



**Instituto de Crédito Oficial**

# **Investor Presentation**

**March 2023**

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**ICO Social and Green Bonds**

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# Instituto de Crédito Oficial



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



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

Based on the principle of **financial equilibrium**

**Mission:** To promote economic activities that contribute to the **growth and improved distribution of wealth**



To achieve its objectives, ICO performs three main functions

## NATIONAL PROMOTIONAL BANK

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

**Second Floor facilities**  
Channelled through financial entities

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

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

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

## INSTRUMENT OF ECONOMIC AND FINANCIAL POLICY

Instrument of Economic and Financial Policy

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

**European Union**  
Channelling of EU resources

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

**European Guarantee Fund**

**Next Generation EU**

## STATE FINANCIAL AGENCY

Management of Public Funds (off-balance sheet)

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

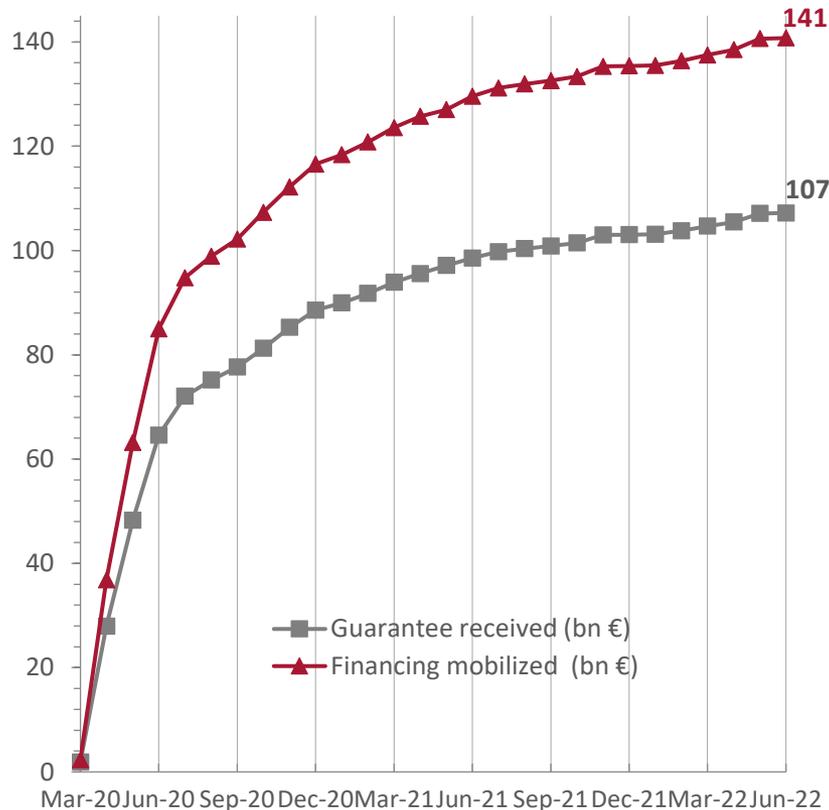
**Internationalization FIEM - CARI**  
on behalf of the Ministry of Industry, Commerce and Tourism

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

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

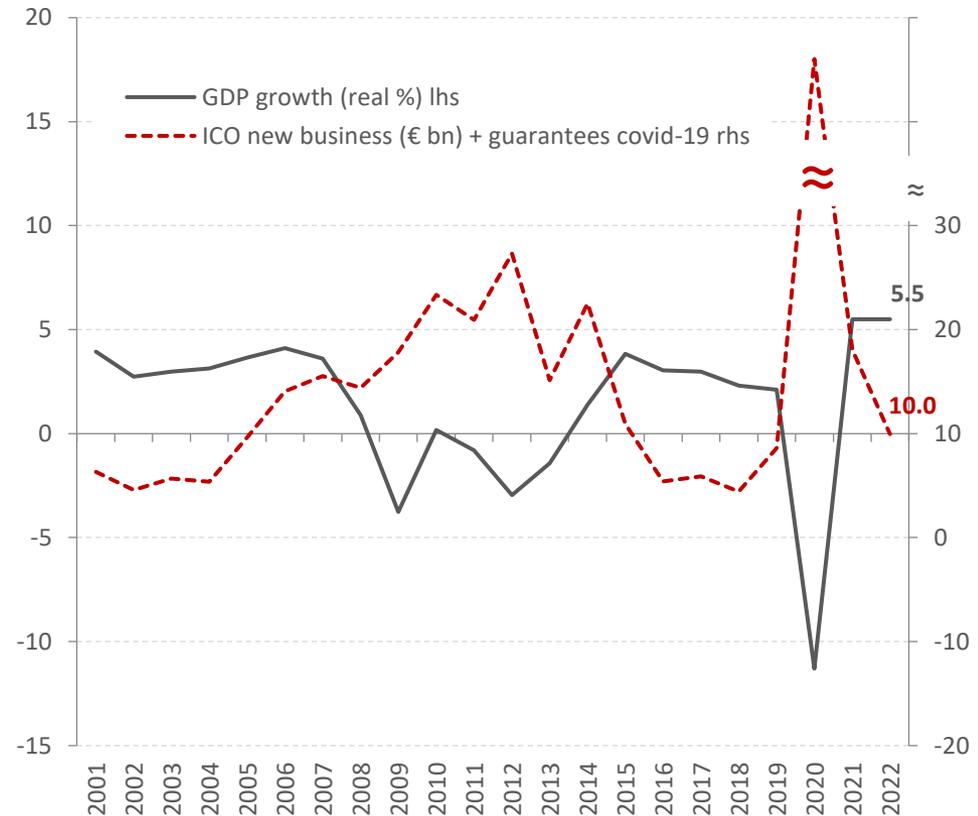
ICO, in its capacity as a national promotional bank, has traditionally worked **countercyclically** through the macroeconomic phases in the Spanish economy. ICO serves to mitigate “credit crunches” through increased credit production during economic downturns.

