

ANNUAL REPORT 2014

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LETTER FROM THE CHAIRWOMAN



Seven years after the recent economic crisis, commonly known as the Great Recession, began and after six years of negative or zero growth, our economy started to grow again last year. It did so at a rate of 1.4%, just a tenth less than the rate recorded by the German economy.

Since the Spanish economy came out of recession in the third quarter of 2013, economic activity has gradually accelerated to reach a year-on-year growth rate of 2% during the final quarter of last year, the highest growth rate recorded since the second quarter of 2008. This increase in momentum was also reflected in the performance of the labour market. Based on data taken from the Labour Force Survey (LFS), more than 430,000 new jobs were created in 2014 and the unemployment rate dropped below 24% in the last quarter of the year.

The Spanish economy is being driven by a series of external and internal factors. Amongst the former, the drop in energy prices, which translated into a 12% drop in fuel prices in the second half of the year and the significant shift in the foreign exchange market, with the Euro falling

13% against the dollar and more than 5% against the pound between May and December as a result of the growing disparity between the approaches to monetary policy in those currency areas. From the latter, not only salary containment (in large part attributable to the 2012 labour reform) has made it possible for the Spanish economy to continue increasing its competitiveness compared to our trade partners: the cleaning up of the financial system has allowed banks, with help from Instituto de Crédito Oficial (ICO), to start offering the loans necessary to finance the liquidity and investment needs of Spanish entrepreneurs and companies.

The gradual reduction in financial fragmentation within the Eurozone, in addition to the notable improvement in State financing conditions since mid-2012, is being echoed in the real economy in the gradual improvement in financing conditions offered to small and medium-sized companies (SMEs). Therefore, in Spain, having reached its peak in April 2013, the interest rate for loans of less than one million Euros, generally associated with SMEs, reduced by 152 base points down to 3.9% in December last year. In the same period, the difference between this rate and the rate paid by German companies dropped by 123 base points, falling from 239 base points in April 2013, a historic maximum, to 116 base points at the end of the year.

Furthermore, we can also see an improvement in the terms offered by the banks. According to the Bank Lending Survey (BLS) carried out by the Bank of Spain, banks have not only reduced margins on both

ordinary and high risk loans, which would be consistent with the reduction in interest rates mentioned above, but they have also reduced the collateral demanded from borrowers and are even increasing the average repayment period for new loans granted.

At the same time as the improvement in economic activity, there has also been a significant upturn in credit demand over the last few quarters. Based on the data taken from the BLS, despite credit demand being attributable, in large part, to financing needs for working capital, there has also been an increase in the need for financing to invest in fixed capital, in addition to a decrease in the need to finance debt restructuring. All this would seem to suggest that there have been improvements not only in the amount, but also in the quality of credit demand from SMEs.

As a result of these factors, the combined improvements both in supply of and demand for credit, is translating into a progressive recovery of new loans being offered to SMEs that, after six years of consecutive falls, grew at a rate of almost 9% in 2014.

Against this backdrop of economic recovery, ICO has maintained an active presence in the Spanish financial system, offering an effective response to the financing needs of Spanish companies and, therefore, facilitating credit flow reactivation during the first stages of this new cycle. This presence led to an increase in the weight of ICO loans offered to companies against the total volume of loans granted for a period of longer than 1 year by the financial system as a whole, reaching 11.7% at the end of 2014 compared to 11.4% the previous year. As a result, at the end of last year, ICO retained its position as the country's seventh largest bank based on balance sheet size.

ICO activity aims to provide Spanish companies with a framework of adequate financing to enable them to undertake their productive activity. In this regard, last year 298,853 loan operations were formalised amounting to a total of €22.140 billion, up 57.1% and 47.5%, respectively, on the figures recorded in 2013.

To cover these transactions, ICO raised medium and long term funds worth €10.175 billion, of which 65% were obtained by issuing medium and long term bonds on capital markets, in which ICO remains one of the country's main issuers of fixed income securities. The remaining 35% was raised by means of bilateral loans taken out with both multilateral organisations (European Investment Bank and Council of Europe Bank) and foreign institutions similar to ICO (KfW Bankengruppe in Germany). Furthermore, ICO was not only able to increase the proportion of bonds placed with foreign investors to 80% (compared to 47% the previous year), it also maintained its diversification strategy regarding access to markets other than the Euro, releasing issues in dollars (USD), pounds and yen. As regards investor type, the main parties interested in ICO paper were fund managers and banks, accounting for 42% and 40%, respectively, although the gradual increase in the proportion held by central banks, 8% in 2014, compared to 2% the previous year, is worth particular mention.

The majority of new loans granted were executed by means of on lending facilities, reaching a historic record of €21.469 billion, 54.6% up on 2013. These facilities are brought to fruition with credit institutions and seek to finance the investment projects and liquidity needs of Spanish companies. The high level of granularity of these transactions is worth particular mention, with 62.1% of them corresponding to micro-enterprises (companies with fewer than 9 workers) and 50.7% to loans of

€25,000 or less. Furthermore, the increase in activities involving the *ICO-Exporters Short Term* facility is noteworthy, representing 22.3% of all second-floor activity in 2014 whereas they accounted for just 10.1% in 2013. This development reflects the efforts made by ICO to support the international undertakings of Spanish companies, which are essential to the recovery of our economy.

The total activity managed by ICO grew to €168.308 billion in 2014, 7.6% up on 2013. This amount not only includes the stock of loans and guarantees on the balance sheet at the end of last year but also funds where management has been transferred by the Government to ICO, in its capacity as the State Financial Agency. Among such funds would be the Fund for Financing Payments to Suppliers (FFPP), the Regional Liquidity Fund (FLA) and various external demand support instruments, such as the Fund for the Promotion of Development (FONPRODE), the Companies Internationalization Fund (FIEM) and the Reciprocal Interest Adjustment Agreement System (CARI).

Furthermore, in 2014, FOND-ICO Global, the fund with funds of €1.200 billion launched in 2013 by Axis Participaciones Empresariales, S.G.E.I.C.R, S.A.U, ICO's venture capital manager subsidiary, committed to investments of €442 million. Combined with €189 million in 2013, these figures have driven commitments to invest in Spain of €1.994 billion through 23 national and international venture capital funds. This initiative has covered all the growth levels of companies from incubation to expansion by means of venture capital and even debt.

It is important to note that the most important growth experienced in recent years in terms of the size of the activities managed by ICO has not occurred, in any way, at the cost of a deterioration in the main financial ratios. In fact, prudent management of our balance sheet, in line with best market practices, has made it possible for us to improve our solvency, efficiency, default and coverage ratios over recent years. As a result, these figures are significantly better than those of the Spanish financial system as a whole.

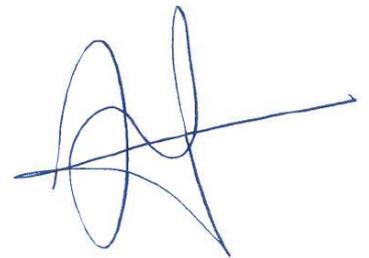
During 2014, ICO has also continued efforts to underpin its international activities, signing nine partnership agreements with similar institutions in Colombia (Bancoldex), Italy (CDP), Morocco (CDG), Mexico (Bancomext and Banobras) and Peru (COFIDE), in addition to multilateral organisations such as the Development Bank of Latin American (CAF), the International Finance Corporation (IFC) of the World Bank Group and the Central American Bank for Economic Integration (CABEI). Furthermore, 16 personnel exchanges have been carried out with the German KfW, the Italian CDP, the European Commission and the Organization for Economic Cooperation and Development (OECD).

2015 is set to pose new challenges for ICO. Although, on the one hand, the acceleration of economic growth and recent action taken by the European Central Bank will probably reduce the activity of a countercyclical institution like ours, on the other, the introduction and implementation of the so-called Juncker Plan (Investment Plan for Europe) in Spain will require greater, closer collaboration between our institution and the European Commission, the EIB and the other national development banks in the European Union over the coming years.

I would like to conclude this letter by expressing my personal thanks to all the employees of ICO for their effort, commitment and dedication to press on with this difficult task, without which it would have not

been possible to achieve these results. It is thanks to all of them that it has been possible for ICO to contribute to economic recovery in Spain.

Irene Garrido
ICO Chairwoman

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

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ICO's OBJECTIVES AND LEGAL STATUS

Instituto de Crédito Oficial (ICO) is a public corporate entity under the Ministry of Economy and Competitiveness through the Secretary of State for the Economy and Business Support, which has the legal status of a credit institution, and is considered a State Financial Agency, with its own legal status, assets and treasury, as well as having independent management to carry out its activities.

ICO's main objectives are to sustain and promote economic activities that contribute to growth and the improved distribution of national wealth, guided by the principle of financial equilibrium. . These objectives are accomplished by ICO in its dual role of Specialised Credit Institution and State Financial Agency.

As a Specialised Credit Institution it acts in two ways: through so-called on lending facilities, in which ICO finances small and medium-sized companies and self-employed workers through loans granted by private lenders, which assume the credit risk and directly funding large, public or private productive investment projects by Spanish companies in Spain or abroad, assuming the risk of the operations.

As State Financial Agency, by express instruction of the Government, it finances situations of serious economic crisis, natural disasters or similar situations and manages funds for the official support of internationalisation and development.

ICO is not financed by the general state budget, but in the capital markets, with the Spanish government guarantee on debts and other liabilities incurred by raising funds in these markets.

GENERAL BOARD AND MANAGEMENT TEAM

(at 31 December 2014)

GENERAL BOARD

Chairwoman:

IRENE GARRIDO ⁽¹⁾

Members:

EMMA NAVARRO ⁽²⁾

Director of the Minister's Office
Ministry of Economy and Competitiveness

CARMEN CÁRDENO

Director General of Domestic Trade
Ministry of Economy and Competitiveness

FELIPE MARTÍNEZ

Director of the Minister's Office
Ministry of Finance and Public Administrations

JAIME IGLESIAS

Director General of Budgets
Ministry of Finance and Public Administrations

JUAN MIGUEL BÁSCONES

Director General of Economic Programming and Budgets
Ministry of Public Works

ANTONIO FERNANDEZ-MARTOS ⁽³⁾

Director General of International Commercial Affairs and Investment
Ministry of Economy and Competitiveness

(1) Since 29 August 2014, replacing Román Escolano who resigned from the post on the same date.

(2) Since 22 September 2014, replacing Rosa María Sánchez-Yebra who resigned from the post on the same date.

(3) Since 15 October 2014, replacing María del Coriseo González-Izquierdo who resigned from the post on 21 July 2014.

ADOLFO DÍAZ-AMBRONA
Technical Secretary General
Ministry of Agriculture, Food and Environmental Affairs

JAIME PONCE
Assistant Director General of Legislation and Financial Policy
Ministry of Economy and Competitiveness

IGNACIO MEZQUITA
Director General of Economic Policy
Ministry of Economy and Competitiveness

Secretary to the General Board:

IDOYA ARTEAGABEITIA
Secretary to the General Board
Assistant Director for Legal Counsel to ICO

MANAGEMENT TEAM

FERNANDO NAVARRETE
Chief Financial Officer

JOSÉ MARÍA GEFAELL
Chief Investment Officer

GERARDO GIMENO
Chief Risk Officer

MARÍA TERESA MOGÍN
Chief Human Resources Officer

ACTIVITY REPORT

Over the course of 2014, the Spanish economy consolidated the recovery that began in the second half of 2013, ending the year with an average Gross Domestic Product growth of 1.4%, in comparison with the drop of 1.2% recorded the previous year, with a notable contribution from private domestic demand. This 1.4% growth in GDP is the biggest since 2007.

With regard to the financial markets, both the conventional and unconventional monetary stimulus measures taken by the European Central Bank have contributed to continuous improvements in financing conditions. As a result, profitability on debt markets has decreased to very limited levels. In the case of Spanish 10-year bonds, the interest rate at the close of the year reached historic lows of 1.6%, with the risk premium approaching 100 base points, compared to the 4.1% and 220 base points recorded, respectively, at the start of the year.

Significant reduction in interest rates on bank loans

This favourable trend concerning financing terms in Spain has gradually been reflected by credit institutions in the cost of loans granted to companies and families. This, when combined with a greater demand for credit, has led to a year-on-year increase in the volume of credit transactions involving the private sector. Furthermore, against a backdrop of greater dynamism in economic activity, the default rate for the financial sector as a whole decreased to 12.5% in December compared to more than 13% at the end of 2013.

