‘08 Annual Report & CR Report

Informe Anual ‘08
y Memoria RC

Instituto de Crédito Oficial

CONTENTS

CHAIRMAN'S STATEMENT

In 2008, the Spanish economy witnessed the onset of a process of deterioration in real sector activity, with GDP growth at 1.2%, two-and-a-half points less than in 2007 (3.8%). The decline in GDP growth became more acute as of the second half of the year: although in the first quarter, the Spanish economy grew at a year-on-year rate of 2.7%, in the fourth, it entered a technical recession, posting a year-on-year contraction of 0.7% and a downtick of 1.0% quarter-on-quarter. This performance is attributable to a fall in domestic demand, which barely increased in 2008 as a whole and contributed a mere 0.1 percentage points (4.3 points less than in 2007), pulled down by weak private consumption and gross-fixed capital formation, above all as far as investment in construction was concerned.

The loss of impetus in work-intensive sectors such as construction led to an unfavourable performance of the labour market in the second half of 2008, as shown by figures from the Working Population Survey. In average terms for the year, employment dropped by 3.03% (in 2007, it had risen by 3.1%) and the unemployment rate shot up to 13.9% after reaching its lowest level since 1978 in 2007.

The world economic scenario was beset by the turmoil and acute deviations undergone by the international financial system, combined with a sharp downdraught in the real sector's indicators and outlook, especially in the first half of the year in the United States and OECD economies. This, in turn, spread to emerging economies at year-end. The financial turmoil was triggered by the liquidity problems of the interbank market and other financial instruments, which gradually led to solvency difficulties among some of the leading financial institutions in the US and Europe and had serious consequences for the real sector of the world economy.

In this setting, the sharp downward path taken by inflation rates in the summer of 2008 as a result of falling energy prices prompted central banks to apply monetary policies conducive to the stabilisation of financial markets, the mitigation of liquidity difficulties and the alleviation of the negative effects of the financial crisis on the real economy. Accordingly, they reduced benchmark interest rates and, in the main economic areas (the US, the eurozone and the UK), interest rates had dropped to record lows by year-end 2008.

The rapid downturn seen in projections and indicators as to the performance of both the national and international real economies translated to lower yields on the sovereign debt of Spain and other OECD economies. Moreover, variable-income indices took one tumble after another as 2008 elapsed. At the same time, growing uncertainty and a greater aversion to risk sparked a widespread repricing process in financial instrument yields and this was mirrored in 2008 in greater spreads between yields on Spanish sovereign debt and German debt.

As the cycle started to contract and the liquidity squeeze took hold of financial markets, the year 2008 saw less growth in total lending within the Spanish economy. Nevertheless, the variation rate was still above the eurozone average.

Such was the context in which ICO carried out its lending activity which, in 2008, reached a total of €14,400m in loan arrangements. This figure reflects a 7.2% decline on the previous year, caused by the economic slowdown which commenced in August.

However, it should be pointed out that, as indicated in last year's Chairman's Statement, ICO had given the go-ahead to a Strategic Plan designed to boost the lending activity necessary for any system seeking to take advantage of its economic and social impact. Now, three full years after the Strategic Plan's implementation, we are able to state that the target set for 2008 was easily fulfilled, placing ICO in an ideal position to go on providing the finance required by our corporate network, in the form of both second-floor loans and direct operations.

As regards second-floor loans, above all, the ICO-SME Facility, the institute continued to back the major investment effort made by the corporate sector and allocated a total €7,000m to the facility. The financial year of 2008 came to an end with a sum total of €6,734m in SME Facility arrangements, meaning that 96.20% of the facility was used up and 93,448 operations were arranged.

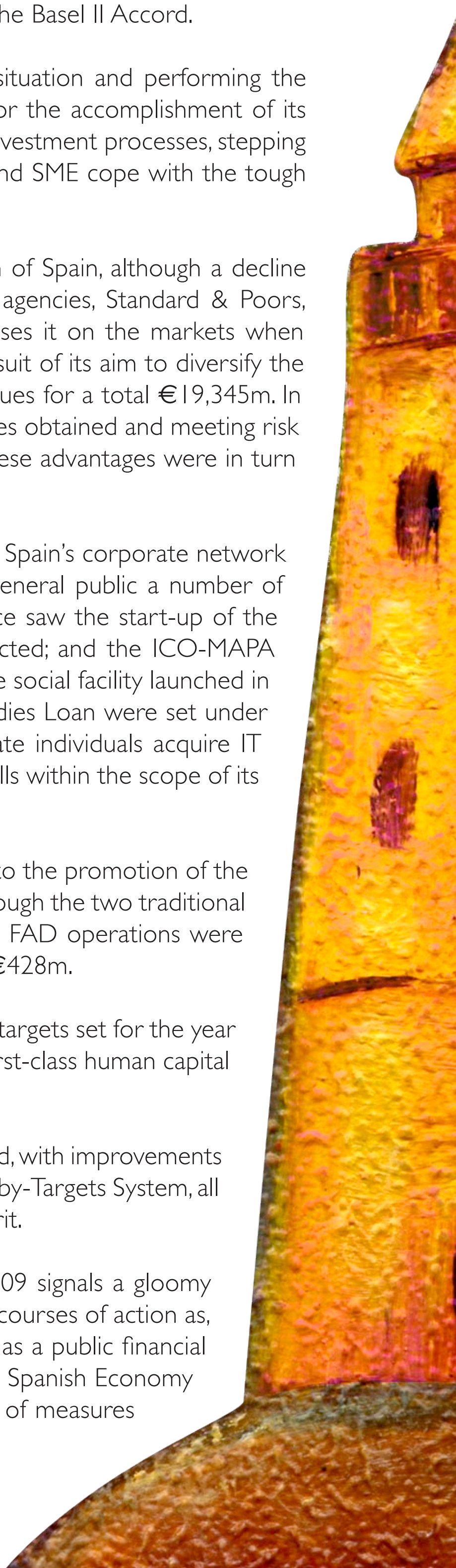
Unlike the previous year, as a result of the technical recession mentioned above, it was not deemed necessary to increase the facility's allocation, given the slight decrease in demand for these loans observed in the second half of the year.

The commitment acquired through this facility and the others making up the Corporate Promotion Plan was renewed in 2008 in the form of the Spanish Corporate Backing Plan, aimed at fostering society's enterprising spirit, promoting the creation of new enterprises, fanning corporate growth and encouraging internationalisation.

Turning now to the institute's other lending system, direct operations, in 2008, arrangements fell back somewhat (-4%) in respect of the previous year to stand at €5,747m. Of this amount, 70.3% was applied to the financing of investments located within the national territory, mostly projects relating to infrastructures and regional development.

It goes without saying that the major growth planned for the last few years has been achieved in compliance with one of the main premises governing the institute's activity: financial balance. Indeed, the generation of a reasonable profit rate enables our institution to act with a greater degree of autonomy when pursuing its lending activity as this is directly linked to an independent capacity to generate the necessary equity to reach a capital adequacy ratio suited to the institute's size. As I pointed out in previous years' statements, a prior step to this intended autonomy was the inclusion in the 2008 General-Government Budget Act of a number of measures geared towards the increase of ICO's equity. At year-end 2008, we saw the fruits of these measures, through which the institute's final equity figure was increased by €303m. The measures, along with others of an internal nature, took the capital adequacy ratio to 11.19% in 2008, thereby fulfilling the minimum required by Bank of Spain Circular 3/2008 and the regulations for adaptation to the Basel II Accord.

In addition, these measures will be a useful tool when dealing with the new economic situation and performing the role required of ICO as the State's Financial Agency. This role is necessary in any event for the accomplishment of its institutional mission to supply medium and long-term loans and to promote and back real investment processes, stepping up our economy's competitiveness in a bid to help the general public, the self-employed and SME cope with the tough economic situation foreseen for 2009.



In 2008, the leading rating agencies continued to award top credit ratings to the Kingdom of Spain, although a decline in sovereign debt yields was observed in the last quarter. In January 2009, one of the agencies, Standard & Poors, downgraded its rating to AA+. ICO has the same rating as the Kingdom of Spain and uses it on the markets when raising the funds necessary for the performance of its activity. Last year, in the constant pursuit of its aim to diversify the investor base, ICO used 11 different currencies to launch short, medium and long-term issues for a total €19,345m. In this way, the institute was able to net funds on the markets while profiting from the resources obtained and meeting risk premiums in conditions similar to those arranged by European State-owned institutions. These advantages were in turn passed on to its lending operations.

As the year 2008 went by, the institute not only played a considerable role in strengthening Spain's corporate network but also sought to broaden the social scope of its mission by offering members of the general public a number of financing instruments designed to enhance individual development. The period of reference saw the start-up of the Forum/Afinsa Facility, whose purpose was to offer financial assistance to the people affected; and the ICO-MAPA Facility, aimed at reviving the fishing sector. Furthermore, *Learning to drive for a euro a day,* the social facility launched in November 2007, remained in force. New facilities such as Plan Vive and the University Studies Loan were set under way while the more familiar Avanza, effective since 2006, remained in place to help private individuals acquire IT equipment and an Internet connection. This specialised activity on the part of the institute falls within the scope of its role as a supplier of funds through the appropriate earmarked lending facility.

The rise in activity, however, was not limited to the above, for ICO continued to contribute to the promotion of the Spanish export sector and stepped up its performance in loans seeking to boost exports through the two traditional financial tools, Official Development Aid (FAD) and Interest Makeup (CARI). In 2008, 198 FAD operations were arranged for a total €1,352m, while CARI credits posted 38 operations for an amount of €428m.

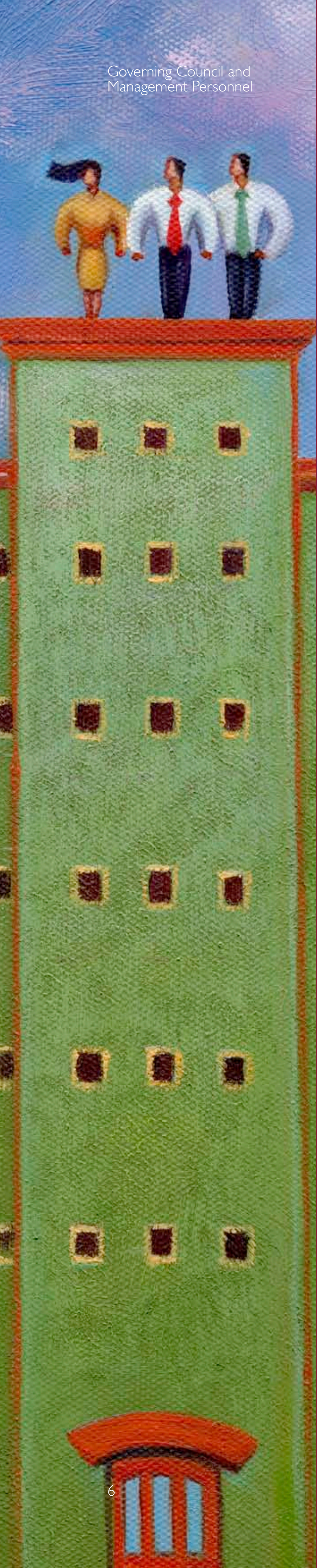
In the course of 2008, the institute made an all-out effort to fulfil each and every one of the targets set for the year and the final result obtained is worthy of a satisfactory appraisal. Here, merit is due to the first-class human capital upon which ICO relies for the effective performance of its functions.

On the subject of the workforce, in 2008, the V Collective Bargaining Agreement was renewed, with improvements to internal career development schemes and the ongoing consolidation of the Management-by-Targets System, all of which has laid the foundations for a culture based on the assessment of professional merit.

At the beginning of this statement, I said that the forecast for the Spanish economy in 2009 signals a gloomy scenario. It is accordingly from this reference point that the institute will establish its central courses of action as, more than ever before, it is called upon to fulfil its function as the State's Financial Agency, as a public financial instrument at the service of the Government's economic policy. In this sense, as part of the Spanish Economy and Employment Stimulus Package (the E-Plan), ICO has been instructed to execute a set of measures not only to overcome the crisis in overall terms of the economy but also to ease the burden of Spain's self-employed, SME, the medium-sized enterprise and households. Within these measures, two are particularly noteworthy: the new Liquidity Facilities (SME, the self-employed and the medium-sized enterprise); and, of a marked social nature, the Mortgage Deferral Facility, which will enable people in financial difficulty (the unemployed, the non-productive self-employed, etc.) to delay the payment of their mortgage instalments over a period of two years.

Given the circumstances, ICO now stands as a key financial instrument with the capacity to undertake and support the lines of action set down in the Government's economic policy for its area of activity. Thanks to the transformations put in place over the last few years, the institute is in a position to meet this challenge with a greater guarantee of success.

Aurelio Martínez Estévez
ICO's Chairman



GOVERNING COUNCIL AND MANAGEMENT PERSONNEL

ICO'S GOVERNING COUNCIL AT DECEMBER 31 2008

Chairman:

Mr. AURELIO MARTÍNEZ ESTÉVEZ

Members of the Council:

Mr. D. ÁNGEL TORRES TORRES[1]
Secretary General of Economic Policy and International Economy
Ministry of Economy and Finance

Mr. FERNANDO ROJAS URTASUN[2]
Director General of Budgets
Ministry of Economy and Finance

Mr. RICARDO LOZANO ARAGÜÉS
Director General of Insurance and Pension Funds
Ministry of Economy and Finance

Mr. LUIS FELIPE PALACIOS ARROYO[3]
Director General of Economic Planning
Ministry of Public Works

Mr. ALFREDO BONET BAIGET
Secretary General of Foreign Trade
Ministry of Industry, Tourism and Trade

Mr. ANTONIO SÁNCHEZ BUSTAMANTE[4]
Director General of Trade and Investments
Ministry of Industry, Tourism and Trade

Mr. LUIS DÍEZ MARTÍN
Personal Assistant to the Second Deputy Prime Minister
Ministry of Economy and Finance

Mr. SANTIAGO MENÉNDEZ DE LUARCA NAVIA-OSORIO[5]
Undersecretary for the Environment and Rural and Marine Affairs
Ministry of the Environment and Rural and Marine Affairs

Mr. JOSÉ ANTONIO BENEDICTO IRUIÑ
Undersecretary of Public Administrations
Ministry of Public Administrations

Mr. JUAN MANUEL LÓPEZ CARBAJO[6]
Secretary General of Territorial Financing
Ministry of Economy and Finance

Secretary to the Council:

Ms. EVA MARÍA GONZÁLEZ DÍEZ
State Counsel
Deputy Director of the Legal Advisory Department
INSTITUTO DE CRÉDITO OFICIAL (ICO)

OTHER MEMBERS WHO SAT ON THE GOVERNING COUNCIL DURING 2008:

- Until 19.05.2008: Mr. JOSÉ ANTONIO GODÉ SÁNCHEZ
- Until 21.05.2008: Mr. TOMÁS MEROLA MACANÁS
- Until 29.05.2008: Ms. CONCEPCIÓN TOQUERO PLAZA
- Until 06.06.2008: Mr. ÓSCAR VÍA OZALLA
- Until 22.09.2008: Ms. SILVIA LÓPEZ RIBAS

[1] Until 14.04.2008, Director General of Economic Policy and Fair Trade.
[2] A member since 19.05.2008.
[3] A member since 21.05.2008.
[4] A member since 06.06.2008.
[5] A member since 09.07.2008.
[6] A member since 22.09.2008.

MANAGEMENT PERSONNEL

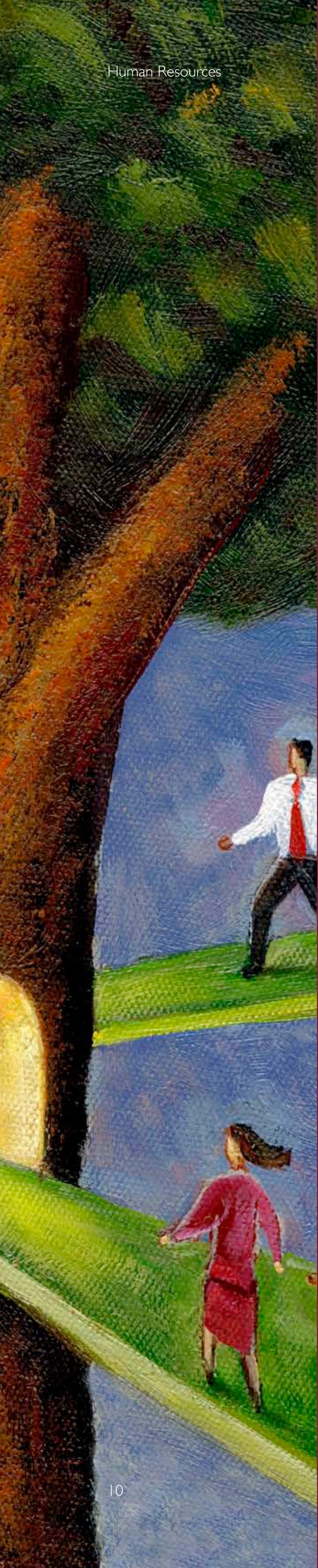
Chairman
Mr. AURELIO MARTÍNEZ ESTÉVEZ

Assistant Director General to the Chairman
Mr. RAMÓN Mª IRIBARREN UDOBRO

Director General of Investment and Funding
Ms. M. ROSARIO CASERO ECHEVERRI

Director General of Control and Administration
Mr. JOSÉ DAVID CABEDO SEMPER

Director General of Technical Affairs
Mr. ENRIQUE VILLAREAL RODRÍGUEZ



HUMAN RESOURCES

HUMAN RESOURCES

As a financial institution with the legal status of a State-owned Corporate Entity, Instituto de Crédito Oficial (ICO or the institute) must always be ready to adapt to the changing financial sector, where stiffer competition, market unification and new technological challenges are the order of the day. At the same time, in its role as the State's Financial Agency, the institute must be able to ensure complete success when meeting the challenges required of it by the various social representatives. For both these reasons, human capital is ICO's key asset in the effective fulfilment of its functions.

WORKFORCE PROFILE

At December 31 2008, the institute's workforce numbered 296. The distribution of the workforce by professional groups, together with variations occurring in the year, is indicated in the chart below::

DISTRIBUTION OF THE WORKFORCE BY PROFESSIONAL GROUPS

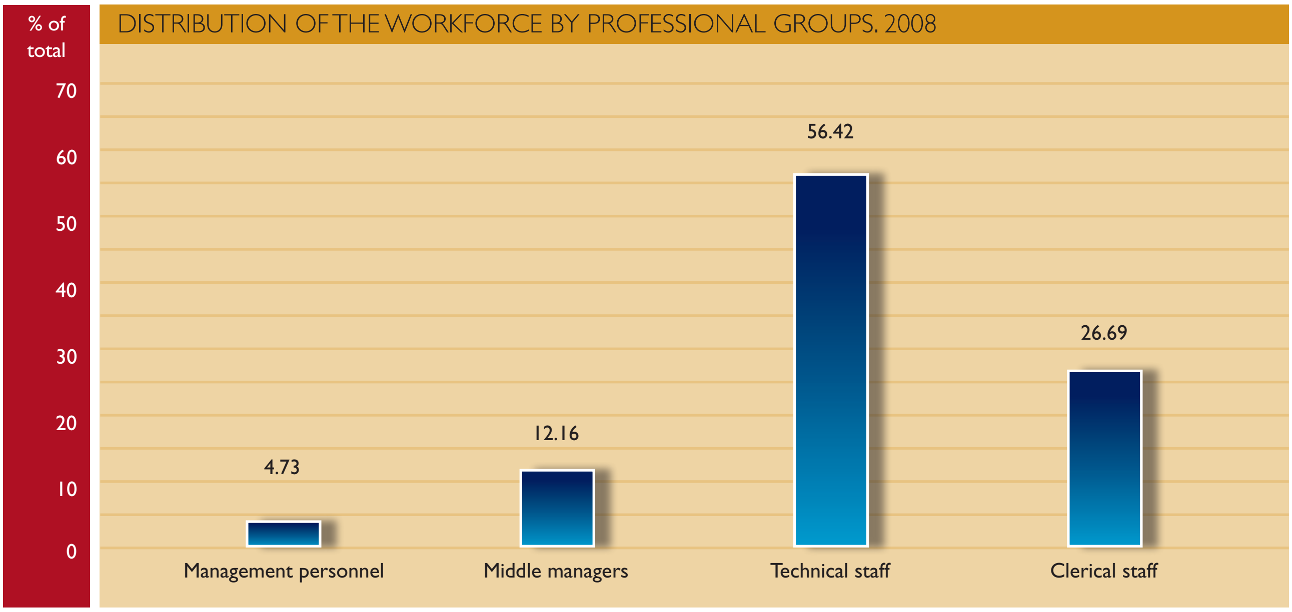
Figures at December 31 2008	Number of employees			
			Variation	
	2008	2007	Absolute	%
Management personnel	14	14	0	0,00
Middle managers	36	38	(2)	(5,26)
Technical staff	167	150	17	11,33
Clerical staff	79	76	3	3,95
TOTALS	**296**	**278**	**18**	**6,47**

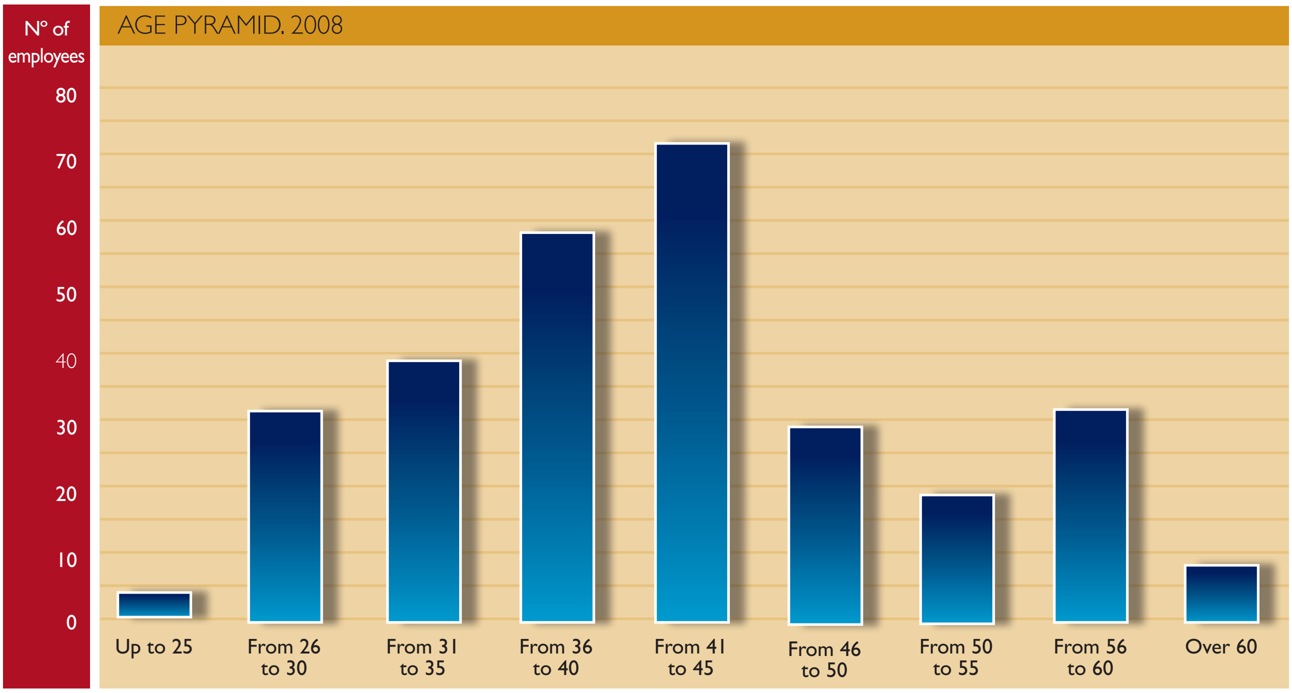
* After the formalisation of the V Collective Bargaining Agreement, the professional group known as General Services disappeared and its members came to form part of the Clerical Staff Group.

The institute's workforce is of an extremely high professional level: excluding management personnel, 68.58% of the employees have the professional grade of technical specialists.

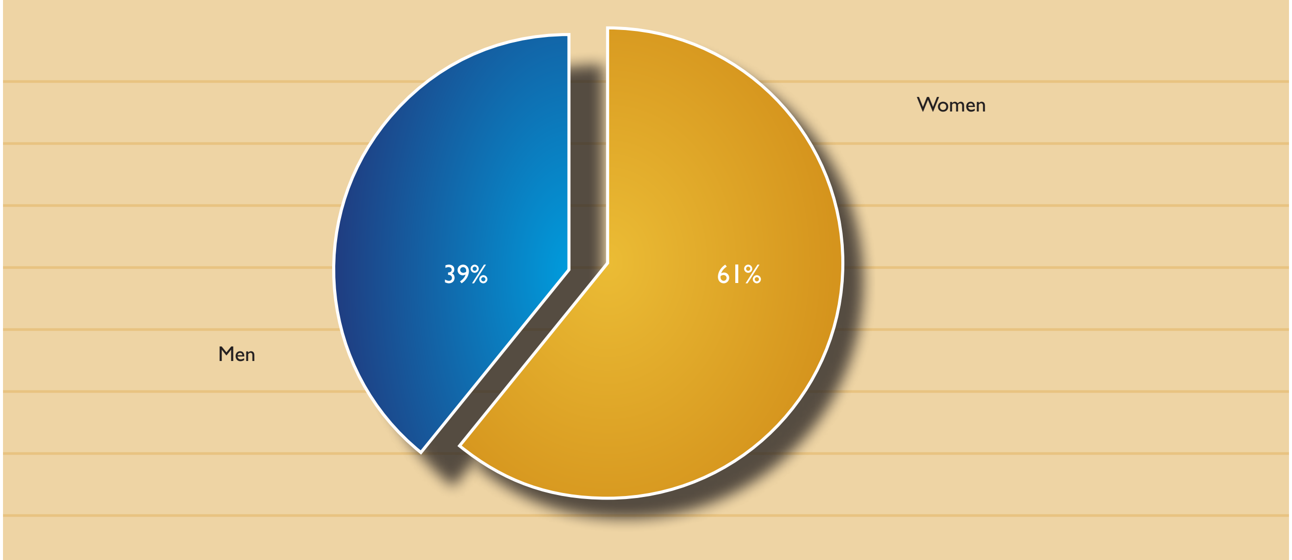
The average age of ICO's workforce is 42 years. At year-end 2008, 43.9% of employees were aged between 36 and 45 while only eight were over 60.

With regard to the male/female ratio, a large share is taken up by women both in the workforce as a whole and in management and middle management posts. The number of female employees accounts for 61.49% of the entire workforce and for 40% of management and middle management posts.

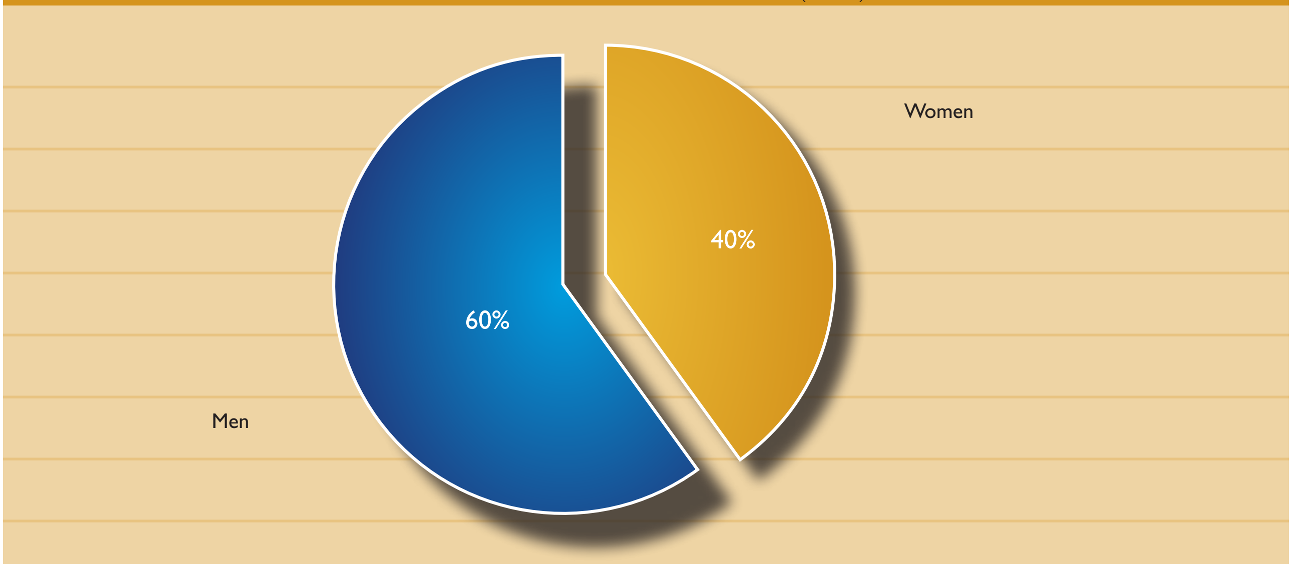

% of total
DISTRIBUTION OF THE WORKFORCE BY PROFESSIONAL GROUPS. 2008
70
60
50
40
30
20
10
0
4.73
12.16
56.42
26.69
Management personnel
Middle managers
Technical staff
Clerical staff


N° of employees
AGE PYRAMID. 2008
80
70
60
50
40
30
20
10
0
Up to 25
From 26 to 30
From 31 to 35
From 36 to 40
From 41 to 45
From 46 to 50
From 50 to 55
From 56 to 60
Over 60

GENDER DISTRIBUTION OF THE ENTIRE WORKFORCE (2008)



GENDER DISTRIBUTION OF MANAGERS AND MIDDLE MANAGERS (2008)



TRAINING

In 2008, the two main aims of the Training Programme were as follows:

1. The ongoing development of the Internal Training Policy commenced in 2007 with a view to turning the knowledge and skills of the institute's employees to full advantage. In the period of reference, a number of training courses took place, with special emphasis on micro-information technology, the economy and finance.

2. The furtherance of career development training. Under the V Collective Bargaining Agreement, the Special Biannual Training Plan for Clerical Staff was set under way. Joined by 35.7% of the clerical staff, the plan will enable those who successfully complete the course to form part, within the limits established in the Collective Bargaining Agreement, of the Technical Specialist Group.

PERSONNEL TRAINING PROGRAMME

Figures for 2008 — **Number of employees**

Training area	Hours invested Number	Hours invested %	Participants Number	Participants %
Specific-job training	3,546	22.44	239	45.01
Foreign languages	8,211	51.95	190	35.78
New technologies	1,011	6.40	77	14.50
Career development	3,037	19.1	25	4.71
TOTALS	**15,805**	**100**	**531**	**100**

Employees attending training courses	2008	2007
% workforce trained	76	96
Hours of training per employee	54.69	57.00
Hours of training per person trained	71.84	59.60
Investment in training/salary cost (%)	2.00	4.57
Investment in training per employee	745.33	1,096.73
Investment in training per person trained	979.09	1,145.66
Employees with access to the Intranet (%)	100	100
Employees with access to e-mail (%)	100	100
Employees with access to the Internet (%)	100	100

Training area	Hours invested 2008	Hours invested 2007	Variation Absolute	Variation %
Specific-job training	3,546	4,293	(747.00)	(17.40)
Foreign languages	8,211	8,946	(735.00)	(8.22)
New technologies	1,011	564	447.00	79.26
Skills	-	1,824	(1,824.00)	(100.00)
Career development	3,037	-	3,037.00	100.00
Other	-	405	(405.00)	(100.00)
TOTALS	**15,805**	**16,032**	**(227)**	**(1.42)**

Training area	Participants 2008	Participants 2007	Variation Absolute	Variation %
Specific-job training	239	294	(55)	(18.71)
Foreign languages	190	212	(22)	(10.38)
New technologies	77	69	8	11.59
Skills	-	224	(224)	(100.00)
Career development	25	-	25	100.00
Other	-	51	(51)	(100.00)
TOTALS	**531**	**850**	**(319)**	**(37.53)**

CAREER DEVELOPMENT SYSTEM

In 2008, the Career Development System (Spanish initials, SDP), aimed at the institute's technical specialists, entered its sixth year. Based on performance appraisal, the system is applied in accordance with the degree of competence and target fulfilment attained. In the period of reference, 36 employees were promoted to a higher salary category as a result of the appraisals.

Last year, once the V Collective Bargaining Agreement had been signed, the Career Development System for clerical staff was started up. The system has the same characteristics as the one used for the Technical Specialist Group; i.e., it is based on the attainment of targets and the appraisal of competence.

In the period of reference, 69% of the workforce was appraised under the SDP.

PERSONNEL SELECTION. NEW ADDITIONS

As a State-owned Corporate Entity, ICO is obliged by Royal Decree to advertise vacancies publicly, in accordance with the Public Job Offer (Spanish initials, OEP). All permanent and temporary staff join the institute through this procedure. Every year, the Royal Decree concerning the Public Job Offer authorises the invitation for applicants to cover the institute's vacancies.

As the institute's level of activity has increased in recent times as a result of greater demands from the Government in its effort to cope effectively with the current economic situation, in 2008, ICO was exceptionally awarded a total of 20 places. In net terms, ICO's workforce grew by 18 employees.

ESTABLISHMENT OF THE MANAGEMENT-BY-TARGETS SYSTEM

ICO is undergoing a process of major changes as a result of the strategic projects recently put in place. In this context, in 2007, it was deemed fitting to start up a Management-by-Targets System (Spanish initials, DpO), which seeks to enhance the institute's efficient management while furthering the employees' career development and building a culture based on the appraisal of professional merit.

The DpO System requires the involvement of ICO's various Deputy Directorates in the definition, implementation and follow-up of the targets set both for the institute's various areas and for each individual component member of a given Deputy Directorate.

The degree of annual fulfilment of the objectives set for each employee depends on the weighted level of fulfilment of four types of target:

- Targets of a strategic nature for the entire institute, as defined and approved by the Management Committee.
- Deputy Directorate targets.
- Organisational unit targets (department or area).
- Individual targets.

In 2008, ICO rewarded the employees for their efforts by linking the fulfilment of the targets set in the DpO to the variable salary component.

PERFORMANCE REPORT 2008

INTRODUCTION

The purpose of this report is to describe the activities of Instituto de Crédito Oficial (hereinafter, ICO or the institute) in the financial year of 2008. At the same time, it examines the performance of certain key figures since 1991, the year the institute acquired its present legal status as a credit institution, or since the commencement of the corresponding statistical series. Accordingly, the report gives an insight into the current situation, including annual changes in the accounts and the most significant headings, while outlining ICO's performance through time.

