INFORMATION OF PRUDENTIAL RELEVANCE

31 DECEMBER 2023

SUMMARY

1. GENERAL INFORMATION REQUIREMENTS

1.1. INTRODUCTION

The objective of this report is to comply with the market reporting requirements of the Instituto de Crédito Oficial Consolidated Group, as set out in Part Eight of Regulation EU 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter “the Solvency Regulation”).

Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions replaced, as from 1 January 2014, the previous legal text on prudential banking regulation (Law 13/1985 of 25 May and Bank of Spain Circular 3/2008). The main purpose of Law 10/2014, of 26 June, was to adapt the Spanish legal system to the regulatory changes imposed at international and European Union level, directly incorporating the provisions of Regulation (EU) 575/2013, of 26 June (CRR), and duly transposing Directive 2013/36/EU, of 26 June (CRD4). These Community regulations have substantially altered the applicable legislation for credit institutions, since aspects such as the supervisory regime, the capital requirements and the sanctioning regime have been extensively modified.

Pursuant to the 8th Additional Provision of Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, Instituto de Crédito Oficial will be subject to Titles II (Solvency of credit institutions), III (Supervision) and IV (Sanctioning Regime) of said Law, with the exceptions determined by regulation, and the provisions concerning information confidentiality.

In accordance with the information disclosure policies approved by the Institute, this report has been prepared on an annual basis by the Institute's Directorate General of Risks and Financial Control and approved by its Chairman, after verification by the Internal Audit Department.

Certain information required by the regulations in force that must be included in this report is presented, in accordance with said regulations, referenced to the consolidated annual accounts of the ICO Group for the financial year 2023, as it is contained therein and redundant with it. The aforementioned annual accounts, as well as this document on "Information of prudential relevance" can be consulted on ICO's website (www.ico.es).

1.2. INSTITUTO DE CRÉDITO OFICIAL CONSOLIDATED GROUP

The information presented in this report corresponds to the Consolidated Group of Credit Institutions whose dominant entity is Instituto de Crédito Oficial (hereinafter, the Group or ICO Group).

Subsidiaries are those entities over which the Bank has control. It is considered that an entity controls an investee when it is exposed or entitled to variable returns because of its involvement in the investee and has the ability to influence those returns through the power it exercises over the investee.

In order to be considered as subsidiaries, the following must concur:

- Power: An investor has power over an investee when the former has rights in force that give it the capacity to manage the relevant activities, i.e. those that significantly affect the investee's returns;

- Returns: An investor is exposed to, or is entitled to, variable returns for his involvement in the investee when the returns obtained by the investor for such involvement may vary depending on the economic evolution of the investee. The investor's returns may be only positive, only negative or both positive and negative.

Relationship between power and returns: An investor controls an investee if the investor not only has power over the investee and is exposed to, or is entitled to, variable returns for his involvement in the investee, but also has the ability to use his power to influence the returns he obtains from that involvement in the investee.

The annual accounts of the subsidiaries are consolidated with those of the Institute using the full consolidation method as defined in the regulations. Consequently, all significant balances arising from transactions carried out between the companies consolidated using this method have been eliminated in the consolidation process. The Institute, the Group's dominant entity, accounts for 99% of the Group.

In addition, the participation of third parties in:

- The Group's equity: is presented under "Minority Interests" in the consolidated balance sheets. As at 31 December 2023, there were no minority interests.

- The consolidated income for the year are presented under the "Income Attributable to Minority Interests" heading in the consolidated income statement. As at 31 December 2023, there was no income attributed to minority interests.

The income generated by the subsidiaries acquired in a given year are consolidated taking into account only those relating to the period between the acquisition date and the year-end.

On the other hand, "associates" are those entities over which the Institute has the capacity to exercise significant influence, although they do not constitute a decision-making unit with the Institute nor are they under joint control. Usually, this capacity is manifested in a participation (direct or indirect) equal to or greater than 20% of the voting rights of the investee.

Investments in entities considered as "associates" are presented in the consolidated annual accounts recorded under the heading "Investments in Subsidiaries, Joint Ventures and Investees - Associates" in the consolidated balance sheet, valued at acquisition cost, net of any impairment losses that may have been suffered by such investments.

The results generated by transactions between the associated entity and Group entities are eliminated to the extent of the Group's interest in the associated entity.

The income obtained by the associate during the year, after the elimination referred to in the previous section, increase or reduce, as the case may be, the value of the investment in the consolidated annual accounts. The amount of this income is recorded under the heading "Share of profit or loss of entities accounted for using the equity method" in the consolidated income statement.

Changes in the associate's valuation adjustments after the acquisition date are recorded as an increase or decrease in the value of the shareholding. The amount of these changes is recorded under "Accumulated other comprehensive income" as valuation adjustments of consolidated equity.

There are no "jointly-controlled institutions" included in the Consolidation Group.

The following is a summary of the main differences regarding the scope of consolidation and the different consolidation methods applied between the Instituto de Crédito Oficial Consolidated Group of Credit Institutions, for which the information contained in this report is presented, and the ICO Group of Credit Institutions, defined in accordance with Rule 3 of Bank of Spain Circular 4/2017, of 27 November.

In the preparation of the consolidated annual accounts of the ICO Group of Credit Institutions, all subsidiaries have been consolidated applying the full consolidation method, as they meet the requirements to be considered as consolidable due to their activity. Therefore, there are no differences in the scope of consolidation for the purposes of applying the solvency requirements.

For the purposes of preparing the consolidated financial statements of the ICO Group of Credit Institutions, investments in financial institutions that do not meet the requirements to be considered as subsidiaries, jointly controlled entities or associates are considered financial instruments and are valued in accordance with the criteria established in Rule 22 of Bank of Spain Circular 4/2017, of 27 November.

However, for the purposes of applying the solvency requirements, financial institutions that have not been classified as subsidiaries, jointly controlled entities or associates in accordance with the provisions of Rule 47 of Bank of Spain Circular 4/2017 of 27 November, in which at least 20% of their capital or voting rights are owned or controlled, are valued using the equity method for the purposes of preparing the Consolidated Group information.

In accordance with the criteria indicated above, the following is a detail as at 31 December 2023 of the subsidiaries of the Consolidated Group to which the full consolidation method has been applied for the purposes of preparing the consolidated information thereof:

ENTITY: AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A S.M.E.

Annex I to the Institute's consolidated financial statements contains relevant information on the associates included in the Group.

1.3. OTHER GENERAL INFORMATION

As at 31 December 2023, there is no material, practical or legal impediment to the immediate transfer of own funds or reimbursement of liabilities between the Group's subsidiaries and Instituto de Crédito Oficial, and there is nothing to suggest that such impediments may exist in the future.

As at 31 December 2023, there are no entities belonging to the economic Group and not included in the consolidated Group that are subject to minimum own funds requirements at individual level, in accordance with the various regulations applicable to them.

As at 31 December 2023, the stake in AXIS PARTICIPACIONES EMPRESARIALES, S.G.E.I.C, S.A S.M.E. included in the Consolidated Group is not subject to the calculation of own funds requirements in individual terms and is included in the ICO consolidated group, which is subject to such requirements.

All the amounts contained in this report are expressed in thousands of euros.

ICO is not considered a Global Systemic Entity.

2. RISK MANAGEMENT POLICIES AND OBJECTIVES

The information on risk management policies and objectives that the Regulations require to be provided to the market can be found in Note 5 (Risk Exposure) of the Consolidated Report included in the consolidated annual accounts of Instituto de Crédito Oficial Group for 2023, published on ICO's website. (www.ico.es).

3. INFORMATION ON ELEGIBLE OWN FUNDS

3.1. SUMMARY OF THE MAIN CHARACTERISTICS AND CONDITIONS OF THE ITEMS ACCOUNTED FOR AS OWN FUNDS OF TIER 1 AND TIER 2 CAPITAL

For the purposes of calculating its minimum own funds requirements, the Group considers as own funds of Tier 1 capital the items defined as such, considering the corresponding deductions, in Part Two, Title I, Chapters 1 to 3, of the Solvency Regulation.

Own funds of Tier 1 capital are characterised by being components that can be used immediately and without restriction to hedge risks or losses as soon as they occur, the amount being recorded free of any foreseeable tax at the time it is calculated. These elements show stability and permanence over time, a priori higher than that of own funds of Tier 2 capital as explained below. As indicated in section 3.2 below, the Group's Tier 1 capital own funds as at 31 December 2023 consist mainly of the Institute's equity and actual and express reserves.

On the other hand, own funds of Tier 2 capital are considered to be those defined in Part Two, Title I, Chapter 4 of the Solvency Regulation, with the limits and deductions established in said Regulation. Although these own funds comply with the definition of own funds established in the current regulations, they are characterised by having, a priori, a lower volatility or degree of permanence than the elements considered as own funds of Tier 1. As indicated in section 3.2 below, as at 31 December 2023 there were no Group's own funds of Tier 2 capital.