For new credit to non-financial companies the interest rate for transactions of less than one million Euros dropped by 96 base points in 2014 compared to December 2013, settling at 3.9%, while the amount of these transactions over the course of the year increased by 8.6% year-on-year.

In this economic and financial climate, Instituto de Crédito Oficial, given its nature and the duties with which it has been entrusted, has continued to maintain an active presence and important role in the Spanish financial system, providing added value to corporate financing.

Growth of on lending facilities: historic record

In 2014, funds channelled by ICO through on lending facilities reached a historic 20-year record for such facilities, both in terms of the volume of loans granted and the number of transactions entered into. A total of €21.469 billion in loans have been granted, enabling the funding of almost 300,000 investment projects and/or meeting the liquidity needs of SMEs and the self-employed. The volume of loans granted increased by 54.6% compared to 2013 and was almost twice as much as in 2012.

The following chart shows the evolution of provisions accumulated in the 12 months prior to the end of each quarter from 2010-2014. Looking at evolution over the last few years, a turning point can be identified in mid-2013, following which an upward trend in these provisions was produced that continued month-on-month.

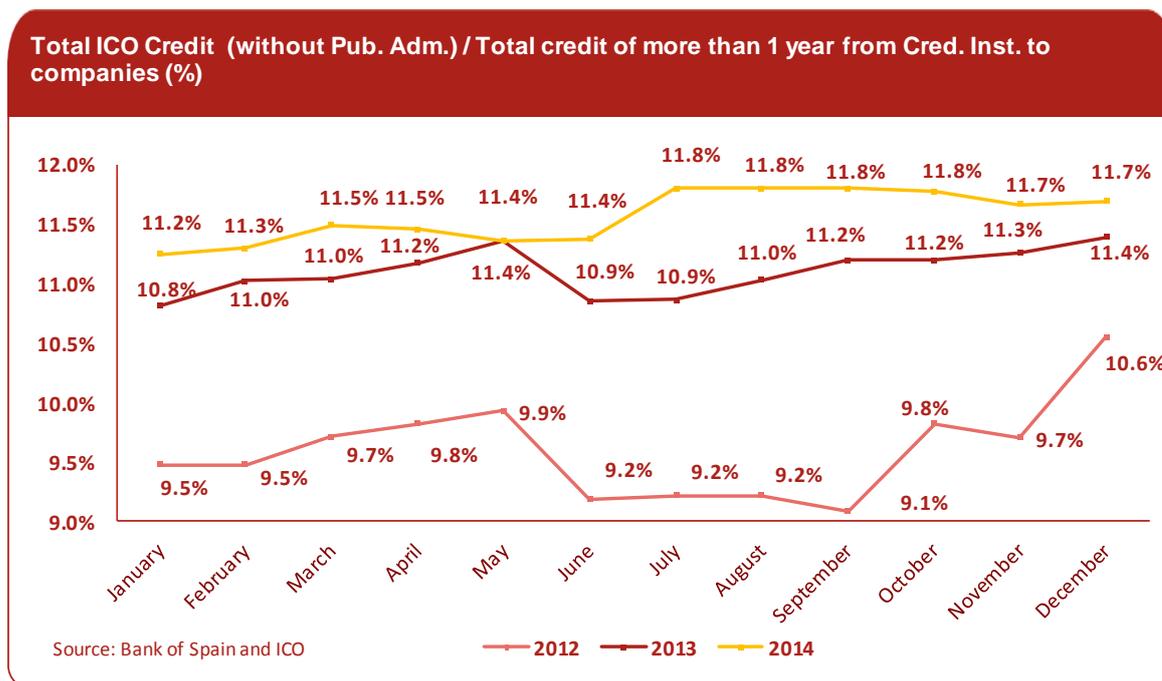


Flagship for SME financing

The main beneficiaries of ICO financing granted in 2014, as in previous years, have been micro-enterprises (with fewer than 9 workers) and the self-employed, accounting for over **62.1%** of available transactions. Furthermore, it is worth noting that the majority of operations (50.7%) have involved sums of less than €25,000.

Regarding the purpose of ICO facilities in 2014, those used to encourage exportation and internationalisation experienced the highest levels of growth, accounting for 24.2% of total demand for ICO loans. Specifically, the ICO Export facility experienced most growth, increasing by 242.6% compared to 2013.

The notable increase in ICO lending activity in recent years has resulted in the institution acquiring a greater presence in the Spanish lending system, offering a countercyclical response to companies' financing needs. At year-end, ICO assets and the number of outstanding loans granted by ICO to non-financial companies for periods exceeding one year accounted for 3.5% and 11.7% of the system's total, respectively.



Funding

During 2014, ICO raised a total of €10.175 billion. Of this amount, 64.7% was raised from issuing medium to long term bonds on the capital markets. The remaining 35.3% was obtained from loans granted by different multilateral organisations under very favourable terms. These loans have made it possible to expand access to financing on preferential terms in the Spanish economy, reflected in loan transactions involving SMEs.

Over 2014, ICO has made major efforts to diversify its investment base: 80% of the bonds went to foreign investors compared to 47% in 2013.

Significant increase in resources managed by ICO

In addition to its own lending and collateral provision activities, ICO is authorised to manage funds and instruments by the Government, including the Regional Liquidity Fund (FLA) and the Fund for Financing of Payments to Suppliers (FFPP).

This activity is carried out on behalf of the State and does not form part of the Institutes's financial statements. At the end of 2014, the outstanding balance of loans granted using State funds totalled €104.463 billion, a 28.0% increase compared to the end of 2013.

When combining in-house transactions with those carried out on behalf of the State, the outstanding balance at 31 December 2014 was €168.308 billion, a year-on-year increase of 7.6%.

Diversifying companies' sources of financing

Another of ICO's strategic actions in 2014 is worth particular mention: boosting alternatives to bank financing. Through its 100% stake in venture capital company Axis Participaciones Empresariales S.G.E.I.C.R, S.A.U, FOND-ICO Global had been consolidated over the course of this period, becoming a linchpin in the recovery of the venture capital sector in Spain. This venture capital fund, launched in late 2013, has a capital of €1.2 billion and is the first Spanish public fund of funds. It serves to promote the creation of privately managed venture capital funds that primarily invest in Spanish companies. FOND-ICO Global has a 4-year time horizon.

In 2014, investment commitments were made for €442 million which, combined with the €189 million secured in 2013, total €631 million across 23 funds. These commitments will generate a minimum investment of €8.595 billion, of which at least €1.994 billion will be allocated to Spanish companies.

These figures show the importance of this fund of funds in two highly significant aspects for the Spanish economy - as a model for public-private partnerships and a boost for alternative financing options for Spanish companies.

Management indicators continue to evolve positively

ICO's profit before tax increased by 3.7% in 2014, compared to that obtained in the previous year, reaching €105 million. This profit is attributable to the Institute having made net provisions allocations and asset write-downs of €410 million.

Furthermore, 2014 activities have been undertaken preserving the positive evolution of the main bank management indicators. Its solvency ratio increased to 23.9% compared to 19.8% in the previous year and the provision coverage ratio increased by 141% compared to 132% in 2013.

A. ICO'S LENDING ACTIVITY IN 2014.

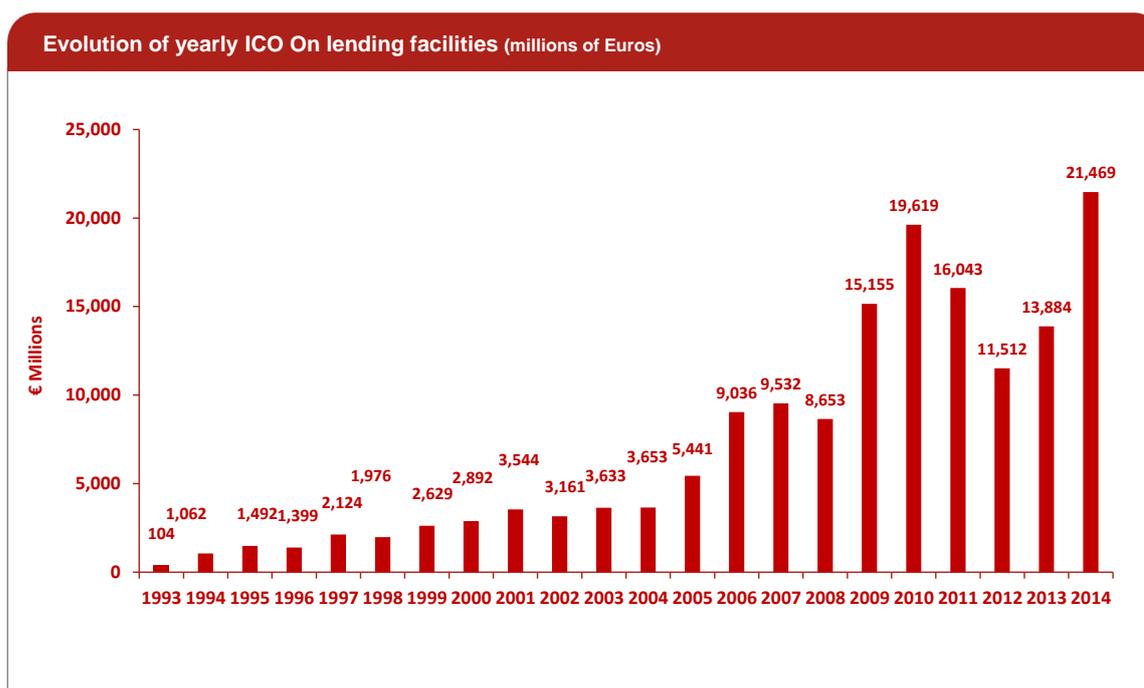
A.1 LINES OF FINANCING DISTRIBUTED THROUGH SECOND-FLOOR FACILITIES

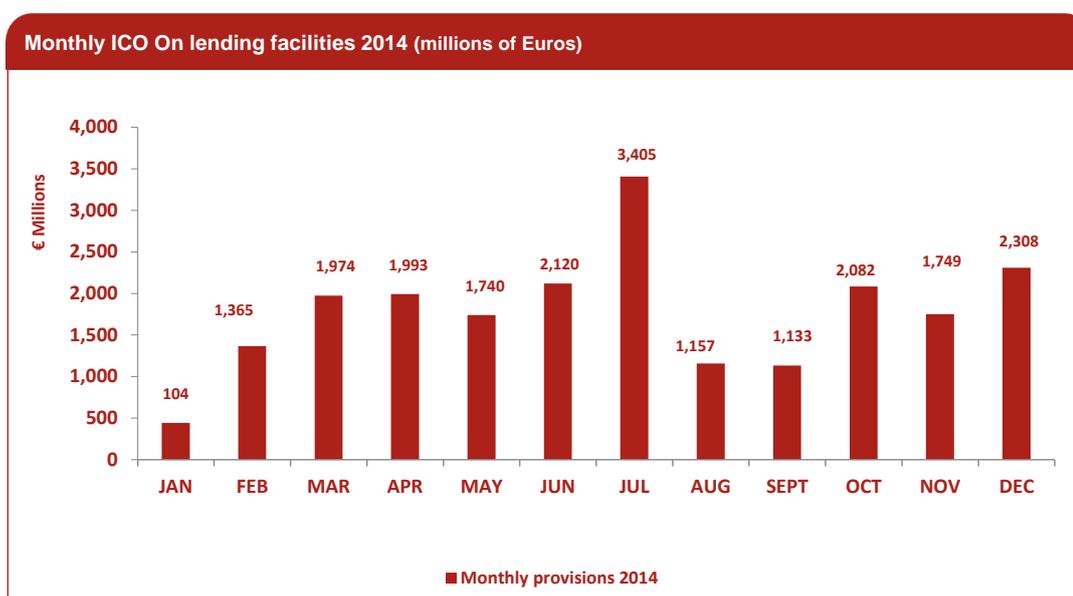
Throughout 2014 ICO has continued to provide financing and guarantees to companies and entrepreneurs to cover their liquidity and investment needs by means of the so-called on lending facilities. These are lines of financing through which the Institute channels funds using the branch network of credit institutions operating in Spain, establishing their main financing conditions and characteristics. In turn, these institutions are entrusted with processing, analysing and accepting transactions, assuming the risk of default.

These lines are targeted at the self-employed, companies and public and private institutions with a wide range of financing terms, ranging from short term (less than 1 year) to very long term (20 years) and also provide for the option of an initial grace period of up to 2 years.

