG, F.I.C.C. as well as the update of the sector investment policy, deepening its sustainable profile and incorporating criteria aligned with those of ICO for valuation, measurement and reporting.

In April 2021, the AXIS Board of Directors approved the creation of Fond-ICO Next Tech, a joint initiative with the Secretary of State for Digitalisation and Artificial Intelligence (SEDIA), whose purpose is to promote the scalability of Spanish companies in the digitalisation and artificial intelligence sector.

Fundación ICO focuses much of its activity on promoting sustainability, disseminating relevant information on sustainable and alternative finance and financial education.

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Section 3, description and evolution of the activity, contains the highlights in the field of sustainability related to the ICO's lending activity and in the financial markets.

- DIGITALISATION

The working conditions resulting from the COVID-19 crises have accelerated technological change, making it even more essential for companies to adapt to new business models, distribution channels and ways of working with digital tools. Digital transformation is one of the priorities of the Recovery, Transformation and Resilience Plan.

In this context, ICO provides companies, with special emphasis on the self-employed and SMEs, with the necessary instruments so that they can undertake their digitalisation plans to help them strengthen their resilience in the face of any crisis and increase their productivity. These instruments include the ICO Companies and Entrepreneurs Facility, which can be used to apply for long-term financing to undertake digitalisation projects, the ICO Red.es Acelera Facility and the "Kit Digital" initiative.

Also, in collaboration with the Secretary of State for Digitalisation and Artificial Intelligence (SEDIA), the Fond-ICO Next Tech fund has been set up through AXIS to promote the development of high-impact innovative digital projects and investment in scale-ups. The objective of this initiative is to mobilise joint public-private partnership resources of 4 billion euros over an initial period of four years.

In addition, together with other bodies and ministries, work is being carried out on the design of new instruments aimed at SMEs to promote digitalisation within the framework of the "Spain, Audiovisual Hub of Europe" plan, one of the pillars of the Digital Spain Agenda 2025.

2.2. COLLABORATION WITH STAKEHOLDERS ON SUSTAINABILITY ISSUES

ICO is strongly committed to multilateral, European and national initiatives: UN Sustainable Development Goals and the UN Global Compact on Labour Rights. Likewise, within the framework of the Paris Agreement on combating climate change, it acts in coordination at EU level with other National Promotional and Development Banks. In this regard, it participates in the Joint Initiative on Circular Economy (JICE), launched by the five largest European national promotional banks (German KFW, Italian CDP, French CDC, Polish BGK, ICO) together with the EIB, whose aim is to support the development and implementation of circular economy projects and programmes in the EU worth 10 billion euros in the period 2019-2023.

In the same line of action, ICO participates along with other European national promotional banks in the Clean Oceans Initiative, which aims to mitigate the effects of climate change and combat pollution in the oceans by financing projects that contribute to the efficient management of the production and recycling processes of plastic and solid waste for a value of 2,000 million euros in the period 2019-2023. In 2022 it is planned to extend its commitment to 4 billion euros and its time horizon to 2025.

Furthermore, since October 2016, ICO has adhered to the Ecuador Principles, systematically applying environmental and social risk assessment and management and biodiversity protection standards in its financing activity, which implies complying with the United Nations Principles on Business and Human Rights (UNGPs), and supporting the objectives of the 2015 Paris Agreement. In 2021, no operations financed by ICO have been registered in protected areas or with adverse impacts on biodiversity or the environment.

On the other hand, ICO's participation in the sustainable bond market is not only limited to that of issuer of this type of debt instruments, but also actively collaborates in the development and promotion of the sustainable bond market as an active member of the social bond working groups of the International Capital Market Association (ICMA). In 2021 ICO has again been selected as a member of the Advisory Council of the Green Bond Principles (GBP) and Social Bond Principles (SBP) Executive Committee of ICMA.

ICO has also signed collaboration agreements with national and international institutions in the field of sustainability. Since 2005, ICO has been a member of the Spanish Network of the United Nations Global Compact, an organisation that aims to promote the development of a sustainable business fabric for SMEs. In addition, since COP 25 in Madrid in 2019, ICO has been part of the Collective Commitment for Climate Action, which reflects the joint commitment of the Spanish banking sector to reduce the carbon footprint of the credit portfolios of the signatory institutions.

ICO is also an active member of associations aimed at promoting sustainable finance. In 2021, the Institute joined the Spanish Sustainable Finance Observatory (OFISO), a forum for companies, financial institutions, public administrations, investors and other financial industry agents to meet, inform and debate, as well as a platform to give visibility and notoriety to their commitment to Sustainable Finance.

Specifically, it is part of FORETICA, from where ICO led the launch of the CSR Action Group in public companies to share knowledge and integrate the Sustainable Development Goals (SDGs) into the strategy of public companies, of SPAINSIF, whose mission is to promote the integration of ESG criteria among the investment community, and of FINRESP (Centre for Responsible and Sustainable Finance), which aims to address the difficulties and needs of the business community, particularly Spanish SMEs, to contribute positively to the commitments of the 2030 Agenda.

2.3. RESPONSIBLE AND ETHICAL MANAGEMENT

The ICO Group has developed management and corporate governance tools that ensure the ethical behaviour, sustainability and transparency of ICO's activity in all its areas of activity and internal management.

At the ICO Group we adopt internal and external policies to promote transparency, respect for human rights and sustainable supply chain management. In order to face the challenges of the 21st century and build more peaceful and inclusive societies, it is necessary to establish efficient and transparent policies.

A. CODE OF ETHICS AND CONDUCT

The purpose of ICO's Code of Ethics and Conduct is to define and develop the basic foundations of behaviour and the necessary guidelines for action so that the Institute's principles are manifested in the individual actions of its employees, managers and directors, in internal and external relations with customers, suppliers and third parties, as well as in its actions in the markets.

Therefore, the Code of Ethics and Conduct applies to all ICO staff and directors of the General Board, as well as to interns undergoing training at the Institute. In the case of suppliers, the service provider will be required to comply with the code for those of its employees who provide services for ICO.

This section on the regulation of ethical conduct also includes internal policies relating, among other issues, to Social Responsibility, Corporate Gifts, Travel, Representation Expenses and Corporate Credit Cards.

B. ETHICAL CHANNEL

The Ethical Channel is a mechanism that allows employees to confidentially but not anonymously communicate any irregularities of potential importance regarding the Code of Conduct and Ethics. No complaints were filed through the Ethical Channel in 2021.

C. INTERNAL CODE OF CONDUCT IN THE STOCK MARKET

This identifies units in the ICO Group that develop activities related to the stock market, and defines the separation that should be adopted to avoid potential conflicts of interest or the use of privileged information. The version in force at 31/12/2016 was approved by the General Board of the ICO Group at its meeting of 27 February 2012. No breaches of the code of conduct were recorded in 2021.

D. ANTI-MONEY LAUNDERING AND TORTORIST FINANCING POLICY (AML/CFT)

The ICO Group is aware of the important role that financial institutions play in prevention and therefore collaborates with the competent authorities and joins forces with the rest of the Spanish financial system in the fight against all forms of money laundering and terrorist financing. The policy, revised in May 2020 to adapt it to Royal Decree Law 11/2018 transposing the AML/CFT Directive 2015/849/EC, sets out the rules of action and control and communication systems to prevent access to the institution by undesirable persons or groups, and establishes the criteria for accepting clients.

In compliance with the Group's Training Policy and Plan, in 2021 two training actions were carried out on the prevention of money laundering in the Spanish financial system, one of which was given by the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC) and the other by Cecabank. Participants totalled 132 people.

Of the 132 people who took part in the training actions, 95 were from ICO staff, 14 from AXIS and 9 from Fundación ICO. In addition, 14 interns (13 from ICO and 1 from AXIS) were trained.

In December 2021, the modification of the ICO's internal procedure regulating the prevention of money laundering and terrorist financing was approved in order to incorporate the latest regulatory developments in this area at national and European level.

In addition, following the recommendations of the External Expert on AML/CFT policies, a physical mailbox was installed at the ICO's headquarters, managed by the Regulatory Compliance area, to facilitate the anonymous submission of internal complaints and reports of irregularities.

E. MANAGEMENT BY OBJECTIVES (MbO)

Management model implemented to effectively direct and improve ICO's performance, establishing strategic and general objectives and helping to generate a culture of valuing the professional merits of employees. Management by objectives holds great value due to its uniqueness within the Administration; it allows the efforts of different areas to align with the road map, and improves the quality of work and professional performance, rewarding effort and achievement of objectives. The adoption of the strategic objectives proposed by the Management Committee are subject to the approval of the Ministry of Economic Affairs and Digital Transformation.

The Management by Objectives System, which allows variable remuneration to be linked to the achievement of objectives, also incorporates those directly related to sustainability and digitalisation, promoting their integration into the culture of the organisation. In 2021, within the framework of ICO's Strategic Reorientation 2019-2021, axis 4 related to sustainability in its Plan 20, it incorporated a sustainable direct activity target that allowed 72% of new direct financing activity to be approved with sustainability criteria. Furthermore, 2 of the 5 cross-cutting plans of the Management by Objectives system were related to progress in sustainability and digitalisation (action plans 18 and 19 of the Strategic Reorientation 2019-2021), the sustainability objective reached 100% of the set target and the digitalisation objective 97%.

F. REGULATORY COMPLIANCE

The Regulatory Compliance Area was created to protect the Institute’s reputation and integrity, to promote the applicable ethical standards and to strengthen accountability and transparency. It is also responsible for identifying and evaluating compliance with regulations related to the prevention of money laundering and the financing of terrorism, and for coordinating the internal policies and procedures implemented in this field. It is also involved in identifying, assessing and controlling risks that could affect the ICO Group’s integrity and reputation arising as a consequence of the breach or failure to comply with the rules or measures recommended by policies or the ICO Group’s internal regulations or external recommendations or standards that may apply.

G. RISK IDENTIFICATION, CONTROL AND MANAGEMENT

The identification, management and control of risks is a priority task for ICO. This is done primarily in accordance with the Risk Policy Manual. The Manual compiles different methodologies, applicable regulations, procedures and an organisational structure. The ICO Group is exposed to financial risks (credit, liquidity and market) and operational risks. Three other typologies are also considered in "other risks": reputational risk, strategic risk, business risk, environmental risk and technology risk.

H. COMMITMENT TO SOCIAL RESPONSIBILITY

The ICO Group has approved and published a CSR policy with the aim of being a transparent and socially committed entity that incorporates ethical, social and environmental values and that applies the principles of good governance and thus is recognised for its activity and for its relationship with its stakeholders. To this end, the principles that govern its activity are established: good governance and transparency, respect for the environment and the 10 principles of the United Nations Global Compact.

I. ENVIRONMENTAL PROTECTION

In order to guarantee a respectful and preventative approach towards the environment, the ICO Group has approved and documented an environmental policy that has been fully adapted to the requirements of the ISO 14001 Environmental Management Systems standard since 2020 and a code of good environmental practices.

In 2021, the Environmental Management System was certified by European Quality Assurance.

J. PROTECTION OF PERSONAL DATA

The ICO Group has adopted a personal data protection policy adapted to EU Regulation 2016/679 and Spanish Law 3/2018, which is developed and implemented in internal processes and files through the security manual, which contains procedures adopted by the Operations Committee.

K. LABOUR RELATIONS

The staff policies applied in the ICO Group are based on respect for employees' human rights and industrial rights, and the implementation of actions to facilitate and enhance their ability and professional development. Equal opportunities, non-discrimination policies, diversity and work-life balance are fundamental principles in the development and implementation of industrial relations between ICO and its staff.

L. COMMUNICATION

The Institute has a single headquarters and no branches, so it uses a network of private banks to distribute much of its financing. For this reason, it needs some channels and tools for effective internal and external communication to disseminate its lines of financing and activities and to meet the information needs of its stakeholders.

M. TRANSPARENCY

The ICO Group provides its stakeholders with all the relevant information relating to its organisational structure and activity. In addition, and in accordance with the provisions of the Transparency Law, ICO provides direct access to the Spanish Government's Transparency Portal, through a link at www.ico.es. In this way, it makes it easier for the user to consult all available data. Each year ICO prepares and publishes an Audit Report on the Consolidated Annual Accounts and Consolidated Management Report online, with all the economic information and information related to its activity as a financial institution. The annual accounts are audited by an independent expert. In addition, the Integrated Report, prepared in accordance with the GRI Standards and the requirements of Law 11/2018 on non-financial information and diversity, is published on the website and verified by an independent expert to increase stakeholders' confidence. In this spirit, the ICO Group has produced a Progress Report in relation to the United Nations' 10 Global Compact Principles.

N. INTERNAL AND EXTERNAL CONTROL SYSTEMS

Internal control in the ICO Group with regard to corporate governance is carried out by the internal operational bodies with competence in the regulatory area of the activities.

In accordance with the Audit Guidelines approved by the Operations Committee, the Internal Audit Department continuously audits operational and business procedures, risk management and the internal control system. Internal control carried out by the Internal Audit Department is reinforced by the activity of the Audit and Compliance Committee, whose functions include promoting measures for adopting audit recommendations. In order to comply with article 43.2 of Royal Decree 84/2015, of 13 February, which implements Law 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, the Internal Audit function reports periodically to the General Board of ICO on the verification work carried out by the Internal Audit function.

Externally, the ICO Group periodically submits its actions to the control of external experts and different national bodies (IGAE, Inspectorate of the Services of the Ministry of Economic Affairs and Digital Transformation, Court of Auditors, Bank of Spain) and those EU bodies that are competent to do so. In 2021, 27 audit reports were issued, with no significant findings.

O. PROCESS MANAGEMENT. QUALITY MANAGEMENT SYSTEM

ICO has implemented a process management model and approved a Quality Policy. For 2021, ICO management approved, as a cross-cutting objective of its Management by Objectives system, the development and implementation of a quality management system based on the requirements of the ISO 9001 standard, which will be submitted for certification in January 2022 by European Quality Assurance.

P. HUMAN RIGHTS

ICO recognises that respect for human rights and, therefore, the protection of people's dignity, well-being and development, is a basic and unavoidable pillar on which to build and manage all its activities.

In its internal management, ICO ensures the protection of Human Rights by integrating mechanisms for the Prevention of Money Laundering and Terrorist Financing, the Internal Code of Conduct in the Securities Market and the Group's Code of Ethics and Conduct, as well as multiple internal procedures to prevent any type of corruption or bribery.

ICO also integrates the protection of human rights by providing its staff with appropriate training, awareness-raising and initiatives. In this respect, ICO is especially and expressly committed to:

- The Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities between men and women and the fight against all forms of discrimination.
- Work-life balance.
- Professional development and training.
- Workplace health and safety.
- Balancing professional activity with respect for the environment.
- The socio-occupational inclusion of groups with functional diversity.
- Corporate volunteering.

In its role as a financier, ICO promotes development and social welfare by expressly prohibiting the financing of any activity that could have the effect of violating human rights. In addition, ICO, in its commitment to the United Nations Guiding Principles on Business and Human Rights, ensures that its financing incorporates the protection, respect and redress of potential harm that its financial activity may cause and will ensure that its borrowers or counterparties do not allocate funds received from ICO to activities that may be related to the violation of Human Rights.

As a signatory to the Ecuador Principles, it relies on due diligence processes to determine and avoid the impact of its major funding projects on Human Rights.

In its relationship with suppliers and in compliance with the requirements of the Public Sector Contracts Law, ICO prohibits the contracting of individuals or legal entities convicted of terrorism, constitution or integration of a criminal organisation or group, illicit association, illegal financing of political parties, human trafficking, corruption in business, influence peddling, bribery, fraud, crimes against the Public Treasury and Social Security, crimes against workers' rights, prevarication, embezzlement, negotiations prohibited to civil servants or money laundering. Procurement systems ensure compliance with procurement conditions without the need to have a specific supplier monitoring and auditing system. In 2021, there were no non-compliance findings in the supply chain.

In addition, social responsibility criteria are incorporated into contracting and tendering mechanisms to ensure that suppliers comply with human rights and labour standards.

Within the scope of its business relations and as a complement to its commitment to promote the SDGs and the 2030 Agenda, it also promotes the 10 Global Compact Principles which, in terms of Human Rights, determine that companies should support and respect the protection of fundamental Human Rights within their sphere of influence, and that companies should ensure that their employees are not complicit in violations of Human Rights.
With regard to its environment and society, ICO's own purpose and the performance of its professional activity promote the development of people and the positive impact on the sustainable progress of the economy, fighting against poverty and social differences and, therefore, collaborating in minimising Human Rights violations.

Specifically, ICO promotes social development and employment through its direct lending activity and second-floor facilities to support SMEs, entrepreneurs and the self-employed, by issuing social and green bonds or through the management of financing instruments in its role as the State Financial Agency.

Finally, ICO has a channel for external reports, complaints or suggestions, and a Customer Service area that manages, transfers and resolves, in internal coordination with the necessary departments, any communications received from third parties and the different stakeholders.

During 2021, no complaints were received in relation to human rights violations in the course of ICO's business, its business partners or its suppliers. However, a consultation was received and successfully handled on the ICO's mechanisms to ensure the protection of human rights in the selection process of companies for its alternative finance funds.

2.4. COMMUNICATION FOR SUSTAINABLE GROWTH

The ICO Group's strategy focuses on promoting activities that contribute to the transformation of the Spanish production model, fostering innovation and digital business transformation, internationalisation and environmental, social and governance sustainability.

For the ICO Group, it is a priority to contribute to a model of recovery and sustainable growth in all the actions it carries out, in line with the guidelines set by the Government in the Recovery, Transformation and Resilience Plan for the Spanish economy, which reflects the priorities established in the European Next Generation EU programme and the Multiannual Financial Framework 2021-2027.

These strategic objectives have been integrated as a priority focus in the Institute's current communication policy and are conveyed externally through the different channels we use.

During the year 2021, in addition to the usual communication actions, efforts have been focused on:

1. **Renewal of the ICO Group's websites** (AXIS, Fundación ICO and ICO), to bring them into line with current standards of quality, transparency and sustainability criteria. Likewise, the new websites aim to improve accessibility to information from the various public sector websites and mobile applications.

2. Carrying out various communication actions to **commemorate ICO's 50th anniversary** and disseminate its activity among our stakeholders.

A. ICO GROUP WEBSITE RENEWAL

www.ico.es www.fundacionico.es www.axispart.es

In 2021, the design, architecture and content of the ICO Group's websites were revamped to align them with the Institute's strategic objectives and adapt them to the provisions of Royal Decree 1112/2018 of 7 September 2018 on accessibility of public sector websites and applications for mobile devices.

In 2021, there has been an increase in almost all metrics of behaviour and consumption of the ICO website compared to 2019, the year prior to the exceptional situation in 2020 when the ICO Guarantee Facilities were launched. Main indicators:

- ✓ Number of web visits: 942,264 → + 70.02%
- ✓ Number of page views: 2,812,716 → + 43.72%
- ✓ The most visited page on www.ico.es in 2021 corresponds to the ICO Companies and Entrepreneurs Facility, which accounted for 12.73% of total visits to the website.

B. COMMUNICATION ACTIONS FOR THE 50TH ANNIVERSARY OF ICO

ICO has celebrated its 50th Anniversary in 2021. The following actions have been carried out to commemorate it and to highlight the Institute's activity in financing the Spanish business fabric over all these years:

- ✓ Creation of a specific logo, using the claim: "*50 years. We work together looking to the future*", a message in line with the publicity campaign on the ICO Covid-19 Guarantee Facility developed during December 2020.

- ✓ Institutional commemorative event: Organisation of a commemorative event with the participation of authorities, institutions, financial entities, collaborating agents and companies, structured around thematic round tables, held in November 2021 under the title: "The role of ICO as a driver of sustainable growth, recovery and economic transformation".

- ✓ Drafting and publication of editorials, opinion articles and interviews with the ICO Chairman in the national media to highlight the ICO's capacity and flexibility to adapt to the changing needs of SMEs, the self-employed and companies throughout its 50-year history.

- ✓ A special section of the new ICO website has been dedicated to providing information on the 50th anniversary, with material on the main milestones achieved by ICO throughout its history and the main figures obtained ("50 years in figures").

- ✓ Production of two corporate videos to commemorate the 50th anniversary.

- ✓ Twitter:
  - The image of the official ICO profile has been replaced by another with the 50th anniversary logo.
  - All the information generated in 2021 has been devoted to the 50th anniversary.
  - A specific hashtag has been used: #50AniversarioICO or #50añosICO.

C. OTHER COMMUNICATION ACTIONS CARRIED OUT IN 2021

➢ NATIONAL ADVERTISING CAMPAIGN

"Self-employed, SMEs and companies: We believe in you. We grow with you".

The message focused on the growth of companies and the recovery process, in order to identify **ICO and its financing offer as an option to accompany their growth and progress in this period of recovery.**

The aim of this campaign was to launch a friendly and original message of recognition at a time when the business fabric has suffered a hard blow due to the pandemic caused by Covid-19.

The advertising agency and the media centre that carried out the campaign were selected through a public tender.

The campaign focused on a single round during the months of October and November 2021. The media in which ICO was present were press, radio, and internet.

	Media mix
PRESS	31%
RADIO	28%
DIGITAL	42%

Web metrics show a good performance of the advertising campaign in the online channel. Data for the fourth quarter, when the campaign was implemented, compared to the previous quarter are:

- Sessions → + 98.74%
- Page views → + 34.95%

➢ INTERNATIONAL ADVERTISING CAMPAIGN

"ICO GREEN AND SOCIAL BONDS. Supporting Sustainable Growth in Spain"'

In the international arena, ICO also runs an advertising campaign with the dual aim of supporting ICO's role as a benchmark issuer in the capital markets and reinforcing the Institute's identity as one of the leading issuers in sustainable financial markets through the issue of social bonds and green bonds.

The campaign focused on a single round during the months of October, November and December 2021. The campaign included on-line and off-line advertisements in economic magazines, magazines specialised in the financial sector - with special attention to issues dedicated to sustainable financing - and the on-line part was promoted with presence in specialised information terminals and international economic websites.

- **ON-LINE COMMUNICATION CHANNELS**

One of ICO's priority objectives in recent years has been to increase activity in the various online communication channels.

ICO NEWSLETTER

In the last three years, the use of the electronic newsletter has been strengthened as ICO's communication channel with the self-employed and SMEs to publicise the main products and financing programmes in force, as well as the success stories of our client companies.

Since 2019, the number of newsletters has increased from **4 in 2018, 9 in 2019, 10 in 2020 and 11 in 2021**, which were distributed by email to the ICO database (approximately 360,000 contacts), with an average rate of opening of around 39%. On the website, the Newsletters received 44,996 visits (20% more than in 2020).

NEWSLETTER FOR INVESTORS

Published quarterly, this newsletter provides up-to-date information and any information of interest to investors. The newsletter is written in English, published on the ICO website and sent by email to the Institute's investor database (over 1,500 records).

SOCIAL MEDIA

Twitter @ICOgob

Twitter has established itself as one of the main online channels for ICO to publicise its activity.

- ✓ In 2021, the number of **own tweets and retweets** published on the official Twitter profile @ICOgob amounted to **452**, 8.92% more than in 2020.
- ✓ The number of **followers** of the ICO's Twitter profile rose to **7,600**, 3.35% more than the previous year.
- ✓ Of the total number of tweets published in 2021, **more than 80%** contained graphic and/or audiovisual material (photos, videos, own infographics).
- ✓ The **interaction rate** stood at **3%**, an increase of more than 57% over the previous year.

YOUTUBE CHANNEL

ICO's YouTube channel allows audiovisual content to be shared and disseminated on social networks. In 2021, in addition to the two corporate videos made to mark the 50th Anniversary, an informative video was also made on ICO's sustainable bonds and another on Sustainability in the ICO Group.

- ➢ **OFF-LINE COMMUNICATION CHANNELS**

PRESS RELEASES

In 2021, the Communication Area prepared **34 press releases** that generated **778 media impacts**.

3 DESCRIPTION AND EVOLUTION OF THE ACTIVITY

3.1. ECONOMIC CONTEXT OF THE ACTIVITY, FACTORS AND TRENDS THAT MAY AFFECT ITS FUTURE DEVELOPMENT

In 2021 as a whole, the Spanish economy experienced strong economic growth after the decline recorded during 2020. In any case, the COVID-19 pandemic has continued to shape the performance of the Spanish economy during 2021 in line with the evolution of other EU countries. Thus, since the health situation made it necessary to adopt measures to contain the spread of the virus, the economy has been affected by the restrictions on activity determined by the health situation. In this context, the progressive generalisation of vaccines that took place during 2021 in Spain was key to explaining a gradual return to normality in terms of the economic activity and the intensification of the recovery throughout the year in most sectors. In 2022, the forecasts indicated that strong and sustained growth would continue, driven by the gradual return to normality in the health sector, the use of funds from European programs (mainly Next Generation EU) and the growth of international trade, although the uncertainty generated by the war in Ukraine makes it necessary to be more cautious in the forecasts.

From the first quarter of 2021, the economy begins an expansionary path based on the set of measures adopted to mitigate the social and economic effects of the health crisis, aimed at maintaining employment and the business fabric. Thus, in 2021 as a whole, the GDP grew by 5.0%, which was the highest growth rate in the last two decades, and made it possible to regain the growth path after the GDP fall of 2020. Growth in 2021 was based on the expansionary behaviour of both domestic demand, which made a positive contribution of 4.6 percentage points (pp), and the foreign sector, which contributed 0.4 pp. These data contrast with what happened in 2020 when both domestic demand and the foreign sector had negative contributions of 8.6 pp and 2.2 pp, respectively. Within domestic demand, in 2021 both consumption and investment components had an expansive behaviour, highlighting household consumption and investment in machinery and capital goods as the components with the greatest dynamism.