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



Source: ICO

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



Source: ICO, INE

## €100 billion Liquidity Guarantee Line

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

The guarantee will cover:

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

Final figures:



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

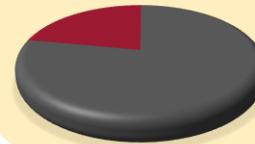
## €40 billion Investment Guarantee Line

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

The guarantee will cover:

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

Final figures:



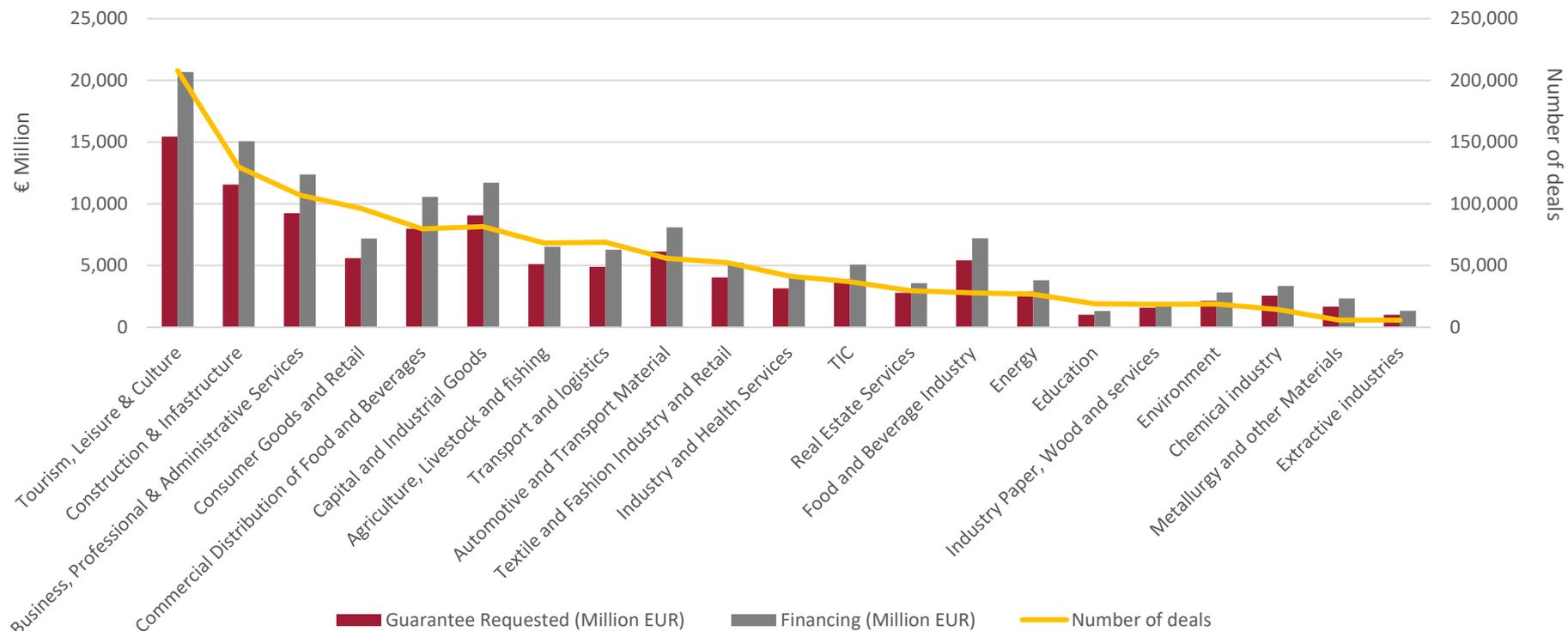
Spanish companies had received **€18.4 billion** of financing for a guaranteed amount of **over €14.3 billion**

*The application period for COVID-19 guarantee lines ended last 30<sup>th</sup> June*

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

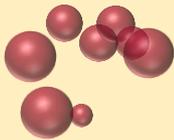
- Total financing channeled to the self-employed and Spanish companies: **€141 billion**
- Total guaranteed amount: **€107 billion**
- **More than 98%** of operations have been subscribed by SMEs (especially micro-SMEs) and self-employed
- More than **1.2 million** operations have been approved under these programmes

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



## Guarantee Programme for Mid-Caps

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



### Final figures:

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

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

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

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

## Support and flexibility measures for loans with public guarantee

- extend the maturity term of loans with public guarantee for an additional period
- convert the loans with public guarantee into participating loans
- direct transfers to reduce the principal of the debt with public guarantee, with the limit of the funds established for each organization that has granted guaranteed loans: **€2,750 Million** for guarantees managed by ICO

## Covid-19 Direct Loans

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

*The application period for COVID-19 guarantee lines **ended last 30<sup>th</sup> June***

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

## €10 billion Liquidity Guarantee Line

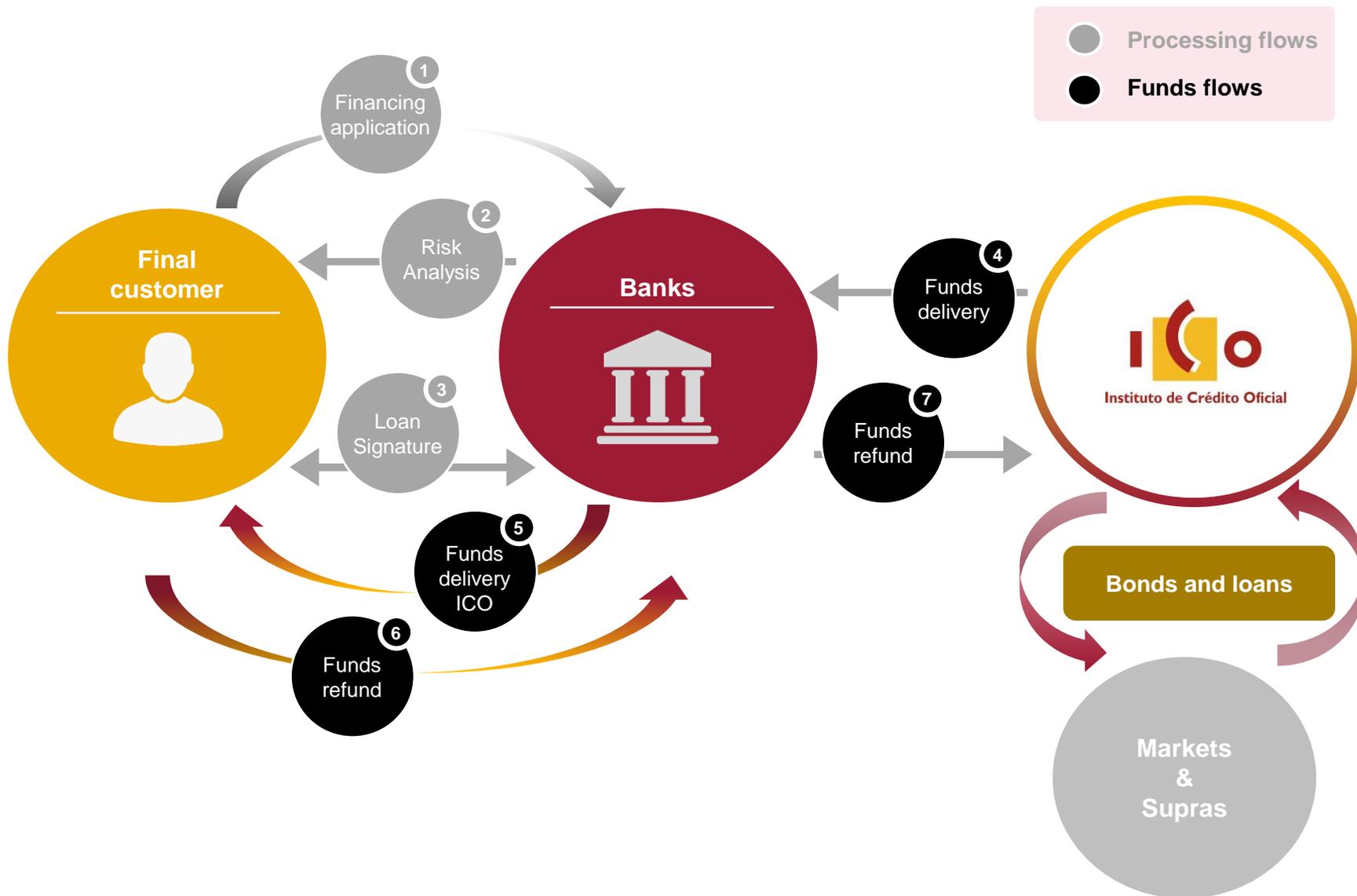
Guarantee Line within the framework of the **National Response Plan to the war in Ukraine**