2014 has seen an increase of 54.6% in the amount granted

In 2014, the Institute granted €21.469 billion through these lines of financing, a record over its more than 20 year history, exceeding the €19.619 billion granted in 2010. This amount represents a 54.6% increase compared to 2013 and almost double the amount allocated in 2012.





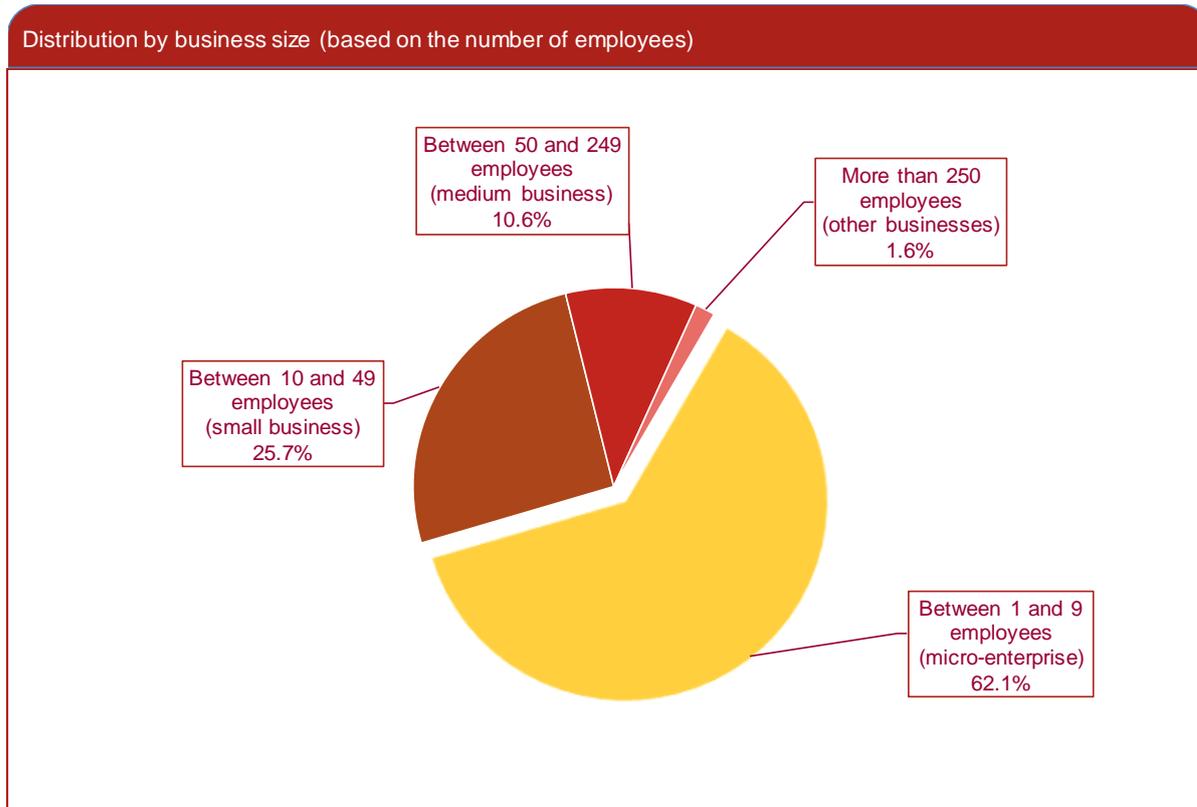
With respect to financed projects, 298,799 loan transactions were arranged, an increase of 57.1% on 2013, which is also a historic record for transactions arranged.

Loan transactions mainly involve micro-enterprises and the self-employed

Micro-enterprises with between 1 and 9 employees accounted for 62.1% of loans arranged. This percentage increases to 87.8% when companies with up to 49 employees are included.

Distribution by business size (based on the number of employees)

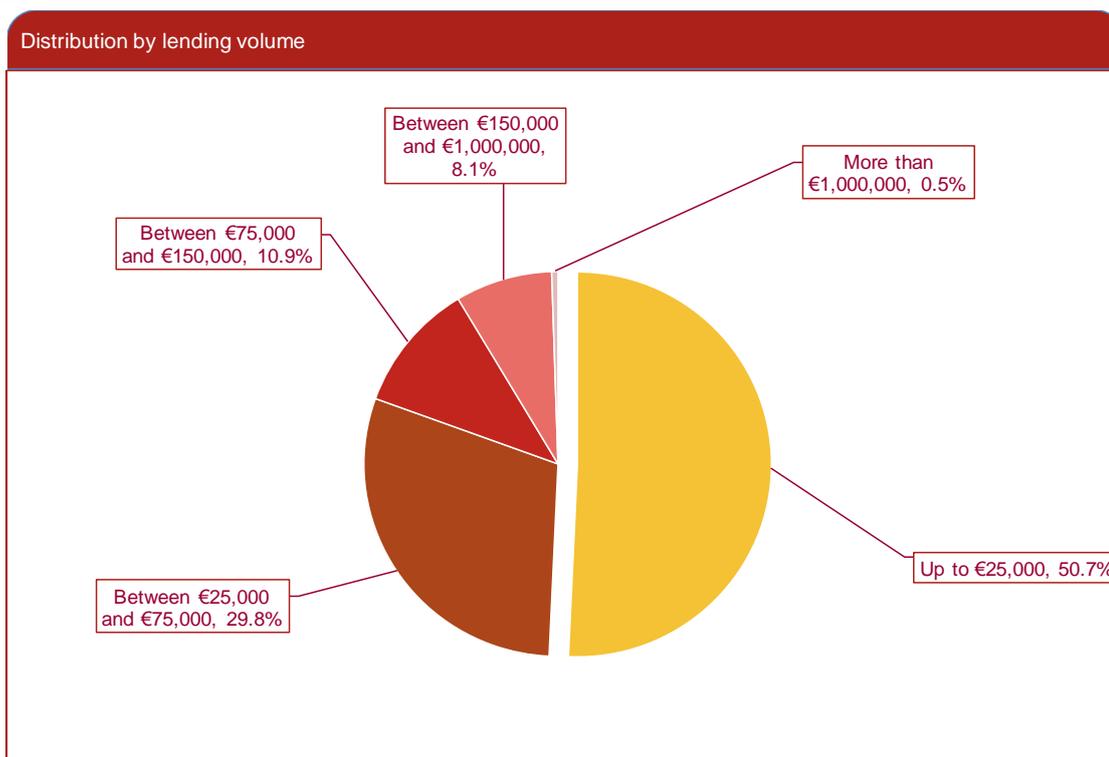
	2014			
	Loan amount (millions of Euros)	%/Total Credit	No. Agreement	%/Total Transactions
Between 1 and 9 employees (micro-enterprise)	7,549	35.2%	185,442	62.1%
Between 10 and 49 employees (small business)	6,543	30.5%	76,797	25.7%
Between 50 and 249 employees (medium business)	5,088	23.7%	31,579	10.6%
More than 250 employees (other businesses)	2,289	10.6%	4,981	1.6%
Total	21,469	100%	298,799	100.0%



50.7% of the loans granted were under €25,000 and 80.5% were less than €75,000. These indicators demonstrate the great capillarity of ICO loans, which are mainly targeted at the self-employed and small businesses, positioning the Institute as the flagship for SME financing.

Distribution by lending volume

	2014			
	Loan amount (millions of Euros)	%/Total Credit	No. Agreements	%/Total Transactions
Up to €25,000	1,951	9.1%	151,600	50.7%
Between €25,000 and €75,000	3,906	18.2%	88,981	29.8%
Between €75,000 and €150,000	3,502	16.3%	32,509	10.9%
Between €150,000 and €1,000,000	8,108	37.8%	24,144	8.1%
More than €1,000,000	4,002	18.6%	1,565	0.5%
Total	21,469	100.0%	298,799	100.0%



Increased volume of credit destined for investments abroad and to boost export activities

Regarding the geographical destination of second-floor facility loans, in 2014 75.8% of the funds were used to finance liquidity and investment projects in Spain and 24.2% for investments abroad and to boost exports to more than 180 different countries.

Second-floor facilities formalised in the year (millions of Euros).
Distribution by investment purpose

	2014	2013	2012
Spain	16,280	12,209	11,267
Abroad	5,189	1,675	244
Total	21,469	13,884	11,511

There has been a very significant increase in the volume of second-floor facility loans designated for financing investments abroad and boosting export activities, in both absolute and relative terms, compared to previous years, increasing from 2.1% of sums made available in 2012 to 24.2% in 2014. This growth demonstrates the efforts that have been made by ICO since 2012 to boost the entrance of

Spanish companies into foreign markets. The table below sets out the distribution of investment by destination countries.

Second floor facilities formalised in 2014 (millions of Euros). Distribution by destination countries.		
	Amount	%/Total
France	921	17.7%
Germany	571	11.0%
Italy	469	9.0%
United Kingdom	410	7.9%
Portugal	357	6.9%
USA	222	4.3%
Mexico	135	2.6%
Netherlands	135	2.6%
Brazil	126	2.4%
Morocco	116	2.2%
Belgium	103	2.0%
Switzerland	83	1.6%
Poland	82	1.6%
China	82	1.6%
Saudi Arabia	68	1.3%
Russia	66	1.3%
Sweden	49	0.9%
United Arab Emirates	48	0.9%
Chile	46	0.9%
Algeria	42	0.8%
Norway	40	0.8%
Colombia	36	0.7%
Turkey	36	0.7%
India	34	0.6%
Japan	30	0.6%
Others (*)	882	17.0%
Total	5,189	100.0%

(*) Includes transactions with 162 destination countries.

Trade and industry are the predominant borrowing sectors

Although loans arranged are spread across a wide number of industries, approximately half the loans were to finance investments or the liquidity needs of SMEs and the self-employed whose activity is related to trade and industry.

Arrangement of On lending facilities 2014 (%/Total arranged) Distribution by activity sector	
Industry	29.6%
Commerce	22.2%
Infrastructure and transport	15.5%
Financial, Professional, scientific and public administration activities	12.5%
Other services	6.1%
Agriculture, livestock and fishing	5.4%
Hospitality	4.8%
Health and social services	2.0%
Energy	1.2%
Education	0.7%
TOTAL	100.0%

Growth in all lines of financing

From an operational perspective, the two main areas of activity into which second-floor facilities can be divided are: Companies and Entrepreneurs, and Internationalisation.

Companies and Entrepreneurs. The objective of the lines in this area of activity is to provide financing to self-employed Spanish individuals and companies to make investments in Spain and meet their liquidity needs. In 2014, 232,587 transactions were arranged in the amount of €16.263 billion, representing an increase of 33.5% over the previous year. The Companies and Entrepreneurs area of activity encompasses the following facilities:

- ICO Companies and Entrepreneurs Facility: to finance up to 100% of investments in Spain in addition to the liquidity needs of companies. Furthermore, this line offers financing to communities of owners and private individuals for building and home renovation projects.
- ICO SGR/SAECA Facility: designed to finance companies that have the guarantee of a Reciprocal Guarantee Company (SGR) or State Agricultural Guarantee Institute (SAECA).
- ICO Technological Fund Innovation Facility: co-financed by ERDF funds, offering loans at preferential rates to innovative companies undertaking new investment projects.

- ICO Bonds and Promissory Notes Facility: this line offers financing to purchase bonds and/or promissory notes issued by Spanish companies admitted to trading on organised markets or multilateral trading systems in Spain.

ICO Companies and Entrepreneurs Facility.
Loans formalised in the year (millions of Euros and No. of transactions)

	2014		2013	
	Amount	No. of transactions	Amount	No. of transactions
Companies and Entrepreneurs				
ICO-Companies and Entrepreneurs Facility	16,165	231,652	12,114	173,140
ICO- SGR/SAECA Facility	88	921	72	665
ICO-Bonds and Promissory Notes Facility	6	3	-	-
ERDF Funds-Technological Fund Innovation-ICO	4	11	-	-
Total	16,263	232,587	12,186	173,805

The **ICO Companies and Entrepreneurs Facility** is worth particular mention as, under this line, transactions worth €16.165 billion were granted in 2014, a year-on-year increase of 33.4%. A total of 231,652 projects were financed compared to 173,140 projects in 2013, an increase of 33.8%.

The **ICO SGR/SAECA** facility covered transactions amounting to €88 million, 22.2% more than in 2013.