With regard to the labour market, during 2021, the levels prior to the outbreak of the pandemic have recovered in general terms. According to data from the Labour Force Survey (EPA in Spanish), 840,700 jobs were created in 2021, equivalent to an increase in employment of 4.4%. The unemployment rate stood at 13.3% in the fourth quarter of 2021 compared to 13.8% in the fourth quarter of 2019. As a result, more jobs have been recovered in 2021 than those lost during 2020. In terms of the number of workers affiliated to Social Security, the data are equally positive, exceeding pre-pandemic levels since the middle of the year 2021.

The effectiveness of the support measures deployed in an agile manner to respond to the pandemic has allowed this recovery in economic activity and employment in most sectors and activities, highlighting the role played by the ERTES, which ended 2021 at very low levels, as well as the State guarantee facilities managed by ICO.

In the Euro Zone as a whole, growth was very similar to that of Spain, specifically 5.2% in 2021. This growth contrasts with the drop observed in 2020, which was 6.4%. As in Spain, growth in the Eurozone as a whole in 2021 was the highest in decades and was also based on a general growth by component, with a very notable rise in domestic demand (both consumption and investment) and an increase in both exports and imports.

In 2021, the upturn in inflation was noteworthy, which was observed virtually all over the world, particularly in the United States and the Eurozone. The causes of this upturn lie in the base effect when compared to very low or negative rates a year ago, and also in the effects of certain supply bottlenecks in the international trade of some goods, whose demand has had difficulties to be satisfied, and especially due to the increase in the price of energy, particularly gas. In Spain, inflation averaged 3.1% in 2021, above the -0.3% in 2020. The overall CPI ended 2021 with a year-on-year rate of 6.5% in the month of December. Similarly, the core CPI (which excludes energy goods and unprocessed food because they are components with greater price variability) also showed an upward trend, but in this case price growth was lower, and stood at 2.1% in December (0.6% in January). In the Euro Zone as a whole, the trend is very similar to that of Spain, with an overall inflation rate of 5.0% in December 2021 (2.7% for core inflation).

In any case, both for Spain and for the Euro Zone as a whole, the forecasts of leading analysts and institutions such as the European Central Bank pointed to the transitory nature of price tensions and a moderation of inflation throughout 2022, as the temporary effects that caused its rise dissipate. However, these forecasts will have to be revised according to the evolution of events in Ukraine.

The ECB maintained its expansionary policy, but paved the way for normalisation

In 2021, the European Central Bank (ECB) also did not change interest rates, which have remained unchanged since their last change in September 2019. Thus, rates remained unchanged at 0.0% for the main financing operations, 0.25% for the marginal lending facility and -0.5% for the deposit facility. Likewise, the ECB did not make any substantial changes to the instruments it had announced in 2020. Thus, during 2021, the specific pandemic-related asset purchase program (PEPP - Pandemic Emergency Purchase Programme) remained in force, which has coexisted in 2021 with the expanded APP (Asset Purchase Programmes) previously in effect.

An important change in the ECB's strategy in July 2021 was the establishment of a symmetrical price growth target of 2% in the medium term. In this new context, it is possible that inflation could temporarily be moderately above this level. In December 2021 the ECB announced its intention to stop new purchases under the PEPP program in March 2022 (the amount corresponding to issues maturing until the end of 2024 will continue to be reinvested). The end of new purchases under the PEPP program will be accompanied by an increase in monthly purchases under the APP for 6 months, although as of October 2022 the APP will return to its previous amount. In addition, the ECB gave signs of stability regarding the evolution of interest rates and postponed its decisions in this regard to the completion of new asset purchases.

Anyway, any such movements would take place in a very cautious and gradual manner and according to the circumstances at any given time on the basis of the information that becomes available. On the other hand, outside the European Union, the Bank of England has already announced interest rate increases, while the Federal Reserve has signalled several rate increases in 2022.

At the institutional level, during 2021 began the management of the EU Multiannual Financial Framework for the period 2021-2027 and the Next Generation EU (NGEU) instrument. This is an unprecedented mobilisation of resources that will boost economic growth. In relation to NGEU, Member States submitted their plans for using the resources made available to them and the first disbursements were made. In the specific case of Spain, the pre-financing linked to this instrument was received during 2021 and a first disbursement was received subject to the achievement of the reforms associated with the plan presented by the Spanish state. The Spanish proposal was among the first to be approved and Spain was among the first countries to receive pre-financing linked to the plan and was the first country to receive a disbursement linked to its implementation. The forecasts of the Government itself, of the European Commission and of the Bank of Spain anticipate that these funds will have an impact on Spanish GDP of close to 2 percentage points in both 2022 and 2023.

Business interest rates fell in 2021

The incipient changes anticipated in the ECB's monetary policy towards a gradual reduction in asset purchases and, subsequently, to increases in the benchmark interest rates, were not yet reflected in 2021 in the interest rates applied to households and companies. In fact, interest rates decreased during 2021. Thus, the average interest rate applied to companies in transactions of less than 1 million euros, which can be taken as an approximation of the interest rate applied to SMEs, went from 1.78% in December 2020 to 1.59% in December 2021. Moreover, this interest rate remained for most of the year below the interest rate applied in Germany on these same transactions (the Spanish interest rate was higher only in January and April), with the Spanish rate being 30 basis points below the German rate in December 2021. In the comparison with the average for the Eurozone as a whole, the Spanish interest rate was much more even during 2021, with 6 months above and 6 months below (in December 2021 the Spanish interest rate was 10 basis points below the average).

Interest rates for smaller transactions (up to 250 thousand euros) also fell in Spain in 2021, from 1.87% in December 2020 to 1.69% in December 2021 and also remaining below the German interest rate for most of the year (in December the Spanish interest rate was around 40 basis points lower). Similarly, the Spanish interest rate was also lower than that of the Eurozone for most of the year, being 20 basis points lower in December.

In terms of the financial sector activity during 2021, there was a generalised decrease in the volume of new lending operations to companies compared to 2020, a year in which the boost of ICO Covid19 State-guaranteed operations was very relevant in the impulse of new credit and made it possible to preventively cover future financial needs. Transactions of less than 250 thousand euros fell by 5.9% compared to the previous year, those of less than 1 million fell by 12.6% in 2021 and those of more than 1 million fell by 19.5%.

In any case, the outstanding amount of bank credit to companies grew during the year, reaching an annual change of 1.5% in December 2021. Similarly, total financing to companies grew at an annual rate of 2.9%, driven by the dynamism of debt issuance, which continued to grow at a higher rate than credit.

NPL ratio continued a downward trend in 2021

The NPL ratio of Spanish credit institutions continued to decline in 2021. In December 2021 it stood at 4.3% compared to 4.5% in December 2020. As a result, NPL ratio was at its lowest rate since March 2009. This positive development is explained by the decrease in the volume of loans classified as NPLs. This NPL ratio stood at 4.85% in relation to credit to productive activities (data as at September 2021).

3.2. ICO AS A NATIONAL PROMOTIONAL BANK. DRIVING BUSINESS GROWTH

- **SECOND-FLOOR FACILITIES DISTRIBUTED THROUGH THE MEDIATION SYSTEM**

During 2021, ICO has continued to develop its role as a National Promotional Bank for businesses in collaboration with private financial institutions, which intermediate in the arrangement of operations with companies and the self-employed to meet their financing needs.

Through the so-called ICO Second-Floor Facilities, the Institute offers a wide range of bank financing products to cover the liquidity and investment needs of Spanish companies, channelling its funds through the commercial network of financial institutions and defining the main characteristics, recipients, purposes and conditions of the products. The financial institutions are responsible for processing, studying and approving the operations, assuming the credit risk of the final recipient of the financing.

Thanks to their flexibility, ICO Facilities are available to all types of companies with varying degrees of maturity. During the 2021 financial year, a volume of 1,035 million euros was disbursed through its second-floor facilities in 10,969 financing operations accessed by nearly 8,700 self-employed individuals and companies. ICO Second-Floor Facilities fall into two main areas or strategic axes of activity: Companies and Entrepreneurs, and Internationalisation.

Activity of ICO Second-floor facilities in 2021. Distribution by areas of activity (millions of euros and no. of operations).	DRAWDOWNS	
	Amount	No. of Operations
Area of Companies and Entrepreneurs	652	9.621
International Area	384	1.348
Total	1.035	10.969

Strategic area of Companies and Entrepreneurs. The objective of these products is to facilitate bank financing for business activities and investment projects in Spain. In 2021, over 8,500 self-employed persons and companies took out and drew down 9,621 transactions amounting to over 652 million euros, through the following facilities:

ICO Second-floor facilities drawn down in 2021. BUSINESS AND ENTREPRENEURSHIP AREA	Amount	No. of Operations
ICO Companies and Entrepreneurs Facility	627	8.970
ICO Trade Credit Facility	18	449
Other facilities (*)	7	202
Total Business and Entrepreneurship Area	**652**	**9.621**

(*) Includes ICO SGR/SACECA Guaranty and ICO Red.es Acelera Facility.

- ICO Companies and Entrepreneurs Facility. Aimed at financing up to 100% of the investments and liquidity needs of the self-employed, SMEs and companies in Spain, as well as the financing of housing and building refurbishment projects carried out by homeowners' associations and private individuals.
- ICO Trade Credit Facility. Provides liquidity to companies through the advance payment of invoices arising from their short-term commercial activity as well as the financing of the manufacturing stage of goods or services that can be sold in the national territory.
- ICO SGR/SAECA Guarantee Facility. Intended to finance companies that are endorsed by a Mutual Guarantee Association (SGR) or the Sociedad Anónima Estatal de Caución Agraria (National Agricultural Capital Indemnity Company - SAECA). ICO collaborates closely with the sector, simultaneously boosting different activities to increase awareness of ICO's products, as well as advantages for the SGR in financing the corporate network.
- Red.es Acelera ICO Facility. The facility gives special attention to projects that encourage the development, promotion and adoption of new technologies. This funding is available to the beneficiaries of funding from the calls published by Red.es: companies, foundations, associations, professional associations, regional public administrations, public and private universities and their university institutes, as well as public and private centres and organisations linked to research and technological innovation.

Internationalisation strategic area. In recent years, the Institute has been developing a complete catalogue of products with the aim of covering all the financing needs of Spanish companies to operate in third markets. In 2021, companies have drawn down 1,348 operations for this purpose for a cumulative amount of 384 million euros. The table below shows the activity for the year on each of the facilities:

ICO Second-floor facilities drawn down in 2021. INTERNATIONALISATION AREA (million euros and no. of operations)	Amount	No. of Operations
ICO International Channel Facility	255	6
ICO Exporters Line	127	1.329
ICO International Line	2	13
Total International Area	**384**	**1.348**

- ICO Exporters Facility. Aimed at providing liquidity to exporting companies through the advance payment of short-term invoices for their commercial activity abroad, as well as covering their liquidity needs to finance the production costs of the goods to be exported.
- ICO International Facility. This facility provides financing to Spanish companies for investments outside the national territory, to cover liquidity needs and to promote commercial activity abroad in the medium and long term.

- ICO International Channel Facility. This product adds value to ICO's catalogue of products to boost the activity of Spanish companies in third markets. Based on a collaboration scheme with international financial institutions acting as intermediaries, this facility provides Spanish companies with access to financing for investment projects and liquidity needs abroad. In addition, this modality allows ICO to broaden the distribution of funds towards new counterparts operating in international markets where Spanish companies have a more active commercial or investment presence, thus favouring their internationalisation. Support in the local banking system, with a better knowledge of the market, makes it easier for companies to have specific solutions available for each country regarding currencies, terms and conditions.

This facility has become increasingly important in the Institute's activities. 153 million was disbursed in 2021 in 3 loans granted to 3 different entities.

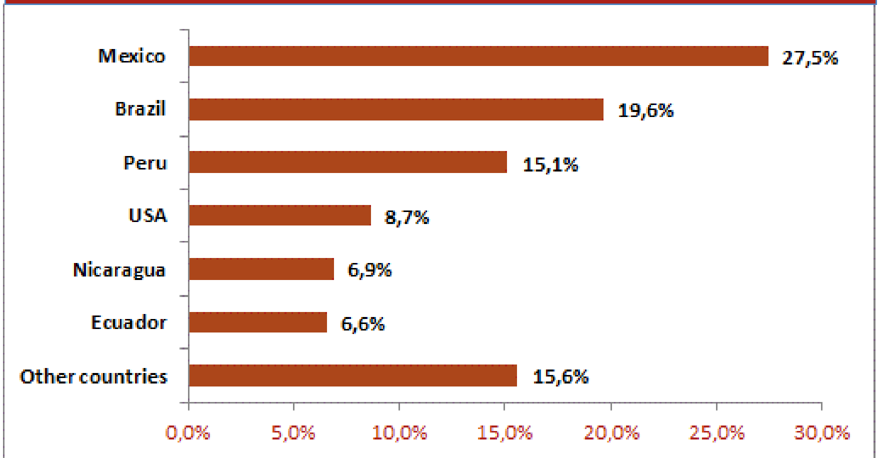
The product's accumulated volumes since its launch in 2015 until the close of 2021 are presented in the following table:

ICO International Channel Facility. Accumulated historical activity. 2021
(million euros and no. of transactions).

	FORMALISATIONS		DRAWDOWNS	
	Amount	No. of Operation	Amount	No. of Operatio
International Channel Total activity	2.523	25	1.486	19

According to the information provided by the recipient entities, the ICO funds disbursed up to 31 December 2021 have enabled the financing of 450 projects in 16 different countries in which 379 companies with Spanish interest have participated. By sector, projects associated with construction and infrastructure, capital goods, business, professional and administrative services, tourism, leisure and culture, and the environment stand out. The distribution by country of the projects funded until 31 December 2021 is presented in the graph below:

ICO International Channel Facility. Projects funded as at 31.12.2021
Distribution by country (% of million euros).



Capillarity in the distribution of ICO second-floor facilities

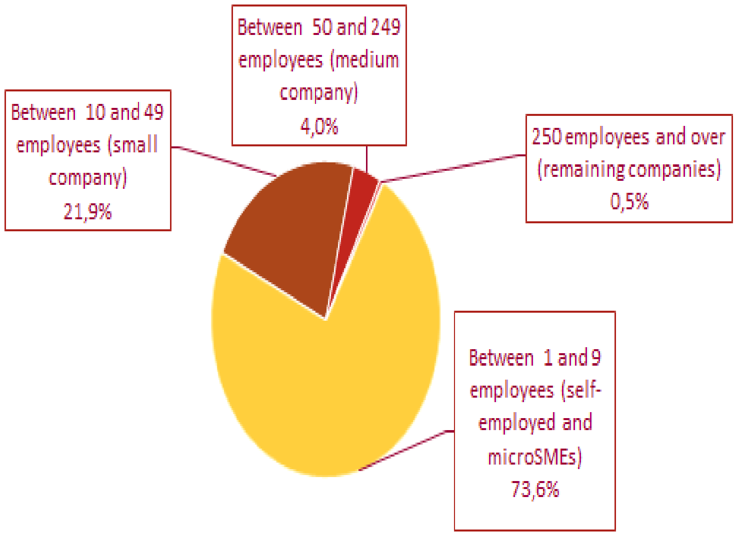
By size of the financed company, 74% of operations drawn down in 2021 were directed at microSMEs (with 1-9 employees), a percentage that rises to 96% if small businesses are also included (those with up to 49 workers).

ICO Second-floor facilities drawn down in 2021.
Distribution of operations by size of final receiving company (by number of employees)

	2021			
	Credit Amount (millions of euros)	%/Total Credit	No. of Operations	%/Total Operations
Between 1 and 9 employees (self-employed and microSMEs)	400	51,3%	8.070	73,6%
Between 10 and 49 employees (small company)	202	25,9%	2.406	21,9%
Between 50 and 249 employees (medium company)	122	15,7%	436	4,0%
250 employees and over (remaining companies)	55	7,1%	51	0,5%
Total	780	100,0%	10.963	100,0%

Does not include drawdowns from ICO International Channel (255 million euros).

ICO Second-floor facilities drawn down in 2021.
Distribution of operations by size of final receiving company (by number of employees)



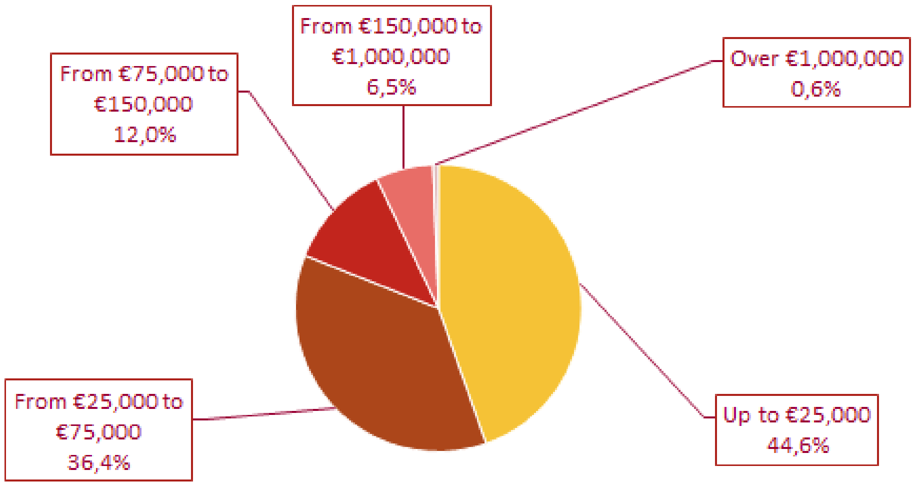
Regarding distribution by credit volume, 45% of the operations drawn down were for an amount under or equal to 25,000 euros, while over 81% did not exceed 75,000 euros.

ICO Second-floor facilities drawn down in 2021.
Distribution of operations by credit volume.

	2021			
	Credit Amount (millions of euros)	%/Total Credit	No. of Operations	%/Total Operations
Up to €25,000	69	8,8%	4.891	44,6%
From €25,000 to €75,000	172	22,0%	3.986	36,4%
From €75,000 to €150,000	137	17,6%	1.311	12,0%
From €150,000 to €1,000,000	227	29,1%	710	6,5%
Over €1,000,000	175	22,4%	65	0,6%
Total	780	100,0%	10.963	100,0%

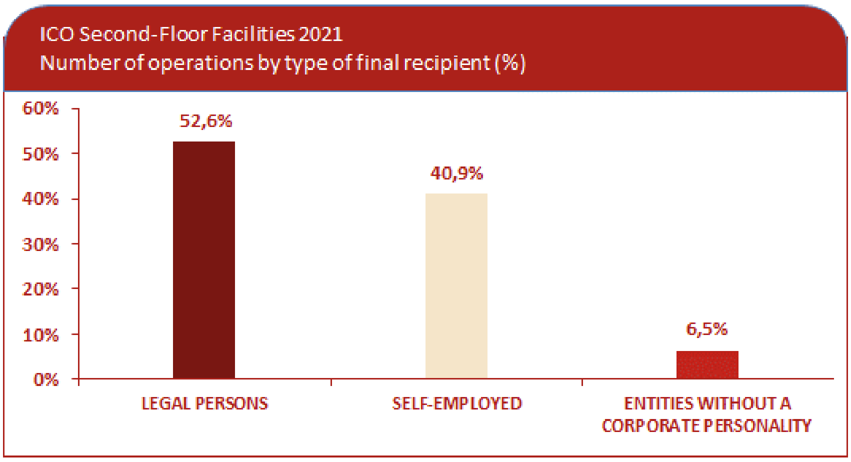
Does not include drawdowns from ICO International Channel (255 million euros).

ICO Second-floor facilities drawn down in 2021.
Distribution of operations by credit volume.



These indicators, relative to the size of the company and loan volumes, highlight the high degree of capillarity that characterises the distribution of ICO's Second-Floor Facilities; most of the financing is aimed at smaller transactions, to micro-SMEs and the self-employed.

By type of end recipient, 53% of transactions in 2021 correspond to legal entities (mostly limited liability companies), 41% to the self-employed and the rest to entities without legal personality (homeowners' associations, civil societies and communities of goods).



From the point of view of the contribution to economic development and cohesion between territories, it is particularly noteworthy that 76% of the volume channelled through the ICO Facilities in 2021 went to companies located in Autonomous Communities with GDP per capita below the national average[3]. 42% of this volume was destined for recipients located in regions with above-average unemployment[4].

ICO Second-Floor Facilities 2021
Amount drawn down Contribution to regional development (millions of euros and %)

	Amount	%/Total
To regions with lower GDP per capita than average	590	75,7%
To regions with a higher unemployment rate than ave	327	41,9%

The funds lent through ICO Second-Floor Facilities in 2021 have had a broad sectoral distribution, highlighting the activity aimed at sectors linked to food and beverages, both industrial and commercial distribution, the agriculture, livestock and fisheries sectors, as well as construction and infrastructure, transport and tourism, leisure and culture activities.

[3] *Regions with a lower GDP per capita than the national average (23,693 euros) in 2020 Source INE*
[4] *Regions with unemployment rate higher than the national average (14.79%) in 2021. Source INE*

ICO Second-Floor Facilities drawn down in 2021. Distribution by sector of activity (amounts and % of total)	Amount Mill €	% Total
COMMERCIAL DISTRIBUTION OF FOOD AND BEVERAGES	108	13,83%
AGRICULTURE, LIVESTOCK AND FISHING	103	13,17%
CONSTRUCTION AND INFRASTRUCTURE	82	10,54%
TRANSPORT AND LOGISTICS	65	8,32%
FOOD AND BEVERAGE INDUSTRY	60	7,73%
TOURISM, LEISURE AND CULTURE	52	6,60%
INDUSTRY AND HEALTH SERVICES	44	5,64%
CAPITAL GOODS AND INDUSTRIAL PRODUCTS	39	4,98%
CONSUMER GOODS	38	4,81%
REAL ESTATE SERVICES	36	4,57%
BUSINESS, PROFESSIONAL AND ADMINISTRATIVE SERVICES	29	3,70%
CHEMICAL INDUSTRY	28	3,53%
AUTOMOTIVE AND TRANSPORTATION MATERIAL	19	2,44%
TEXTILES AND FASHION INDUSTRY	17	2,13%
ICT	14	1,77%
ENERGY	10	1,32%
ENVIRONMENT	10	1,27%
PAPER, WOOD AND PRINTING SERVICES INDUSTRY	8	1,01%
EXTRACTION INDUSTRIES	8	1,00%
EDUCATION	6	0,83%
METALLURGY AND OTHER MATERIALS	6	0,81%
TOTAL	780	100,0%

Does not include drawdowns from ICO International Channel (255 million euros).

➢ ICO'S DIRECT ACTIVITY

The Institute complements the lending activity it carries out through the mediation system, mainly oriented towards smaller companies, with the offer of a wide range of solutions in which ICO acts directly with companies. Through this modality, it offers both bank financing and the issuance of guarantees as well as complementary financing, the latter through corporate debt acquisitions. The objectives of the direct activity in which the Institute assumes the credit risk of the final recipient are manifold:

- Promote large investment projects in Spain.
- Promote, through the financing or granting of technical and financial guarantees for international awards and tenders, those projects of Spanish interest that are carried out abroad.
- Facilitate access to finance for companies to cover their short and medium-term liquidity needs.

ICO has extensive experience in direct operations, whether bilateral or through collaboration with private credit institutions in syndicated operations, acting in this case under the principles of complementarity and subsidiarity. While all sectors of activity are eligible for funding by the Institute, the priority sectors are: infrastructure, energy, engineering, environment and tourism. In addition, the operations funded must be aligned with the principles of sustainability, innovation and digitalisation, as well as promote activities that have a positive social impact.

ICO's involvement in these operations adds value, especially in obtaining longer-term financing tranches. In addition, it enables local currency financing for certain projects, which allows for the closing of certain transactions.

During 2021, the total volume made available to companies through the different types of financing and issuance of guarantees that make up the direct activity modality amounted to 1,481 million euros, corresponding to 193 operations from 133 different customers, as follows:

DIRECT ACTIVITY Drawdowns and issuance of guarantees (amounts in million euros)	2021		
	Amount	Operations	Clients
DIRECT BANKING ACTIVITY	1.067	116	106
Loans and credits	871	102	97
Issuance of guarantees	196	14	9
DIRECT ACTIVITY. SUPPLEMENTARY FUNDING	414	77	27
Corporate bonds	109	2	2
MARF bonds	27	7	7
MARF Promissory Notes	278	68	18
Total direct activity	1.481	193	133

During 2021, ICO has continued to strengthen the financing models complementary to bank financing, offering different solutions linked to the acquisition of corporate debt:

- Corporate bonds: These are securities issued by Spanish companies that are preferably certified as responsible issuers or listed in sustainability indices. In this way, companies are provided with the necessary financing to undertake their medium- and long-term investment plans.
- Corporate bonds and promissory notes with issuance programmes registered on the Alternative Fixed Income Market (MARF): facilitates issuing companies (especially in the medium-sized corporate segment) access to funding to cover their short- and medium-term liquidity needs.
- Project bonds, as a financing instrument especially linked to large infrastructure financing operations.

In 2021, an effective volume of corporate debt acquisitions of 414 million euros has been reached, corresponding to 77 transactions of 27 different companies.

Direct activity in 2021 is aimed at sustainable projects and those that promote the internationalisation of Spanish companies

In lending transactions, ICO promotes and prioritises those business activities that promote a solid, competitive and sustainable business fabric, that have a positive impact on people, the climate and the environment.

One of the Institute's priorities is the long-term financing of sustainable infrastructure projects and large projects that boost the internationalisation of Spanish business, paying special attention to those that have a carry-over effect on the international expansion of SMEs that accompany major Spanish companies.