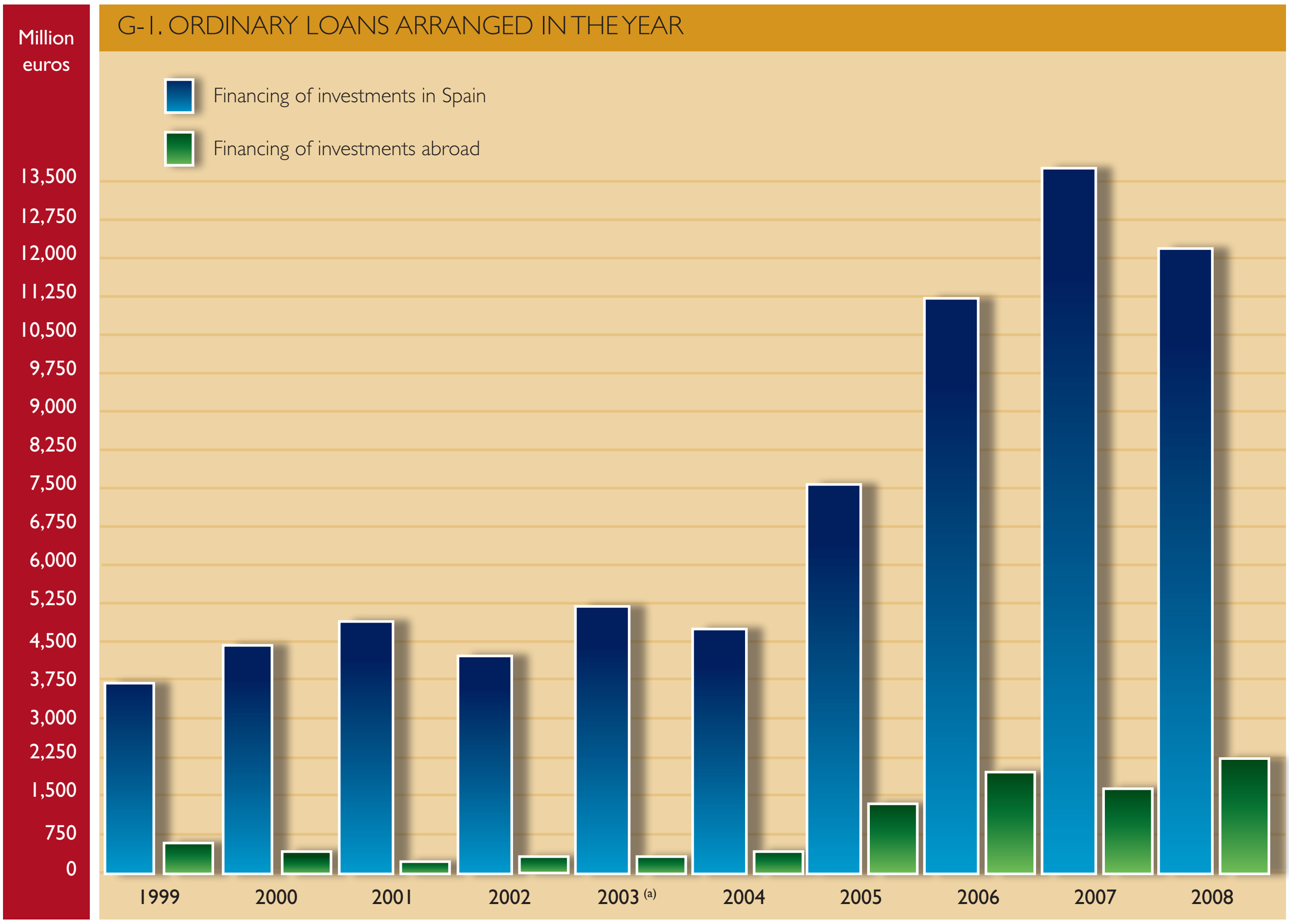
The order in which the subjects addressed are presented and the content of the various sections do not vary greatly from previous editions. The information contained in this Performance Report has not been prepared from the institute's financial statements. It is financial information used for management purposes and prepared on the basis of the institute's statistical and accounting records. To help the reader gain a clear insight into the state of affairs and analyse the performance of key figures, an Appendix has been prepared, containing a set of charts reflecting historical series and a breakdown of certain key figures. The last chart shows a conciliation of the public balance sheet contained in the financial statements and the abstract of the activity balance sheet. A glossary of the terms and concepts most commonly used in official credit's modus operandi is also included.

For the purpose of comparison, in the Performance Report, some of the data concerning the financial year of 2007 have been adapted to those contained in the comparative statements appearing in the approved individual financial statements of 2008. This is due to restatement and is explained on Pages 7 and 8 (Point 1.6) of the document, Financial Statements at December 31 2008. In the historical series contained in the Appendix, the figures remain unchanged.

1. LENDING PERFORMANCE IN 2008

The institute attends to applicants either directly, by analysing applications, approving them as applicable, and administering the loans granted; or indirectly, through the second-floor loan procedure, in which ICO enters into agreements of co-operation with private credit institutions (banks and savings banks). Under these agreements, the institute transfers its funds to the institutions, which then make them available to end-applicants in accordance with previously arranged financial terms and conditions.

In this section, the earmarked purpose of the loans granted by the institute, both directly and through the second-floor system, is examined. It should be pointed out that these operations refer solely to loans and do not include the arrangement of security or other off-balance sheet exposure. For the sake of convenience and clarity, ordinary operations have been divided into two major groups. The first covers operations directed at the financing of investments in Spain, while the second concerns those providing financial backing for the execution of investments abroad.



(a) Not including financial loans

The variable considered in this analysis is the amount involved in the loans arranged in the course of the year; that is, in official credit operations formalised with applicants by both ICO and the co-operating institutions. In the case of the SME Facility (General), the annual amounts referring to loans arranged are practically equal to the amount in funds transferred by the institute to the on-lending banks and credited by the latter to the borrowers. However, in all the other second-floor loan facilities and above all in direct operations, this match between arrangements and drawdowns does not necessarily occur because it often happens that the total or partial disbursement of the loans is not made in the same year as their arrangement but in the following financial year or years. Consequently, when the term arrangements is used, it should be taken into account that it refers to the maximum sums which have been set aside for customers and not to annual disbursements.

It should also be noted that presentation of loan arrangements on special operations does not include the financing of investments in Spain. This has been done so as to draw attention to the fact that the general aim of special loans (granted to alleviate the damage caused by catastrophic events or situations) bears no relation to the purpose of ordinary loans and that consequently, a clear distinction must be made between the two. Furthermore, the term, annual arrangements, has been given a more precise definition, it being understood that the amount involved must always and in all cases refer to the amount involved in loans actually arranged in each financial year, regardless of whether they have been granted in the course of that year.

The sum total of ICO loans arranged in 2008 was €14,399.9m, or 7.2% less than in the previous financial year. The amount in loans arranged through the second-floor procedure came to €8,652.7m while arrangements through the direct system worked out at €5,747.2m. As compared with the figures from 2007, these amounts reflect respective decreases of 9.2% and 4%. Of total loan arrangements, the sum of €14,059m was applied to the financing of ordinary operations and the remaining €340.9m, to financial assistance granted to disaster victims.

CHART 1. LOANS ARRANGED IN THE YEAR

Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
1. Second-floor loans	8,652.7	9,532.3	(879.6)	(9.2)
2. Direct loans	5,747.2	5,986.4	(239.2)	(4.0)
3. (1+2=4+5). TOTAL	**14,399.9**	**15,518.7**	**(1,118.8)**	**(7.2)**
4. Ordinary operations	14,059.0	15,430.0	(1,37.0)	(8.9)
4.1.1. Financing of investments in Spain	12,166.8	13,731.4	(1,564.6)	(11.4)
4.1.2. Financing of investments abroad	1,892.3	1,698.5	193.8	11.4
5. Special operations (Relief funds)	340.9	88.7	252.2	284.3

A) Financing of investments in Spain

Total loans arranged in 2008 for the purpose of financing domestic investment projects totalled €12,166.8m, meaning a downtick of €1,564.8m (11.4% in relative terms) in respect of arrangements recorded in the previous year. As has been the usual case in recent years, the bulk of loan arrangements corresponded to SME Facility operations, which accounted for 61% of the total (61% in 2007). In order of importance, these arrangements were followed by loans under the Large-scale Project and State-run Institution and Enterprise Facilities, which together accounted for 28.1%; and the Renewable Energy Facility, with 4.3%. Respective values in 2007 were 29.6% and 2.1%.

CHART 2. FINANCING OF INVESTMENTS IN SPAIN

Loans arranged in the year. Distribution by purposes — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
SME investments	**7,407.0**	**8,658.3**	**(1,251.3)**	**(14.5)**
- ICO-SME Facility (General)	6,734.2	8,513.6	(1,779.4)	(20.9)
- Agreements with aut. comms.	0.0	3.2	(3.2)	(100.0)
- Entrepreneurs	72.8	48.6	24.2	49.8
- Corporate growth	600.0	92.9	507.1	545.9
Technological innovation	**0.0**	**104.7**	**(104.7)**	**(100.0)**
Renewable energies	**522.7**	**290.6**	**232.1**	**79.9**
Large-scale projects (a)	**3,416.7**	**4,068.5**	**(651.8)**	**(16.0)**
- Regional development	1,790.8	693.5	1,097.3	158.2
- Telecommunications	0.0	411.6	(411.6)	(100.0)
- Transport	223.6	841.0	(617.4)	(73.4)
- Energy	875.0	801.1	73.9	9.2
- Other purposes	527.3	1,321.3	(794.0)	(60.1)
Audiovisual media	**42.0**	**51.2**	**(9.3)**	**(18.1)**
- Film production	42.0	51.2	(9.3)	(18.1)
- Film exhibition	0.0	0.0	0.0	0.0
Other facilities (b)	**778.4**	**558.1**	**220.3**	**39.5**
TOTAL	**12,166.8**	**13,731.4**	**(1,564.6)**	**(11.4)**

(a) Infrastructures in priority sectors and State-owned institutions and enterprises.
(b) Other second-floor facilities not deemed as special.

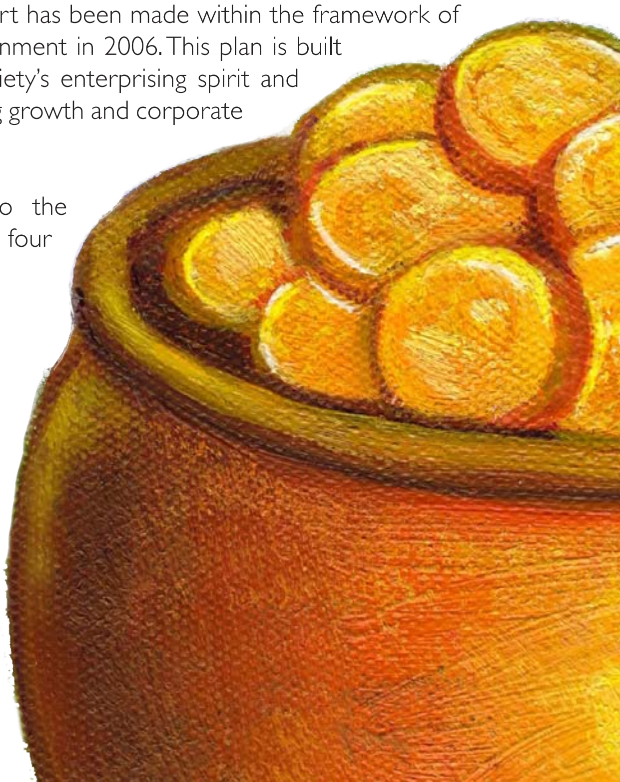
1. SME investments (Corporate Development Plan)

When speaking of the financing of investments in Spain through the second-floor procedure, it should be pointed out that the institute's greatest investment effort has been made within the framework of the Corporate Development Plan launched by the Government in 2006. This plan is built round a number of directives conducive to boosting society's enterprising spirit and encouraging the creation of new enterprises while fostering growth and corporate internationalisation.

So as to improve competitiveness and contribute to the development of Spain's corporate network, in 2008, the four financing facilities were relaunched:

- ***General ICO-SME Facility 2008***

The aim of the SME Facility, created in 1992, is to finance and stimulate productive investment by small and medium-sized enterprises (SME). Formalised through the second-floor loan procedure, or the on-lending of funds by co-operating institutions, these loans enjoy preferential financing conditions. The maximum amount of a loan arranged and drawn down in each



financial year is €1.5m per beneficiary per year, either in one or several operations and whatever the size of the borrower enterprise.

Since the SME financing scheme was started up for the purpose of granting loans with which to finance investments in productive fixed assets, ICO has focussed its effort on increasing the funds available and the number of projects financed.

In 2008, the amount in loans arranged reached €6,734.2m, or €1,779.4m less than arrangements recorded for the previous year (20.9% in relative terms). Drawdowns were distributed among 93,448 operations, with estimated induced investment of €11,585m. The average loan granted under the facility amounted to €72,063, slightly above the figure entered 12 months previous.

- *Corporate Growth 2008*

Created in January 2006, this facility aims to provide financial backing for enterprises whose investment projects exceed the limit established for the ICO-SME Facility. As the year elapsed, 728 operations were arranged for a total amount of €600m, or 546% more than arrangements one year before. This financing instrument contributes to the growth of the Spanish medium-sized enterprise while helping improve its competitiveness.

- *Entrepreneurs 2008*

Created in January 2006 like the Corporate Growth Facility, this scheme seeks to provide preferential financing for the creation of new enterprises or the commencement of new professional activities by the self-employed. The idea is to contribute to the development of Spain's corporate network by stimulating self-employment. In the course of the year, the Entrepreneurs 2008 Facility, with an allocation of €75m, posted arrangements amounting to €72.8m, distributed among 1,791 operations.

Also within the second-floor loan category, the Corporate Development Plan includes the Corporate Internationalisation Facility, which is described in the section on investments abroad.

2. Renewable Energies and Energy Efficiency

Depending on the size of the applicant enterprise and the project presented, the institute offers two loan facilities designed to provide financing for investments connected with energy production, diversification, distribution and saving. The Renewable Energy and Energy Efficiency Facility covers investments made by SME, while the Large-scale Investment Programme finances investments in energy infrastructures undertaken by the sector's large enterprises. In the period of reference, loan arrangements totalled €522.7m, or 79.9% more than in 2007.

The following types of investment may be eligible under this facility: saving (substitution in industries); energy efficiency in buildings and public lighting systems; wind energy for proprietary use (less than 4 MW); biomass; mini-hydraulics (less than 1 MW); solar energy; biogas; and the valuation of waste disposal.

3. Large-scale Projects and State-run Institutions and Enterprises

The Large-scale Project Facility defines the general financing framework for domestic investments in strategic sectors (improvements to the environment, energy, gas, electricity, infrastructures, telecommunications, R&D&i and so on). The minimum amount in these operations to be financed by the institute is €6m or the equivalent value in foreign currency. Financial conditions are those prevailing on the market, repayment and grace periods being established in accordance with the project's characteristics. The loans are available to public, private or mixed enterprises and institutions and Public Administrations and their entities, in addition to vehicle companies in the case of project finance. Moreover, through the State-run Institution and Enterprise Facility, the institute finances real investments promoted by administrations and their enterprises, along with public entities and concerns.

The amount in operations arranged in 2008 under the two facilities described above came to €3,416.7m, down on the previous year by €651.8m (16%). Of this amount, €223m (equivalent to 6.55% of total arrangements) corresponded to loans applied to the financing of transport; €875m, to energy infrastructures; €1,791m, to regional development infrastructures; and the remaining €527m, to other activities.

4. Audiovisual Media

Financial backing for the audiovisual media sector is provided through the Film Industry Facility in the form of direct loans and through the Film Production and Exhibition Facility via the second-floor procedure.

- *Film industry, production*

  The facility was created in November 1999 to boost the television broadcast of Spanish films. Applicants must be producers represented by the Spanish Federation of Audiovisual Associations and Producers (Spanish initials, FAPAE). Loans are to be applied to the financing of new productions whose broadcasting rights have been acquired by enterprises which have entered into agreements of co-operation with the institute. At year-end 2008, the organisation, Federated Audiovisual Producers (Spanish initials, PROA), joined the ICO/RTVE/FAPAE financing agreement for audiovisual works. In the course of the year, the amount in loans arranged under this facility worked out at €42m, or 18% less than in the previous year.

5. Other lines of performance

The amount in direct and second-floor loans arranged under the other ordinary facilities for the financing of domestic investments came to €778.4m.

The following are worthy of mention, either because of the size of drawdowns or on account of their new creation:

- *Avanza Project*

  Created in 2006 for the purpose of financing the acquisition of IT equipment by both SME and private individuals that have access to or hire a broadband connection. In 2008, arrangements summed up to €497m, well above the €382m chalked up one year before.

- *Tourism*

  This facility seeks to finance the integral renovation and modernisation plans of longstanding tourist destinations. Arrangements made during the financial year totalled €111m.

- *Transport Sector 2008*

  At year-end 2000, the institute and the Ministry of Public Works agreed to set up a loan facility for transport companies so as to finance investments in the renewal of fleets to be used in public transport by road, provided that the applicant was in possession of the appropriate licence. The new vehicles were to be safer and incorporate a higher degree of eco-friendly technology. In 2008, loan arrangements totalled €23m.

- *Microcredits*

  The purpose of this facility is to finance corporate projects conducive to the self-employment of the end-beneficiaries. It is available to private individuals who are unable to access the usual financing channels for lack of guarantees or credit history. Investment projects must receive a positive appraisal from a working group designated by the on-lending institution. Arrangements made under this facility in the course of the financial year totalled €0.67m.

- *The University Studies Facility*

On June 28 2007, the institute and the Ministry of Education and Science entered into an agreement of cooperation with a view to raising the educational level of members of the public as an indispensable step towards the achievement of sustainable economic development and citizens' welfare in the Information Society.

The facility was set up at the end of July with an allocation of €50m. In 2008, arrangements added up to €32m.

- *ICO-DGT Facility*

On September 20 2007, the institute and the Directorate General of Traffic (Spanish initials, DGT) entered into an agreement of cooperation, effective up to December 15 2008, for the purpose of financing driving lessons for people wishing to obtain a Class B driving licence.

The facility was created in mid-November with an allocation of €50m. In 2008, loan arrangements totalled €12.34m.

B) Financing of investments abroad

ICO currently uses three instruments to support and finance the establishment and investment plans of Spanish enterprises in other countries: the Internationalisation Facilities; the facility created under the agreement executed with the Spanish Foreign Trade Institute (Spanish initials, ICEX) for small and medium-sized enterprises; and the Programme for the Financing of Large-scale Investments Abroad (Spanish initials, PROINVEX), created with the bigger company in mind (see Chart 3).

CHART 3. FINANCING OF INVESTMENTS ABROAD

Loans arranged in the year. Distribution by purposes. Figures at December 31 — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
1. SME backing	**184.7**	**135.6**	**49.1**	**36.2**
- Internationalisation	150.0	114.1	35.9	31.5
- ICEX Agreement	34.7	21.5	13.2	61.5
2. PROINVEX Programme	**1,707.6**	**1,562.9**	**144.7**	**9.3**
3. (1+2) TOTAL	**1,892.3**	**1,698.5**	**193.8**	**11.4**

1. Support for SME

- *Corporate internationalisation*

Operated through the second-floor procedure, the Internationalisation Facility was created in mid-1994 in compliance with an agreement of co-operation between ICO and ICEX. Despite the fact that the original idea behind the facility prioritised financing for investments by smaller enterprises, in the early years of its effectiveness, loans could also be granted to larger concerns, which show a greater tendency and capacity to take their activities into the international arena than SME. In 1999, however, it was formally established that the facility would be available solely to SME by virtue of the requirement that applicant enterprises should have fewer than 250 employees and annual turnover of below €40m. In addition, no more than 25% of share capital could be held by a large company.

The facility remained in operation until the end of the year 2000, after which its activity was discontinued because the limit of authorised loans had been reached (up to a total of €150m). Some years later, in 2005, it was renewed to step up the presence of Spanish enterprises abroad. In 2008, operations for a total amount of €150m were arranged under the facility, reflecting an upswing of 31.5% on the previous year's figure. A total 206 operations were arranged, with estimated induced investment of €448.4m.

- *ICO-ICEX Facility. Learning to export 2007*

Created in March 2006, this facility was designed to introduce Spanish enterprises to the export world, thereby facilitating their access to the external market. It is available to Spanish SME which, in accordance with the EU Recommendation of May 6 2003, are members of the PIPE Club, or take part in the ICEX Programme known as Learning to Export. The facility provides financing for investments with a maximum age of six months, the only restriction being that the item concerning fixed assets does not exceed 80% of the total amount of the investment. At year-end, operations had been arranged for an amount of €34.7m.

2. PROINVEX Programme

The PROINVEX Programme was set up under a Resolution of ICO's Governing Council on May 29 1997. Its goal is to finance large-scale investment projects abroad in which Spanish enterprises have a significant involvement. The minimum unit amount is €10m.

Under the programme, loans may be granted to both national and non-resident applicants – providing that they meet the requirement calling for a significant involvement on the part of Spanish enterprises – and may be denominated in euros or in foreign currency. When formalising these operations, ICO may grant individual loans, participate with other institutions in the granting of syndicated loans, contribute parallel financing or act as co-financier alongside multilateral institutions (IDRB, ERDB, IFC, etc.).

In 2008, loans arranged under the programme came to €1,707.6m, or 9.3% more than in the previous year.

C) Special operations

In accordance with ICO's statutes, one of its functions is to "contribute to the alleviation of economic effects caused by situations of grave economic crisis, natural disasters and similar, as instructed by the Council of Ministers or the Government's Delegate Commission for Economic Affairs (Spanish initials, CDGAE)".

CHART 4. SPECIAL OPERATIONS (RELIEF FUNDS)

Loans arranged in the year. Distribution by purposes — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Fishing sector	183.5	0.0	183.5	100.0
2005 drought	0.0	2.6	(2.6)	(100.0)
Textiles	28.0	27.6	0.4	1.4
Forum and Afinsa victims	122.1	48.3	73.8	152.8
Other purposes	7.3	0.1	7.2	5,121.4
TOTAL	**340.94**	**78.72**	**262.3**	**333.7**

It is of interest to note the sharp upswing (300%) resulting from the greater need for these facilities in 2008 as compared with arrangements recorded in 2007. One of the main reasons for this increase is the financial assistance awarded to Forum and Afinsa investors.

In terms of size, the following operations were of special significance in the financial year of 2008:

Fishing sector

This financing facility is implemented by ICO by virtue of the agreement of cooperation signed with the Ministry of Agriculture, Fisheries and Food (Spanish initials, MAPA) on January 30 2008 for the purpose of reviving the fishing sector by helping to step up its competitiveness.
In 2008, 346 loans were granted for a total amount of €183.5m.

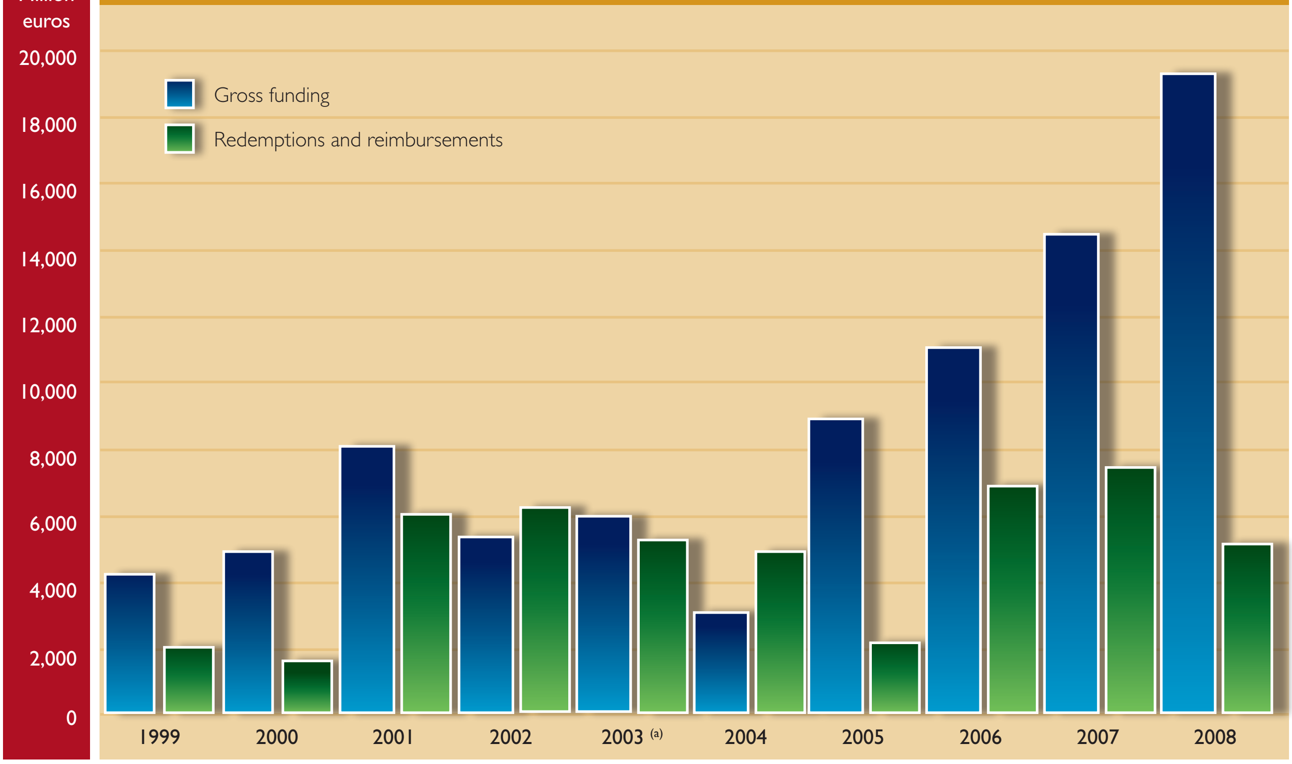
Forum and Afinsa victims

Through an agreement between the Ministry of Health and Consumption and ICO, in 2007, the Government set up a second-floor facility to advance amounts on account of reimbursements as yet to be determined at the law courts for persons affected by judicial action in respect of the companies, Afinsa Bienes Tangibles and Forum Filatélico. The facility was modified in 2008 so as to bring in a number of improvements. The purpose of this financial assistance is to contribute temporarily to the alleviation of special circumstances of financial insecurity until the legal proceedings are completed. The year's arrangements amounted to €122.1m, involving 57,423 operations.

2. FUNDING IN 2008

In accordance with the provisions of Act 51/2007, December 26, on the General-Government Budget for 2008 (Article 50 and Annex III), the ceiling on ICO's funding operations for the last financial year was set at €10,000m. This maximum did not affect either treasury operations arranged and redeemed during the year or the refinancing of debt contracted over the short and long terms. In the last financial year, the annual variation of market resources, considering the funding originally netted, worked out at €10,002m. However, if the final funding netted is considered, then, after derivatives, the net real variation of indebtedness deriving from the placement of securities and the arrangement of loans comes to €9,639m.

G-2. THE YEAR'S FUNDING ACTIVITY [(a)]



(a) Not considering interbank market and demand deposits

Not counting customer deposits or resources from the interbank market, in 2008 as in recent years, ICO raised its funding entirely on international markets. Funds obtained through the issue of fixed-income securities totalled €19,306m (99.8% of the total) and those raised by loan arrangements with credit institutions, €39.6m. Resources denominated in currencies other than the euro added up to €12,487m, accounting for 64.7% of total funding, while those obtained directly in euros summed up to €6,820m.

CHART 5. FUNDING ACTIVITY

Annual variation of market resources — Million euros and percentages

	2008			2007
	Placements and increases	Redemptions and reimbursements	Net Variation	Placements and increases
1. Fixed-income securities	**19,306.0**	**(9,150.9)**	**10,155.1**	**14,196.4**
1.1 Bonds and debentures in euros [(a)]	6,819.5	(4,056.0)	2,763.5	6,892.0
1.2 Bonds and debentures in f.c.	12,486.5	(5,094.9)	7,391.6	7,304.4
2. Loans from credit institutions	**39.6**	**(192.7)**	**(153.1)**	**70.3**
2.1 Loans in euros	0.0	(156.5)	(156.5)	0.7
2.2 Loans in f.c.	39.6	(36.3)	3.3	69.6
3. (3 = 1 + 2). TOTAL	**19,345.6**	**(9,343.6)**	**10,001.9**	**14,266.7**

(a) Includes issues of *pagarés* (promissory notes)

In 2008, the aggregate amount of the institute's gross funding came to €19,345.6m, or 35.60% more than the figure recorded in 2007. After derivatives, this amount stood at €19,340.6m. Of this, €14,625m, equivalent to 75.62% of the total, corresponded to funds obtained in the medium and long terms and the remaining €4,715m, to short-term funds.

Within medium and long-term funding activities, bonds issued under the EMTN Programme (Euro Medium Term Notes) and others, such as the Kangaroo Programme, totalled €14,595m. As the year went by, issues were made on various markets in 11 different currencies. The main currencies used were the euro (38%); the US dollar (37.7%); and the pound sterling (12.5%). To a lesser extent, currencies such as the Australian dollar, the Brazilian real, the Swiss franc, the yen, the Norwegian krone, the New Zealand dollar, the Swedish krona and the Turkish lira were also used. In addition to the above issues, a bilateral loan totalling Y5,000m was arranged. Practically all resources netted in currencies other than the euro were permuted to the European currency at the close of each transaction.

Issue terms on the various products form part of a strategy aimed at the management of liquidity, financial and balance sheet risks, in a constant endeavour to match up with the characteristics of the balance sheet's assets. Of the long-term funding operations executed in 2008, 61.7% carried three-year terms; 34.6%, three to five-year terms; and 3.7%, terms of more than five years.

The amount of short-term funding, raised in its entirety through the ECP Programme (Euro Commercial Paper), stood at €4,715m, reflecting a 35.18% upswing on the previous year's figure. The average weighted term for these funds was just over 4.5 months.

3. ICO AS A PAYING AGENCY

In 2008, the institute continued to participate in the provision of financial services to various securitisation funds, thereby contributing to the attainment of the economic policy target of endowing this asset market with greater transparency, efficiency and liquidity.

At December 31 2008, the total issued by securitisation funds in which ICO provides financial services amounted to €138,660m, entailing 92 operations. The increase seen in 2008 (€24,478m in assets assigned and converted into bonds) derived from the formalisation of 12 contracts corresponding to as many new funds and to four contract supplements corresponding to as many increases of previously-issued funds.

Moreover, in 2008, the institute continued in its role as supplier of liquidity facilities to securitisation funds, reaching a figure at December 31 of almost €3,108m. These facilities act as a credit enhancement for bonds issued by securitisation funds.

4. COMMENTS ON THE FINANCIAL STATEMENTS

A) Performance of the balance sheet

The content of this section is limited to a description of the salient characteristics of ICO's activities which, in many aspects, differ greatly from those carried out by private institutions. Information about items not covered by this Performance Report is found in the audited financial statements. It should be noted that, although loans to institutions are included under the heading Lending investments on the public balance sheet, in this section, they are presented separately. Accordingly, the lending investment recorded in the abstract of the balance sheet is defined as financing provided by the institute directly or indirectly (through on-lending institutions) to the real sector of the economy for an earmarked use.

At year-end 2008, the balance of ICO's equity accounts amounted to €52,969.5m, which, as compared with the balance recorded on the same date one year previous, reflects an increase of €13,087.9m in terms of absolute value and a 32.8% rise in relative terms. The balance of lending investment, not including loans to credit institutions and minus provisions, posted €42,849.3m, topping the 2007 figure by 21.7%. Of this amount, €25,065.5m corresponded to loans channelled to end-borrowers via the second-floor procedure, while €17,783.8m were supplied directly by ICO. Bonds acquired by the institute from the asset securitisation fund have been included in this group as they have substituted the securitised loans. It thus proves easier to follow the year-on-year and historical performance of second-floor loans. In accordance with established practice, the volume of loans and credits and that of total lending investment are presented after the deduction of specific provisions constituted to guard against possible bad debt risk.

The total volume of resources supplied to credit institutions (see Chart 13) stood at €2,533.6m, down by 20.7% in respect of the previous year. This decline is practically equal to the one witnessed by the balance of BBVA loans, leaving the item, Other loans and deposits, almost unchanged.

CHART 6. ASSET AND FUNDING OPERATIONS. ABSTRACT OF THE BALANCE SHEET

Balances at December 31 — Million euros and percentages

	Figures at 31/12/08	Figures at 31/12/07	Monthly variation Absolute	Monthly variation %
Cash and Bank of Spain	**344.2**	**128.1**	**216.1**	**168.7**
Financial assets for trading	**207.8**	**466.0**	**(258.3)**	**(55.4)**
Lending investment	**42,849.3**	**35,200.4**	**7,648.8**	**21.7**
- Second-floor loans*	25,065.5	21,650.2	3,415.2	15.8
- Loans and credits	17,783.8	13,550.2	4,233.6	31.2
Loans to credit institutions	**2,533.6**	**3,193.2**	**(659.6)**	**(20.7)**
- BBVA banks	677.1	1,358.8	(681.7)	(50.2)
- Other loans and deposits	1,856.5	1,834.4	22.1	1.2
Securities portfolio	**155.7**	**152.4**	**3.3**	**2.2**
Investment portfolio due*	**3,750.7**	**29.5**	**3,721.2**	**12,612.6**
Hedging derivatives	**2,711.6**	**394.7**	**2,316.9**	**587.0**
Tangible assets	**169.4**	**169.3**	**0.1**	**0.1**
Accrual accounts	**3.7**	**0.6**	**3.1**	**562.8**
Other asset accounts	**243.6**	**147.3**	**96.2**	**65.3**
TOTAL ASSETS = LIABILITIES	**52,969.6**	**39,881.5**	**13,087.9**	**32.8**
Financial liabilities for trading	**64.9**	**321.8**	**(256.9)**	**(79.8)**
External resources	**44,443.8**	**33,614.6**	**10,829.2**	**32.2**
- Market resources	43,039.3	32,780.1	10,259.2	31.3
- Special funding	0.0	0.0	0.0	0.0
- Other financial liabilities	1,404.5	834.5	570.0	68.3
Hedging derivatives	**5,823.5**	**3,600.8**	**2,222.7**	**61.7**
Provisions and allowances	**207.8**	**241.3**	**(33.5)**	**(13.9)**
Equity	**2,647.7**	**2,142.4**	**505.3**	**23.6**
Valuation adjustments	**(355.4)**	**(158.4)**	**(197.1)**	**124.5**
The year's profit	**88.7**	**82.3**	**6.4**	**7.7**
Accrual adjustments	**1.5**	**2.6**	**1.1**	**41.2**
Other liability accounts	**47.0**	**34.1**	**12.8**	**37.6**

* Second-floor loans include €10,663.2m (2007) and €7,084.6m (2008) from the bonds which substitute the securitised loans and are excluded from the investment portfolio due.

As the financial year elapsed, external resources went up by €10,829.2m in absolute terms and by 32.2% in relative terms. Market resources worked out at €43,039.3m, up by 31.3% in respect of 2007. Other financial liabilities, €1,404.5m, chalked up a 68.3% rise on the figure entered in 2007. Not including the year's profit or valuation adjustments, equity totted up to €2,647.7m, showing an upturn of 23.6% on the preceding year's figure. A detailed explanation of this considerable rise is provided under the heading, Capital accounts and equity (Chart 19). The balance of provisions and allowances constituted for the coverage of bad debt risk saw a 13.9% decline to stand at €207.8m.

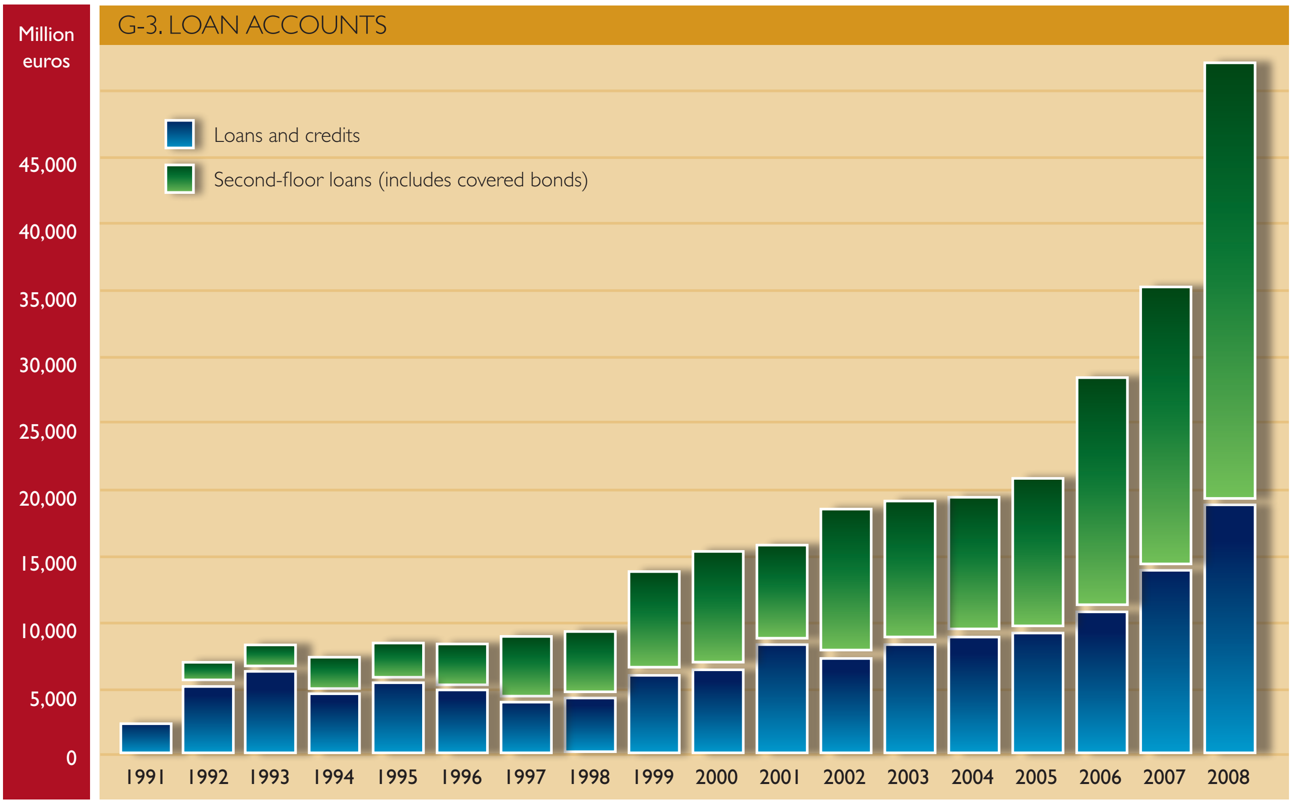
The various headings on the balance sheet followed the pattern seen in recent years, characterised by the gradual increase of lending investment and the funding necessary for its coverage. The weight of equity, which accounted for 5% of total liabilities, showed little variation (5.37% in the previous year).

