

Annual report [2009]

ABSTRACT OF THE PERFORMANCE REPORT

2009 Annual Report & CR Report



Instituto de Crédito Oficial

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Key figures

Instituto de Crédito Oficial (ICO)

BALANCE (a)	2009	2008
Total assets	60,360	52,970
Lending investment	52,393	43,724
- Second-floor loans*	32,788	25,065
- Direct loans to customers	18,837	17,784
Market resources	46,863	43,039
Equity (includes year's profit/loss)	2,911	2,736

* Includes covered bonds

STATEMENT OF INCOME (a)

Net interest revenue	197	295
Gross revenue	270	350
Net revenue. Operating activities	30	122
Pre-tax profit	30	122
Net profit	23	89

RATIOS (B)

ROE	0.75	3.09
ROA	0.04	0.19
Capital adequacy ratio	11.79	11.19
Operating expense/ ATA	0.07	0.09

HUMAN RESOURCES

Number of employees	307	296
- Male	114	114
- Female	193	182
Technical staff and middle managers	215	203

SOCIOCULTURAL ACTIVITIES

Fundación ICO Fundación ICO

RATINGS

Moody's	Aaa	Aaa
Fitch Ratings	AAA	AAA
Standard & Poor's	AA+	AAA

(a) Million euros.

(b) Percentages.

[Chairman's
Statement]



Chairman's Statement

As 2009 got under way, the world economy started to show signs of recovery after the financial crisis which broke out in the summer of 2007 and spread fast to the real economy of developed countries, while the effect on developing economies was less intense. As far as the Spanish economy was concerned, the fall in growth did not start to ease off until the second part of the year.

Clearly, 2009 will go down in economic history as the year which brought broad international consensus as regards the coordination of economic and financial policies necessary to cope with the worst crisis since the Great Depression. It will also be remembered as the year in which the governments of the West's leading economies undertook large-scale, costly bail-out plans to save financial institutions and prevent the system's collapse. At the same time, central banks stuck to their expansive monetary policies with intervention rates at all-time lows and the use of quantitative easing measures (above all, in the USA and the UK), which had been avoided until then. The result of the bail-out policies showed through in the macroeconomic data and indicators of the world's main economies in the second half of the year, when better GDP growth rates started to appear, although this in turn translated to a high cost in terms of public deficits and indebtedness.

Born of the determination of public powers to do whatever was needed to stop the crisis from becoming systemic, the measures eased the stress which had afflicted the markets in 2008, the year Lehman Brothers went under and set all the alarm bells ringing. Nevertheless, the state of affairs on financial markets was still far from normal, with players engaged in a game of mutual mistrust.

In Spain, where macroeconomic data did not receive the initial impact of the crisis until the last quarter of 2007, the start of recovery likewise came later. In 2009, Spain's GDP fell by 2.7% in respect of 2008, although quarterly declines grew more restrained in Q2 and the year came to an end with a 0.1% fall of GDP in Q/4 as compared with the previous quarter; and of 3.1% year-on-year. Both downswings were more moderate than those recorded previously. Naturally, lower production affected employment figures which, in the case of the Spanish economy, were particularly daunting: according to figures from the Working Population Survey (Spanish initials, EPA), the year 2009 closed with an unemployment rate of 18.8% of the working population and the possibility of incipient job creation did not seem to be in the offing.

In the course of the year, as in the economies of Spain's neighbouring countries, the Spanish Government adopted anti-cyclical economic measures which succeeded in putting a brake on the economy's deterioration by year-end. Through the Spanish Economic and Employment Stimulus Plan (the E-Plan), the Government took a number of steps seeking to alleviate the crisis by boosting public investment and employment. While the E-Plan ranked high in terms of public awareness, the Government was also working on a set of structural reforms conducive to improving the economy's productivity, combined with various measures of a financial nature aimed at supplying liquidity to the system.

The package of financial measures contained in the E-Plan called upon the services of the Public Treasury (with the start-up of the Financial Asset Acquisition Fund and the awarding of security for issues by financial institutions) and Instituto de Crédito Oficial. With regard to ICO's involvement in the E-Plan, in 2009, the institute increased the resources allocated to its traditional second-floor lending facilities and set up new schemes including, for the first time, the possibility of financing working capital. In short, with the measures implemented by ICO, the credit system received more liquidity and small and medium-sized enterprises (SME), which had been beset by serious financing difficulties, were given greater access to loans.

However, the authorities' effort was not restricted to the above. Aside from the tasks commended to ICO, in June, the Fund for the Orderly Restructuring of the Banking Sector (Spanish initials, FROB), was made available to Spanish credit institutions to help them manage their restructuring processes and reinforce their internal resources.

Such is the setting in which ICO performed its lending activity which, in 2009, reached an amount of €19,331m in loans drawn down in the year, or 19.5% more than in the previous year. This increase derives from the execution of measures carried out on the Government's instructions to alleviate the effects of the economic-financial crisis.

On the subject of the E-Plan, it should be pointed out that, in accordance with the instructions and guidelines issued by the economic authorities and also with the resolutions taken by ICO's Governing Council, the institute designed and launched new loan facilities with which to finance the investments and meet the working capital needs of SME so as to mitigate the negative effects of the economic-financial crisis. These schemes included the SME Liquidity Facility, the Housing Facility and Renove-Tourism, amongst others.

In the area of second-floor lending, one of the most noteworthy features of the institute's ongoing support of the corporate sector was the allocation of €10,000m to the ICO-SME Facility 2009. In the last financial year, the overall sum of drawdowns under this facility came to €5,168m (76,230 operations), meaning that 51.68% of the facility was consumed.

Following the pattern seen in the second half of the previous year, demand was lower as regards loans geared towards SME and the self-employed for the financing of new productive assets and complementary financing. The technical recession in which Spain was immersed was clearly taking its toll.

This facility, along with the others that go to make up the Corporate Promotion Plan (Entrepreneurs, Corporate Growth and Corporate Internationalisation), constituted a renewed commitment in 2009, when Spanish enterprises were offered a Support Plan seeking to foster society's enterprising spirit, the creation of new enterprises, corporate growth and internationalisation.