The purpose of this Guarantee Line is to cover the corresponding part of the new financing operations granted by financial entities to companies and self-employed from all productive sectors (except the financial and insurance sectors), which are affected by the **economic effects of the war in Ukraine**, such as the increase in energy prices, raw materials or electricity.

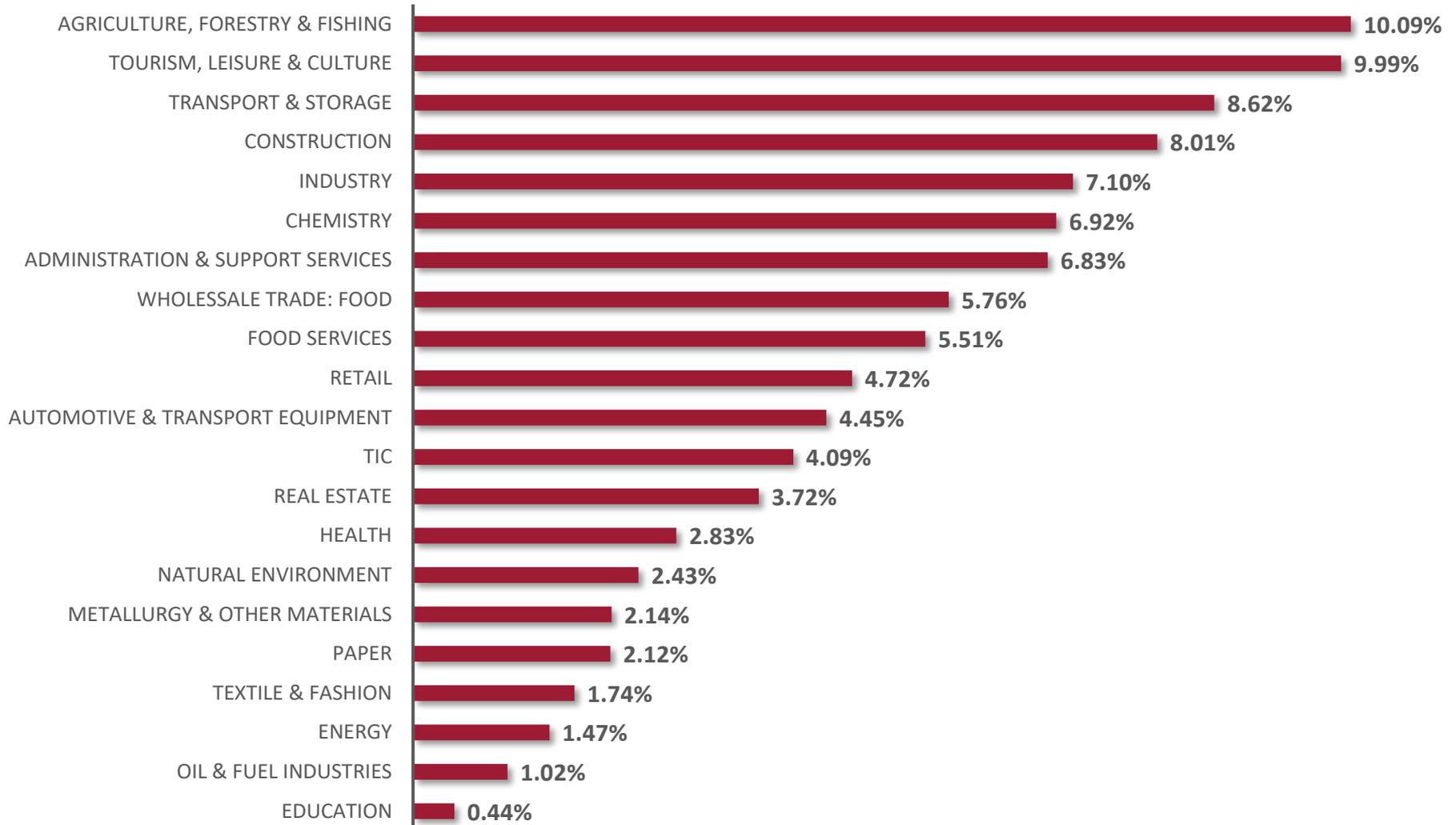
The line is intended to finance **liquidity needs** of the companies and self-employed (current expenses, working capital and investments).