B) Lending investment

For the purpose of clarity, within the scope of lending investment, a distinction is made between loan accounts (ordinary and special) and loans to credit institutions (including the BBVA and other loans).

Loan accounts

At year-end, the balance of loan accounts had risen by 22.1% in respect of the previous year to stand at €43,388.9m (see Chart 7).



It should be taken into account that, so as to enable the reader to gain a clearer understanding of both performance and historical series, the bonds deriving from the securitisation of second-floor loans have been considered as loan accounts (second-floor).

Chart 7 provides details of the loan accounts, broken down into ordinary and special operations. In the balances shown, provisions have not been deducted.

CHART 7. LOAN ACCOUNTS

Balances at December 31 — Million euros and percentages

ITEMS	2008	2007	Annual variation Absolute	Annual variation %
1. Ordinary operations	**43,278.6**	**35,397.1**	**7,881.5**	**22.3**
1.1 Second-floor loans w/securitisation	**25,065.5**	**21,650.2**	**3,415.3**	**15.8**
1.1.1 Second-floor loans	17,980.9	11,017.0	6,963.9	63.2
1.1.2 Covered bonds	7,084.6	10,633.2	(3,548.6)	(33.4)
1.2 Ordinary loans and credits	**18,213.2**	**13,746.9**	**4,466.2**	**32.5**
1.2.1 Public Administrations	1,344.7	1,096.2	248.5	22.7
1.2.2 Other resident sectors	15,147.5	10,738.5	4,409.0	41.1
1.2.3 Non-resident sectors	1,721.0	1,912.3	(191.3)	(10.0)
2. Special and exceptional operations	**110.3**	**146.4**	**(36.2)**	**(24.7)**
2.1 Rights settled with the Treasury	**30.5**	**23.2**	**7.3**	**31.3**
2.2 Loans assumed by the State and other	**11.5**	**8.8**	**2.7**	**30.6**
2.3 Special loans and credits	**68.3**	**114.4**	**(46.1)**	**(40.3)**
- Portfolio received from the CBE. [a]	27.5	73.6	(46.1)	(62.7)
- Other CDGAE loans [b]	40.9	40.9	0.0	0.0
3. (1+2) TOTAL	**43,388.9**	**35,543.6**	**7,845.3**	**22.1**

(a) Corporación Bancaria de España
(b) The Government's Delegate Commission for Economic Affairs

The variation in absolute terms was €7,845.3m, stemming from an increase of €7,881.5m in ordinary operations and a decrease of €36.2m in special and exceptional operations. The increase in loan accounts derives from both the balance of second-floor operations (€3,415.3m) and the balance of loans and credits (€4,466.2m).

The breakdown of loan accounts is provided below:

1. Ordinary operations

1.1. Second-floor loans with covered bonds

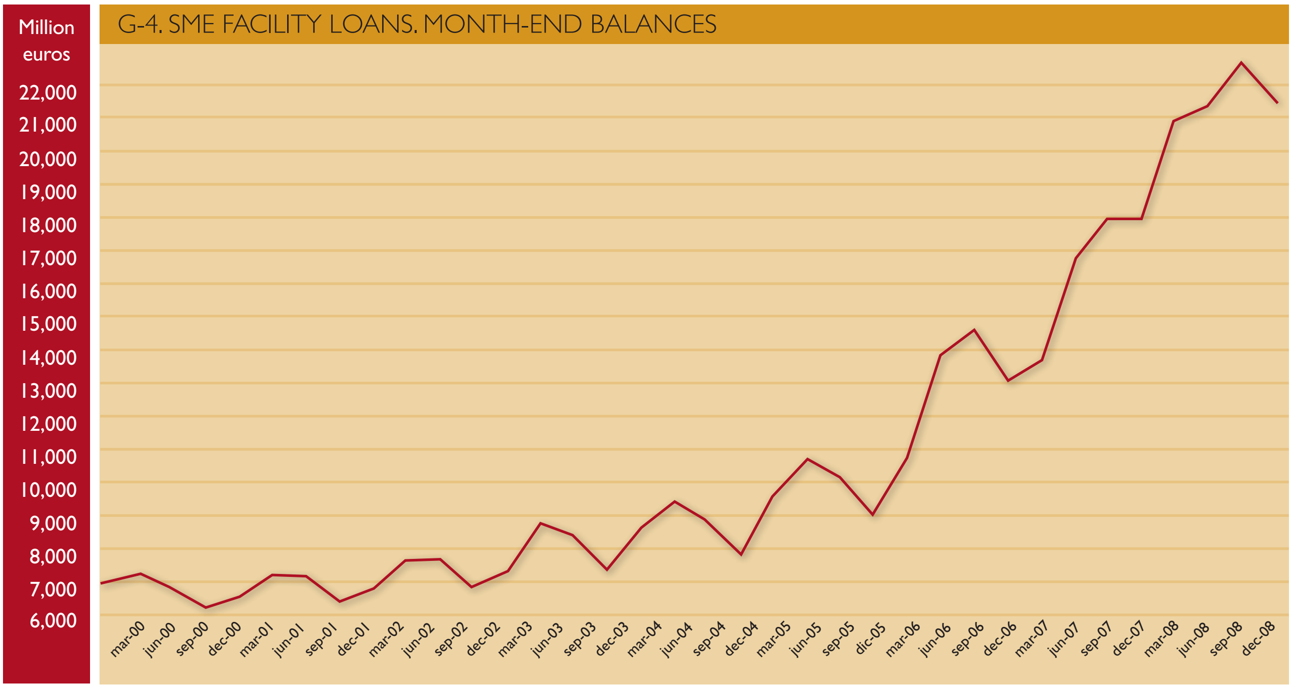
At the close of the last financial year, the outstanding balance on second-floor loans, granted by ICO to on-lending institutions, reached €17,980.9m, showing an increase in relative terms of 63.2% in respect of the figure recorded in 2007. The downswing seen in the securitisation balance was due to the effect of the two annual bond settlements. The net increase undergone by second-floor loans as a whole would have risen by €3,415.3m, or 15.8% in relative terms. The SME Facility is still the one to record the highest amount, despite the fact that a lower number of loans were arranged in 2008 as compared with 2007.

CHART 8. SECOND-FLOOR LOANS

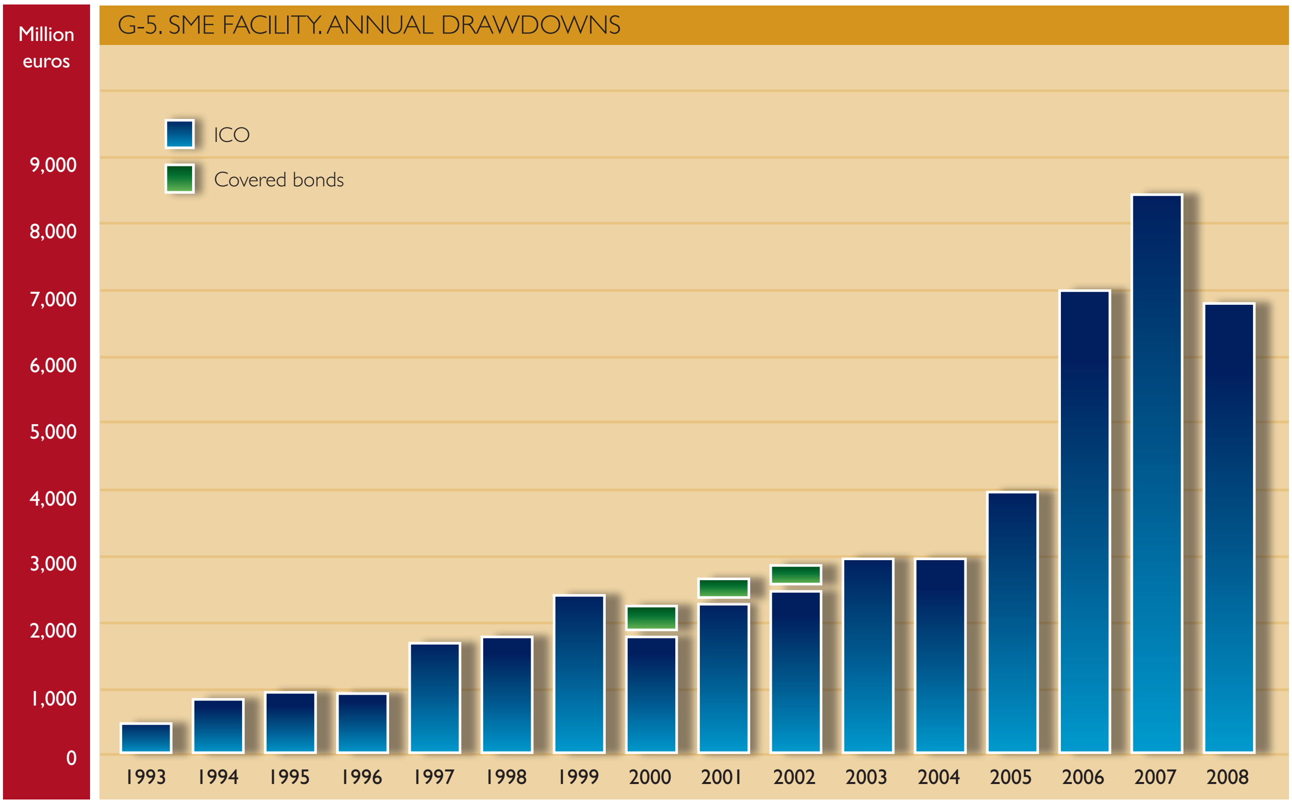
Balances at December 31 — Million euros and percentages

	2008	2007	Annual variation Absolute	Annual variation %
Generic facilities:	**14,158.1**	**8,510.6**	**5,647.5**	**66.4**
- SME	13,351.3	8,337.8	5,013.5	60.1
- Agreement with aut. comm. [a]	21.1	30.2	(9.1)	(30.2)
- Entrepreneurs	110.3	48.2	62.1	128.9
- Corporate growth	675.4	94.4	581.0	615.5
Technological innovation (CDTI)	**79.2**	**112.7**	**(33.5)**	**(29.8)**
Renewable energies (IDAE)	**46.3**	**57.8**	**(11.5)**	**(19.8)**
Transport	**87.1**	**37.8**	**49.3**	**130.4**
Film industry	**103.9**	**117.0**	**(13.1)**	**(11.2)**
Tourism sector	**266.7**	**128.5**	**138.2**	**107.5**
Plan Avanza	**880.1**	**257.5**	**622.6**	**241.8**
PROINMED	**600.0**	**-**	**600.0**	**100.0**
University Studies Loan	**42.3**	**10.5**	**31.9**	**304.8**
Plan Vive	**3.0**	**-**	**3.0**	**100.0**
Forum-Afinsa	**162.6**	**118.6**	**44.0**	**37.1**
D.G.T.	**12.9**	**0.7**	**12.3**	1,861.4
Other facilities [b]	**78.1**	**29.3**	**48.8**	**166.6**
SME. Opening up:	**315.5**	**322.8**	**(7.3)**	**(2.2)**
- Internationalisation	260.5	310.0	(49.5)	(16.0)
- ICEX Agreement	55.1	12.8	42.3	330.1
Relief funds [c]	**752.2**	**1,045.7**	**(293.5)**	**(28.1)**
Microcredits	**3.5**	**4.2**	**(0.7)**	**(17.3)**
Discontinued facilities [d]	**389.2**	**263.4**	**125.8**	**47.8**
Second-floor subtotal w/o bonds	**17,980.8**	**11,017.0**	**6,963.8**	**63.2**
Covered bonds	**7,084.6**	**10,633.2**	**(3,548.6)**	**(33.4)**
TOTAL	**25,065.5**	**21,650.2**	**3,415.3**	**15,8**

(a) INFO.Murcia, Ceuta, Melilla and CAIB (Balearic Islands).
(b) Environment, workers' limited companies, irrigation equipment, textile sector, young university students, processed tomato companies, the Irish Box.
(c) Floods, mad cow disease, the Carmel Tunnel, frosts, fires, drought.
(d) Diesel oil, MAPA fishing sector and newly-created enterprises.



Graph 4 indicates the quarterly performance of the balance of loan accounts (including securitisation). It is seen how the trend set in previous years, when demand for loans was exceptionally high in the first six months of each year, altered in 2007. In fact, due to the greater volume of funds available, taking into account the facility's increase of €2,000m to €9,000m, the demand for loans easily surpassed that of reimbursements arising from repayments. The deceleration observed in 2008 stemmed from the economic and financial crisis in the latter months of the year and also from the fact that the redemption of the bonds replacing the securitised second-floor loans occurred in November. As stated at the beginning of this section, for the purposes of the presentation of this Annual Report, they have been considered as loan accounts as otherwise, it would have been impossible to follow the sequence of the historical series.



In the period from the facility's creation to year-end 2008, the total number of loans granted to applicants was 760,118 (see Chart 9). The accumulated volume of drawdowns added up €49,602.4m. The average unit amount of loans granted stands at €72,063.4.

CHART 9. SECOND-FLOOR LOANS. SME FACILITY

Million euros and percentages

	2008		2007	
	Annual values	Accumulated values	Annual values	Accumulated values
Number of operations	**95,653**	**760,118**	**126,983**	**664,465**
For less than €60,000 (%)	67.86	72.63	69.6	73.3
Amount in loans drawn down	**6,876.2**	**49,602.4**	**8,371.5**	**42,726.2**
At a variable interest rate (%)	77.54	79.19	73.5	79.5
To be repaid in over five years (%)	45.81	50.09	38.4	50.8
Estimated induced investment	**11,585.02**	**93,757.47**	**13,397.0**	**82,172.5**
Investment coverage rate (%)	**59.35**	**52.91**	**62.5**	**52.0**

SME Facility operations centre on the tranches corresponding to smaller loans and smaller enterprises. Specifically, in accumulated terms, 72.63% of these loans are of a unit amount of less than €60,000.

On average, loans granted are estimated to have covered 53% of induced investment. The difference between the amount in investments financed and the amount in second-floor loans determines the amount in resources which investors have had to obtain in order to execute their projects. Regardless of the weight of funds from self-financing operations in respect of total additional funds, there are grounds for thinking that the bulk of complementary resources was provided by the same banks and savings banks which approve applicants' operations and guarantee the second-floor loans received from ICO.

SME Facility borrowers are free to choose both the loan repayment period (three, five, seven or 10 years, with an optional one or two-year grace period for five or seven-year terms) and the type of interest rate (fixed or variable). The distribution of the value of loans drawn down reveals that 50% were arranged with a repayment period of five or more years and 79.19%, at EURIBOR-indexed variable interest rates.

As pointed out in previous editions of this report, the direction taken by the SME Facility would appear to confirm that its aims are being accomplished satisfactorily and that the facility's advantageous conditions have stimulated the capitalisation processes of small and medium-sized enterprises. Moreover, the second-floor procedure has fanned the increasing involvement of co-operating institutions in the granting of medium and long-term loans to investors.

It was stated at the beginning that this item includes the securitisation of assets carried out by the institute in the financial year. This is because of the effect exerted on the outstanding balance of second-floor loans, bearing in mind that, for accounting purposes, the assets which substitute the securitised loans are treated as investment portfolio due, given that they are bonds (securities).

In 2007, ICO decided to reduce the risk of exposure in respect of the lender credit institutions' contra accounts as this risk had gradually become more concentrated in recent financial years. Accordingly, the institute constituted the securitisation fund known as ICO Mediación I AyT, FTA, to which 26,138 loans were transferred. These loans had been granted by ICO to 67 financial institutions through second-floor facilities since 2001 and entailed a total amount of €14,099,000 thousand. With this contribution, ICO succeeds in endowing the balance sheet with a credit enhancement while avoiding the high concentration of risk reached in respect of financial institutions as a result of the large volume of loans drawn down through the second-floor facilities.

At December 31 2008, the balance of the covered bonds was €7,084.6m, which includes the first three bond settlements (November 2007 and May and November 2008).

1.2. Ordinary loans to customers

Chart 10 indicates the balance of loan accounts in which ICO performs its direct lending activity. In the preparation of the chart, the criteria established by the Bank of Spain for the presentation of credit institution balance sheets have been followed. Accordingly, the overall figure matches the sum of the balance of ordinary loans to customers and the balance of special and exceptional operations, which appear in Chart 7. Furthermore, the balance of lending investment obtained after deducting specific credit loss allowances from loan accounts tallies with the balance appearing in Chart 6 (Abstract of the balance sheet) and on the balance sheet of the audited financial statements, under the heading, Loans and credits.

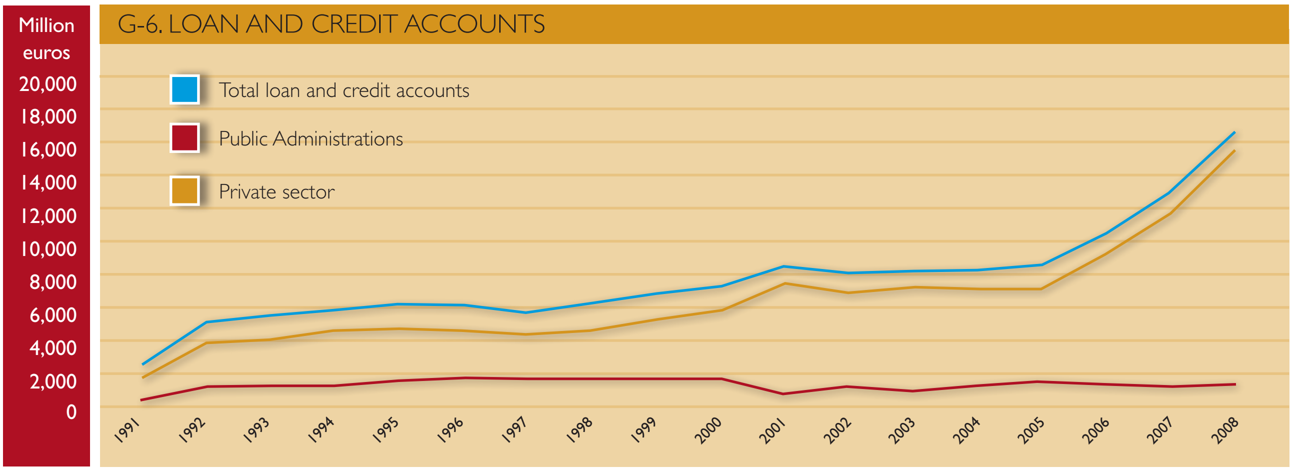
CHART 10. LOANS AND CREDITS

Balances at December 31 — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Public Administrations	**1,344.7**	**1,096.2**	**248.5**	**22.7**
- Central Administration	46.6	34.9	11.7	33.5
- Territorial Administrations	1,298.1	1,061.3	236.8	22.3
Other resident sectors	**15,257.8**	**10,884.9**	**4,372.9**	**40.2**
- Ordinary loans	15,147.5	10,738.5	4,409.0	41.1
- Special loans	110.3	146.4	(36.1)	(24.7)
Non-residents	**1,721.0**	**1,912.3**	**(191.3)**	**(10.0)**
TOTAL LOAN ACCOUNTS	**18,323.5**	**13,893.3**	**4,430.1**	**31.9**
Loan loss provision	**539.7**	**343.2**	**196.5**	**57.3**
TOTAL LENDING INVESTMENT	**17,783.8**	**13,550.1**	**4,233.6**	**31.2**

At the end of 2008, the outstanding balance of direct loans to customers, prior to deducting generic and specific provisions, came to €18,323.5m. This figure reflects a 31.9% increase on the amount recorded one year previous.

Loan accounts with other resident sectors (non-financial companies and firms) reached €15,257.8m, reflecting an upturn of €4,372.9m in respect of the balance recorded in 2007 (40.2% in relative terms). This rise was due to the increase witnessed by ordinary loans, well above the decline of €36.1m undergone by special loans.



Graph 6 illustrates the path followed by direct loans granted to the public and private sectors, including in the former loans to the Central and Territorial Administrations and, in the latter, resident and non-resident companies and enterprises.

So far, the new lending activity has been analysed on the basis of the procedure followed when granting the lendable funds (second-floor loans or direct loans to customers). Now the same balances are examined in terms of the earmarked application of the resources; i.e., the type of investment financed, both in Spain and abroad.

At year-end, the balance of loan accounts corresponding to both groups was, prior to the deduction of provisions, €43,388.9m, showing a 22.1% increase on the previous year's figures.

a) *Financing of investments in Spain*

At the close of 2008, the gross amount, prior to the deduction of ordinary loan provisions, stood at €38,752.5m, or 21.6% more than in 2007; and that of special and exceptional operations, at €110.3m, or 24.7% less than in the preceding year (see Chart 11). So as to provide a clearer insight into the performance of this group, the outstanding balance of €7,084.6m on bonds from the fund known as FTA (see above) is maintained as domestic investment.

CHART 11. LOAN ACCOUNTS. FINANCING OF INVESTMENTS IN SPAIN

Balances at December 31			Million euros and percentages	
			Annual variation	
	2008	2007	Absolute	%
1. SME loans	14,158.1	8,510.6	5,647.5	66.4
2. Covered bonds	7,084.6	10,633.2	(3,548.6)	(33.4)
3. Technological innovation (R&D)	634.3	621.8	12.5	2.0
4. EIB loans. With a contra item	390.8	436.3	(45.5)	(10.4)
5. Large-scale projects and other facilities	9,034.8	6,848.5	2,186.3	31.9
6. Real estate activities	1,304.6	1,294.6	10.0	0.8
7. Aut. comm. and local corporations	2,714.2	1,462.1	1,252.1	85.6
8. Other facilities	3,431.1	2,071.2	1,359.9	65.7
9. (1 to 8) Ordinary loans	**38,752.5**	**31,878.3**	**6,874.2**	**21.6**
10. Special operations and loans	110.3	146.4	(36.1)	(24.7)
11. (10 + 9) TOTAL	**38,862.8**	**32,024.7**	**6,838.1**	**21.4**

The balance of loan accounts under the facilities geared towards the financing of investments by small and medium-sized enterprises came to €14,158.1m, meaning a theoretical upturn of €5,647.5m.

b) Investments abroad

As for the balance of loans expressly applied to the financing of investments abroad, the figure finished up at €4,526.1m, or 28.6% more than in the previous year. Particularly noteworthy is the activity carried out under the PROINVEX Programme, designed to promote the internationalisation of large enterprises.

CHART 12. LOAN ACCOUNTS. FINANCING OF INVESTMENTS ABROAD

Balances at December 31			Million euros and percentages	
			Annual variation	
	2008	2007	Absolute	%
1. SME. Opening up	315.5	322.8	(7.3)	(2.2)
- Internationalisation	260.5	310.0	(49.5)	(16.0)
- ICEX Agreement	55.1	12.8	42.3	330.1
2. PROINVEX Programme	4,210.6	3,196.1	1,014.5	31.7
3. Other non-residents	0.0	0.0	0.0	0.0
4. (1 to 3) TOTAL	**4,526.1**	**3,518.9**	**1,007.2**	**28.6**

Loans to credit institutions: BBVA and other loans

At the close of the last financial year, the net balance of financing supplied by ICO to credit institutions, excluding second-floor loans, added up to €2,533.6m after deducting the provisions for sovereign risk on loans granted to non-resident banks. Of this amount, €677.1m corresponded to loans granted to the BBVA (formerly Argentaria) as a result of the conversion of allocations owed by former Official Credit Institutions (OCI); and €1,697.3m, to loans to other institutions, mainly taking the form of deposits on the interbank market. When compared with values for 2007, these balances indicate respective decreases of 50% (€682m) and 2.3% (€40m).

CHART 13. LOANS TO CREDIT INSTITUTIONS

Balances at December 31 | Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Loans to the BBVA [(a)]	677.1	1,358.8	(681.7)	(50.2)
Other loans and deposits	1,697.3	1,737.2	(39.9)	(2.3)
- Demand	10.9	17.3	(6.4)	(37.0)
- Term	1,647.7	1,692.3	(44.6)	(2.6)
- Transition accounts [(b)]	38.7	27.6	11.1	40.4
Valuation adjustments	187.1	123.6	63.5	51.4
Provisions for sovereign risk	(27.9)	(26.4)	(1.5)	5.8
TOTAL	**2,533.6**	**3,193.2**	**(659.6)**	**(20.7)**

(a) Includes demand debtors and other term accounts.
(b) Includes guarantee deposits.

Now that the institute's lending activity has been analysed in depth, it may be of interest to examine the performance of the shares taken up by the main items forming the institute's basic assets (see Graph 7). The weight of loan accounts within this total grew without interruption until 2008.

G-7. WEIGHT OF FUNDAMENTAL ASSET OPERATIONS

As the graph shows, the relative weight of loans to the BBVA (formerly Argentaria) has, with the exception of 1996, been constantly declining throughout the period. In fact, in accordance with the pertinent repayment schedule, it will disappear altogether in 2012.

C) Funding and capital accounts

External resources

At the close of the financial year of 2008, the balance of the institute's external resources totalled €44,432.9m, accounting for 83.88% of total liabilities. As compared with the previous year, this balance indicates a rise of 32.2%.

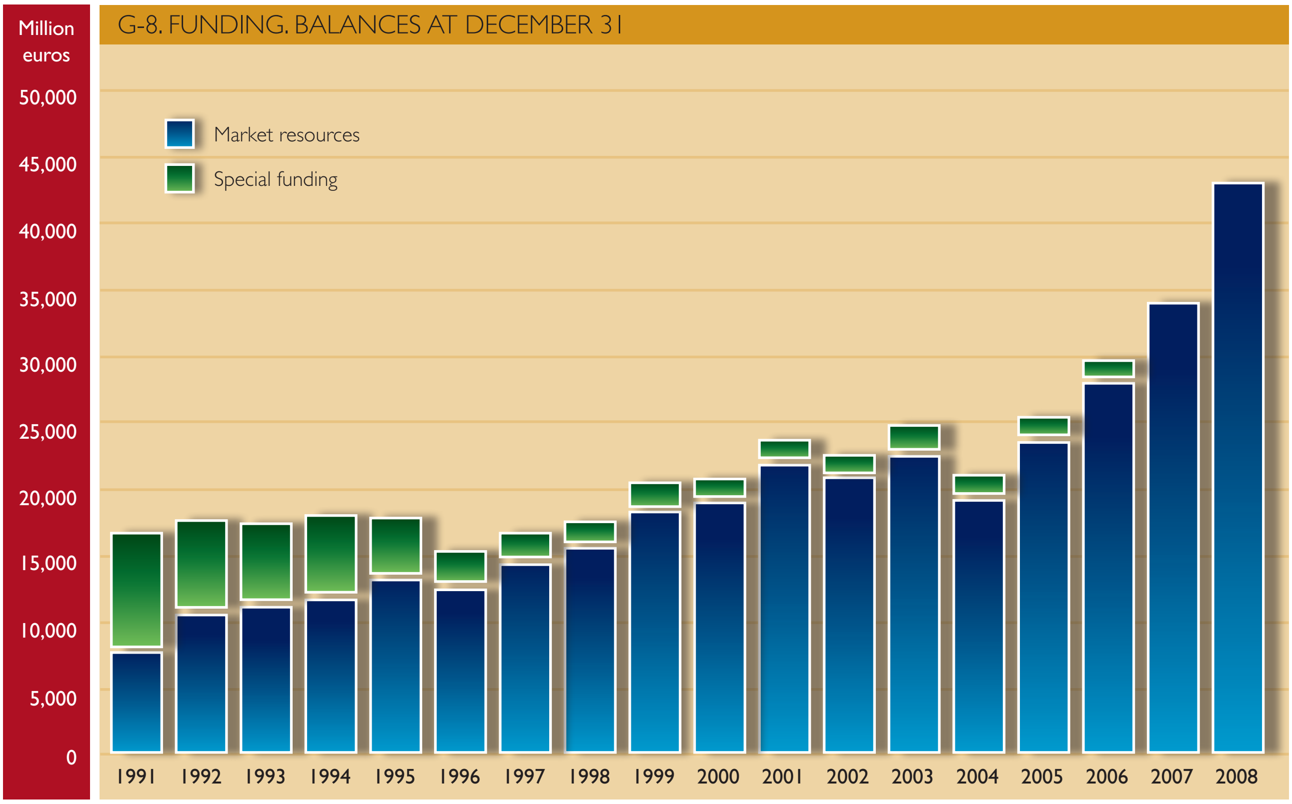
CHART 14. FUNDING. STRUCTURE

Balances at December 31 — Million euros and percentages

Items	2008	2007	Annual variation Absolute	Annual variation %
1. Market resources	**43,039.3**	**32,780.1**	**10,259.2**	**31.3**
1.1 Fixed-income securities	39,345.4	29,053.9	10,291.4	35.4
1.2 Loans from credit institutions	1,109.8	1,060.3	49.4	4.7
1.3 Customer funds	2,584.2	2,665.8	(81.6)	(3.1)
1.4 Denominated in euros	18,229.3	14,459.7	3,769.6	26.1
1.5 Denominated in f.c.	24,810.0	18,320,4	6,489.6	35.4
2. Special funding	**0.0**	**0.0**	**0.0**	**0.0**
3. Other financial liabilities	**1,404.5**	**834.5**	**570.0**	**68.3**
4. (1+2+3) TOTAL	**44,443.8**	**33,614.6**	**10,829.2**	**32.2**

Chart 14 provides details of the major components of external funding. It is seen how the largest share is taken up by market resources. More specifically, in the last financial year, the balance of outstanding fixed-income securities saw an increase of €10,291.4m (35.4% in relative terms).

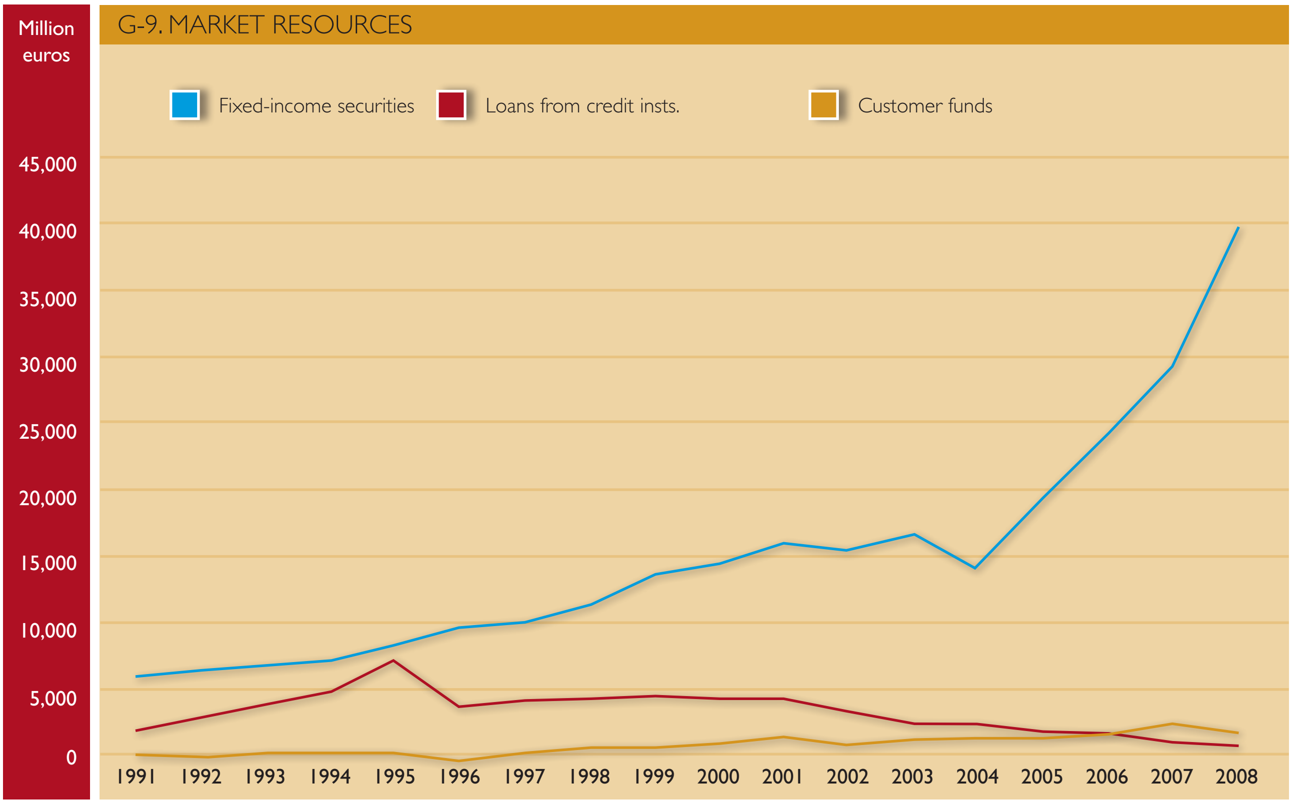
Excluding other financial liabilities, the performance of the two major funding components – market resources and special funding – is illustrated in Graph 8. It will be observed that the balance of special resources – those obtained off market circuits – decreased systematically in every single year of the period under examination until disappearing altogether and that ordinary funding grew rapidly and steadily, especially in the last two years. Consequently, the weight of special funding has been diminishing year by year, going from 52.9 percent of total external resources in 1991 to become non-existent in the last two financial years. This was due to the transfer of the State loan to ICO dating back to 1988. In accordance with the measures provided for under the 2007 General-Government Budget Act, in 2007, this loan came to constitute a contribution from the State to the institute's equity.



Details of the components making up ICO's funding are provided below:

1. Market resources

Graph 9 traces the path followed since 1991 by each of the major market funding sources. It will be seen how two clearly distinct stages appear in the period under examination. The first, going from 1991 to 1995, reflects the growth of the absolute value and the relative weight of loans received from credit institutions. The second, going without a break from 1996 to 2008, witnesses a notable increase in the absolute and relative significance of outstanding fixed-income securities. The ratio between the balance of credit resources and total market funding jumped from 22.3% in 1991 to 44% in 1995, slipping from then onwards to stand at 6.4% in 2006, at 3.2% in 2007 and at 2.58% in 2008. In the meantime, the weight of funds netted through security issues narrowed down from 76.6% in 1991 to 53.6% in 1995, to grow since that time to 88.63% in 2007 and to 91.42% in the last financial year.