Internationalisation. Since 2012, ICO has been promoting a range of products that seek to facilitate the entrance of Spanish companies into foreign markets, with a view to covering their financing and guarantee needs. As part of Internationalisation activities, 65,748 transactions have been arranged for a total of €5.198 billion. Under this area of activity, the following facilities are offered:

- ICO Export Facility: designed to offer exporters liquidity with advance payment of invoices from short-term export activities, in addition to covering their liquidity needs to cover the cost of producing the goods for export.
- ICO International Facility: this product offers companies financial resources to make investments abroad and to cover liquidity needs. It also seeks to promote the export business of companies by offering medium and long term financing through both buyer credit and supplier credit.
- ICO Mutual Guarantee Company Facility: designed to support Spanish companies participating in international tender processes or entering into contracts awarded directly outside Spain. ICO issues guarantees on behalf of credit institutions that have endorsed Spanish companies in order to facilitate their international acceptance.

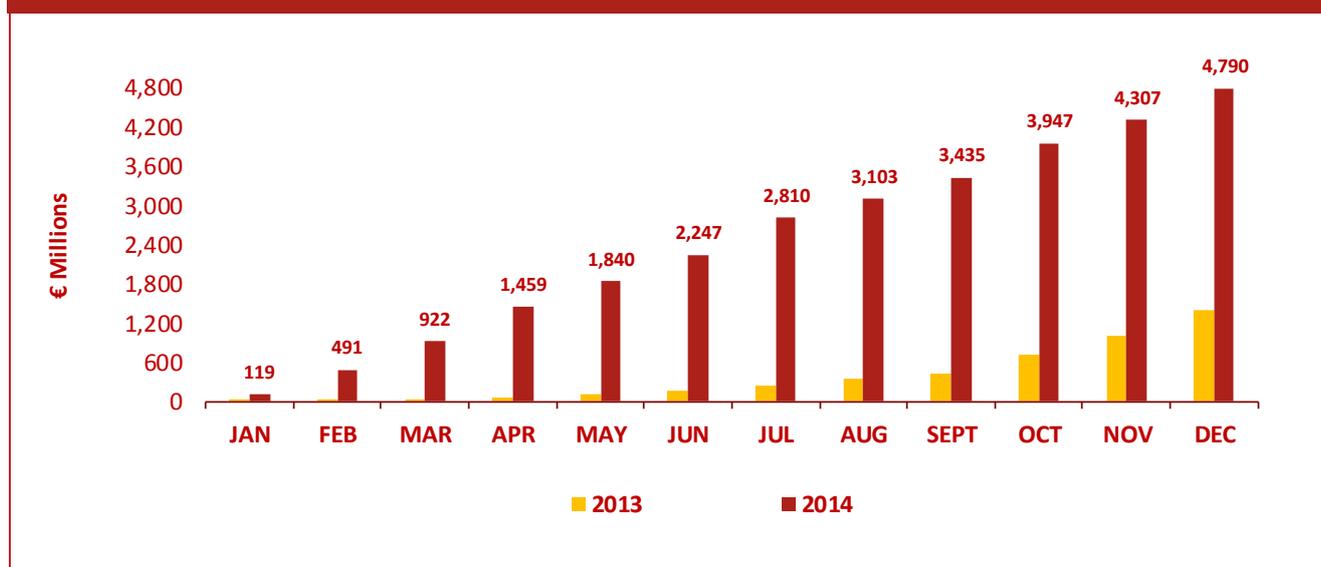
ICO International Facilities.

	2014		2013	
	Amount	No. of transactions	Amount	No. of transactions
International				
ICO Export Facility	4,790	64,886	1,398	13,125
ICO International Facility	398	856	277	773
ICO Mutual Guarantee Company Facility	10	6	3	1
Total	5,198	65,748	1,678	13,899

ICO as a specialist bank offering comprehensive support to the internationalisation and export of Spanish companies

There has been a major increase in the **ICO Export Facility**, well above that of other financing facilities. In 2014, €4.790 billion were distributed in loans of this kind, an increase of 242.6% compared to 2013. Under this facility, 64,886 invoices have been financed for an average value of €73,800. Loans have been granted for export operations to 186 different countries. The European Union accounts for 67% of invoices financed, with the prominent countries being France, accounting for 18%, Germany, at 12%, and Italy at 10%.

Evolution of accumulated provisions ICO Export facility (millions of Euros).



Under the **ICO International Facility** €398 million were distributed, an increase of 43.7% compared to 2013. A total of 856 projects have been financed in 82 different countries.

In addition to the two main second-floor facilities (ICO Companies and Entrepreneurs Facility and ICO Internationalisation), others have been offered with a view to promoting particular sectors or activities: The ICO-ICAA (Instituto de la Cinematográfica y de las Artes Audiovisuales) Facility, the ICO Retail Facility and the ICO Digital Agenda Facility. The following table shows a breakdown of the volume allocated to these facilities in 2014.

Other ICO facilities

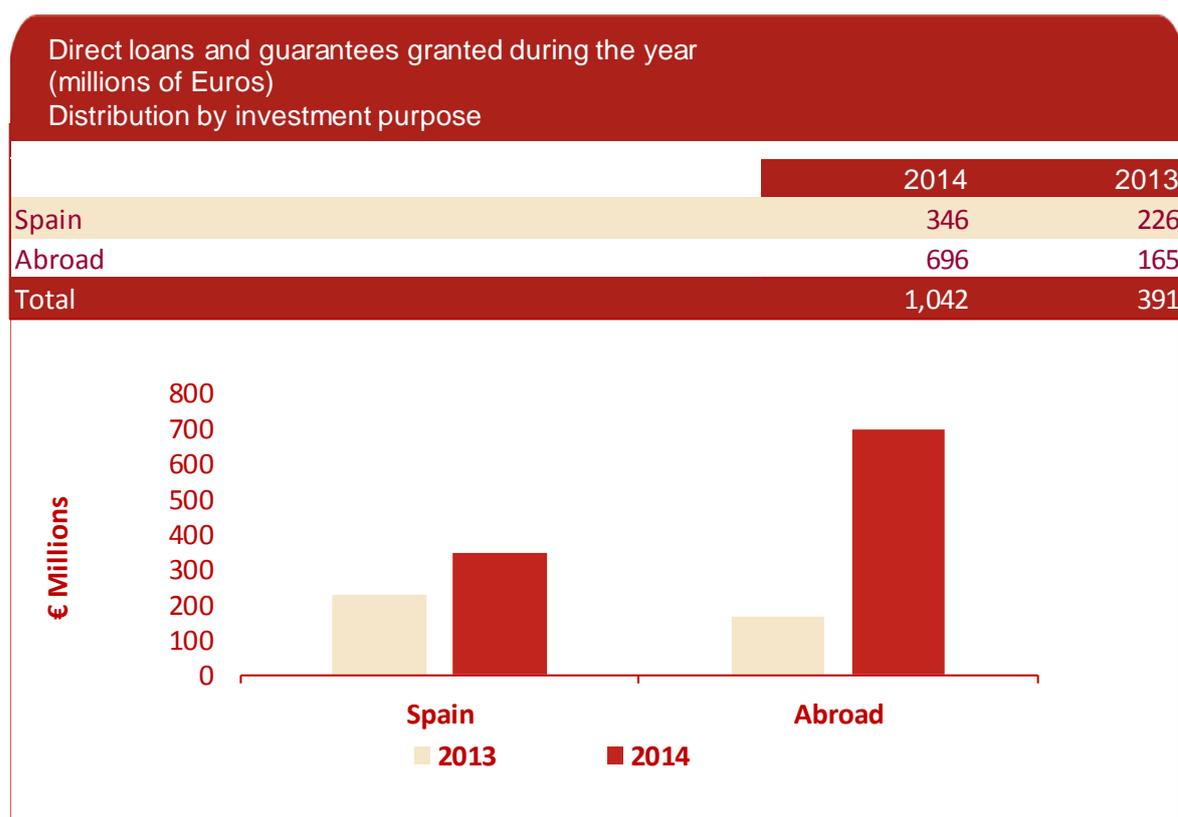
	2014		2013	
	Amount	No. of transactions	Amount	No. of transactions
Others				
ICO-Retail	7	452	8	424
ICO-ICAA (*) Film Production	11	16	15	22
ICO-Digital Agenda	1	2	-	-
Total	19	470	23	446

(*) Instituto de la Cinematografía y de las Artes Audiovisuales

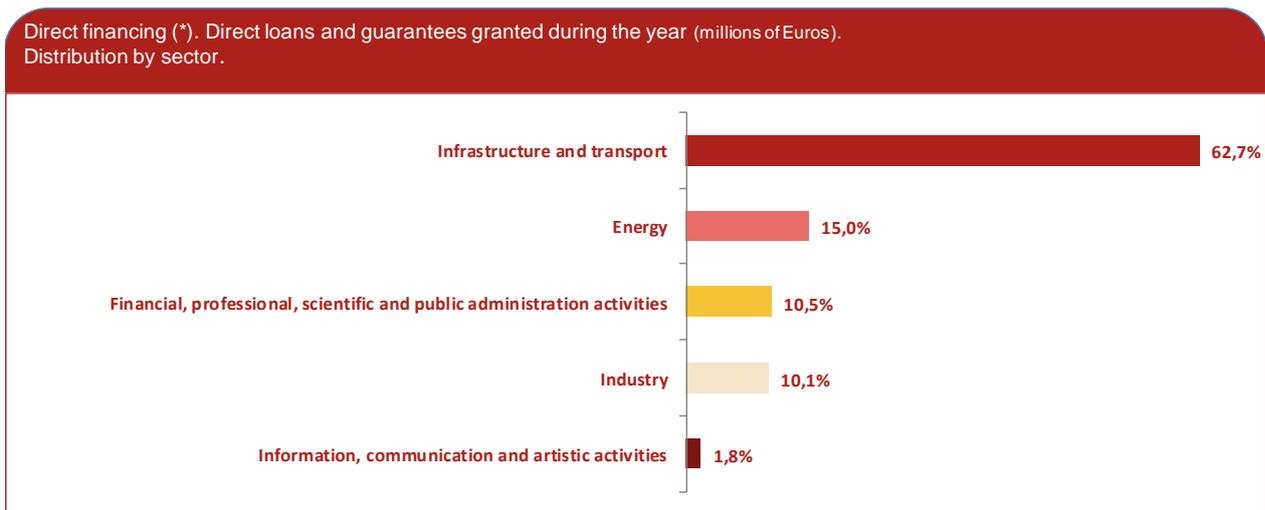
A.2 LOANS GRANTED DIRECTLY BY ICO

Most of ICO's lending activity is aimed at small and medium sized companies, which obtain financing through the second-floor facility system. Furthermore, the Institute participates in corporate financing and structured financing for large public or private productive investment projects. These loans are analysed on a case-by-case basis at the Institute, which assumes the credit risk on loans granted. During 2014, transactions were approved worth €1.042 billion, of which €365 million were attributable to loans and €677 to guarantees.

As regards geographic distribution, the significant increase in international transactions is worth special mention:



When looking at activity sectors, infrastructures and transport are particularly noteworthy, accounting for 62.6% of the total granted.



(*). Includes Corporate, Institutional, Structured, Cinematographic and Subsidised Housing Financing.

Emphasis placed on signing partnership agreements with international institutions and organisations

In order to underpin ICO's international activities, in addition to the above-mentioned loan transactions, 2014 saw the Institute continuing to sign partnership agreements with similar institutions in other countries and multilateral organisations. In essence, the agreements involve joint cooperation activities with a view to exchanging information, financing and support for Spanish SMEs from each of the signatory countries and co-financing investment projects of mutual interest.

In 2014, ICO signed nine partnership agreements with the following institutions or organisations: Bancoldex (Colombia), CDP (Italy) Caisse de Dépôt et de Gestion (Morocco), Bancomext and Banobras (Mexico), Corporación Financiera de Desarrollo, S.A (Peru), the Development Bank of Latin American, the World Bank's International Finance Corporation and the Central American Bank for Economic Integration.

B. FUND-RAISING

The Institute obtains funds by means of debt issues on international markets and through loans. Over 2014, the Institute raised total funds of €10.175 billion. Of this amount, 64.7% (€6.584 billion) was raised by issues on capital markets and the remaining 35.3% by means of bilateral loans taken out with multilateral organisations.