All the concepts which, in accordance with the provisions of the Solvency Regulation, are part of ICO Group's eligible own funds, have homogeneous characteristics as far as their definition and characteristics are concerned, so that their content is not described individually.

3.2. TOTAL AMOUNT OF OWN FUNDS

Below is the detail at 31 December 2023 on the Consolidated Group's eligible own funds, indicating each of its components and deductions, and broken down into own funds of Tier 1 and Tier 2 capital:

	Amount (thousands of euros)
Total Eligible Own Funds	4,749,323
Tier 1 capital	4,749,323
Common Tier 1 capital	4,749,323
Capital instruments eligible as Common Tier 1 capital	4,314,901
Retained earnings	972,226
Other reserves	-175,795
Common Tier 1 capital adjustments due to prudential filters	171,509
Other intangible assets	-8,339
Common Tier 1 capital elements or deductions - Capital instruments Financial Sector Entities with significant investment	-891,626
Elements or deductions from Common Tier 1 capital - Others	366,448
Additional Tier 1 capital	0
Tier 2 capital	0
Adjustments for general credit risk using the standard method	0

3.3. RECONCILIATION OF SHAREHOLDERS' EQUITY TO REGULATORY CAPITAL

The reconciliation between the Institute's shareholders' equity reflected in the financial statements and the regulatory capital for solvency purposes as at 31 December 2023 is presented below:

CONCEPT	*(Thousands of Euros)*
	2023
Capital	4,314,901
Reserves	1,018,252
Net attributable profit	252,265
TOTAL OWN FUNDS IN PUBLIC BALANCE SHEET	5,585,418
Valuation adjustments	190,653
TOTAL EQUITY PUBLIC BALANCE SHEET	5,776,071
Other adjustments to basic capital	-
Tier 1 capital deductions	-1,026,748
TIER 1 CAPITAL	4,749,323

4. INFORMATION ON MINIMUM OWN FUNDS REQUIREMENTS

The summary of the total minimum own funds requirements as at 31 December 2023, by type of risk, is shown below:

TOTAL OWN FUNDS REQUIREMENTS	*(Thousands of Euros)*
	2023
For credit, counterparty credit and dilution risks, and free deliveries	1,371,675
For settlement and delivery risk	0
For position, currency and commodity risks	4,835
For operational risk	41,291
For credit valuation adjustment risk	12,566
TOTAL REQUIREMENTS	1,430,366

NOTE: The minimum total capital ratio for 2023, established by the Bank of Spain for the Entity's Group, Is 15.16%, considering both the requirements of EU Regulation 575/2013 (8%) and the additional own funds needs to cover concentration and business risks and other risks set out in the Capital Self-Assessment Report (4.66%) and the capital conservation buffer (2.50%).

4.1. MINIMUM OWN FUNDS REQUIREMENTS FOR CREDIT, COUNTERPARTY CREDIT, DILUTION AND DELIVERY RISKS AND FREE DELIVERIES

The amount of the minimum own funds requirements of the Consolidated Group for credit risk at 31 December 2023, calculated, for each of the categories to which the standardised approach (Part 3, Title II, Chapter 2 of the Regulation) has been applied, as 8% of risk-weighted exposure amounts, is presented below:

Amounts in thousands of euros

Total amount of requirements for credit, counterparty credit and dilution risks and free deliveries			1,371,675
	Exposure categories of the standard method		1,356,278
		Central governments or central banks	157,150
		Regional administrations or local authorities	
		Public sector entities	158,054
		Multilateral development banks	10,152
		International organisations	
		Entities	176,501
		Companies	701,071
		Retail exposures	2,448
		Exposures secured by mortgages on immovable property	
		Exposures in default	8,094
		Exposures associated with particularly high risk	
		Covered bonds	
		Exposures to institutions and corporates with a short-term credit assessment	
		Shares in collective investment undertakings (CIUs)	
		Equity instruments	136,224
		Others	6,583
	Securitisation positions		15,397
		*Of which: re-securitisation	

4.2. MINIMUM OWN FUNDS REQUIREMENTS FOR SETTLEMENT AND DELIVERY RISK

There are no Group own funds requirements for settlement/delivery risk (Part 3, Title V of the Solvency Regulation).

Amounts in thousands of euros

Total amount of requirements for settlement/delivery risk	
Settlement/delivery risk in the investment portfolio	
Settlement/delivery risk in the trading portfolio	

4.3. MINIMUM OWN FUNDS REQUIREMENTS FOR POSITION, CURRENCY AND COMMODITY RISKS (MARKET RISK). MARKET RISK OF THE TRADING PORTFOLIO

Amounts in thousands of euros

Total amount of requirements for position, currency and commodity risks	4,835
Amount of requirements for position, currency and commodity risks according to standard methods	4,835
Negotiable debt instruments	2,951
Equity instruments	
Currency	1,884
Commodities	

The calculation is made in accordance with the provisions of Part 3, Title IV, of the Solvency Regulation.

With respect to the market risk associated with the trading portfolio, it should be noted that the Group considers as such those positions in financial instruments that are held with the intention of trading or that serve as hedges for the elements of said portfolio. In this regard, there are no differences between the trading portfolio for the purposes of calculating the Group's own funds requirements and the trading portfolio defined in accordance with Bank of Spain Circular 4/2017, of 27 November, with respect to debt securities and capital instruments.

The entire amount of own funds requirements associated with the trading book at 31 December 2023 corresponds to the position risk of marketable debt instruments.

4.4. MINIMUM OWN FUNDS REQUIREMENTS FOR OPERATIONAL RISK

Amounts in thousands of euros

Total amount of requirements for operational risk	41,291
Operational risk - Basic indicator method	41,291
Operational risk - Standard/standard alternative methods	
Operational risk - Advanced calculation methods	

The Group uses the relevant indicator (or basic indicator) method to determine the own funds requirements associated with operating risk (Part 3, Title III of the Solvency Regulation).

4.5. MINIMUM OWN FUNDS REQUIREMENTS FOR CREDIT VALUATION ADJUSTMENT RISK

Amounts in thousands of euros

Total amount of requirements for credit valuation adjustment risk	12,566
Advanced method	
Standard method	12,566
Based on the original exposure method	

The Group uses the standard method for determining the own funds requirements associated with credit valuation risk (Part 3, Title IV of the Solvency Regulation).

4.6. PROCEDURES APPLIED FOR THE ASSESSMENT OF INTERNAL CAPITAL ADEQUACY

In accordance with the provisions of the Solvency Regulation, the Consolidated Group applies a series of risk identification, measurement and aggregation procedures that allow it to define and maintain a level of own funds in accordance with the risks inherent to its activity, to the economic environment in which it operates, to the management and control it carries out of these risks, to the governance systems at its disposal, to its strategic business plan and to its real possibilities of obtaining greater own funds, in other words, it carries out an assessment of internal capital, both at the present time and in the projected future based on its planning.

In assessing its internal capital, the Group applies the following procedures related to each of its risks:

- Assessment of capital needs for credit risk: the standard method established in the Solvency Regulation was applied to calculate the minimum own funds requirements associated with this risk.

- Assessment of capital needs for liquidity risk: The Group does not foresee capital needs associated with this risk, once its liquidity policy, liquidity control systems and contingency plans have been analysed, which show that it enjoys an adequate liquidity situation and, therefore, does not require capital to cover this risk.

- Assessment of capital needs by market risk: the standard method established in the Solvency Regulation was used to estimate the minimum own funds requirements associated with this risk.

- Assessment of capital needs for operational risk: the basic approach is being applied.

- Assessment of capital needs for credit valuation adjustment risk: the standard methodology for calculating the capital required for this risk is being applied.

The Group's total capital requirement has been estimated by aggregating the capital needs associated with each risk, obtained in accordance with the methods indicated above.

In addition, in order to adequately plan the Group's future capital requirements, the corresponding projections of profits assigned to reserves and capital consumption derived from expected activity growth in different scenarios that contemplate stress situations, among others, are carried out.

The capital planning process seeks to determine ICO's future capital requirements in a given time horizon. For the purposes of this report, three years are considered. To this end, the sources and consumptions of capital are estimated for the next three financial years, considering as a base for this financial year the forecasts of the Institute for the considered horizon, which will be the baseline scenario.

In addition to the baseline scenario, the Institute has estimated what its capital needs would be under an adverse macroeconomic scenario and under various additional stress scenarios, in line with the provisions of the PAC (Capital Self-Assessment Process) and PAL (Liquidity Self-Assessment Process) Guidelines.

The results of the capital planning process include, for all scenarios, the following information:

- Projected evolution of the main balance sheet and income statement amounts.
- Calculation of required capital and risk-weighted assets (RWA) for each of the Pillar I risk types in each year.
- Contrast between capital requirements and available capital.
- Action Plan to cover eventual capital needs (if applicable).