1.1. Fixed-income securities

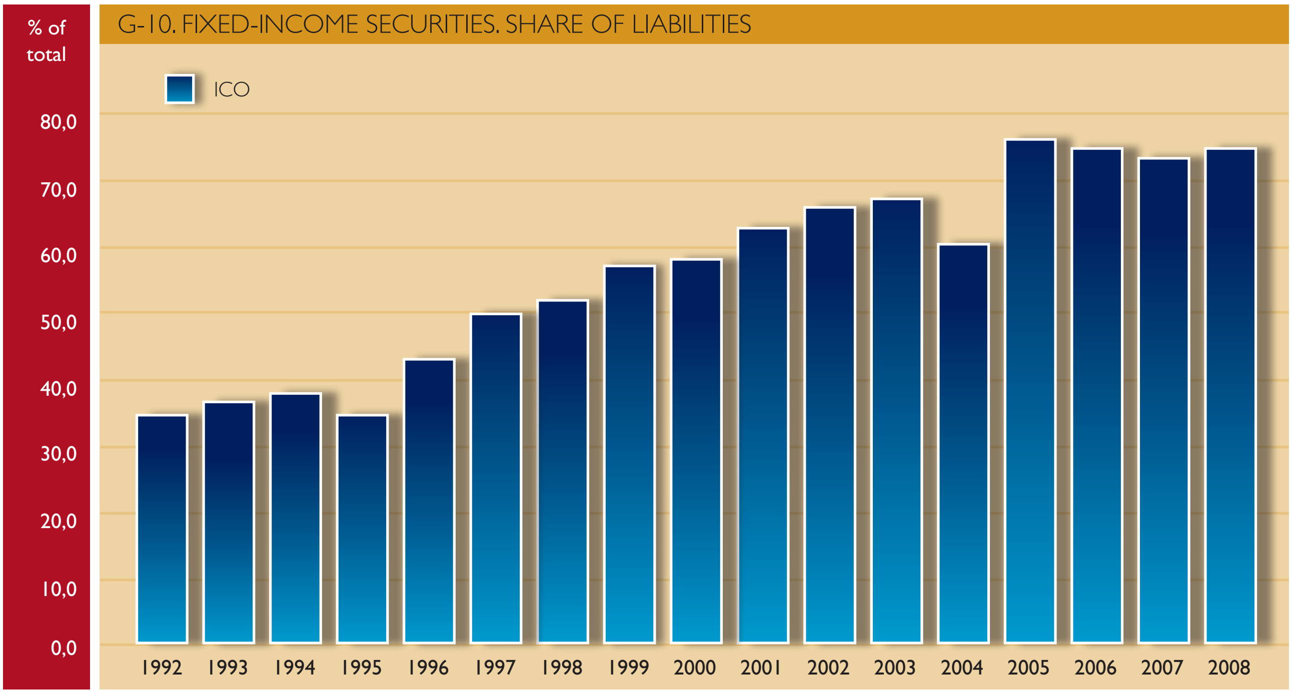
Within market resources, the balance of outstanding fixed-income securities is the one to have increased most in the financial year, reaching a balance at year-end 2008 of €39,345.4m. This gives a year-on-year upward variation of €10,291.4m. The volume of bonds and debentures originally denominated in euros rose by 22.9%, while those issued in foreign currency went up by 36.3%. When the financial period came to a close, these securities posted respective balances of €14,849.9m and €23,910.2m (see Chart 15).

CHART 15. FIXED-INCOME SECURITIES

Balances at December 31 — Million euros and percentages

	2008	2007	Annual variation Absolute	Annual variation %
Bonds and debentures in euros	**14,849.9**	**12,079.9**	**2,770.1**	**22.9**
- Auction programme	0.0	45.1	(45.1)	(100.0)
- Other issues and accrual adjustments	244.5	1,195.9	(951.4)	(79.6)
- EMTN programme	13,572.0	10,205.9	3,366.1	33.0
- ECP	1,033.5	633.0	400.5	63.3
Bonds and debentures in fc	**23,910.2**	**17,539.5**	**6,370.6**	**36.3**
- EMTN programme	20,632.0	14,329.7	6,302.3	44.0
- Kangaroo Programme	1,751.0	2,118.5	(367.5)	(17.3)
- Other issues and accrual adjustments	23.1	679.3	(656.2)	(96.6)
- ECP	1,504.0	412.0	1,092.0	265.0
***Pagarés* (Promissory notes)**	**64.1**	**64.9**	**(0.8)**	**(1.3)**
- Programmed issues	0.0	0.0	0.0	0.0
- Special issues	64.1	64.9	(0.8)	(1.3)
Valuation adjustments	**521.2**	**(630.4)**	**1,151.6**	**(182.7)**
TOTAL	**39,345.4**	**29,053,9**	**10,291,4**	**35,4**

Obtaining resources by means of the issuance of fixed-income securities on domestic and foreign markets is one of ICO's most characteristic funding mechanisms and, for several years now, has been the most important. As shown in Graph 10, until 1995, the ratio between the balance of outstanding securities and the institute's liabilities held fairly stable, pursuing a fast and continuous upward trend from that time to the present.



1.2. Loans from credit institutions

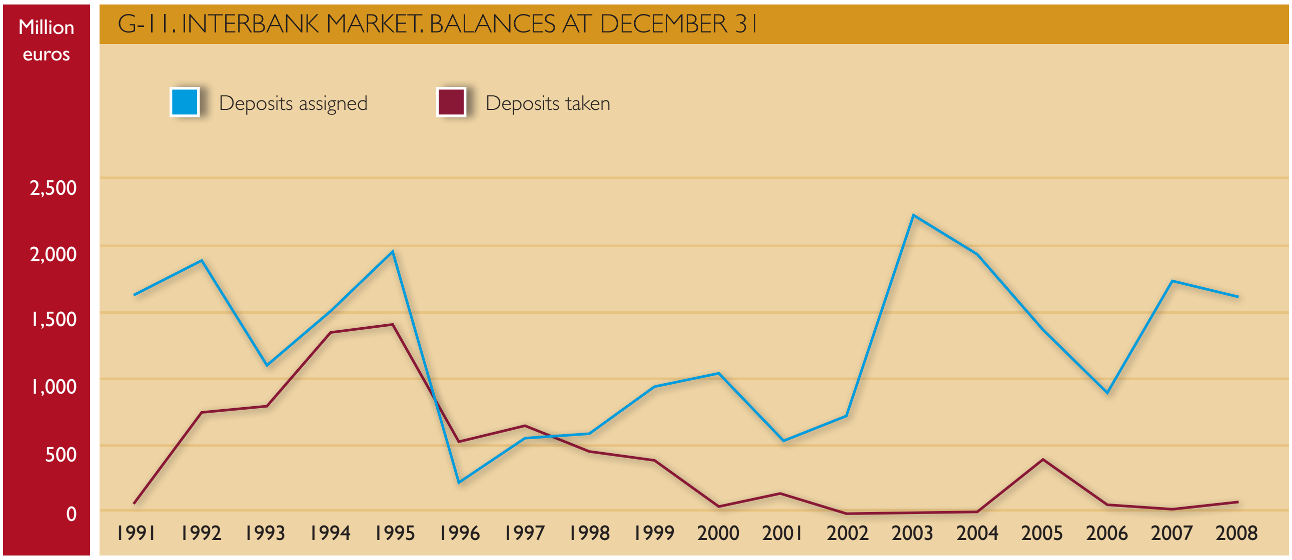
At the end of the last financial year, the balance of funding received by ICO from credit institutions was €1,109.8m, or €49.4m (4.7%) more than the figure noted in 2007.

CHART 16. LOANS FROM CREDIT INSTITUTIONS

Balances at December 31 — Million euros and percentages

Items	2008	2007	Annual variation Absolute	%
EIB loans	**546.6**	**612.4**	**(65.8)**	**(10.7)**
- In euros	394.7	451.1	(56.5)	(12.5)
- In f.c.	152.0	161.3	(9.3)	(5.8)
Deposits from credit institutions	**72.4**	**0.1**	**72.3**	**53,157.4**
- In euros	65.9	0.0	65.9	100.0
- In f.c.	6.5	0.1	6.4	4,679.4
Loans from other banks	**452.8**	**464.6**	**(11.7)**	**(2.5)**
- In euros	46.3	146.3	(100.0)	(68.4)
- In f.c.	406.5	318.3	88.2	27.7
Valuation adjustments	**37.9**	**(16.8)**	**54.6**	**(326.2)**
- In euros	(301.3)	(271.4)	(29.9)	11.0
- In f.c.	339.1	254.7	84.5	33.2
TOTAL	**1,109.8**	**1,060.3**	**49.4**	**4.7**

At year-end 2008, the balance of deposits taken on the interbank market was €72.4m. The reason for this rise, which is particularly striking in percentage terms, lies in the fact that the corresponding amount for the previous year was practically non-existent. ICO's position as a net assignor of resources decreased slightly in respect of the figure recorded the previous year to stand at €1,588m, or 4% less than in 2007. The performance through time of the balances of deposits taken and assigned in the interbank financing system is illustrated in Graph 11.



1.3. Customer funds

The most important item within customer funds is demand accounts belonging to resident financial companies and firms. At year-end, this balance amounted to €1,560.4m. The remainder (to a total of €2,584.2m) almost entirely corresponds to deposits by Public Administrations.

CHART 17. CUSTOMER FUNDS

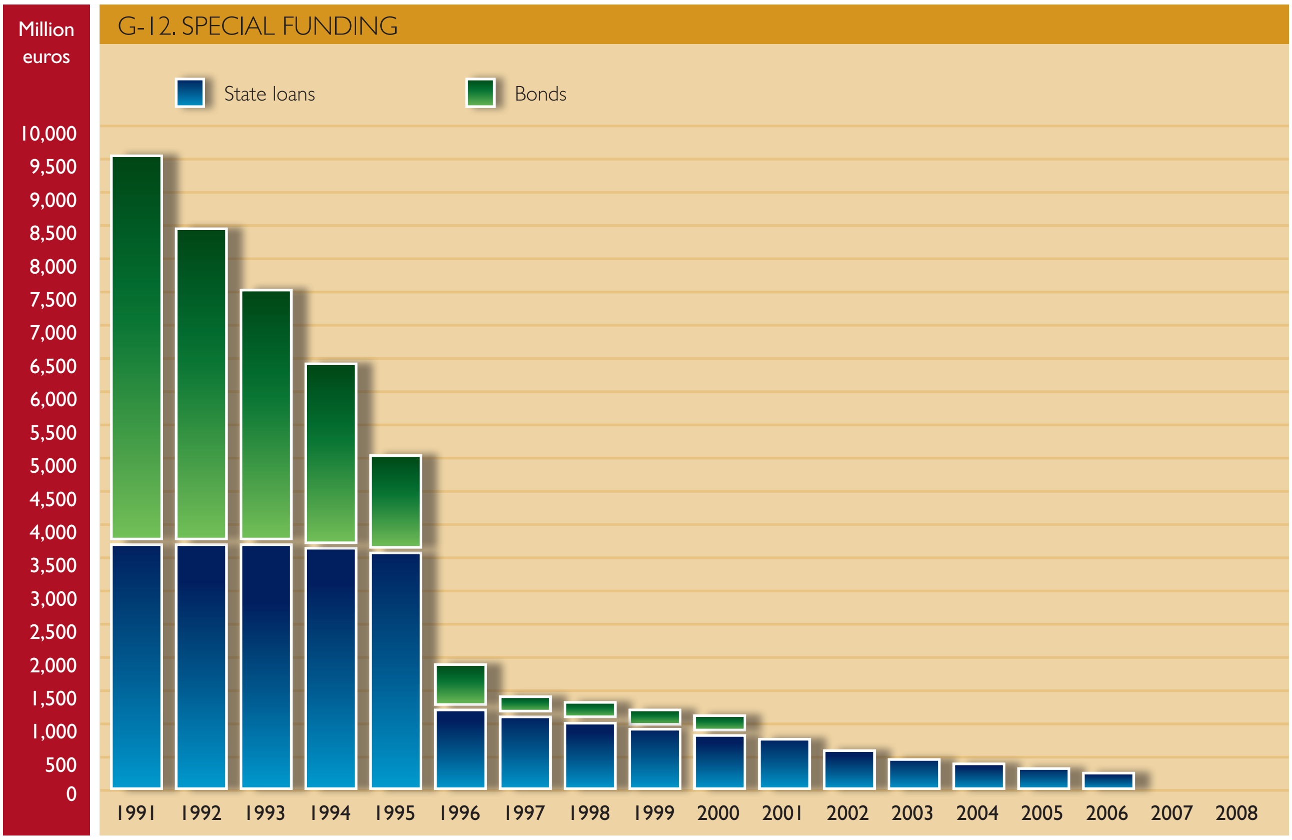
Balances at December 31 — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Public Administrations	986.3	741.3	245.0	33.0
Other resident sectors	1,560.4	1,885.3	(324.9)	(17.2)
Valuation adjustments	21.6	24.1	(2.5)	(10.4)
Other non-resident sectors	15.9	15.1	0.9	5.6
TOTAL	**2,584.2**	**2,665.8**	**(81.6)**	**(3.1)**

Unlike the situation at private credit institutions, where customer deposits are the main funding source, at ICO, this resource has generally been of little significance although of late, it has been gaining considerable importance. The reason for this lies in the legal restriction whereby ICO is prevented from "raising funds through deposits by the general public". In view of these limitations, the existence of customer funds derives in the main from two specific lines of action: one, through the institute's activity as an asset securitisation paying agency, referred to in the first section of this report; and the other, on a complementary basis with specific credit operations, such as the opening of accounts pertinent to direct asset operations.

2. Special funding

It was stated above that, within the institute's funding, resources obtained off ordinary markets had become less important. At the close of 2008, the balance of these resources was non-existent as, since 2007, this amount came to form part of the institute's equity as a result of the execution of the measures provided for to this end under the 2007 General-Government Budget Act.



3. Other financial liabilities

Attention should be drawn to the sharp increase to a balance of €1,404.5m, which is €570m more in absolute terms than the figure chalked up in the previous year, as shown in Chart 14, Point 3. This rise stemmed from the funds contributed by the Central State Administration by virtue of the agreements of cooperation entered into between ICO and the various ministries. At year-end 2008, the overall balance of these funds worked out at €1,202.4m and shall be reimbursable in accordance with the specific characteristics of each one. To be more precise, the agreements of cooperation formalised and in force in 2008 correspond to FOMIT (fund for the modernisation of tourism infrastructures), €263.9m; AVANZA (fund for access to new technologies), €880.1m; the University Studies Loan, €42.3m; the facility with the DGT (Directorate General of Traffic), known as *Learn to drive for a euro a day,* €3.1m; and Plan Vive (renewal of the car fleet), €12.9m.

Provisions for contingencies

At year-end 2008, the balance of generic provisions and contingencies amounted to €207.7m, or €33.6m less than the 2007 figure. This decrease is noticeable in Other allowances.

CHART 18. PROVISIONS FOR CONTINGENCIES

Balances at December 31

Million euros and percentages

	2008	2007	Annual variation Absolute	%
Provisions for contingencies and expenses	**181.4**	**212.9**	**(31.5)**	**(14.8)**
- RDA 12/95 allowance	134.8	134.0	0.8	0.6
- Other allowances	46.6	78.9	(32.3)	(41.0)
Contingencies and charges	**26.3**	**28.4**	**(2.1)**	**(7.3)**
TOTAL	**207.7**	**241.3**	**(33.6)**	**(13.9)**

The volume of the allowance constituted in accordance with Royal Decree-Act 12/95 stood at €135m, almost the same as in 2007. The purpose of this fund is "to provision and charge the amounts corresponding to delinquent and defaulting loans" on special and exceptional operations. The balance of other allowances stood at €46.6m and that of contingencies and charges, at €26.3m.

Capital accounts and equity

At year-end 2008, the institute's net worth amounted to €2,380.9m, surpassing the 2007 equivalent by €314.5m, or 15.2% (see Chart 19). As for the equity balance, there was a variation of 26% (€423m). The increase in reserves is, in the main, attributable to the capitalisation of after-tax profit corresponding to 2007, which totalled €82.3m.

CHART 19. CAPITAL ACCOUNTS

Balances at December 31 — Million euros and percentages

	2008	2007	Annual variation Absolute	%
Equity	2,052.1	1,629.1	423.0	26.0
Reserves	595.5	513.2	82.3	16.0
Valuation adjustments	(355.4)	(158.4)	(197.0)	124.4
The year's profit/loss	88.7	82.3	6.4	7.7
TOTAL	**2,380.9**	**2,066.4**	**314.5**	**15.2**

The increase in equity recorded in the year for an amount of €423m derived from the execution of a set of measures seeking to strengthen the institute's equity.

These measures are as follows:

a) Under Act 51/2007, December 28, on the General-Government Budget for 2008, a specific budget item was provisioned and executed for the purpose of increasing the institute's equity by €303m.

b) In accordance with CMR (Council of Ministers Resolution) 11/12/87 and Act 51/2007, an amount of €75.9m was capitalised.

c) Additional Provision 11 of Act 24/2007, December 27, concerning Measures of a Fiscal, Administrative and Social Nature, was amended and the amounts recovered after the cancellation of the debts contracted by the State with ICO as a result of certain loans and guarantees granted by former Official Credit Institutions and the institute itself, totalling €44.1m in 2008, now form part of the institute's equity.

It is equally important to mention Section Two.8 of Additional Provision 49 of Act 42/2006, whereby, so as to improve the security of the institute's equity, it is established that "as of the coming-into-force of the conditions set down in the Basel II Accords, the capital adequacy ratio of Instituto de Crédito Oficial may in no case fall below 9.50%".

Consistently with the above, at December 31 2008, the balance of ICO's computable equity stood at €2,867.3m; and that of resources consumed (minimum requirement prior to the effectiveness of the new regulations), at €2,101.6m. Accordingly, the equity surplus in respect of the minimum required under Bank of Spain Circular 3/2008 was €765.7m.

CHART 20. EQUITY REQUIREMENT

Figures at December 31 — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Surplus or deficit	**765.7**	**666.2**	**99.5**	**14.9**
Institution's computable equity	**2,867.3**	**2,316.3**	**551.0**	**23.8**
Equity requirement	**2,101.6**	**1,650.1**	**451.5**	**27.4**
For loan loss and counterparty	1,991.2	1,570.7	420.5	26.8
For exchange rate risk	38.6	2.0	36.6	1,797.7
For trading portfolio risk	32.7	77.1	(44.4)	(57.6)
Other risks (operational/consolidation)	39.1	0.3	38.8	12,933.3

In addition to the amounts referred to in the foregoing paragraphs about equity and reserves, this surplus includes the capitalisation of the net profit of 2007 (see Chart 19). It also includes the generic coverage constituted for credit loss audited at December 31 2007 (€220,139m) as computable equity (second-tier, in accordance with Bank of Spain regulations in force). All this has taken ICO's capital adequacy ratio to 11.19%.

D) Statements of income

As stated in the Management Report included in this document, as a result of the approval and publication of Bank of Spain Circular 6/2008, November 26, whereby Circular 4/2004 is modified, a number of changes affecting public and reserved financial information and the layout of financial statements are established. For the sake of convenience, the changes required in the circular are repeated here. Net interest revenue no longer covers the yield on capital instruments, which now forms part of the new gross revenue (as opposed to the former net ordinary revenue). Moreover, this revenue includes other revenue and operating charges. In addition, the result of operating activities (as opposed to the former net operating revenue) in turn includes the net allocation to provisions and losses on the impairment of the financial assets pertaining to the activity.

In 2008, interest revenue obtained by ICO summed up to €2,170.8m, while interest expense ran to €1,875.9m. As compared with the amounts recorded 12 months earlier, these figures indicate respective increases of 31.8% and 30.3%. In both cases, the reasons for this upturn are twofold. It was due, on the one hand, to the increase witnessed by interest rates in the course of the year, especially during the first nine months, when six-month Euribor reached a ceiling of 5.20% and subsequently started to slide; and, on the other, to the increase in performing assets and liabilities with a cost. Calculated on Average Total Assets (ATA), the average annual rate of interest revenue went up from the 4.29% entered in 2007 to stand at 4.72% in 2008; and that of interest expense, from 3.74% to 4.1%.

Net interest revenue stood at €294.9m, while gross revenue came to €349.9m, reflecting respective increases of 42.3% and 53.4% on the previous year's figures. Operating expense, which includes personnel and general costs and depreciations, stood at €41.1m, a figure which is closely similar to the one recorded in 2007. Losses deriving from impairment and allocations (net provisions) shot up by 135% as a result of the year-end allocation to the generic and sub-standard contingencies provision on account of the fixed-income portfolio and direct loans, for both subjective and objective reasons. The result of operating activities worked out at €121.9m, reflecting a 13.1% increase on the figure recorded in 2007.

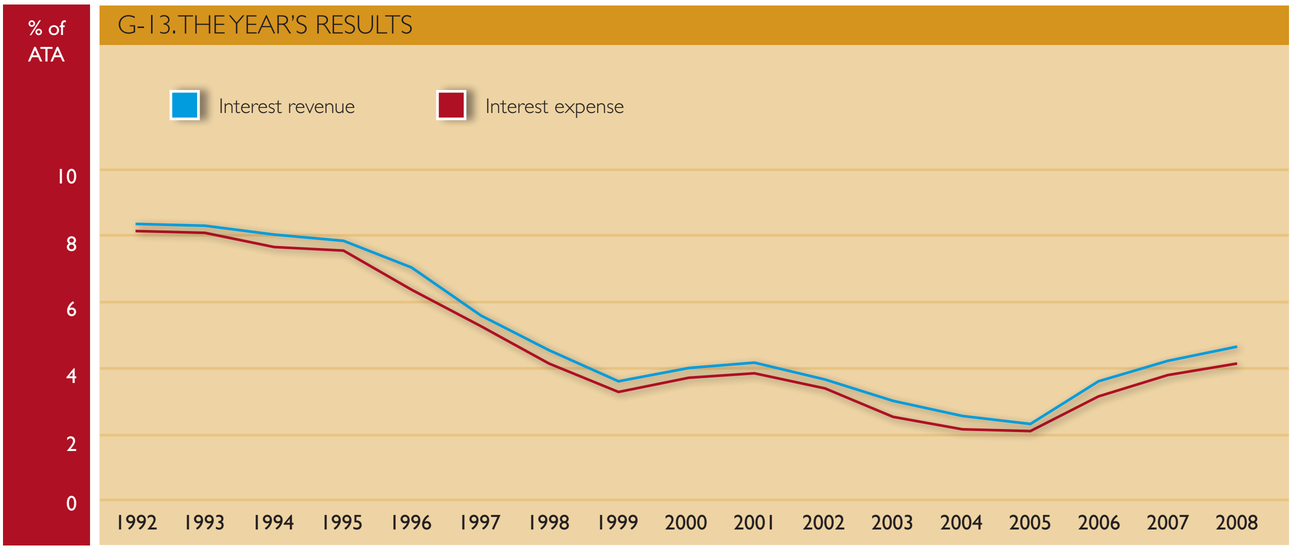
CHART 21. STATEMENT OF NET INCOME

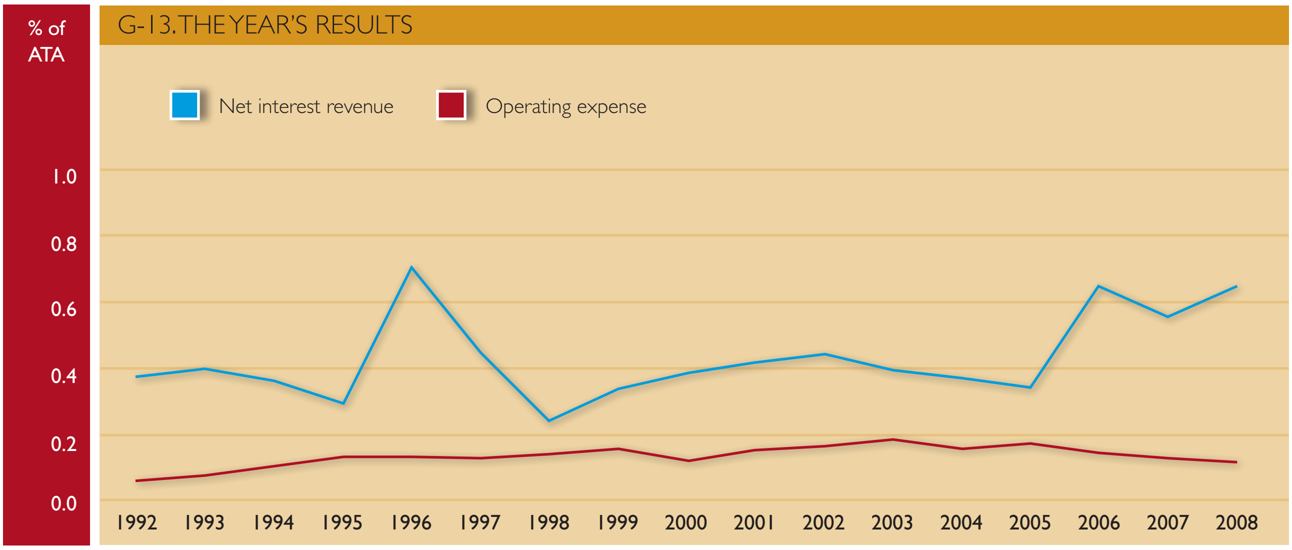
Figures at December 31 — Million euros and percentages

	Figures at		Year-on-year variation	
	31/12/08 (1)	31/12/07 (2)	Absolute (3 = 1-2)	% (4=3/2)
Interest revenue	2,170.8	1,647.4	523.3	31.8
Interest expense	(1,875.9)	(1,440.1)	(435.7)	30.3
Net interest revenue	**294.9**	**207.3**	**87.6**	**42.3**
Other ordinary interest and costs	55.0	20.8	34.2	164.2
Gross revenue	**349.9**	**228.1**	**121.8**	**53.4**
Personnel costs	(16.0)	(15.9)	(0.1)	0.8
General costs	(21.5)	(22.0)	0.5	(2.3)
Depreciation	(3.6)	(3.0)	(0.6)	19.6
Losses. impairment and allocations	(186.8)	(79.5)	(107.3)	135.0
Result. Operating activities	**121.9**	**107.8**	**14.1**	**13.1**
Other profit and loss	(0.1)	0.1	(0.1)	(204.5)
Pre-tax profit	**121.8**	**107.8**	**14.0**	**13.0**
Tax on profit	(33.1)	(25.5)	(7.6)	29.9
The year's profit	**88.7**	**82.3**	**6.4**	**7.7**
Average Total Assets (ATA)	**45,962.2**	**38,409.8**	**7,552.4**	**19.7**

The year's pre-tax profit totalled €121.8m, or 13% more than in 2007. The year's result netted out at €88.7m, 7.7% above the previous year's figure, giving a rate in respect of ATA of 0.19%, as against 0.21% 12 months earlier.

Graph 13 shows the performance of net interest revenue and its components throughout the period from 1992 to 2008. It will be seen how the average rate of interest revenue and expense in respect of ATA clearly mirrors the path pursued by interest rates during this time. Accordingly, it is observed how the tendency to reduce the price of money broke off in the two-year period from 2000 to 2001 to resume in the following years and rise again, finally stabilising in 2008.





To a large degree, the favourable performance of net interest revenue since 1998 derives from the timeliness of the measures taken to this end in that year. In this regard, it is perhaps worth remembering that, by a CDGAE Resolution (June 2), the institute was authorised to receive compensation to cover the spread between the assignment interest rate on SME Facility funds and the estimated cost of the resources used to finance such operations. Moreover, by virtue of a Council of Ministers Resolution on December 11 of the same year, it was established that ordinary State loans would cease to accrue a fixed interest rate, which, at that time, was proving higher than the market price of money. Instead, they would accrue a variable rate equal to that on one-year Treasury bills plus 0.10 percentage points.

When accounting for the maintenance of net interest revenue, it is important to bear in mind not only the unquestionable effectiveness of these measures but also the rise in the relative weight of ordinary loans to customers granted at market rates. Until 2002, there was a gradual rise in the spread between the portfolio interest rate and the rate on the cost of external funding. As stated above, this significant increase was due to the effect of the entry under Interest Revenue of the item, Recovery of doubtful debts, which, in 2006, totalled €91.3m, as against €5.1m in 2007. Were this atypical revenue not to be considered, interest revenue for 2007 would stand at 0.54% of Average Total Assets and the same item for 2008 stands at 0.64%. This rise stems from the increase in the institute's equity and also from the continued decline in the price of external resources and the upswing seen in volumes of new activity with higher margins.

Chart 22 shows the statements of net income, calculated on the volume of ATA. It becomes immediately obvious that their structure differs considerably from that of statements presented by credit, or, to be more precise, deposit institutions. Hence, at ICO, the average rate of interest yield is quite a lot lower than it is at such institutions because its asset interest "is situated in the lower tranche of market rates or, in the case of special and exceptional operations, even beneath it". Conversely, interest expense is higher than it is at private institutions, above all because of the restrictions imposed on ICO when it comes to netting low-interest resources, such as those deriving from demand and term deposits. Indeed, ICO is authorised to seek funding on domestic and foreign markets by means of all nature of transactions except via deposits by the general public, this being a funding method from which it is expressly excluded.

CHART 22. STATEMENT OF NET INCOME

Percentage of each item in respect of the bases indicated

	Average Total Assets		Interest revenue	
	31/12/08	31/12/07	31/12/08	31/12/07
Interest revenue	4.723	4.289	100.000	100.000
Interest expense	(4.081)	(3.749)	(86.415)	(87.417)
Net interest revenue	**0.642**	**0.540**	**13.585**	**12.583**
Other ordinary revenue and expense	0.120	0.054	2.535	1.264
Gross revenue	**0.761**	**0.594**	**16.120**	**13.847**
Personnel costs	(0.035)	(0.041)	(0.737)	(0.964)
General costs	(0.047)	(0.057)	(0.990)	(1.335)
Depreciation	(0.008)	(0.008)	(0.165)	(0.182)
Losses. impairment and allocations	(0.406)	(0.207)	(8.605)	(4.824)
Result. operating activities	**0.265**	**0.281**	**5.616**	**6.542**
Other profit and loss	(0.000)	0.000	(0.003)	0.004
Pre-tax profit	**0.265**	**0.281**	**5.613**	**6.546**
Tax on profit	(0.072)	(0.066)	(1.526)	(1.548)
The year's profit	**0.193**	**0.214**	**4.086**	**4.998**

The institute lacks a network of operative branches of its own. Therefore, its capacity to provide banking services is extremely limited and its possibilities of obtaining interest revenue other than that from the granting and drawdown of its lendable funds are far removed from those of other on-lenders. At the same time, the fact that it has no branches means that running costs such as general and personnel expenses are much lower than at other institutions. Thus, the marked differences between the institute and deposit institutions (banks and savings banks) as regards net interest revenue and net ordinary revenue are, to a certain extent, compensated by lower running costs. Consequently, although ICO is not quite so far away from the rest of the credit system in terms of net operating revenue, there is still a considerable distance between the two.

5. OPERATIONS ON THE STATE'S ACCOUNT

In addition to its functions as an institutional lender on its own account, ICO acts as a financial agent on the State's account. Here, the institute manages three foreign sector backup instruments: the Development Aid Fund, or Official Development Aid (Spanish initials, FAD); the Reciprocal Interest Adjustment Contract, or Interest Makeup System (CARI); and the Microcredit Fund (FCM). In all three cases, ICO arranges and administers operations, carrying out tasks related to technical implementation, accounting, cash, control and recovery and, in general, is responsible for all matters of a financial nature concerning the authorised asset operations.

FAD loans are approved by the Government and financed with budget allocations and revenue deriving from the fund itself. ICO negotiates and signs the financial agreements with the bilateral beneficiaries of the aid, manages the fund's cash assets and records operations separately; i.e., they are not included on its balance sheet.

Export operations under the CARI system are financed by the pertinent domestic and foreign credit institutions, while ICO, prior analysis, arranges and administers the relevant interest adjustment contracts as applicable. Approval of operations is incumbent on ICO, in accordance with a delegation appointed by the Ministry of Industry, Tourism and Trade, which has, for general purposes, authorised ICO to arrange CARI operations. However, certain cases which do not adapt to the general regulations require the Ministry's specific approval.

Development aid fund (FAD)

FAD loans are an instrument of foreign policy designed to fulfil the threefold aim of boosting the country's exports, contributing to the growth of less developed countries and easing access to multilateral bodies. Operations charged to FAD consist in loans, in some cases, grants and other reimbursable credits, granted to multilateral bodies of which Spain is a member or to governments of other countries or public institutions and enterprises with the sovereign guarantee of their respective states.

Since 2007, FAD has received three budget allocations, one for each Ministry involved. However, it is considered as a single fund, despite being made up of three distinct parts, one for each objective. The Ministry of Foreign Affairs is responsible for the approval of FAD operations in the area of cooperation; the Ministry of Industry, Tourism and Trade channels its FAD operations via the Development Aid Fund for Internationalisation; and the Ministry of Economy and Finance is in charge of the Development Aid Fund for International Financial Institutions and the Management of External Debt. As a result of this new structure, the fund's activity has grown considerably, especially as regards contributions to multilateral bodies.

As for the fund's traditional lending activity, the new allocations awarded by the Council of Ministers have kept to levels similar to those seen in previous years, although the arrangement and disbursement of funds have risen considerably due to the speedier execution of projects approved in previous years.

In 2008, FAD loan arrangements numbered 198, entailing an amount of €2,352m. As compared with 2007, when 159 operations were arranged for a total of €1,096m, in 2008, the number of operations went up by 25% while their volume grew by 115%. It should be pointed out that the volume of FAD loans granted and arranged in 2008 was the highest in the fund's history.

CHART 23. DEVELOPMENT AID FUND

Lending performance — Million euros and percentages

	2008	2007	Annual variation Absolute	%
Loans authorised	2,530.1	1,504.9	1,025.2	68.1
Loans granted	2,208.8	1,253.3	955.5	76.2
Loans arranged	2,351.6	1,095.6	1,256.0	114.6

The main recipients of FAD arrangements in 2008 were the United Nations and the World Bank Group, with respective shares of 30.54% and 20.14%. In the area of bilateral cooperation, the main recipients were Angola and Tunisia, with 8.5% of the total each.

At the end of the last financial year, the outstanding balance on the FAD portfolio administered by ICO stood at €4,834m, showing a 6.9% increase on the figure recorded one year before (see Chart 24). This was due to the rise in disbursements and the appreciation of the US dollar. Of this balance, 58.59% (€2,831.9m in terms of absolute value) was denominated in dollars; 36.86% in euros; and the remaining 4.55% in other currencies.

Another major novelty occurring in FAD during 2007 and continuing with greater intensity into 2008 was the execution of decisions taken by the Spanish Government as regards the condonation of debts incurred by HIPC (Highly-Indebted Poor Countries) vis-à-vis the Spanish State. Adopted by the Paris Club, this initiative was strengthened by additional commitments on the part of the Spanish Government, consisting in Debt Conversion Programmes. In 2008, ICO devoted a considerable effort to arranging condonations bilaterally with the beneficiary countries by means of debt conversions agreed by the Council of Ministers.

CHART 24. DEVELOPMENT AID FUND

Figures at December 31 — Million euros and percentages

	2008	2007	Annual variation Absolute	%
1. Loans drawn down	4,218.1	3,913.0	305.1	7.8
2. Loans refinanced	169.2	176.9	(7.7)	(4.4)
3. Debts due	446.4	430.9	15.5	3.6
4. (1 to 3 = 5 to 7) TOTAL	**4,833.7**	**4,520.8**	**312.9**	**6.9**
5. Denominated in US dollars	2,831.9	2,817.9	14.0	0.5
6. Denominated in euros	1,781.8	1,515.1	266.7	17.6
7. Denominated in other currencies	220.0	187.7	32.3	17.2

Interest makeup (CARI)

The CARI system seeks to encourage the participation of domestic and foreign private credit institutions in the long-term financing of Spanish exports. To be admitted to the system, the interest rates established for the operations by lending institutions must comply with those set down in the Organisation for Economic Co-operation and Development (OECD) Consensus.

For each interest adjustment made, CARI contracts ensure the lender institutions the collection of a certain financial margin on the outstanding balance of each credit covered by the system, together with the complete elimination of interest rate risks deriving from the difference between the credit's fixed rate and the conventional cost attributed to the resources used to finance them (six-month interbank deposit interest rate). If the difference is negative, that is, if the operation's yield is lower than the sum of estimated costs and the agreed margin, the State, through ICO, credits the appropriate amount to the credit institutions. If the opposite occurs, the institutions must pay the positive differences calculated to ICO.

In 2008, ICO arranged 38 CARI operations with the system's participating financial institutions, entailing an amount of €428m, or just under (1%) the total arranged in 2007. The most noteworthy arrangement under the system was a credit for €224m to finance a combined-cycle generator plant in Russia.

At year-end 2008, the outstanding balance on the CARI portfolio was €1,961.44m, reflecting a 9.38% upswing in respect of the valuation made one year previous. The reason for this rise was the increase in disbursements and the revaluation of the US dollar/euro exchange rate, which had a positive effect on the valuation of this portfolio, 61.17% of whose credits are denominated in US dollars.