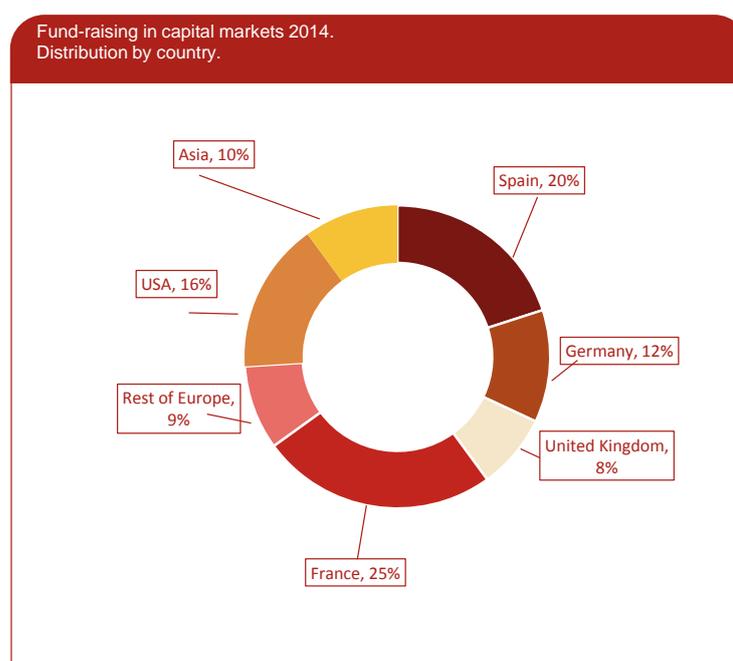
ICO has Spanish government guarantee on debts and other liabilities incurred by raising funds in these markets. This guarantee is explicit, irrevocable, unconditional and direct.

In 2014, most of ICO financing in capital markets was obtained by means of bond issues, public transactions and private and structured placements. The Institute is the second largest Spanish public institution, after the Spanish treasury, in debt issues.

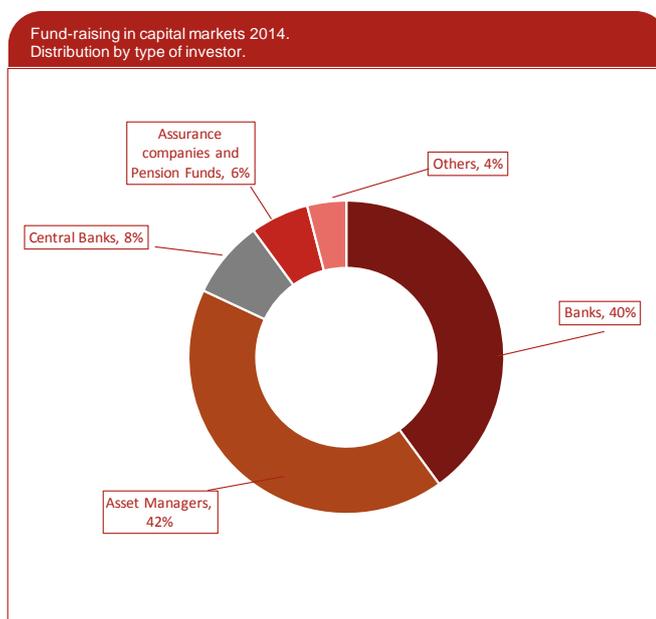
Significant efforts have been made to diversify the investor base

Foreign investors account for 80% of the issues placed, compared to 47% in 2013. This bears testimony to the normalisation of the situation of the financial markets for Spanish bond issuers.

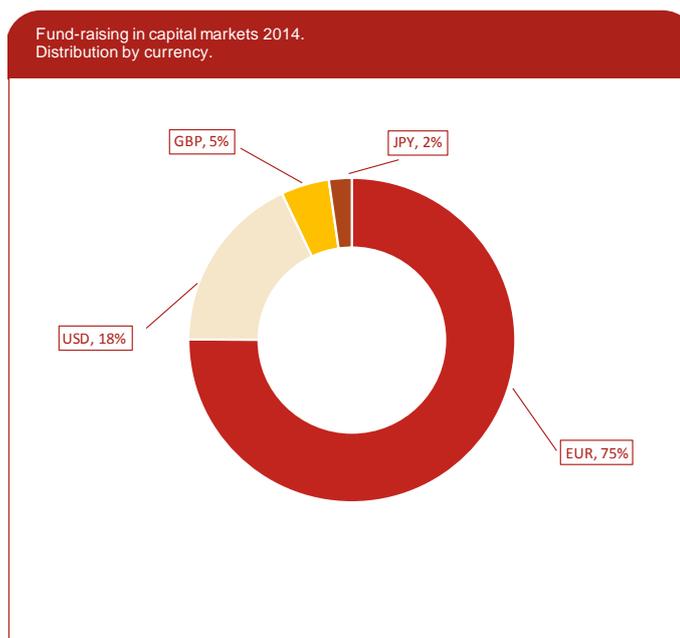
The base for transactions carried out in 2014 is primarily made up of European investors, but both Asia and America feature prominently. Broken down by country, residents in France (25%), the US (16%) and Germany (12%) are worth particular mention.



Regarding distribution by investor type, asset managers accounted for 42% and the Banks for 40%.



Concerning the breakdown by currency, most transactions in 2014 were executed in Euros, although the diversification strategy has continued to access markets other than the Euro. Regarding the latter, issues have been placed in three currencies: 1.559 billion in dollars (USD), 250 million in British pounds (GBP) and 20.910 billion in yen (JPY). This serves as proof of the gradual normalisation of financial conditions for Spanish issuers and the increase in demand for Spanish credit amongst foreign investors.



Additional access to foreign financing under preferential conditions

In addition to financing on capital markets, in 2014 taking out loans with international financial institutions and multilateral organisations strengthened. These agreements make it possible to reduce the cost of ICO financing, reflected in lower interest rates for companies receiving loans under these second-floor facilities. Therefore, access of the Spanish economy to financing at preferential terms has been improved through ICO.

In 2014, €3.590 billion were made available under bilateral loans with multilateral organisations and foreign institutions similar to ICO: European Investment Bank (€3.100 billion), Council of Europe Bank (€290 million) and Kreditanstalt Für Wiederaufbau (€200 million).

C. OPERATIONS MANAGED BY THE STATE

ICO, in its role as financial agent, manages certain operations for the State, under instructions from the Government. ICO arranges and manages these operations, in addition to all related financial activities.

The total sum of these funds managed by the Institute at the end of 2014 amounted to €104.463 billion, 28.0% more than at the end of 2013 and almost double that of 2012.

These transactions are booked separately and their balances do not form part of ICO's financial statements.

Operations managed for the State (millions of Euros)
Balance at 31 December

	2014	2013	Year-on-year variation 2014-2013 (%)
Regional Liquidity Fund (FLA)	62,443	39,091	59.7%
Fund for Financing Payments to Suppliers (FFPP)	33,842	33,341	1.5%
Companies Internationalization Fund (FIEM)	5,169	5,115	1.1%
Reciprocal Interest Adjustment Agreement System (CARI)	2,339	2,703	(13.5%)
Fund for the Promotion of Development (FONPRODE)	670	812	(17.5%)
Water and Sanitation Cooperation Fund (FCAS)	-	546	-
TOTAL	104,463	81,608	28.0%

REGIONAL LIQUIDITY FUND (FLA)

Under Royal Decree-Law 21/2012, on liquidity measures for the Public Administrations, the Regional Liquidity Fund (FLA) was created as a mechanism to support the liquidity of the Autonomous Regions, in a temporary and voluntary way, which allows them to address their financial needs. In August 2012 the Government instructed ICO to manage the Fund and to formalise the related loans to be signed with the Autonomous Regions.

Since the FLA was founded and up to the end of 2014, ICO has effected payments of €62.443 billion. Of this amount, €24.143 billion relates to the direct payment of 1,227,161 supplier and creditor invoices pertaining to the Autonomous Regions.

The outstanding balance of the FLA at 31 December 2014 came to €62,443 million.

FUND FOR FINANCING PAYMENTS TO SUPPLIERS (FFPP)

Royal Decree-Law 4/2012, of 24 February, created the Fund for the Financing of Payments to Suppliers, as a public law entity with legal personality and full legal capacity and appointed ICO as paying agent in charge of the administration and management of its operations.

In May 2012 the Fund signed a syndicated loan of €30 billion involving 26 financial institutions, with ICO being its main participant, providing 23.3% of the total.

To implement this payment mechanism, ICO was commissioned to design, manage and implement the structure allowing invoices to be paid and the relevant loan agreements to be subscribed with the Local Authorities and Autonomous Regions.

Since May 2012, when the first payments were made, to the close of 2014, 9,178 operations have been arranged under the FFPP for a total amount of €41.883 billion. In addition, more than 8 million invoices have been paid relating to works and services provided by suppliers, SMEs and self-employed individuals, for the most part, to the Autonomous Regions and Local Authorities.

The outstanding balance of the FFPP at 31 December 2014 came to €33.842 billion.

COMPANIES INTERNATIONALIZATION FUND (FIEM)

The Companies Internationalization Fund serves to support and encourage the internationalisation of the Spanish economy, in addition to the efforts made by the private market.

The Fund was established following the entry into force of Law 11/2010 on the reform of the financial aid system for the internationalisation of Spanish companies, as an instrument to promote the export activities of Spanish companies in addition to direct Spanish investment activities abroad.

The FIEM is managed by the Ministry of Economy and Competitiveness, through the Secretary of State for Commerce, which is in charge of selecting the projects to receive financing.

ICO acts as the financial agent, arranging the corresponding credit, loan and donation agreements on behalf of and representing the Spanish Government and on behalf of the State. Furthermore, the Institute provides technical equipment, accounting, cash, paying-agent and control services in addition to all general financial services that correspond to transactions authorised by the FIEM.

In recent years, this instrument has become more complex on account of the expansion of the range of projects eligible to receive financing, including operations involving project finance, corporate issues, buyer-credit under trading conditions and even allotments of capital to funds.

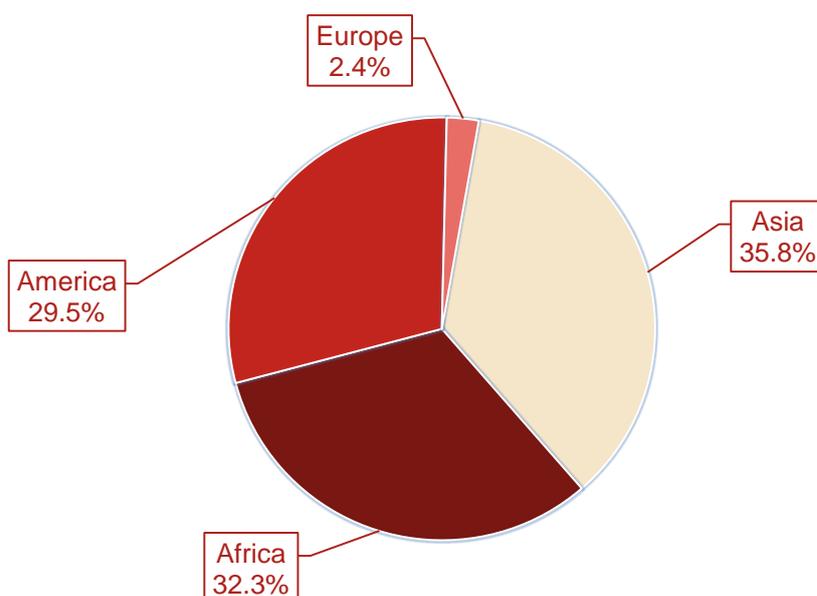
In 2014, 23 transactions covered by the FIEM were approved for a total of €294 million, representing an increase of 96.0% compared to 2013.

Corporate Internationalisation Fund (FIEM) (millions of Euros and percentages)
Activity during the year.

	2014	2013	Annual variation	
			Absolute	as %
Loans granted	294	150	144	96%
Loans formalised	76	288	(212)	(74%)

The outstanding balance of the credit portfolio at 31 December 2014 stood at €5.169 billion, distributed geographically as shown below:

Corporate Internationalisation Fund (FIEM).
Portfolio distribution by geographic area.



RECIPROCAL INTEREST ADJUSTMENT AGREEMENT SYSTEM (CARI)

The CARI is a financial instrument similar to an interest rate guarantee, which serves to favour Spanish exports, encouraging financial institutions to grant long-term loans at fixed interest rates.