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

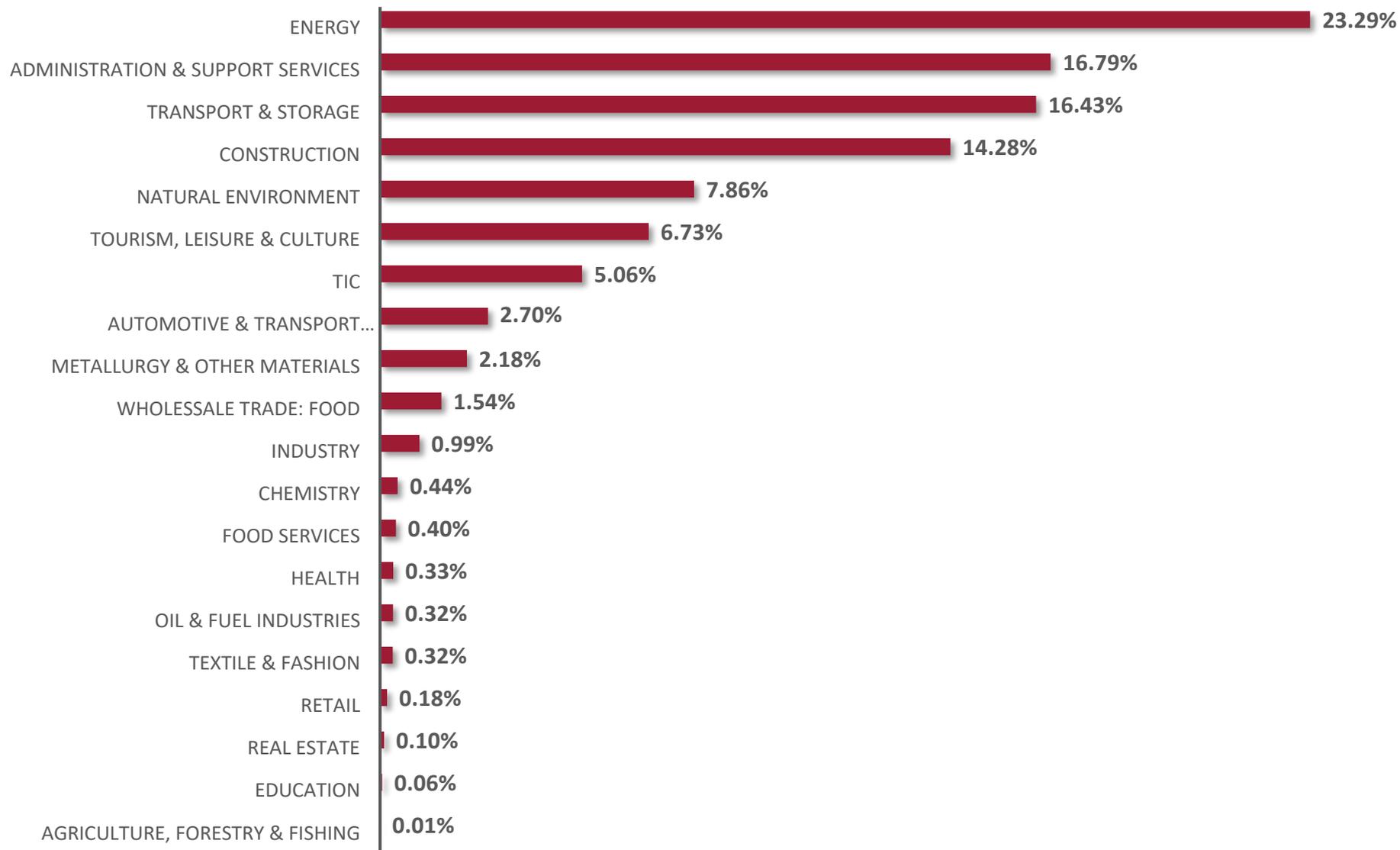
# Second-floor facilities scheme



## On-lending facilities by sectors (As at 31/12/2022)



## Outstanding amount by sectors (As at 31/12/2022)





ICO loan portfolio is roughly split 65%-35% between direct lending and second floor facilities, respectively

24% of the loan book is international

	2018	2019	2020	2021	31/12/2022*
<b>Total assets (Mill. EUR)</b>	36,237	31,823	34,386	37,766	29,775
<b>Equity &amp; reserves<sup>1</sup> (Mill. EUR)</b>	5,246	5,257	5,202	5,354	5,515
<b>Pre-tax profit (Mill. EUR)</b>	112.91	149.25	97.55	171.70	178.11
<b>Net interest income (Mill. EUR)</b>	-96.54	-28.06	-10.63	104.55	125.73
<b>Gross revenue (Mill EUR)</b>	55.23	90.53	88.22	181.86	204.58
<b>Profitability ROA</b>	0.28%	0.44%	0.29%	0.49%	0.53%
<b>Tier I Ratio</b>	40.54%	41.11%	37.21%	35.36%	33.62%
<b>Non-Performing Loans</b>					
Direct Loans	6.31%	4.72%	4.16%	3.81%	3.67%
Total loans incl. second floor loans	3.19%	2.43%	2.33%	2.33%	2.31%
Provision coverage ratio	154%	168%	145%	157%	171%
<b>Efficiency</b>					
Ordinary Expenditure/ATA	0.10%	0.12%	0.12%	0.13%	0.14%

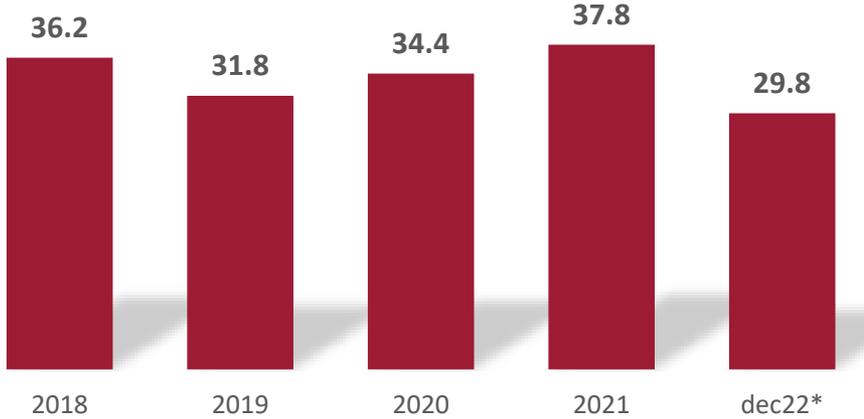
Source: ICO

\* Unaudited figures

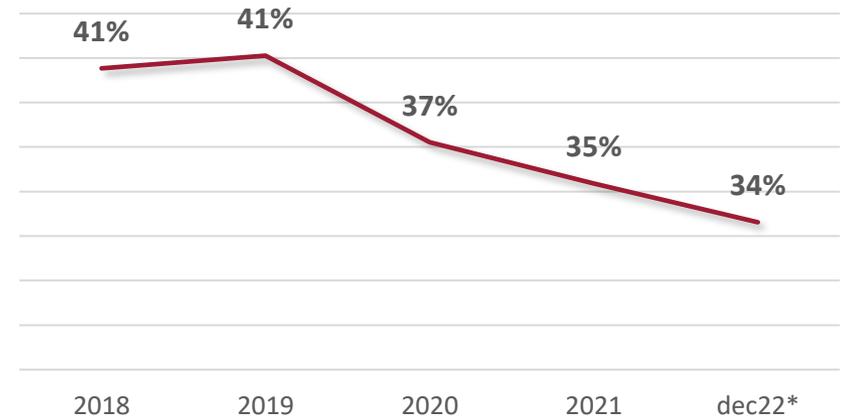
(1) Eligible capital for solvency purposes.