In all cases, it is confirmed that the Institute has a capital figure that is expected to enable it to meet the legally required minimums, even in crisis scenarios.

5. INFORMATION ON CREDIT RISKS

5.1. ACCOUNTING DEFINITIONS AND DESCRIPTION OF THE METHODS USED TO DETERMINE IMPAIRMENT CORRECTIONS

The concepts of positions in default and impairment corrections referred to in this document are based on the definitions in the Solvency Regulation and Annex IX of Bank of Spain Circular 4/2017.

Note 2.7 of the consolidated report forming part of the 2023 financial statements of the ICO Group describes the methods used by the Group in determining the provisions for impairment due to credit risk and in calculating the provisions for contingent risks and commitments associated with that risk.

5.2. EXPOSURE TO CREDIT RISK AND AVERAGE VALUE OF EXPOSURES FOR THE YEAR

The total value of risk-weighted exposures, as at 31 December 2023, for credit risk of the Consolidated Group, and their distribution by counterparty class, is as follows:

Amounts in thousands of euros

Risk-weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	17,145,939
Exposure categories of the standard method	16,953,478
Central governments or central banks	1,964,380
Regional administrations or local authorities	
Public sector entities	1,975,670
Multilateral development banks	126,898
International organisations	
Entities	2,206,268
Companies	8,763,388
Retail exposures	30,598
Exposures secured by mortgages on immovable property	
Exposures in default	101,181
Exposures associated with particularly high risk	
Covered bonds	
Exposures to institutions and corporates with a short-term credit assessment	
Shares in collective investment undertakings (CIUs)	
Equity instruments	1,702,804
Others	82,291
Securitisation positions	192,461
*Of which: re-securitisation	

The average value of the Consolidated Group's risk-weighted exposure amounts for the year 2023 for credit risk and their distribution by counterparty class is as follows:

Amounts in thousands of euros

Average amount of risk-weighted exposures for credit, counterparty credit and dilution risks and free deliveries	16,277,111
Exposure categories of the standard method	16,101,562
Central governments or central banks	1,871,729
Regional administrations or local authorities	
Public sector entities	1,734,125
Multilateral development banks	128,550
International organisations	
Entities	2,109,181
Companies	8,427,165
Retail exposures	24,423
Exposures secured by mortgages on immovable property	
Exposures in default	83,652
Exposures associated with particularly high risk	
Covered bonds	
Exposures to institutions and corporates with a short-term credit assessment	
Shares in collective investment undertakings (CIUs)	
Equity instruments	1,640,514
Others	82,222
Securitisation positions	175,550
*Of which: re-securitisation	

5.3. GEOGRAPHICAL DISTRIBUTION OF EXPOSURES

The detail of the Consolidated Group's risk-weighted exposures to credit risk as at 31 December 2023, broken down by geographical area, is shown below:

Geographical Area	Exposure amount *((Thousands of euros)*
	2023
Spain	14,993,432
Other countries of the European Union	641,455
Latin America	624,687
United States	85,454
Rest of Europe (non-EU)	215,575
Rest of the world	585,333
Exposure as at 31 December 2023	**17,145,938**

5.4. RESIDUAL MATURITY OF EXPOSURES

The distribution by residual maturity of the Consolidated Group's risk-weighted exposure to credit risk as at 31 December 2023, using the standard method for calculating own funds requirements, is presented below:

Risk category	Residual maturity as at 31 December 2023 (Thousands of euros)						
	Up to 1 year	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	More tan 5 years	Total
							2023
A) Central Governments and Central Banks	449,111	187,786	176,022	199,469	216,522	735,469	1,964,380
B) Regional administrations and local authorities							
C) Public sector entities	451,693	188,866	177,034	200,615	217,767	739,696	1,975,670
D) Multilateral development banks	29,012	12,131	11,371	12,886	13,987	47,511	126,898
E) International organisations							
F) Entities	504,414	210,910	197,697	224,031	243,184	826,033	2,206,268
G) Companies	2,003,552	837,742	785,261	889,859	965,938	3,281,036	8,763,388
H) Retailers	6,996	2,925	2,742	3,107	3,373	11,456	30,598
I) Exposures secured by Immovable property							
J) Exposures in default	23,133	9,672	9,067	10,274	11,153	37,882	101,181
K) High risk exposures.							
L) Covered bonds							
M) Short-term exposures to institutions and							
N) IIC Exposures							
Ñ) Equity Instruments						1,702,804	1,702,804
O) Other exposures	18,814	7,867	7,374	8,356	9,070	30,810	82,291
P) Securitisations	44,002	18,398	17,246	19,543	21,214	72,058	192,461
Exposure as at 31 December 2023	3,530,726	1,476,298	1,383,813	1,568,139	1,702,209	7,484,755	17,145,939

5.5. EXPOSURES IN DEFAULT

Exposures in default by counterparty

The following table presents the value of original exposures for default risk (impaired and in default) as at 31 December 2023, before adjustments and provisions, broken down by type of counterparty, together with the amount of impairment losses and provisions for contingent risks and commitments established in relation to those exposures at that date and the amount of impairment losses and provisions for contingent risks and commitments recognised, on a net basis, during the 2023 financial year (standard method for determining own funds requirements for credit risk) (there is no difference between the definitions of "in default" and "past-due" for accounting and regulatory purposes):

Counterpart	Total Impaired Exposure	Of which: Exposures in default	Impairment losses and provisions for contingent risks and commitments	Provisions for impairment losses and contingent risks and commitments for the year (net)
			2023	*(Thousands of Euros)*
A) Central Governments and Central Banks				
B) Regional Administrations and Local Authorities				
C) Public sector entities				
D) Multilateral Development Banks				
E) International organisations				
F) Credit institutions and Investment Services companies				
G) Companies	579,724	66,998	462,108	101,807
H) Retailers				
I) Exposures secured by mortgages on immovable property				
J) High risk exposures				
K) Covered bonds				
L) Short-term exposures to Institutions and Companies				
M) Exposures to Collective Investment Institutions				
N) Equity Instruments				
Ñ) Other exposures				
Amounts as at 31 December 2023	579,724	66,998	462,108	101,807

Exposures in default by geographical area

Find below the detail, by significant geographical area, of the value of original impaired exposures and of those in default as at 31 December 2023, together with the amount of impairment losses and the provisions for contingent risks and commitments established in relation to these exposures:

Geographical Area			*(Thousands of Euros)*
	Total impaired exposures	Of which: Exposures in default	Impairment losses and provisions for contingent risks and commitments
			2023
Spain	289,073	66,998	257,674
Other countries of the European Union	116,470	-	86,768
Latin America	157,171	-	104,976
United States	-	-	-
Rest of Europe (non-EU)	17,010	-	12,690
Rest of the world			
Amount as at 31 December 2023	579,724	66,998	462,108

Age of exposures in default

The breakdown of financial assets considered to be impaired due to credit risk at 31 December 2023, classified by counterparty and according to the time elapsed since the maturity of the oldest past-due amount at those dates for each operation, is as follows:

Counterpart	Age						*(Thousands of Euros)*
	Without default	3 to 6 months	6 to 12 months	12 to 18 months	18 to 21 months	Over 21 months	Total
							2023
Non-financial institutions	472,560	-	-	42,612	350	24,035	539,557

At 31 December 2023 there is a balance of impaired assets for country risk of 240,259,000 euros, with a country risk hedge of 4,704,000 euros.

The amount of non-impaired past-due assets for the year 2023 amounts to 45,458,000 euros, which are between one and three months old.

Restructured and refinanced exposures

Information relating to refinanced and restructured operations as at 31 December 2023 (gross amounts), as required by Bank of Spain Circular 4/2017 on public and confidential financial reporting standards, is as follows:

Counterpart	With guarantee	Without guarantee	TOTAL AMOUNTS	TOTAL COVERAGE
			2023	*(Thousands of Euros)*
A) Public Administrations	-	88,082	88,082	51,844
- of which: doubtful	-	36,844	-	36,844
B) Financial corporations	-	-	-	-
- of which: doubtful				
C)) Non-financial corporations	305,617	133,667	439,284	212,913
- of which: doubtful	197,784	32,017	229,801	195,659
- of which: non-doubtful real estate finance	-	-	-	-
- Of which: doubtful real estate	3,628	-	-	3,628
D) Other households	231	-	231	-
Amount as at 31 December 2023	305,848	221,749	527,597	264,757

5.6. VARIATIONS OCCURRING DURING THE YEAR IN IMPAIRMENT LOSSES AND PROVISIONS FOR CONTINGENT RISKS AND COMMITMENTS FOR CREDIT RISK

The changes in 2023 in the impairment losses due to credit risk accounted for by the Group and in the provisions for contingent risks and commitments due to credit risk are in accordance with Bank of Spain Circular 4/2017, both in the type of losses and provisions constituted and in the methodology applied to calculate them (see section 5.1 above in this report).