The interest adjustment contracts assure lenders receipt of a certain net interest on the outstanding balance of each loan received into the system, eliminating the risks arising from the difference between the fixed rate of the loan and the cost conventionally attributed to the resources that it finances. When the difference is negative, the State, through ICO, pays these lenders the amount of said difference. When the result is positive, it is the lenders that must deposit the calculated differences with ICO.

One of the conditions necessary for use of the system is that the interest rates set for the operations by lending institutions are those listed in the Consensus of the Organisation for Economic Cooperation and Development (OECD).

Over the course of 2014, 4 CARI operations have been arranged for a total amount of €22 million.

The outstanding balance of the CARI portfolio, to 31 December 2014 came to €2.339 billion. Of the total portfolio, 69% corresponds to operations signed in dollars and 31% in Euros.

Reciprocal Interest Adjustment Agreement System (millions of Euros and percentages)

	2014	2013	Annual variation	
			Absolute	as %
Credit activity in the year				
Amount of operations submitted	573	584	(11)	(2%)
Amount of operations formalised	22	24	(2)	(8%)

FUND FOR THE PROMOTION OF DEVELOPMENT (FONPRODE)

The Fund for the Promotion of Development was created in 2011 following the entry into force of Law 36/2010 of 22 October as an instrument of Spanish development co-operation, managed by the Ministry of Foreign Affairs and Cooperation, through the Secretary of State for International Cooperation and the Spanish Agency for International Development Cooperation.

ICO acts as the financial agent of the fund and is responsible for arranging the corresponding agreements to be taken out with beneficiaries on behalf of and representing the Spanish Government and on behalf of the State. The Institute also provides financial services as regards the Fund's activities.

The Fund is aimed at eradicating poverty, reducing inequalities and social inequities between individuals and communities, gender equality, protection of human rights and the promotion of sustainable human development in impoverished countries. It simplifies and streamlines the functionality of the development cooperation instrument in use since 1976: Development Aid Fund (FAD).

The aid provided by the Development Promotion Fund is intended for:

- States and the state public sector (Regional, provincial and local public administrations) in developing countries.
- Non-financial multilateral development agencies.
- International development financial institutions.
- Companies carrying out technical assistance, feasibility studies, as well as ex ante and ex post appraisal programmes.
- Microfinance management institutions.

The outstanding balance of the FONPRODE loan portfolio at 31 December 2014 came to €670 million.

WATER AND SANITATION COOPERATION FUND (FCAS)

The objective of the Water and Sanitation Cooperation Fund (FCAS) is to grant aid, mainly not repayable, and, where appropriate, loans to finance projects in the areas of water and sanitation, under a co-financing framework with the national authorities in Latin America and the Caribbean.

The FCAS was established in the sixty-first additional provision of Law 51/2007, of 26 December, on the general state budget for 2008 and is managed by the Ministry of Foreign Affairs and Cooperation via the Spanish Agency for International Development Cooperation (AECID).

ICO is the financial agent entrusted with arranging the corresponding loan agreements and providing the financial services resulting from Fund activities on behalf of and representing the Spanish Government and on behalf of the State.

D. INVESTMENTS IN CAPITAL, QUASI-CAPITAL AND GUARANTEE FUNDS

ICO has continued to make progress in the search for financing alternatives to the banks for Spanish SMEs. Therefore, in 2014, it has continued to promote the various funds in which it invests, some managed through its 100% holding, Axis Participaciones Empresariales S.G.E.I. C.R., S.A.U. from the Institute or other institutions or companies.

Axis is a firm dedicated to the management of venture capital funds traditionally focused on minority investments in growth capital for the amount of €1.5 to €15 million to support companies in their growth. In 2014, Axis consolidated the FOND-ICO Global, the fund of funds established at the end of 2013 and has continued to manage its other two existing funds: FOND-ICOpyme, which directly invests in capital and quasi-capital companies; and FOND-ICOinfraestructuras, designed to finance infrastructures. Although Axis is responsible for managing these funds, ICO is classed as their owner.

Axis has been operating in the venture capital market for almost 30 years and throughout its history it has made investments in over 150 companies for a total of over €400 million in addition to investments in funds.

FOND-ICO Global

The first fund of funds made up of Spanish public capital, worth €1.200 billion. It responds to one of the main demands of the venture capital sector, which required greater involvement of the public sector as regards alternative funding channels to bank financing for companies. This initiative is part of the measures contained in the Economic Stimulus and Enterprise Support Plan approved by the Government in February 2013.

The purpose of this fund is to promote the creation of privately managed venture capital funds which mainly invest in Spanish companies at all stages of development. FOND-ICO Global has a 4-year time horizon and seeks to participate in more than 40 new private venture capital funds, mobilising resources of approximately €4 billion towards Spain.

The fund invests in projects that combine innovation and enterprise by investing in companies both in the initial stages of development and those that have reached a greater level of maturity. Indirectly, the Fund seeks to promote the creation of employment, attract foreign investors and drive the internationalisation of Spanish companies in particular.

The selection process is based on the principles governing the public tender process: advertising, competition, equality and transparency. At the end of 2014, three of the first calls for proposals had been completed, with the fourth call pending completion. Agreements with 23 venture capital funds

have been signed, with an agreed contribution of €631 million (€442 million in 2014) and all stages of business growth have been covered: 10 in growth capital, 9 in venture capital, 2 in debt and 2 in incubation.

The amount allocated by the FOND-ICO Global to date entails a minimum investment in Spanish companies of €1.994 billion and a commitment to invest a total of €8.595 billion.

FOND-ICO Global (millions of Euros)			
Calls for Proposals	Target Fund	Target investment volume in Spain	Commitment FOND-ICO Global
December 2013	685	660	189
May 2014	3,785	665	248
November 2014.	4,125	669	194
TOTAL	8,595	1,994	631

The high level of participation amongst foreign funds is particularly noteworthy. Of the 23 funds awarded, 34.8% are from abroad, demonstrating the confidence of international investors in Spain and the interest that investing in Spanish companies is arousing.

FOND-ICOpyme, FCR.

The Venture Capital Fund FOND-ICOpyme has maximum available provisions of €250 million and matures in 2022. It is a general-purpose fund, its objective focussing mainly on companies that, having reached a certain degree of maturity, want to finance their expansion, growth and/or internationalisation, and to a lesser extent, companies in early stages that, having survived the initial stages, need resources to continue their development. In both cases the investment is made in joint ventures with other financial, technological or industrial partners.

Among others, FOND-ICOpyme is involved in internationalisation projects or those with a strong innovative component, regardless of the sector to which they belong. Furthermore, to ensure greater capillarity in the early stages of projects, FOND-ICOpyme has invested in other funds, mostly private and with a certain degree of specialisation.

Currently it has investments in 22 companies and holdings in a further 20 venture capital firms, amounting to €109 million.

Additionally, in order to cover the even earlier phases associated with entrepreneurship, in 2013, FOND-ICOpyme together with the EIF and NEOTEC initiative manages the “Fondo Isabel La Católica - European Angels Fund” to support the investment of Business Angels. This fund started activities in 2014 and was established with an initial amount of €30 million.

FOND-ICOpyme, FCR Portfolio of formalised investments. Balance at December 2014 (millions of Euros)		
	No. of transactions	Amount (millions of Euros)
Capital (shares and holdings)	15	40
Participating loan agreements	7	19
Venture capital entities	20	50
TOTAL	42	109

FOND-ICOinfraestructuras, FCR

This fund has maximum available provisions of €250 million and matures in 2034. It is a fund that invests primarily in “greenfield” social infrastructure sustainable transport, energy and environment projects both in Spain and abroad.

Within the current framework of public budget constraint, the objective of FOND-ICOinfraestructuras is to contribute to the development, construction and co-management of infrastructure projects focussing on Public-Private Partnership schemes.

In this sense, this fund's objectives include strengthening the capitalisation of projects accompanying minority interests in capital or quasi-capital in infrastructure management companies. It acts on a stable horizon of long-term investment commitment and low market parameters in terms of the required profitability.

The fund participates in five projects in the wind energy and roads sectors and railway and hospital infrastructures.

In July 2014, the fund made its first international investment in a highway in the USA.

JEREMIE FUND

ICO manages the JEREMIE Fund (Joint European Resources for Micro to Medium Enterprises Fund), created in December 2009. This Fund comes under the ERDF operating programme, and is an initiative

promoted by the European Commission in order to facilitate the use of the structural funds to fund RD&I activities carried out by companies. The initial provisions of the Fund were €70 million, €47 million of which were contributed by the European Union through the Technological Fund, the remainder coming from ICO.

The Fund, which matures on 31 December 2015, is designed to establish a guarantee facility for offering bank endorsements to companies that carry out RD&I projects qualifying for aid from the CDTI (Industrial Technological Development Centre) in the framework of the Technological Fund. Thanks to this guarantee facility they can offer advances to beneficiary companies so they can get access up to 75% of funding right from the start of the project.

In 2014, 13 projects were entered into totalling €3 million. Up to the end of 2014, since the beginning of the activity of the fund, 692 projects have been arranged, coming to €222 million.

The outstanding balance of the JEREMIE Fund portfolio at 31 December 2014 came to €136 million.

OTHER CAPITAL FUNDS

ICO also invests, with different contributions, in the following capital funds:

- **Fons Mediterrània Capital**, a venture capital fund with a general and diversified investment mission, carrying out investment operations in Morocco, Tunisia and Algeria.
- **FC2E, Carbon Fund for the Spanish Companies**, promoted by Instituto de Crédito Oficial and Santander Investment. It is the first mixed-capital carbon fund managed in Spain. It was created to help Spanish companies comply with greenhouse gas emissions regulations.

To achieve this objective, the fund supports clean projects carried out in emerging countries under the mechanisms established in the Kyoto Protocol, i.e., the Clean Development Mechanism (CDM) and Joint Implementation (JI) by buying the carbon credits generated by these projects.

- **Post-Kyoto Carbon Fund**, was created in 2008 by five European public financial institutions: European Investment Bank, Caisse des Dépôts, Instituto de Crédito Oficial, KFW Bankengruppe and Nordic Investment Bank. Its objective is to buy and sell carbon credits generated after 2013 by significant environmental projects.

- **Marguerite Fund**, a European capital fund, designed to back investments in infrastructures contributing to combating climate change, energy security and Trans-European Transport Networks.

The Marguerite Fund is managed by an independent team in charge of identifying and evaluating potential investments in the following sectors:

- Transport: the Trans-European Transport Networks in particular.
- Energy: with a special focus on the Trans-European Energy Networks
- Renewable energies: production of sustainable energy, clean transport infrastructures, energy distribution and systems for hybrid, geothermal, biomass, biogas, hydraulic energy transport and projects for converting waste into energy.

E. INVESTMENTS IN COMPANIES

Instituto de Crédito Oficial owns shareholdings in the companies listed below.

- It owns 100% of the capital of **Axis Participaciones Empresariales S.G.E.I.C.R, S.A.U.**, manager of venture capital funds incorporated in 1986.
- In **Compañía Española de Reafianzamiento, S.A (CERSA)** it has a 24.15% capital holding. CERSA is a state corporation under the Ministry of Industry, Energy and Tourism, whose activity is based on refinancing or partial coverage of risk assumed by the Mutual Guarantee Societies with small and medium sized companies that require additional guarantees to solve their financial problems, prioritising the financing of investments and innovative projects, as well as micro companies and new or recently created companies.
- ICO owns 20.31% of the share capital of **Compañía Española de Financiación al Desarrollo, S.A (COFIDES)**, a state corporation set up in 1988. Its purpose is to provide medium- and long-term financing for viable private investment projects abroad where there is a Spanish interest rate, to help with profitability criteria, both in the development of the countries receiving investments as well as the internationalisation of the economy and the Spanish companies.
- 50% stake in **EFC2E Gestión**. This organisation is engaged in the management of the assets of the Carbon Fund for the Spanish Companies (FC2E).

F. BALANCE SHEET AND INCOME STATEMENT FOR THE YEAR

At the end of 2014, ICO's balance sheet totalled €83.999 billion. ICO has retained its position as the seventh largest credit institution in Spain based on asset volume and accounts for 3.5% of the entire Spanish financial system.