According to the forty-ninth Additional Provision of Act 42/2006 on the General-Government Budget Act, Tier I Ratio may in no case fall below 9.50%. ICO's own funds are of the highest quality (only equity and reserves). ICO has not issued neither subordinated debt, preferred stocks, contingent convertibles nor any other hybrid instruments.

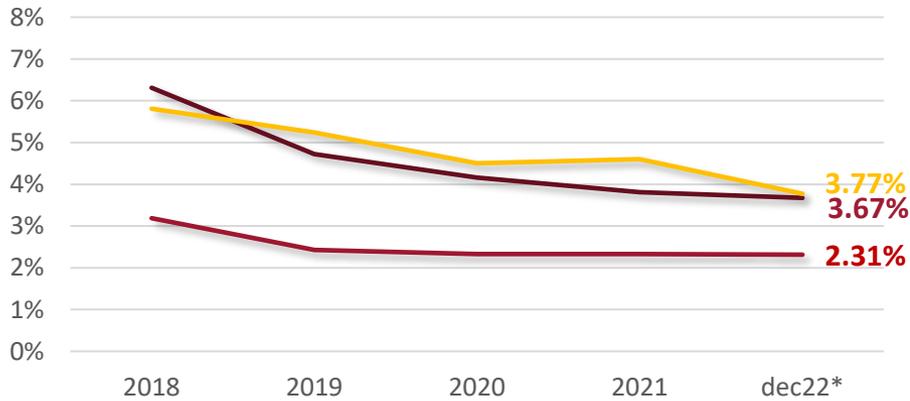
## Total Assets (EUR billion)



## TIER I capital ratio %

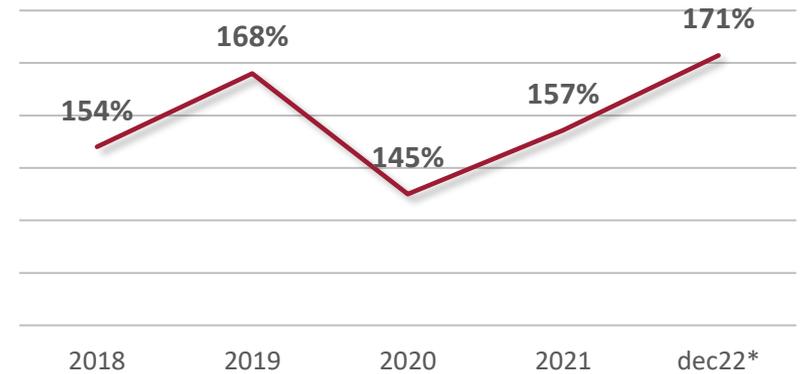


## NPL Ratios %



- ICO Direct Loans
- ICO Total Loans (incl. mediation)
- Total Spanish Financial System

## Provision coverage ratio %



Source: ICO  
\*unaudited figures

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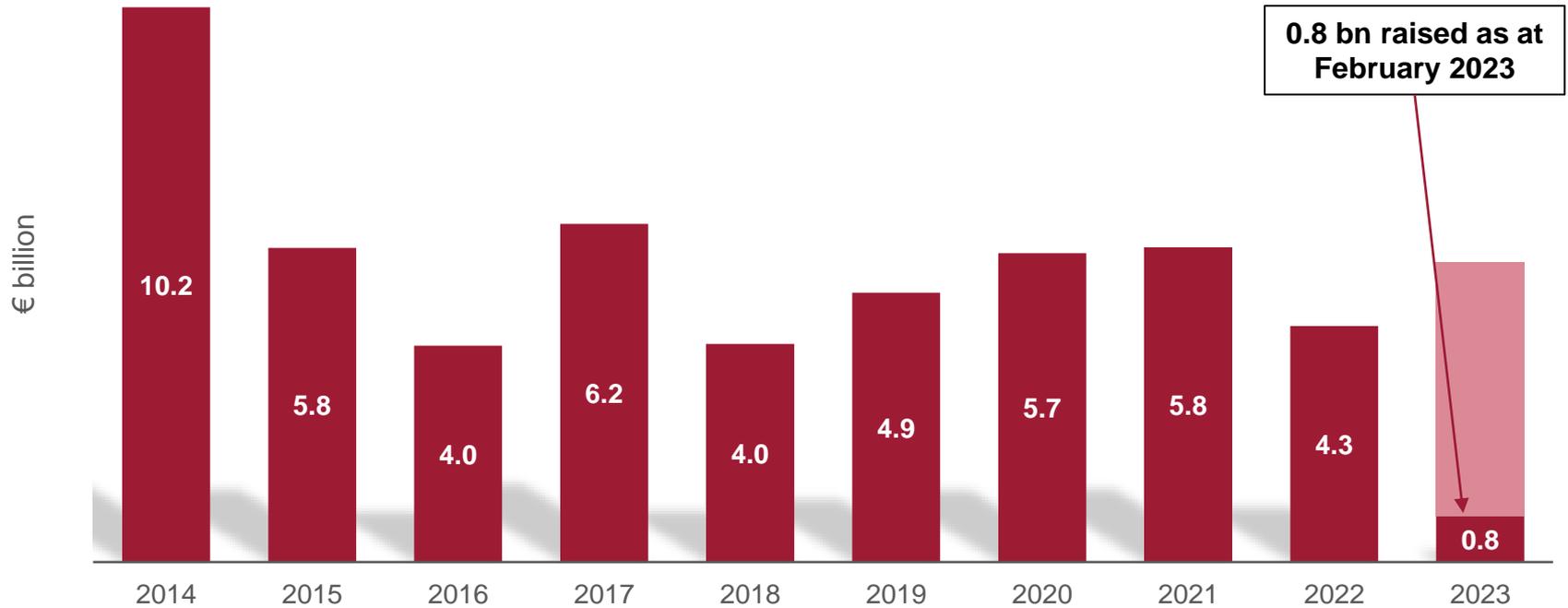
# Funding Profile