Of the total amount made available to companies in 2021 through its various direct activity products, 658 million euros have been allocated to the promotion of projects abroad:

Direct activity. Geographical distribution by destination of investment (million euros and number of operations).		
	Amount drawn down	%/TOTAL
National investment	823	55,6%
International investment	658	44,4%
Total	1.481	100,0%

In terms of sectoral distribution, the funds made available through direct activity in 2021 show a wide diversity of economic activities. Companies operating in the energy, construction and infrastructure sectors, and those related to the environment, accumulate the highest percentages of the funds drawn down in 2021, accounting for more than 63% of the volume drawn down.

Direct activity 2021. Amount drawn down
Distribution by activity sector (amount and % of total)

	Amount Mill €	%/Total
ENERGY	451	30,4%
CONSTRUCTION AND INFRASTRUCTURE	257	17,4%
ENVIRONMENT	227	15,3%
BUSINESS, PROFESSIONAL AND ADMINISTRATIVE SERVICES	153	10,3%
AUTOMOTIVE AND TRANSPORTATION MATERIAL	115	7,8%
COMMERCIAL DISTRIBUTION OF FOOD AND BEVERAGES	64	4,3%
METALLURGY AND OTHER MATERIALS	50	3,4%
TOURISM, LEISURE AND CULTURE	49	3,3%
EXTRACTION INDUSTRIES	31	2,1%
ICT	30	2,0%
TRANSPORT AND LOGISTICS	15	1,0%
FOOD AND BEVERAGE INDUSTRY	13	0,9%
REAL ESTATE SERVICES	8	0,5%
EDUCATION	7	0,5%
CAPITAL GOODS AND INDUSTRIAL PRODUCTS	5	0,3%
CONSUMER GOODS	3	0,2%
CHEMICAL INDUSTRY	1	0,1%
INDUSTRY AND HEALTH SERVICES	1	0,1%
TOTAL	**1.481**	**100,0%**

Purchases of Asset-Backed Securities

The Institute started its activity as an investor in asset-backed securities in 2017, when a framework programme for investing in these assets was approved. This programme establishes the characteristics of the operations to be considered in terms of asset type, credit quality and maturity. In any case, ICO requires as a condition for its participation an explicit commitment from the originating institution to generate new financing for companies and the self-employed in Spain. In this way, it is ensured that the impact of the ICO's investment is reflected in new credit in general and credit directed at the productive fabric in particular.

In 2021, 4 investments in asset-backed securities have been approved for a maximum amount of 402 million euros. Of particular note is the Institute's participation in the AQUISGRÁN fund, an entity founded on the initiative of the Mutual Guarantee Societies (SGR), in which ICO will contribute a maximum of 150 million euros. The listing of the bonds issued by AQUISGRÁN on the Alternative Fixed Income Market (MARF), will enable the financing of SMEs, the self-employed and entrepreneurs in Spain under very advantageous conditions, through loans guaranteed by the SGRs.

Since the launch of the programme and until the end of 2021, the Institute has made investment commitments of approximately 1 billion euros in 10 operations.

➢ AXIS AS A DRIVER OF ALTERNATIVE TO BANK FINANCE

In 2021, the Institute has continued to promote, in public-private collaboration with the Spanish venture capital sector, alternative and complementary financing to that provided by banks to Spanish companies, through the activity of the venture capital funds it manages through its subsidiary AXIS, wholly owned by ICO.

The company AXIS Participaciones Empresariales, S.G.E.I.C., S.A., S.M.E was incorporated in 1986 and was the first venture capital manager registered with the National Securities Market Commission. Since its inception, AXIS has promoted venture capital as an alternative to bank financing for Spanish companies, improving their capitalisation and boosting innovation, entrepreneurship, internationalisation, sustainability and digitalisation. Its main objective is to maintain the financial equilibrium of the funds managed to ensure their continuity.

AXIS is one of the most active venture capital operators in Spain; it manages 7.15 billion euros through four funds registered with the CNMV, whose sole participant is ICO: Fond-ICO Global, Fond-ICOpyme, Fond-ICOInfraestructuras II and Fond-ICO Next Tech. These funds invest throughout all stages of the investment cycle of companies and/or projects.

Fond-ICO Global, F.C.R.

The objective of Fond-ICO Global is to develop and diversify non-bank sources of financing, promoting the creation of privately managed venture capital funds that invest in Spanish companies in different sectors of activity. The fund is active at all stages of equity investment: technology transfer and seed capital, early stage and development capital to promote expansion and internationalisation.

It operates as a fund of funds, taking stakes in other venture capital entities authorised in Spain or who have residence in another OECD member state. In this way, the fund is the catalyst for the creation of new venture capital funds, managed by private operators with a presence in Spain. The venture capital funds that Fond-ICO Global invests in must have mostly private capital.

AXIS's fund selection process is expressed through its public bidding principles: publicity, concurrency, equality and transparency. To do this, public invitations to tender are carried out in which the funds concerned bid.

Throughout 2021, the fourteenth call was launched and resolved, in which a maximum Fond-ICO Global contribution of 750 million euros was awarded to 15 funds, the largest volume of approved investment since its creation, which aims to mobilise at least 1,653 million euros in Spanish companies. This call, called "Consolida", aims to consolidate the growth of Spanish companies at all stages, helping to strengthen the economic recovery.

In recent calls for proposals, new criteria have been incorporated into the assessment of proposals from participating funds to stimulate capitalisation and promote sustainability, internationalisation, growth and the digitalisation and innovation of the productive fabric of companies.
FOND-ICO Global was launched with an initial endowment of 1.2 billion euros and ICO's committed assets have been increased three times, the last time in 2020 by 2.5 billion euros, to currently reach 4.5 billion euros. In addition, the fund's investment term was extended to 2026 and its duration to 2034. These decisions are part of the measures for financing startups and supporting the entrepreneurial ecosystem being developed by the Ministry of Economic Affairs and Digital Transformation.

Fond-ICO Global mobilises nearly 10.6 billion euros to invest in Spanish companies

In the fourteen calls for proposals, investments have been approved in 123 private funds with a maximum fund commitment of 3,016 million euros. This volume has a significant multiplier effect and can mobilise more than three times as much investment in Spanish companies, up to 10,545 million euros. In other words, for every euro of public capital invested by Fond-ICO Global, the private funds undertake to invest a minimum of 3.5 euros in Spanish companies.

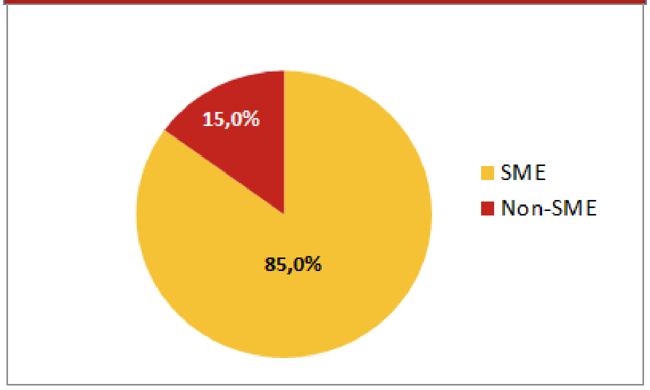
Of the private funds, 19% are international, which highlights the importance of this instrument in attracting foreign capital to Spain.

FOND-ICO Global (millions of euros)			
Calls for proposals	Target fund	Investment target volume in Spain	FOND-ICO Global Commitment
December 2013	685	660	189
May 2014	3.785	665	248
November 2014	4.125	668	194
March 2015	756	573	124
November 2015	671	606	121
June 2016	668	272	71
October 2016	727	659	157
May 2017	1.041	625	161
November 2017	7.594	818	159
July 2018	1.287	535	145
May 2019	830	676	166
February 2020	1.676	911	203
December 2020	3.400	1.224	329
December 2021	1.736	1.653	750
TOTAL	**28.981**	**10.545**	**3.016**

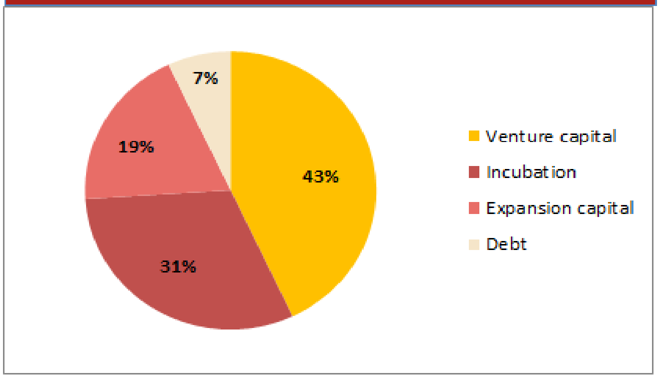
Fond-ICO Global's funds have invested in 930 Spanish companies (85% of which are SMEs) in various sectors and growth stages, employing more than 196,000 workers.

In terms of the distribution of the number of investments among the different categories of funds, venture capital stands out with 43% of the total. The above mentioned distributions are presented in the following graphs:

FOND-ICO Global.
Diversification of investment by company size.



FOND-ICO Global.
Diversification of operations by category.



Fond-ICOpyme, F.C.R.

Fond-ICOpyme has assets of 250 million euros. It is currently focused on investing in funds that invest in strategic or innovative segments of activity such as sustainability and social impact or the entrepreneurial ecosystem, also promoting complementary financing to banking through business angels or diversified debt (crowdlending/crowdfunding). Specifically, it supports companies that, having reached a certain level of maturity, want to finance their expansion and/or growth process.

Since its launch, the fund has participated in the form of equity and participation loans in 115 funds and/or companies, amounting to nearly 300 million euros.

Within the fund, a series of initiatives have been developed, detailed below, which promote alternative or complementary financing to bank financing:

- **Boosting the development of business angels:** Among the initiatives developed within the framework of Fond-ICOpyme, it is worth highlighting the launch, together with the European Investment Fund (EIF), of two funds aimed at promoting the development of business angel activity in Spain, focusing on investments in seed capital and early stages.

  - ✓ The first fund launched under this initiative, endowed with 30 million euros, also involved the *Neotec* fund. This first fund has participated together with 13 business angels in 147 co-investments for a total amount mobilised of 30.1 million euros.
  - ✓ The second co-investment fund, endowed with 40 million euros, 50% provided by EIF and ICO through Fond-ICOpyme, aims to finance Spanish technology companies with a high innovative component. This second fund has participated together with 2 business angels in 21 co-investments for a total amount mobilised of 1.01 million euros.
  - ✓

- As part of the **Sustainability and Social Impact Initiative**, endowed with 50 million euros, in 2021 Fond-ICOpyme's shares in the Bsocial Impact Fund and La Bolsa Social were formalised with 5 million euros each, in addition to its existing shares in Creas Impacto FESE S.A. and Q-Impact.

In this same area, AXIS joined the Foro Impacto platform in June 2019, currently called Spain NAB, which allows Spain to be present in the Global Steering Group on Impact Investment (GSG), an international organisation made up of 18 countries that promotes social impact investment. AXIS is a regular partner of this organisation to continue to promote impact investment.

- In parallel, as part of the **Diversified Debt Initiative**, which has a forecast investment of 50 million euros, Fond-ICOpyme is participating in October SME IV, making it the first fintech in which this Fund is investing. This initiative is aimed at venture capital entities that invest in a higher number of SMEs with debt instruments, either alone or in joint venture with other investors or platforms. It aims to promote complementary and innovative sources of financing for Spanish companies and support them in their digitisation process and allows ICO to position itself on crowdlending/crowdfunding platforms.

- In response to the health crisis generated by COVID19, AXIS approved in 2020 the **COVID-19 Entrepreneurial Ecosystem Initiative**, through Fond-ICOpyme, for an amount of 50 million euros (extendable up to 100 million euros). This initiative promotes the creation of funds to finance the temporary liquidity needs of technology startups and SMEs with high growth potential and highly innovative, with financing difficulties due to the economic impact of the COVID-19 crisis. Within this initiative, participation in the Aldea Opportunity Fund has been approved and formalised to date, for up to 24.5 million euros, and in The Extension Fund, with up to 17.5 million euros.

The balance of Fond-ICOpyme's investment portfolio at the year-end 2021 is as follows:

Fond-ICOPyme, FCR Formalised investment portfolio. Balance as at December 2021 (million euros)	
	Amount
Investments in other venture capital entities	141
Capital investments (stocks and shares)	24
Participating loans	2
TOTAL	**167**

Fond-ICOinfraestructuras II, F.I.C.C.C.

In December 2018, the fund called Fond-ICOnfraestructuras II, FICC was registered with the CNMV for 400 million euros, whose objective is to invest directly or through other investment funds, in sustainable infrastructure projects in Spain and abroad with Spanish companies. The fund's duration is 22 years, extendable for a period of 5 additional years by decision of the management company. The fund started its activity in 2019 and has as a condition a minority shareholding that, in any case, does not imply effective control of the company.

It is currently in the process of accreditation with the CNMV as an ESG fund, thereby making a public commitment that at least 50% of the investments made through this fund will promote environmental or social objectives. In 2021, the sectoral investment policy of this fund has been updated, deepening its sustainable profile and incorporating criteria aligned with those of ICO for valuation, measurement and reporting.

Through equity, subordinated debt and participating loans, the fund prioritises actions in strategic niches within the energy, mobility, environment and social infrastructure sectors, always seeking a clear positive impact for people, the climate and the environment. The fund provides added value as a flexible and stable long-term investor.

In 2021 Fond-ICOinfraestructuras II has carried out actions that contribute to the objectives for the ecological transition. An example of this is the investment in the construction, development and operation of a district heating network with generation from forest biomass or the investment in the Everwood Renewables Europe V FCR fund, which aims to develop, build and operate a portfolio of new renewable projects, mainly photovoltaic plants.

As at 31 December 2021, the balance of the investment portfolio of Fond-ICOinfraestructuras II, FICC is as follows:

Fond-ICOInfraestructuras II, FCR
Formalised investment portfolio. Balance as at December 2021 (million euros)

	Amount
Investments in other venture capital entities (subscribed)	126
Loans	36
Capital investments (stocks and shares)	7
TOTAL	**169**

Fond-ICO Next Tech

This new fund, launched in 2021, is a joint initiative of Instituto de Crédito Oficial and Axis with the Secretary of State for Digitalisation and Artificial Intelligence (SEDIA), included in the National Recovery, Transformation and Resilience Plan. This fund was created with the aim of promoting the development of innovative, high-impact digital projects and investment in scale-ups by strengthening public financing instruments, attracting international funds and boosting the venture capital sector.

The fund was created with the aim of mobilising up to 4,000 million euros in public-private collaboration with the Spanish venture capital sector, with an initial period of four years and a reference contribution of around 2,000 million euros over this period, depending on the capacity for absorption and annual materialisation of investments by the private sector. Participations will be taken and commitments will be made in companies or funds specialising primarily in the digital and artificial intelligence sectors.

Participation in other funds

The Institute participates in other funds managed by different companies:

- ***Fons Mediterrània Capital***. This is a venture capital fund created and designed in 2008 by ICO, along with the Institut Catalá de Finances (ICF - Catalan Finance Institute) and the EIB, for a total of 62.5 million euros. Its objective is to invest in companies developing projects in the Mediterranean area of the Maghreb (Morocco, Tunisia and Algeria). ICO's shareholding amounts to 24%. The fund is currently in the process of divestment and will cease operations in 2022.

- ***Marguerite Fund***. This is a European capital fund designed by ICO together with other national promotional banks with the aim of investing in projects and companies in the transport, energy and renewable energy infrastructure sector that contribute to the objectives set by European Union policy. ICO holds 14.08% of the capital. It is currently in a divestment period.

- **Fondo de Apoyo a Empresas (AFS FUND - Fund for Supporting Companies).** The fund's aim, constituted in 2013 for an unlimited amount of time, is to provide non-banking financing to companies through commercial invoice discounts guaranteed by Compañía Española de Créditos a la Exportación (CESCE - Spanish Export Credit Agency). ICO holds a 9.96% stake.

3.3. ICO AS AN INSTRUMENT OF ECONOMIC POLICY. MANAGEMENT OF EUROPEAN UNION FUNDS

ICO, as a financial instrument of Economic Policy, supports the Spanish economy in two ways:

- Enhancing its role as a channel for resources from the EU in their different forms.
- It carries out the functions entrusted to it for the implementation of the government's economic policy measures.

Management of European Union Funds. ICO as Implementing Partner

In 2020, ICO obtained accreditation as an Implementing Partner of the European Commission for the management of funds under the InvestEU programme, which also enables it to perform this function in other EU programmes within the Multiannual Financial Framework 2021-2027. This accreditation gives ICO the capacity, in line with its main EU counterparts, to implement EU budget funds through indirect or delegated management.

The accreditation complements the collaborative actions that the Institute has been developing in recent years with the European Investment Bank (EIB), the European Investment Fund (EIF) and other European institutions to channel funds from EU programmes to projects of Spanish companies.

- **InvestEU Programme.**

This programme provides guarantees by acting through four axes: sustainable infrastructure; research, innovation and digitalisation; SMEs; and social investment and skills.

In 2021, the framework terms of ICO's participation in the InvestEU Programme were approved in line with other National Promotional Banks, which together with the EIB design debt, guarantee and/or equity or quasi-equity financing proposals that cover market failures and provide additionality, so that they are eligible to benefit from the Programme's guarantee and maximise private investment as far as possible.

In June 2021, ICO requested a first guarantee, for up to 125 million euros, to cover the risk assumed by participating as an investor in Sustainable Infrastructure Venture Capital Funds, an initiative framed within InvestEU's sustainable infrastructure axis. The product has been pre-approved by the Commission, pending the final terms and draft framework guarantee contract for negotiation and signature.

- **Connecting Europe Facility Programme (CEF-T)**

The CEF-T Programme (Connecting Europe Facility Transport) promotes the participation of private sector investors and financial institutions in projects that contribute to the environmental sustainability and efficiency of the transport sector in Europe. This is a blending funding (funding plus grant) to promote alternative fuel supply infrastructures.

ICO, as an Implementing Partner of the European Commission, together with the Ministry of Transport, Mobility and Urban Agenda (MITMA), studies and contributes to the search for eligible projects, offering its own financing to ensure the closure of project financing and thus contributing to the blending operation with the long-term financing of the projects, through loans, capital or any form of repayable support.
This programme is implemented through different calls for proposals:

- CEF TBF 2019 programme: this call for proposals was endowed with 298 million euros to contribute with a grant or non-refundable financial support of between 10% and 20% of the total investment to projects related to a clean and digital transport system, in particular in the areas of alternative fuels and the European Rail Traffic Management System.

In 2020, ICO began submitting projects to the European Commission under the Programme in what was its first experience of managing EU funds once it had been accredited as an Implementing Partner. This initiative has been continued in 2021.

By the end of the call for proposals in December 2021, the Institute has funded 10 projects from 7 companies operating in the vehicle power supply, maritime gas and hydrogen sectors. Following the approval of the funding, the Institute has processed the applications for grants under the CEF programme, all of which have been confirmed as approved.

The total volume of funding approved by the Institute for these projects amounts to 165 million euros, which will allow the development of a total investment of 264 million euros. The approved amount of the grants is 32 million euros, which represents more than 10% of the funds allocated for the European Union as a whole.

- *Alternative Fuel Infrastructure Facility* (AFIF). This is a new blending finance instrument that became operational in September 2021. The total amount of this new facility has been increased with respect to the CEF TBF 2019 reaching 1,575 million euros to be distributed until 2023. The objective of this instrument is to try to optimise the application of this aid to companies for the development of infrastructure projects for charging and supplying alternative fuels (mainly hydrogen and electricity) for transport, both in private vehicles and in public transport systems, ports and airports, which contribute to the decarbonisation of transport along the Trans-European Transport Network.

ICO joined this initiative through an Administrative Agreement signed in Brussels in November 2021.

- **European Guarantee Fund (EGF)**, ICO, the General Secretariat of the Treasury and International Finance (SGTFI), the EIB and the EIF have worked in 2021 on the possible implementation of a guarantee instrument from ICO to financial institutions for the financing of companies, with the counter-guarantee for ICO from the European Guarantee Fund (EGF) and the SGTFI. The target portfolio would be a volume of 5.35 billion euros made up of loans to Spanish companies through financial institutions.

Financial instrument of Economic Policy

In addition to the management of European funds, the ICO's role as an instrument of economic policy involves the Institute's collaboration with the various ministries and other public administrations for the implementation of financing products, as well as the management of aid under the Recovery, Transformation and Resilience Plan, all with the aim of boosting economic growth and job creation. Through these actions, it also promotes a process of structural transformation by boosting public and private investment and supporting the productive fabric, accelerating the double ecological and digital transition and strengthening and increasing resilience and economic, social and territorial cohesion within the framework of the European single market.

In this regard, during the past year 2021, various products and initiatives to be implemented by ICO with funds from the Recovery, Transformation and Resilience Plan have been advanced and are currently in the development phase:

- **In collaboration with the Ministry of Transport, Mobility and Urban Agenda (MITMA):**
  - ✓ ICO-MITMA SUSTAINABLE MOBILITY Facility and Programme. An initiative endowed with 1.4 billion euros for sustainable mobility projects in the public and private sector. The Institute provides funding with a grant from MITMA.
  - ✓ ICO-MITMA AVALES REHABILITACIÓN EDIFICATORIA RESIDENCIAL facility, with 1,100 million euros for residential building refurbishment projects. The Institute provides funding through Second-Floor Facilities, with MITMA's guarantee and grants managed by the Autonomous Communities.

- **In collaboration with the Secretary of State for Digitalisation and Artificial Intelligence (SEDIA)**, through the "Kit Digital" programme, endowed with 3,000 million euros to promote the digitalisation of Spanish SMEs through ICO financing and RED.ES grants.

- **In collaboration with the Secretariat of State for Tourism (SET)** to promote the digitalisation, innovation and modernisation of tourism companies, with ICO financing for companies in the sector and aid managed by the Autonomous Communities to carry out energy efficiency and circular economy projects.

In 2021, an agreement was signed with **Corporación de Radio Televisión Española (CRTVE, SA)** for the financing of audiovisual works, with a budget of 100 million euros, which will enable the implementation of a new financing programme aimed at supporting new audiovisual productions.

3.4. OPERATIONS MANAGED ON BEHALF OF THE STATE

As a State Financial Agent, ICO manages, for and on behalf of the State, various public instruments created with different purposes:

- Maintain the flow of finance to companies affected by the COVID-19 crisis. In 2020, different Guarantee facilities were set up to provide the self-employed and companies with access to financing to cover their liquidity needs and maintain the payment chain.
- To provide support for the internationalisation of Spanish companies: Fund for the Internationalisation of Enterprises (FIEM) and the Reciprocal Interest Adjustment Contract (CARI), both belonging to the Ministry of Industry, Trade and Tourism.
- Encourage financial cooperation for development: Fund for the Promotion of Development (FONPRODE) and the Cooperation Fund for Water and Sanitation (FCAS). Both are managed at ICO on behalf of the Spanish Agency for International Development Cooperation (AECID), which is attached to the Ministry of Foreign Affairs, European Union and Cooperation (MAEC).
- Facilitate the sustainability of regional and local administrations: Financing Funds of the Autonomous Communities (FFCCAA) and Local Entities Financing Fund (FFEELL). Both funds are owned by the Ministry of Finance.

The Institute's role as financial agent for all these instruments is to formalise, manage and administer their activity, acting in the name and on behalf of the State. The accounting record is done separately, so that their balances do not form part of ICO’s financial statements.

At the year-end of 2021, the overall volume under management stood at 296,531 million euros.

Balances managed on behalf of the State (million euros) Data as at December 31 2021	2021
Fondo para la Financiación de las Comunidades Autónomas (FFCCAA)	179.764
State COVID-19 Guarantee Lines (guaranteed volume)	103.755
Fondo para la Financiación de las Entidades Locales (FFEELL)	6.176
Fondo para la Internacionalización de la Empresa (FIEM)	3.712
Reciprocal Interest Adjustment Contract (CARI)	2.713
Fondo para la Promoción del Desarrollo (FONPRODE)	390
Fondo de Cooperación para Agua y Saneamiento (FCAS)	21
TOTAL	296.531

COVID-19 GUARANTEE FACILITIES

Since March 2020, the government has adopted a set of urgent measures to respond to the economic impact of the COVID-19 health crisis. Among the measures approved is the implementation of different facilities for State guarantees whose management was entrusted to the Institute through Royal Decree-Laws 8/2020 and 25/2020, approving public guarantees for an amount of up to 140,000 million euros. These facilities are providing the self-employed and companies with access to financing, mainly to cover their liquidity needs and to maintain the payment chain, mobilising resources on an unprecedented scale. The financing obtained has been key to maintaining liquidity and the flow of financing to companies, especially SMEs and the self-employed, in a way that has contributed to laying the foundations for economic recovery.