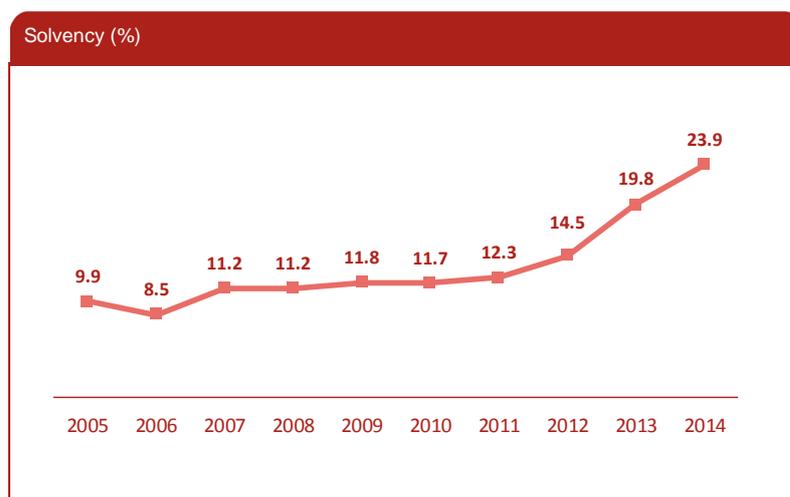
Balance sheet		millions of Euros and percentages		
	31/12/2014	31/12/2013	Year-on-year variation	
			absolute	%
Cash and deposits with Central Banks	24	18	6	34.4%
Trading portfolio	310	401	(91)	(22.8%)
Financial Assets Available for Sale	913	1,105	(192)	(17.4%)
Loans and receivables	66,439	78,096	(11,657)	(14.9%)
Held-to-maturity investment portfolio	13,949	20,661	(6,712)	(32.5%)
Hedging Derivatives	1,951	1,509	442	29.3%
Non-Current Assets for Sale	-	-	-	-
Shareholdings	44	44	0	1.0%
Tangible and Intangible Assets	94	104	(10)	(9.6%)
Other Assets	275	265	10	3.9%
Total	83,999	102,203	(18,204)	(17.8%)
Own Funds	4,909	4,520	389	8.6%
Valuation Adjustments	(13)	(54)	41	(75.7%)
Net Equity	4,896	4,466	430	9.6%
Trading portfolio	290	398	(108)	(27.1%)
Financial Liabilities at Amortised Cost	78,087	96,669	(18,582)	(19.2%)
Hedging Derivatives	351	354	(3)	(.8%)
Provisions	327	285	42	14.8%
Other Liabilities	47	31	16	52.4%
Total Liabilities	79,102	97,737	(18,635)	(19.1%)

The outstanding balance of loans and receivables stood at €66.439 billion, with a non-performing loan ratio of 7.0%, significantly below the sector average (12.5%). During 2014, ICO has continued the efforts concerning provisioning, following a careful write-downs policy; as a result, the provision coverage ratio totalled 140.7% (the sector average is 58.1%).

At 31 December 2014, the Institute's own funds stood at €4.909 billion and were of the highest quality (capital and reserves it has generated itself). It has not issued any hybrid debt instruments (preferred shares or subordinated debt).

During 2014, capital increased by €350 million to a total of €3.9609 billion.

At year-end, ICO's solvency ratio stood at 23.9%, 409 base points higher than at the end of 2013 and significantly above the regulatory minimums.



Net interest income earned by ICO in 2014 came to €578.8 million and the gross margin stood at €550.9 million.

Income Statement by margins		millions of Euros and percentages		
			Year-on-year variation	
	31/12/2014	31/12/2013	absolute	%
Financial products	2,390	2,946	-556	(18.9%)
Financial costs	-1,811	-2,218	407	(18.4%)
Net Interest Income	579	727	-148	(20.4%)
Other products and ordinary costs	-28	89	-117	(131.2%)
Gross margin	551	816	-266	(32.5%)
Labour cost	-19	-18	0	2.2%
General overheads	-13	-13	-1	5.5%
Amortisations	-5	-6	1	(18.3%)
Losses due to depreciation and allocations	-391	-665	274	(41.2%)
Operating activities	123	114	9	7.4%
Losses due to impairment of other assets	-19	-13	-5	38.0%
Other profit and loss	1	0	0	100.0%
Pre-tax profits	105	101	4	3.7%
Tax on profits	-31	-30	-1	3.7%
PROFIT FOR THE PERIOD	74	71	3	3.7%

Operating costs totalled €37.1 million, virtually the same as the previous year. As a result, the ICO efficiency ratio was 6.7% at year-end.

Income before provisions and write-downs totalled €513.5 million, which has enabled the Institute to make net provisions of €409.7 million and ensure a high level of coverage for non-performing loans.

Despite significant provisioning, pre-tax profit increased to €104.7 million, a 3.7% increase compared to 2013.

G. HUMAN RESOURCES

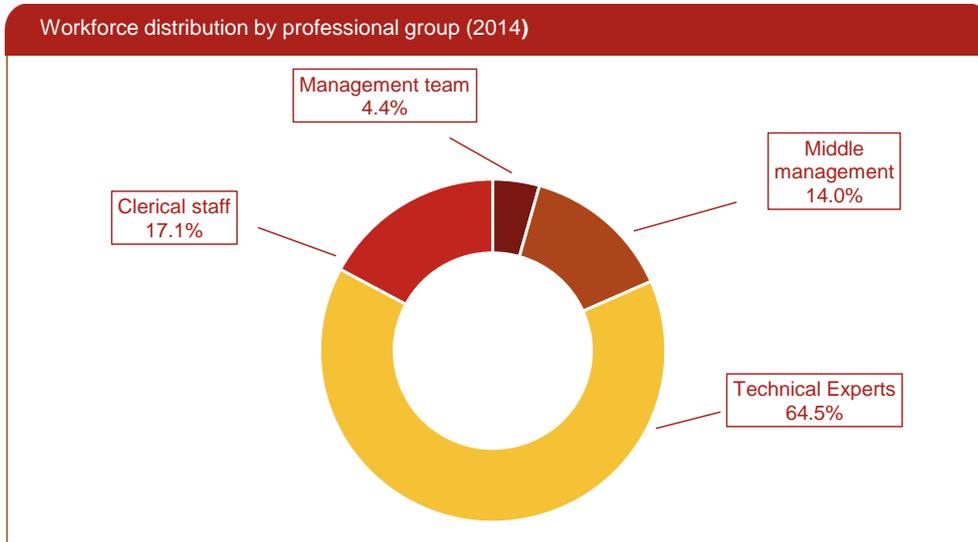
As a credit institution, Instituto de Crédito Oficial must be prepared to permanently adapt to the evolution of the financial sector, marked by increased competition, unification of markets and new technological challenges. To fulfil its role as State Financial Agency, the Institute must be able to address with a total guarantee of success the challenges that are demanded from the various social agents. Thus, human capital is the most important factor that ICO relies on for effectively performing its functions.

CHARACTERISTICS OF THE WORKFORCE

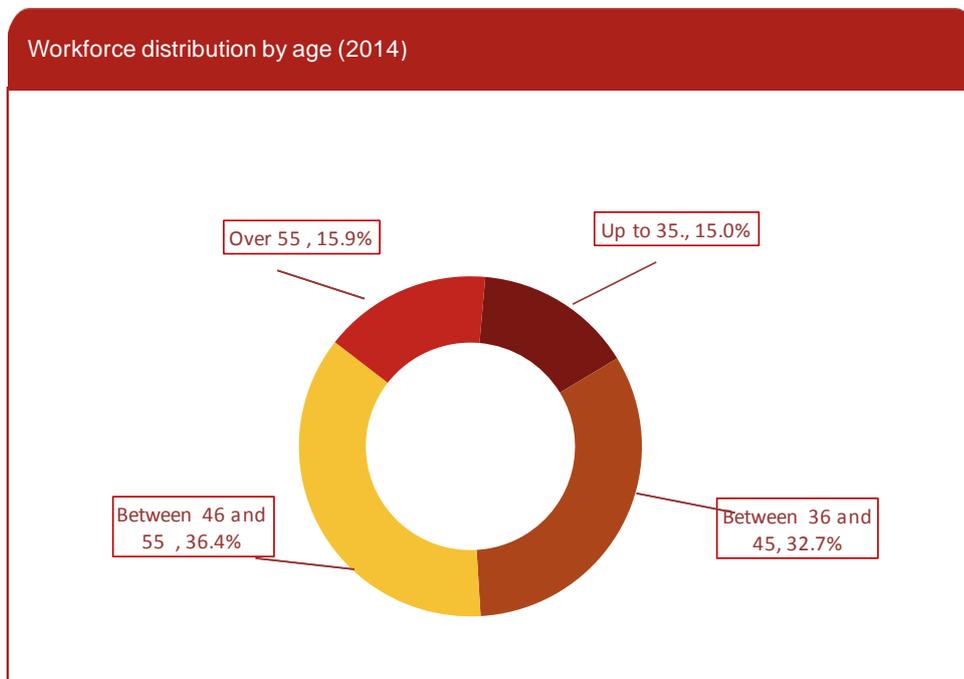
At 31 December 2014, the ICO workforce consisted of 321 employees. Distribution by professional groups is reflected in the following table:

Workforce distribution by professional groups (No. of employees at end of each year)			
	2014	2013	Annual variation
Management team	14	14	0
Middle management	45	45	0
Technical Experts	207	193	14
Clerical staff	55	58	(3)
TOTAL	321	310	11

The level of professionalism of ICO employees is very high: excluding the management team, 78.5% of the staff are in the professional expert category.



The average age of the workforce is 45.6. 69.1% of the employees are in the range of 36 to 55 years old. Women account for 61.3% of the workforce and 35.7% of senior management positions.



TRAINING

During 2014, ICO has maintained its commitment to education and training as a key tool for improving the skills, abilities and development capabilities of its workforce. This training strategy is aligned with ICO's overall objectives, focusing on supporting the internationalisation, specialisation and solvency of ICO as a financial institution and facilitate improvements in its management as State Financial Agency.

The Training Plan approved by the Institute for the 2013-2014 period has focussed on the following priorities:

- The promotion of language training with a view to preparing the workforce for future challenges that ICO must assume in supporting Spanish companies in the internationalisation process.
- The introduction of a new training priority, general interest conferences, which have been very well received by the workforce.
- Boosting skill-based training.

92% of the ICO workforce received training during 2014, with an average of 61 hours per person

During 2014, 257 training measures have been carried out in different fields, with an emphasis on language programmes and workplace-specific training.

No. of training measures			
	No. of measures 2014	No. of measures 2013	% Year-on-year variation
Languages	143	129	10.9%
Training in the post	60	35	71.4%
New technology	40	16	150.0%
Training for development	4	7	(42.9%)
Skills training	5	8	(37.5%)
Conferences	5	8	(37.5%)
TOTAL	257	203	26.6%

WORKFORCE EXCHANGE COLLABORATION AGREEMENTS

As part of the professional development of the Institute's employees, ICO has signed temporary workforce exchange collaboration agreements with similar institutions and multilateral organisations; the objective of this initiative is to increase knowledge of the working practices of such institutions and organisations, improve institutional relations and broaden experience for the common good.

Within the framework of these agreements, 16 workforce exchanges were carried out in 2014 with the German KfW Bankengruppe (Kreditanstalt für Wiederaufbau), the Italian CDP (Cassa de Depositi e Prestiti), the European Commission and the OECD (Organisation for Economic Cooperation and Development).

MANAGEMENT BY OBJECTIVES SYSTEM

In 2007, Management by Objectives (MBO) was implemented at ICO to establish a system to define, implement and monitor the Institute's objectives. Work continued on this system's development in 2014, making it possible to measure the contribution of each employee to reaching their objectives and reward their efforts by means of a pre-defined variable bonus scheme.

FAMILY-RESPONSIBLE COMPANY (ERF)

In 2014, ICO obtained the Family-Responsible Company certificate in line with the *EFR 1000-1, ed. nov 2013* standard, awarded by the Masfamilia Foundation. This certification demonstrates the Institute's commitment to the work-life balance and equal opportunities, in addition to the effective implementation of a management and continuous improvement system centred around these variables.