CHART 25. INTEREST MAKEUP CONTRACTS

The year's figures — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Outstanding capital at 1.1.	**1,793.2**	**1,930.0**	**(136.8)**	**(7.1)**
Amount in operations presented	682.7	571.6	111.1	19.4
Amount in operations arranged	427.6	432.3	(4.7)	(1.1)
Drawdowns and reimbursements. Net [a]	**168.2**	**(136.8)**	**305.0**	**(223.0)**
Outstanding capital at 31.12	**1,961.4**	**1,793.2**	**168.2**	**9.4**

(a) Includes exchange rate variations.

The noticeable change seen in the trend of CARI System results in 2007 continued into 2008. Since 1996, the system's results, i.e., the difference between Consensus rates and the market cost for financial institutions plus the guaranteed margin, had been unfailingly in the State's favour. The year to post the highest profits for the State was 2002, when ICO received €124.6m. From 2003 onwards, the system's profits started to decline as a result of the staggered rise in interest rates. In 2007, on account of interest rate rises, the result of adjustments made was favourable to financial institutions for the first time in many years; and, although interest rates came down at the end of 2008, the year also brought negative CARI results for the Spanish State. The net amount forwarded by ICO (including management costs for which ICO was compensated) and subsequently reimbursed by the State to ICO was €7.9m.

In 2008, the CARI System started to feel the effects of the financial crisis, especially in the last quarter of the year. Financial institutions and exporters began to call for changes in the system to enhance the financing of export operations. With this end in view, at the end of December, the Secretariat of State for Trade authorised the collection by financial institutions of an additional margin to be charged to the lenders so as to offset funding costs in excess of the official market rate (LIBOR or EURIBOR). This margin is not included in the fixed rate used to calculate the interest adjustment carried out between the financial institution and ICO. Furthermore, work commenced on a Ministerial Order seeking to give greater flexibility to financing arrangements under the CARI System and increase the margin credited to financial institutions. The Ministerial Order was published in January 2009.

Microcredit fund

The Microcredit Fund (Spanish initials, FCM) was created in 1998 as a form of bilateral co-operation aimed at development. Its purpose is to improve the standard of living of vulnerable groups and foster the execution of basic social development projects. The fund is managed by the Ministry of Foreign Affairs and is implemented through loans granted to foreign on-lending institutions which, in turn, make the resources available to the beneficiaries (micro-entrepreneurs), either directly or through local financial institutions.

In 2008, the amount in loans granted came to €94.9m, the same as the amount in loans arranged. The increase on the previous year was 74.4% (see Chart 27). At the end of the last financial year, the aggregate amount of loans granted stood at €637.7m, 17.5% higher than the previous year's figure.

CHART 26. MICROCREDITS

Lending performance

Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Loans granted	94.9	54.4	40.5	74.4
Loans arranged	94.9	54.4	40.5	74.4
Accumulated amount [(a)]	**637.7**	**542.8**	**94.9**	**17.5**

(a) Loans granted since the fund's creation.

6. INTERNATIONAL ACTIVITY AND COMMUNICATION STRATEGY

At Instituto de Crédito Oficial, international relations pursue the twofold aim of promoting the institute's asset and liability products and enhancing its institutional relations with international and multilateral bodies whose projects and functions are similar to its own.

I. International bodies

1.1 International Monetary Fund and the World Bank

A group of ICO representatives, led by the Chairman, attended the Annual Assembly held on a joint basis by the two institutions in Washington, on October 12-13 2008.

1.2 Inter-American Development Bank (IDB)

ICO participated in the Annual Assembly organised by this multilateral institution in Guatemala from April 4 to 8. The institute formed part of the official Spanish delegation which attended the assembly.

1.3 Asian Development Bank (ADB)

Several ICO representatives took part in the multilateral bank's Annual Assembly, which took place in Madrid on May 5/6.

1.4 Latin American Association of Financial Development Institutions (ALIDE)

The institute delivered an address at the ALIDE Annual Assembly, held in Lima on May 29/30. Later on in the year, it played an active part in the IV Encounter of Latin American and European Medium and Long-term Institutions, which took place in Rio de Janeiro on November 4/5.

1.5 ASOFOM Fair

ICO sent speakers to the event organised to mark the second anniversary of ASOFOM, held in Mexico on July 17/18.

II. European institutions

2.1 European Investment Fund - EIF

The main EIF meetings attended by ICO in 2008 were the EIF General Assembly (Luxembourg, May 14) and the EIF Minority Shareholders' Meeting (Edinburgh, September 4).

2.2 European Commission

ICO took part in a multilateral meeting with the European Commission in Brussels, the purpose of which was to review the EC communication on benchmark interest rates.

2.3 ISTLC Club

ICO, together with other leading European public and private institutions engaged, amongst other things, in the financing of long-term projects, is a member of the Club of Institutions Specialising in Long-term Credit (ISLTC). In 2008, the key encounter was the Annual Chairmen's Meeting held in Stockholm on June 13. On this occasion, the meeting was organised by the Swedish financial institution, SEK.

2.4 Network of European Financial Institutions for SME (NEFI)

ICO has been a member of NEFI since 1999. This network of European public financial institutions seeks to act as a stage for the discussion of topics of mutual interest and joint action before the European Commission for the purpose of offering backup instruments for SME financing.

At the meetings held in the course of 2008, the main topics discussed were as follows:

- New legislation for State aid
- Bank and SME round tables organised by the European Commission
- The JEREMIE Programme
- The improvement of SME access to financing in the current credit squeeze

Furthermore, the group played a part in the preparation of joint statements in response to the European Commission's proposals regarding:

- Modification of State aid regulations (benchmark interest rates, guarantees and en bloc exemption)
- The Capital Requirement Directive
- The EU's announcement of the implementation of the Small Business Act

III. Technical assistance

3.1 VIII and IX Editions of ICO's International Executive Programme in Development Banking

From April 14 to 18 2008, the VIII Edition of the Executive Programme in Development Banking took place. Organised for English-speakers, it was attended by 17 people from 13 different countries.

The Spanish edition took place from October 20 to 24 and was attended by 13 people from seven Latin American countries.

IV. Agreements of cooperation

On September 18 2008, the Employee Exchange Agreement was signed with the Finnish State-owned financial institution, Finnvera.

V. Seminars and other events for the promotion of the internationalisation of the Spanish enterprise

Part of ICO's international activity consists in the provision of backing for investments aimed at Spanish enterprises' projects in other countries, including the dissemination of the institute's financing facilities for this kind of project.

5.1 Investment opportunity seminars

In the course of 2008, as provided for in the agreement of cooperation signed on November 28 2007 with ICEX (the Spanish Foreign Trade Institute) and Real Instituto Elcano, ICO organised two monographic conferences on investment opportunities available to the Spanish enterprise in Turkey and Brazil. The event was held on ICO's premises and speakers included top representatives from a number of leading Spanish institutions and enterprises.

5.2 Foro Iberoamérica Empresarial

As co-founder of Foro Iberoamérica Empresarial (the Ibero-American Corporate Forum) with Grupo Recoletos, ICO has a number of commitments, including collaboration in the monthly discussions organised by the forum. In 2008, 14 events were organised, covering most of the Latin American countries in which Spanish enterprises have established a firm presence: Argentina, Brazil, Chile, Colombia, Cuba, Mexico and Peru.

VI. Visiting delegations and institutional encounters

The institute was visited by four delegations from foreign institutions for the purpose of laying foundations for cooperation.

1. Norway.
2. Mexico (ASOFOM and AMPAC).
3. Finnvera (Finland).
4. China (China Development Bank).
5. Chile (CORFO).

Institutional encounters:

1. CECO.
2. FUNCAS.
3. Italian Chambers of Commerce (as speakers at a conference organised by the Higher Board of Chambers of Commerce).

VII. Communication strategy in 2008

In 2008, one of the main pillars of the institute's communication policy was the transparency and dissemination of its activity, both externally and internally. To achieve this end, efforts were focussed on the improvement and expansion of the channels and media through which ICO provides information as to its various lines of performance.

At the external level, in addition to boosting, extending and improving ICO's presence in the mass media, steps were taken to establish more direct contact with the institute's financing facility customers. One of the main measures was the publication of a monthly newsletter, which was distributed among 40,000 private individuals, self-employed workers and entrepreneurs. This channel became a key form of contact with potential beneficiaries of ICO's facilities. In view of its success, in 2008, it was decided to broaden and improve its content so as to enhance its effectiveness as a useful tool for all recipients.

At the same time, a number of publicity campaigns were launched for the purpose of disseminating and promoting the institute's financing facilities. In February, for instance, a campaign was set under way on television, radio and the Internet and also in the press to inform ICO's target public (the self-employed and SME) about the four corporate backing facilities.

Furthermore, ICO's website has become one of the most direct and effective means of communication. In 2008, the number of visits grew considerably, reaching a total of 12 million. Mindful of its importance, the institute, like other areas of the Public Administration, has taken steps to make the website available to the visually-impaired.

At the internal level, headway was made in the improvement of the employee communication channels. The Intranet (Portico) is a key tool as far as institutional information is concerned. At the present time, it consists of over 800 pages and an average of three new informative items is posted every day. Last year, the number of visits surpassed the one-million mark.

7. INVESTEE COMPANIES

Chart 27 gives details of the composition of the portfolio of shares and holdings in financial companies and funds.

At the close of the last financial year, the book and underlying values of ICO's stakes in the above-mentioned companies and funds and in other smaller ones totalled €160.4m.

CHART 27. PORTFOLIO OF STOCKHOLDINGS

Figures at December 31 — Million euros and percentages

	Share capital	Share quota	Value of holding: Book value	Value of holding: Underlying value
AXIS	0.6	100%	1.9	6.3
CERSA	79.8	23.49%	18.7	18.8
EIF	554.0	0.27%	2.6	2.6
FONDO EURO-ICO	18.0	100%	0.0	0.0
FOND-ICO	74.6	100%	100.8	100.8
COFIDES	39.4	25.25%	10.5	12.7
FC2 GESTIÓN SL	0.0030	50%	0.0	0.0
OTHER	136.9	varios	25.8	19.1
TOTALS			**160.4**	**160.4**

Underlying values are calculated from the amounts disbursed.

Participaciones Empresariales SGECR, S. A. (AXIS)

Description

A venture capital fund manager, AXIS was constituted in 1986 on the initiative of State-owned banks for the purpose of promoting venture capital activity in Spain. It has belonged to Instituto de Crédito Oficial since 1993.

Accordingly, AXIS' activity consists in taking up minority and temporary stakes in capital on account of the funds it manages. Moreover, it may grant long-term participating loans, the interest on which depends on the economic performance of the enterprise financed.

At the present time, AXIS manages two venture capital funds. One is known as FOND-ICO, Fondo de Capital Riesgo, with an allocation of €122m after an increase of €50m carried out in 2006. Of this amount, €47.4m are pending disbursement. The other fund managed by AXIS, FONDO EURO-ICO, Fondo de Capital Riesgo, went into liquidation in February 2008 as the term for which it was created had expired. Accordingly, it is no longer operative.

On account of its strategy and the volume of resources under its management, AXIS is in a position to reach a wide range of enterprises, from new or recently-constituted technological concerns to consolidated, medium-sized companies. In the performance of this activity, it contributes not only financing packages designed to meet the needs of the investee company but also a long-term business projection, along with an expert team of professionals who play a part in defining strategy but do not become involved in day-to-day management.

Activity in 2008

As regards FOND-ICO, in 2008, AXIS took a holding in the capital of six new companies, with an investment of €15m, and granted two participating loans for an amount of €7m. The year's total investment thus amounts to €22m. In the area of disinvestments, FOND-ICO sold its stake in two companies, generating income of €10.8m.

In the case of EURO-ICO, AXIS continued with its liquidation and sold its stakes in four enterprises. There remain in the fund's portfolio only two investee companies, which will be disposed of in the course of 2009.

As for results, high profits were obtained by AXIS (€1.26M) AND EURO-ICO (€3.93m). FOND-ICO, however, mindful of the financial crisis, made ample provision for its investee portfolio and profits worked out at just €0.43m, despite the added value generated by its disinvestments.

Turning now to the quality of its investments, the bulk were made in new or recently-constituted enterprises of a technological nature, to which it allocated 62.5% of the number of investments made in the year.

Future performance

In accordance with the basic premise of maintaining positive economic results, AXIS is not going to vary its investment strategy, which is focussed on two lines of action:

a) Investment in newly or recently-constituted enterprises with an innovative component in their processes, products or services (start-up capital); and
b) Investment in consolidated, medium-sized companies requiring resources for growth (development capital).

It should be noted that, in the scope of technological companies at the initial stage, AXIS will continue to use the twofold method of direct investments in companies and investment in the funds known as NEOTEC and I+D UNIFONDO, which specialise in taking stakes in this kind of enterprise.

Lastly, AXIS intends to promote the use of the long-term participating loan, a financial product as yet not highly developed in Spain.

CHART 28. AXIS. PARTICIPACIONES EMPRESARIALES. SGECR, S.A. FUNDS UNDER MANAGEMENT

Key figures. Balances at December 31 — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
FOND-ICO. Venture capital fund				
Investment portfolio, net	57.6	52.1	5.5	10.6
- Investments in capital [a]	36.9	36.0	0.9	2.5
- Other investments [b]	20.7	16.1	4.6	28.6
Cash assets and other fixed-income assets	38.4	48.7	(10.3)	(21.1)
Capital and reserves	146.8	147.7	(0.9)	(0.6)
The year's profit/loss	0.4	0.5	(0.1)	(20.0)
Number of investee companies	23	24	(1.0)	(4.2)
Fondo EURO-ICO. Venture capital fund				
Investment portfolio. net	0.0	6.6	(6.6)	(100.0)
- Investments in capital [a]	0.0	2.6	(2.6)	(100.0)
- Other investments [b]	0.0	4.0	(4.0)	(100.0)
Cash assets and other fixed-income assets	0.0	8.2	(8.2)	(100.0)
Capital and reserves	14.9	15.9	(1.0)	(6.3)
The year's profit/loss	3.9	(1.0)	4.9	(490.0)
Number of investee companies	2	6	(4.0)	(66.7)

a) Unlisted securities, net of impairment allowance.
b) Participating loans and other credits, net of loan loss provision.

Compañía Española de Reafianzamiento, S.A. (CERSA)

CERSA'S essential aim consists in easing access to long-term financing for small and medium-sized enterprises (SME) with an objectively viable project but lacking the requirements or guarantees normally called for by a prudent financial system.

The firm's modus operandi is based on the underwriting (partial coverage) of the risk assumed by Reciprocal Guarantee Companies (Spanish initials, SGR) vis-à-vis SME.

CHART 29. CERSA. COMPAÑÍA ESPAÑOLA DE REAFIANZAMIENTO, S.A

Key figures. Balances at December 31 — Million euros and percentages

			Annual variation	
	2008	2007	Absolute	%
Financial fixed assets	0	2.6	(2.6)	(100.0)
Temporary financial investments	221.1	205.1	16.0	7.8
Capital and reserves	80	68.7	11.3	16.4
The year's profit/loss	-	-	-	-
Technical provision allowance	101.7	90.7	11.0	12.1
Provisions for contingencies and expenses	58.3	39.7	18.6	46.9
Outstanding risk:				
Total Recip. Guarantee Comps. (SGR)	6,419.2	5,927.4	491.8	8.3
S.G.R. Number of operations	131.094	123.030	8,064.0	6.6
CERSA.Number of operations	57.416	58.213	(797)	(1.4)
CERSA. Underwriting	1,791.9	1,738.5	53.4	3.1
Underwriting coverage (%)	27.9	29.3	(1.4)	(4.8)

In 2008, exposure arrangements amounted to €411.5m through the coverage of 4,462 enterprises, 96.75% of which had fewer than 50 employees. As for operations, 69.44% were directed at the financing of new investments (11.9% of which featured innovation); and 46.12%, at newly or recently-created enterprises. At the close of 2008, outstanding risk totalled €1,791.9m, corresponding to coverage granted to 45,552 enterprises.

In 2009 and the following years, seeing that the corporate environment is witnessing a significant rise in short-term financing needs, CERSA will offer 50% coverage for risks assumed by SGR vis-à-vis small enterprises to meet their working capital requirements.

Compañía Española de Financiación del Desarrollo (COFIDES)

Compañía Española de Financiación del Desarrollo, COFIDES, S.A. is a State-owned mercantile company created in 1988 for the purpose of providing finance for viable, private investment projects abroad in which there is a Spanish interest in some form. Working in accordance with profitability criteria, the company seeks to contribute both to the development of the investment target countries and to the internationalisation of the Spanish economy and enterprise.

To fulfil this twofold mission, COFIDES uses its own resources to finance investment projects in emerging and developing countries; and manages on the State's account the Fund for Investments Abroad (Spanish initials, FIEX) and the Fund for Investment Operations Abroad by SME (FONPYME), set up to finance investment projects abroad regardless of the degree of development of the country in which the project is to be carried out. COFIDES also handles resources from Multilateral Financial Institutions (MFI) with which it has traditionally entered into cofinancing agreements and, at the same time, helps such institutions attain a financial return. In total, COFIDES handles resources amounting to over €900m.

COFIDES operates through financial products such as shares in capital, quasi-capital instruments and ordinary medium and long-term loans.

By resolution of the Operations Committee Meeting (Spanish initials, COPER) held on March 1 2000, ICO opened a multi-currency financing facility for COFIDES totalling €6m.

CHART 30. COFIDES. COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A.

Key figures. Balances at December 31 — **Million euros and percentages**

	2008	2007	Annual variation Absolute	Annual variation %
Financial fixed assets	32.1	35.1	(3.0)	(8.5)
- Securities portfolio	1.4	5.9	(4.5)	(76.3)
- Long-term loans [(a)]	30.7	29.2	1.5	5.2
Working capital [(b)]	29.8	30.9	(1.1)	(3.6)
Capital and reserves	50.4	49.2	1.2	2.4
The year's profit/loss (after tax)	2.6	2.2	0.4	18.2
Creditors	7.1	13.3	(6.2)	(46.6)
Portfolio under management:				
- Number of projects	126	103	23	22.3
- Number of operations	140	114	26	22.8
- Number of countries	37	31	6	19.4
Net commitments. Amount:	390.4	329.8	60.6	18.4
- Holdings in capital	173.4	146.8	26.6	18.1
- Loans	216.9	182.9	34.0	18.6

a) Includes debentures and bonds and long-term debtors.
b) Financial investments and debtors.

In 2008, COFIDES approved 30 financial backing operations for 29 investment projects abroad, involving an amount of €132.16m. Of the projects approved, nine are located in Latin America, six in Africa, four in Asia, six in European Union accession states and four in other countries. The year's arrangements totalled €114.01m, of which €10.52m will be financed from COFIDES' own funds and €103.49m, from third-party funds. At year-end, the outstanding balance on the portfolio managed by the company amounted to €390.35m, of which €173.40m corresponded to holdings in capital and €216.95m, to long-term loans. A total of 126 projects were financed, while recipient countries numbered 37.

With regard to COFIDES' equity, at year-end 2008, the balance of holdings and long-term loans stood at €32.08m, reflecting an 8.58% percent decrease on the previous year's figure. Within this balance, shares in capital totalled €1.37m; and long-term loans, €30.71m. Subscribed capital came to €39.40m and accumulated reserves (the sum of annual results obtained since 1990, the year operations commenced), to €11.05m. The year's results posted after-tax profit of €2,663m.

8. PATRONAGE. FUNDACIÓN ICO

ACTIVITIES OF FUNDACIÓN ICO IN 2008

Fundación ICO

Created in 1993 within the institutional framework of Instituto de Crédito Oficial, FUNDACIÓN ICO is now a permanent foundation of national scope and belongs to the State public sector. A non-profit-making organisation, it is the holder of its own assets. Its objects are the organisation, encouragement, development, programming, fostering and promotion of all nature of studies, research, training and technical assistance, together with whatsoever other activities related to economic and corporate matters, science, technology, the environment, urban development, social issues and labour, professional, artistic, cultural, educational, civic and humanitarian subjects, international cooperation and cooperation in development; and whatsoever others as may be of the general interest and, in particular, those concerned with the fulfilment of the principles of the constitutional state and the defence of citizens' fundamental rights and liberties.

In the pursuit of its aims, in 2008, the foundation carried out the following activities:

1. Training and research

Within this area, the main feature was the foundation's **Scholarship Programme** (€666,049.07), with a facility for **Postgraduate Scholarships** (€150,000), for doctorate and postgraduate studies and postdoctorate research in economics, social sciences and the law. In the period of reference, three scholarships and two extensions were awarded for a Doctorate in Economics *(San Diego University, California);* a Doctorate in Sociology *(University of Pennsylvania, Philadelphia);* a Master in Economic Policy Management, specialising in International Energy Policy and Management *(Columbia University, New York);* a Doctorate in Social Development *(Sussex University, United Kingdom);* and a Master in the Settlement of Conflicts *(Bradford University, United Kingdom).*

The **Asia-Pacific Scholarships** (€484,200) are aimed at study courses at four universities: Beijing University; the Beijing Foreign Studies University; the International University of Economics and Commerce; and Fudan University in Shanghai. The scheme is made up of three types of scholarship:

- Type A. Scholarships for total immersion courses in Chinese culture (Mandarin Chinese and culture): a total of 20 scholarships were awarded for studies at Beijing University and the Beijing Foreign Studies University.
- Type B. Language and economics scholarships (Mandarin Chinese, economics and commerce): a total of 15 scholarships were awarded for studies at the International University of Economics and Commerce and Fudan Univeristy (Shanghai).
- Type C. Summer scholarships (crash courses in Mandarin Chinese, Chinese culture and an introduction to China's economic reality). The courses take place in July and August at the Beijing Foreign Studies University. Last year, 10 scholarships were awarded.

The foundation's Scholarship Programme was completed with a **Museology Training Scholarship** (€15,000) for the academic year 2008-2009, enabling successful applicants to gain first-hand experience at Museo Colecciones ICO.

In addition to the Scholarship Programme, the foundation runs a scheme for **Chairs** (€120,000) on a joint basis with various universities and bodies, such as Universidad Antonio Nebrija, through the Fundación Nebrija Chair of *Competition Law and Economics* (€60,000); Barcelona University, through the Chair of *Fiscal Federalism and Regional Economy;* Institut d'Estudis Autonómics and Instituto de Estudios Fiscales (€60,000); the foundation, Fundación para la Investigación, Promoción y Estudios Comerciales (Fundación IPEC) and Valencia University, through the Chair of *Logistics and International Transport* (€60,000); and Alcalá de Henares University, through the Chair for *Hygiene Analysis and Policies* (€60,000).

Moreover, through specific agreements, the foundation sponsored a number of research projects, such as the Ibero-American Asia-Pacific Observatory, with Casa Asia, and other training activities in the form of courses, seminars and conferences.

2. Publications

Among the **foundation's own publications**, particularly noteworthy were the works, *Breve tratado de la reforma monetaria y Escritos* (1910-1944) and *Ensayos de persuasión (A tract on monetary reform and Notes* (1910-1944) and *Essays in Persuasion*) by J.M. Keynes (€75,500), presented in a combined critical edition by Professor Torrero. The sixth title to have been published within the collection, Colección de Clásicos de Economía, commenced by the foundation in 2004, it is not for sale and is used solely as an institutional gift. Another work from this collection was also published in view of the great demand and interest aroused: *Autobiografía and Principios de Economía Política (Autobiography and Principles of Political Economy)* by John Stuart Mill €24,909). This is a paperback edition marketed by Editorial Síntesis.

The foundation also produces catalogues for the temporary exhibitions held at Museo Colecciones ICO. Last year, the following catalogues were published:

El mundo descrito

This catalogue contains a wide selection of the pictures displayed at Museo Colecciones ICO from February 7 to May 4 2008 for the exhibition of the same name. Through the pictures, the curator, Pablo Llorca, sought to prove the thesis that the close connection and influence between science and contemporary art did not disappear with the invention of technical means of image reproduction (photography, cinema, etc.). He also shows how certain scientific images which have been taken with no aesthetic intention may, on account of their beauty, become exceptional museum pieces. The fact that many of these images come from institutions that are not usually open to the public makes the catalogue all the more interesting. Bilingual edition in Spanish and English.

Lugares comprometidos. Topografía y actualidad

The catalogue for the group exhibition of the same name, held at Festival PhotoEspaña 2008 from June 4 to August 4 2008. It takes account of recent trends in photography, generally relating to the depiction of landscape, urban cartography and architecture, bringing out penetrating perceptiveness in the examination and exploration of the topographic circumstances, stories and meanings linked to the place in question. Bilingual edition in Spanish and English.

Guillermo Pérez Villalta. Artífice

Produced in conjunction with Cajasol, this publication was conceived as a separate monograph on the exhibition's theme rather than as just another catalogue and contains a huge number of works and documents which were not on display at Museo Colecciones ICO. The book includes essays and interviews by the curator and the artist himself, along with texts by Delfín Rodríguez, and Javier Navarro de Zuvillaga, on Pérez Villalta as an architect and as a theatrical designer respectively.

Furthermore, the foundation's own publications include the Performance Report for 2007 (€15,325.60) and the 2007 Competition Yearbook (€44,022.80). The latter is a key reference work for all those interested in matters relating to competition law and economy.

As regards sponsorship, the following projects were carried out under agreements with other institutions:

With Fundación Bertelsmann, the publication of the minutes of *II Congreso Diálogo y Acción. Europa en busca de su identidad: consecuencias y retos para España* (€25,000), held in Madrid on November 12 2007. The minutes include the papers delivered by the speakers, along with the content of the debates.

In conjunction with Centro Reina Sofía and Escuela de Periodismo e Investigación, the report, *Cómo informar sobre infancia y violencia* (€30,000), was published. This comprehensive study includes case analyses, the interpretation of data collected from a survey of national media and a long list of regulations affecting child violence; in addition to the opinions of some experts in the field.

Also, on a joint basis with Asociación Española de Ciencia Regional, a CD was released of the minutes of the XXXIV Reunión de Estudios Regionales (€4,800).

3. Economy, Cooperation in Development, Environment and Social Sponsorship

In the scope of Cooperation in Development, the year's main activity concerned the provision of aid for action relating to this issue in the international sphere. After proposals had been examined in accordance with the criteria established when the scheme was announced, an external adviser (GPI), together with Fundación ICO, evaluated the projects on the basis of a points system. The following were finally selected:

ORGANISATION	TITLE OF PROJECT	SCORE	AMOUNT AWARDED
Fundación Mundubat	Identification of new initiatives and a pilot project for access to credit from the gender perspective; women in Choluteca, Honduras.	92	€59,618.62
Asociación Global Humanitaria	Promotion of peasant organisations in the construction of a LIFE PLAN based on sustainable rural development in the town of Vacas-Cochabamba, Bolivia.	88.5	€22,354.26
Asociación Zabalketa	Systematisation and dissemination of experiences in territorial management. Peru and Bolivia.	88	€57,014.22
Fundación Lonxanet	Human capacities and sustainable development. Enhancing citizen involvement in the provinces of Huaura, Barranca and Huara, Peru.	86	€51,418.62
CERAI	Preparation of an agricultural development strategy for the rural commune of Beni Hadifa. Province of Alhucemas, Morocco.	82.5	€33,160.17
ACSUR	Sexual health and reproductive programme for Palestinian women in Nablus. Occupied Palestinian Territories.	81	€48,418.62
CEAM	Identification and implementation of small-scale rural fish-farming in the province of Chiquitos, Bolivia.	79	€51.168,63
Medicus Mundi Navarra	Political involvement in basic health care in Guatemala.	76.5	€49,543.62
Intermon Oxfam	Systematisation and training in support for the processing and marketing of food produce in Burkina-Faso, Mauritania, Tanzania and Haiti.	72	€34,284.62
Fundación Ecología y Desarrrollo	Furtherance of skills in technological options for water and sewage in Central America.	70.75	€43,018.62

As regards the foundation's **own activities** in this area, the year saw the conclusion of the identification of the project in the Dominican Republic, *The sustainable management of biodiversity and coastal-marine resources in the provinces of Barahona and Pedernales,* under the auspices of IDEAC (Institute for the Development of Associative Economy). As a result, it will be possible to set the first one-year stage of the four-year project under way.

In the area of the Environment (€150,000), the School Awareness Agreements are worthy of special mention. The results of the 2007-2008 campaign were extremely positive: in overall terms, the educational materials produced and the activities at schools where they were used easily fulfilled the qualitative and quantitative targets set. Fluid communication for the follow-up with all the organisations, together with the degree of cooperation they showed towards the foundation, should be seen as one of the great fruits of this experience, thanks to which Fundación ICO achieved a prominent place in the scope of primary and secondary education.

Turning now to the area of Economy (€280,657), several agreements were signed, such as one with Valencia University (OCEI) so as to continue with the task of gathering and disseminating information about the international economy, including statistics, analyses and indicators (€45,000, charged to the 2007 Budget); and another with Universidad Complutense de Madrid, for a summer course at El Escorial, organised by ICEI (€10,000). The VIII and IX Editions of ICO's International Executive Programme in Development Banking were held from April 14 to 18 and from October 20 to 24 respectively, with an overall attendance of 30 people and a total cost of €53,476.58. The foundation signed another agreement with Analistas Financieros Internacionales (AFI)-Real Colegio Complutense (Harvard) for the purpose of backing the organisation of the seminar, *Recent Developments in Financial Economics* (€25,000).

The foundation also started up a scheme related to ICO's Microcredit Facility. Known as *the Pilot Project for Microcredits in Spain,* the project is to be executed by Fundación Cajasol over a three-year period. For the project's development, an expert adviser, a pupil of Professor Yunus from the Grameen Bank (Bangladesh), will be hired. This expert will be present throughout the adaptation process of microcredit practices at Spanish savings banks, where proven models will be put in place with a view to attending to Spain's marginal groups.

Within the area of other kinds of sponsorship and agreements (€48,000), two activities are to be carried out: firstly, support for the Universidad Autónoma de Madrid Master Programme, *Microcredits for development* (€30,000), to be executed as from January 2009; and secondly, an agreement for the sponsorship of the publication of the work awarded the Instituo de Auditores de España (IAPE) Prize (€18,000).

Lastly, in the scope of social patronage, it is of interest to note the aid schemes for Fundación Bobath (€18,000) for the purpose of collaborating in the programme seeking to enable children and teenagers with cerebral palsy to attend school; Fundación Víctimas del Terrorismo (€30,000) for the 2008 activity programme designed to help terrorism victims; the European Journalists' Association (€6,000) to sponsor the XIV Edition of *Foro Eurolatinoamericano de Comunicación;* and Asociación de Peiodistas Parlamentarios (€12,000) for the sponsorship of the II Edition of the awards, *Premio Relato Parlamentario and Premio Imagen del Parlamento.*

A second priority activity in the area of social patronage consists in the annual organisation of an aid scheme for the social integration of immigrants. Under this scheme, in 2008, a total of €225,000 was assigned to 12 initiatives selected from over 200 applications.

4. Art

In 2008, the activities described below were carried out by **Fundación ICO's Art Area**:

Works belonging to Colecciones ICO were loaned to other institutions wishing to organise temporary exhibitions of artists such as Juan Muñoz, Antonio López, José Guerrero, Carlos Alcolea, Alberto Corazón and Juan Ugalde.

In addition to managing its own art holdings, in 2008, the foundation organised several temporary exhibitions at Museo Colecciones ICO.

El mundo descrito (€307,403.41)
From February 7 to May 4 2008
Colecciones. May 13. Between the dismantling of *El mundo descrito* and the installation of the following display, the foundation set up an exhibition, alongside Picasso's *Suite Vollard,* of 10 pictures from Colecciones ICO on the occasion of the cocktail party hosted at the museum by ICO's deputy Directorate of Investment Banking. Guests were also offered a guided tour of Suite Vollard, followed by a practical demonstration of the engraving process, given by an expert.

Lugares comprometidos. Topografía y actualidad (€135,906.79)
From June 4 to August 24 2008
The exhibition was part of Festival PHotoEspaña 2008.

Simultaneously with the exhibition programmed for PHotoEspaña 2008, Picasso's *Suite Vollard,* belonging to the permanent collections of Museo Colecciones ICO, was put on display.

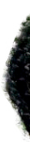
Guillermo Pérez Villalta. Artífice (€250,577.45)
From September 24 to December 7 2008

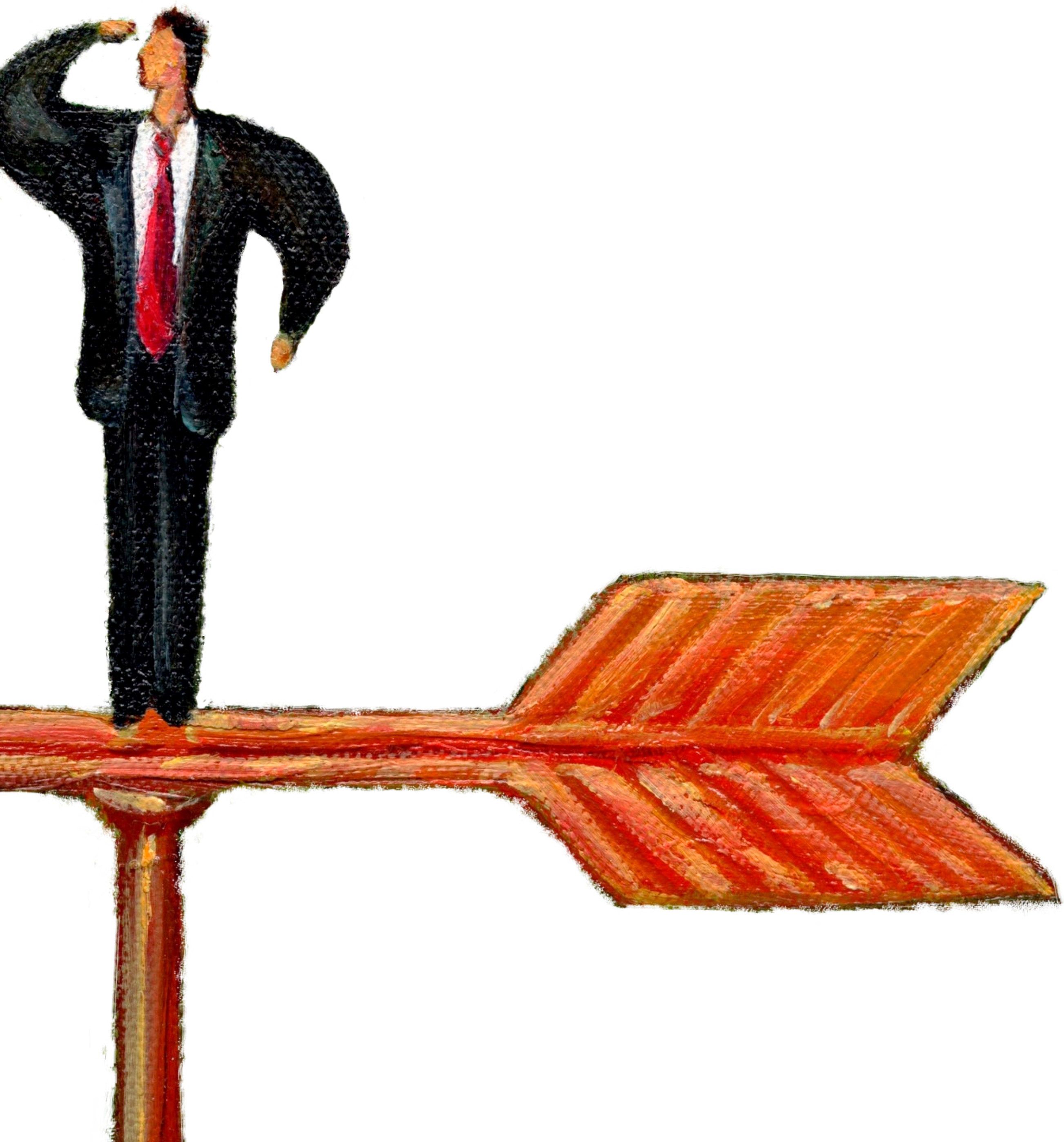
This exhibition forms part of Museo Colecciones ICO's ongoing project of showing the lesser known aspects of artists belonging to Colecciones ICO.

In 2008, 15,680 people visited the museum. In the area of **complementary activities,** one of the main features was the workshops for children and the family, *Talleres infantiles y en familia,* designed as an educational complement to the temporary exhibitions. With the idea of acquainting children with contemporary art, the foundation invites pupils from primary schools to attend the workshops. Last year, the children's workshops were attended by 1,188 people and the family workshops, by 865.