As stated above, last year stands out for the design and launching of a number of new facilities: the SME Liquidity Facilities, with the novel feature of providing finance for the



working capital of SME and the self-employed facing a temporary credit squeeze; the SME and Mortgage Deferral Facilities, designed to finance capital repayment instalments on outstanding operations under ICO-SME Facilities, together with the temporary, partial deferral of accruing monthly instalments on mortgage loans arranged within certain dates, for holders of mortgages on their usual place of residence; the ICO-Housing Facility, set up to promote Spain's rent market for the usual place of residence; and Renove-Tourism and FuturE, whose purpose is to finance projects for the improvement of competitiveness, energy efficiency and the use of new technologies at Spanish tourism enterprises. In addition, the institute continued with its Avanza loans for the acquisition of IT equipment and internet connectivity; Plan Vive (designed, on this occasion, for buses); Transport; and the University Studies Scheme. These specialised schemes reflect the institute's bid to fulfil its role as a supplier of funds through a series of earmarked loan facilities.

Instituto de Crédito Oficial planned and achieved the substantial growth seen over the last few years (57% in 2009) in the second-floor loans referred to in foregoing paragraphs while observing one of the main premises by which the institute's activity is governed: financial equilibrium. The General-Government Budget Act for 2009 contained a set of measures to increase ICO's internal resources. At year-end 2009, we were able to appreciate the significance of this measure, whereby the final figure for the institute's equity amounted to €140m. As a result of the measure, combined with others of an internal nature, the individual capital adequacy ratio stood at 11.79% and accordingly, in 2009, the institute fulfilled the minimum resource requirement established in Bank of Spain Circular 3/2008 and the adaptation of the regulations of the Basel II Accord.

The measures will also help the institute in its role as a financial agency, where its mission is to ease the difficult economic situation expected in 2010 both for private individuals and for SME and the self-employed.

In 2009, ICO played a major role in strengthening Spain's corporate and self-employed network while aiming to enhance the social scope of the institute's function, providing the citizen with financing instruments designed to foster their individual development and offering ways of overcoming the current critical situation.

Turning now to ICO's other financing activity, consisting in direct lending, in 2009, arrangements witnessed a downswing of 54% in respect of the previous year to stand at €2,653m. Of this amount, 87% was applied to the financing of investments located in the national territory; in the main, projects related to the financing of infrastructure and regional development. In 2009, drawdowns under direct lending to customers totalled €4,024m, showing that a large amount of arrangements undertaken in 2008 was drawn down last year.

As we pointed out in last year's statement, in 2008, the leading rating agencies continued to award the maximum credit rating to the Kingdom of Spain although, in the last quarter of the year, a decline in the yield of sovereign debt was observed. In January 2009, one of the agencies, Standard & Poors, downgraded the rating to AA+. ICO has the same rating as the Kingdom of Spain and uses it when tapping markets to raise the funds it needs to

perform its activity. Last year, the institute launched issues over the short, medium and long terms for an equivalent value in euros of €17,414m in nine different currencies, thereby continuing with its policy to diversify the investor base. In this way, ICO succeeded in netting market funds while coping with risk premiums and was at times unable to pass these on to its lending operations because of the major changes occurring in the world of international and global financing. These changes affected the scope of national economic activity, causing business prospects and, therefore, the demand for credit, to come to a halt.

While the considerable rise in activities described above was taking place, the institute continued to contribute to the promotion of Spain's export sector by means of two long-standing financial instruments: the Development Aid Fund (FAD) and Interest Makeup, known as the Reciprocal Interest Adjustment Contract (CARI). In 2009, operations arranged by ICO through FAD numbered 135, entailing an overall amount of €1,769.39m, or 24.8% less than the figure recorded in 2008. The decline was due to the budget restriction and the approval of bilateral loans in the last month of the year. As for CARI, credit operations amounted to €111m.

With regard to the economic policy pursued by the institute, this statement would not be complete without a brief reference to the Cooperation Fund for Water and Sanitation (FCAS), the aim of which is to ease access to water and sanitation as an indispensable requirement for human wellbeing and development, as established in the Millennium Development Goals declared in the year 2000. Last year, contributions arranged through FCAS added up to €289m.

Thanks to the effort made by ICO in 2009 in the attainment of each and every one of the objectives set for the year, it is possible to make a satisfactory appraisal of the final result. Here, merit is due to the institute's first-rate human capital, which ensures the effective fulfilment of ICO's functions.

The forecasts for the Spanish economy over the coming year of 2010 point to a scenario of economic crisis. Naturally, this will be the point of departure when the institute designs its basic lines of action as the State's Financial Agency where, once more, it will act as an essential public financial instrument at the service of the Government's economic policy. ICO thus becomes the leading financial instrument with the capacity to implement and support, within the scope of its activity, the global performance framework of the Government's economic policy. Accordingly, for the next financial year, the Government has instructed us to launch two new financing facilities: one to implement the Sustainable Economy Act and the other, to finance the investment projects and working capital requirements of SME and the self-employed. In the latter case, ICO will assume the risk directly and will greatly improve its relationship with its customers by having direct contact with each one, thereby ensuring that financing is obtained by applicants in need of smaller loans.



Chairman's Statement

Lastly, a few words about the Financial Facilitator, a tool designed to help small enterprises and the self-employed find the financing they need. This instrument will not only provide highly useful information about the progress of a loan application filed at a credit institution by a small enterprise but will also help the institute pinpoint the main difficulties involved.

The changes undertaken over the last few years, coupled with those we make in the future, will enable ICO to meet these challenges with a greater guarantee of success.