APPENDICES

ASSET SUMMARY

Balances at 31 December

€ Millions

	Total 1= (2 to 6)+ (8 to 10)	Cash 2	Loans to Credit Institutions 3	Second-Floor Facilities 4	Loans to customers 5	Securities portfolio		Tangible Assets 8	Other Assets 9	Accrual Accounts 10
						Total 6	of which Shares and Participating Interests 7			
1991	19,398	16	15,112	-	1,904	6	6	23	26	2,311
1992	19,788	74	12,542	12	5,001	0	0	27	240	1,893
1993	19,412	12	11,542	384	5,404	26	17	56	115	1,874
1994	19,456	11	10,540	1,297	5,624	28	20	78	80	1,798
1995	19,821	11	9,080	2,708	5,866	43	28	80	340	1,694
1996	18,702	11	7,167	3,762	5,909	44	44	85	118	1,607
1997	20,087	4	7,528	5,078	5,528	49	49	90	36	1,774
1998	21,369	21	7,706	6,032	5,940	82	82	119	69	1,400
1999	23,562	27	7,930	7,086	6,755	91	91	106	270	1,296
2000	24,704	23	7,705	7,575	7,311	216	91	99	461	1,314
2001	25,601	31	6,934	8,132	8,000	635	100	89	651	1,128
2002	24,749	62	6,317	8,789	7,846	407	101	77	595	655
2003	26,419	30	7,138	9,614	8,005	679	101	64	342	547
2004	24,551	24	5,275	10,053	8,099	851	125	115	133	0
2005	26,956	74	3,871	12,102	8,496	1,139	128	163	1,111	1
2006	32,292	237	3,105	17,240	10,739	151	151	168	653	0
2007	39,882	128	3,193	11,017	13,550	10,815	152	169	1,008	1
2008	52,970	344	2,523	17,981	17,784	10,991	156	169	3,178	-
2009	60,360	75	858	28,522	18,846	9,340	159	121	2,598	-
2010	77,860	424	1,212	42,163	22,784	5,623	225	119	5,534	-
2011	94,577	31	2,240	47,842	30,042	8,483	216	113	5,826	-
2012	115,230	284	2,379	44,104	44,648	19,688	248	106	4,020	-
2013	102,203	18	1,196	42,448	34,452	21,810	253	104	2,175	-
2014	83,999	24	1,829	39,136	25,261	15,111	367	94	2,543	-

LIABILITY SUMMARY

Balances at 31 December

	€ Millions									
	Total 1=2+5 to 10	Special Funding			Ordinary Funding 5	Other Liabilities 6	Provisions 7	Equity and Reserves 8	Profits for the year 9	Accrual Accounts 10
		Total 2=3+4	State Loans 3	Loan Notes 4						
1991	19,398	9,562	3,871	5,692	8,520	27	128	511	33	618
1992	19,788	8,522	3,871	4,652	10,094	195	60	544	66	307
1993	19,412	7,525	3,871	3,654	10,899	43	14	610	10	312
1994	19,456	6,413	3,865	2,548	11,894	79	98	620	15	338
1995	19,821	5,145	3,738	1,406	13,342	213	108	617	41	356
1996	18,702	1,947	1,334	613	12,766	344	159	2,871	115	501
1997	20,087	1,220	1,106	114	14,831	333	328	2,798	86	490
1998	21,369	1,106	1,028	78	16,186	369	334	2,776	97	502
1999	23,562	990	949	42	18,614	300	324	2,776	86	472
2000	24,704	873	870	4	19,828	295	321	2,776	80	532
2001	25,601	790	790	-	21,864	870	276	1,173	129	498
2002	24,749	711	711	-	21,115	1,077	248	1,107	301	190
2003	26,419	632	632	-	21,873	2,337	215	1,107	100	155
2004	24,551	320	320	-	18,784	3,888	405	1,092	55	5
2005	26,956	275	275	-	23,486	1,657	248	1,240	50	0
2006	32,292	229	229	-	27,655	2,782	225	1,295	107	1
2007	39,882	-	-	-	32,780	4,791	241	1,984	82	-
2008	52,970	-	-	-	43,039	7,341	208	2,292	89	-
2009	60,360	3,571	3,571	-	46,863	6,955	250	2,696	24	-
2010	77,860	3,434	3,434	-	64,762	6,057	376	3,199	31	-
2011	94,577	2,708	2,708	-	82,448	5,322	414	3,646	40	-
2012	115,230	-	-	-	105,967	4,829	305	4,069	60	-
2013	102,203	-	-	-	93,290	4,162	285	4,394	71	-
2014	83,999	-	-	-	75,348	3,428	327	4,822	74	-

INCOME STATEMENT BY MARGINS

Annual amounts

€ Millions

	1	2	3 = 1 - 2	4	5	6	7 = 4 - 5 + 6	8	9 = 7 + 8
	Financial products	Financial costs	Interest income	Gross margin	Amortisation, personnel and general expenditure	Provisions and other impairments	Operating income	Other Profit and Loss	Pre-tax profits
1991	1,506	1,418	88	85	13	(26)	47	3	51
1992	1,469	1,402	68	89	10	(54)	26	75	101
1993	1,548	1,476	73	72	14	(156)	(97)	107	10
1994	1,464	1,396	69	76	21	(146)	(85)	100	15
1995	1,447	1,395	52	60	25	(190)	(155)	196	41
1996	1,299	1,175	124	126	27	3	102	13	115
1997	1,097	1,008	88	91	28	(7)	56	30	86
1998	969	916	52	54	27	(7)	20	77	97
1999	803	725	78	82	33	(13)	37	94	130
2000	1,015	928	87	93	31	42	105	22	127
2001	1,055	952	103	110	34	(308)	(230)	555	325
2002	877	762	115	123	38	(80)	3	381	384
2003	707	603	104	113	37	(23)	53	56	109
2004	623	531	92	94	33	17	79	-	79
2005	670	580	90	130	33	(34)	64	-	64
2006	1,068	872	196	207	38	(13)	159	-	159
2007	1,648	1,440	207	227	41	(80)	108	-	108
2008	2,171	1,876	295	350	41	(187)	122	-	122
2009	1,437	1,240	197	270	43	(197)	30	-	30
2010	1,420	1,067	353	437	45	(350)	42	(0)	41
2011	2,625	2,190	434	472	42	(372)	57	(2)	55
2012	3,471	2,711	760	801	38	(678)	85	(1)	84
2013	2,945	2,218	727	817	37	(665)	114	(13)	101
2014	2,390	1,811	579	551	37	(391)	123	(18)	105

FINANCING INVESTMENTS IN SPAIN

Loans arranged during the financial year. Distribution by Autonomous Region

€ Millions

2014	Ordinary transactions				Special and exceptional transactions 5
	Total 1=2+5	Total 2=3+4	Second-Floor Facilities 3	Direct Loans 4	
Andalusia	2,075	2,075	2,070	5	-
Aragon	582	582	582	-	-
Asturias	423	423	423	-	-
Balearic Islands	553	553	553	-	-
Canary Islands	521	521	521	-	-
Cantabria	135	135	135	-	-
Castile-La Mancha	537	537	537	-	-
Castile and León	855	855	855	-	-
Catalonia	3,232	3,232	3,222	10	-
Ceuta	33	33	33	-	-
Valencian Community	1,651	1,651	1,651	-	-
Extremadura	205	205	199	6	-
Galicia	1,040	1,040	1,040	-	-
La Rioja	187	187	156	31	-
Madrid	2,711	2,711	2,711	-	-
Melilla	-	-	-	-	-
Navarra	242	242	242	-	-
Basque Country	871	871	871	-	-
Murcia	469	469	469	-	-
National	552	552	11	541	-
TOTAL	16,873	16,873	16,280	593	-

€ Millions

2013	Ordinary transactions				Special and exceptional transactions 5
	Total 1=2+5	Total 2=3+4	Second-Floor Facilities 3	Direct Loans 4	
Andalusia	1,636	1,636	1,581	55	-
Aragon	501	501	449	52	-
Asturias	340	340	333	7	-
Balearic Islands	443	443	426	17	-
Canary Islands	425	425	425	0	-
Cantabria	76	76	76	-	-
Castile-La Mancha	412	412	377	35	-
Castile and León	651	651	630	21	-
Catalonia	2,778	2,778	2,483	295	-
Ceuta	27	27	27	-	-
Valencian Community	1,095	1,095	1,061	34	-
Extremadura	154	154	151	3	-
Galicia	715	715	712	2	-
La Rioja	133	133	133	-	-
Madrid	2,132	2,132	2,127	5	-
Melilla	-	-	-	-	-
Navarra	188	188	187	1	-
Basque Country	582	582	582	-	-
Murcia	487	487	435	51	0.3
National	541	541	15	526	-
TOTAL	13,316	13,316	12,209	1,107	0.3

TABLE VI
SECOND-FLOOR FACILITIES

Loans made available. Distribution by purpose

2014	Companies and entrepreneurs		Internationalisation.	
	Amounts Made Available	% /total	Amounts Made Available	% /total
Agriculture, Livestock, Forestry and Fishing	972	6	185	4
Mining	116	1	44	1
Food industry	1,051	6	730	14
Textile industry	342	2	331	6
Paper industry	228	1	81	2
Chemical industry	486	3	372	7
Mfg. IT, Elect. and optical products	56	0	43	1
Other manufacturing industries	1,325	8	1,151	22
Power, electricity, gas and water	249	2	14	0
Construction	972	6	105	2
Wholesale trade	2,305	14	1,288	25
Retail trade	1,112	7	51	1
Transport and storage	1,858	11	395	8
Hospitality	979	6	51	1
Information, communication and artistic and recreational activities	691	4	68	1
Financial, professional and scientific activities	1,784	11	240	5
Real estate activities	636	4	23	0
Education	140	1	4	0
Health and social services	430	3	7	0
Other services	300	2	6	0
Others	246	2	-	-
TOTAL	16,280	133	5,189	310

€ Millions

2013	Companies and entrepreneurs		Internationalisation.	
	Amounts Made Available	% /total	Amounts Made Available	% /total
Agriculture, Livestock, Forestry and Fishing	771	6	49	3
Mining	62	1	14	1
Food industry	836	7	233	14
Textile industry	241	2	82	5
Paper industry	143	1	14	1
Chemical industry	361	3	145	9
Mfg. IT, Elect. and optical products	45	0	21	1
Other manufacturing industries	943	8	417	25
Power, electricity, gas and water	232	2	17	1
Construction	859	7	52	3
Wholesale trade	1,701	14	326	19
Retail trade	851	7	14	1
Transport and storage	1,340	11	96	6
Hospitality	738	6	33	2
Info, Comms Act. Artistic and recreational	583	5	35	2
Financial, professional, scientific activities	1,381	11	112	7
Real estate activities	440	4	7	0
Education	119	1	1	0
Health and social services	312	3	5	0
Other services	215	2	3	0
Others	34	0	-	-
TOTAL	12,209	100	1,675	100

€ Millions

TABLE VII
SECOND-FLOOR FACILITIES

Loans made available. Distribution by Autonomous Region

€ Millions

2014	Companies and entrepreneurs	Internationalisation.	Total	%/Total
Catalonia	3,234	1,007	4,241	20%
Madrid	2,748	467	3,215	15%
Valencian Community	1,652	842	2,494	12%
Andalusia	2,060	424	2,484	12%
Basque Country	867	565	1,432	7%
Galicia	1,044	354	1,398	7%
Castile and León	855	156	1,011	5%
Aragon	577	195	771	4%
Castile-La Mancha	529	204	732	3%
Murcia	471	252	723	3%
Balearic Islands	548	57	605	3%
Canary Islands	509	49	558	3%
Asturias	423	111	534	2%
Navarra	245	228	473	2%
Extremadura	197	82	279	1%
La Rioja	153	83	237	1%
Cantabria	135	63	198	1%
Others	-	48	48	0%
Ceuta	34	1	35	0%
TOTAL	16,280	5,189	21,469	100%

2013	Companies and entrepreneurs	Internationalisation.	Total	%/Total
Catalonia	2,487	310	2,797	20%
Madrid	2,137	143	2,280	16%
Andalusia	1,581	103	1,683	12%
Valencian Community	1,061	214	1,275	9%
Basque Country	582	260	842	6%
Galicia	714	112	825	6%
Castile and León	630	49	679	5%
Aragon	449	77	526	4%
Murcia	436	83	519	4%
Balearic Islands	425	38	463	3%
Canary Islands	425	15	440	3%
Castile-La Mancha	377	57	434	3%
Asturias	333	53	386	3%
Navarra	187	68	255	2%
Extremadura	151	21	172	1%
La Rioja	133	15	148	1%
Cantabria	76	14	90	1%
Others	-	41	41	0%
Ceuta	14	1	15	0%
Melilla	13	1	13	0%
TOTAL	12,209	1,675	13,884	100%





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