The detail of the changes made in 2023 in the value adjustments for impairment of financial assets (including provisions for normal risk under special surveillance) and in the provisions for contingent risks and commitments due to credit risk is shown below:

	Impairment losses on financial assets	Provisions for contingent risks and commitments
		(Thousands of Euros)
Balance as at 1 January 2023	453,635	59,396
Provisions charged to income	137,562	6,528
Recovery with credit to income	-50,439	-15,466
Amounts applied in the year	-8,771	-
Effect of foreign currency exchange differences	339	121
Changes due to business combinations		
Changes in the scope of consolidation		
First application Circular 4/2017		
Other movements		
Balances as at 31 December 2023	532,326	50,579

In addition, the expenses recognised in the consolidated income statement of the ICO Group in 2023 for items transferred directly to written-off assets are nil, whereas the credit recorded in the consolidated income statement for the year for the recovery of assets previously recorded as written-off amounted to 73,434 thousand euros.

5.7. INFORMATION ON THE GROUP'S COUNTERPARTY CREDIT RISK

Counterparty credit risk is considered to be the credit risk incurred by the Group in the operations it carries out with derivative financial instruments and in the operations with repurchase commitments, securities or commodities lending commitments, in deferred settlement operations and guarantee financing operations.

It is controlled by means of a system that integrates the management of operations and the risks arising therefrom in real time, providing operators with updated information on the credit lines available at any given time.

A methodology for the consumption of counterparty lines based on the valuation of operations at market prices plus a potential future risk or "add-on" has been defined for derivatives and has been approved by ICO's competent bodies, which is measured as a percentage of the nominal value of the transaction and is calculated as the maximum potential loss (95% confidence) over the life of the operation.

The methodology is reviewed periodically (at least once a year) and the add-ons are adjusted at least semi-annually.

The basic criteria for establishing the counterparty lines are approved by the ICO General Council. These counterparty lines are divided into two main groups as a result of ICO's operational characteristics. On the one hand, the counterparty lines for treasury operations. On the other hand, the counterparty lines for mediation operations, operations in which finances different investment projects through framework programmes signed with different entities operating in Spain, such as, for example, the SME Lines.

In order to mitigate exposure to counterparty risk, the Group signs ISDA and CMOF contracts with the counterparties and, where appropriate, the corresponding collateral annexes.

With respect to the management of collaterals, in the case of derivatives, for entities subject to collateral agreements, the position is periodically valued (normally on a day-to-day basis) and the parameters agreed in the collateral agreement are applied to this valuation, so that a collateral amount (cash) to be received or returned from the counterparty is obtained.

These amounts ("margin calls") are made on a weekly basis. The counterparty that receives the collateral payment request reviews the valuation, and discrepancies may arise in this process. If these discrepancies are material, they are analysed in detail.

The collaterals signed by ICO with the counterparties have the differential characteristic of being "one way", so that only ICO’s counterparties are obliged to deposit collateral.

As 100% of collaterals received are in cash, value corrections for collateral impairment are not applicable.

With respect to the correlation between the guarantee and the guarantor in derivatives, since cash is received as collateral, there is no risk of adverse effects due to the existence of correlations.

Find below the detail of the Group's credit exposure to counterparty risk due to its operation in derivatives as at 31 December 2023, along with its valuation method at market prices, estimated as the amount of the Group's credit exposure for these financial instruments, net of the guarantees received from the counterparties of the transactions:

	Amount (Thousands of Euros)
	2023
Exposure value: method of valuation at market prices	391,428
Less: Effect of guarantees received	-273
Credit exposure in derivatives after guarantees as at 31 December 2023	391,155

The value of the exposure has been calculated according to the method of valuation at market prices (Part 3, Title II, Chapter 6 of the Solvency Regulation).

6. CREDIT RISK: CREDIT RATINGS

6.1. IDENTIFICATION OF INTERNAL RATING AGENCIES USED

For all categories of credit risk exposure to which the standard method is being applied, the external and export credit rating agencies whose ratings are being used by the Group as at 31 December 2023 are as follows (ECAIs recognised by the Bank of Spain):

- Moody´s
- Standard & Poor´s
- Fitch Ratings
- DBRS

6.2. DESCRIPTION OF THE PROCESS OF ASSIGNING EXTERNAL CREDIT RATINGS FOR THE DETERMINATION OF CREDIT RISK WEIGHTED EXPOSURES

The allocation rules defined in the Solvency Regulation apply:

- When, for a rated exposure, only one credit rating is available, this rating will be used to determine the risk weighting.
- When, for a rated exposure, two credit ratings are available and these ratings correspond to two different risk weightings, the highest risk weighting shall be applied to the exposure.
- When, for a rated exposure, more than two credit ratings are available, the two credit ratings that provide the lowest weightings are used. In the event that they do not match, the higher of the two will be applied.

7. CREDIT RISK: CREDIT RISK MITIGATION TECHNIQUES

7.1 GENERAL INFORMATION FOR CREDIT RISK

The Group generally applies the credit risk mitigation techniques referred to in the Solvency Regulation (Part 3, Title II, Chapter 4), depending on the guarantees received on the risk positions.

These guarantees may be personal (including credit derivatives) or collateral (including those of a financial nature), being valued for these purposes by the credit enhancement incorporated in the external rating of the guarantor (personal guarantees) or by market parameters in the case of collaterals.

7.2. POLICIES AND PROCESSES FOR POSITION NETTING AND VALUATION OF COLLATERAL FOR COUNTERPARTY RISK

Netting refers to the possibility of offsetting between contracts of the same type under the umbrella of a framework agreement such as ISDA or similar. It consists of offsetting the positive and negative market values of derivative transactions executed with a given counterparty, so that in the event of default, a single flow to be paid or received is generated and not a set of positive or negative values corresponding to each transaction. In this way, and given that one of the components of counterparty risk is the market value, obtaining a net market value of the transactions reduces the risk.

An important aspect of framework contracts is that they involve a single legal obligation encompassing all the transactions covered by them; this makes it possible to offset the risks of all the transactions covered by the framework contract with the same counterparty.

The netting clauses are included independently of the possibility of their direct execution, in order to be able to apply the different applicable laws, so that the inclusion of these agreements does not imply the automatic consideration of netting for the calculation of the exposure to counterparty risk with the different counterparties. These exposures are calculated in accordance with the regulations applicable in each of the jurisdictions involved.

With regard to collateral, the Group enters into collateral agreements for the management of its counterparty risk exposures. These agreements involve a set of instruments, in the form of cash deposits, deposited by one counterparty in favour of another in order to guarantee/reduce the counterparty credit risk that may exist, resulting from the portfolios of transactions with risk existing between them.

The nature of such agreements is diverse and the ultimate objective, as in the netting technique, is to reduce counterparty risk by recovering part or all of the benefits (credit granted to the counterparty) generated at one point in time by the transaction (valued at market prices).

7.3. QUANTITATIVE INFORMATION

The following detail shows the distribution of the Group's credit risk exposure as at 31 December 2023, broken down according to whether or not credit risk mitigation techniques have been applied and, where applicable, according to the mitigation technique applied (exposure data refer to exposures prior to the application of risk mitigation):

EXPOSURE VALUE	*(Thousands of Euros)*
	2023
A) Exposures to which no credit risk mitigation technique is applied	34,472,285
B) Exposures to which a credit risk mitigation technique is applied	524,252
– Netting agreements for balance sheet transactions	-
– Netting framework agreements relating to repurchase agreements, securities or commodities lending or other capital market transactions	-
– Collateral (1)	
– Other collateral (2)	
– Personal guarantees	524,252
– Credit derivatives	-

(1) *It includes transactions guaranteed by means of debt securities, shares, collection rights and rights in rem in immovable property admitted by the Solvency Regulation as a credit risk mitigation technique.*

(2) *It includes cash deposits, deposit certificates and similar instruments held by third parties other than the Group pledged in favour of Group entities, life insurance policies pledged in favour of Group entities issued by insurance entities recognised as protection providers and by debt securities issued by other institutions not included in number (1) above that would receive a maximum weighting of 50%, which must be repurchased at a predetermined price by the issuing institutions at the request of the security holder.*

The exposures to which risk reduction techniques are applied, classified by risk category, are the following:

Risk category	Hedged with other collateral	Hedged with personal guarantees	TOTAL
			Thousands of euros 2023
Central governments and central banks		8	8
Regional administrations and local authorities			
Public sector entities		232,808	232,808
Multilateral Development Banks			
International organisations			
Entities		129,041	129,041
Companies		134,994	134,994
Retailers			
High risk exposures			
Covered bonds			
Short-term Exposures Institutions and Companies			
Exposures in default		27,401	27,401
CIIs Exposures			
Equity instruments			
Other exposures			
TOTAL EXPOSURES	-	524,252	524,252

7.4. EFFECT ON RISK EXPOSURES OF THE APPLICATION OF RISK MITIGATION TECHNIQUES AND EXPOSURES DEDUCTED DIRECTLY FROM OWN FUNDS