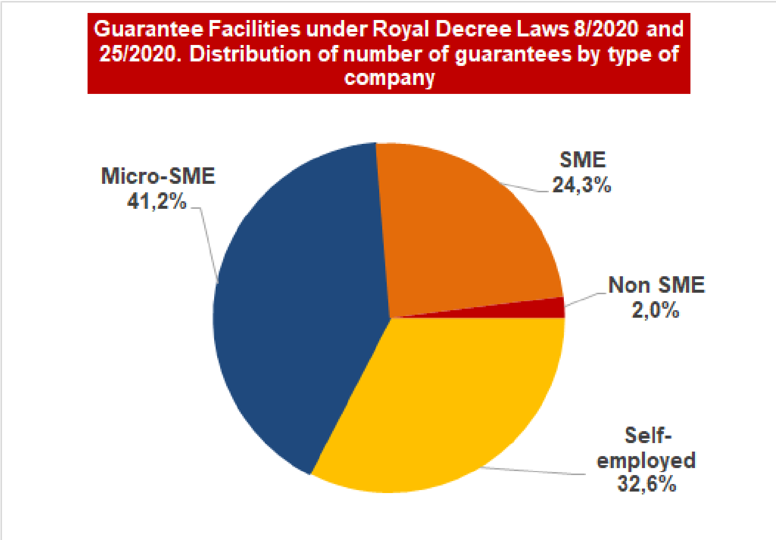
During 2021, new measures have been adopted in relation to guaranteed operations, in order to continue protecting the productive fabric and avoid a structural impact on the economy and employment. Among the set of measures enabled by Royal Decree-Law 5/2021 is the creation of a facility endowed with 3,000 million euros so that ICO can accompany financial institutions in the restructuring processes of financial debt that has a public guarantee. In order to establish a common framework for action in these processes and to encourage the involvement of entities, in May 2021 the Council of Ministers approved a Code of Good Practices, the main features of which are as follows:

- Financial institutions may adhere to the Code on a voluntary basis. To ensure transparency, the list of adhering and non-adhering entities will be made public.
- Public support measures for solvency:
  - ✓ Companies and the self-employed whose turnover has fallen by 30% and meet certain requirements may benefit from the extension of the maturity of the guaranteed operation, which will reach a maximum of 10 years. They may also extend the grace period.
  - ✓ Maintenance of the public guarantee for loans that, by voluntary agreement between the financial institution and the company, are converted into participation loans.
  - ✓ Finally, direct transfers to the self-employed and companies are envisaged for the reduction of the principal of the financing guaranteed through the facility for the restructuring of financial debt endowed with 3,000 million euros.

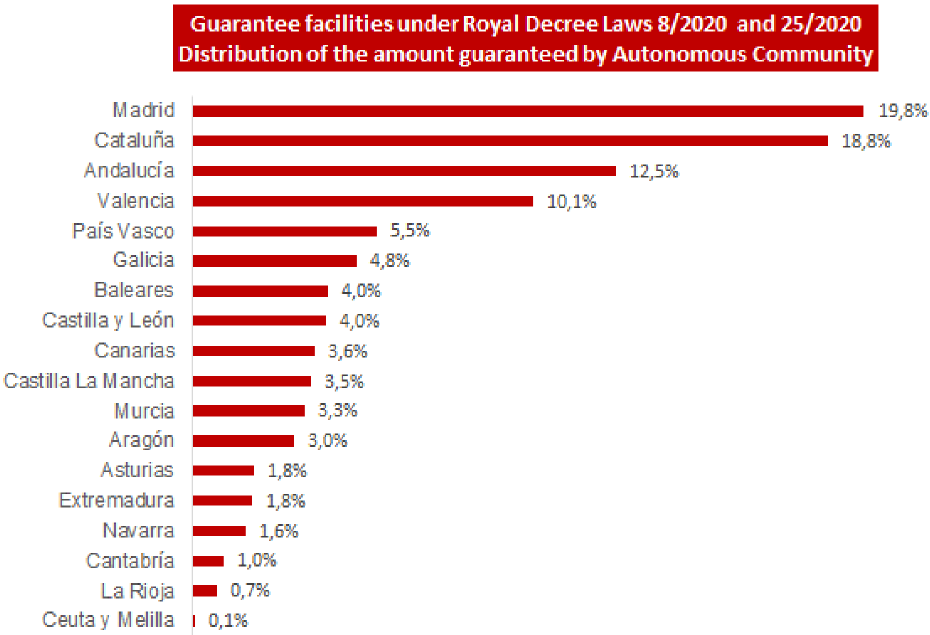
This package of measures has been complemented by the adoption of different agreements that extend until 1 June 2022 the possibility for the self-employed and companies to apply for guarantee facilities and until 30 June 2022 the deadline for the Ministry of Economic Affairs and Digital Transformation to grant guarantees under the aforementioned Royal Decree-Laws 8/2020 and 25/2020.

In total, until 31 December 2021, 103.8 billion euros have been guaranteed for more than 722,000 self-employed persons and companies, enabling the mobilisation of 136.4 billion euros through almost 1,150,000 operations. According to available data, the Guarantee Facilities managed by ICO are one of the most effective programmes in our neighbouring countries of the European Union in terms of their use and extension in the productive fabric.

The distribution of guaranteed operations according to the size of the applicant company is shown below. In total, 98% of the operations guaranteed have been subscribed by SMEs and the self-employed. 74% of the total number of operations guaranteed have been requested by companies with less than 10 employees (self-employed and micro-SMEs).



In terms of geographical distribution, all the Autonomous Communities have received financing guaranteed by the State. The distribution of amounts guaranteed is in line with the relative weight of the business fabric in each Community.



All sectors of activity have accessed guaranteed financing, although those most affected by mobility restrictions have received the greatest amount of guaranteed financing. Companies in the tourism, leisure and culture sector account for 15% of the total volume guaranteed as of 31 December 2021.

FUND FOR FINANCING AUTONOMOUS COMMUNITIES (FFCCAA)

Via Royal Decree-Law 17/2014, on measures to ensure the financial sustainability of Autonomous Communities and Local Entities, the Fondo de Financiación de Comunidades Autónomas (FFCCAA) was created with the aim of providing liquidity to these administrations. In terms of rights and obligations, this fund succeeded the defunct Fondo de Liquidez Autonómico (FLA) and Financiación del Pago a Proveedores (FFPP) created in 2012, assuming their assets.

The Fund for Financing Autonomous Communities is structured in five compartments with their own characteristics and conditions: the first four: Financial Facility, Autonomous Community Liquidity Fund, Social Fund and Fund in liquidation for the Financing of Payments to Suppliers of Autonomous Communities, were established in accordance with the provisions of article 6 of Royal Decree-Law 17/2014 of 26 December. The fifth compartment, called the REACT-EU Liquidity Fund, was created by virtue of the twenty-ninth final provision of Law 11/2020 of 30 December on the General State Budget for 2021, which amended Royal Decree-Law 17/2014 of 26 December.

Among the functions of ICO as financial manager of the fund are the formalisation of financial operations with the Autonomous Communities and the provision of technical instrumentation, accounting, cash, paying agent and monitoring services.

The amount drawn down through the FFCCAA during the year 2021 amounted to 34,615 million euros. The outstanding balance of the fund stood at 179,764 million euros as at 31 December 2021.

FUND FOR FINANCING LOCAL AUTHORITIES (FFEELL)

The Royal Decree-Law 17/2014 also created the Fondo de Financiación a Entidades Locales (FFEELL) in order to provide liquidity and ensure the financial sustainability of municipalities by attending to their financial needs. The assets of the defunct FFPP were transferred to this new fund, in the part corresponding to these administrations. ICO was also designated as the fund’s financial agent, with the same functions as it has for the FFCCAA.

The amount drawn down through the FFEELL during 2021 amounted to 526 million euros and the outstanding amount at year-end was 6,176 million euros.

Since their creation in 2012 and until the end of the financial year 2021, these two territorial financing instruments have injected more than 117,941 million euros of direct liquidity into the economy. This has been possible thanks to the payment of over 14.4 million invoices, benefiting around 373,000 companies. It has also dealt with territorial administrations’ financial debts amounting to 202,478 million euros.

FUND FOR THE INTERNATIONALISATION OF BUSINESS (FIEM)

The FIEM was created with Law 11/2010 of 28 June 2010 as an instrument for the financing of official support for the internationalisation of Spanish companies, with the aim of being a complementary instrument to the private market. Its purpose is to promote the commercial activity of companies abroad and Spanish direct investment abroad. To accomplish this, the Fund carries out repayable financing of projects, in concessional or market terms, linked to the acquisition of Spanish goods and services or the execution of Spanish investment projects or those that are in the national interest.

The fund is managed by the Secretary of State for Trade, reporting to the Ministry of Industry, Trade and Tourism, which is responsible for selecting projects to be financed, preparing profiles and feasibility studies that are needed for their analysis, evaluating financing proposals and monitoring the execution and assessment of these.

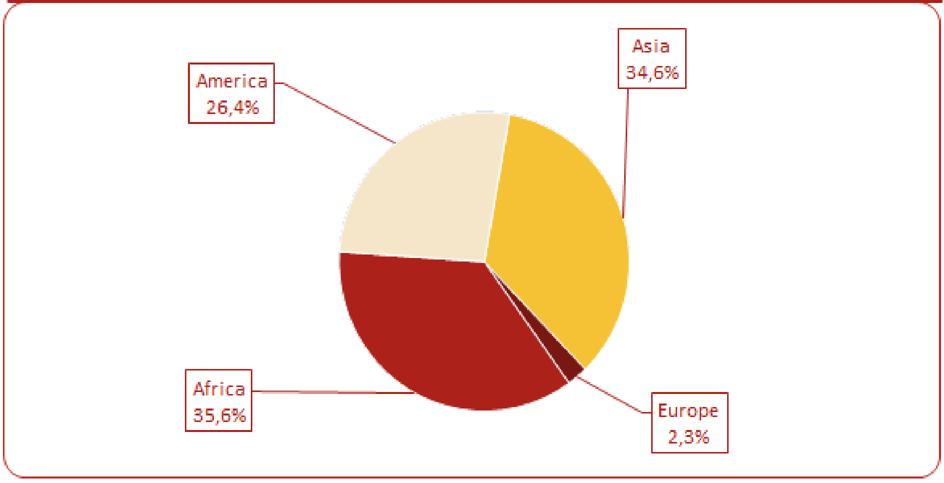
ICO acts as financial agent, formalising, in the name of and on behalf of the Spanish Government and on behalf of the State, the corresponding credit, loan or grant agreements linked to the FIEM. It also provides technical instrumentation, accounting, cashier, paying agent and control services, and, in general, all services of a financial nature relating to operations authorised under the FIEM. In addition, in certain aspects relating to the management of the fund, ICO advises the Ministry in the following international forums: The Paris Club, Exports Credit Group with official help from the European Council and the OECD Participant Group.

In 2021, operations were formalised under the FIEM that amounted to 279 million euros, formalising credit for 72 million euros.

Fund for the Internationalisation of Business (FIEM). Operations approved and formalised in the financial year (millions of euros)	2021
Loans approved	279
Loans formalised	72

The FIEM has consolidated itself as an important official instrument that supports the entry of Spanish companies into foreign markets. The outstanding loan portfolio balance to 31 December 2021 rose to 3,712 million euros, geographically distributed as follows:

Fund for the Internationalisation of Business (FIEM).
Distribution by geographic area of loan portfolio balance at 31.12.2021.



RECIPROCAL INTEREST ADJUSTMENT CONTRACT (CARI)

CARI is a financial instrument that is similar to an interest rate insurance, the aim of which is to promote the commercial activity of Spanish companies abroad by encouraging financial institutions to grant long-term loans at a fixed interest rate.

Interest adjustment contracts ensure that the lenders apply a particular financial margin on the outstanding amount of each loan collected through the system, eliminating risks arising from the difference between the fixed rate of the loan and the cost conventionally attributed to the resources that finance them. This financial instrument offers flexibility to banks and exporters to adapt to the construction period, the number of provisions and amortisation schedules, as well as having the coverage of the Compañía Española de Seguro de Crédito a la Exportación (CESCE - an Export Credit Agency). One of the necessary conditions in order to qualify for the system is that the interest rates established in the operations by lenders are those indicated in the agreement of the Organisation for Economic Co-operation and Development (OECD).

The activity of the CARI during the past year 2021 is summarised in the following table:

Reciprocal Interest Adjustment Contract (CARI). Operations approved and formalised in the financial year (million euros)	
	2021
Loans approved	382
Loans formalised	623

CARI's outstanding loan portfolio balance to 31 December 2021 amounted to 2,713 million euros, with the following geographical distribution:

Reciprocal Interest Adjustment Contract (CARI). Geographical distribution of loan portfolio balance at 31.12.2021 (percentages of the total).	
America	67%
Asia	14%
Africa	15%
Europe	4%
Total	100%

FUND FOR THE PROMOTION OF DEVELOPMENT (FONPRODE)

FONPRODE is one of the main financial instruments of Spanish cooperation. It is owned by the Ministry of Foreign Affairs, European Union and Cooperation (MAEC), through the Spanish Agency for International Development Cooperation (AECID), the body in charge of administering the fund.

The Fund's main objective is to eradicate poverty, reduce social inequalities and inequities between people and communities, promote gender equality, and defend human rights and sustainable development in developing countries. It grants non-reimbursable operations (grants, contributions and contributions to multilateral organisations and international development finance institutions) and reimbursable operations (contributions to multilateral organisations, loans to local microfinance institutions and loans to states). The fund may also make capital contributions to investment funds.

ICO formalises, in the name of and on behalf of the Spanish government and on behalf of the State, the agreements to be signed with the beneficiaries. It also provides technical instrumentation, accounting, cashier, paying agent and control services, and, in general, all services of a financial nature relating to transactions authorised under the Fund. In 2021, operations were formalised that amounted to 118 million euros .

At year-end 2021 the outstanding amount is 390 million euros, broken down as follows:

Fund for the promotion of development (FONPRODE) Loan portfolio balance at 31.12.2021 (millions of euros and percentages).		
	2021	%/Total Portfolio
Reimbursable contributions to Multilateral Bodies	258	66,1%
Micro-credit programmes	87	22,3%
Credits to States	45	11,6%
Total portfolio	**390**	**100,0%**

In addition to the loan portfolio, FONPRODE has a portfolio of capital contributions to funds with an outstanding balance of 150 million euros as of 31 December 2021.

WATER AND SANITATION COOPERATION FUND (FCAS)

Law 51/2007, of 26 December, on the General State Budget for 2008, created the Fondo de Cooperación para Agua y Saneamiento (FCAS) as an instrument aimed at financing actions, within the policy of international cooperation for development, designed to enable citizens of Latin American countries to access water and sanitation.

The fund is attached to the Agencia Española de Cooperación para el Desarrollo (AECID), under the Ministry of Foreign Affairs, European Union and Cooperation.

The fund grants non-reimbursable aid and, where appropriate, loans under the co-financing regime with the national authorities of beneficiary countries, with supranational bodies or with private institutions. ICO formalises, in the name of and on behalf of the Spanish government and on behalf of the State, the corresponding FCAS financing agreements and provides all financial services relating to the authorised operations.

Since its creation in 2008, disbursements made from the fund amount to over 846 million euros, which corresponds in its entirety to non-reimbursable programs.

3.5. FINANCING OF COMPANIES' INTERNATIONALISATION

Boosting the international activity of Spanish companies and attracting foreign investment to our country is one of ICO's strategic priorities. To this end, in its role as National Promotional Bank, it makes available to companies a wide range of financing and guarantee instruments that have contributed to promoting investment and commercial activity abroad in a way that is increasingly diversified geographically and towards sectors with greater added value. ICO is part of and actively contributes to the Strategy for the Internationalisation of the Spanish Economy 2017-2027.

Among the financial instruments specialised in internationalisation, the ICO Second-Floor Facilities stand out, focusing both on SMEs (ICO Exporters and ICO Internationalisation) and on larger-scale projects through the ICO International Channel facility. Direct activity with companies through structuring, syndications, Project Finance and corporate debt acquisitions, together with the Institute's important role in granting guarantees in international bidding processes, also contributes to this objective.

In 2021, the total volume of financing and guarantees issued to promote the internationalisation of Spanish companies amounted to 1,042 million euros (41% of the total volume of ICO financing to companies in the year).

Financing to companies 2021
INTERNATIONAL investment (million euros and number of operations).

	DRAWDOWNS 2021	
	Amount	No. of Operations
ICO Second-Floor Facilities	384	1.348
Direct activity	658	49
Total	**1.042**	**1.397**

The international activity for each of the fund distribution modalities through which the ICO operates is detailed below:

<u>ICO Second-Floor Facilities</u>: The total amount made available in 2021 through these facilities to finance investments and commercial activity abroad by Spanish companies amounts to 384 million euros, located in nearly 80 different countries. This financing has been granted through 1,348 operations from more than 200 customers.

Among the 2021 activity of the ICO Second-Floor Facilities for internationalisation, it is worth highlighting the important contribution of the ICO International Channel facility, with 255 million euros provided, whose scope of application is located in the LATAM and NAFTA (free trade area between Canada, the United States and Mexico) geographic areas. This product is distributed with the collaboration of international financial institutions that favour access to financing for Spanish companies in local markets.

ICO Second-Floor Facilities 2021 INTERNATIONAL INVESTMENT Distribution of investment by geographical area (million euros).		
	Amount	%/Total
LATAM	151	39,3%
NAFTA	119	30,9%
EU	95	24,9%
REST OF EUROPE	10	2,7%
AFRICA	3	0,9%
ASIA AND OCEANIA	3	0,8%
MIDDLE EAST	2	0,5%
Total	384	100,0%

ICO direct activity: The total amount drawn down in 2021 through the different financing and guarantee products that ICO offers to Spanish companies to finance investments and boost commercial activity abroad amounts to 658 million euros. The table below shows the distribution of the volume drawn down by geographical area:

Direct activity 2021. INTERNATIONAL INVESTMENT Distribution of investment by geographical area (million euros).		
	DRAWDOWNS	
	Amount	%/Total
EU	134	20,4%
LATAM	128	19,5%
AFRICA	110	16,7%
NAFTA	60	9,1%
ASIA AND OCEANIA	35	5,3%
MIDDLE EAST	24	3,7%
REST OF EUROPE	23	3,5%
MULTIPLE GEOGRAPHICAL AREAS (*)	143	21,8%
Overall total	**658**	**100,0%**

(*) This section includes provisions for operations granted to companies with a global footprint whose investments span multiple geographic areas.

3.6. FUNDRAISING

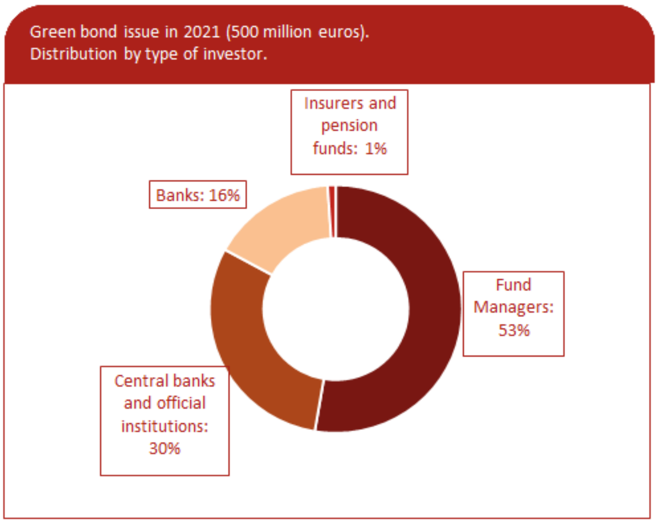
The Institute finances its medium and long-term activity mainly through debt issues in the capital markets and through bilateral loans from multilateral financial institutions. ICO is not financed through the General State Budgets, nor does it accept deposits from individuals. During 2021, ICO obtained medium- and long-term resources for 5,765 million euros.

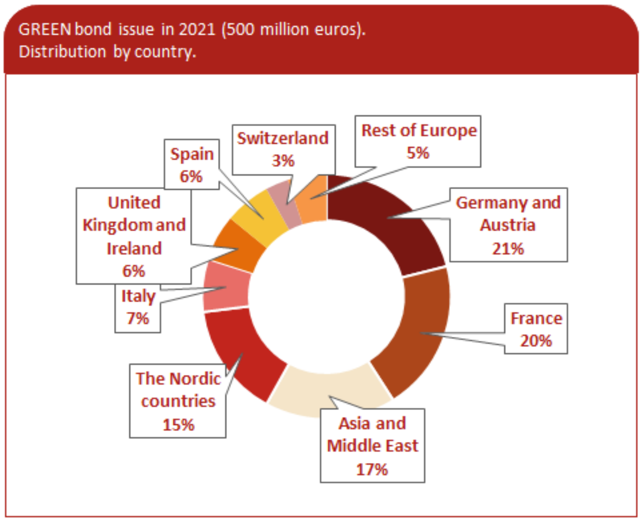
Third green bond issue

In June 2021, the Institute launched its third green bond issue for an amount of 500 million euros. The funds raised through this issue will support projects of Spanish companies in the field of renewable energy, energy efficiency, clean transport, pollution prevention and control and sustainable management of natural resources.

This issue is the first that ICO has made under the umbrella of the updated framework for green bond issuance, which includes new categories relevant to the transition to an emission-free economy, such as hydropower and green hydrogen.

The distribution of the issuance, by type of investor and geography, was as follows:





The green bond issues launched by ICO accumulate an issued volume of 1,500 million euros, making the Institute one of the most active Spanish institutions in this field, ranking fourth in the Spanish financial sector[5]

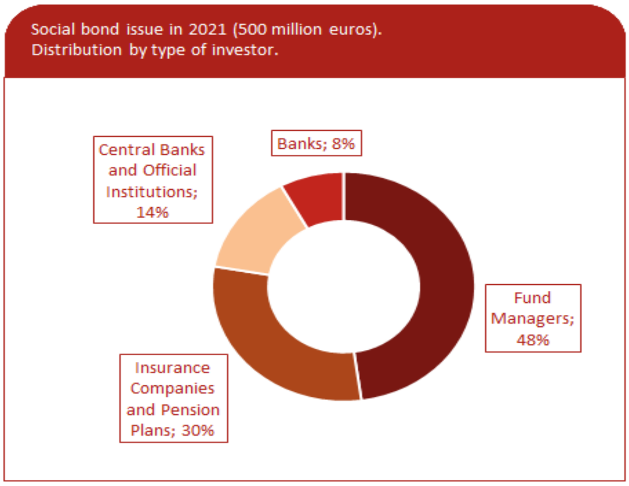
In 2021 ICO launched its eighth social bond issue

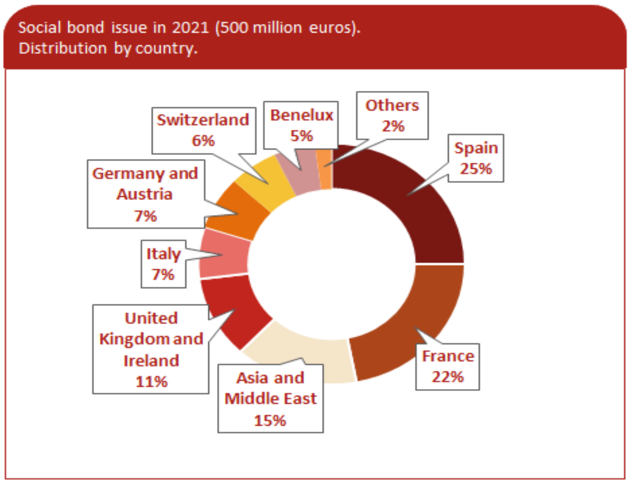
In November 2021, ICO launched a new issue of social bonds for an amount of 500 million euros to finance projects of the self-employed, SMEs and Spanish companies with a positive social impact and that contribute to boosting recovery and sustainable economic growth.

The issue was very well received by investors. Likewise, 70% of the issue was placed with socially responsible accounts (SRIs), the highest percentage ever recorded in ICO's social bond issuance, demonstrating investor confidence in the Institute as a sustainable debt issuer.

The distribution, in terms of type of investor and geography, was as follows:

[5] *Bank of Spain. Report MARKETS, FINANCIAL INSTITUTIONS AND CENTRAL BANKS IN THE FACE OF CLIMATE CHANGE: CHALLENGES AND OPPORTUNITIES. August 2021*





ICO continues to consolidate its position in the sustainable bond market

With these two new 2021 issues, the Institute has issued 8 social bonds totalling 4,050 million euros and 3 green bonds totalling 1.5 billion euros, thus consolidating ICO's position as one of the benchmark issuers in this market at European level.

Transparency towards investors remains a cornerstone for ICO. In 2021, the impact reports for the COVID-19 social bond and the green bond issued in 2020 were published. Through these reports, ICO provides information to investors about the destination of the funds raised and the impact generated. The funds obtained through the social bonus financed 1,098 projects, of which 1,054 were SMEs, thus helping to alleviate the economic and social effects caused by the pandemic and enabling the creation or retention of 14,879 jobs. In addition, the green bond financed 13 projects in the categories of renewable energies and clean transport, which will help to avoid the emission of 263,030 tonnes of CO_2.

4 HUMAN RESOURCES AND DIVERSITY MANAGEMENT

ICO's most important asset is its human and intellectual capital, committed professionals who drive the organisation every day towards achieving its mission in an environment of collaboration and trust.

In its relationship with the professionals who make up the organisation, ICO is committed to:

- The Universal Declaration of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.
- Freedom of association and effective recognition of the right to collective bargaining.
- Equal treatment and opportunities between men and women and the fight against all forms of discrimination.
- The conciliation of work, family and personal life.
- Professional development and training.
- Workplace health and safety.
- Balancing professional activity with respect for the environment.
- The inclusion of groups with functional diversity in social and work contexts.
- Corporate volunteering, developed through collaboration agreements with social entities that allow us to get closer to the local reality and with the aim of generating a benefit for the local community.

ICO's commitments to its staff are set out in the Sustainability Policy approved in 2020, and are embodied in the personnel policies and procedures and in the actions carried out in each of its areas.

4.1. STAFF DATA

A. STAFF DISTRIBUTION

1) Distribution of ICO Group staff by age, gender and professional groups.

During 2021, the average number of staff of the ICO Group was 354. Of these, 93% carry out their professional activity at ICO, while 5% work at AXIS and 2% at Fundación ICO.

In addition, the Group had the support of almost 30 young university graduates at its different work centres who participated in the SEPI Foundation's practical training internship programme, under the supervision of tutors.