It is also of interest to note that, on the occasion of the exhibition, *Guillermo Pérez Villalta. Artífice,* the artist and the exhibition curator gave a joint talk, *A vueltas con el Artífice,* at ICO's auditorium on September 25 2008.

Within the scope of **sponsorship and collaboration with other institutions**, Fundación ICO took part in the parallel activity programme of the art fair, ARCO 08, and organised a cocktail party for the fair's professionals at Museo Colecciones ICO, which remained open until 10 p.m. for the occasion. Guests were also offered a guided tour by Pablo Llorca, the curator of *El mundo descrito,* the exhibition that was on at the time. In addition, Fundación ICO acted as official sponsor for the XI Edition of Festival PHotoEspaña 2008 (€30,000) and collaborated in the sponsorship of the general activities of ICOM-España (€5,000). With a contribution of €10,440, the foundation sponsored the exhibition, *Ernest Lluch. El esfuerzo por construir un país,* organised by Universidad Internacional Menéndez Pelayo. A financial contribution of €25,000 was approved for Sociedad Estatal de Exposiciones Internacionales, to be used in the publication of the catalogue for the exhibition, *De lo construido a la arquitectura sin papel,* which was to be installed in Spain's pavilion at the 2008 Venice Architecture Biennial. As in previous years, the foundation collaborated in the *National Graphic Arts Award* (2007).





GLOSSARY

GLOSSARY

AUTHORISATIONS

Loan authorisations are defined as the maximum limit allowed for loans granted under a given facility. This limit may refer either to the amount of loans granted in a financial year (SME Facility, for example) or to the total amount of lendable funds in a performance programme (Corporate Internationalisation, R&D Investments, etc.).

All second-floor facilities are subject to a limited number of authorisations. Conversely, loans granted directly by ICO are generally not subject to such limitations and their volume is thus determined by the size of solvent demand presented and covered.

LOANS GRANTED

Loans granted are the resolutions of the relevant executive bodies in favour of a loan application.

SECOND-FLOOR LOANS

Second-floor loans (mediation loans) are granted by ICO to co-operating institutions (banks and savings banks) in order that they in turn may grant them, in accordance with their own rules and procedures, to end-recipients.

The financial conditions of these operations are established by ICO. Such conditions are extremely attractive for borrowers and some facilities carry interest rate subsidies or partial hedging, granted by domestic or European Union institutions. In some cases, insolvency risks are completely assumed by the granting institutions and, in others, are shared by them and the institute within the proportions and limits laid down in the agreements of co-operation.

As, on account of its centralised structure, ICO has no branch network, the procedure of mediation of lendable funds enables the institute to overcome limitations with respect to the supply of loans to small and medium-sized enterprises. As for the applicants, they may request and obtain this official financing through the local bank or savings bank branch with which they normally do business.

DIRECT LOANS

Strictly speaking, these are loans granted by ICO directly to applicants. Each facility's applicants address their requests to the institute and, after examining the purpose to which the loan will be put, the transaction's profitability and security, as well as the applicant's financial position (solvency, payment capacity and so on), ICO determines acceptance or rejection. In a broad sense, the loans acquired from former Official Credit Institutions (OCI) on December 31 1992, deriving from economic policy operations, are also included in this heading's balance. The increased balance of direct loans tallies with that of loans and credits appearing on the balance sheets forwarded to the Bank of Spain.

LOAN ACCOUNTS

Loan accounts are defined as the sum total of Loans drawn down, Debtors for repayments due and Debtors for interest and fees due. This item reflects the amount of financial resources channelled directly or indirectly to the borrowers – and owed by them – at the time to which the figures refer.

STATE DEBT

Essentially, the State's indebtedness vis-à-vis ICO derives from its status as subsidiary guarantor of certain credit and security operations as instructed by the Government and granted by the now extinct Official Credit Institutions (OCI) and the institute itself. As at December 31 1992, the balances of these economic policy operations – loans to enterprises as provided for under the legislation applicable to industrial reconversion and upgrading, exceptional loans to victims and others – together with the corresponding liabilities, were transferred to ICO, in compliance with the Council of Ministers' Resolution of January 15 1993.

As a considerable portion of these operations proved irrecoverable, ICO recorded the non-payments in the State's debtor accounts. Naturally, these accounts decreased when the Treasury, upon the conclusion of administrative procedures declaring the failure of the operations, proceeded to credit the guaranteed amounts to the institute.

The settlement of the balance of this debt was addressed in the Sixth Additional Provision to RDA 12/1995, December 28, whereby ICO was authorised to increase its equity by the transformation of the ordinary loan received from the State and to cancel debts against the balance of that equity and reserves account for the amount stated in said provision.The capitalisation provided for – the increase of the entity's equity – took effect as at January 1 1996 but settlements of the debt were suspended by virtue of the Fifth Additional Provision to Act 13/1996, December 30.

Under the Eleventh Additional Provision to Act 24/2001, December 27, concerning Measures of a Fiscal, Administrative and Social Nature, the institute was authorised to cancel by a charge to its equity in 2001 the mature debt contracted by the State as at December 31 1998; and, in 2002, the debt contracted and maturing in the period from January 1 1999 to December 31 2001. The total amount of debt cancelled during the above-mentioned financial years exceeded two thousand million euros. The reader will find more detailed information about this process in the section, Cancellation of debts between the State and ICO, Act 24/2001, included in Bases of Presentation of the Financial Statements.

SPECIAL FUNDING

This is the funding obtained off ordinary market circuits under financial conditions which differ from those prevailing on such circuits.

Until 1988, the principal, most characteristic source of ICO's funding was constituted by Treasury allocations, financed in turn by the issue of investment bonds and, on a complementary basis, by budget allocations (forward payments by the Bank of Spain and others).

Investment bonds, created in 1958, were a special type of long-term public security (10 years) which, in the first instance, private banks, and subsequently, savings banks, were obliged to subscribe until reaching a certain percentage of their accountable liabilities.

When Spain joined the European Economic Community (EEC) on January 1 1986, it became necessary to review the activity of the institute and of Official Credit Institutions (OCI) as a whole so as to avoid a clash with the Community Fair Competition Policy. With this view in mind, Act 13/1987, concerning the General-Government Budget for 1988, introduced a number of modifications into the institutional and financial structure of official credit. As a result, issues of investment bonds were suppressed and Treasury allocations to the institute were transformed into two State loans. One of these loans was for an amount equal to the balance of outstanding bonds, accruing the same interest and with redemption on the same dates and for the same amounts, as a result of which ICO assumed de facto the servicing of the corresponding financial burden. The other loan was for an amount equivalent to that of Treasury allocations not financed with the compulsory minimum reserve requirement applicable to bonds, for which purpose a redemption period of 25 years was established. The grace period was set at 10 years so that the reimbursement stage would commence upon the conclusion of the repayment of the first loan; i.e., upon the conclusion of the redemption of investment bonds (1997).

In addition to State loans, special funding has a third component, which is constituted by industrial reconversion bonds. In 1991, the outstanding amount of these debt securities was transferred from Banco de Crédito Industrial to Banco Exterior de España after the takeover of the former by the latter. At December 31 1992, the outstanding balance on these bonds was transferred to ICO, together with all the other assets and liabilities of former Official Credit institutions deriving from economic policy operations. In 2001, industrial reconversion bonds were fully redeemed.

ORDINARY FUNDING

Ordinary funding refers to funds netted by ICO on domestic and foreign markets, where it competes with other institutional fund-seekers.

ARRANGEMENTS

An arrangement is the legal procedure in respect of a loan. At the present time, the operation is recorded in memorandum accounts as Loans not drawn down. The amounts disbursed to customers reduce the balance of this account and increase that of Loans drawn down in the same proportion.

LENDING INVESTMENT

The balance of lending investment is that which results from deducting the balance of Specific credit loss allowances from Loan accounts.

OPERATIONS UNDER MANAGEMENT

As the State's Financial Agency, ICO performs, amongst others, the tasks of managing and supplying certain lending operations to provide support for the export sector (FAD/Official Development Aid and CARI/Interest Makeup). These operations are recorded separately and do not appear on the institute's balance sheet.

SPECIAL OPERATIONS AND LOANS

This term covers the operations recorded by ICO in the performance of its functions as the State's Financial Agency. The balance is the result of the aggregate of Rights settled with the Treasury, Loans assumed by the State, Portfolio received from former Official Credit Institutions and Loans ordered by the Government or the CDGAE (the Government's Delegate Commission for Economic Affairs). In general, the loans carry the State's guarantee, although this security "does not take the same form in all cases, nor is it subject to the same procedures in its execution".

EIB LOANS WITH A CONTRA ITEM

These are operations in which the institute acts as guarantor and intermediary agent of loans granted by the European Investment Bank (EIB) to large Spanish enterprises for the financing of projects of Community interest (telecommunications, energy, wind farms, urban infrastructures, etc.). In these loans, the respective asset and liability entries correspond exactly and ICO is not exposed to any risk regarding either exchange and interest rates or terms.

EIB LOANS WITH NO CONTRA ITEM

In these transactions, ICO is a direct borrower of the European Investment Bank (EIB). There is no contractual correspondence between the bank and the end-recipients of these funds although, as its loans are earmarked, the EIB maintains some control over the projects financed.

The initial objective of loans with no contra item was to finance investments by SME. Since then, this aim has been broadened, enabling other specific investments to be financed (energy saving, environmental protection, strategic reserves of oil products, etc.), not only on the part of SME but also by private and State-owned enterprises of any size and local institutions.

ASSET-BACKED SECURITIES (SECURITISATION OF ASSETS)

Asset-backed securities are a financial mechanism for the conversion of certain assets (credits, loans, leasing contracts, operating or economic rights, etc.) into marketable fixed-income securities. In securitisation operations, the following agents take part: the originating institution or assignor (the holder of the assets which will be used to back the issues); the securitisation fund (the acquirer of those assets, responsible for converting them into transferable securities); the management firm (the fund's administrator and representative); the paying agent (the trustee of the yield on contra item assets and payer to the investor of the interest on the securities issued); and the investors acquiring the asset-backed securities (in general, institutional investors such as investment and pension funds).

The possibilities opened up by the Ministerial Order of May 28 1999, concerning agreements for the promotion of asset securitisation funds, enabled ICO to constitute securitisation funds linked to its SME Facility. The assets, securitised by means of the pertinent bond issues, are loans granted to small and medium-sized enterprises by the on-lending institutions, either in the form of a pre-established minimum percentage, as loans under this facility, or as market loans financed by the institutions from their own resources. The assignor institutions are under the obligation to reinvest, within the maximum period of one year, at least 40.0 percent of the liquidity obtained through securitisation in new loans to small and medium-sized enterprises. Under the Ministerial Order of December 28 2001, the minimum investment percentage was increased to 50.0 percent of the total portfolio of assets assigned.

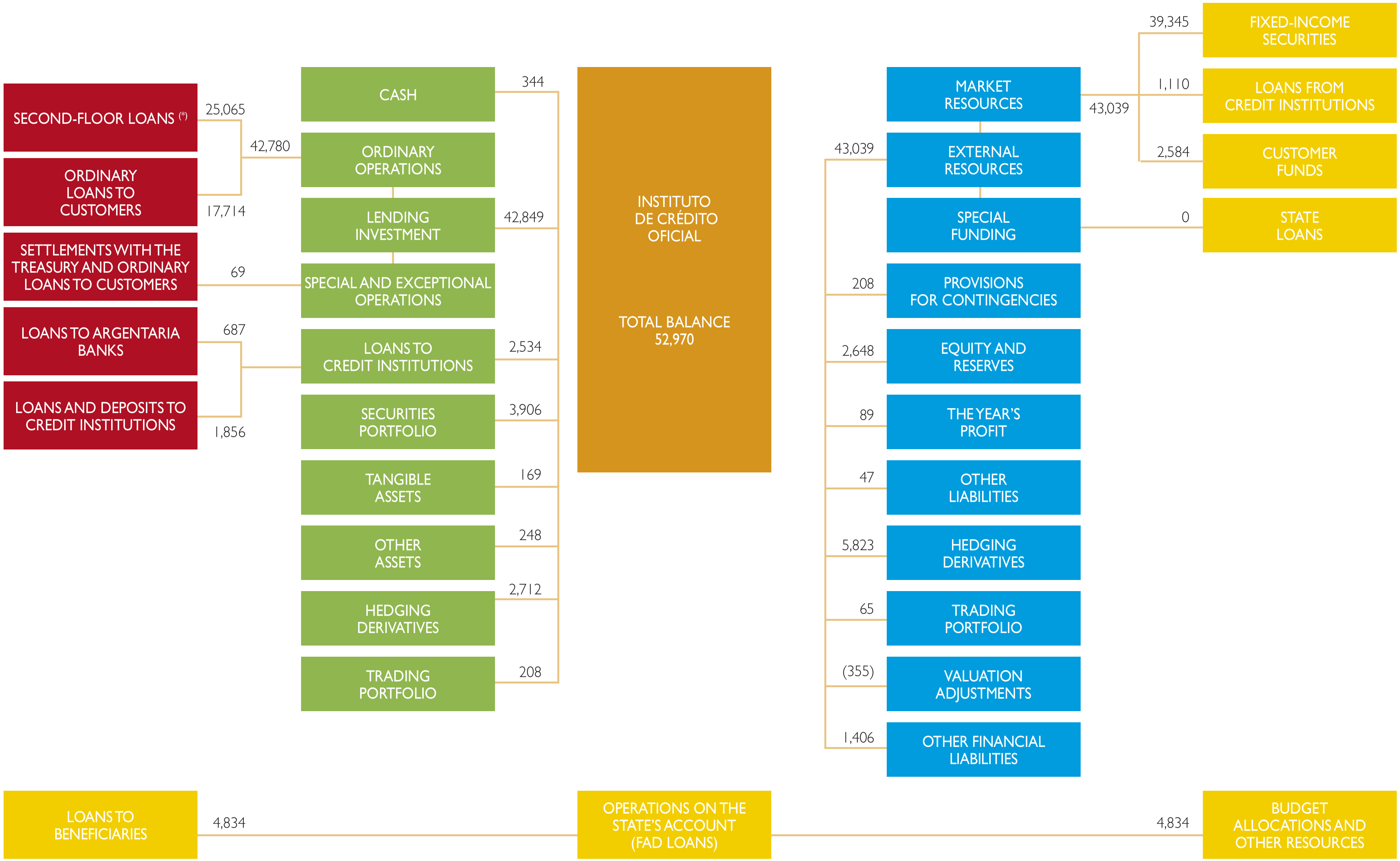
GENERAL NOTES. ROUNDING-OFF

Occasionally, slight differences between the totals and the arithmetical sum of their components appear in the charts of the Report and the Appendix. These differences are due to the rounding-off of figures.

APPENDIX

CONTENTS

CHART I. DIAGRAM OF ICO'S ASSET OPERATIONS AND FUNDING. BALANCES AT DECEMBER 31 2008. FIGURES IN MILLION EUROS



(*) Second-floor loans include €7,085m from the bonds replacing the securitised loans and are excluded from the investment portfolio due.

CHART II. ABSTRACT OF ASSETS

Balances at December 31

Million euros

	Total	Cash	Loans to credit institutions	Second-floor loans (*)	Loans and credits	Securities portfolio: Total	Securities portfolio: of which: Shares and holdings	Tangible assets	Other assets	Accrual accounts
	1 = 2 to 6 + 8 to 10	2	3	4	5	6	7	8	9	10
1991	19,398.3	16.2	15,112.1	-	1,904.3	6.0	6.0	22.5	26.4	2,310.8
1992	19,787.8	73.8	12,541.9	12.0	5,000.6	0.5	0.5	26.8	239.6	1,892.7
1993	19,412.1	12.2	11,542.2	383.7	5,404.0	25.5	16.6	56.1	114.6	1,873.6
1994	19,455.9	10.7	10,540.4	1,297.1	5,624.2	28.3	19.9	77.6	80.0	1,797.6
1995	19,820.9	10.8	9,080.1	2,708.0	5,865.8	42.9	27.9	79.6	340.2	1,693.7
1996	18,702.0	11.2	7,166.8	3,761.6	5,909.0	43.6	43.6	84.9	118.1	1,606.9
1997	20,087.3	4.3	7,527.8	5,078.4	5,528.0	48.9	48.9	90.4	35.5	1,774.1
1998	21,369.1	20.8	7,706.4	6,031.6	5,940.2	82.1	82.1	118.9	69.0	1,400.2
1999	23,561.9	27.5	7,929.9	7,085.7	6,755.1	91.4	91.4	106.4	270.3	1,295.7
2000	24,703.8	22.5	7,704.8	7,575.4	7,311.2	215.7	91.4	99.0	461.0	1,314.1
2001	25,600.7	31.5	6,933.6	8,131.9	8,000.5	634.6	100.4	89.2	651.2	1,128.2
2002	24,749.0	62.2	6,317.5	8,789.2	7,846.1	406.6	101.2	77.0	595.4	655.1
2003	26,419.2	29.8	7,138.1	9,614.1	8,004.9	678.9	101.2	63.8	342.5	547.0
2004	24,550.7	24.5	5,274.9	10,052.8	8,099.2	851.0	125.1	115.2	132.7	0.5
2005	26,956.0	74.2	3,870.7	12,101.5	8,496.2	1,138.7	127.7	163.0	1,110.9	0.9
2006	32,292.1	236.6	3,104.6	17,239.9	10,739.0	150.6	150.6	167.5	653.3	0.5
2007	39,881.6	128.1	3,193.3	21,650.2	13,550.3	181.9	152.4	169.3	1.008.1	0.6
2008	52,969.5	344.2	2,533.6	25,065.4	17,783.8	3,906.4	155.7	169.4	3.163.0	3.7

(*) Second-floor loans include €7,084.6m from bonds representing securitised loans.

CHART III. ABSTRACT OF LIABILITIES

Balances at December 31

Million euros

	Total	Special funding			Ordinary funding	Other liabilities	Provisions	Equity and reserves	Year's profit	Accrual accounts
		Total	State loans	Bonds						
	1 = 2 + 5 to 10	2 = 3 + 4	3	4	5	6	7	8	9	10
1991	19,398.3	9,562.1	3,870.5	5,691.6	8,519.5	27.3	127.8	510.9	32.9	617.8
1992	19,787.8	8,522.4	3,870.5	4,651.8	10,094.1	195.0	60.1	543.7	65.7	306.8
1993	19,412.1	7,524.7	3,870.5	3,654.1	10,899.2	42.7	13.8	609.5	10.1	312.1
1994	19,455.9	6,412.8	3,864.5	2..3	11,893.5	79.2	97.5	619.6	15.3	337.9
1995	19,820.9	5,144.7	3,738.3	1,406.4	13,342.4	212.7	107.8	616.8	40.8	355.7
1996	18,702.0	1,947.3	1,334.2	613.1	12,766.2	343.7	158.7	2,870.6	114.8	500.7
1997	20,087.3	1,220.1	1,105.9	114.2	14,831.2	333.2	328.2	2,798.0	86.2	490.4
1998	21,369.1	1,105.9	1,027.7	78.1	16,185.7	369.2	334.3	2,775.6	96.8	501.6
1999	23,561.9	990.4	948.6	41.8	18,614.3	299.5	324.0	2,775.6	86.0	472.1
2000	24,703.8	873.2	869.5	3.7	19,827.7	294.5	321.0	2,775.6	80.1	531.7
2001	25,600.7	790.5	790.5	-	21,863.7	870.4	276.2	1,172.8	128.8	498.4
2002	24,749.0	711.4	711.4	-	21,114.8	1,077.2	247.7	1,106.9	301.3	189.8
2003	26,419.2	632.4	632.4	-	21,872.6	2,337.1	215.5	1,106.9	99.8	154.9
2004	24,550.7	320.5	320.5	-	18,784.0	3,888.3	405.2	1,092.3	55.1	5.3
2005	26,956.1	274.7	274.7	-	23,485.8	1,657.3	247.5	1,240.0	50.5	0.3
2006	32,292.1	228.9	228.9	-	27,654.7	2,781.7	224.9	1,294.6	106.8	0.5
2007	39,881.6	0.0	0.0	--	32,780.1	4,791.3	241.3	1,984.0	82.3	-
2008	52,969.5	0.0	0.0	--	43,039.3	7,339.9	207.8	2,292.3	88.7	1.5

CHART IV. ASSETS. LOANS TO INSTITUTIONS AND SECOND-FLOOR LOANS

Balances at December 31 — Million euros

	Loans to credit institutions					Second-floor loans (*)			
	Total	**Loans to Argentaria**	**Interbank deposits**	**Other loans**	**Provisions**	**Total**	**SME**	**Other facilities**	**Pro Memoria Generic provisions**
	1 = 2 to 4 - 5	**2**	**3**	**4**	**5**	**6 = 7 + 8**	**7**	**8**	**9**
1991	15,112.7	13,462.5	1,650.1	0.0	0.0	-	-	-	-
1992	12,541.9	10,823.8	1,725.8	50.9	58.6	12.0	12.0	-	-
1993	11,542.2	10,440.7	1,141.2	32.1	71.8	383.7	383.7	-	-
1994	10,540.4	8,885.4	281.6	1,430.6	57.0	1,297.1	1,297.1	-	-
1995	9,080.1	7,191.5	256.6	1,685.9	53.9	2,707.9	2,130.8	577.1	53.9
1996	7,166.8	6,946.3	272.8	6.1	58.3	3,761.6	3,086.9	674.7	79.3
1997	7,527.8	7,016.6	570.8	7.8	67.4	5,078.3	4,336.4	741.9	117.5
1998	7,706.3	7,174.1	572.4	22.7	62.9	6,031.5	5,344.1	687.4	117.6
1999	7,929.9	7,065.1	912.3	28.1	75.7	7,085.7	6,421.7	664.0	117.7
2000	7,704.8	6,615.6	1,090.4	81.0	82.2	7,575.4	6,457.0	1,118.4	117.6
2001	6,933.6	6,429.3	592.8	9.8	98.2	8,131.9	6,676.8	1,455.1	110.1
2002	6,317.5	5,535.1	744.6	127.4	89.6	8,789.2	7,101.3	1,687.9	110.2
2003	7,138.1	4,439.3	2,201.3	574.1	76.6	9,614.1	7,640.6	1,973.5	81.7
2004	5,274.9	3,331.2	1,856.1	153.7	66.1	10,052.8	7,956.0	2,096.7	47.5
2005	3,870.7	2,485.1	1,304.5	154.5	73.4	12,101.5	9,057.4	3,044.2	11.0
2006	3,104.6	2,158.6	762.8	212.7	29.5	17,239.9	12,827.3	4,412.6	10.4
2007	3,193.3	1,358.8	1,692.3	168.4	26.4	11,017.0	8,337.8	2,679.2	6.6
2008	2,533.6	677.1	1,647.7	236.7	27.9	17,980.9	13,351.3	4,629.6	8.0

(*) Covered bonds not included.

CHART V. ASSETS. LOANS AND CREDITS

Balances at December 31

Million euros

		Loan accounts							Provisions	
			Public Administrations		Other resident sectors					
	Total	Total	Total	Central Administration	Total	Ordinary loans	Special accounts	Non-residents	Total	Of which: loans to non-residents
	1 = 2 - 9	2 = 3+5+8	3	4	5=6+7	6	7	8	9	10
1991	1,904.3	2,019.4	336.6	-	1,598.7	-	-	84.1	115.1	-
1992	5,000.6	5,139.3	1,058.3	-	3,950.2	-	-	130.8	138.7	-
1993	5,403.9	5,661.4	1,368.4	1,026.3	4,161.9	2,782.9	1,379.0	131.1	257.5	0.0
1994	5,624.3	5,970.6	1,246.6	934.9	4,401.8	3,075.5	1,326.3	322.3	346.3	0.0
1995	5,865.8	6,412.0	1,486.0	1,277.4	4,783.1	3,487.9	1,295.2	142.9	546.2	0.1
1996	5,909.0	6,456.9	1,757.4	1,580.3	4,445.7	3,182.5	1,263.2	253.8	547.8	1.0
1997	5,528.0	6,100.8	1,670.6	1,332.0	3,995.6	2,777.0	1,218.6	434.6	572.8	22.6
1998	5,940.2	6,447.6	1,701.8	1,195.6	4,205.3	3,031.5	1,173.8	540.5	507.4	24.0
1999	6,755.1	7,266.9	1,680.2	1,114.3	5,014.2	3,849.3	1,164.9	572.5	511.8	24.5
2000	7,311.2	7,743.4	1,611.5	1,033.0	5,493.8	4,416.2	1,077.6	638.1	432.2	27.4
2001	8,000.5	8,737.1	618.8	15.8	6,232.6	4,898.9	1,333.7	1,885.7	736.6	60.1
2002	7,846.1	8,420.9	936.5	156.0	5,793.9	5,090.6	703.3	1,690.6	574.8	119.6
2003	8,004.9	8,572.0	867.2	133.4	6,174.5	5,501.6	672.9	1,530.3	567.1	184.2
2004	8,099.2	8,609.9	1,091.4	426.9	5,934.2	5,477.8	456.5	1,584.2	510.7	69.6
2005	8,496.2	9,073.5	1,330.6	437.7	6,116.6	5,677.4	439.2	1,626.3	577.3	54.3
2006	10,739.0	11,184.8	1,231.8	198.5	7,820.5	7,535.7	284.8	2,132.6	445.7	69.6
2007	13,550.3	13,893.4	1,096.2	34.9	10,884.9	10,738.5	146.4	1,912.3	343.2	39.4
2008	17,783.8	18,323.5	1,344.7	383.4	15,257.8	15,147.5	110.3	1,721.0	539.7	36.7

CHART VI. LIABILITIES. ORDINARY FUNDING

Balances at December 31 — Million euros

		Fixed-income securities			Loans from credit institutions					
	Total	**Total**	**Bonds and debentures**	***Pagarés* and others**	**Total**	**Loans from the EIB**	**Other loans**	**Interbank system**	**Demand deposits**	**Pro Memoria Funding in f.c.**
	1 = 2 +5 + 9	**2 = 3 + 4**	**3**	**4**	**5 = 6 + 7 + 8**	**6**	**7**	**8**	**9**	**10**
1991	8,519.5	6,527.5	2,906.2	3,621.3	1,901.6	1,610.7	264.4	26.5	90.4	0.0
1992	10,094.1	6,864.9	3,214.6	3,650.3	3,099.5	2,031.4	294.5	773.6	129.7	0.0
1993	10,899.2	7,227.7	3,838.2	3,389.5	3,544.3	2,458.1	348.6	737.6	127.2	0.0
1994	11,893.5	7,411.0	3,862.7	3,548.3	4,356.6	2,548.3	486.8	1,321.5	125.9	0.0
1995	13,342.4	7,146.0	4,481.2	2,664.8	5,878.2	2,578.3	1,923.2	1,376.7	318.2	0.0
1996	12,766.2	8,229.7	5,802.0	2,427.7	4,281.0	2,710.6	1,009.7	560.7	255.5	0.0
1997	14,831.2	10,030.2	7,915.0	2,115.2	4,533.1	2,386.0	1,430.4	716.7	267.9	0.0
1998	16,185.7	11,240.6	9,260.9	1,979.7	4,517.5	2,392.0	1,687.8	437.7	427.5	0.0
1999	18,614.3	13,326.6	11,793.1	1,533.5	4,621.3	2,730.4	1,603.1	287.8	666.4	0.0
2000	19,827.7	14,166.3	12,913.2	1,253.1	4,592.1	3,003.9	1,567.6	20.6	1,069.2	6,266.0
2001	21,863.7	16,364.9	15,423.7	941.2	4,503.1	3,118.8	1,180.7	203.5	995.7	10,057.6
2002	21,114.8	16,344.0	15,521.6	822.4	4,005.4	3,012.7	990.7	2.0	765.3	9,475.1
2003	21,872.6	17,495.6	16,753.2	742.4	3,197.1	2,353.0	824.5	19.6	1,179.9	10,610.4
2004	18,784.0	14,871.9	14,570.7	301.2	2,626.8	2,027.2	692.2	(92.6)	1,285.4	10,783.3
2005	23,485.8	19,482.9	19,105.8	377.1	2,709.6	1,649.5	712.6	347.4	1,293.3	14,394.4
2006	27,654.7	23,896.7	23,513.1	383.6	1,778.5	1,008.7	741.0	28.7	1,979.6	17,063.9
2007	32,780.1	29,053.9	28,649.0	405.0	1,060.3	615.0	442.1	3.2	2,665.8	18,320.4
2008	43,039.3	39,345.4	38,929.1	416.2	1,109.7	547.7	486.4	75.6	2,584.2	24,810.0

CHART VII. STATEMENT OF NET INCOME

Annual amounts — Million euros

	Interest revenue	Interest expense	Net interest revenue	Net ordinary revenue	Other operating revenue	Operating costs and depreciation	Net operating revenue	Provisions and other net losses	Extraordinary results	Pre-tax profit
	1	2	3 = 1 - 2	4	5	6	7 = 4 + 5 - 6	8	9	10 = 7 + 8 + 9
1991	1,505.6	1,417.8	87.8	85.1	1.7	13.3	73.5	(26.3)	3.4	50.6
1992	1,469.1	1,401.6	67.5	88.9	0.7	9.7	79.9	(53.5)	74.6	101.0
1993	1,548.2	1,475.7	72.5	72.1	0.6	14.0	58.7	(155.7)	107.0	10.0
1994	1,464.2	1,395.7	68.5	76.3	6.6	21.2	61.7	(146.3)	99.9	15.3
1995	1,446.8	1,394.5	52.3	60.1	0.2	25.2	35.1	(190.3)	196.0	40.8
1996	1,299.0	1,175.0	124.0	126.0	0.2	27.1	99.1	3.0	12.7	114.8
1997	1,096.6	1,008.2	88.4	90.5	0.2	27.5	63.2	(7.4)	30.4	86.2
1998	968.6	916.2	52.4	53.6	0.5	27.2	26.9	(6.9)	76.7	96.7
1999	803.3	724.9	78.4	81.5	0.6	32.6	49.5	(12.9)	93.6	130.2
2000	1,015.0	927.5	87.5	92.8	0.9	30.7	63.0	41.9	21.9	126.8
2001	1,054.8	951.8	103.0	110.2	0.8	33.6	77.4	(307.8)	554.9	324.5
2002	877.1	762.4	114.7	123.2	(2.0)	37.9	83.4	(80.1)	380.7	384.0
2003	707.3	603.4	103.9	112.7	1.0	37.4	76.3	(23.1)	56.0	109.2
2004	623.1	530.6	92.5	94.0	1.0	33.0	62.0	17.5	-	79.4
2005	670.2	579.9	90.3	129.7	1.3	33.2	97.8	(34.0)	-	63.8
2006	1,068.3	872.2	196.0	207.4	2.5	37.6	172.3	(13.5)	-	158.8
2007	1,647.6	1,440.1	207.3	227.3	2.6	40.9	187.3	(79.5)	-	107.8
2008	2,171.0	1,875.9	294.9	349.9	2.1	41.2	308.6	(186.8)		121.8

Note: So as to keep to the historical series, the information presented here has not been updated in accordance with BoS Circular 6.

CHART VIII ICO. LOAN FACILITIES

PROMOTION OF CORPORATE INVESTMENT	SME	Preferential financing for SME productive investments.
	ENTREPRENEURS	Preferential financing for the productive investments of new microenterprises or new self-employed workers.
	GROWTH	Grant financing for investments whose amount exceeds the one established for the ICO-SME Facility.
	LARGE ENTERPRISES	Large-scale projects: Finance large-scale investment projects located in Spain, related to infrastructures, energy-saving, the environment, technological innovation and the enhancement of competitiveness.
		EIB loans: Guarantee loans granted by the EIB for the execution of projects of Community interest.
SECTORAL ACTIVITIES	HOUSING	Finance the acquisition of land for development and the construction of officially-sponsored housing for rent.
	EIB-EFTA AGREEMENT	Finance investments in renewable energies, water supply and treatment, the reduction of contaminant emissions and waste treatment.
	MAPA AGREEMENT	Finance the adaptation of pig-breeding facilities to meet health and environmental requirements and regulations.
	ICAA AGREEMENT	Finance film production projects.
URBAN FACILITIES	PUBLIC INSTITUTIONS AND ENTERPRISES	Finance the execution of investments made by autonomous communities, provincial governments, local corporations and their enterprises and investee companies.
INVESTMENTS ABROAD AND SUPPORT FOR THE INTERNATIONALISATION OF THE SPANISH ENTERPRISE	CORPORATE INTER-NATIONALISATION	Preferential financing for the productive investments of Spanish Small and Medium-Sized Enterprises in other countries.
	ICEX	Provide financial assistance for Spanish enterprises wishing to start exporting.
	PROINVEX PROGRAMME	Financing, in any form except the acquisition of capital, for large-scale investments abroad involving Spanish enterprises.
	INTEREST MAKEUP (CARI)	Promote the granting of long-term export credits at fixed interest rates by financial institutions through a mechanism similar to interest rate insurance. Approval is incumbent on the Secretariat of State for Tourism and Trade, which has delegated the instrument's management on ICO.
DEVELOPMENT AID	MICROCREDIT FUND	The provision of loans to on-lending institutions in disadvantaged countries for the purpose of improving the standard of living of vulnerable groups. These loans are granted by an Executive Committee attached to the Secretariat of State for Cooperation and ICO acts as financial agent on its behalf.
	FAD (ODA)	Supply concessionary loans to developing countries and international financial institutions of which Spain is a member. Loans are granted by the Spanish Government and ICO acts as financial agent on its behalf.
NATURAL DISASTERS, GRAVE ECONOMIC CRISES AND SIMILAR	ICO DIRECT LOANS	On the Government's express instructions, provide finance for victims of grave economic crises, natural disasters and similar.

CHART VIII. BIS. ORDINARY OPERATIONS. LOANS ARRANGED IN THE YEAR

Distribution by purposes — Thousand euros

	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. SME investments	**2,253,327**	**2,963,598**	**2,816,855**	**3,154,200**	**3,110,800**	**4,099,207**	**7,217,382**	**8,658,330**	**6,734,180**
1.1. General ICO-SME Facility	2,253,327	2,909,998	2,678,555	3,000,000	3,000,000	4,000,000	7,000,000	8,513,600	6,734,180
1.2. Agreements with autonomous comms.	-	53,600	138,300	154,200	110,800	99,207	96,084	3,230	0
1.3. Other facilities	-	-	-	-	-	-	121,298	141,500	0
2. Technological innovation	**281,580**	**112,811**	**162,439**	**235,342**	**242,335**	**246,605**	**118,885**	**104,370**	**0**
3. Renewable energies	**16,570**	**250,073**	**99,370**	**163,772**	**199,995**	**84,725**	**458,124**	**290,608**	**522,715**
4. Housing and land for development	**58,497**	**97,875**	**73,936**	**75,720**	**20,917**	**16,513**	**2,300**	**20,249**	**81,148**
5. Projects of Community interest	**60,813**	**178,985**	**50,000**	**27,463**	**110,130**	**14,077**	**-**	**-**	**0**
6. GRINVE Programme and regional development	**1,449,194**	**993,360**	**891,503**	**1,447,076**	**954,657**	**2,812,360**	**3,103,001**	**4,068,446**	**3,416,699**
6.1. Regional development	171,000	172,900	91,810	64,400	75,000	761,750	477,189	693,500	1,790,764
6.2. Telecommunications	482,000	88,306	180,500	-	203,190	587,500	34,000	411,600	0
6.3. Transport infrastructures	185,000	680,050	258,195	1,210,489	103,689	509,700	766,054	840,891	223,664
6.4. Energy infrastructures	330,000	30,050	260,350	134,862	572,778	376,375	630,000	801,155	875,000
6.5. Other purposes	281,194	22,054	100,648	37,325	-	577,035	1,195,758	1,321,300	527,271
7. Audiovisual media	**61,303**	**56,151**	**47,236**	**49,950**	**52,436**	**65,734**	**56,062**	**51,200**	**41,951**
8. Other facilities	**285,138**	**315,343**	**70,100**	**125,700**	**122,597**	**281,976**	**304,234**	**538,300**	**1,370,020**
9. (1 to 8) Total investments in Spain	**4,466,422**	**4,968,197**	**4,211,439**	**5,279,222**	**4,813,866**	**7,621,197**	**11,259,987**	**13,731,503**	**12,166,713**
10. Backing for SME	**50,593**	**-**	**29,331**	**45,745**	**-**	**54,224**	**170,255**	**135,600**	**184,690**
10.1. Internationalisation	50,593	-	29,331	45,745	-	54,224	141,580	114,100	149,990
10.2. ICEX Agreement	-	-	-	-	-	-	28,675	21,500	34,700
11. PROINVEX Programme	**431,503**	**210,000**	**294,612**	**303,292**	**502,740**	**1,327,260**	**1,850,447**	**1,562,977**	**1,707,602**
12. (10 + 11) Total investments abroad	**482,096**	**(*) 210,000**	**323,943**	**349,037**	**502,740**	**1,381,484**	**2,020,702**	**1,698,577**	**1,892,292**
13. (9 + 12) TOTAL ORDINARY OPERATIONS	**4,948,518**	**5,178,197**	**4,535,382**	**5,628,259**	**5,316,606**	**9,002,681**	**13,280,689**	**15,430,080**	**14,059,005**
Annual increases %		**4.64**	**(12.41)**	**24.10**	**(5.54)**	**69.33**	**47.52**	**16.18**	**(8.89)**

(*) Not including €1,134m granted to the Argentine Republic.