Below is a detail of the Group's credit risk exposures as at 31 December 2023 to which the standard method has been applied for their estimation, before and after applying the risk mitigation techniques allowed by the Solvency Regulation, broken down by exposure categories and by degrees of credit quality (measured as a function of the percentage applied for the purpose of calculating the value of the risk-weighted exposure):

Risk category	Positions before applying risk mitigation techniques	(thousands of euros) Positions after applying risk mitigation techniques
		2023
Central governments and central banks	10,209,603	10,733,848
Regional administrations and local authorities	523,514	523,514
Public sector entities	3,299,971	3,067,163
Multilateral Development Banks	632,582	632,582
International organisations		
Entities	9,509,088	9,380,046
Companies	9,857,926	9,722,931
Retailers	53,576	53,576
High risk exposures		
Covered bonds		
Short-term exposures to Institutions and Companies		
Exposures in default	128,581	101,181
CIIs Exposures		
Equity instruments	699,397	699,397
Other exposures	82,298	82,298
TOTAL EXPOSURES	34,996,536	34,996,536

Risk weightings	Positions before applying risk mitigation techniques	(thousands of euros) Positions after applying risk mitigation techniques
Weighting 0%	9,104,021	9,628,266
Weighting 10%		
Weighting 20%	9,064,416	8,935,374
Weighting 35%		
Weighting 50%	2,807,173	2,807,173
Weighting 75%	53,576	53,576
Weighting 100%	11,764,916	11,372,338
Weighting 150%	167,496	164,871
Weighting 250%	2,034,938	2,034,938
TOTAL EXPOSURES	34,996,536	34,996,536

As at 31 December 2024 there were certain elements deducted directly from own funds. These are significant shareholdings in Financial Sector Entities, for the part that exceeds 10% of eligible own funds, in accordance with the provisions of Section 3 of Chapter 2 of Title I of Regulation EU 575/2013.

8. SECURITISATION TRANSACTIONS

8.1. GENERAL INFORMATION ON SECURITISATION ACTIVITY

As at 31 December 2023 the Institute has several securitisation positions in its balance sheet (Part 3, Title II, Chapter V of the Solvency Regulation). All exposures are as an investor (there are no risks transferred in securitisation transactions), through holding financial assets at amortised cost in the most protected tranches of the investee structures.

8.2. EXPOSURES IN SECURITISATION TRANSACTIONS AND AMOUNT OF SECURITISED ASSETS

As at 31 December 2023, the Group holds positions in securitisation transactions (as an investor) to which the Group applies, for the purposes of calculating its own funds requirements for credit risk, the treatment set out in Section Four of Chapter Four of the Circular on Solvency.

Type of exposure	Exposure net of adjustments	Risk-weighted exposure
		Thousands of euros 2023
STS exposures	909,473	184,842
Other exposures	50,794	7,619
TOTAL EXPOSURES	960,267	192,461

9. MARKET INFORMATION REQUIREMENTS: INFORMATION ON REMUNERATIONS

ICO is a Corporate State-owned Entity and, consequently, is subject to Royal Decree 451/2012, of 5 March, which regulates the remuneration system for senior managers and directors of the public business sector and other entities. It is also subject to the approval of the CIR Executive Committee (Interministerial Remuneration Committee) regarding the determination of remuneration for personnel not covered by the Entity's agreement. As a result of the foregoing, the remuneration of ICO executives is limited by the aforementioned rules, which prevents the competent bodies from approving different remuneration measures.

Pursuant to the 8th additional provision of Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, Title I of said Law will not apply to the Instituto de Crédito Oficial, which includes the rules of Corporate Government and the remuneration policy.

10. INFORMATION ON SHARES AND EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING PORTFOLIO

Note 2.1 to the Group's consolidated report for 2023 includes a description of the portfolios in which the Group's investments and equity instruments are classified, together with the accounting policies for recognition and measurement applied to each of them. The Note also indicates the models and assumptions used to determine the value of the instruments included in each portfolio. During the 2023 financial year there were no changes that significantly affect the practices and assumptions used by the Group in the valuation of its investments and equity instruments.

The Group has investments and equity instruments with different objectives. In this sense, it has investments in entities in which it intervenes to a greater or lesser extent in their management and decision-making processes, with which it pursues the attainment of objectives that form part of the strategy and objectives of the Group as a whole and/or in which there is an intention to maintain a permanent relationship with its shareholders (“strategic investments”). It also has investments in other entities with different objectives, basically consisting of maximising the results obtained through their management, in coordination with the Group's risk management objectives and strategies (“portfolios valued at fair value through other comprehensive income”).

Investments and equity instruments owned by the Group for strategic purposes are generally classified for accounting purposes in the category of Group companies, associates and jointly controlled entities, whereas investments held with a view to sale and which do not form part of the trading portfolio are classified in the category of financial assets at fair value with changes in other comprehensive income.

A detailed description of the ICO Group's holdings, including information on the investees and their book value, is included in Appendix I of the notes to the consolidated financial statements for 2023.

Note 9 to the Group's consolidated financial statements for 2023 includes an indication of the types, nature and amounts of exposures in investments and equity instruments measured at fair value with changes in other comprehensive income.

The unrealised gains or losses recognised in equity during the period are included in notes 9 and 21 to the Group's consolidated financial statements for 2023.

Actual gains or losses recognised in income during the year as a result of the sale or settlement of equity instruments not included in the trading portfolio are disclosed in note 29 to the Group's consolidated financial statements for 2023.

11. INTEREST RATE RISK. MARKET RISK

Interest rate risk is the risk to which the Group is exposed in its activity because it has asset and liability transactions with different interest rates (fixed and variable interest rates or referenced to different indices) and with different maturities, so that changes in the reference interest rates of these transactions upwards or downwards may have asymmetrical effects on its assets and liabilities with an effect on the Group's income statement and equity.

Interest rate risk is managed by the Group in an integrated manner for all Group entities with significant positions exposed to this risk. The Group's measurement and analysis of this risk is performed considering the following aspects and in accordance with the following premises:

Risk measurement and analysis is performed on a permanent basis.

The effects that variations in interest rates in the different currencies in which significant exposures are held could have on the Group's income and on the various margins in the profit and loss account are analysed.

The analyses include all positions that are sensitive to interest rate risk, including both implicit and explicit interest rate derivatives.

Separate interest rate risk measurements are performed for each of the positions held in each currency, as well as aggregated interest rate measurements for all of them.

On the basis of the foregoing analyses, the Group adopts the necessary measures to guarantee optimum management of this risk.

Note 5.4 of the notes to the Group's financial statements for 2023 includes information on market risk management.

12. CAPITAL BUFFERS

As at 31 December 2023, the Bank of Spain had not made it compulsory for ICO to comply with the requirement to have an anti-cyclical capital buffer, in accordance with Title VII, Chapter 4, of Directive 36/2013/EU.

Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and EU Regulation 575/2013, regulates, in chapter 3, capital buffers as from its entry into force (February 2016). In this sense:

- A common capital buffer of 2.5% is established, which the Institute complies with as at 31 December 2023;
- An anti-cyclical capital buffer is established in accordance with the requirements established for this purpose. For 2023, the quarterly percentage established for this buffer by the Bank of Spain is 0% for credit exposures in Spain;

- The Institute is not subject to the buffers for entities of global systemic importance or for other entities of systemic importance;

No systemic risk buffer has been established by the Bank of Spain.

13. INFORMATION ON UNENCUMBERED ASSETS

Below is information on the Group's unencumbered and encumbered assets as at 31 December 2023 (Recommendation JERS/2012/2):

	Carrying amount of Unencumbered Assets			Fair Value of Unencumbered Assets	
		Of which: issued by other entities in the group	Of which: eligible by central banks		Of which: eligible by central banks
					2023 Thousands of euros
Assets of the Reporting Entity	30,306,463		6,314,247		
Call Loans	2,158,740		2,123,983		
Equity instruments	1,533,557			1,533,557	
Debt securities	5,438,381		4,190,264	4,309,721	4,003,631
of which: Covered bonds					
of which: Asset-backed securities					
of which: issued by Public Administrations	2,720,841		2,720,841	2,339,096	2,339,096
of which: issued by financial corporations	1,207,390		471,671	905,156	852,484
of which: issued by nonfinancial corporations	1,510,151		997,752	1,065,469	812,051
Loans and advances other than call loans	20,474,359				
of which: mortgage loans	290,868				
Other Assets	701,426				

	Carrying amount of Encumbered Assets	Of which: issued by other entities in the group	Of which: eligible by central banks	Fair Value of Encumbered Assets	Of which: eligible by central banks
					2023 Thousands of Euros
Assets of the Reporting Entity	1,382,839		955,204		
Call Loans					
Equity instruments					
Debt securities	955,204		955,204	1,311,687	1,311,687
of which: Covered bonds					
of which: Asset-backed securities					
of which: issued by Public Administrations	955,204		955,204	1,311,687	1,311,687
of which: issued by financial corporations					
of which: issued by nonfinancial corporations					
Loans and advances other than call loans	427,635				
of which: mortgage loans					
Other Assets					