		ANNUAL AVERAGE - ICO GROUP						
	AVERAGE STAFF	Under 18 years old	18 to 25 years old	26 to 30 years old	31 to 40 years old	41 to 50 years old	51 to 60 years old	Over 60 years old.
MANAGERS	**18**	**0**	**0**	**0**	**2**	**3**	**12**	**1**
Women	6	0	0	0	0	3	3	0
Men	12	0	0	0	2	0	9	1
MIDDLE MANAGERS	**55**	**0**	**0**	**0**	**5**	**26**	**21**	**3**
Women	31	0	0	0	3	19	9	1
Men	24	0	0	0	2	8	13	2
TECHNICIANS	**224**	**0**	**0**	**9**	**51**	**60**	**89**	**15**
Women	133	0	0	5	33	36	54	5
Men	91	0	0	4	18	24	34	11
ADMINISTRATIVE	**57**	**0**	**0**	**0**	**1**	**11**	**37**	**8**
Women	49	0	0	0	0	10	33	6
Men	8	0	0	0	1	1	4	2
TOTAL STAFF	354	0	0	9	58	101	158	27
Women	218	0	0	5	36	68	99	11
Men	136	0	0	4	23	33	60	16
GRANT HOLDER	**30**	**0**	**18**	**12**	**0**	**0**	**0**	**0**
Women	12	0	7	4	0	0	0	0
Men	18	0	10	7	0	0	0	0
TOTAL STAFF & INTERNSHIPS	383	0	18	21	59	101	158	27

Note: In line with the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, as well as national and international regulations, the ICO Group does not employ any underage employees.
The high specialisation of the products and services offered by ICO Group entities is reflected in the distribution of staff by professional group. As a result, 63% of the workforce is in the professional group of Technicians.

In terms of the age distribution of the staff, the majority of the staff is in the 51-60 age group, with an average of 158.2 people in this age group (45% of the staff).

Given the nature of ICO as a national Public Business Entity, 100% of our staff carry out their professional activity in Spain.

2) ICO Group staff new hires and terminations

During the year 2021, the ICO Group's staff will have 29 new employees, distributed entirely within ICO between technical and administrative positions. 33 employees (45% women) left the company, the most common cause being leave of absence. No terminations due to dismissal are recorded, so this information is not broken down by age.

	DISTRIBUTION OF TERMINATIONS							
	Retirement	Dismissal	Leave of absence	Voluntary Termination	Dismissal	Termination of Contract	Absolute Permanent Incapacity	Other Causes
MANAGERS	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**0**
Women	0	0	0	0	0	0	0	0
Men	0	0	0	1	0	0	0	0
MIDDLE MANAGERS	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**
Women	1	0	1	0	0	0	0	0
Men	0	0	0	0	0	0	0	0
TECHNICIANS	**4**	**0**	**11**	**10**	**0**	**2**	**0**	**1**
Women	1	0	6	5	0	0	0	0
Men	3	0	5	5	0	2	0	1
ADMINISTRATIVE	**1**	**0**	**0**	**0**	**0**	**1**	**0**	**0**
Women	0	0	0	0	0	1	0	0
Men	1	0	0	0	0	0	0	0
TOTAL STAFF	**6**	**0**	**12**	**11**	**0**	**3**	**0**	**1**
Women	2	0	7	5	0	1	0	0
Men	4	0	5	6	0	2	0	1

Note: All of the terminations recorded (33) in 2021 correspond to ICO. There were no terminations at AXIS or at Fundación ICO.

3) Employees with disabilities

There are 4 people with a recognised disability (functional diversity/physical disability) on the staff, 75% of whom are women.

In addition, ICO has signed an agreement with the A LA PAR Foundation through which 2 people with disabilities completed their studies by doing internships at ICO during the year 2021.

4.2. CONTRACT MODALITIES

A. DISTRIBUTION OF CONTRACTS

1) Total number and distribution of employment contracts. Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification

As at 31 December 2021, the average number of ICO Group staff working under permanent contracts was 334 (95% of the total). Staff working under temporary contracts accounted for 4% and those working part-time due to retirement for 2%.

	ANNUAL AVERAGE - ICO GROUP							
	AVERAGE STAFF	Under 18 years old	18 to 25 years old	26 to 30 years old	31 to 40 years old	41 to 50 years old	51 to 60 years old	Over 60 years old.
PERMANENT	**334**	**0**	**0**	**9**	**55**	**96**	**154**	**21**
MANAGERS	18	0	0	0	2	3	12	1
Women	6	0	0	0	0	3	3	0
Men	12	0	0	0	2	0	9	1
MIDDLE MANAGERS	55	0	0	0	5	26	21	3
Women	31	0	0	0	3	19	9	1

Men	24	0	0	0	2	8	13	2
TECHNICIANS	212	0	0	9	47	57	86	12
Women	128	0	0	5	31	34	54	4
Men	84	0	0	4	16	24	32	8
ADMINISTRATIVE	50	0	0	0	1	9	35	5
Women	44	0	0	0	0	8	31	5
Men	6	0	0	0	1	1	4	0
PART-TIME	6	0	0	0	0	0	0	6
TECHNICIANS	3	0	0	0	0	0	0	3
Women	0	0	0	0	0	0	0	0
Men	3	0	0	0	0	0	0	3
ADMINISTRATIVE	3	0	0	0	0	0	0	3
Women	1	0	0	0	0	0	0	1
Men	2	0	0	0	0	0	0	2
TEMPORARY	**13**	**0**	**0**	**1**	**4**	**5**	**4**	**0**
TECHNICIANS	9	0	0	1	4	3	2	0
Women	5	0	0	0	3	2	0	0
Men	4	0	0	1	1	1	2	0
ADMINISTRATIVE	4	0	0	0	0	2	2	0
Women	4	0	0	0	0	2	2	0
Men	0	0	0	0	0	0	0	0
TOTAL STAFF	**354**	**0**	**0**	**9**	**58**	**101**	**158**	**27**
Women	218	0	0	5	36	68	99	11
Men	136	0	0	4	23	33	60	16

4.3. AVERAGE SALARIES AND PAY GAP

A. AVERAGE SALARIES

1) Average salaries and their evolution by gender, age and professional classification. Remuneration of equal or average jobs in society

In 2021, in compliance with the provisions of art. 28.2 of the Workers' Statute and Royal Decree 902/2020, of 13 October, on equal pay for men and women, and in line with the commitments made in the 2nd Equality Plan, ICO drew up a wage register at the end of the 2021 financial year. This wage register makes it possible to analyse the wage gap between women and men and thus determine whether there is a gender pay gap. These data include total remuneration, in cash and in kind, annualised to avoid deviations due to the date of incorporation, which have been paid in the financial year 2021, including variable remuneration regardless of its accrual, and are broken down by professional group, age and gender.

ICO AVERAGE SALARIES	2,021	2,020	WOMEN	MEN	% WOMEN	DIFFERENCE (W-M)
Salary expenditure	**16,382,466**	16,104,431				
ICO average salary	**50,720**	50,484				
Minimum interprofessional salary	**13,300**	13,300				
Average salary Executives	**95,497**	93,188	95,228	95,713	1	-486
Average salary for middle management (Head of Dept. and Area)	**70,565**	69,202	69,354	71,725	1	-2,372
ICO average salary Technicians	**47,991**	47,640	48,542	47,177	1	1,366
ICO average salary Administrative	**36,748**	36,487	36,873	35,749	1	1,123
ICO minimum salary Technicians (entry level)	**29,352**	29,091	29,352	29,352	1	0
ICO minimum salary Administrative (entry level)	**19,979**	19,801	19,979	19,979	1	0

Note: For the calculation of the fields "Salary expenditure" and "Average ICO salary", the salary expenditure of the Chairman and Senior Management has not been taken into account in order to homogenise the sample. This information can be found in section 1.3. Governance and Management Structure.

ANNUAL AVERAGE - ICO SALARY (€)						
	AVERAGE STAFF	26 to 30 years old	31 to 40 years old	41 to 50 years old	51 to 60 years old	Over 60 years old.
MANAGERS	**95,497**	**-**	**95,597**	**94,794**	**95,739**	**-**
Women	95,228	-	-	94,794	95,662	-
Men	95,713	-	95,597	-	95,791	-
MIDDLE MANAGERS	**70,565**	**-**	**62,102**	**70,306**	**71,757**	**74,183**
Women	69,354	-	61,369	69,912	69,298	-
Men	71,725	-	62,468	71,150	73,081	74,183
TECHNICIANS	**47,991**	**31,955**	**37,464**	**46,660**	**55,026**	**62,019**
Women	48,542	32,389	37,080	47,844	57,306	65,238
Men	47,177	31,413	38,255	44,960	51,571	60,589
ADMINISTRATIVE	**36,748**	**-**	**27,473**	**33,532**	**37,290**	**39,877**
Women	36,873	-	-	33,532	37,069	40,065
Men	35,749	-	27,473	-	37,318	38,749
TOTAL STAFF	**50,720**	**31,955**	**40,571**	**52,051**	**54,329**	**56,080**
Women	49,063	32,389	37,754	52,541	52,043	50,134
Men	53,485	31,413	45,179	51,071	58,255	61,035

The average remuneration of the groups reflected in this table in 2021 was 50,720 euros. Comparatively, 4 times higher than the Spanish Minimum Interprofessional Salary, which is 13,300 euros.

The remuneration of the ICO Group's staff has been updated in accordance with the provisions of the budget regulations, which in 2021 authorised an increase of 0.9% compared to the remuneration in force on 31 December 2020.

Following the same criteria, the average salary at AXIS at the end of 2021 was 51,741 euros, compared to 50,558 euros at the end of the previous year. On the other hand, the average salary of Fundación ICO at the end of the year was 44,928 euros, compared to 44,819 euros the previous year.

In both cases, given the small size of the staff, the average salary broken down by professional group and gender is not provided as such information would violate personal data protection legislation.

B. SALARY GAP

The regulations governing the remuneration policy for management and middle management positions are set by the Ministry of Finance and Civil Service and guarantee equality between men and women in remuneration. Likewise, the collective agreement establishes pay levels for staff covered by the collective agreement (belonging to the professional groups of Technicians and Administrative staff) that guarantee equal salaries for people with the same pay level. Pay grade promotion is linked to performance appraisal. The data show that there are no significant wage differences between men and women within each group. The differences found range from 0.3% to 1.1% in favour of women among Technical and Administrative staff and from 0.3% to 1.7% in favour of men among Directors and Middle Management. In any case, these differences are not due to gender, but to personal circumstances that explain variations in the receipt of personal (seniority) and functional bonuses related to the post, as well as differences in remuneration in kind and variable remuneration associated with meeting targets.

4.4. WORK ORGANISATION

A. TYPES OF WORKING DAY

As at 31 December 2021, the average number of the ICO Group's staff working under the split working day regime amounted to 324 persons (92% of the total). Staff working a continuous working day accounted for 3.03% and those working a reduced working day due to work-life balance reasons such as partial retirement, replacement contract, care of ascendants or descendants for 5%.

Telework has proved, given the exceptional situations experienced by Covid19 , to be a key tool in the modernisation and flexibilisation of work management. For its effective functioning, the ICO Group is subject to the Royal Decrees that regulate it within the State Administration. Strictly in line with these guidelines, the ICO Group's staff has voluntarily alternated between on-site and online work.

		ANNUAL AVERAGE - ICO GROUP						
	AVERAGE STAFF	Under 18 years old	18 to 25 years old	26 to 30 years old	31 to 40 years old	41 to 50 years old	51 to 60 years old	Over 60 years old.
CONTINUOUS	**11**	**0**	**0**	**0**	**0**	**3**	**6**	**2**
Women	6	0	0	0	0	2	4	0
Men	5	0	0	0	0	1	2	2
MANAGERS	**1**	**0**	**0**	**0**	**0**	**0**	**1**	**0**
Women	0	0	0	0	0	0	0	0
Men	1	0	0	0	0	0	1	0
MIDDLE MANAGERS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Women	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0
TECHNICIANS	**10**	**0**	**0**	**0**	**0**	**3**	**5**	**2**
Women	6	0	0	0	0	2	4	0
Men	4	0	0	0	0	1	1	2
ADMINISTRATIVE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Women	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0
SPLIT	**324**	**0**	**0**	**9**	**56**	**89**	**150**	**19**
Women	198	0	0	5	33	58	91	10
Men	126	0	0	4	23	31	59	9
MANAGERS	**18**	**0**	**0**	**0**	**2**	**3**	**12**	**1**
Women	6	0	0	0	0	3	3	0
Men	12	0	0	0	2	0	9	1
MIDDLE MANAGERS	**55**	**0**	**0**	**0**	**5**	**26**	**21**	**3**
Women	31	0	0	0	3	19	9	1
Men	24	0	0	0	2	8	13	2
TECHNICIANS	**201**	**0**	**0**	**9**	**48**	**50**	**83**	**11**
Women	117	0	0	5	31	27	49	5
Men	84	0	0	4	18	22	33	6
ADMINISTRATIVE	**51**	**0**	**0**	**0**	**1**	**10**	**35**	**5**

Women	45	0	0	0	0	9	31	5
Men	6	0	0	0	1	1	4	0
REDUCED	**19**	**0**	**0**	**0**	**3**	**9**	**2**	**6**
Women	13	0	0	0	3	8	2	1
Men	6	0	0	0	0	1	0	5
MANAGERS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Women	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0
MIDDLE MANAGERS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Women	0	0	0	0	0	0	0	0
Men	0	0	0	0	0	0	0	0
TECHNICIANS	**13**	**0**	**0**	**0**	**3**	**8**	**0**	**3**
Women	9	0	0	0	3	7	0	0
Men	4	0	0	0	0	1	0	3
ADMINISTRATIVE	**6**	**0**	**0**	**0**	**0**	**1**	**2**	**3**
Women	4	0	0	0	0	1	2	1
Men	2	0	0	0	0	0	0	2
TOTAL STAFF	**354**	**0**	**0**	**9**	**58**	**101**	**158**	**27**

B. ABSENTISM

The number of absence hours recorded in 2021 was 24,311, bringing the absence rate at ICO to 4%. This is a continuation of the downward trend of recent years, where it was 5% in 2020 and 7% in 2019.

4.5. WORK-LIFE BALANCE

1) Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of these rights by parents.

The Institute's commitment to conciliation reflects an effort to ensure the well-being of the people who make up ICO, our main source of value. Conciliation seeks to balance the pursuit of work and private life objectives through flexible arrangements that allow for the development and success of both. Therefore, it is not reduced to paid leave. It is a way of organising the work environment that makes it easier for men and women to carry out their work, personal and family responsibilities.

In 2021, a communication was sent to all middle and senior management informing them of the publication of the follow-up report on the 2nd Equality Plan, which emphasises co-responsibility and the right of men and women to make use of leave and work-life balance measures without distinction.

Likewise, information on the increased importance men attach to co-responsibility was shared on the intranet along with a link to the Red Cross study on this subject in the 2021 financial year, referring to business and family co-responsibility in times of pandemics.

As a driver of well-being and in response to the commitment of the people in the organisation, ICO's management model aims to:

- Contribute to eliminating barriers to the participation of women and men in their personal life and in the company's processes, through its policies.
- Promote a work environment that is compatible with personal development, one that allows its professionals to balance the fulfilment of their job responsibilities in a public institution, such as ICO, with the needs of their personal and family life.

WORK-LIFE BALANCE MEASURES (ANNUAL AVERAGE)	WOMEN	MEN
Staff with reduced working hours due to childcare	10	1
Staff with reduced working hours to care for relatives in the ascending line	1	0
Staff with reduced working hours for other reasons	1	0
Staff with reduced working hours due to partial retirement	1	5

ICO has been certified as a Family Responsible Company by Fundación Masfamilia since December 2014, in accordance with the EFR 1000-1 standard. This management and work organisation model provides a simple and effective methodology for reconciling work and family life and allows progress to be made in implementing a social and business culture based on flexibility, respect and mutual commitment. In order to effectively implement this model, ICO has an EFR Model Management Procedure for Reconciliation and Equality.

To guarantee and ensure proper compliance with the values and principles underlying ICO's commitment to reconciliation, an external communication channel has been set up so that ICO staff, as an entity certified under the EFR model, can express their complaints and claims regarding reconciliation directly to Fundación Másfamilia. It guarantees the absolute confidentiality of the information received through this channel. During 2021, Fundación Másfamilia has not received any claim or complaint through the channel provided.

ICO also provides its employees with an ethical channel for reporting breaches of its code of conduct and a Compliance Committee that keeps a record of all complaints received through the ethical channel or any other means that the complainant considers using. The Compliance Committee guarantees the confidentiality of the complaints received. No complaints were received in 2021.

2) Implementation of right to disconnect from work policies

ICO is in the process of developing its specific right to disconnect from work policy. However, various agreements with the Workers' Committee and the Joint Committee remain in force that promote the disconnection from work through flexible working hours in the provision of services in ICO. In this way, we have a pool of recoverable hours of up to 5% of the annual working day that staff can use for reasons of work-life balance, as well as the possibility of having one afternoon off per week.

4.6. HEALTH AND SAFETY

The ICO Group considers it essential to strengthen and control the occupational health and safety of its staff.

Health and safety management in the workplace is carried out by Grupo MPE Prevención de Riesgos Laborales, an accredited external prevention service, which also holds ISO 9001 and ISO 14001 certifications for its quality and environmental management system.

Occupational safety and health monitoring is the responsibility of the Health and Safety Committee made up of representatives of the Company and the Workers' Legal Representation, as well as the Medical Service and the External Prevention Service.

In 2021, and following an exhaustive audit process, the ICO Group obtained the AENOR certification of action protocols for COVID-19. This certification covers all the Group's activities and facilities, explicitly including ICO, AXIS, FUNDACIÓN ICO and MUSEO ICO.

The AENOR certificate is a formally recognised external endorsement of the effectiveness of the measures applied by the Group, providing assurance that appropriate and recognised protocols are being applied and also demonstrating to employees, customers and the general public its commitment to preventing the spread of Covid19. In particular, it certifies compliance with the guidelines laid down by the Ministry of Health and the Community of Madrid, both at the workplace where the offices are located and at the Museo ICO facilities, thus guaranteeing the safety of the staff working at the facilities and of visitors.

In short, the AENOR certification endorses all the measures implemented by the ICO Group since March 2020, under appropriate and effective risk management, which allows the Group to continue its activity in the current pandemic under the best health and safety conditions for people accessing the facilities.

It should also be noted that the AENOR certification process requires the ICO Group to undergo periodic audits in which the correct application, maintenance and updating of the existing protocols are verified, which further reinforces the ICO Group's commitment to complying with its high standards of safety and prevention. This certification has made it possible to guarantee optimum safety conditions at work in the de-escalation process, which was carried out in two phases, in July and October, on the basis of guidelines discussed with the Workers' Committee and always respecting health guidelines and the resolutions of the competent authorities.

On the other hand, there were 3,768 days of sick leave for common illness and maternity or paternity leave and there was 1 minor occupational accident involving a woman, with a frequency and severity index of 0 in 2021. Due to the nature of the activities carried out in the ICO Group, there is no record of any occupational illness affecting the staff, and therefore no information broken down by gender is provided.

In 2021, 108 medical examinations were carried out.
On the other hand, the ICO Group has a medical service available to all its employees at the workplace during working hours. In 2021, a simplified open procedure was carried out for the contracting of the medical service, which has allowed us to extend the service hours by 6.5 hours per week and to have a physiotherapy service 10 hours per week. Within the framework of the new contract, health information campaigns will also be carried out on issues such as first aid, healthy eating, stress management, smoking cessation and cardiovascular risk prevention. In addition, the medical service is key in the follow-up and assessment of confirmed cases and close contacts of Covid-19.

4.7. SOCIAL RELATIONSHIPS

A. ORGANIZATION OF THE SOCIAL DIALOGUE

In line with Principle 3 of the Global Pact, ICO respects its staff's right to join trade unions according to their needs and to form their Works Council.

At ICO, the Works Council acts as a collegiate body representing the workers and interacts with the company through its autonomous operation, and through its participation in various committees (Joint Committee, Health and Safety Committee, Vocational Training and Promotion Committee, and Social Affairs Committee), in addition to the specific working groups and negotiating committees that may be set up to deal with specific issues that require it.

For the development of its functions, ICO has provided the Works Council with its own physical space to meet and keep documentation, as well as its own e-mail to receive queries and a space on the intranet to publish its information.

B. PROCEDURES TO INFORM, CONSULT AND NEGOTIATE WITH STAFF

As regards existing means to inform staff, ICO, in addition to sending general and personalised communications by email, has a channel for announcements, new developments and current news related to the activity of the entity on its intranet. Through this channel, the participation of all employees in the evolution of the entity is also encouraged, be it by providing comments on news published or by means of the suggestions channel Aporta Tu Idea (Contribute Your Idea).

1) Percentage of employees covered by the collective bargaining agreement by country

The VI Collective Bargaining Agreement, published in the BOCM of January 11, 2014 (http://w3.bocm.es/boletin/CM_Orden_BOCM/2014/01/11/BOCM-20140111-3.PDF), which is applicable only to ICO staff, is currently in force.

The Agreement is applicable to 81% of the ICO staff, excluding the Chairman, the management team and the professional group of middle managers.

2) Review of collective bargaining agreements, in particular in the field of health and safety at work

ICO's Works Council is made up of 13 members, which represent 3 different trade unions. 46% of the members of the Works Council are women.

During the year 2021, 13 meetings were held, documented in the minutes of the Joint Committee, the Health and Safety Committee, the Training and Professional Promotion Committee, the Telework Commission and Specific Negotiating Committees, through which 4 agreements were reached.

4.8. TRAINING

A. POLICIES IMPLEMENTED IN THE FIELD OF TRAINING

Training and empowering staff is key to contributing to the goal of decent work and economic growth. The ICO Group encourages the improvement of the knowledge, skills and abilities of its staff and, at the same time, in accordance with its objective of promoting the growth and development of the country, it responds to the training needs of other groups, such as young people and people with intellectual disabilities.

The ICO Group's commitment to professional development and continuous training is included in the Sustainability Policy, and is embodied annually in the preparation and development of a Training Plan and unplanned training actions that address needs identified during the year.

In 2021, in spite of the fact that the development of the Training Plan was again conditioned by the health situation and restrictions implemented by the authorities, which obligated ICO to set aside face-to-face training activities, the Institute made a firm commitment to staff training, looking for new alternatives in the market that enabled it to increase staff training hours by 82%, going from 10,195 training hours in 2020 to 18.508 hours in 2021 between ICO and AXIS. For this substantial increase in training activity it has only been necessary to increase investment in training by 10% with respect to the previous course. This commitment to the professional development of human and intellectual capital of ICO is reflected in the fact that investment in training will account for 1% of salary expenditure in 2021. Likewise, the average number of hours per employee amounts to 52 hours in 2021.

ICO Group encourages learning and perfecting of languages as a key to met international challenges in the activity of ICO that are determined by the unification and internationalisation of the financial sector and the markets. 47,77% of the investment made is dedicated to this training area. Equally, training activities for adaptation to work has gained special importance in 2021 reaching 47,56% of the investment. The remainder of the investment was dedicated towards training in new technologies, training in skills and academic, postgraduate and certification training.

DISTRIBUTION OF TRAINING HOURS BY PROFESSIONAL GROUPS - ICO and AXIS					
	2,021	2,020	WOMEN	MEN	% WOMEN
MANAGERS	431	305	180	250	42%
MIDDLE MANAGERS	2,379	2,875	1,604	775	67%
TECHNICIANS	12,964	6,232	7,826	5,138	60%
ADMINISTRATIVE	2,387	774	2,303	84	96%
GRANT HOLDER	347	8	168	179	48%
TOTAL	18,508	10,195	12,081	6,426	65%

Note: The training hours data refer to ICO and AXIS. ICO Foundation accounts the assistance of 16 training activities throughout its staff.

DISTRIBUTION OF INVESTMENT IN TRAINING BY TYPE OF COURSE - ICO					
	2021	2020	Increase	WOMEN	MEN
LANGUAGES	74,334	93,206	-20%	52,046	22,289
WORKPLACE TRAINING	74,001	42,181	75%	44,606	29,395
NEW TECHNOLOGIES	1,200	4,541	-74%	0	1,200
SKILLS TRAINING	791	1,802	-56%	791	0
ACADEMIC, POSTGRADUATE AND CERTIFICATIONS TRAINING	5,266	0	-	1,800	3,466
TOTAL	**155,591**	**141,730**	**10%**	**99,242**	**56,349**

Note: The training investment data refer to ICO.

4.9. UNIVERSAL ACCESS FOR DISABLED PERSONS

A. ACCESS FOR DISABLED PERSONS

ICO Group has facilities, tools and workstations adapted to enable access by persons with restricted mobility or other kinds of functional disability who develop their professional activity at ICO or whom visit the premises. Thus, there are 4 persons with a recognised disability (functional diversity/physical disability) on the staff, of which 75% are women.

ICO Foundation holds the distinction of Accessible Tourism granted to the ICO Museum for incorporating measures of universal access to its facilities and its commitment to welcoming and caring for people with disabilities and with accessibility needs in general, developed through the supply of material adapted for easy reading on Museum exhibitions or the organization of activities with sign language interpreters.

The Corporate Website of ICO is designed to comply with the Royal Decree 1112/2018 , of September 7 on Accessibility of Web Sites and Applications for mobile devices of the public sector. Thus, society as a whole has at its disposal a portal that is practical and accessible that guarantees access to information and services to its pages to all users without limitations or restrictions whatsoever due to disability, means or context by which this portal is accessed.