José María Ayala
Chairman of ICO

[Performance of ICO's
key figures]



Performance of ICO's key figures

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

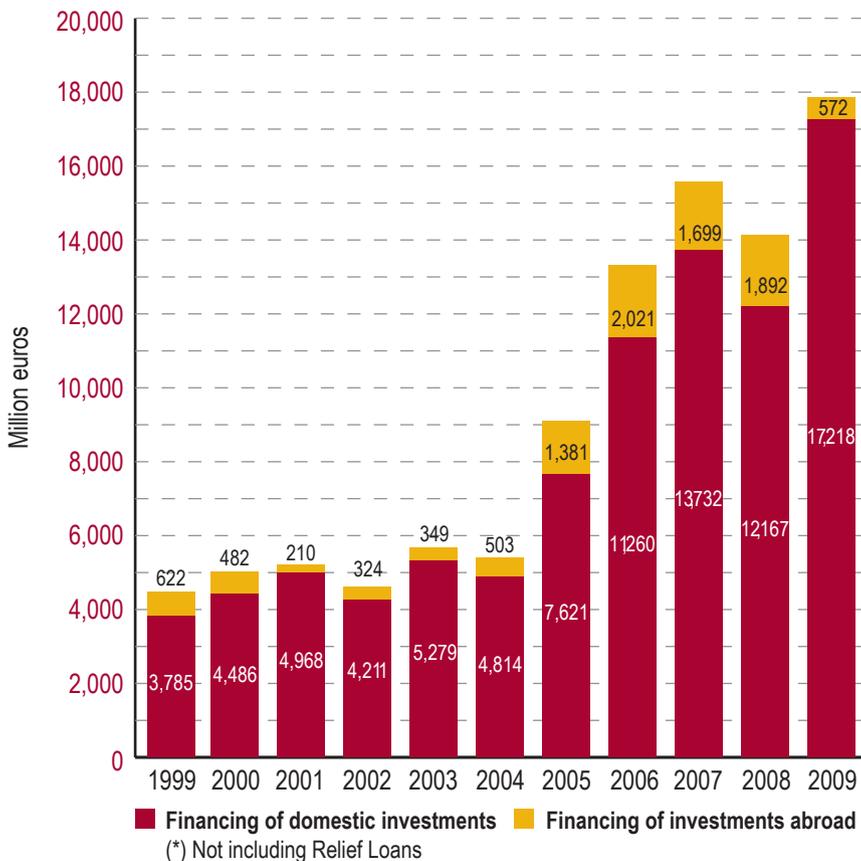
While this abstract seeks to give the reader an initial insight into ICO's missions, it is in the Annual Report proper that those interested will find the information necessary to make a more solid appraisal.

Loans arranged in the year (a). Distribution by purposes

Million euros and percentages

	2009	2008	Annual variation	
			Absolute	%
1. Financing of investments in Spain	17,218.1	12,166.8	5,051.3	41.5
1.1. SME investments	6,046.5	7,407.0	(1,360.5)	(18.4)
1.2. Government measures	7,160.8	0.0	7,160.8	100.0
1.3. Renewable energies	254.7	522.7	(268.0)	(51.3)
1.4. Large-scale projects	1,830.2	3,416.7	(1,586.5)	(46.4)
1.5. Audiovisual media	50.6	42.0	1,833.4	4,370.5
1.6. Other facilities	1,875.4	778.4	(778.4)	(100.0)
2. Financing of investments abroad	572.0	1,892.3	(1,320.3)	(69.8)
2.1. SME backing	228.2	184.7	43.5	23.6
2.2. PROINVEX Programme	343.8	1,707.6	(1,363.8)	(79.9)
3(1+2). Total	17,790.1	14,059.0	3,731.0	26.5
(a) Not including Relief Loans.				

Loans arranged in the year (*)



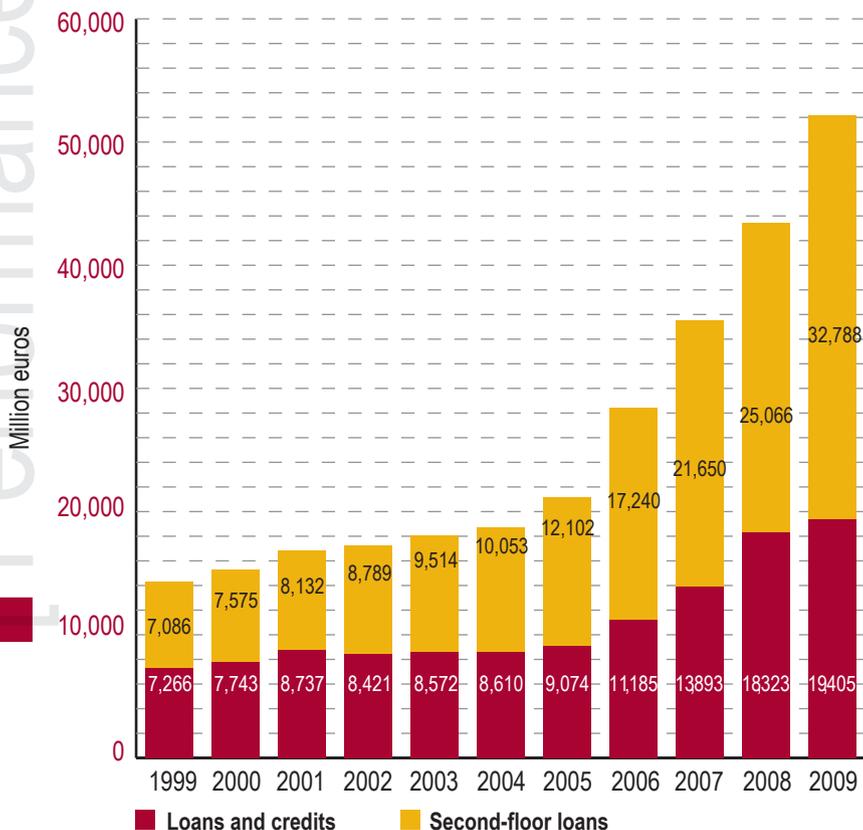
Loan accounts (a). Balances at December 31

Million euros and percentages

	2009	2008	Annual variation	
			Absolute	%
1. Ordinary operations	52,192.3	43,278.6	8,913.7	20.6
1.1. Second-floor loans (b)	32,787.7	25,065.5	7,722.2	30.8
1.2. Loans and credits	19,404.6	18,213.2	1,191.4	6.5
2. Special and exceptional operations	103.9	110.3	(6.4)	(5.8)
3(1+2). Total	52,296.2	43,388.9	8,907.3	20.5

(a) Prior to the deduction of loan loss provisions.
(b) Includes €4,262.1m in covered bonds.