# Funding activity



As at 28<sup>th</sup> February 2023

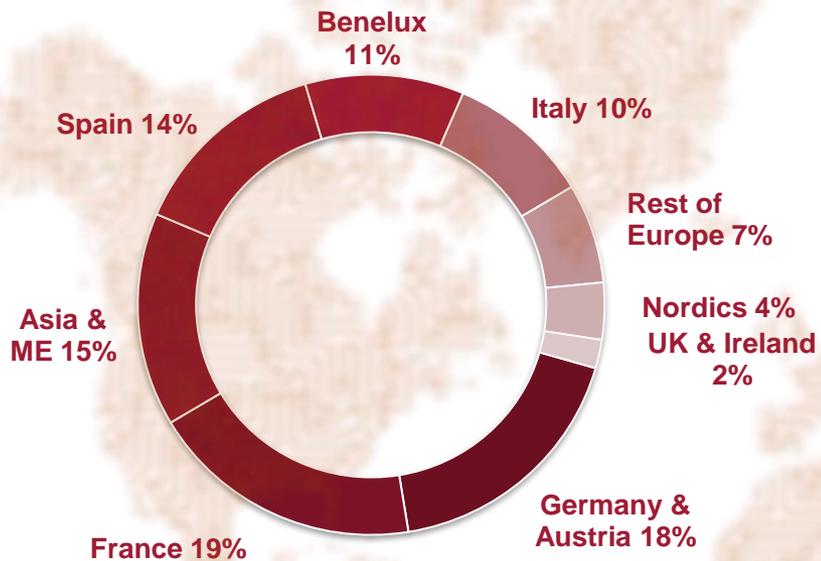


As at 28/02/2023

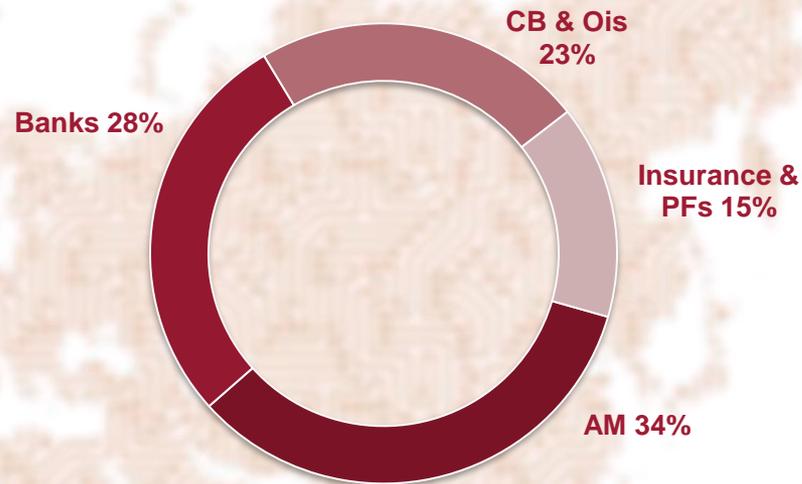
# Borrowing Profile

(benchmark transactions 2022)

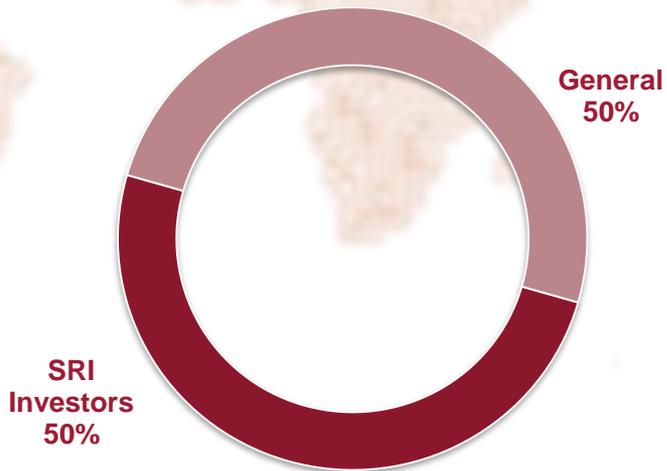
### By Region

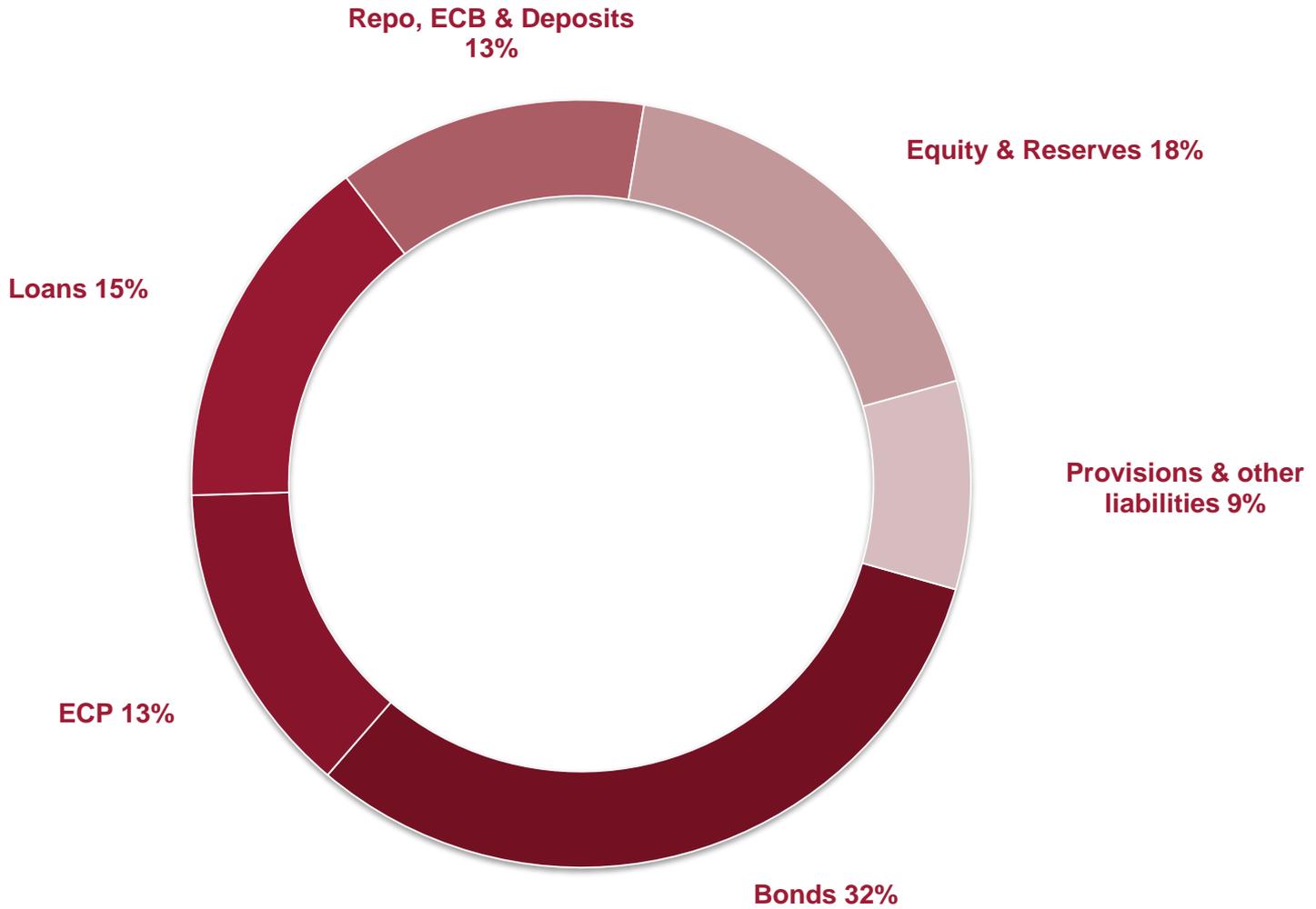


### By Investor Type



### By ESG participation





**Total Liabilities: €29,775 Million**

3

# ICO Social and Green Bonds



ICO issued its inaugural social bond in early 2015 when no guidelines were still established on this regard. Since this first issuance, ICO has demonstrated its leadership in the social bond market, having issued **9 social bonds amounting to over €4,550 Million**, so far.