At the same time, the www.ico.es portal has the objective of adapting to the standards and regulations in effect as regards accessibility, complying with items o verification double A (AA) defined in the specifications of Guidelines of Accessibility to Web Content (WCAG 2.1) belonging to W3C.

B. INTEGRATION OF DISABLED PERSONS

As from 2016, ICO welcomes various students of the ALAPAR Foundation that form part of the education project of CAMPVS aimed at young persons with functional diversity who upon finalising regular formation wish to access higher training to develop a greater personal, social and professional competence.

With this programme these youngsters specialise in the administrative branch acquiring general knowledge on business, information technology, economics, law, financial culture and English, in addition to working personal autonomy and social labour competences. Studies have a duration of three years and end with practical training of six months in the company, a stage where ICO cooperates to complement their training with practical experience acquiring knowledge and skills necessary to perform with ease in the work environment.

In 2021, 2 students from the CAMPVS programme have been mentored. Since the beginning of the cooperation with the ALAPAR Foundation, ICO has welcomed a total of 11 students out of which 5 found employment, 1 is preparing for examinations and the remainder of students continue training to improve their chances of employment.

4.10. EQUALITY AND DIVERSITY

A. EQUALITY

One of the guiding principles on which the responsible management of the ICO Group is based is equal opportunities, in a broad sense, which is evident both in the public job offer processes and in the tenders for the purchase of goods or the contracting of services.

The above sections show the breakdown of the workforce by gender, and how women have a higher participation in almost all professional groups. In terms of women's representation in government organisations it should be mentioned that parity has been achieved in the General Council of ICO (46% women and 54% men), in the Administration Council of AXIS (50% women and 50% men), and in the Board of Trustees of Fundación ICO (33% women and 67% men).

B. MANAGEMENT OF DIVERSITY AND THE FIGHT AGAINST INEQUALITY AND DISCRIMINATION

1) Measures to empower women

In the second year of the II Equality Plan, approved at the end of 2019, actions were carried out in the seven axes that structure the Plan. Of the 45 measures, action has been taken on 35, carrying out a total of 84 actions, which means that 78% of the measures of the II Equality Plan have been implemented.

On the other hand, in 2020 ICO signed up to the the *Manifesto Dónde Están Ellas* (Where Are They? Manifesto), an initiative launched by the European Parliament to promote and enhance the presence of women in discussion forums and conferences. During 2021, ICO has participated in 142 Conferences as a speaker (both in-person and on-line), organised in collaboration with various institutions, sector associations and collaborating agents, covering the entire national territory. Out of the total of conferences, the Chairman of ICO has been a speaker at 48 of them. In the remaining 94 sessions, 51 women have participated on behalf of ICO (54%).

2) Protocols against sexual and gender-based harassment

As regards the prevention of sexual and gender-based harassment, the 2nd. Equality Plan of ICO has in place a procedure for workplace harassment available to all employees that specifically incorporates prevention of sexual harassment and sexual inclination. To date, it has not been applied at any time.
In addition, within the framework of the commitments made under the Equality Plan, ICO has joined the Ministry of Equality's Red de Puntos Violeta initiative to combat macho violence and disseminate, on a massive scale, the information necessary to know how to act in case of violence against women.

3) Measures adopted to promote employment

ICO, as an entity of the Public Sector and according to the instructions of the Basic Statute of Public Employees, promotes access to employment under the principles of equality, merit, and capacity through periodic procedures of examinations with public calls reserving no less than 5% of vacancies to be filled by disabled persons.

Internally, ICO fosters professional development and internal mobility of positions among its employees by means of a promotion system to cover vacancies established in the Collective Agreement of the entity.

In addition, Instituto de Crédito Oficial has signed a collaboration agreement with the SEPI Foundation whose objective is to organise and develop a programme of practical training scholarships in the work centres of the ICO Group, under the supervision of suitable tutors, aimed at youngsters with recent university degrees to facilitate and prepare their access to the work force achieving practical knowledge, maturity, employability, status and vision of the business world. The ICO Group is currently hosting 45 scholarship holders from the SEPI Foundation, whose scholarships have a maximum duration of 18 months.

At the end of the scholarship, the ICO carries out a survey to find out their degree of satisfaction. In 2021, the satisfaction level with the scholarship was 81%, highlighting the success of the programme. Another aspect to highlight is that many of them, once finalised their scholarship, participate in selection processes organised to contract permanent staff. In fact, in the last two ICO Job Offers, 9 of the successful candidates were previously scholarship holders of the SEPI Foundation at ICO.

Collaterally, there are further advantages in broadening the framework of participation in the company by involving professionals in the successful implementation of the Scholarship Programme. Although some become tutors and others trainers, all can participate in the orientation and integration of the scholars. In addition to the practical formation they are offered the possibility of attending training that is designed specifically for the ICO staff as long as there are vacancies.

All of this results in a better social reputation for ICO, which offers real opportunities for labour market insertion by increasing the employability of young people.

5 INTERNAL ENVIRONMENTAL MANAGEMENT

ICO Group identifies the following aspects of the environment in the development of its activities in corporate facilities:

- **Natural resource consumption** ICO carries out periodic awareness campaigns on the consumption of light, water and paper in order to ensure the responsible use of these resources by employees in the workplace and to transfer these habits to the personal sphere.
- **Atmospheric emissions** A relevant objective for ICO is to avoid and reduce greenhouse gas emissions as much as possible. This is achieved through the implementation of energy saving measures, and the use of energy from renewable sources in the heating and air conditioning of its offices. In addition, in order to reduce its carbon footprint per employee, it promotes the use of alternative means to travel, such as video conferencing, and seeks to minimize travel as much as possible.
- **Generation of waste** ICO has at its facilities the necessary means to segregate and recycle the waste generated in the development of its activity and seeks to use ecological and recycled materials.
- **Protection of biodiversity:** ICO operates in a single office in Madrid that does not generate negative impacts on the biodiversity.

In 2021, ICO has certified its System of Environmental Management according to ISO 14001 standards. Said system develops the Environmental Policy that includes, among others, the following commitments:

- Identification of environmental aspects and control of the related environmental impact.
- Identify and assess compliance with legal and other environmental and biodiversity protection requirements voluntarily subscribed to by ICO (Ecuador Principles, Ten Principles of the Global Compact, Paris Agreement).

- Identify and assess the risks and opportunities that its activity, products and services have on the environment.
- Measure GHG emissions and carry out prevention, reduction and remediation actions.
- Facilitate the segregation and management of the waste generated in its facilities, and promote awareness among its professionals so that waste segregation practices are also applied in their daily lives.
- Formalise agreements that promote circular economy practices for the reuse of waste.
- Implement tools for environmental protection and pollution prevention.
- Promote sustainable and responsible consumption of natural resources, and define energy efficiency and improvement plans.

Principle of precaution: ICO has in place a system for environmental management that complies with the requirements of ISO 14001. This system is certified by the European Quality Assurance (EQA). The control and monitoring of the system corresponds to the unit of social responsibility which is equipped with necessary resources to develop this function. As the environmental impact is insignificant, there is no specific provision or guarantee in the income and expenditure budget to cover environmental damage.

5.1 SUSTAINABLE USE OF NATURAL RESOURCES

The ICO Group does not have a significant impact on the consumption of natural resources, which is the norm for companies in its sector. However, an annual consumption measurement is carried out in order to analyse the impact of the measures implemented.

The return of employees to the on-site working day led to an increase in electricity consumption in 2021, which was somewhat higher than in 2019.

However, water consumption was lower than in 2020, due to actions implemented to improve efficiency in distribution channels.

NATURAL RESOURCE	UNIT	2021	2020	2019
ELECTRICITY	kWh	2,204,474.21	1,892,488.79	2,103,706.00
WATER	m³	1,351.76	1,460.80	2,607.00
PAPER	kg	5,612.13	7,200.00	12,723.00

Paper consumption has been reduced since the pandemic caused by Covid-19.

5.2 CIRCULAR ECONOMY AND WASTE MANAGEMENT

One of the objectives defined in the environmental management system is segregation of waste at the plant. In 2021, *environmental islets* were created, equipped with containers for waste segregation.

These areas are installed on the office floors. In each of them there are 3 islets that allow the proper segregation of the waste generated in the workplace. These areas are completed with containers to collect waste related to Covid-19 (masks, gloves, etc.) installed in 2020. Although ICO, by the nature of its activity does not generate food waste, in 2021 with the pandemic, employees were given the opportunity to make their working day more flexible by teleworking in the afternoons, which indirectly also helped to combat food waste.

Among the savings measures for the consumption of paper, toners and other materials, the following are worth mentioning:

- ✓ Processes of digitalisation of signatures in daily operations.
- ✓ Assignment of portable equipment to all staff allowing to have a double monitor in workstations, thus reducing need for paper documents.
- ✓ Programming of printers for double page printing by default and restriction of printers in colour at centralised services.
- ✓ Use of recycled paper at all available printers on each floor.
- ✓ In 2021, the printer equipment was also renewed to incorporate energy saving systems during idle time, allowing for greater energy efficiency.

WASTE MANAGED	UNIT	2021	2020	2019
Paper and cardboard	Kgs (estimated)	3,000	2,400	4,500
Plastic and packaging	m³ (estimated)	40	32.4	n.d.
Toner and ink cartridges	Units	64	63	273
Fluorescent tubes	Number	305	370	485
Batteries	Number	694	37	242
Batteries	Number	127	nd	nd

5.3 POLLUTION:

EMISSIONS

The products and services provided by the ICO Group do not themselves emit greenhouse gases that seriously affect the environment. In other words, the carbon footprint is the one that comes from the development of the activity of each of these companies (carbon footprint inherent to an organisation).

The ICO Group only identifies indirect greenhouse gas emissions. There are no owned vehicles. However, in order to promote sustainable mobility through the use of electric vehicles instead of those powered by fossil fuels, in 2021, four new electric vehicle recharging points were installed in the parking spaces available to employees, increasing from four to eight, which can service 19 vehicles in a shift system.

CONCEPT	UNIT	2021	2020	2019
Direct GHG emissions (Scope 1)	Tons of CO_2	NA	NA	NA
Indirect GHG emissions from electricity consumption (Scope 2)	Tons of CO_2	771.67	662.37	763.3
Indirect GHG emissions from employees' work trips (Scope 3)	Tons of CO_2	ND	8.09	116.9

Note: Calculation made through http://calcarbono.servicios4.aragon.es/index.html

NOISE POLLUTION

The products and services provided by the ICO Group do not themselves emit noise pollution that seriously affects the environment.

LIGHT POLLUTION

The products and services provided by the ICO Group do not generate light pollution that could seriously affect the environment.

6 COMMITMENT TO SOCIETY

Through different initiatives and projects, the ICO Group contributes directly to the development and prosperity of communities in a sustainable way, not only economically but also socially and culturally. There are many challenges in maintaining cities so that they continue to generate jobs and be prosperous without putting pressure on land and resources. The future we seek includes cities of opportunity, with access to basic services, culture, finance, education and energy, housing and transport.

6.1 FUNDACIÓN ICO

A. ART AREA

- ICO COLLECTIONS

The ICO Collections represent the most important artistic contributions of the 20th century in Spain. It continued to loan its works to national and international cultural institutions in 2021 to further consolidate the dissemination of this exceptional collection. We also undertook a comprehensive review of the ICO Collections and implemented the usual preventive conservation actions.

- COLLABORATION AGREEMENT WITH MUSEO NACIONAL DE ARTE REINA SOFÍA

Within the framework of the collaboration agreement signed by Fundación ICO and Museo Nacional Centro de Arte Reina Sofía (MNCARS) on 30 August 2012,which has been extended twice, seven works from the ICO Collections have been stored at MNCARS since 9 July 2013.

- TEMPORARY LOANS

During 2021, 2 requests for temporary loans from the ICO Collections were dealt with.

- ICO COLLECTIONS IN THE CER.ES NETWORK

Since 2016, ICO Collections has been part of the Digital Network of Collections of Spanish Museums (CER.ES). It is a network managed by the Ministry of Education, Culture and Sport, which allows the on-line distribution of the funds belonging to the ICO Collections (http://ceres.mcu.es).

- ICO MUSEUM EXHIBITIONS

Fundación ICO, in addition to being entrusted by ICO with the management of its art collections, is in charge of the temporary exhibition programme of the ICO Museum which, since October 2012, has specialised in the research and dissemination of Architecture as an artistic and cultural discipline.

Throughout 2021, with the corresponding capacity adaptations and restrictions imposed by the Covid19 pandemic in the field of cultural activity, the exhibition activity offered to the public at the ICO Museum was as follows:

- **Carme Pinós. Escenarios para la vida (Scenes for Life)**

From 10 February to 09 May 2021.

Curated by Luis Fernández-Galiano, Professor of Projects at the Higher Technical School of Architecture of Madrid, the exhibition was the first retrospective of the architect's professional trajectory through a selection of eight projects undertaken during her period with Enric Miralles and eighty developed by Estudio Carme Pinós from its opening in 1991 to the present day. It had an attendance of 11,356 persons.

- **In Spain. Photography, assignments, territories, 1983-2009**

From 2 June to 12 September 2021.

Curated by Ramón Esparza, Jorge Ribalta and Cristina Zelich, it was conceived as a continuation of the investigation started with “Paisajes enmarcados. Misiones fotográficas europeas, 1984-2019” ("Framed landscapes. European photographic missions, 1984-2019") (ICO Museum, 2019). Organised around three moments between the 1980s and the first decade of the 21st century, the exhibition presented the work of 70 photographers structured around 11 surveys or photographic assignments.
A total of 6.654 persons visited this exhibition produced by Fundación ICO.

- **Lacaton & Vassal. Free space, transformation, dwelling**

From 6 October 2021 to 16 January 2022

A look at the career of French architects Anne Lacaton and Jean-Philippe Vassal, winners of the Pritzker Prize 2021. The exhibition brought together their extensive career and their conception of architecture through three fundamental concepts always present in their work: free space (conceived in terms of generosity of space, efficiency and comfort); transformation (never demolish, always add, transform, expand) and dwelling.
The exhibition had an attendance of 16,350 persons.

➢ COMPLEMENTARY ACTIVITIES

In 2021, Fundación ICO recovered its educational and mediation service at the ICO Museum, with the necessary adaptations to comply with COVID-19 regulations.

- **Guided tours and cultural mediation**

Throughout the year, the ICO Museum continued to offer guided tours for groups and mediation for individual visitors, a free service that was enjoyed by a total of 5,784 people.

- **Workshops for school centres, families and young public**

In the first half of 2021, the materials for classroom use in schools started in the previous year were finalised for the early childhood, primary, secondary and baccalaureate stages. From October onwards, schools began to book workshop sessions in the museum's exhibition rooms.

Throughout the year, face-to-face activities for families, workshops for young people and the summer school were resumed. The total number of visitors to the ICO Museum during the year exceeded 900 people.

- **Workshops for people with cognitive functional diversity**

The offer aimed at occupational centres and associations for persons with cognitive functional diversity was activated at the beginning of 2021 with good reception by interested entities. An activity in collaboration with the entity Plena Inclusión Madrid (PIM).

➢ **INCLUSION AND ACCESSIBILITY**

During 2021, the ICO Museum has promoted the creation of an informal collaboration group to improve the Museum's accessibility in two areas: cognitive functional diversity and hearing impairment. The following form part of this group: the National Confederation of Deaf Persons of Spain (CNSE), the Spanish Confederation of Families of Deaf Persons (FIAPAS), Full Inclusion Madrid (PIM), the Association Empower Parents (AEP) and Fundación ICO represented by technical staff from the area of arts.

Thanks to the advice and proposals emanating from this group, new initiatives were born destined to encourage access to all types of public to the ICO Museum.

- Production of Easy-to-Read leaflets of the ICO Museum exhibitions and installation of Easy-to-Read icons in the galleries to facilitate their use.
- Interpreters of Sign Language in guided tours and educational activities.
- Installation of hearing loops at the reception desk and seven magnetic loops available for guided tours.
- Production of an accessible video to visit the ICO Museum on the web.
- Publication in the web page of a visual agenda for persons with intellectual disability.

- **Empower parents 2021 Common Spaces**

During 2021 a programme was reactivated for families with children affected by autism through a new stage with the Association Empower Parents (AEP) which, composed by veteran families in the programme since 2013, assumes the execution of three areas of activity: Experience, Transfer and Learning:

- Experience: programme for families in the ICO Museum with the same methodology used in 2013 to 2019. There were a total of 18 sessions with 9 families selected from a new calling.
- Transfer. Red Empower Parents: Fundación ICO, through an agreement of collaboration, promoted a transfer programme of the methodology of the programme from Museo Nacional de Ciencias Naturales (MNCN), Real Jardín Botánico (RJB) and Fundación Telefónica (FT).
- Learning: training of research groups on practices that are not exclusionary. Components: ICO Museum, MNCN, RJB, FT, Asociación Empower, Universidad Autónoma de Madrid and Plena Inclusión Madrid.

B. <u>ECONOMICS AREA</u>

The Economics Area promotes activities aimed at generating and disseminating knowledge in economic and financial matters, mainly through shared reflection and debate among experts and agents in these fields.

➢ **PUBLICATIONS**

- **Fundación ICO Collection - International Economics**

This year's edition is dedicated to the economist John Hicks and in particular to his work "Value and Capital" and three articles that stand out among his entire output:

- The Formation of an Economist
- Mr. Keynes and the Neoclassics, A Suggested Interpretation
- The Foundations of Welfare Economics

The introductory study is by Josep María Vegara, Emeritus Professor at the Autonomous University of Barcelona, and the translation is by Estrella Trincado, lecturer at the Complutense University of Madrid.

The book is published and distributed by Thomson Reuters.

- **Classics of Spanish economic thought**

This collection is the largest and most important collection of writings on the history of Spanish economic thought, revised and updated with introductory studies by experts. In 2021, the work "Doctrinas monetarias en Castilla durante el reinado de Carlos II. Selección de arbitrios" (Monetary Doctrines in Castile during the reign of Charles II) by Cecilia Font, Professor at the University of Francisco de Vitoria.

On 21 October 2021, the presentation of the book "En torno al Memorial del Contador Luis Ortiz a Felipe II" (On the Memorial of the Accountant Luis Ortiz to Philip II), in memory of Ernest Lluch, took place in the Assembly Hall of the National Library. This was one of the last works he published shortly before he was assassinated, so this edition, published the previous year, aims to pay tribute to him.

- **EURO Yearbook 2021**

Published under the title "MOVING FORWARD: Monetary Union after Covid19. A Yearbook on the Euro 2021" entirely in English (both digital and printed edition) with the executive summary also in Spanish (digital edition).

On 12 March, a hybrid presentation was held, with the participation of Jorge Yzaguirre, President of IEAF ETF; Lucinio Muñoz, Director of Fundación ICO; Fernando Fernández, Director of the Yearbook; Antonio Roldán, Director of ESADE Economic Policy and María Demertzis, Deputy Director of Bruegel. The debate was moderated by Fiona Maharg Bravo, economic journalist.

https://www.fundacionico.es/economia/anuarios/anuario del euro

C. TRAINING

➢ **FUNDACIÓN ICO - CHINA SCHOLARSHIP PROGRAMME**

During the second semester of the academic year 2020-21, 15 scholarship holders continued the programme. Entry into universities from February onwards was not possible as the schools for foreign students remained closed. The scholarship holders who continued their studies considered that the courses offered by the universities were of high quality and improved their language level, although the impossibility of enjoying immersion in Chinese society, as well as the lack of face-to-face classes, had an important impact on the Programme. The Foundation tried to alleviate, as far as possible, the situation by taking on the cost of special conversation classes with Chinese students of the Master's degree in teaching Chinese as a foreign language at BNU or additional HSK preparation courses at UIBE.

- **Call 2021-2022**

This call was published in the BOE on 18 January 2021 and the deadline for applications was 8 February. A total of 145 applications were submitted, 61% more than the previous year. The selection and enrolment process of the scholarship holders for this call took place during the first part of the year and classes started in September 2021.

In June, the universities informed us that during the autumn semester, classes would be held at the foreign students' schools by distance learning. The Foundation in turn communicated this change of conditions to the scholarship holders, giving them various options to enable them to make the choices best suited to their respective personal situations. Fifteen scholarship holders decided to follow the online classes and six preferred to wait until the second semester, with the idea of joining in case the classes were held in person.

The Foundation arranged additional classes for the scholarship holders in both oral Chinese and HSK preparation, and resumed meetings with representatives of institutions and companies, having held between September and December 2021 two meetings with the Ambassador and the Economic Counsellor of the Spanish Embassy in Beijing.

- **Call 2022-23**

Throughout 2021, work was carried out on the preparation of the new call for applications for the 2022-23 academic year, which will be managed through the ICO's new electronic office. Work was carried out in conjunction with the ICO's IT department to adapt the e-office to the needs of the scholarship call. Work was also done on the image and publicity for the new edition of the Programme, which opened to the public in January 2022.

- **e-FP PROGRAMME**

As established in the Action Plan for 2021, the Foundation maintained its collaboration with the e-FP Programme of the Créate Foundation and the Spanish Chamber of Commerce this year, through the contracting of Programme Coordination services. In April, the first edition of an e-Challenge took place in which several companies presented challenges to selected students from the Programme so that, over the course of a day, they could solve them and propose their solutions. The director of the Foundation was part of the jury for this activity. On 10 June, the final of the 2nd Edition of the e-FP Programme took place, in which Fundación ICO also participated, together with other entities such as the BBVA Foundation, the Bankia Foundation, the Telefónica Foundation, the Spanish Chamber of Commerce, CESCE, Eulen and Iberdrola.

The 2021-22 course considerably increased its number, following the success of the previous edition: it reached a volume of 2,500 students enrolled, from 140 centres. It has also increased its geographical scope, with the participation of centres from all the Autonomous Communities except Navarra, La Rioja and Extremadura (as well as Ceuta and Melilla).

- **FINANCIAL LITERACY PLAN**

The Foundation participated in the celebration of Financial Literacy Day with the organisation of an online seminar entitled "The Entrepreneurship Journey: Finance as a key element of sustainability".

The event was aimed at VT students and, in general, anyone with an interest in the role of finance in the entrepreneurial process. The emphasis of the seminar was on the importance of the economic and financial sustainability of the projects as a *sine qua non* condition for their success; therefore, sources of financing, costs, balance sheets and results, among other aspects, were discussed.

The event was held on 7 October, in the form of a guided conversation, with the participation of two VT students with experience in the challenge of finding viable business formulas. The video is available on YouTube and on the e-FP platform, so that it can also be used by e-FP participants in the future.

126 people registered and there were 119 live connections.

- **FINANCIAL LITERACY IN START-UPS**

Fundación ICO supported the project "Financial and Circular Economy Literacy in Start-ups", a research on the role of financial and circular economy literacy in obtaining better financing for start-ups. The project, developed by Istituto Europeo di Design S.L. (IED), was awarded a grant from "BBVA EduFin Research Grants 2020".

The first phase of the project concluded without being able to empirically prove the existence of a positive relationship between financial literacy / circular economy knowledge and success in accessing finance by the start-ups in the sample. For this reason, a full report on the research, methodology, sample and actions undertaken was prepared and it was decided to end the collaboration at this point.

- **MOOC ON CIRCULAR ECONOMY FOR SMES**

During the second half of the year, the final works of the MOOC on circular economy developed by the UNED in collaboration with Fundación ICO were carried out: Pymes ante la Economía Circular. Herramientas clave para su transición (SMEs facing the Circular Economy. Key tools for their transition) (1ed. 2022).

The course is delivered online and the main delivery channel for the content is short videos complemented by external material and links that allow you to delve deeper into the concepts covered throughout the course.

Teachers, entrepreneurs and representatives of public institutions collaborated in the implementation and delivery of the contents of this course.

- **Contents of the MOOC on circular economy for SMEs**
  Module 0. Presentation of the course - course objectives, methodology and use of the platform.
  Module 1. What is the circular economy? - introduction to the concept of c.e., main associated concepts, implications. Growing importance in European policies and initiatives (Green Pact, NextGenerationEU funds).
  Module 2. SMEs facing the circular economy - implications of c.e. for SMEs, reasons for their transition to c.e., practical examples of motivations associated with: (i) legislative requirements; (ii) lower costs; (iii) business opportunities; (iv) increasing customer and consumer demand.
  Module 3. Tools for the transition of SMEs to the circular economy - main tools with a focus on: (i) life cycle analysis; (ii) eco-design; (iii) eco-labels and environmental footprint; (iv) specific measurement tools.
  Module 4. How do SMEs finance their transition to the circular economy? (I) - main sources of financing, first block of specific instruments (NextGenerationUE, CDTI grants, impact venture capital funds).
  Module 5. How do SMEs finance their transition to the circular economy? (II) –second block of instruments: ENISA equity loans, JICE funds, other financing offered by financial institutions and investment crowdfunding.

At the end of each module there is a multiple-choice test to assess the level of achievement and knowledge acquired by the student. All students who pass the course receive free accreditation of completion. Those who wish a higher level of accreditation can opt for a certificate issued by the UNED in which 1 ECTS credit is recognised, for which only the administration costs are paid.

- **TECHNICAL AND VOCATIONAL EDUCATION IN IBEROAMERICA POST-COVID19**

This report was presented on 9 April at the headquarters of the Ibero-American General Secretariat in Madrid. Corresponding to the 2020 financial year, the research was conducted by Germán Ríos and Victoria Galán-Muros in the framework of a collaboration between Fundación ICO and the Ibero-American Business Foundation. The event was honoured with speeches by the authors, the then Ibero-American Secretary General Rebeca Grynspan, the President of the Ibero-American Business Foundation Josep Piqué, and the Director of Fundación ICO Lucinio Muñoz. The study makes a diagnosis of the state of vocational education in Ibero-America and the impact of Covid-19 on it, and analyses the main current challenges at this level of education. It is a study with a practical approach that aims to provide a series of recommendations to policy makers, companies and the education sector.