Loan accounts. Balances at December 31

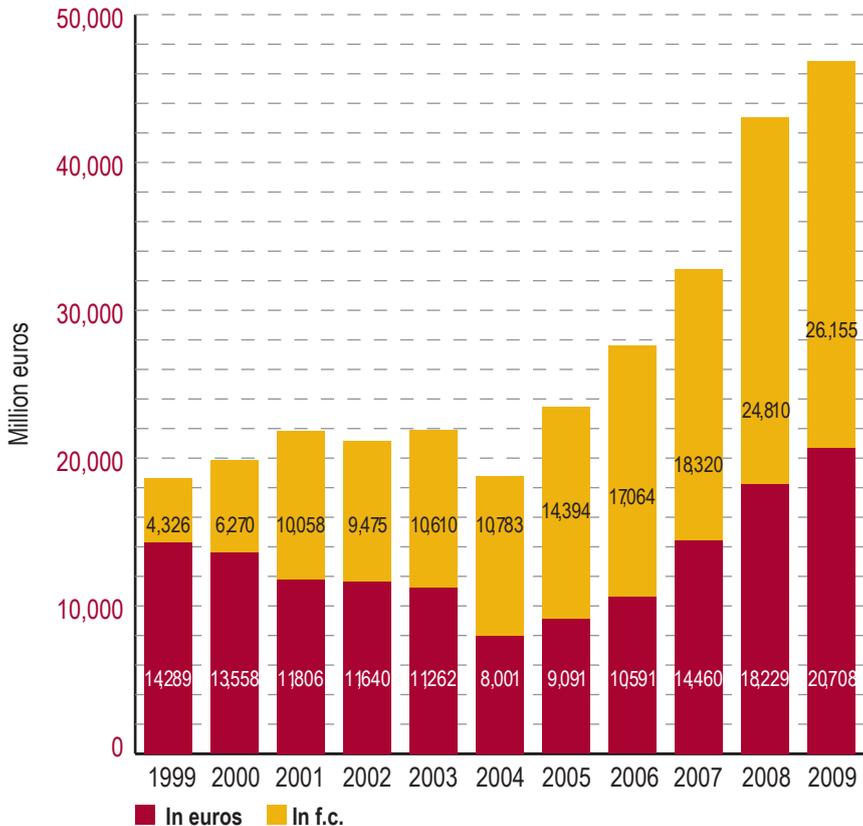


Funding structure. Balances at December 31

Million euros and percentages

	2009	2008	Annual variation	
			Absolute	%
1. Market resources (*)	46,863.0	43,039.3	3,823.7	8.9
1.1. Fixed-income securities	43,694.9	39,345.4	4,349.5	11.1
1.2. Loans from credit institutions	1,380.2	1,109.8	270.4	24.4
1.3. Customer funds	1,787.9	2,584.2	-796.3	-30.8
1.4. Denominated in euros	20,708.1	18,229.3	2,478.8	13.6
1.5. Denominated in f.c.	26,154.9	24,810.0	1,344.9	5.4
2. Special funding	3,571.4	0.0	3,571.4	100.0
3(1+2). Total	50,434.4	43,039.3	7,395.1	17.2
(*) 1 = 1.1 to 1.3 = 1.4 + 1.5				

Market resources. Balances at 31.12.09. Distribution by currencies



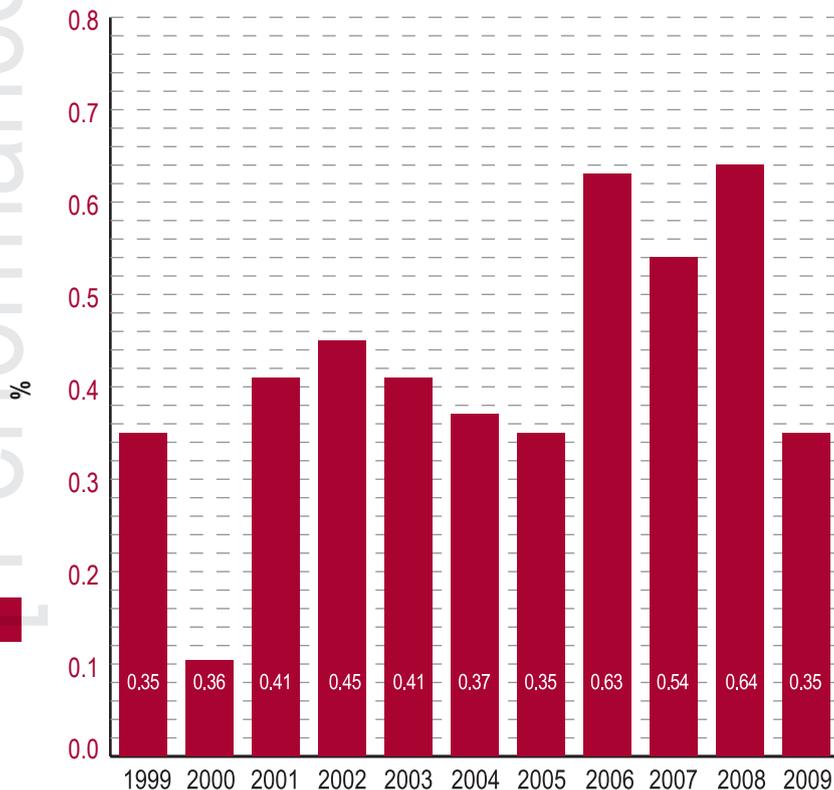
Statement of net income. Annual amounts

Million euros and percentages

	2009	2008	Annual variation	
			Absolute	%
Net interest revenue	197.3	294.9	-97.6	-33.1
Gross revenue	269.6	349.9	-80.3	-22.9
Result. Operating activities	30.3	121.9	-91.6	-75.1
Pre-tax profit	30.3	121.8	(91.5)	(75.1)
The period's profit	23.5	88.7	(65.2)	(73.5)
Average Total Assets (ATA)	57,031.7	45,962.2	11,069.5	24.1

Performance of ICO's key figures

Net interest revenue / ATA



Operations on the State's Account. Loans arranged in the year.