	Sources of charges: Financial liabilities	Of which: reused warranties	Of which: own debt securities
			2023 Thousands of euros
Selected financial liabilities	606,098		
Derivatives			
Deposits	606,098		
of which: repurchase agreements	279,023		
of which: guaranteed deposits realised with Central Banks	327,075		
Other sources of charges			

14. INFORMATION ON LEVERAGE

Below is information on the Group's leverage ratio as at 31 December 2023:

Exposure corresponding to the leverage ratio	*(Thousands of Euros)*
Exposure values	
Derivatives: current replacement cost	176,006
Derivatives Potential Future Exposure standard method (multip. 1).	93,889
Off-balance-sheet items conversion factor 10%	
Off-balance-sheet items conversion factor 20%	
Off-balance-sheet items conversion factor 50%	4,178,219
Off-balance-sheet items conversion factor 100%	531,390
Other assets	30,699,030
Assets deducted from Tier 1 capital (according to the definition to be applied upon completion of the phasing-in process)	
Assets deducted from Tier 1 capital (according to the transitory definition)	
TOTAL LEVERAGE RATIO EXPOSURE (according to the definition to be applied upon completion of the phasing-in process)	35,678,533
TOTAL LEVERAGE RATIO EXPOSURE (according to the transitory definition)	35,678,533
Capital	
Tier 1 capital (according to the definition to be applied upon completion of the phasing-in process)	4,749,323
Tier 1 capital (according to the transitory definition)	4,749,323
Leverage ratio	
Leverage ratio (according to the definition to be applied upon completion of the phasing-in process)	13.31 %
Leverage ratio (according to the transitory definition)	13.31 %

The detail of the exposure values considered is as follows:

	Leverage ratio exposure according to the standard method	Risk-weighted assets: exposure standard method
		(Thousands of Euros)
Exposures treated as exposures to Central Governments	**11,448,553**	**2,028,463**
Central Administrations and Central Banks	8,530,175	249,745
Regional administrations and local authorities treated as central governments		
Multilateral development banks and international organisations treated as central governments		
Public Sector Entities treated as central governments	2,918,378	1,778,718
Exposures to regional governments, multilateral development banks, international organisations and public sector bodies not treated as central governments	**1,153,852**	**122,384**
Regional administrations and local authorities NOT treated as central governments	562,389	
Multilateral development banks NOT treated as central governments	591,463	122,384
Public Sector Entities NOT treated as central governments		
Entities	**8,462,883**	**1,989,052**
Secured by mortgages on immovable property, of which:		
Secured by mortgages on residential property		
Retail exposures	**47,032**	**27,979**
Of which: Retail exposures to SMEs	44,581	19,664
Companies	**8,147,281**	**7,588,945**
Financial		
Non-financial	8,147,281	7,588,945
Exposures to SMEs	1,311,086	1.169.235
Exposures to non-SME companies	6,836,195	6.419.710
Exposures in default	**590,690**	**101,181**
Other exposures (e.g. equities and other assets other than credit obligations), of which:	**848,739**	**1,785,095**
Securitisation exposures		
Trade finance (memo item), of which:		
In the framework of an official export credit insurance scheme		

The leverage ratio as at 31 December 2023 was 13.31%. Management is informed on a monthly basis of the leverage ratio and its evolution.

15. OTHER KEY INDICATORS:

15.1 LIQUIDITY COVERAGE RATIO (LCR) AND NET STABLE FUNDING RATIO (NSFR)

As regards the liquidity coverage ratio, a table with quarterly averages of the ratio based on month-end observations over the previous twelve months is presented below for each of the quarters of the 2023 period, indicating the averages of total liquid assets and the averages of net liquidity outflows, liquidity outflows and liquidity inflows:

LIQUIDITY COVERAGE RATIO (LCR) YEAR 2023				
Amounts in % and thousands of euros	QUARTERLY AVERAGE			
CONCEPT	1Q	2Q	3Q	4Q
LCR RATIO (%)	291.43%	275.71%	614.08%	740.97%
TOTAL LIQUID ASSETS	6,180,226	7,267,338	6,052,571	7,327,155
NET LIQUIDITY OUTFLOWS	2,347,171	2,735,283	1,101,072	1,753,882
- Liquidity outflows	3,755,948	5,346,334	3,636,757	5,170,277
- Liquidity inflows	1,408,777	2,611,051	2,535,685	3,416,395

An informative table of the net stable funding ratio at the end of each calendar quarter of the period 2023 is shown below, which additionally shows the stable funding available at the end of each quarter and the funding required at the same dates:

NET STABLE FUNDING RATIO (NSFR) YEAR 2023				
Amounts in % and thousands of euros	QUARTERLY AVERAGE			
CONCEPT	1Q	2Q	3Q	4Q
NSFR RATIO (%)	116.57%	106.17%	109.39%	111.76%
STABLE FUNDING AVAILABLE	19,722,482	18,398,867	19,974,786	21,109,436
STABLE FUNDING REQUIRED	16,919,464	17,329,884	18,259,908	18,889,025

15.2 RISKS RESULTING FROM CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION

Sustainability in the governance of the ICO Group

In accordance with ICO Group's 2022-2027 Strategy, the Group, in the performance of its activity, seeks to transform the growth model of Spanish economy in such way that it may attain a pattern of more sustainable and digital growth with greater capacity to create quality employment. Sustainability thus emerges as a strategic pillar that is transversal to the entire activity of the ICO Group. Consequently, sustainability is reflected in terms of its assets and liabilities, as well as in any aspect of the Group's activity. The commitment to sustainability at all levels includes periodic reporting to the Board of Directors on new regulations, frames of references, actions taken and metrics. The Board of Directors is the highest decision-making body, in this and all matters.

Its commitment to this area is reflected within the organisation through the:

- **Sustainability Policy**. The Sustainability Policy, recently revised and approved by the Board of Directors in January 2024, establishes sustainability as a basic pillar that guides the activities of the ICO Group, both in its lending transactions and its liabilities, as well as the internal management of the organisation, including from the perspective of Corporate Social Responsibility and Governance (CSR - ESG). Therefore, it involves all divisions of the organisation and its activity, acting a management fundamental that provides for the compliance of its mission as a public development bank. The effects of this orientation spills over into other policies, such as direct financing, which contemplates the impossibility of funding projects that potentially have negative social and environmental impacts in which no appropriate mitigation has been applied. The ICO Group holds a firm commitment to sustainability, clearly establishing its presence in the Group's mission, strategy and values.
- **Sustainability Committee**. This committee meets regularly every four months, notwithstanding meetings called upon the criteria of the Chair of the ICO Group when the matter so requires. The committee's functions include the definition of the Sustainability concept taken on by the ICO Group, as well as awareness raising and communication to the entire staff. This body, which is chaired by the ICO chairman and made up by members of all the General Directorates, AXIS and the ICO Foundation, is also in charge of preparing and monitoring the position of ICO with regard to activities considered sustainable by the ICO Group. Similarly, it identifies regulatory developments regarding sustainability that affect the ICO Group and, where applicable, commissions the implementation of these regulations. Finally, it also pushes and coordinates Sustainability-based initiatives that are carried out in the ICO Group, as well as any other matter regarding Sustainability that could be considered as such which has not been stated herein.
- **Environmental Policy**. In order to ensure its activity is respectful of the environment and acts in its defence, since 2020 the ICO Group has an approved and documented environmental policy fully adapted to the requirements of the ISO 14001 standard on Environmental Management Systems and a code of best environmental practices. ICO, as a signatory of the 10 Principles of the Global Compact, the Equator Principles, and the Spanish Collective Commitment to Climate Action signed with the AEB, the CECA and other Spanish financial entities, and in its alignment with the 17 Goals of Sustainable Development for the 2030 Agenda, and with the Paris Climate Agreement (COP-21), is committed to the control and management of its direct and indirect environmental impacts. Since 2021, the Environmental Management Systems is certified by European Quality Assurance.
- **Corporate Social Responsibility Policy**. The ICO Group has an approved and public CSR policy, with the objective of being an institution that integrates ethical, social and environmental values and a commitment to society, which applies the principles of good governance and is thus recognised as such in its activity and relationship with its stakeholders. With this purpose in mind, it has established the principles that govern its activity; good governance and transparency, respect for the environment and its community, and the 10 principles of the United Nations Global Pact.

Within its current Strategic Plan, the goal of the ICO Group is to improve its internal corporate management in accordance with best governance practices, incorporating ESG in all areas. ICO has regulations intended to ensure transparency and good governance. In terms of assessment, it is crucial to analyse the impact of ICO's activity on the economy and on companies, quantify this influence and ensure that the actions are fulfilling the tasks for which they were designed.