CHART IX. CHARACTERISTICS OF SECOND-FLOOR LOANS OPERATIVE IN 2008

	ICO assignment interest rate	Interest rate. End beneficiary	Additional interest subsidy
ICO SME FACILITY 2008	FIXED: ICO REFERENCE -0.25% VARIABLE: EURIBOR 6 MTHS. -0.25%	FIXED: ICO REFERENCE +0.65% VARIABLE: EURIBOR 6 MTHS. +0.65%	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget.
ICO-ICAA FILM PRODUCTION 2008	VARIABLE: EURIBOR 6 MTHS.	VARIABLE: EURIBOR 6 MTHS. +0.75%	1.70% charged to ICAA.
ICO-MOPU TRANSPORT FACILITY 2008	VARIABLE: EURIBOR 6 MTHS.	VARIABLE: EURIBOR 6 MTHS. +0.75%	
IRRIGATION EQUIPMENT FACILITY	VARIABLE: EURIBOR 6 MTHS.	VARIABLE: EURIBOR 6 MTHS. +0.75%	
ICO-CORPORATE GROWTH FACILITY 2008	FIXED RATE: ICO REFERENCE VARIABLE: EURIBOR 6 MTHS.	FIXED RATE: ICO REFERENCE ICO +0.75% VARIABLE: EURIBOR 6 MTHS. +0.75%	
ICO-ENTREPRENEURS FACILITY 2008	FIXED RATE: ICO REFERENCE VARIABLE: EURIBOR 6 MTHS.	FIXED RATE: ICO REFERENCE +0.50 or +1.00% VARIABLE: EURIBOR 6 MTHS. +0.50% or +1.00%	1% for operations with no SGR GUARANTEE and 0.75% for operations with an SGR GUARANTEE, charged to the General-Government Budget.
ICO-ICEX FACILITY 2008	FIXED: 0% AER	FIXED: 0% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to ICEX.
ICO-TEXTILE SECTOR, FOOTWEAR, TOYS AND FURNITURE FACILITY 2008	FIXED RATE: ICO REFERENCE VARIABLE: EURIBOR 6 MTHS.	FIXED RATE: ICO REFERENCE +0.75% or +0.5% VARIABLE: EURIBOR 6 MTHS. +0.75% or +0.5%	1.25% or 1% charged to MITYC.
ICO-PLAN AVANZA FACILITY	FIXED: 0% AER	FIXED: 0% AER	MITYC funds assigned to ICO interest-free.
ICO-SPANISH ENTERPRISE INTERNATIONALISATION FACILITY, TRANCHE I 2008	FIXED: ICO REFERENCE -0.35% VARIABLE: EURIBOR LIBOR 6 MTHS. -0.35%	FIXED: ICO REFERENCE +0.40% VARIABLE: EURIBOR/LIBOR 6 MTHS. +0.40%	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget.

CHART IX. CHARACTERISTICS OF SECOND-FLOOR LOANS OPERATIVE IN 2008. (CONT.)

	ICO assignment interest rate	Interest rate. End beneficiary	Additional interest subsidy
ICO-SPANISH ENTERPRISE INTERNATIONALISATION FACILITY, TRANCHE II 2008	FIXED: ICO REFERENCE VARIABLE: EURIBOR/LIBOR 6 MTHS.	FIXED: ICO REFERENCE +0.75% VARIABLE: EURIBOR/LIBOR 6 MTHS. +0.75%	
ICO-MAPA FISHING SECTOR FACILITY	FIXED: 0% AER	FIXED: 0% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to MAPA.
ICO-TOURISM 2007 FACILITY (ARRANGEMENTS IN 2008)	FOMIT: FIXED: 0%	FOMIT: FIXED: 0.50%	MITYC FUNDS assigned to ICO interest-free.
ICO-FORUM/ AFINSA VICTIMS	FIXED: 0% AER	FIXED: 0% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget.
ICO-UNIVERSITY STUDIES LOANS	FIXED: 0% AER	FIXED: 0% AER	MEC funds assigned to ICO interest-free.
ICO-DGT FACILITY	FIXED: 0% AER	FIXED: 0% AER	Ministry of the Interior funds assigned to ICO interest-free.
ICO-PLAN VIVE FACILITY 2008/2010	FIXED: 0% AER	FIXED: 0% AER	MITYC funds assigned to ICO interest-free.
ICO-PROINMED FACILITY	VARIABLE, resulting from award by auction	To be determined for each operation	
RDA 10/2007 FACILITY (ARRANGEMENTS IN 2008)	FIXED: 1.5% AER	FIXED: 2% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget.
RDA 7/2007 FACILITY (ARRANGEMENTS IN 2008)	FIXED: 1.5% AER	FIXED: 2% AER	The loss for ICO of the differential between the cost of resources and the assignment rate will be charged to the General-Government Budget.
MICROCREDITS (ARRANGEMENTS IN 2008)	FIXED: ICO REFERENCE	FIXED: ICO REFERENCE +3%	

CHART X. FINANCING OF INVESTMENTS IN SPAIN

Loans arranged in the year. Distribution by autonomous communities [(a)] — Million euros

		Ordinary operations					
			Second-floor loans				
	Total	Total	Total	SME Facility	Other facilities	Direct loans	Special and exceptional operations
	1=2+7	2=3+6	3=4+5	4	5	6	7[(b)]
2007							
Andalucía	1,308.69	1,308.69	1,063.82	989.30	74.52	244.87	
Aragón	611.75	611.75	554.43	515.10	39.33	57.32	
Asturias	186.90	186.90	174.46	164.30	10.16	12.44	
Baleares	233.08	233.08	177.05	155.80	21.25	56.03	
Canarias	346.13	346.13	346.13	321.00	25.13	-	
Cantabria	104.90	104.90	94.90	87.70	7.20	10.00	
Castilla-La Mancha	483.53	483.53	456.20	428.20	28.00	27.33	
Castilla-León	850.77	850.77	725.89	680.20	45.69	124.88	
Cataluña	1,923.39	1,923.39	1,726.35	1,546.10	180.25	197.04	
Ceuta	9.22	9.22				9.22	
Comunidad Valenciana	1,486.62	1,486.62	1,255.86	1,152.70	103.16	230.76	
Extremadura	163.59	163.59	121.30	109.00	12.30	42.29	
Galicia	509.86	509.86	423.21	394.20	29.01	86.65	
La Rioja	119.27	119.27	119.27	108.10	11.17	-	
Madrid	1,230.43	1,230.43	915.08	818.20	96.88	315.35	
Melilla	0.00	0.00					
Navarra	296.24	296.24	276.74	253.70	23.04	19.50	
País Vasco (Basque Country)	516.92	516.92	516.92	466.50	50.42		
Región de Murcia	374.60	374.60	354.60	323.50	31.10	20.00	
National scope	2,975.62	2,975.62	5.80		5.80	2,969.82	
Not distributed	88.70						88.70
TOTAL	**13,820.20**	**13,731.50**	**9,308.00**	**8,513.60**	**794.40**	**4,423.50**	**88.70**

(a) In accordance with the location of the projects financed.
(b) Victims and other.

CHART X. FINANCING OF INVESTMENTS IN SPAIN (CONT.)

Loans arranged in the year. Distribution by autonomous communities [(a)] — Million euros

	Total	Ordinary operations					Special and exceptional operations
		Total	Second-floor loans			Direct loans	
			Total	SME Facility	Other facilities		
	1=2+7	2=3+6	3=4+5	4	5	6	7[(b)]
2008							
Andalucía	1,220.32	1,184.79	821.90	699.01	122.89	362.89	35.53
Aragón	1,035.88	1,029.71	433.85	389.91	43.94	595.86	6.17
Asturias	186.56	182.26	159.76	138.05	21.71	22.50	4.30
Baleares	272.11	271.90	185.90	142.09	43.81	86.00	0.21
Canarias	351.86	339.76	339.76	249.17	90.59		12.10
Cantabria	131.68	130.01	93.84	80.14	13.70	36.17	1.67
Castilla-La Mancha	433.86	420.19	375.19	337.38	37.81	45.00	13.67
Castilla-León	807.24	791.99	642.32	574.43	67.89	149.67	15.25
Cataluña	2,060.69	2,048.28	1,511.37	1,203.39	307.98	536.91	12.41
Ceuta	0.00	0.00	0.00				
Comunidad Valenciana	1,176.52	1,154.21	994.10	804.74	189.36	160.11	22.31
Extremadura	178.20	172.57	111.07	92.93	18.14	61.50	5.63
Galicia	514.97	421.05	417.45	325.26	92.19	3.60	93.92
La Rioja	193.19	191.19	143.69	123.23	20.46	47.50	2.00
Madrid	996.96	939.40	751.43	613.48	137.95	187.97	57.56
Melilla	11.00	11.00	0.00			11.00	
Navarra	313.94	311.40	311.40	259.94	51.46		2.54
País Vasco (Basque Country)	589.85	535.96	503.52	422.24	81.28	32.44	53.89
Región de Murcia	394.26	392.49	330.55	278.79	51.76	61.94	1.77
National scope	1,638.56	1,638.56				1,638.56	
Not distributed	0.00						
TOTAL	**12,507.64**	**12,166.71**	**8,127.10**	**6,734.18**	**1,392.92**	**4,039.61**	**340.93**

(a) In accordance with the location of the projects financed.
(b) Victims and other.

CHART XI. SECOND-FLOOR LOANS. DISTRIBUTION BY FACILITIES

Annual drawdowns of loans granted

Thousand euros

	1993	1994	1995	1996	1.97	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Accumulated
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16 = 1 to 16
1. SME Facility	362,807	977,991	991,838	1,174,227	1,798,853	1,803,036	2,404,048	2,253,330	2,909,998	2,678,552	3,000,000	3,000,000	4,000,000	7,000,000	8,371,470	6,876,262	49,602,413
1.1. General	362,807	394,883	397,618	593,313	565,691	589,707	2,404,048	2,253,330	2,909,998	2,678,552	3,000,000	3,000,000	4,000,000	7,000,000	8,371,470	6,876,262	45,397,679
1.2. Secured investments	-	-	-	37,617	-	-	-	-	-	-	-	-	-	-	-	-	37,617
1.3. ERDF. Objective 1	-	378,415	373,036	465,989	1,203,208	1,202,024	-	-	-	-	-	-	-	-	-	-	3,622,672
1.4. ERDF. Objective 2	-	79,286	99,077	64,645	-	-	-	-	-	-	-	-	-	-	-	-	243,007
1.5. Tourism	-	-	35,027	12,663	-	-	-	-	-	-	-	-	-	-	-	-	47,690
1.6. Job creation	-	125,407	87,081	-	-	-	-	-	-	-	-	-	-	-	-	-	212,488
1.7. CDTI	-	-	-	-	29,954	11,305	-	-	-	-	-	-	-	-	-	-	41,259
2. Environment	-	41,422	84,136	15,602	-	-	-	-	-	-	-	-	-	1,535	500	-	143,195
3. Renove Industrial	-	28,091	357,879	135,198	210,324	-	-	-	-	-	-	-	-	-	-	-	731,492
4. Internationalisation	-	3,606	43,784	58,466	102,220	163,139	58,515	50,590	-	29,331	45,745	-	52,988	142,817	114,095	149,999	1,015,297
5. Financial restructuring	-	-	-	7,338	-	-	-	-	-	-	-	-	-	-	-	-	7,338
6. Shipbuilding	-	4,117	4,976	403	12,735	9,514	3,203	-	-	-	-	-	-	-	-	-	34,947
7. CDTI	8,504	6,335	9,226	7,278	-	-	150,253	300,067	182,270	209,999	215,076	244,922	212,600	117,829	94,789	-	1,759,148
8. Pig-breeding sector	-	-	-	-	-	-	9,634	-	-	-	-	-	-	-	-	-	9,634
9. Ext. cattle-breeding/dry farming	-	-	-	-	-	-	3,215	226,180	13,400	-	-	-	-	-	-	-	242,795
10. Film industry	-	-	-	-	-	-	-	33,055	39,198	30,021	39,807	32,089	42,733	39,562	39,106	26,901	322,472
11. Renewable energies (IDAE)	-	-	-	-	-	-	-	28,520	42,832	4,065	21,519	146,384	61,913	339,324	-	-	644,557
12. Enterprise creation	-	-	-	-	-	-	-	-	73,197	-	-	-	-	-	-	-	73,197
13. Transport	-	-	-	-	-	-	-	-	30,483	70,076	98,447	100,000	279,946	195,140	38,890	49,114	862,096
14. INFO-Murcia	-	-	-	-	-	-	-	-	53,623	138,269	149,935	109,328	105,317	92,236	1,361	-	650,069
15. INFO-Murcia Entrepreneurs	-	-	-	-	-	-	-	-	-	-	3,090	4,025	845	3,110	-	-	11,070
16. Diesel oil	-	-	-	-	-	-	-	-	198,210	-	-	-	-	-	-	-	198,210
17. Floods	-	-	-	-	-	-	-	-	1,030	201	306	350	724	-	143	3,220	5,974
18. Microcredits	-	-	-	-	-	-	-	-	-	167	13,171	5,191	2,869	2,561	640	951	25,550
19. *Prestige*	-	-	-	-	-	-	-	-	-	-	33,486	6,057	-	2,560,945	-	-	2,600,488

CHART XI. SECOND-FLOOR LOANS. DISTRIBUTION BY FACILITIES

Annual drawdowns of loans granted — Thousand euros

	1993	1994	1995	1996	1.97	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Accumulated
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	16 = 1 to 16
20. Quality tourism	-	-	-	-	-	-	-	-	-	-	11,043	-	-	-	-	-	11,043
21. Autonomous Enclave of Ceuta	-	-	-	-	-	-	-	-	-	-	1,267	310	-	-	-	-	1,577
22. Autonomous Enclave of Melilla	-	-	-	-	-	-	-	-	-	-	455	1,462	-	-	-	-	1,917
23. Cattle farms	-	-	-	-	-	-	-	-	-	-	-	3,092	-	-	-	-	3,092
24. ICO-Ministry of Defence	-	-	-	-	-	-	-	-	-	-	-	202	94	-	-	-	296
25. Fishing sector	-	-	-	-	-	-	-	-	-	-	-	-	199,624	61,156	-	174,570	435,350
26. Collapse of the Carmel Tunnel	-	-	-	-	-	-	-	-	-	-	-	-	9	301	-	-	310
27. MAPA, drought	-	-	-	-	-	-	-	-	-	-	-	-	15,614	743,510	2,608	-	761,732
28. Plan Avanza	-	-	-	-	-	-	-	-	-	-	-	-	-	19,614	381,976	484,583	886,173
29. Workers' limited companies	-	-	-	-	-	-	-	-	-	-	-	-	-	449	-	-	449
30. Irrigation equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	216	1,747	3,138	5,101
31. Corporate growth	-	-	-	-	-	-	-	-	-	-	-	-	-	76,962	92,927	600,000	769,889
32. ICEX	-	-	-	-	-	-	-	-	-	-	-	-	-	28,675	21,480	34,695	84,850
33. MAPA, processed tomatoes	-	-	-	-	-	-	-	-	-	-	-	-	-	23,250	-	-	23,250
34. Tourism	-	-	-	-	-	-	-	-	-	-	-	-	-	74,794	80,056	110,719	265,569
35. CAIB	-	-	-	-	-	-	-	-	-	-	-	-	-	8,886	3,580	-	12,466
36. Text., footwear, toys&furniture	-	-	-	-	-	-	-	-	-	-	-	-	-	8,145	27,295	28,565	64,005
37. Forest fires	-	-	-	-	-	-	-	-	-	-	-	-	-	60	0	947	1,007
38. Entrepreneurs	-	-	-	-	-	-	-	-	-	-	-	-	-	44,336	48,792	72,816	165,944
39. Frosts	-	-	-	-	-	-	-	-	-	-	-	-	465,659	11,918	-	-	477,577
40. Forum/Afinsa victims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,348	114,385	162,733
41. University Studies Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,460	32,020	42,480
41. DGT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	664	12,343	13,007
42. Plan VIVE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,017	3,017
43. PROINMED	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	860,000	860,000
TOTAL	**371,311**	**1,061,562**	**1,491,838**	**1,398,513**	**2,124,133**	**1,975,688**	**2,628,869**	**2,891,742**	**3,544,241**	**3,160,681**	**3,633,347**	**3,653,412**	**5,440,935**	**11,597,331**	**9,380,926**	**9,638,245**	**63,992,775**

CHART XII. SECOND-FLOOR LOANS. DISTRIBUTION BY PURPOSES

Accumulated amount of loans drawn down at December 31 2008 | Million euros

	SME Gen. and other 1	CDTI 2	Internationalisation 3	Total distributed 4 = 1 to 3
Agriculture, cattle-breeding, fisheries	2,561.6	48.2	21.57	2,631.37
Mining industries	950.5	34.7	65.63	1,050.83
Manufacturing industries	16,888.2	1,434.7	661.85	18,984.75
Agribusiness	3,094.6	202.9	135.64	3,433.14
Metallurgy and quarrying	4,970.5	364.1	227.73	5,562.33
Textiles, paper and chemicals	5,788.8	571.4	209.15	6,569.35
Machinery, elec. equip. and transport mat.	3,034.3	296.3	89.33	3,419.93
Energy, electricity, gas and water	695.5	2.5	6.6	704.60
Construction	4,442.9	26.1	41.72	4,510.72
Vehicle trade and repair	8,087.6	57.8	64.17	8,209.57
Catering	2,561.1	1.4	8.8	2,571.30
Transport, storage and comms.	7,110.8	31.3	30.47	7,172.57
Real estate and financial services	3,732.3	42.6	66	3,840.90
Other	2,571.9	47.0	48.5	2,667.40
TOTAL	**49,602.4**	**1,726.3**	**1,015.3**	**52,344.01**

* Data are provided since 1999, when the facility was signed with the CDTI. Prior to 1999, operations correspond to the ICO-SME Facility.

CHART XII BIS. SECOND-FLOOR LOANS (SME). DISTRIBUTION BY PURPOSES

Amount in loans drawn down — Million euros

	ICO Second-floor	Accumulated amounts (not inc. covered bonds)		Annual variation	
	2008	2008	2007	Absolute	%
Agriculture, cattle-breeding and fisheries	369.0	2,494.5	2,125.5	369.0	17.4
Mining industries	97.5	914.1	816.6	97.5	11.9
Manufacturing industries	1,786.9	16,159.0	14,372.1	1,786.9	12.4
Agribusiness	387.9	2,987.0	2,599.1	387.9	14.9
Metallurgy and quarrying	533.6	4,727.2	4,193.6	533.6	12.7
Textiles, paper and chemicals	521.2	5,542.1	5,020.9	521.2	10.4
Machinery, elec. equip. and transport mat.	344.2	2,902.7	2,558.5	344.2	13.5
Energy, electricity, gas and water	295.8	703.1	407.3	295.8	72.6
Construction	551.3	4,422.2	3,870.9	551.3	14.2
Vehicle trade and repair	1,223.3	8,052.2	6,828.9	1,223.3	17.9
Catering	424.6	2,510.6	2,086.0	424.6	20.4
Transport, storage and comms.	975.8	6,970.7	5,994.9	975.8	16.3
Real estate and financial services	647.5	3,692.4	3,044.9	647.5	21.3
Other	504.5	2,556.7	2,052.2	504.5	24.6
TOTAL	**6,876.2**	**48,475.4**	**41,599.2**	**6,876.2**	**16.5**

CHART XIII. SECOND-FLOOR LOANS (SME). DISTRIBUTION BY AUTONOMOUS COMMUNITIES

Accumulated amount in loans drawn down at December 31 2008 — Million euros

	SME Gen. and other 1	CDTI 2	Internationalisation 3	Total distributed 4 = 1to 3
Andalucía	5,024.56	52.3	45.8	5,122.7
Aragón	2,761.93	159.4	20.3	2,941.6
Asturias	912.66	23.7	17.3	953.7
Baleares	819.89	15.2	7.3	842.4
Canarias	1,970.52	13.9	11.9	1,996.3
Cantabria	707.83	13.4	12.1	733.3
Castilla-La Mancha	2,036.90	59.0	6.3	2,102.2
Castilla-León	4,412.34	96.9	13.3	4,522.5
Cataluña	9,369.98	397.2	294.4	10,061.6
Ceuta	0.00	0.0	0.0	0.0
Comunidad Valenciana	7,733.51	338.1	98.9	8,170.5
Extremadura	404.09	4.9	9.5	418.5
Galicia	2,054.72	35.9	61.9	2,152.5
La Rioja	742.13	56.5	7.1	805.7
Madrid	4,174.22	81.0	169.1	4,424.3
Melilla	0.00	0.0	0.0	0.0
Navarra	1,415.22	58.2	32.8	1,506.3
País Vasco (Basque Country)	3,386.74	274.2	155.7	3,816.6
Región de Murcia	1,675.17	46.5	6.9	1,728.6
Other (*)	-	-	44.8	44.8
TOTAL	**49,602.41**	**1,726.3**	**1,015.3**	**52,344.0**

(*) Foreign enterprises with majority Spanish capital.

CHART XIII BIS. SECOND-FLOOR LOANS (SME). DISTRIBUTION BY AUTONOMOUS COMMUNITIES

Amount in loans drawn down | Million euros

	ICO Second-floor	Accumulated amounts (not inc. covered bonds)		Annual variation	
	2008	2008	2007	Absolute	%
Andalucía	713.8	4,948.4	4,234.6	713.8	16.9
Aragón	398.1	2,652.3	2,254.2	398.1	17.7
Asturias	141.0	895.3	754.4	141.0	18.7
Baleares	145.1	801.7	656.6	145.1	22.1
Canarias	254.4	1,936.6	1,682.2	254.4	15.1
Cantabria	81.8	704.7	622.9	81.8	13.1
Castilla-La Mancha	344.5	2,012.0	1,667.5	344.5	20.7
Castilla-León	586.5	4,343.4	3,756.8	586.5	15.6
Cataluña	1,228.8	9,082.8	7,854.0	1,228.8	15.6
Ceuta	-	-	-	-	-
Comunidad Valenciana	821.7	7,565.6	6,743.9	821.7	12.2
Extremadura	94.9	398.0	303.1	94.9	31.3
Galicia	332.1	2,015.3	1,683.2	332.1	19.7
La Rioja	125.8	702.4	576.6	125.8	21.8
Madrid	626.4	4,112.2	3,485.7	626.4	18.0
Melilla	-	-	-	-	-
Navarra	265.4	1,376.9	1,111.4	265.4	23.9
País Vasco (Basque Country)	431.1	3,286.8	2,855.7	431.1	15.1
Región de Murcia	284.7	1,641.0	1,356.3	284.7	21.0
TOTAL	**6,876.2**	**48,475.3**	**41,599.1**	**6,876.2**	**16.5**

CHART XIV. SME FACILITY. INVESTMENT COVERAGE RATE. DISTRIBUTION BY TRANCHES

Balances at December 31 2008 — Million euros and percentages

Loan amount Tranches	Number of operations 1	Accum. amount of drawdowns 2	Induced investment 3	Complementary financing 4=3-2	Coverage rate 5=100 (2/3)
Less than 60,000	551,568	13,384	23,182	9,797.40	57.74%
From 60,000 to 99,999	99,182	7,512	11,976	4,464.66	62.72%
From 100,000 to 299,999	81,830	13,190	24,372	11,182.55	54.12%
From 300,000 to 599,999	19,077	7,568	15,598	8,030.49	48.52%
From 600,000 to 899,999	4,952	3,435	6,803	3,367.82	50.49%
From 900,000 to 1,499,999	2,507	2,958	6,927	3,969.19	42.70%
More than 1,500,000	1,002	1,558	4,900	3,342.22	31.80%
TOTAL	**760,118**	**49,603.73**	**93,758.06**	**44,154.33**	**52.91%**

CHART XIV BIS. SME FACILITY. INVESTMENT COVERAGE RATE. DISTRIBUTION BY TRANCHES

2008 — Million euros and percentages

Loan amount Tranches	Number of operations 1	Accum. amount of drawdowns 2	Induced investment 3	Complementary financing 4=3-2	Coverage rate 5=100 (2/3)
Less than 60,000	64,910	1,561.85	2,581.21	1,019.4	60.51%
From 60,000 to 99,999	14,543	1,096.00	1,615.05	519.1	67.86%
From 100,000 to 299,999	11,975	1,927.01	3,049.75	1,122.7	63.19%
From 300,000 to 599,999	3,038	1,219.60	2,231.62	1,012.0	54.65%
From 600,000 to 899,999	729	512.26	953.41	441.2	53.73%
From 900,000 to 1,499,999	312	339.98	609.99	270.0	55.74%
More than 1,500,000	146	219.56	543.99	324.4	40.36%
TOTAL	**95,653**	**6,876.26**	**11,585.02**	**4,708.8**	**59.35%**

CHART XV. SME FACILITY.TERMS AND INTEREST RATES OF LOANS DRAWN DOWN

Balances at December 31 2008

Million euros

Loan amount Tranches	Number of operations	Terms 3 years 1	5 years 2	5 years + 1 3	7 years 4	7 years + 2 5	Other 6	Interest rate Fixed 7	Variable 8
Less than 60,000	551,568	2,310.01	7,184.56	1,650.10	1,359.39	907.58	29.67	4,138.99	9,300.52
From 60,000 to 99,999	99,182	699.36	3,704.23	937.65	1,227.79	889.32	65.43	1,888.06	5,636.33
From 100,000 to 299,999	81,830	897.21	4,959.40	2,020.65	2,487.50	2,470.49	363.89	2,300.02	10,898.80
From 300,000 to 599,999	19,077	291.24	1,970.96	1,250.69	1,517.91	2,223.73	302.94	1,036.50	6,521.06
From 600,000 to 899,999	4,952	75.71	678.07	572.73	687.19	1,232.61	164.16	409.92	3,002.17
From 900,000 to 1,499,999	2,507	70.03	488.98	475.58	533.35	1,177.73	207.49	352.14	2,599.62
More than 1,500,000	1,002	9.37	157.15	298.56	202.07	793.42	56.49	166.92	1,351.35
TOTAL	**760,118**	**4,352.93**	**19,143.35**	**7,205.96**	**8,015.20**	**9,694.88**	**1,190.07**	**10,292.55**	**39,309.85**

CHART XV BIS. SME FACILITY.TERMS AND INTEREST RATES OF LOANS DRAWN DOWN

2008

Million euros

Loan amount Tranches	Number of operations	Terms 3 years 1	5 years 2	5 years + 1 3	7 years 4	7 years + 2 5	Other 6	Interest rate Fixed 7	Variable 8
Less than 60,000	64,910	327.86	842.46	55.73	239.48	87.47	8.82	535.54	1,026.31
From 60,000 to 99,999	14,543	121.87	584.58	42.92	237.00	88.81	20.82	323.11	772.89
From 100,000 to 299,999	11,975	149.97	747.05	100.96	534.09	272.57	122.37	388.11	1,538.90
From 300,000 to 599,999	3,038	57.74	329.75	71.38	399.45	253.90	107.39	177.81	1,041.79
From 600,000 to 899,999	729	12.73	96.56	29.17	176.04	135.65	62.12	51.17	461.09
From 900,000 to 1,499,999	312	10.77	65.66	34.29	81.19	87.43	60.64	42.68	297.30
More than 1,500,000	146	3.07	33.78	7.68	50.67	81.38	42.99	26.10	193.46
TOTAL	**95,653**	**684.01**	**2,699.84**	**342.13**	**1,717.92**	**1,007.21**	**425.15**	**1,544.52**	**5,331.74**

CHART XVI. LIST OF SECOND-FLOOR LOANS AUTHORISED BY ROYAL DECREE-ACT (RDA), COUNCIL OF MINISTERS RESOLUTION (CMR), OR THE GOVERNMENT'S DELEGATE COMMISSION FOR ECONOMIC AFFAIRS (CDGAE)

Thousand euros

Facility arranged	Type and date of resolution	Amount granted	Amounts drawn down
INTERNATIONALISATION FACILITY	Resolution CDGAE 13/06/02		
(Second-floor facility)	Resolution CDGAE 29/12/04		
	Resolution CDGAE 29/12/05		
	Resolution CDGAE 25/1/07	150.0	114.1
	Resolution CDGAE 20/12/07	150.0	150.0
ENTERPRISE CREATION FACILITY	Resolution CDGAE 20/11/00		
(Second-floor facility)			
SME	Resolution CDGAE 14.05.98		
(Second-floor facility)	Resolution CDGAE 3/12/98-6/05/99		
	Resolution CDGAE 07/10/99		
	Resolution CDGAE 20/11/00		
	Resolution CDGAE 20/12/01		
	Resolution CDGAE 07/03/02		
	Resolution CDGAE 11/12/03		
	Resolution CDGAE 29/12/04		
	Resolution CDGAE 29/12/05		
	Resolution CDGAE 25/1/08	9,000.0	8,513.6
	Resolution CDGAE 20/12/07	7,000.0	6,734.2
FLOODS	RDA 4/1997		
(Second-floor facility)	RDA 11/1997		
	RDA 18/1997		
	RDA 24/1997		
	RDA 29/1997		
	RDA 2/1998		
	RDA 3/2001		
	RDA 6/2001		
	RDA 7/2001		
	RDA 13/2001		
	RDA 1/2003		
	RDA 3/2003		
	RDA 5/2003		
	RDA 6/2003		
	RDA 6/2004		
	RDA 8/2005		
	RDA 14/2005 y 610/2006		
	RDA 8/2003		
	RDA 2/2007	1.0	0.02
	RDA 3/2007	3.0	0.0
	RDA 5/2007	5.0	0.12
	RDA 7/2007	3.0	0.0
	RDA 10/2007	25.0	3.2
PRESTIGE	Resolution CDGAE 28/11/02		
(Second-floor facility)	Resolution CDGAE, facility's purpose extended 16/01/03		

CHART XVI. LIST OF SECOND-FLOOR LOANS AUTHORISED BY ROYAL DECREE-ACT (RDA), COUNCIL OF MINISTERS RESOLUTION (CMR), OR THE GOVERNMENT'S DELEGATE COMMISSION FOR ECONOMIC AFFAIRS (CDGAE) (CONT.)

Thousand euros

Facility arranged	Type and date of resolution	Amount granted	Amounts drawn down
ENTREPRENEURS	Resolution CDGAE 19/1/06		
(Second-floor facility)	Resolution CDGAE 25/1/07	50	48.63
	Resolution CDGAE 20/12/07	75	72.82
PPC CATALUÑA (1)	CMR 16/05/1997		
PPC CASTILLA Y LEÓN (2)	CMR 06/03/1998		
AEGEAN SEA: Aquiculture enterprises. Second-floor facility	CMR 30/05/1997		
EXTENSIVE CATTLE-BREEDING	RDA 11/1999		
AND DRY FARMING	RDA 8/2000		
PIG-BREEDING SECTOR (Second-floor facility)	MAPA Agreement 21/01/99		
OLIVE OIL SECTOR (3) (Second-floor facility for olive-growers)	RDA 20/1999		
WOODLAND CROPS (Almond trees)	RDA 20/1999		
CATTLE FARMS AND AGRIBUSINESS SECTOR	Resolution CDGAE 10/07/03		
DIESEL OIL - Fishermen's associations - Farmsteads - Shipbuilders	CMR 10/11/2000		
FISHING SECTOR (Second-floor facility)	CMR 3/6/05 and y 22/7/05		
FROSTS (Second-floor facility)	RDA 1 and 6/2005		
CARMEL TUNNEL (Second-floor facility)	Resolution CDGAE 10/03/05		
DROUGHT (Second-floor facility)	RDA 10/2005		
ICEX	Resolution CDGAE 2/2/06	50.0	50.0
(Second-floor facility)	Resolution CDGAE 20/12/07	50.0	34.7
TOURISM (Second-floor facility)	RDA 721/2005		
PROCESSED TOMATO SECTOR (Second-floor facility)	Resolution CDGAE 15/6/06		
FORUM/AFINSA VICTIMS (Second-floor facility)	Resolution CDGAE 26/4/07	500.0	162.7
PLAN VIVE (Second-floor facility)	CMR 4/7/08 and 14/11/08	1,200.0	3.0

(1) Amount of compensation paid by virtue of the deposits made by MAPA and the Generalitat. Deposits pending equal to outstanding balance.

(2) Amount of compensation paid by virtue of deposits made by Junta de Castilla y León.

(3) Olive-grower Facility signed 23.12.00. Operations correspond to 2001.