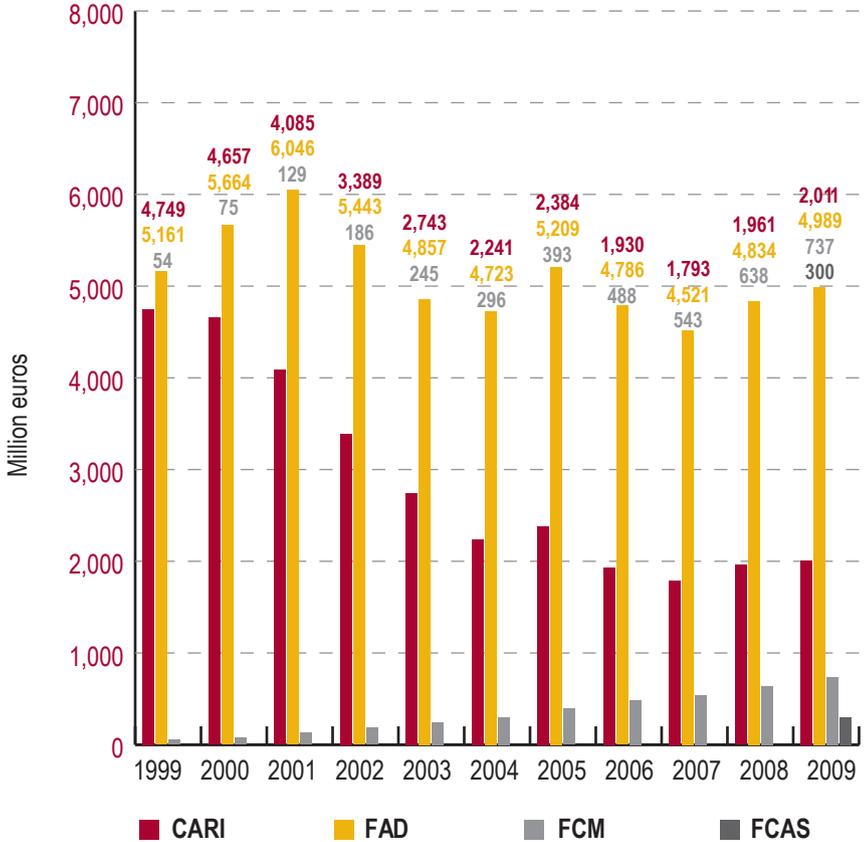
Million euros and percentages

	2009	2008	Annual variation	
			Absolute	%
Official Development Aid (FAD)	1,769.4	2,351.6	(582.2)	(24.8)
Interest Makeup(CARI)	110.8	427.6	(316.8)	(74.1)
Microcredit Fund (FCM)	99.5	94.9	4.6	4.8
Cooperation Fund for Water and Sanitation (FCAS)	289.5	0.0	289.5	100.0

Balances at December 31

Official Development Aid (FAD)	4,989.1	4,833.7	155.4	3.2
Interest Makeup (CARI)	2,011.0	1,961.4	49.6	2.5
Microcredit Fund (FCM)	737.2	637.7	99.5	15.6
Cooperation Fund for Water and Sanitation (FCAS)	300.0	0.0	300.0	100.0

Operations on the State's account. Balances at December 31



[Directors' Report]



Financial context

As in neighboring countries, the Spanish economy suffered a decline in activity that caused GDP to fall by 3.6 % in 2009 (0.9% growth in 2008). This process of decline began in the second half of 2008 and continued throughout 2009 (for six consecutive quarters). On the demand side, GDP contracted in 2009 due to the sharp decline in investment (gross fixed capital formation fell by 15.3%) and by the withdrawal of household consumption (decreased by 5%), while public consumption continued to grow, though less than the previous year. Regarding the external sector, exports also decreased strongly due to the less favorable international environment, although imports dropped even more, in this case due to a sharp decline drop in domestic demand.

The downturn that began in 2008 caused a sharp deterioration in the labor market. According to the Labor Force Survey (LFS), in the fourth quarter of 2009 unemployment stood at 18.8% of the population, where a year earlier it was 13.9%. The rise in unemployment was focused primarily on labor-intensive sectors (construction) at first, but ultimately ended up affecting all sectors of activity.

In the international environment, the turmoil in financial markets moved to the real sector, so every economy of the first world has experienced a fall in real terms. However, the tension in international financial markets declined in 2009 compared to the highs reached in September 2008 after the fall of Lehman Brothers, mainly due to governmental decisions to take measures to support the financial sector.

The central bank kept interest rates at historically low levels, without inflationary pressures in a context of weak demand. This, together with fiscal support measures, prevented the crisis from becoming systemic and led to a relaxation of tensions in the markets.

In Spain, public support for the economy was stepped up in the form of counter-measures such as the PlanE for the promotion of public investment and employment and others such as support for the purchase of vehicles that tried to cushion the fall of GDP. From a financial standpoint, the most important support mechanisms that went into effect in 2009 were the Fund for acquisition of financial assets, the guarantee for issues of debt instruments by financial institutions and the creation of the Fund for Orderly Bank Restructuring (FROB).

In the Spanish banking sector, the only episode of tension occurred in March 2009 when the Bank of Spain was forced to take over Caja Castilla-La Mancha due to solvency problems. Other banks have not had problems of this kind, although there has been a notable increase in defaults (which stood at 5.09 by year-end, 1.71 percentage points higher than in December 2008). The fall in credit demand, coupled with more demanding risk policies imposed by banks and the need for some of them to reduce their balances, a credit crunch ensued which in December ended with a year-on-year fall of 1.9%.

Performance Framework

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



Throughout 2009, as announced in the "subsequent events" section of the 2008 annual report, articulated the Spanish Plan for stimulating the economy and jobs, within which the Institute, following the instructions and guidelines of Economic Authorities guidelines and agreements of the General Council, has initiated the establishment and operation of new lines of credit to facilitate the financing of investment and capital needs of self-employed individuals and small and medium enterprises in order to alleviate the negative effects of the economic and financial crisis. Most notable among these are the lines of credit extended to self-employed individuals and small and medium enterprises (hereinafter SMEs), a housing line of credit and the Renove vehicle plan, among others. In carrying out its tasks, too, as the State Financial Agency, ICO paid timely financial attention to applicants benefited from its credit lines, that have suffered damages.

There will also be highlighted lines: SME 2009, business growth, entrepreneurship and internationalization of Spanish companies, framing them within the Business Development Plan, and other existing lines to finance investment in infrastructure, strategic activities, renewable energy and internationalization of Spanish companies. Action programs were also added in the areas of energy efficiency, film, tourism, road transport and purchase of computer equipment.