- **INTERNATIONAL SEMINAR: "RELAUNCHING RELATIONS BETWEEN LATIN AMERICA AND THE EUROPEAN UNION: STRATEGIC AUTONOMY, ADVANCED COOPERATION AND DIGITAL, GREEN AND SOCIAL RECOVERY".**

On 30 November and 1 December, the International Seminar "Relaunching relations between Latin America and the European Union: strategic autonomy, advanced cooperation and digital, green and social recovery" took place. The event was held at Casa de América and was inaugurated by the Secretaries of State for International Cooperation and for Ibero-America and the Caribbean and the Presidents of the two host institutions, Fundación Carolina and Fundación ICO. The EU High Representative for Foreign Affairs also sent words of welcome in digital format.

The programme focused on the debate on the renewal of dialogue and cooperation between LATAM and the EU, analysing the elements of the post-pandemic scenario that challenge both regions: renewal of political dialogue and cooperation strategies. The sessions were attended by an average of 50 guests and followed online by some 1200 people. As part of the agreement, a compilation volume of the seminar papers will be published in the near future.

➤ **MUSEOGRAPHY SCHOLARSHIP**

In July 2021, the current beneficiary of this grant applied for renewal for a further year. In accordance with Order ECE/1104/2019, of 25 October, approving the regulatory bases for the awarding of grants for internships at the ICO Museum and, in particular, in accordance with Article 14 thereof, and following an evaluation of the grant holder's performance and attitude during the previous months, the President of the Foundation agreed to this renewal. Therefore, in 2021, this call was not announced.

➤ **PLATFORMS FOR DISCUSSION**

Fundación ICO promotes and collaborates in platforms for debate that encourage reflection and analysis by experts through the creation of work forums and the exchange of experiences and knowledge on highly specialised subjects, most of which are complementary to the activities carried out by ICO, thus enhancing the Institute's image.

- **47th EIBA Annual Conference.**

The annual meeting of the European International Business Academy (EIBA), organised by the Complutense Institute of International Studies (ICEI) together with the Faculty of Economics and Business Studies of the Complutense University of Madrid (UCM), was sponsored by Fundación ICO.

It was held from 10 to 12 December 2021, under the title "Companies, innovation and localisation. Rethinking international business for sustainable development in the post-pandemic period", addressing the link between international companies and innovation and local contexts in the face of the challenges of the Sustainable Development Goals (SDGs).

- **Bruegel Membership.**

Bruegel, as an international non-profit organisation, established in Brussels in 2004, has as its mission to contribute to improving the quality of economic policies through research, analysis and open debates, which are of interest to Fundación ICO and in line with its action plan.

➤ **OTHER COLLABORATIONS**

- **XII Spanish Economics Olympiad.**

Organised by the Faculty of Economics, Business and Tourism of the University of Alcalá, it was sponsored by Fundación ICO and took place on 21, 22 and 23 June 2021.

This academic and educational competition aims to stimulate the study of economics and business economics among young people, to reward effort and academic excellence, and to establish stable links between university education and other educational levels.

- **XVIII edition of the FVT 2021 Awards.**

These awards were organised by the Victims of Terrorism Foundation and sponsored by Fundación ICO, and were presented on 15 December 2021 in Madrid.

These awards aim to raise awareness and recognition of all victims of terrorism; the promotion of democratic values, the defence of human rights, plurality and the freedom of all citizens.

- **Economics and sustainability: The debate on management in the history of economic thought.**

Sponsorship for the publication of the book, "Economía y sostenibilidad: El debate de la gestión en la historia del pensamiento económico" (Economics and sustainability: The debate on management in the history of economic thought), by Professor D. Javier de Arribas Cámara, due to the interest of Fundación ICO in the promotion and dissemination of economic thought and its different schools; support for economic and financial education, as well as providing the possibility of disseminating the work of Fundación ICO among a diverse university audience.

6.2 SUPPLIERS

The ICO Group is governed by Law 9/2017, of 8 November, on Public Sector Contracts, although to a different extent depending on the legal nature of each of the entities that form part of the ICO Group. Thus, Instituto de Crédito Oficial and Fundación ICO have the status of contracting authority and do not have the status of public administration. Therefore, the procurement of both entities is to a large extent governed by the aforementioned law in the terms established for entities with this status in accordance with the provisions of articles 316 et seq. of the aforementioned law.

Furthermore, ICO, as a Corporate State-Owned Entity, is subject to centralised procurement rules, which means that a series of goods and services have been declared centralised by Ministerial Order EHA/1049/2008, of 10 April, and must be procured through the Directorate General for the Streamlining and Centralisation of Procurement.

For its part, AXIS does not have the status of contracting authority, and is governed by the provisions of Articles 321 and 322 of the aforementioned Law. In compliance with this, it has approved the Internal Contracting Instructions that regulate procurement procedures, guaranteeing the application of the principles of publicity, competition, transparency, confidentiality, equality and non-discrimination.

In accordance with the provisions of Law 9/2017, of 8 November, on Public Sector Contracts, the ICO Group analyses whether environmental and social requirements can be incorporated in accordance with the object of the contract.

In 2021, 55 tendering processes were launched for the procurement of goods and services for a total amount of 26.39 million euros, of which 24.40 million euros corresponded to the 25 tendering processes subject to harmonised regulation.

During the financial year 2021, payments to suppliers were made in the amount of 16.17 million euros.

6.3 CLIENTS

- Measures for the health and safety of consumers

The ICO Group, through its Data Protection Policy updated in 2020, guarantees the protection of all natural persons with whom it may have a relationship due to its activity with regard to the processing of personal data and the free movement of such data. With regard to its direct and indirect clients, the Institute, guided by the principles of lawfulness, transparency and purpose limitation, establishes their right of access, rectification, erasure, restriction and portability of their data, as well as their right to object to the processing of their data and to request not to be subject to a decision based solely on automated processing.

Throughout 2021, given the nature of the ICO Group's activity, there were no significant impacts on the health and safety of customers through any of the categories of products and services offered. Therefore, there were no incidents or cases of non-compliance in this area either.

- Claims systems, complaints received and their resolution

Communication with our stakeholders and, in particular, with our customers, is considered by the ICO Group to be one of the main tools for continuous improvement and for gathering information to define our future lines of action.

The ICO Group, through the centralised action of its Customer Service area, has three channels for communication with its customers:

- Written customer service is provided through the corporate website (https://www.ico.es/web/ico/contact), where customers can request further information about the products or express their complaints or suggestions. This tool also allows us to ascertain the actions and information that the institutions' offices have on the ICO Group's facilities. This tool also enables clients to learn about other ICO Group activities not necessarily related to financing products.

- There is a call centre, managed by the firm Konecta, which communicates with customers through telephone calls, the Click to Call application, and through Web Chat, a customer communication channel implemented in 2020.

- The ICO Group has implemented face-to-face customer service to assist all clients who decide to request information or make their complaints and suggestions directly at the Institute's premises.

During the financial year 2021 there has been a general decrease in the activity of the ICO customer service channel compared to 2020 (61% lower) as a result of the lower need for guaranteed financing by companies and, likewise, due to the end of the application period for the Avales Arrendamientos facility in August 2021. However, the demand for information from citizens has remained high and the use of tools such as Web Chat and the Click to Call application has increased significantly.

Support channel	2021	2020	Variation (%)
Complaints	537	1,493	-64%
Requests for information	5,231	12,402	-58%
Suggestions	7	32	-78%
Face-to-face support	157	152	3%
Telephone support	15,485	48,087	-68%
Click to Call	905	105	762%
Web chat	2,235	92	2329%
Total	**24,400**	**62,211**	**-61%**

The following conclusions can be drawn from the analysis of customer information:

Customer complaints are mainly focused on the rejection of applications for financing underwritten by the institution's risk policy.

In relation to the management of financial institutions, mainly in the first months of the year, customer complaints focused on the Guarantee Facilities and the extension of their terms, with the common reasons for complaints being processing problems, rejection of applications and disagreement with conditions.

In relation to the management of the ICO Group, 5 complaints were received during the year, none of which resulted in a serious impact on the management of ICO. Two of them referred to the Guarantee Facility and the extension, two to different aspects of the lending activity and one to the processing of personal data.

On the other hand, the requests for information received from customers focused on the Guarantee Facilities, the main reasons for enquiries being the conditions of the product, the cost of the guarantee or the possibility of amortising other operations.

The average response time amounted to 4.4 days for complaints, as they required third party checks, and decreased to 1.75 days for requests for information.

By the end of 2021, almost all complaints and requests for information received had been answered.

6.4 CORPORATE VOLUNTEERING

Corporate volunteering enables the ICO Group, through the solidarity, dedication and vocation of its staff, to contribute directly to the maintenance of social cohesion and development of the local community, through local social entities.

Through its Corporate Social Responsibility (CSR) policy, ICO is committed to contributing to the social purpose of third sector entities by signing alliances and collaboration agreements. This commitment is materialised in the annual preparation and development of a corporate volunteering plan in which actions are carried out to support the activities of third sector organisations and training actions in which ICO employees contribute their experience and knowledge to entrepreneurs and groups at risk of social and employment exclusion.

Throughout 2021, this commitment materialised in a series of activities carried out in collaboration with the following entities:

- Fundación Leucemia y Linfoma (the Leukaemia and Lymphoma Foundation) → collaborated in the 12th edition of the Fundación Leucemia y Linfoma Basketball Tournament and the Regalos con Corazón (Gifts with Heart) campaign, both organised to raise awareness of the need to take an active role in the fight against leukaemia, lymphoma and myeloma by donating bone marrow. In total, a contribution of €2,500 was made.

- The Gmp Foundation → participated in the 21st Paddle Tennis Tournament for Companies, which raised funds for the care of 20 children with severe brain damage and families with limited economic resources in rehabilitation centres. A contribution of €1,750 was made.

- The Madrid Golf Federation → participated in the 2021 edition of the Adapted Golf Tournament to promote awareness and participation in support activities that favour the social insertion of people with intellectual disabilities and disadvantaged groups. A contribution of €1,000 was made.

- Rafael del Pino Foundation → workshops given by ICO employees in schools in the Community of Madrid to raise awareness of the 10 Principles of the Global Compact and the SDGs among high school students. No monetary contribution was made.

7 TAX AND GRANTS INFORMATION

Profit before tax in 2021 (consolidated data for ICO and AXIS): 194.67 million, profits earned in Spain. The corporate income tax accounted for amounted to 54.81 million euros.

Fundación ICO prepares its accounts separately from the other entities of the ICO Group. The profit before tax in 2021 was 339,769.28 euros. The Foundation does not pay tax on the profits arising from its foundational activities, by virtue of the provisions of Law 49/2002, of 23 December, on the Tax Regime for Non-Profit Entities and Tax Incentives for Patronage.

In 2021, Fundación ICO received a grant of 60,000 euros from the Ministry of Transport, Mobility and Urban Agenda under the General State Budget Law for 2021, within the budget application 17.10.261O. 78714 "Capital transfers to Families and Non-Profit Institutions". ICO and AXIS do not receive public subsidies.

8 ABOUT THE REPORT

This report has been prepared in accordance with the Global Reporting Initiative (GRI) standard for sustainability reporting, as well as taking into account our contribution to the Sustainable Development Goals and the targets set by the UN for 2030.

This report follows the GRI methodology, allowing us to report on the most relevant issues relating to the company's sustainability and management.

As with other editions, internal organisation documents such as the Strategic Plan, the Corporate Manual and other sources of information considered relevant in painting a realistic picture of the company’s fulfilment of social sustainability and responsibility have been used to draft this report.

8.1 SCOPE

The information in this report relates to the ESG performance of the ICO Group between 1 January and 31 December 2021. Wherever possible, data has been provided on a consolidated level. Where the information does not refer to all the companies included in the scope, this is expressly stated.

8.2 PRINCIPLES FOR THE PREPARATION OF THE REPORT

In accordance with the guidelines of the European Commission (2017/C 215/01), the following principles have been observed in the preparation of this Integrated Report:

- MATERIALITY AND STAKEHOLDERS. The content of this Report has been defined taking into account the stakeholders and material aspects identified.

- LEADERSHIP. The Report is approved by the Operations Committee, the ICO Group's most senior administrative and management body, and endorsed by the General Board in its capacity as the Institute's most senior governing body. The ICO Group's Management approves the allocation of resources necessary for the preparation and auditing of the report.

- COMPARABILITY. To provide information on the ICO Group's progress in the subjects included in the scope, the Report includes data not only for the financial year 2021, but also sometimes for the previous year.

- BALANCE. To submit a balanced and fair presentation, this Report has been prepared in accordance with the GRI standards. In addition, the requirements of the United Nations' Global Compact Progress Report relating to the development of its 10 Principles have been observed.

- PUNCTUALITY AND REGULARITY. The ICO Group prepares annual economic-financial, social responsibility and corporate governance reports. The information covered refers to the calendar year. The ICO Group prepares and presents the above information in an integrated manner.

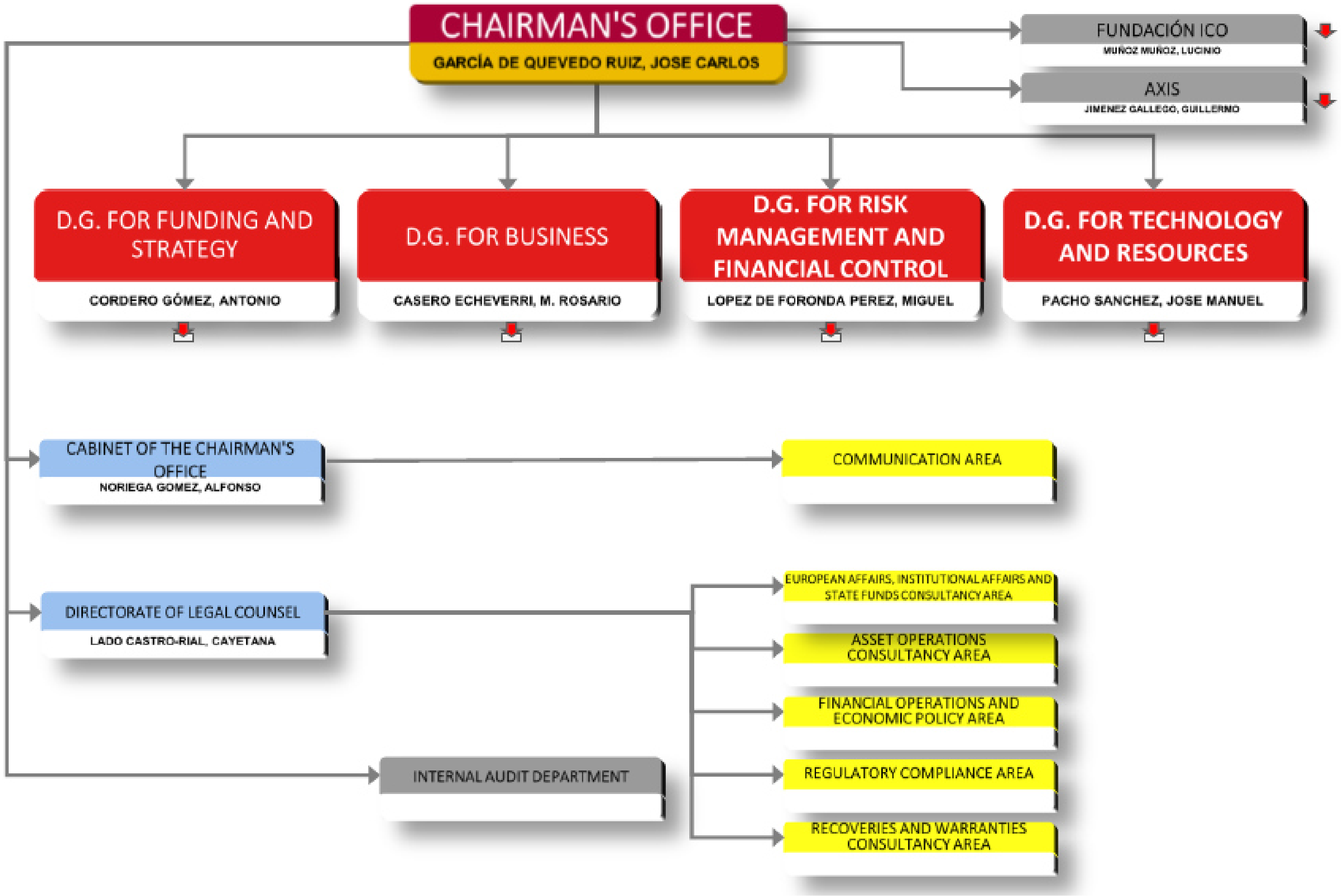
- CLARITY, ACCURACY AND RELIABILITY. The ICO Group has submitted the contents of the Annual Report for verification by independent experts. In relation to the annual accounts and financial information, the verification has been carried out by the Comptroller General of the State Administration (IGAE), and by Mazars Auditores, S.L. In relation to the GRI standard for the preparation of social responsibility reports, the verification has been carried out by CAVALA Gabinete de Asesoría Empresarial, S.L. During the verification process, it has been verified that the document's structure allows for the information to be read easily and clearly. In addition, the accuracy of the information and reliability of the sources used was verified.

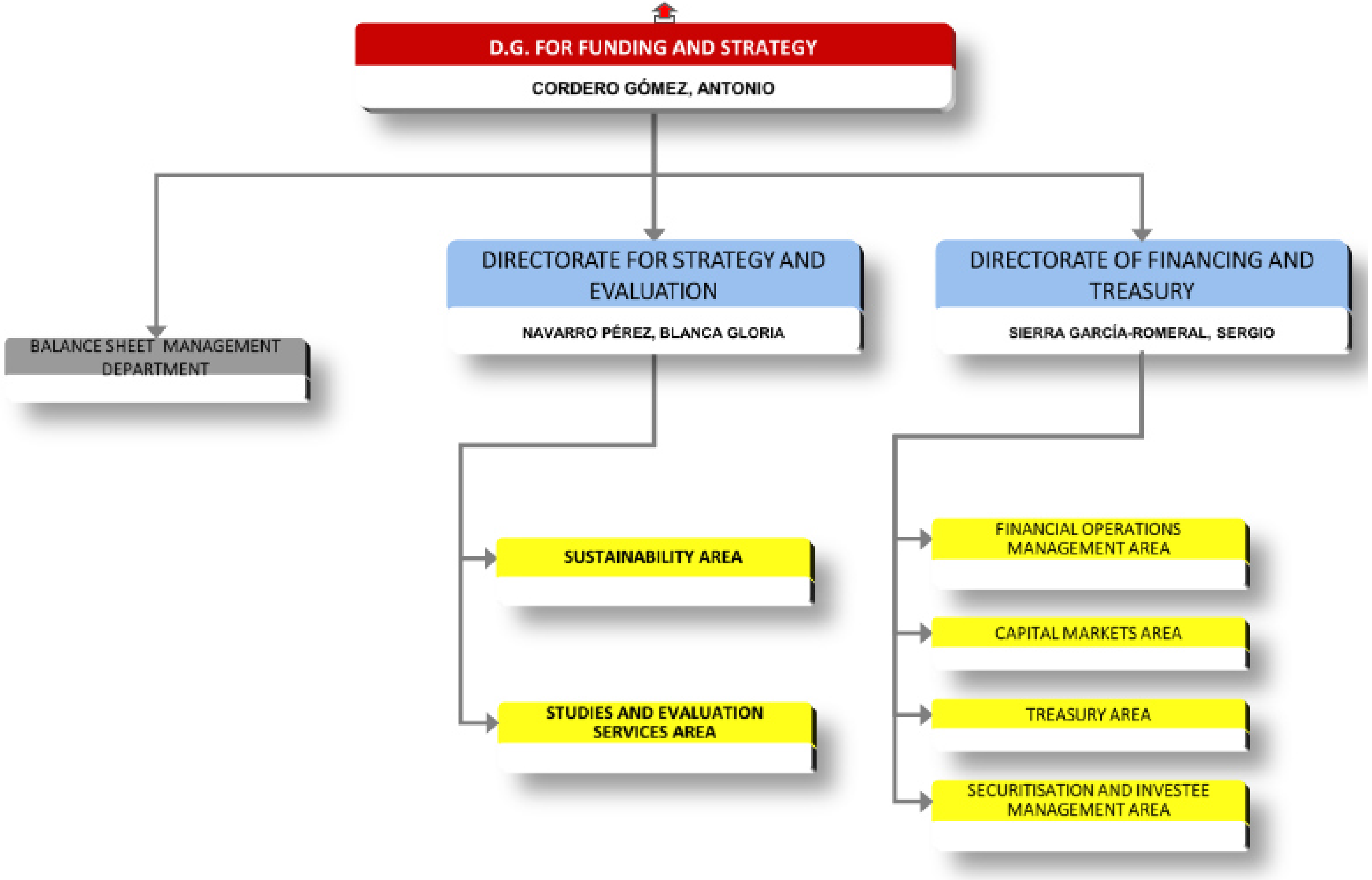
8.3 CONTACT

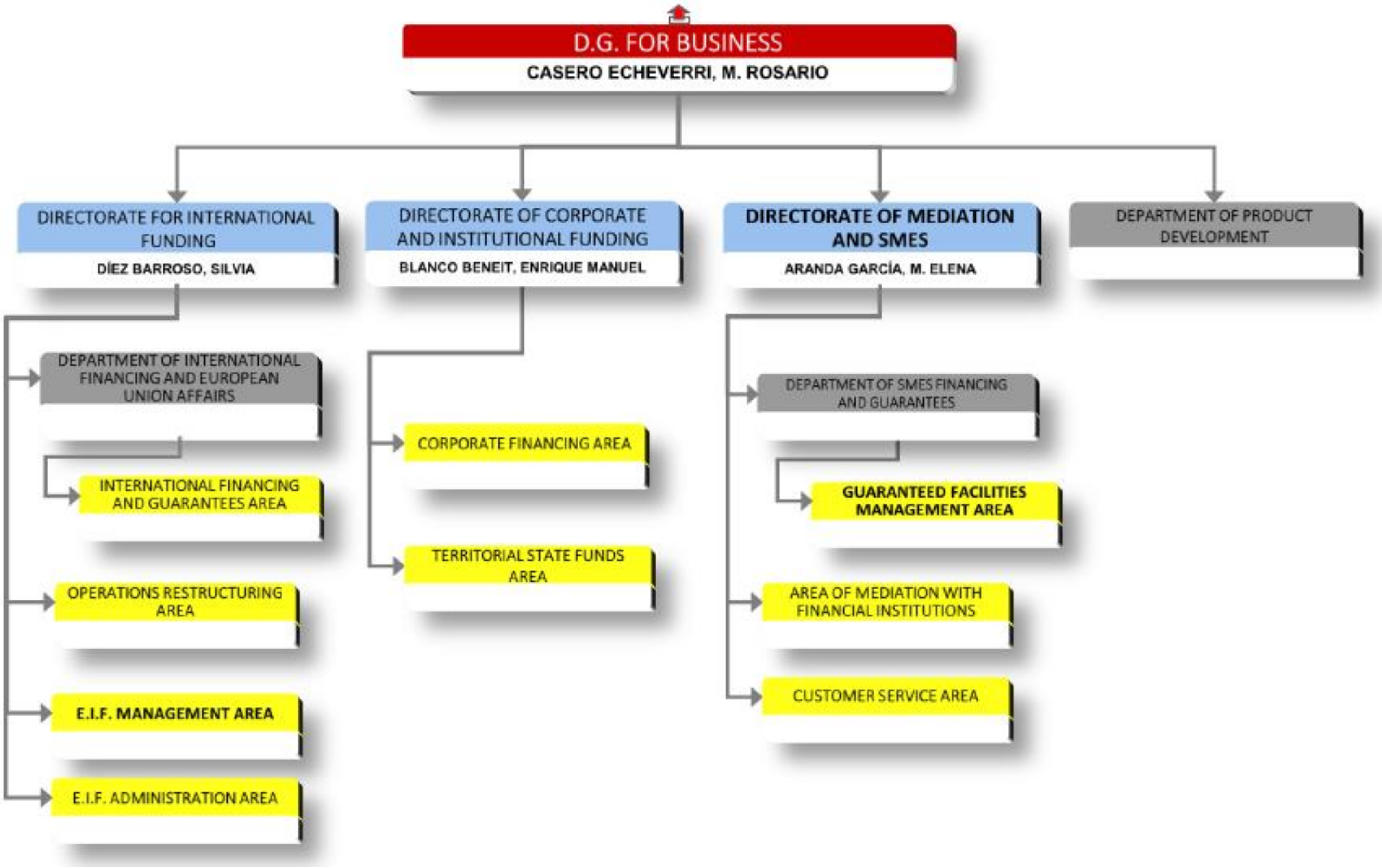
For any questions related to the content of this report, you may contact: rse@ico.es.