ICO reinforced this commitment to the sustainable bond market with the debut on the green bond market in 2019. Since then, the institution has issued **5 green bonds amounting to €2,500 Million**.

ICO has become a referent in the sustainable bond market by having issued **more than €7,050 Million** in different types of sustainable bonds that will help to contribute to a more sustainable world.



Aligned with best in class market standards



## Framework (June 2021)



## Second Party Opinion (June 2021)



### Project Categories



Renewable energy



Pollution prevention and Control



Green buildings



Environmentally sustainable management of living natural resources and land use



Energy efficiency



H2 Hydrogen production & storage



Clean transportation



Sustainable water and wastewater management

### SUSTAINABLE DEVELOPMENT GOALS



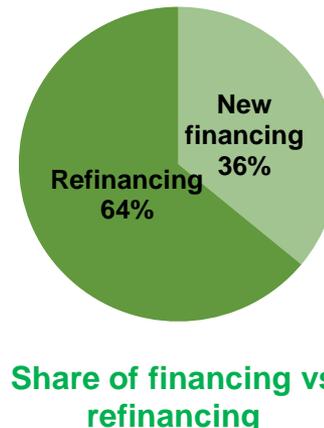
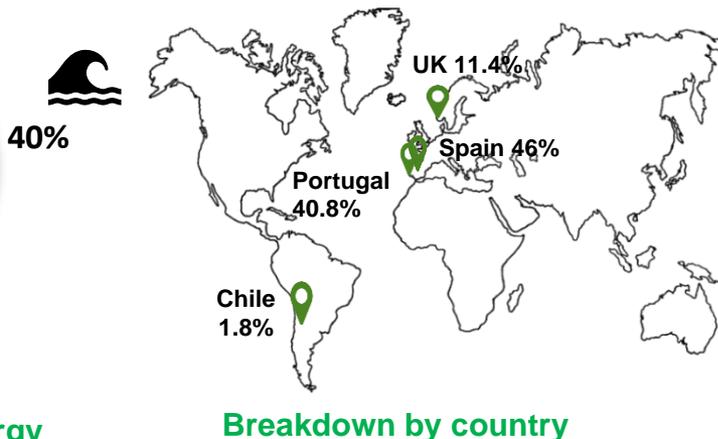
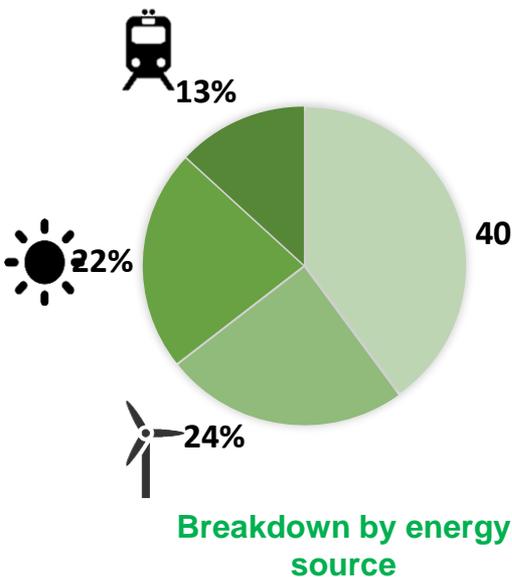
Green Bond €500 Million 0% due April 2027 launched June 2021 (ISIN XS2356033147)



## Green Bond Reporting



## Portfolio Review (Sustainability)

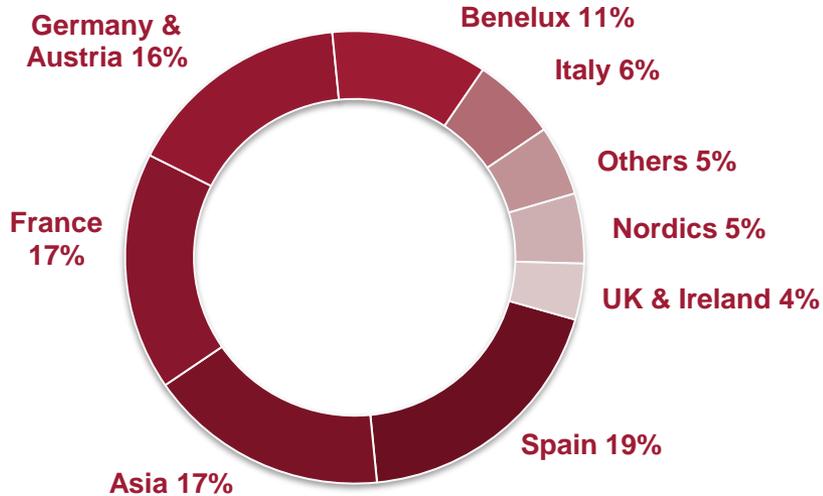


Type of Project	Energy Capacity Installed (MW)	Energy Production Distributed (MWh)	No. Charging points	Distance (Km)	Estimated Charge 2023 (MWh)	Annual GHG emissions avoided (Tn CO2e)	Allocated million EUR
Wind Power	524	1,456,400	-	-	-	36,092	122,140,997
Solar Power (*)	654	1,460,000	-	-	-	47,474	112,392,398
Hydropower	1,158	300,000	-	-	-	21,953	200,000,000
Clean transportation	-	-	2,345	3,600,000	10,686	8,592	65,466,605
<b>Total</b>	<b>2,336</b>	<b>3,216,400</b>	<b>2,345</b>	<b>3,600,000</b>	<b>10,686</b>	<b>114,111</b>	<b>500,000,000</b>