The total amount of financing granted in 2009 was € 18,208,146,000. The total amount of provisions for the year was € 19,331,003k. Within these provisions, the largest increase, 57%, focused on the lines of mediation for the reasons discussed above.

The maximum net increase in the debt that can be assumed by ICO is set annually in the relevant law of the State Budget. For the year 2009, the limit was set at 25,000 million euros.

Obtaining financial resources has responded to the fundamental objective of the generation of new investment credit based on demand for credit by the various lines implemented, to address the maturity structure of the balance so as to eliminate or minimize liquidity risks involved, interest rates and exchange rates and ensuring the transparency of its public issues in the implementation of its financial programs.

In 2009, as in 2008, ICO supported its borrowing mainly through the launch of major strategic issues, issuing debt in nine different currencies. The equivalent in euros of the gross income earned in the year, including long, medium and short term without considering income from the interbank market and customer deposits, amounted to € 17,414,950k.

With certain exceptions, the equity requirements that apply to ICO are the same as the ones that apply to other credit institutions in accordance with the Bank of Spain Circular 3/2008 of 22 May issued to entities credit on the identification and control of minimum capital. At the end of 2009 the balance of these resources, pre-consolidation, amounted to € 3,146,652k, representing 5.21% of the total amount of the balance. The increase in computable equity during the year is initially due to the implementation of a series of measures contained in the Forty-Ninth Additional Provision of Law 42/2006 of the General State Budget for 2007 of December 28, 2006 that enabled the individual solvency ratio of the Official Credit Institute to reach 11.61 %, which is higher than the legal minimum

required by the Bank of Spain and 9.5% set by the Finance Act of the State.

Activities

At December 31, 2009, the credit investment balance, considered the outstanding amount of bonds purchased by the ICO and replacing the mediation securitized loans at the time (to date € 4,266,048k) excluding temporary deposits in the interbank and after deducting provisions and adjustments, amounted to € 52,392,678k , a magnitude that exceeds the 19.66% recorded at the end of 2008. The ratio between the balance of loans and the total net balance of the entity at the close of the fiscal years 2008 and 2009 stood at 82.66% and 86.80% respectively.

The balance of ordinary loans from direct business with customers after deducting provisions and adjustments amounted to € 18,773,722k and the amount of mediation-granted claims implemented and brought to the applicants by the end entities' partners, including as such the securitized bonds with an AAA securitization rating – was € 32,787,697k. These stocks were outperforming the previous year at 5.98 % and 30.81%, respectively. Loans and special operations, after deducting provisions, and granted on grounds of economic or social order are estimated at € 62,989k , which is 9.23% lower than the figure at the end of 2008.

At the end of 2009 the balance of the funding provided by ICO to lenders, notwithstanding the intermediary transactions outlined above – was equal to € 858,350k, which is 65.98% less than the previous year due to the reduction of the balance of deposits in the interbank agency. Of this amount € 90,080k refers to the deposits transferred in the interbank market (amount not included as lending); € 524,498k refers to operations with BBVA - attributable entirely to the refinancing of the endowments supplied before privatization of former public credit institutions (FPCI) and the remainder of € 243,772k comprises net lending, valuation adjustments and credit to residents and non-residents net of provisions for country risk.

In relation total loans, the predominance of unsecured loans between the end of 2008 and 2009 decreased from 40.46% to 35.83%, the mediation of claims rose from 57.25% to 62.58%, that of special and outstanding loans dropped from 0.16% to 0.12% and loans to credit institutions from 2.14% to 1.47%.

The external resources of the ICO, fell in 92.92%, to market financing resources. The balance of ICO's regular funding was estimated at € 46,862,955k , including valuation adjustments, which represents an annual increase of 8.88%. The magnitude of the outstanding debt securities, bonds and notes, including valuation adjustments, - amounted to € 43,694,878k and the funds received from credit institutions, loans from the European Investment Bank (EIB), other banks and funds collected through the interbank system, to € 1,380,201k. In relation to the balances recorded in 2008, these amounts represent an increase of 11.05% and 24.13%, respectively. The debits to customers amounted to € 1,787,876k, which is 30.81% lower than the amount recorded in the previous year.

Special mention should be done to the increase of special funding at a fixed rate loan to finance the State's credit application on liquidity line to attend current problems of SMEs



in the period, the final balance has amounted to €3,571,439k.

Risk management policy

The Institute's actions with regard to credit, liquidity, market and operational risk management are described in the Notes to the consolidated financial statements.

Results

According to the Bank of Spain Circular 6/2008 of 26 November, the net interest earned by ICO in 2009 was € 197,297k, which represents a decrease of 33.78% over that recorded in 2008, lower that is justified by the decrease in financial income has been higher than the decrease experienced by the financial costs and debt. On the one hand, the situation of economic and financial crisis described earlier in this report has translated into higher spreads in raising funds for the Institute and, secondly, the sharp decline in market interest rates has had a major impact on the repricing of assets and liabilities. The ratio of net interest income calculated on the magnitude of average total assets (ATM) stood at 0.34 %. The gross margin was € 269,589,000 and the results from operations activities totaled € 30,279,000, which represent an annual decline of 21.50% and 73.77%, respectively. Decrease can be explained, in addition to what has been said for the financial margin for the great effort supplied to the specific provision.

The added value on net asset impairment (transfers to provisions and other impairment losses) amounted to € 196,762k. The profit for the year before corporation tax was € 30,263k with net income of € 23,497k, which represents a decrease of 73.52% over the previous year. The after-tax profit ratio of the ATM magnitude (ROA) in 2008 and 2009 was 0.19% and 0.04%, respectively.

Expenditure on Research and Development.

There was no research and development activity during the year.

Treasury Shares

Given the nature of the Institute, the regulation of treasury shares is not applicable.

Staff

The number of employees at December 31, 2009 was 307, which was 9 fewer than in 2008.

Events after the balance sheet date

As in previous years, the Law of the 2010 General State Budget allocated 140,000 million euros to budget item 15.16.931M.871 to increase the Institute's resources.