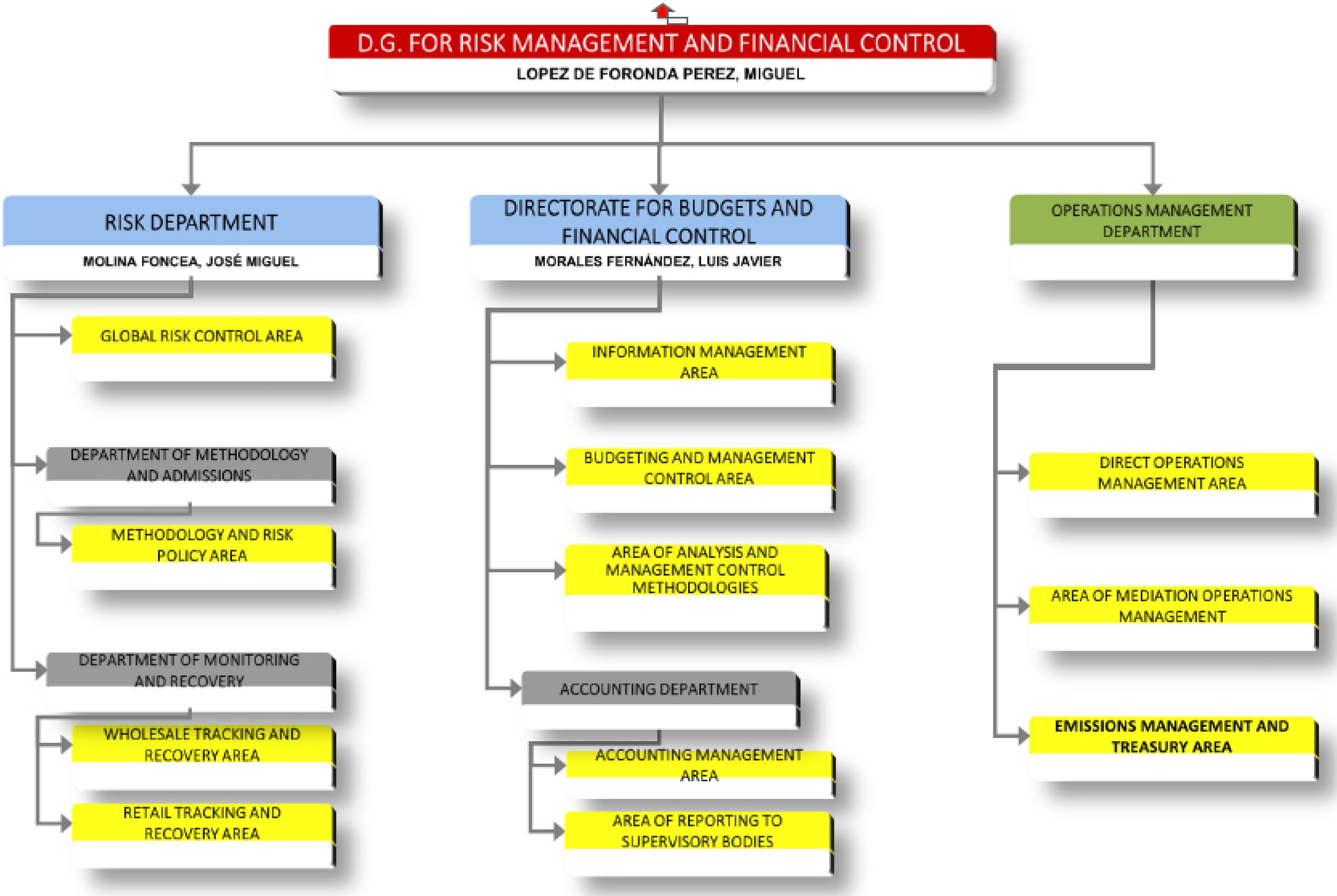
9. ORGANISATION CHART OF ICO GROUP ENTITIES AS AT 31.12.2021

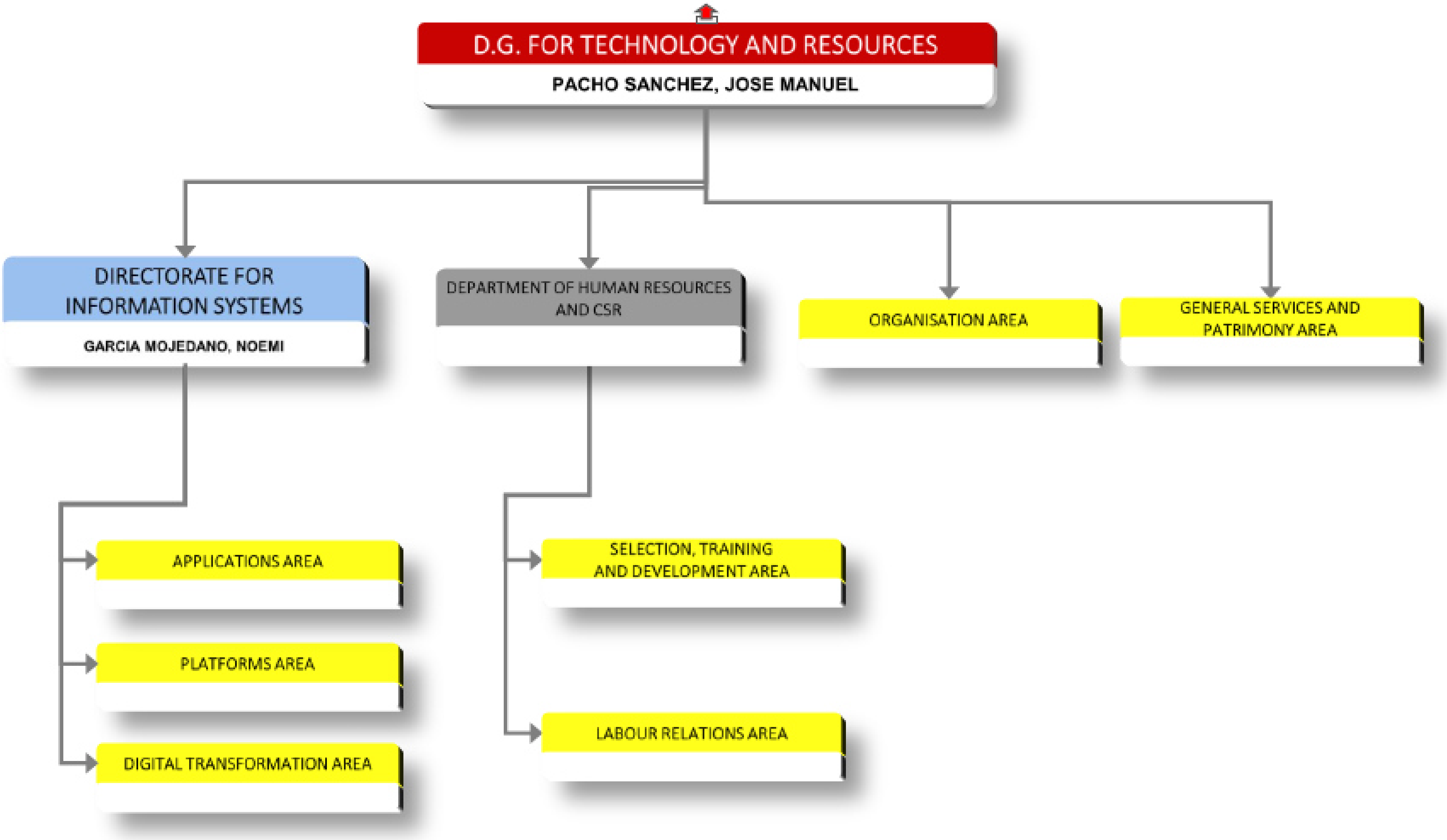
- **ICO**



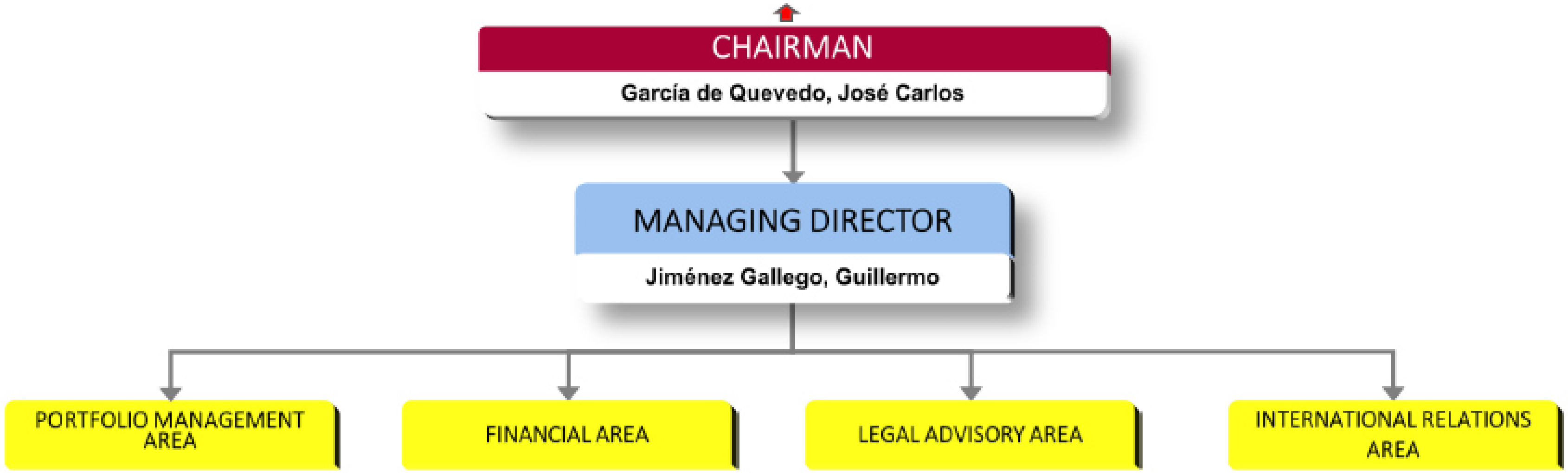

D.G. FOR FUNDING AND STRATEGY
CORDERO GÓMEZ, ANTONIO
BALANCE SHEET MANAGEMENT DEPARTMENT
DIRECTORATE FOR STRATEGY AND EVALUATION
NAVARRO PÉREZ, BLANCA GLORIA
DIRECTORATE OF FINANCING AND TREASURY
SIERRA GARCÍA-ROMERAL, SERGIO
SUSTAINABILITY AREA
STUDIES AND EVALUATION SERVICES AREA
FINANCIAL OPERATIONS MANAGEMENT AREA
CAPITAL MARKETS AREA
TREASURY AREA
SECURITISATION AND INVESTEE MANAGEMENT AREA


D.G. FOR BUSINESS
CASERO ECHEVERRI, M. ROSARIO
DIRECTORATE FOR INTERNATIONAL FUNDING
DÍEZ BARROSO, SILVIA
DIRECTORATE OF CORPORATE AND INSTITUTIONAL FUNDING
BLANCO BENEIT, ENRIQUE MANUEL
DIRECTORATE OF MEDIATION AND SMES
ARANDA GARCÍA, M. ELENA
DEPARTMENT OF PRODUCT DEVELOPMENT
DEPARTMENT OF INTERNATIONAL FINANCING AND EUROPEAN UNION AFFAIRS
INTERNATIONAL FINANCING AND GUARANTEES AREA
OPERATIONS RESTRUCTURING AREA
E.I.F. MANAGEMENT AREA
E.I.F. ADMINISTRATION AREA
CORPORATE FINANCING AREA
TERRITORIAL STATE FUNDS AREA
DEPARTMENT OF SMES FINANCING AND GUARANTEES
GUARANTEED FACILITIES MANAGEMENT AREA
AREA OF MEDIATION WITH FINANCIAL INSTITUTIONS
CUSTOMER SERVICE AREA

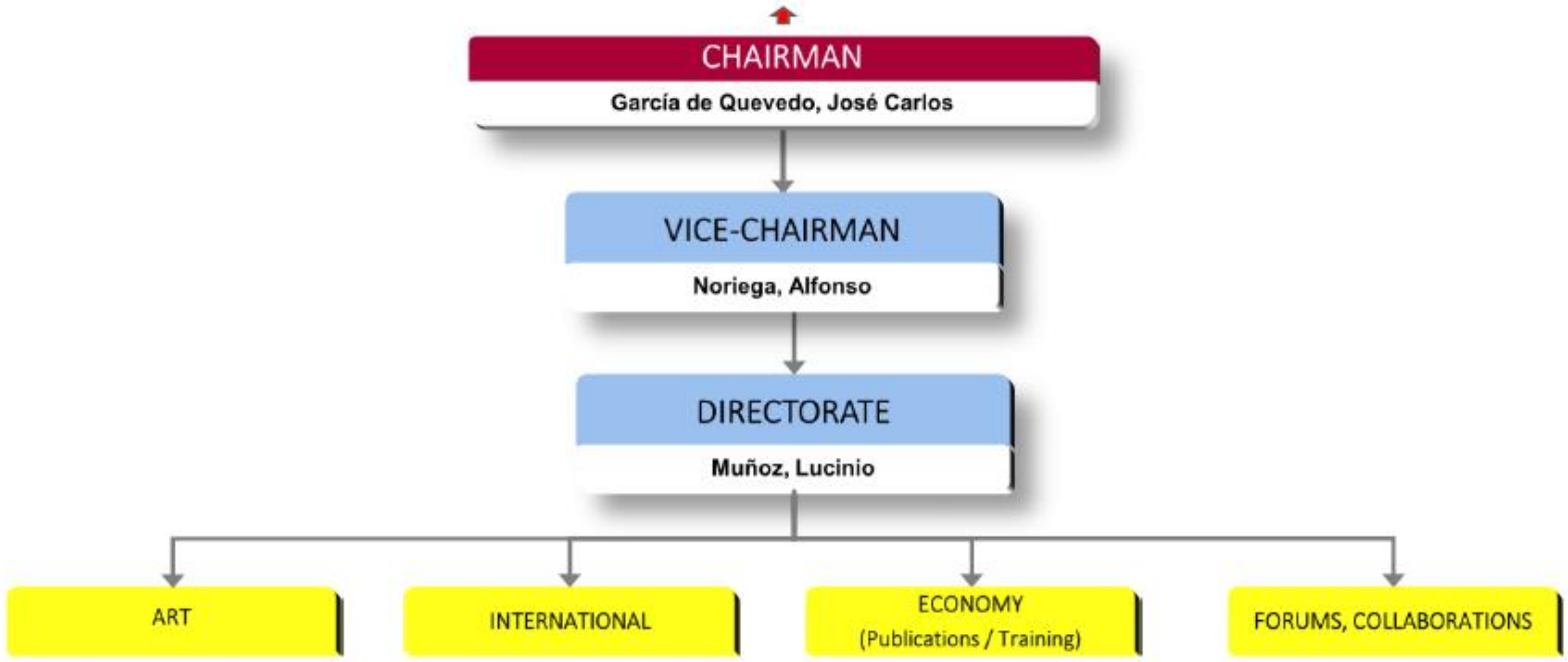

D.G. FOR RISK MANAGEMENT AND FINANCIAL CONTROL
LOPEZ DE FORONDA PEREZ, MIGUEL
RISK DEPARTMENT
MOLINA FONCEA, JOSÉ MIGUEL
DIRECTORATE FOR BUDGETS AND FINANCIAL CONTROL
MORALES FERNÁNDEZ, LUIS JAVIER
OPERATIONS MANAGEMENT DEPARTMENT
GLOBAL RISK CONTROL AREA
DEPARTMENT OF METHODOLOGY AND ADMISSIONS
METHODOLOGY AND RISK POLICY AREA
DEPARTMENT OF MONITORING AND RECOVERY
WHOLESALE TRACKING AND RECOVERY AREA
RETAIL TRACKING AND RECOVERY AREA
INFORMATION MANAGEMENT AREA
BUDGETING AND MANAGEMENT CONTROL AREA
AREA OF ANALYSIS AND MANAGEMENT CONTROL METHODOLOGIES
ACCOUNTING DEPARTMENT
ACCOUNTING MANAGEMENT AREA
AREA OF REPORTING TO SUPERVISORY BODIES
DIRECT OPERATIONS MANAGEMENT AREA
AREA OF MEDIATION OPERATIONS MANAGEMENT
EMISSIONS MANAGEMENT AND TREASURY AREA


D.G. FOR TECHNOLOGY AND RESOURCES
PACHO SANCHEZ, JOSE MANUEL
DIRECTORATE FOR INFORMATION SYSTEMS
GARCIA MOJEDANO, NOEMI
DEPARTMENT OF HUMAN RESOURCES AND CSR
ORGANISATION AREA
GENERAL SERVICES AND PATRIMONY AREA
APPLICATIONS AREA
PLATFORMS AREA
DIGITAL TRANSFORMATION AREA
SELECTION, TRAINING AND DEVELOPMENT AREA
LABOUR RELATIONS AREA

- **AXIS**


CHAIRMAN
García de Quevedo, José Carlos
MANAGING DIRECTOR
Jiménez Gallego, Guillermo
PORTFOLIO MANAGEMENT AREA
FINANCIAL AREA
LEGAL ADVISORY AREA
INTERNATIONAL RELATIONS AREA

- **Fundación ICO**



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	Description Law 11/2018	GRI Reference	GRI Description	Page / No Application
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		102-3	Location of our headquarters	
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		102-6	Markets served	
		102-7	Size of the organisation	
		102-14	Declaration of senior executives responsible for decision-making	
		102-15	Main impacts, risks and opportunities	
Policies Applied	- Policies applied by the group on non-financial aspects, due diligence procedures applied and measures taken. - Results of those policies accompanied by non-financial key performance indicators	103	Management approach	
Main risks	- Main risks related to non-financial aspects linked to the group's activities - Procedures used to identify, assess and manage these risks - Impacts identified on the main risks in the short, medium and long-term	102-15	Main impacts, risks and opportunities	
Non-Financial KPIs	Non-financial key performance indicators that are relevant to the specific business activity, and that meet the criteria of comparability, materiality, relevance and reliability.	102-15	Main impacts, risks and opportunities	
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	operations - Environmental assessment or certification procedures - Resources dedicated to environmental risk prevention - Application of the precautionary principle - Amount of provisions and safeguards for environmental risks	102-29	Identification and management of economic, environmental and social impacts
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		103	Management approach
		307-1	Failure to comply with environmental legislation and regulations
Pollution	Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment, taking into account any form of activity-specific air pollution, including noise and light pollution.	103	Management approach
		305-5	Reduction of GHG emissions
Circular Economy and Waste Prevention and Management	- Measures for prevention, recycling, reuse or other forms of recovery and disposal of waste - Actions to combat food waste	103	Management approach
		301-2	Recycled supplies
		301-3	Reused products and packaged materials
		306-1	Waste generation and significant impacts related to waste
		306-2	Management of significant waste-related impacts
		306-3	Waste generated
		306-4	Wastes not destined for disposal
		306-5	Wastes destined for disposal
Sustainable Use of Resources	- Water consumption and water supply in accordance with local constraints - Consumption of raw materials and measures taken to improve the efficiency of their use - Direct and indirect energy consumption - Measures taken to improve energy efficiency - Use of renewable energy	103	Management approach
		301-1	Materials used by weight or volume
		302-1	Energy consumption within the organisation
		302-2	Energy consumption outside of the organisation
		302-3	Energy intensity
		302-4	Reduction of energy consumption
		302-5	Reduction of products and services' energy requirements

		303-1	Interaction with water as a shared resource
		303-2	Management of the impacts related to water discharges
		303-3	Water abstraction
		303-4	Water discharges
		303-5	Water consumption
Climate Change	- Significant elements of GHG emissions generated as a result of the company's activities, including the use of the goods and services it produces - Measures taken to adapt to the consequences of climate change - Voluntary medium- and long-term reduction targets set to reduce GHG emissions - Means implemented to reduce GHG emissions	103	Management approach
		201-2	Financial implications and other risks and opportunities arising from climate change
		305-1	Direct GHG emissions (Scope 1)
		305-2	Indirect GHG emissions (Scope 2)
		305-3	Other indirect emissions (Scope 3)
		305-4	Intensity of GHG emissions
		305-5	Reduction of GHG emissions
Biodiversity Protection	- Measures taken to preserve or restore biodiversity - Impacts caused by activities or operations in protected areas	103	Management approach
		304-1	Operational sites located within or adjacent to protected areas or areas of high value to the biosphere
		304-2	Significant impacts of activities, products and services on biodiversity
		304-3	Protected or restored habitats
Employment	- Total number and distribution of employees by gender, age, country and occupational classification. - Total number and distribution of types of employment contracts, average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and occupational classification. - Number of dismissals by sex, age and occupational classification - Average earnings and their evolution broken down by gender, age and occupational	102-8	Information about employees and other workers
		102-35	Remuneration policies
		102-36	Process to determine remuneration
		102-37	Stakeholder engagement in remuneration
		102-38	Total annual compensation ratio
		103	Management approach

	classification or equal value - Pay gap, the remuneration of equal or average jobs in the company - Average remuneration of directors and executives, including variable remuneration, allowances, benefits, payments to long-term savings schemes and any other payments disaggregated by gender. - Implementation of policies of disconnection from work - Employees with disabilities	202-1	Economic value generated and distributed
		401-2	Benefits for full-time employees that are not provided to part-time or temporary employees.
		405-1	Diversity in governing bodies and amongst employees
		405-2	Base salary ration and remuneration of women compared to men
Organisation of Work	- Organisation of working time - Number of hours of absenteeism - Measures aimed at facilitating the enjoyment of work-life balance and encouraging co-responsibility on the part of both parents.	103	Management approach
		401-3	Parental leave
		402-1	Minimum notice periods for operational changes
		403-9	Injuries due to accidents at work (in its part dedicated to absenteeism)
Health and Safety	- Health and safety conditions at work - Occupational accidents (frequency and severity) and occupational diseases, disaggregated by gender	103	Management approach
		403-1	Occupational health and safety management system
		403-2	Hazard identification, risk assessment and incident investigation
		403-3	Occupational health services
		403-4	Worker participation, consultation and communication on occupational health and safety
		403-5	Worker training on occupational health and safety
		403-6	Promotion of worker health
		403-7	Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships

		403-8	Workers covered by an occupational health and safety management system
		403-9	Occupational injuries
		403-10	Occupational diseases and illnesses
Social Relations	- Organisation of social dialogue, including procedures for informing, consulting and negotiating with employees - Percentage of employees covered by collective agreements by country. - Balance of collective agreements, particularly in the field of health and safety at work.	102-41	Collective bargaining agreements
		103	Management approach
		403-4	Worker participation, consultation and communication on occupational health and safety
Training	- Policies implemented in the field of training - Total number of training hours per professional category	103	Management approach
		404-1	Average hours of training per year per employee
		404-2	Programmes to improve employees' skills and programmes to assist transition
Universal Accessibility for Persons with Disabilities	Measures implemented by the organisation to facilitate accessibility (physical and digital) for persons with disabilities	103	Management approach
Equality	- Measures taken to promote equal treatment and equal opportunities for women and men - Equality plans - Measures taken to promote employment - Protocols against sexual harassment and harassment based on gender - Integration and universal accessibility for people with disabilities - Anti-discrimination and diversity management policy	103	Management approach
		406-1	Cases of discrimination and corrective action taken
Respect for Human Rights	- Implementation of human rights due diligence procedures	102-16	Values, principles, standards and norms of conduct

	- Prevention of risks of human rights abuses and measures to mitigate, manage and redress potential abuses committed - Denunciation of cases of human rights abuses - Promotion of and compliance with the provisions of the International Labour Organisation's core conventions related to respect for freedom of association and the right to collective bargaining - Elimination of discrimination in respect of employment and occupation - Elimination of forced or compulsory labour - Effective abolition of child labour	102-17	Advisory and ethical concern mechanisms
		103	Management approach
		406-1	Cases of discrimination and corrective action taken
		407-1	Operations and suppliers whose right to freedom of association and collective bargaining may be at risk
		408-1	Operations and suppliers with a significant risk of child labour
		409-1	Operations and suppliers with a significant risk of forced or compulsory labour
		412-1	Operations subject to human rights revisions or impact assessments
		412-2	Employee training on human rights policies or procedures
		412-3	Significant investment agreements and contracts with human rights clauses or subject to human rights screening
Combating Corruption and Bribery	- Measures taken to prevent corruption and bribery - Measures to combat money laundering - Contributions to foundations and non-profit organisations	102-16	Values, principles, standards and norms of conduct
		102-17	Advisory and ethical concern mechanisms
		103	Management approach
		205-1	Operations evaluated for risks related to corruption
		205-2	Communication and training on anti-corruption policies and procedures

		205-3	Confirmed cases of corruption and measures taken
		415-1	Contributions to political parties and/or political representatives
Company Commitments to Sustainable Development	- Impact of the company's activity on employment and local development - Impact of the company's activity on local populations and territories - Relations maintained with local community actors and the modalities of dialogue established with them - Partnership or sponsorship actions	102-13	Membership of associations
		102-43	Approach to stakeholder engagement
		103	Management approach
		201-1	Economic value generated and distributed
		203-2	Significant indirect economic impacts
		204-1	Proportion of expenditure on local suppliers
		413-1	Operations with local community participation, impact assessments and development programmes
		413-2	Operations with significant (actual and potential) negative impacts on local communities
Subcontracting and Suppliers	- Inclusion of social, gender equality and environmental issues in the procurement policy. - Consideration in relations with suppliers and subcontractors of their social and environmental responsibility. - Monitoring and auditing systems and audit results	102-9	Supply Chain
		103	Management approach
		308-1	New suppliers that have passed assessment and selection filters according to environmental criteria
		308-2	Negative environmental impacts in the supply chain and measures taken
		414-1	New suppliers that have passed evaluation and selection filters according to the social criteria
		414-2	Negative social impacts in the supply chain
Consumers	- Consumer health and safety measures	103	Management approach

	- Claims systems, complaints received and their resolution	416-1	Assessment of the impact of product or service categories on health and safety
		416-2	Cases of non-compliance concerning health and safety impacts of product and service categories
		418-1	Justified complaints concerning violations of customer privacy and loss of customer data
Tax Information	- Profits earned on a country-by-country basis - Taxes on profits paid - Government grants received	103	Management approach
		201-1	Economic value generated and distributed
		201-4	Financial assistance received from the government
		207-4	Country-by-country reporting

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