It is also important to incorporate the management of project-related ESG risks in order to contribute to the achievement of global sustainability commitments, through the evaluation of environmental, social, climate and human rights impacts.

In terms of organisational structure, ICO has a Sustainability and Strategy Directorate, in charge of defining, promoting and coordinating different actions related to sustainability, notably the secretariat of the Sustainability Committee, and participates in the Credit Committee in order to facilitate the correct categorisation of transactions from their origin in order to correctly measure the impact of their ESG risks on ICO's credit activity. Two specific dependent units push in this direction: the Sustainability Development area and the Sustainability Methodologies and Measurement area, which collaborate closely with the rest of the Group's units to move forward in implementing best practices in this matter. Such involvement is group-wide, which means there are other units with specific tasks such as the Corporate Financing Department in the Corporate and Institutional Financing Directorate, and the Credit Risk and Methodologies Department in the Risk Directorate that is made up of the Admission and ESG Risks and Risk Methodology and Policies units, with functions taking in account ESG risks.

Strategic approach to sustainability

Sustainability and the transition to a low-carbon economy which makes a more efficient and circular use of resources and which safeguard the climate balance, biodiversity and human rights are key to ensuring the long-term competitiveness and our development as a society.

The current 2022-2027 Strategy of the ICO Group envisages as one of its strategic pillars the promotion of the green transition and the environmental, social and governmental sustainability of the business community. It considers action plans that range from sustainable financing through general and specific products, the promotion of sustainable enterprise through risk capital funds, or the leadership in sustainable bond markets, as well as the cooperation with other stakeholders.

For this reason, sustainability for the ICO Group, which covers factors of environmental, social and corporate governance, constitutes a basic pillar across all aspects of its activity, both its lending operations and liabilities and the internal management of the organisation itself, from a perspective of governance and corporate social responsibility. The commitments undertaken by ICO in terms of sustainability are set out in its Sustainability Policy, which was subject to review and updated in 2023, and finally approved by the Board of Directors in its new version in January 2024.

The strategic axis of ICO Group includes the fostering of environmental and social sustainability, having set the goal of having at least 40% of all new funding operations in the 2022-2027 be sustainable. To do this, internal sustainability assessment procedures aligned with the main international standards have been implemented with the purpose of identifying operations with a social and environmental contribution.

The ICO Group has a Sustainability Policy which is updated according to events that oblige its adaptation to reflect the current reality, and whose main axes are as follows:

- Act as a signpost in the design and application of the activities undertaken by ICO in matters of sustainability, encouraging its stakeholders to share its objectives and commitments in this matter.
- Combat climate change and protect our natural assets, in adherence to best international practices, and in particular the European Union's principle to do no significant harm.
- Foster a fair and inclusive transition, in such way that ICO becomes a decisive agent of change, putting all within reach of the new opportunities that arise.

Said policy sets out four goals, which are:

- Contribute to establishing standards and creating benchmarks, both in its operations (lending) and in the equity market (liabilities) and in its venture capital business
- Increase sustainable activity: encouraging the channelling of financing flows towards sustainable or transition activities, mainly in long-term investments
- Foster relations and the creation of long-term assets for its main stakeholders: streamline the transfer of knowledge and experience between peers, and ensure there is responsible relationship with our clients and suppliers
- Reach a net-zero carbon emission goal for 2050 in accordance with national and European legislation.

The Sustainability Policy of the ICO Group establishes a general framework of action and is complemented by the rest of the internal policies that govern the activity of the Institute, such as the Environmental Policy, the Quality Policy, the Anti-Money Laundering and Terrorism Financing Policy, the Anti-Fraud Measure Plan and Institutional Declaration to Combat Fraud, the Direct Financing Policy, the Risk Policy, the CSR Policy, the Equality Plan, the Data Protection Policy, the Code of Ethics and Conduct and the Internal Regulations of Conduct in the Securities Market, among others.

The impact of climate change as an essential element of our approach towards sustainability

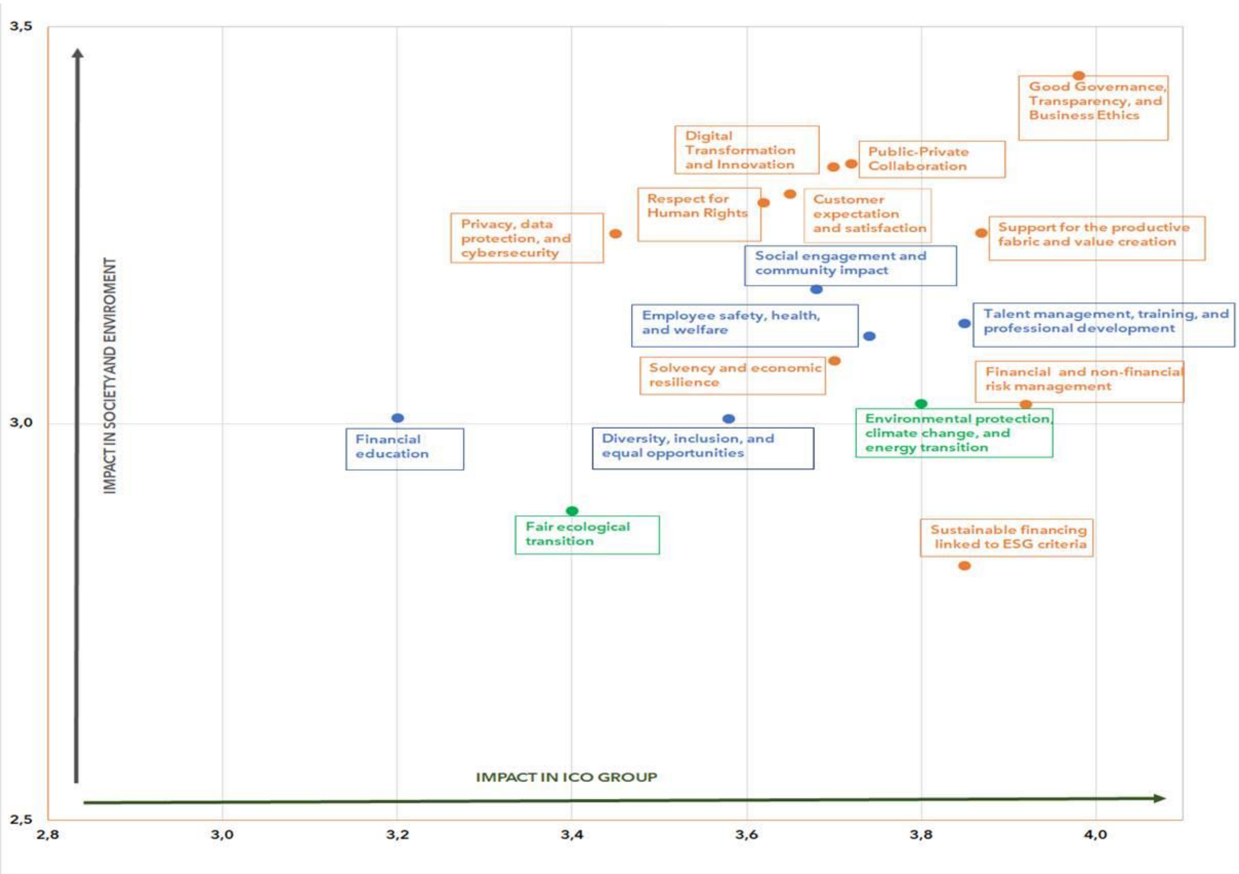
In 2023, the ICO Group performed a materiality study to determine the most important aspects that can have an impact on its environment and how this can in turn impact the Group's activity.

This materiality study was begun through an exhaustive internal and external analysis to identify the relevant aspects, trends and reference frameworks.

In accordance with the highest standards in the subject, the study was performed from a dual perspective of materiality and assessment of the impacts. The methodology took into account, on one hand, the real and potential impacts of the Group's activity externally and the real and potential impacts that material issues might have within the Group.

In addition, the ICO Group conducted an exercise to identify the impacts associated with each one of these issues on the economy, the environment and people. Taking into the account the severity and probability of occurrence, a set of priorities was established for the issues based on the results of the exercise both from the outside in and from the inside out.

These material issues were prioritised according to the impact and relevance criteria in both directions; from the inside out, taking into account the potential impacts, severity and probability of occurrence, and from the outside in, in terms of how the Group's commitments, results, current position and future development might be affected. This analysis gave rise to the following materiality matrix where the aspects furthest from the starting point are those that should be given the most relevance and consideration from the organisation.



In accordance with current legislation and, specifically, Law 11/2018, the consolidated annual accounts of the ICO Group include the Non-Financial Information Statement in the management report which, through an impact-based approach and using the aforementioned materiality analysis, reviews the Group's sustainability performance from the perspectives required by said Law and the GRI standards under which it is written.