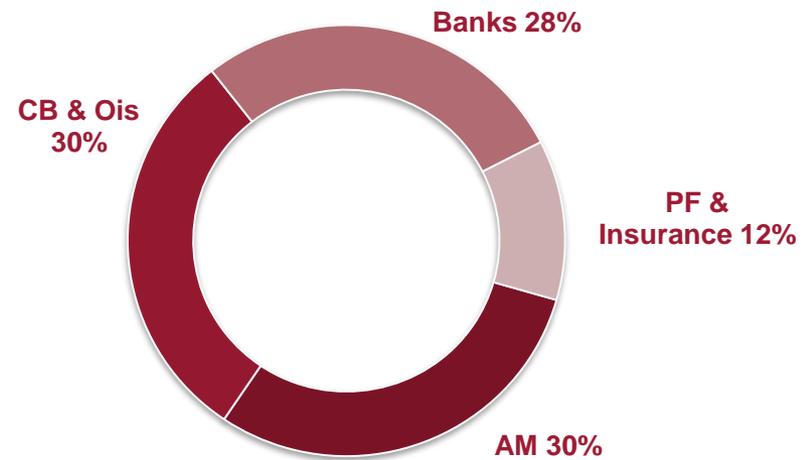
(\*) Solar Power includes Photovoltaic sources (100%)

## GREEN BOND €500 Million 3.05% Oct 2027 Issued in February 2023

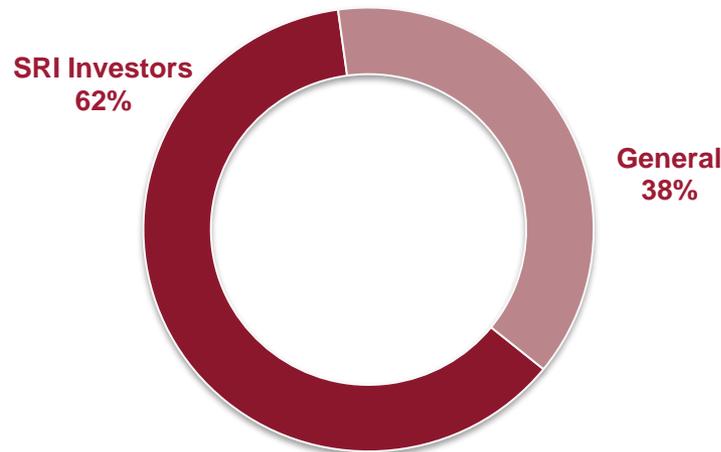
### By Region



### By Investor Type



### By ESG participation



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

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



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

 SUSTAINALYTICS  
SECOND-PARTY  
OPINION



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



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

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



## Social Housing

1%

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



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

7%

- €15.85 Million allocated
- **1 hospital** built
- **207 beds**
- **339,494 patients** benefitting from healthcare or medical treatment



## SME

### SME Lending (1) Economically underperforming regions

75%

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



### Socioeconomic advancement and empowerment

3%

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



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

14%

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



## Social Bond Reporting

Instituto de Crédito Oficial

Report of Management Committee

15 September 2022

1. Introduction

2. Evaluation Criteria

3. Results

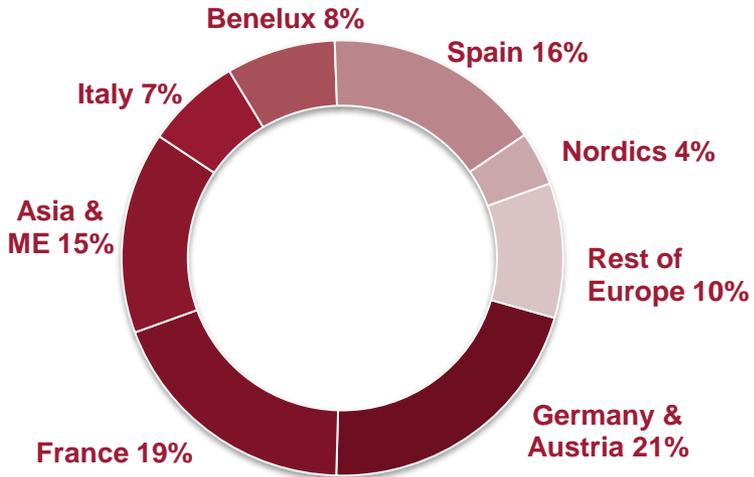
Indicator	Target	Actual
Access to essential services (1) Access to healthcare	7%	7%
Access to essential services (4) Access to financing for companies facing natural / health disasters	14%	14%
Socioeconomic advancement and empowerment	3%	3%
SME Lending (1) Economically underperforming regions	75%	75%
Social Housing	1%	1%

## Portfolio Review (Sustainalytics)

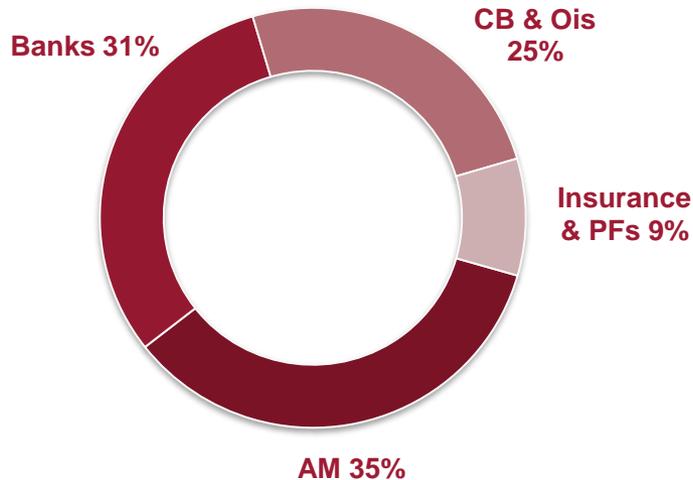
## 9<sup>th</sup> ICO SOCIAL BOND EUR 500 mm 2.65% January 2028

Issued in September 2022

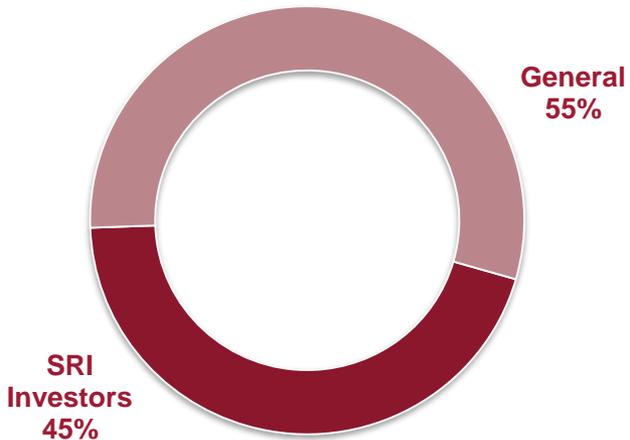
### By Region



### By Investor Type



### By ESG participation



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## ICO GREEN AND SOCIAL BONDS

Supporting sustainable growth in Spain



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

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



[www.ico.es](http://www.ico.es)



ICO <GO>



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