As it moves into the 2010 financial year faced with this crisis scenario, the Institute in its mission as a state financial agency will focus its activities on the implementation of new

counter-measures to mitigate the impact of the financial crisis and to support the recovery of economic activity and job creation. In addition to simplifying and continuing the lines already implemented in 2009, new lines will be implemented to meet the goals of the new sustainable economy law whose primary objective is to help businesses and entrepreneurs focus their attention on sectors with potential long-term growth and to generate sustainable employment from an economic, social and environmental perspective.

In addition, at the time this report, the government was developing proposals for the recovery of economic growth and job creation, some of which will be managed by ICO, including the reactivation of credit and liquidity for Spanish self-employed individuals and SMEs through direct loans.



ICO's GOVERNING COUNCIL AT DECEMBER 31 2009**Chairman:****Mr. JOSÉ MARÍA AYALA VARGAS¹****Members of the Council:****Mr. ANGEL TORRES TORRES**

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

Mr. RICARDO LOZANO ARAGÜÉS

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

Mr. ALFREDO BONET BAIGET

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

Mr. LUIS DíEZ MARTÍN

Director of the Second Deputy Prime Minister's Bureau
Ministry of Economy and Finance

Mr. FERNANDO ROJAS URTASUN

Director General of Budgets
Ministry of Economy and Finance

Mr. ANTONIO SÁNCHEZ BUSTAMANTE

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

Mr. SANTIAGO MENÉNDEZ DE LUARCA NAVIA-OSORIO

Undersecretary for Environmental, Rural and Marine Affairs
Ministry of Environmental, Rural and Marine Affairs

Mr. JUAN MANUEL LÓPEZ CARBAJO

Secretary General of Territorial Finance
Ministry of Economy and Finance

Mr. JUAN ANTONIO CORTECERO MONTIJANO²

Undersecretary of Territorial Policy
Ministry of Territorial Policy

Mr. JESÚS MANUEL GÓMEZ GARCÍA³

Director General of Economic Planning and Budgets
Ministry of Public Works

Secretary to the Council:**Ms. EVA MARÍA GONZÁLEZ DÍEZ**

State Counsel

Deputy Director of the Legal Advisory Department,
INSTITUTO DE CREDITO OFICIAL (ICO)**OTHER MEMBERS WHO SAT ON THE GOVERNING COUNCIL DURING 2009:****CHAIRMAN****Mr. AURELIO MARTÍNEZ ESTÉVEZ**

Removed by Royal Decree 1262/2009, July 24. (BOE 29.07.2009).

MEMBERS**Mr. JOSÉ ANTONIO BENEDICTO IRUIÑ**

Until 07.05.2009.

Mr. LUIS FELIPE PALACIOS ARROYO

Until 07.05.2009.

MANAGEMENT TEAM**Mr. JOSÉ MARÍA AYALA VARGAS**

Chairman

Ms. OLGA GARCÍA FREY

Director General of Planning and External Relations

Ms. M. ROSARIO CASERO ECHEVERRI

Director General of Business (Investment and Funding)

Ms. VANESSA SERVERA PLANAS

Director General of Finance and Risk

Mr. ENRIQUE VILLAREAL RODRÍGUEZ

Director General of Technical Affairs

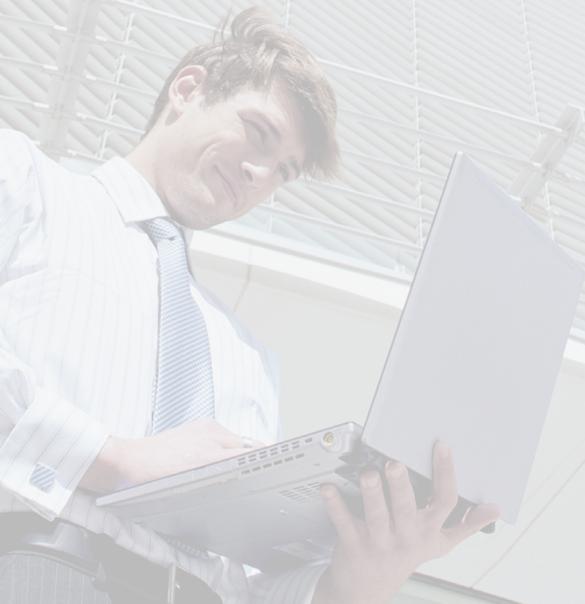
¹ Appointed by Royal Decree 1263/2009, July 24 (BOE 29.07.2009).

² A member since 07.05.2009.

³ A member since 07.05.2009.



[Corporate Responsibility Report]



CORPORATE RESPONSIBILITY AT ICO

As in previous years, ICO has drawn up its Annual Report on Corporate Responsibility (CR) so as to give our main stakeholders as clear and comprehensive a view as possible of our economic, social and environmental performance in 2009.

The content has been verified by an independent expert and has received the top rating (A+), thus placing ICO among benchmark institutions as far as the presentation of CR Reports is concerned. In fact, our report follows the structure of the document, *Sustainability Reporting Guidelines, Version 3*, adapted to the *Sectoral Supplement for Financial Services*, released by the Global Reporting Initiative (GRI).

In 2009, ICO's activity witnessed a considerable increase in respect of 2008. A large part of this activity was focussed on new products and services of a marked social content. Year-end saw the creation of the Financial Facilitator, an instrument for the analysis of loan applications filed with ICO but initially turned down by credit institutions. Through the Facilitator, applications are redirected to an ICO second-floor facility. In addition, the year brought the launching of the JEREMIE Fund, designed to help enterprises access structural funds for the financing of their R&D&i activities.

In the course of 2010, we shall continue to work on these financing facilities for SME and the self-employed, while contributing to the implementation of the Sustainable Economy Act, which has recently been put in place by the Spanish Government.

Moreover, in the understanding that ICO is a benchmark institution for SME, we believe that we are in a position to promote social responsibility values and principles among enterprises of this kind. With this aim in view, an agreement was reached with another financial institution to provide technical support and defray the cost of the preparation of an Annual Sustainability Report for enterprises interested in informing their stakeholders of their performance in this field.

Given the initiative's success (1,114 reports last year), the institute has decided not only to continue with this project in 2010 but also to consider the possibility of seeking further ways of developing and promoting CR in the medium and long terms.