Management of Climate and Environmental Risks

The institution has a suitable management of risks from all perspectives, having progressively incorporating the climate change issue.

Until now the approach has focused on climate and environmental risks, as these are of a greater priority; in alignment with the ICO strategic plan, sustainability is being progressively transferred to risk management. It should be highlighted, for example, the implementation and incorporation of the environmental performance ratio and the average emissions intensity ratio in the manufacturing, transport and power distribution sectors within the Risk Appetite Framework, hereinafter the RAF. These Level III indicators (according to the RAF classification listed below) have the thresholds defined according to the Institute's strategic criteria, which provides for the development of a business plan aligned with international and national commitments to environmental matters, with the aim of fostering the sustainable economic growth of companies and building a portfolio in which industries with greater environmental risk have gradually less weight, thus limiting its physical and transition risk. For the categorisation of transactions likely to be included as environmental, categories are identified according to internal criteria, highlighting, among others, the approximation to an "Eligibility and/or Alignment Taxonomy" and internationally recognised standards such as the Green Loan Principles (Loan Market Association and Asia Pacific Loan Market Association) and the Sustainability Linked Loan Principles (Loan Syndications and Trading Association). There is also a categorisation of a social nature.

ICO, using the results published in September 2023 by the ECB within its second climate stress test of the European economy as a whole (which analyses the increased probabilities of default, or PD, of the different sectors in the 2022-2030 period according to three possible transition scenarios: accelerated, late-push and delayed), has calculated the potential "one-off" impact on expected loss of an increase in PD, differentiating by sectors under the late-push transition scenario, as this is the most severe scenario in said period.

Regarding physical risk and based on the INFORM Risk Index (a multi-stakeholder forum interested in developing quantitative analyses relevant to humanitarian crises and disasters, the scientific leader of which is the Joint Research Centre of the European Commission), the category "natural hazard" was selected, made up of components that represent physical risks (earthquakes, river flooding, coastal flooding, tsunamis, tropical cyclone winds, drought and epidemics) for the countries included in the INFORM database, obtaining the finding making up the resulting index for ICO's credit investment portfolio.

The result of these exercises is used internally as elements for monitoring and assessing climate-based transition and physical risk.

ICO is working according to a set of applicable regulations and market practices to develop a model for the assessment of ESG Risks that can be included in a more formalised manner in the analysis of direct financing operations that affect credit risk.

Internally, the management of environmental risks is integrated into the Environmental Management System, but the management of this type of risk is done comprehensively for all institute activity through the appropriate management mechanisms.

Relevant metrics

General context

ICO, as a National Development Bank, is faced with two major challenges. On one hand, promote and accelerate the transformation of the economic model towards a more sustainable one from a social and environmental standpoint. On the other, taking into account the structure of a business community mostly composed of SMEs and the self-employed, accompany the main stakeholders of the economy in this transition so that no one gets left behind.

As mentioned above, the ICO Group, as part of its strategic commitment to sustainability, has set the goal of having at least 40% of all new funding operations in the 2022-2027 be sustainable. In addition, the sustainability policy envisages reaching the 2050 climate-neutral goal in accordance with applicable law.

Internal carbon footprint

The products and services offered by the ICO Group do not themselves generate greenhouse gas emissions that seriously impact the environment. That is, the carbon footprint is the one that comes from the development of its activity (carbon footprint inherent to an organisation).

ICO's scope 1 and 2 emission sources are located mainly in the offices of its main headquarters in Madrid, located at Paseo del Prado, 4, and in its annex building, Calle los Madrazo 36-38, so the emissions generated correspond mainly to electricity consumption, maintenance and recharging of air conditioning equipment and fuel for a power generator. In addition, the building has a rooftop installation of photovoltaic panels, but it has not been considered to reduce the calculation of emissions, since the energy produced is discharged into the electrical grid and is not used for self-consumption. In 2023, this facility produced 5,973 kWh, above the figure for 2022, which was 2,243 kWh due to a breakdown of the facilities that impeded production for several months that year. 2023 production, once the 2022 malfunction was fixed, was in line with the 2021 production (5,834 kWh).

The ICO Museum (Calle Zorrilla 3, Madrid) hosts different exhibitions, and the management of this activity and space also generates consumption of electricity and coolant gases.

Additionally, ICO has a warehouse located in the Gitesa Industrial Estate in Daganzo de Arriba (Madrid), which serves as logistical support and documentation archive and generates emissions from electricity consumption and coolant gases.

Below is an estimate of total emissions for the year 2023. All calculations have been carried out in accordance with the indications published by the Ministry for the Ecological Transition and Demographic Challenge (MITECO), using the ministry's own calculator for scopes 1 and 2.

For 2023, a provisional calculation of the carbon footprint has been made that includes scopes 1 and 2. The 2023 calculation is provisional since the tools available for 2022 were used.

EMISSIONS (t CO_2e)	**2023**
Direct emissions (scope 1)	94.76
Indirect emissions from purchased energy (scope 2)	420.44
Total	**515.20**

During 2023, measures implemented by the ICO Group have continued to be applied within the framework of its carbon footprint recording process with MITECO. Indeed, the ICO Group has a Carbon Footprint Reduction Plan for the period between 2022 and 2025 that has been presented to MITECO, which contemplates, among others, ICO's commitment to contract an electricity supplier with a Guarantee of Origin of renewable energy, this measure having been effectively executed in 2023. One of its objectives was to reduce emissions by at least 20%, which has already been achieved with the contracting of electricity supply with a Guarantee of Origin. Likewise, within the framework of these measures, an energy efficiency study of the building and a study on low-carbon technologies was conducted in 2023, focused on the decision-making process on a comprehensive renovation of the ICO offices. This eventual renovation will aim to increase the functionality of the current facilities, as well as their energy efficiency and adaptation to climate change.

Green Asset Ratio (GAR)

The ICO Group promotes sustainability as one of the pillars of its strategy, implementing sustainable criteria in all its areas of action. This is why ICO has considered it a good practice to conduct an analysis of the taxonomic alignment of its credit portfolio. The methodology applied is an approximation to the criteria established under Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council, of 18 June 2020, regarding the establishment of a Taxonomy to facilitate sustainable investments.

In this sense, it has been considered convenient to disclose the proportion of exposures to aligned economic activities with respect to the total assets covered in the GAR.

The ratios calculated as of 31 December 2023 are:

- % exposure to eligible economic activities (CAPEX): **15.12%**
- % exposure to eligible economic activities (VN): **14.52%**
- Green Asset Ratio (CAPEX): **7.93%**
- Green Asset Ratio (VN): **7.48%**

Contextualisation of GAR reporting

The information reported is voluntary, but it best meets the criteria defined under Regulation (EU) 2021/2178. The criteria and procedures used to calculate the Green Asset Ratio (GAR) are presented below:

This is the first financial year in which information on this alignment are reported. With the purpose of having the most accurate information possible, publicly disclosed information was gathered and, in some cases, clients were contacted to:

- Confirm if the counterpart is a company subject to Articles 19 bis and 29 bis of Directive (EU) 2013/34 (public interest entities with over 500 employees).
- In generalist activities, request the Taxonomy disclosure tables.
- In fixed-purpose activities, confirm their alignment.

In the coming years, work will be done to complete the alignment information and, where appropriate, obtain supporting documentation from the counterparts.

In this financial year, only stock information is reported, as there is no alignment information from the previous year. Work is under way so that, starting next year, flow information can be disclosed.

To calculate the ratio, the total assets covered by the GAR (denominator) have been considered. However, the eligibility and alignment analysis has only been applied to the credit portfolio (numerator).

For the mediation portfolio, it has been considered that the end client is made up entirely of small and medium-sized companies, counterparts not subject to NFRD.

For green bond transactions in which client information has not been obtained, the eligibility and alignment ratios reported in the Taxonomy Tables disclosed by the counterparts have been applied.

Due to the unavailability of information, a breakdown of the amount by facilitating and transition activities has not been given.

Partnership for Carbon Accounting Financials (PCAF)

In its commitment to decarbonisation, and aware of the weight represented by greenhouse gas emissions financed for a credit institution, the ICO Group has made significant progress in its calculation of the scope 3 carbon footprint of its credit and investment portfolio, as the first challenge to be able to establish the objectives of reducing its CO_2 emissions.

To quantify these financed emissions, ICO has an internal tool according to the PCAF (Partnership for Carbon Accounting Financials) methodology, based on the GHG Protocol. The PCAF is an initiative created in 2015 by Dutch financial institutions that over the years has been consolidated internationally. The goal of this initiative is to develop a globally accepted standard for the measurement and disclosure of greenhouse gas emissions associated with loans and investments.

The work carried out in 2023 has allowed us to obtain the first quantitative data, identifying, by CNAE code, the sectors with the greatest exposure in the entity's portfolio in terms of absolute emissions of equivalent CO_2.

Likewise, formal membership within the PCAF as a committed entity is expected in 2024.

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