ECONOMIC PERFORMANCE

Customers. ICO's activities aim to contribute to the growth and improved distribution of the national wealth and, in particular, to attend to those situations which, on account of their social, cultural, innovative or environmental significance, merit special promotion and development. In 2009, the main financing facilities directed at the self-employed and SME were as follows:



Facility	Purpose
SME	Investment in new fixed assets and complementary financing for SME and the self-employed.
Entrepreneurs	Investments in the new fixed assets of SME start-ups and the self-employed engaging in new activities.
Spanish Corporate Internationalisation	Investments in new fixed assets and complementary financing for Spanish SME abroad.
Liquidity	Working capital for the self-employed and SME suffering from a temporary credit squeeze.
Plan Avanza	Investments to promote the use of Information and Communication Technologies (ICT).
Plan Renovar	The renewal of industrial vehicles.
Plan VIVE	The acquisition of cars of certain characteristics.
Security	Award security to credit institutions to guarantee the payment of invoices endorsed by enterprises and the self-employed in respect of works and services performed by local corporations.
Mortgage Deferral	Temporary, partial deferment of the obligation to pay mortgage instalments (50%).
University Studies Loan	Postgraduate studies (Master Courses).

Employees. At December 31 2009, ICO's employees numbered 307. The year's salary cost amounted to €11.98m. Investment in training worked out at €884 per employee.

Suppliers. ICO's relations with suppliers are subject to Act 30/2007, concerning Public Sector Contracts. In 2009, the amount disbursed for this item was €26.5m.

Society. To a large extent, ICO's social action is channelled through its foundation, Fundación ICO, which received an allocation of €4.68m in 2009.

ENVIRONMENTAL PERFORMANCE

Sustainable development is a priority at ICO which, as a financial institution, has an effect on the environment not only through the consumption of natural resources in the performance of its activity but also on account of the environmental consequences deriving from the products and services it supplies, above all, those connected with project finance.

Here, ICO is active in the following areas:

- The reduction of the environmental impact caused by its corporate activity.
- The financing of eco-friendly investment projects.
- The analysis of projects' social and environmental impact.

Although ICO's corporate activity does not have a significant impact on the environment, the institute is committed to ensuring the responsible use of resources and to minimising the harmful effects caused by its activity.

To this end, ICO undertakes a periodic control of its consumption of electricity and water while monitoring waste management and emissions.

ECO-EFFICIENCY INDICATORS	UNIT	2008	2009	Variation 2008-2009
Total electricity consumed	kWh	2,658,317	2,720,522	2.34%
Electricity consumed per employee (1)	kWh	6,940	6,635	-4.39%
Total CO2 emissions (2)	Kg	1,143	1,170	2.36%
CO2 emissions per employee (1)	Kg	2.98	2.85	-4.36%
Total paper consumed	Kg	19,937	16,235	-18.57%
Paper consumed per employee (1)	Kg	52	39.60	-23.85%
IT equipment donated to NGO (complete PC)	Units	97	120	23.71%
Total water consumed	m3	2,986	3,246	8.71%
Total water consumed per employee (1)	m3	7.8	7.7	-1.28%

One of ICO's main undertakings is the provision of loan facilities for the financing of eco-friendly projects.

SOCIAL PERFORMANCE

Labour relations and ethical principles

ICO's labour relations are based on the principles of non-discrimination and equal opportunities. The policy is built round the following features:

- The Career Development System
- An ongoing training scheme for employees
- Health and safety at work

At December 31 2009, ICO employed 307 people or 3.7% more than the same figure for the previous year. The breakdown by gender and professional grade is shown in the chart below:

Professional grade	Men	Women	Employees
Managers	10	5	15
Middle managers	18	19	37
Technical staff	69	108	177
Clerical staff	17	60	78
Total	114	193	307



Corporate Responsibility at ICO

Implemented in 2003, the institute's Career Development System resulted in the promotion of 44 employees in 2009.

In the period of reference, 18,483 hours were devoted to training in the form of 113 courses attended by a total of 217 employees.

Having assessed its occupational hazards, ICO has drawn up a Prevention Plan. In 2009, no occupational accidents occurred. The Hygiene and Safety Commission, formed by representatives of both company and workers, has responsibilities regarding the prevention of occupational hazards.

Human rights

ICO pursues the 10 basic principles of the United Nations Global Compact, of which it has been a signatory since 2005.

As the State's Financial Agency for Official Development Aid, ICO has added a number of clauses to Development Aid Fund (FAD) loan agreements in an effort to prevent possible irregular practices among foreign public servants. The institute thus complies with the OECD Convention for the Prevention of Corruption among Foreign Public Servants in International Commercial Transactions.

ICO also works in accordance with a specific policy founded on internal processes and procedures which guarantee the fulfilment of legislation in force as regards the protection of personal data and the prevention of money-laundering. In each case, an Internal Control Commission ensures the fulfilment of internal procedures and the adaptation of internal regulations to current legislation.

Society

ICO's social action is, in the main, carried out by its foundation, Fundación ICO.

In the Training and Research Area, last year, Fundación ICO started up a new edition of its Asia-Pacific Scholarship Programme (€515,000) for studies in the Chinese economy, culture and language. Along with other scholarship and trainee schemes, the foundation sponsored a number of Chairs at various Spanish universities and also courses and seminars organised by other training centres.

As far as publishing was concerned, the foundation continued with its own production while sponsoring the publication of books and documents by other authors.

In the Cooperation for Development Area, the main event was the announcement of the annual aid scheme aimed at the international scope. A total of €450,000 was allocated to financial aid for various projects executed by a number of organisations and institutions, mainly in Latin America.

The annual scheme known as Sustainable Management of the Ecosystem received an allocation of €250,000 for projects designed to protect the environment.



Furthermore, Fundación ICO awarded €225,000 in aid for projects seeking to enhance the integration of immigrants, especially women.

The institute's artistic holdings are managed by the foundation, which loans works belonging to the collection, *Colecciones ICO*, to other institutions wishing to hold temporary exhibitions. Last year, three temporary exhibitions of works by other artists were organised at the museum, Museo Colecciones ICO.





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Annual report [2009]

ABSTRACT OF THE PERFORMANCE REPORT

2009 Annual Report & CR Report



Instituto de Crédito Oficial