CHART XVII. LOANS AND CREDITS. DISTRIBUTION BY BORROWERS

Balances at December 31 | Thousand euros

	2008	Distribution %	2007	Distribution %	Annual variation Absolute	Annual variation %
1. Public Administrations	**1,344,712**	**7.6**	**1,096,237**	**11.5**	**248,475**	**22.7**
1.1 Central Administration	46,565	0.3	34,911	1.8	11,654	33.4
- Rights settled with the Treasury	34,279	0.2	25,247	0.1	9,032	35.8
- Other	12,286	0.1	9,664	1.8	2,622	27.1
1.2 Aut. comm. and local corporat.	1,298,147	7.3	1,061,326	9.6	236,821	22.3
2. Other resident sectors	**15,263,800**	**85.8**	**10,884,912**	**72.8**	**4,378,888**	**40.2**
2.1 Mining industries	683,029	3.8	382,727	2.2	300,302	78.5
2.2 Manufacturing industries	2,201,992	12.4	1,552,458	7.9	649,534	41.8
2.3 Electricity, water and gas	2,511,029	14.1	1,022,158	7.0	1,488,871	145.7
2.4 Construction	1,309,733	7.4	1,144,388	5.8	165,345	14.4
2.5 Transport and communications	4,516,968	25.4	3,522,409	29.6	994,559	28.2
2.6 Real estate	2,086,537	11.7	2,054,044	12.0	32,493	1.6
2.7 Services	1,323,906	7.4	598,722	5.4	725,184	121.1
2.8 Other	630,606	3.5	608,006	2.9	22,600	3.7
3. Non-residents	**1,725,700**	**9.7**	**1,912,253**	**19.9**	**(186,553)**	**(9.8)**
3.1 Energy	377,191	2.1	524,533	4.5	(147,342)	(28.1)
3.2 Telecommunications	128,633	0.7	175,379	2.7	(46,746)	(26.7)
3.3 Transport	376,424	2.1	396,906	4.2	(20,482)	(5.2)
3.4 Other	843,452	4.7	815,435	8.5	28,017	3.4
4. Loan loss provision	**(539,600)**	**(3.0)**	**(343,152)**	**(4.2)**	**(196,448)**	**57.2**
4.1 Other resident sectors	(530,775)	(3.0)	(330,105)	(3.5)	(200,670)	60.8
4.2 Non-residents	(8,825)	(0.0)	(13,047)	(0.7)	4,222	(32.4)
5. (1 to 4) TOTAL	**17,794,612**	**100.0**	**10,739,035**	**100.0**	**7,055,577**	**65.7**

CHART XVIII. LOANS AND CREDITS TO RESIDENTS

Balances at December 31 — Million euros

	FMI				Public Admins.		Other resident sectors		
	ICO 1	Total 2	Adjustment 3	Total adjusted 4=2-3	ICO 5	Total 6	ICO 7	Total 8	% ICO/total MFI 9
1992	12,550	109,375	12	109,363	1,046	25,875	3,961	261,073	11.48
1993	11,582	140,530	397	140,133	1,370	28,011	4,550	264,515	8.27
1994	9,167	134,705	1,509	133,196	1,244	32,048	5,908	273,139	6.88
1995	7,448	149,797	2,711	147,086	1,647	35,207	7,494	289,973	5.06
1996	7,219	158,013	3,762	154,251	1,755	39,513	8,208	311,281	4.68
1997	7,587	177,963	5,079	172,884	1,671	37,146	9,075	354,587	4.39
1998	7,747	167,202	6,034	161,168	1,701	32,111	10,239	413,340	4.81
1999	7,977	171,329	7,086	164,243	1,680	31,271	12,100	477,043	4.86
2000	7,706	156,889	7,575	149,314	1,612	31,404	13,069	559,088	5.16
2001	7,022	176,061	8,132	167,929	619	33,129	14,364	624,879	4.18
2002	6,280	172,566	8,789	163,777	937	33,112	14,583	701,577	3.83
2003	6,636	182,847	9,614	173,233	867	35,589	15,789	801,319	3.83
2004	5,187	201,072	10,053	191,019	1,091	37,644	15,987	945,033	2.72
2006	3,790	223,329	12,102	211,227	1,331	40,894	18,218	1,201,871	1.79
2006	2,921	224,069	17,240	206,534	1,232	41,185	25,060	1,507,747	1.41
2007	3,068	246,119	21,548	224,571	1,096	42,737	32,535	1,759,158	1.34
2008	2,336	272,140	25,065	247,075	1,345	52,772	40,213	1,871,340	0.95

CHART XIX. LOAN LOSS AND OTHER RISK ALLOWANCES

Balances at December 31 — Thousand euros

	2008	2007	Annual variation Absolute	Annual variation %
1. Loan loss allowances	**593,853**	**397,894**	**195,959**	**49.25**
1.1 Specific	330,633	168,453	162,180	96.28
1.2 Sovereign risk	8,825	9,302	(477)	(5.13)
1.3 Generic	237,638	200,471	37,167	18.54
1.4 From loans	16,757	19,668	(2,911)	(14.80)
2. Investment portfolio due	**30,000**	**30,496**	**(496)**	**(1.63)**
3. Fixed-asset fund awarded	**2,455**	**2,497**	**(42)**	**(1.68)**
4. Investee company allowance	**6,662**	**8,517**	**(1,855)**	**(21.78)**
5. Allowances	**207,781**	**241,312**	**(33,531)**	**(13.90)**
4.1 For taxes	0	35	(35)	(100.00)
4.2 For pensions and similar	26,314	28,383	(2,069)	(7.29)
4.3 For cont. risks and commitments	58	57	1	1.75
4.4 Other allowances:	181,409	212,837	(31,428)	(14.77)
- SME and second-floor	6,572	6,565	7	0.11
- RDA 12/95	134,807	133,964	843	0.63
- CARI Egypt	868	1,170	(302)	(25.81)
- Amounts recovered BBVA	2,500	4,358	(1,858)	(42.63)
- ERDF subsidy pending collection	0	13,292	(13,292)	(100.00)
- Other funds	36,662	53,488	(16,826)	(31.46)
6. TOTAL ALLOWANCES	**840,751**	**680,716**	**160,035**	**23.51**

CHART XX. PROINVEX PROGRAMME. LOANS IN FOREIGN CURRENCY TO NON-RESIDENTS

Figures at December 31 2008

Recipient country	Number of operations	Loans arranged		
		Total	Drawn down	Pending drawdown
Direct loans				
Argentina	4	154,847	154,840	7
Bermudas/Bolivia	1	3,629	3,629	0
Brazil	2	21,556	21,556	0
Canada	1	58,830	58,830	0
Central America	1	21,556	0	21,556
Chile	10	235,924	226,379	9,545
Colombia	1	7,114	6,478	635
Guatemala	1	10,778	10,778	0
Cayman Islands (Chile)	1	35,927	35,927	0
Mexico	6	139,883	139,358	525
Portugal	3	58,341	32,766	25,575
UK/Chile	1	26,227	26,227	0
Turkey	1	15,000	15,000	0
Total	**33**	**789,612**	**731,769**	**57,844**
Co-Financing				
Argentina	3	21,877	21,472	405
Brazil	1	10,419	1,882	8,537
Canada	2	73,392	16,196	57,196
Chile	10	159,517	59,497	100,020
Ecuador	2	46,705	38,673	8,032
Greece	2	130,000	11,749	118,251
Guatemala	1	14,371	11,061	3,310
Ireland	4	127,043	81,759	45,284
CAF Facility (1)	2	71,855	35,158	36,696
Mexico	10	357,526	312,937	44,588
Moldavia	1	2,261	2,261	0
Peru	2	19,991	19,991	0
Portugal	4	121,667	92,328	29,339
Dominican Republic	2	38,056	38,056	0
Russia	1	4,172	4,144	27
U.K.	7	1,084,176	967,036	117,140
Uruguay	1	5,389	5,389	0
USA	4	271,071	228,626	42,445
Venezuela	1	5,389	1,987	3,402
Total	**60**	**2,564,876**	**1,950,203**	**614,673**
TOTAL	**93**	**3,354,488**	**2,681,972**	**672,516**

(1) Corporación Andina de Fomento

CHART XX. PROINVEX PROGRAMME. LOANS IN FOREIGN CURRENCY TO NON-RESIDENTS

Figures at December 31 2008

Recipient country	Number of operations	Loans arranged		
		Total	Drawn down	Pending drawdown
Germ/Port/Belg/Fra/Ital	1	30,000	30,000	0
Germany	3	114,200	109,914	4,286
Algeria	1	57,484	57,484	0
Argentina	1	143,709	143,709	0
Australia	1	237,839	159,671	78,167
Brazil/U.S.A.	1	18,962	18,962	0
Brazil	2	54,540	54,540	0
Brazil/Mexico	2	94,000	94,000	0
Chile	2	16,597	13,191	3,406
China	1	50,000	50,000	0
Colombia	3	355,470	355,470	0
Europe	4	145,174	145,174	0
France	2	150,000	110,000	40,000
France/U.S.A.	2	23,025	15,352	7,673
Holland	1	20,000	16,400	3,600
Italy	2	79,207	79,207	0
Italy/Panama	1	9,015	9,015	0
Latin America	4	623,000	605,281	17,719
Malaysia	1	114,967	114,967	0
Mexico/FR/U.S.A.	1	6,010	6,010	0
Mexico	9	509,187	465,572	43,615
Multi-country	3	24,020	9,778	14,242
Panama	1	9,616	5,987	3,629
Peru	1	25,508	25,508	0
Switzerland	2	132,172	132,172	0
Tunisia	1	48,081	48,081	0
U.S.A.	11	536,100	530,132	5,967
U.S.A./South Africa	1	400,000	400,000	0
Poland/U.S.A.	1	25,240	25,240	0
U.K.	5	484,281	484,281	0
U.K./Brazil	1	9,020	9,020	0
Uruguay	2	104,436	35,036	69,400
Uzbekistan	1	46,705	46,705	0
TOTAL	**75**	**4,697,566**	**4,405,861**	**291,705**

CHART XXI. OPERATIONS ON THE STATE'S ACCOUNT. BASIC CHARACTERISTICS

	Objectives	Types of operation	Lending procedures and conditions	ICO's functions
Development Aid Fund (FAD)	Offer developing countries below-market financing for the execution of development projects. Act as an instrument of foreign policy (prioritising beneficiary countries) and of industrial policy (establishing criteria to rule project eligibility), while boosting the internationalisation of the Spanish enterprise and promoting exports. Ease access to multilateral bodies.	Five types of operation are charged to FAD: - Concessionary loans for development projects, tied to the acquisition of Spanish goods and services. In some cases, such as Less Developed Countries, the operations are not tied to the acquisition of Spanish supplies. - Exceptionally, operations take the form of grants, which may or may not be tied to the acquisition of Spanish goods and services. - Contributions to Multilateral Financial Institutions of which Spain is a member. - Grants for viability studies (FEV). - The hiring of advisory services for the identification, definition and follow- up of projects financed from FAD.	The official application must be presented by the authorities of the developing countries. Spanish enterprises with a capital equipment export project intended for a developing country are invited to apply. The borrower or guarantor of the loan must be the state of the recipient country, or enterprises or financial institutions of that country which carry the state's solidary guarantee. Exceptionally, the loan may be granted to sub-national institutions or state enterprises lacking the sovereign guarantee. The loan is granted by the Government via Resolution of the Council of Ministers on the proposal of the Inter-Ministerial FAD Commission. Tied loans may be granted solely to developing countries on the list prepared by the OECD Consensus Development Aid Committee. The projects benefiting from tied loans must be commercially non-viable, save for the exceptions provided for in the OECD Consensus. Tied loans must have a grant component equal to or higher than 35%. Each year, the General-Government Budget Act establishes the maximum limit for loans and aid to be charged to FAD.	Act as a financial agent which, in the name and on behalf of the Spanish Government, draws up, negotiates and executes the appropriate loan agreement with the financial agent of the beneficiary country. ICO's scope of duties also covers the fund's management, administration and accounting, including the relevant cash control and recovery services.
Interest Makeup (CARI System)	Back the export of Spanish goods and services through a system whereby lender financial institutions are relieved of the risk incurred in the granting of fixed-rate, long-term loans, in addition to being guaranteed a profit margin.	The application must be filed with ICO by the credit institution financing the exports. Application approval and interest rate fixing are directly incumbent on ICO in operations which are within the scope of application of the OECD Consensus and comply with Spanish regulations. In special circumstances, the Directorate General for Trade and Investment is responsible for the operation's approval.	The lending institution may finance both the foreign buyer and the domestic supplier. There must be a cash payment, not financed from the credit, of 15% of the goods and services exported. Such goods and services must be Spanish, except for certain maximum percentages allowed for foreign materials, local expenses and commercial fees. The interest rate and the repayment term are those applicable to the importer country in accordance with the OECD Consensus.	Approve the arrangement of operations lying within the scope of the OECD Consensus; otherwise, collect the compulsory authorisation from the Directorate General for Trade and Investment. Formalise the interest adjustment contract with the lender institutions. Every six months, calculate and settle the differences between the market interest rate (plus a management fee in favour of the financial institution) and the Consensus rate applied to the credit.
Microcredits (FCM)	Contribute to the fight against poverty in developing countries by promoting and consolidating microfinancial services. Such services are intended to meet the needs of those economic and social sectors which either have no access to the traditional financial system or find it inadequate to their needs.	Instruments used: The financial instruments used are loans and credits in any form. Non-financial instruments are concerned with expenses deriving from the appraisal, follow-up and inspection of FCM operations and also from the identification and technical assistance entailed in the provision of services to institutions engaged in microfinancial activity. The idea is to aid in their institutional consolidation, the training of human resources and the improvement of their management capacity.	The fund works through the granting of loans to foreign on-lending institutions (first and second-floor), which then distribute the resources to their country's microenterprises. Selected by AECI, these institutions are not required to carry a sovereign guarantee but vouch for the repayment of the loans with their present and future assets. First-floor institutions, which work directly with the FCM, may be both supervised financial institutions and specialised NGO. As for second-floor institutions, their aims include the provision of financial resources in the form of loans to first-floor institutions so as to cover shortages of financial resources.	Solvency analysis of the recipient institution. Arrangement of operations: (contract negotiation and execution, fulfilment of disbursement conditions and arrangement of addends). Financial management of programmes: (obtaining and delivering funds, FCM cash asset management, collections and accounting, plus information).

CHART XXII. FAD ARRANGEMENTS 2008

	OFFICIAL DEVELOPMENT AID (FAD)
MULTILATERAL BODIES	**AFRICAN DEVELOPMENT BANK** CONTRIBUTION TO THE MICROFINANCE TECHNICAL COOPERATION PROGRAMME FOR SUBSAHARAN AFRICA CONTRIBUTION TO THE WATER FACILITY IN AFRICA CONTRIBUTION TO THE 10TH RENEWAL OF THE AFRICAN DEVELOPMENT FUND (ADF-X) CONTRIBUTION TO THE 11TH RENEWAL OF THE AFRICAN DEVELOPMENT FUND (ADF-XI) CONTRIBUTION TO THE WINDOW FOR POST-CONFLICT COUNTRIES - REGULARISATION OF LIBERIA'S DELAYS HIRING OF A FUND MANAGEMENT EXPERT FOR THE AFRICAN DEVELOPMENT BANK (*)
	ASIAN DEVELOPMENT BANK CONTRIBUTION TO THE MULTIDONOR PARTNERSHIP FACILITY FOR THE FINANCING OF CLEAN ENERGY CONTRIBUTION TO THE MULTIDONOR PARTNERSHIP FACILITY FUND FOR THE FINANCING OF WATER RENEWAL OF THE CONSULTANCY FUND (*) EXTENSION OF SECONDMENT AT THE ASIAN DEVELOPMENT BANK (*)
	CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION RENEWAL OF THE CONSULTANCY FUND (*) EUROPEAN RECONSTRUCTION AND DEVELOPMENT BANK CONTRIBUTION TO THE FUND FOR EARLY TRANSITION COUNTRIES (ETC) RENEWAL OF THE CONSULTANCY FUND (*)
	INTER-AMERICAN DEVELOPMENT BANK 2008-2009 CONTRIBUTION TO THE MULTIDONOR FUND FOR THE SUSTAINABLE ENERGY AND CLIMATIC CHANGE FACILITY CONTRIBUTION TO THE SPANISH WATER AND SANITATION FUND CONTRIBUTION TO THE SPANISH SOCIAL FUND (FEES)
	WORLD BANK CONTRIBUTION TO THE 14TH RENEWAL OF RESOURCES FOR THE INTERNATIONAL DEVELOPMENT ASSOCIATION CONTRIBUTION TO THE 15TH RENEWAL OF RESOURCES FOR THE INTERNATIONAL DEVELOPMENT ASSOCIATION RENEWAL OF THE WORLD BANK TRUST FUND FOR THE FINANCING OF CEDDET ACTIVITIES (2009 AND 2010) CONTRIBUTION TO THE EDUCATION-FOR-ALL FAST-TRACK-INITIATIVE (EFA-FTI) PARTICIPATION IN THE CARBON ASSET FUND CONTRIBUTION TO THE AFGHANISTAN COMPACT CONTRIBUTION TO THE MULTIDONOR TRUST FUND (MDTF) FOR THE RECONSTRUCTION OF SUDAN MULTIDONOR FUND FOR THE RECONSTRUCTION OF PALESTINIAN REFUGEE CAMPS CONTRIBUTION FOR THE ORGANISATION OF THE THIRD FORUM ON THE EFFECTIVENESS OF WORLD BANK AID CONTRIBUTION TO THE INTERNATIONAL FINANCING FACILITY INITIATIVE FOR IMMUNISATION (GAVI-IFFIm) ADDITIONAL CONTRIBUTION TO THE INTERNATIONAL FINANCING FACILITY INITIATIVE FOR IMMUNISATION (GAVI-IFFIm) CONTRIBUTION TO THE GLOBAL FUND TO COMBAT AIDS, TUBERCULOSIS AND MALARIA CONTRIBUTION TO THE CARBON FOREST PARTNERSHIP FACILITY CONTRIBUTION TO THE SUPPORT FUNDS FOR THE PROVISION OF PUBLIC BASIC SERVICES (PBS) IN ETHIOPIA CONTRIBUTION FOR THE GENDER ACTION PLAN CONTRIBUTION TO THE GLOBAL DEVELOPMENT NETWORK(GDN) VIABILITY STUDY FOR THE WORLD BANK'S JUNIOR PROFESSIONAL OFFICERS PROGRAMME (*) FOURTH RENEWAL FOR THE INTERNATIONAL FINANCE CORPORATION (IFC) (*) SPANISH CONTRIBUTION TO THE WORLD BANK FOR PARTICIPATION IN EXPO ZARAGOZA 2008 (*)
	CEDEAO-ECOSWAS CONTRIBUTION TO THE ECONOMIC COMMISSION OF WEST AFRICAN STATES CONTRIBUTION TO THE BASKET FUND OF THE ECONOMIC COMMISSION OF WEST AFRICAN STATES
	INTERNATIONAL CENTRE OF MEDITERRANEAN AGRONOMIC HIGHER STUDIES CONTRIBUTION TO THE MEDITERRANEAN AGRONOMIC INSTITUTE OF ZARAGOZA (IAMZ)
	EUROPEAN COMMISSION CONTRIBUTION TO THE PEGASE MECHANISM FOR PALESTINIAN TERRITORIES INTERNATIONAL RED CROSS COMMITTEE (IRCC) CONTRIBUTION TO THE INTERNATIONAL RED CROSS COMMITTEE (IRCC)
	EUROPEAN COUNCIL 2008-2009 CONTRIBUTION TO THE SPANISH SOCIAL COHESION FUND
	INETRNATIONAL CRIMINAL COURT CONTRIBUTION TO THE TRUST FUND FOR VICTIMS, INTERNATIONAL CRIMINAL COURT
	INTERNATIONAL FEDERATION OF RED CROSS AND RED HALF MOON COMPANIES CONTRIBUTION TO THE INTERNATIONAL FEDERATION OF RED CROSS AND RED HALF MOON COMPANIES
	INTERNATIONAL MONETARY FUND CONTRIBUTION TO THE REGIONAL TECHNICAL ASSISTANCE CENTRE IN CENTRAL AMERICA (CAPTAC) CONTRIBUTION FOR THE REGULARISATION OF LIBERIA'S DELAYS
	MEDICINES FOR MALARIA VENTURE (MMV) CONTRIBUTION TO THE MEDICINES FOR MALARIA VENTURE (MMV)
	INTERNATIONAL INSTITUTE FOR DEMOCRACY AND ELECTION ASSISTANCE CONTRIBUTION TO THE INTERNATIONAL INSTITUTE FOR DEMOCRACY AND ELECTION ASSISTANCE (IDEA)

CHART XXII. FAD ARRANGEMENTS 2008 (CONT.)

	OFFICIAL DEVELOPMENT AID (FAD)
MULTILATERAL BODIES	**INTER PRESS SERVICE (IPS)** CONTRIBUTION TO THE INTERNATIONAL AGENCY, INTER PRESS SERVICE (IPS)
	UNITED NATIONS CONTRIBUTION TO THE WORLD FUND FOR CROP DIVERSITY CONTRIBUTION TO THE INTERNATIONAL TRUST FUND FOR THE REMOVAL OF LAND MINES AND AID FOR VICTIMS (ITF), BALKANS AREA VOLUNTARY CONTRIBUTION TO THE FUND FOR ASSISTANCE IN ANTI-LAND MINE ACTION CONTRIBUTION TO THE UN HIGH COMMISSIONER FOR HUMAN RIGHTS CONTRIBUTION TO THE UN HIGH COMMISSIONER FOR REFUGEES CONTRIBUTION TO VARIOUS PROGRAMMES OF THE UN HIGH COMMSSIONER FOR REFUGEES CONTRIBUTION TO THE TRUST FUND FOR THE ALLIANCE OF CIVILISATIONS CONTRIBUTION TO THE ECONOMIC COMMISSION FOR LATIN AMERICA (CEPAL) CONTRIBUTION TO THE CENTRAL EMERGENCY RESPONSE FUND (CERF) CONTRIBUTION TO THE UN CONVENTION TO COMBAT DESERTIFICATION CONTRIBUTION TO THE UN CONVENTION ON BIOLOGICAL DIVERSITY CONTRIBUTION TO THE INTERNATIONAL STRATEGY REGIONAL UNIT FOR THE REDUCTION OF DISASTERS IN THE AMERICAS CONTRIBUTION TO THE UN FOOD AND AGRICULTURE ORGANISATION (FAO) CONTRIBUTION TO THE UN FOOD AND AGRICULTURE ORGANISATION (FAO) FOR THE UNCCD FOREST PROJECT CONTRIBUTION TO THE FINANCING FACILITY FOR FIDA REMITTANCES IN RURAL AREAS CONTRIBUTION TO THE POPULATION FUND VOLUNTARY CONTRIBUTION TO THE CAPITALISATION DEVELOPMENT FUND (UNCDF) CONTRIBUTION TO THE PEACE CONSOLIDATION FUND CONTRIBUTION TO THE FUND FOR DEMOCRACY CONTRIBUTION TO THE UN FRAMEWORK CONVENTION ON CLIMATE CHANGE CONTRIBUTION TO THE UN WORLD FUND FOR MIGRATION AND DEVELOPMENT CONTRIBUTION TO THE UN GLOBAL COMPACT CONTRIBUTION TO THE INTERNATIONAL RESEARCH AND TRAINING INSTITUTE FOR THE EMPOWERMENT OF WOMEN CONTRIBUTION TO THE WORLD HEALTH ORGANISATION (WHO) CONTRIBUTION TO THE UN OFFICE TO COMBAT DRUGS AND CRIME (UNDCO). ANTI-TERRORISM PROGRAMME CONTRIBUTION TO THE UN OFFICE TO COMBAT DRUGS AND CRIME (UNDCO). NARCOTICS IN AFGHANISTAN CONTRIBUTION TO THE UN OFFICE TO COMBAT DRUGS AND CRIME (UNDCO). UNPIFD PROGRAMME CONTRIBUTION TO THE UN INDUSTRIAL DEVELOPMENT OFFICE (UNIDO) CONTRIBUTION TO THE UN PROGRAMME FOR HIV/AIDS (UNOAIDS) CONTRIBUTION TO THE ILO SUSTAINABLE DEVELOPMENT PROGRAMME FOR THE INDIGENOUS PEOPLES OF THE PHILIPPINES CONTRIBUTION TO THE WORLD TOURISM ORGANISATION CONTRIBUTION TO THE SPAIN-UNDP, "TOWARDS INTEGRATED, INCLUSIVE DEVELOPMENT" VOLUNTARY CONTRIBUTION TO THE UN PROGRAMME FOR DEVELOPMENT (UNDP) VOLUNTARY CONTRIBUTION TO THE MILLENNIUM CAMPAIGN (UNDP-UNITED NATIONS) CONTRIBUTION TO THE ELECTION CYCLE IN GUINEA BISSAU (UNDP) CONTRIBUTION TO THE UNDP FUND TO COMBAT AVIAR FLU CONTRIBUTION TO THE UNDP PROGRAMME ON JUSTICE AND HUMAN RIGHTS IN BOSNIA- HERZEGOVINA CONTRIBUTION TO THE UNDP SUPPORT PROGRAMME FOR THE ELECTORAL PROCESS IN AFGHANISTAN CONTRIBUTION TO THE UNDP VENTURE TO SUPPORT TERRITORIAL AND THEMATIC NETWORKS OF COOPERATION FOR HUMAN DEVELOPMENT CONTRIBUTION TO THE UNDP FOR PROJECTS AND ACTIVITIES TO COMBAT CLIMATE CHANGE IN LATIN AMERICAN CITIES CONTRIBUTION TO UNDP-COLOMBIA CONTRIBUTION TO THE THEMATIC TRUST FUND FOR CRISIS PREVENTION AND RECOVERY (CPR-TTF) CONTRIBUTION TO THE ELECTORIAL CYCLE GLOBAL SUPPORT FUND, DEMOCRATIC GOVERNABILITY TRUST FUND CONTRIBUTION TO THE UNDP DEMOCRATIC GOVERNABILITY TRUST FUND TO SUPPORT THE DEMOCRATIC PROCESS IN INDONESIA CONTRIBUTION TO THE UNDP FOR THE ATTAINMENT OF THE MILLENNIUM OBJECTIVES CONTRIBUTION TO THE UN DEVELOPMENT GROUP TRUST FUND FOR THE RECONSTRUCTION OF LEBANON CONTRIBUTION TO THE UN ENVIRONMENT PROGRAMME (UNEP) ADDITIONAL CONTRIBUTION TO THE UN ENVIRONMENT PROGRAMME (UNEP) CONTRIBUTION TO THE MERCURY PROGRAMME UNDER THE UN ENVIRONMENT PROGRAMME (UNEP) CONTRIBUTION TO THE STOCKHOLM CONVENTION ON PERSISTENT ORGANIC PULLUTANTS (UNEP) CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT PROJECT FOR ECOSYSTEMS IN MANGROVE SWAMPS, GUATEMALA, NICARAGUA AND HONDURAS CONTRIBUTION TO THE UNITED NATIONS ENVIRONMENT PROGRAMME UNEP CONTRIBUTION TO THE UN ENVIRONMENT PROGRAMME (UNEP) - LIFE WEB CONTRIBUTION TO THE UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP) - IBERO-AMERICAN PROGRAMME FOR ADAPTATION TO CLIMATE CHANGE CONTRIBUTION TO THE INTERNATIONAL MANAGEMENT STRATEGIC FOCUS FOR CHEMICAL PRODUCTS (UNEP) CONTRIBUTION TO THE WORLD FOOD PROGRAMME (WFP) CONTRIBUTION TO THE WORLD FOOD PROGRAMME (WFP) FOR A PROGRAMME IN LATIN AMERICA AND THE CARIBBEAN

CHART XXII. FAD ARRANGEMENTS 2008 (CONT.)

	OFFICIAL DEVELOPMENT AID (FAD)
MULTILATERAL BODIES	CONTRIBUTION TO THE TECHNICAL ASSISTANCE REGIONAL UNIT (TARU) CONTRIBUTION TO UN THE SMALL ISLAND DEVELOPING STATES (SIDS) PROGRAMME CONTRIBUTION TO THE FUND FOR THE SPECIAL SIERRA LEONE TRIBUNAL CONTRIBUTION TO THE RUANDA INTERNATIONAL CRIMINAL COURT, UN SECURITY COUNCIL CONTRIBUTION TO THE UN TRUST FUND FOR EXTRAORDINARY TRIBUNALS IN CAMBODIA CONTRIBUTION TO THE UN TRUST FUND FOR TRADE AND DEVELOPMENT CONTRIBUTION TO THE SPAIN-UNESCO TRUST FUND CONTRIBUTION TO THE UNESCO AFRICAN WORLD HERITAGE FUND (AWHF) CONTRIBUTION TO THE UN PROGRAMME FOR HUMAN SETTLEMENTS (UNHABITAT) CONTRIBUTION TO THE WATER AND SANITATION TRUST FUND (WSTF), UN PROGRAMME FOR HUMAN SETTLEMENTS (UNHABITAT) CONTRIBUTION TO THREE MULTIDONOR TRUST FUNDS MANAGED BY UNICEF VOLUNTARY CONTRIBUTION TO THE UN INFANCY FUND (UNICEF) CONTRIBUTION TO THE UNICEF FUND FOR POST-CRISIS EMERGING ECONOMIES AND ECONOMIES IN TRANSITION CONTRIBUTION TO UNICEF PROGRAMMES FOR THE REINTEGRATION OF BOY AND GIRL SOLDIERS VOLUNTARY CONTRIBUTION TO THE TRUST FUND OF THE UN MEDIATION SUPPORT UNIT CONTRIBUTION TO THE UN WOMEN'S FUND (UNIFEM) VOLUNTARY CONTRIBUTION TO THE UN WOMEN'S FUND (UNIFEM) CONTRIBUTION TO THE GENDER EQUALITY FUND, UNITED NATIONS WOMEN'S FUND (UNIFEM) CONTRIBUTION TO THE INTERNATIONAL MECHANISM FOR THE PURCHASE OF MEDICAMENTS CONTRIBUTION TO THE UN INSTITUTE FOR TRAINING AND RESEARCH (UNITAR) CONTRIBUTION TO THE UNITED NATIONS CENTRE FOR PEACE, DISARMAMENT AND DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN CONTRIBUTION TO THE UNITED NATIONS AGENCY FOR PALESTINIAN REFUGEES IN THE MIDDLE EAST
	ORGANISATION FOR COOPERATION AND DEVELOPMENT (OECD) VOLUNTARY CONTRIBUTION TO THE OECD DEVELOPMENT AID COMMITTEE AND THE OECD DEVELOPMENT CENTRE CONTRIBUTION TO THE OECD-DCD STATISTICS ASSOCIATION, PARIS 21
	ORGANISATION OF AMERICAN STATES (OAS) CONTRIBUTION TO THE SPANISH FUND OF THE ORGANISATION OF AMERICAN STATES CONTRIBUTION TO THE INTER-AMERICAN COMMITTEE TO COMBAT TERRORISM (CICTE) CONTRIBUTION TO THE ORGANISATION OF AMERICAN STATES CONTRIBUTION TO THE OAS INTEGRAL ACTION ASSISTANCE PROGRAMME TO ELIMINATE ANTI-PERSONNEL MINES
	ORGANISATION OF IBERO-AMERICAN STATES (OIS) CONTRIBUTION TO THE ORGANISATION OF IBERO-AMERICAN STATES, SPANISH FUND FOR EDUCATION, SCIENCE AND CULTURE CONTRIBUTION TO THE OIS SPANISH FUND FOR EDUCATION, SCIENCE AND CULTURE AND THE LATIN AMERICAN NETWORK OF EDUCATIONAL PORTALS INTERNATIONAL MIGRATION ORGANISATION CONTRIBUTION TO THE INTERNATIONAL MIGRATION ORGANISATION PANAMERCIAN HEALTH ORGANISATION CONTRIBUTION TO THE PANAMERICAN HEALTH ORGANISATION SPANISH FUND ORGANISATION FOR SAFETY AND COOPERATION IN EUROPE (OSCE) CONTRIBUTION TO THE ORGANISATION FOR SAFETY AND COOPERATION IN EUROPE (OSCE) IBERO-AMERICAN SECRETARIAT GENERAL (IASG) CONTRIBUTION TO THE IASG ACTIVITY FUND FOR THE DEVELOPMENT OF COOPERATION ACTIVITIES CONTRIBUTION TO THE ACTIVITY FUND FOR THE JUSTICE MINISTER CONFERENCE (IASG) CENTRAL AMERICAN INTEGRATION SYSTEM (CAIS) CONTRIBUTION TO THE SECRETARIAT GENERAL OF THE CENTRAL AMERICAN INTEGRATION SYSTEM
	AFRICAN UNION (AU) CONTRIBUTION TO THE LEGISLATIVE CAPACITY PROGRAMME TO COMBAT TERRORISM CONTRIBUTION TO THE AFRICAN UNION PEACE AGENDA CONTRIBUTION TO THE NEW ALLIANCE FOR THE DEVELOPMENT OF AFRICA (NADA)
	INTERNATIONAL UNION FOR CONSERVATION OF NATURE (IUCN) CONTRIBUTION TO THE INTERNATIONAL UNION FOR THE CONSERVATION OF NATURE (IUCN)
ANGOLA	MULTISECTORAL CREDIT FACILITY
ALGERIA	STUDY FOR A MARITIME STATION AT THE PORT OF GAZHAOUET (*) STUDY FOR A SPEED-TEST TRACK IN ALGERIA (*) STUDY FOR THE EXPANSION OF THE PORT OF D'ARZEW (*) STUDY ON THE CERTIFICATION OF THE ELECTRONIC SIGNATURE IN ALGERIA (*)
ARGENTINA	BUILDING AND FITTING OF A HOSPITAL IN CÓRDOBA BUILDING AND FITTING OF A NEW HOSPITAL IN THE PROVINCE OF TUCUMÁN
BRAZIL	STUDY ON SEMI-ARID SUSTAINABLE DEVELOPMENT, SERGIPIANO (*) STUDY ON AN ENVIRONMENTAL HEALTH PROGRAMME FOR SMALL COMMUNITIES IN THE STATE OF MINAS GERAIS (*)
BURKINA-FASO	SUPPLY AND INSTALLATION OF SIX PHOTOVOLTAIC SYSTEMS AT 50 DEPARTMENT ADMINISTRATIVE CENTRES. PHASE II

CHART XXII. FAD ARRANGEMENTS 2008 (CONT.)

	OFFICIAL DEVELOPMENT AID (FAD)
CAPE VERDE	MARITIME TRAFFIC MANAGEMENT SYSTEM
CHINA	MULTISECTORAL CREDIT FACILITY STRATEGIES FOR THE IMPLEMENTATION OF AN URBAN TRANSPORT INTERCHANGER MODEL (*) CREATION OF A HISPANIC-CHINESE OCCUPATIONAL TRAINING AND SERVICES INSTITUTE IN MAANSHAN, ANHUI (*) STUDY ON THE MONITORING OF WASTE WATER IN YUNNAN (*)
EGYPT	DESIGN, SUPPLY, CONSTRUCTION AND OPERATION OF FOUR WASTE WATER TREATMENT PLANTS SUPPLY OF EQUIPMENT FOR THE EGYPTIAN MINISTRY OF HEALTH AND POPULATION
GHANA	SUPPLY OF PARTS FOR THE CONSTRUCTION OF 26 BRIDGES DIGITAL VIDEO SYSTEM FOR BORDER VIGILANCE SUPPLY OF PARTS FOR THE CONSTRUCTION OF 26 BRIDGES
HONDURAS	EXPANSION OF WATER TREATMENT PLANTS
INDONESIA	SUPPLY OF AN OCEANOGRAPHIC VESSEL AND FISHING FLEET, SIMULATORS AND LABORATORY EQUIPMENT EQUIPMENT FOR A TELEVISION BROADCASTING SIGNAL INTEGRAL COMPUTERISATION OF THE NATIONAL PUBLIC SERVICE AGENCY AND NINE SUB-AGENCIES
MOROCCO	CREATION OF A PUMP-OPERATED ENERGY-TRANSFER STATION IN IFAHSA (*) STUDY ON THE DESALINATION PLANT AT GRAN AGADIR (*)
MAURITANIA	EXTENSION OF A SUPERVISION CONTRACT FOR A RURAL ELECTRICITY PROJECT, RIVER SENEGAL VALLEY (**)
MONTENEGRO	STUDY OF THE REGIONAL DUMPING GROUND, MONTENEGRO (*)
MOZAMBIQUE	STUDY ON THE DEVELOPMENT OF SUGAR CANE, COFEMOSA (*)
NICARAGUA	TECHNOLOGICAL EQUIPMENT FOR UNIVERSITIES DRINKING WATER AND DRAINAGE SYSTEM, CITY OF SAN JUAN DRINKING WATER AND DRAINAGE SYSTEM, CITY OF SAN JUAN
PERU	STUDY ON THE DEVELOPMENT OF THE NATIONAL SATELLITE PICTURE OPERATIONS CENTRE (CONIDA) (*) IMPACT OF PRIVATISATIONS AND CONCESSIONS IN PERU (*)
TUNISIA	METLINE AND KECHABTA WIND FARMS IN THE REGION OF BIZERTE STUDY ON TRAFFIC REGULATION IN TUNIS (*)
TURKEY	EXTENSION OF THE ANKARA-ISTAMBUL HIGH-SPEED RAILWAY TRACK TRAMWAY SYSTEM PROJECT STUDY FOR A PILOT HOSPITAL IN TURKEY (*) STUDY OF AUXILIARY SERVICES ON THE ELECTRICITY MARKET (*) HARMONISATION OF THREE FEV STUDIES ABOUT ELECTRICITY ISSUES IN TURKEY (*)
VIETNAM	SOLID RESIDUE COMPOST PLANT, HAY DUONG CITY SUPPLY OF MEDICAL EQUIPMENT FOR THE GENERAL HOSPITAL, QUANG NAM PROVINCE MEDICAL EQUIPMENT FOR THE GENERAL HOSPITAL, BAC NINH PROVINCE MEDICAL EQUIPMENT FOR THE GENERAL HOSPITAL, GIAI LAI PROVINCE MEDICAL EQUIPMENT FOR THE GENERAL HOSPITAL, QUANG NGAI PROVINCE
CONSULTANCY STUDIES (L-500)	AGREEMENT OF COOPERATION WITH CESCE FOR THE ASSESSMENT OF ENVIRONMENTAL RISK

(*) Donations charged to the FAD Viability Study Fund (FEV).
(**) Supervision charged to the FAD Consultant Firm Facility(L-500).

CHART XXIII. FAD LOANS. DISTRIBUTION BY COUNTRIES

Balances at December 31 2008 | Thousand euros

Country	Amount	Distribution %	Country	Amount	Distribution %
ALBANIA	1,760.27	0.04	MACEDONIA	6,869.50	0.14
ANGOLA	96,178.72	1.99	MADAGASCAR	2,090.26	0.04
ALGERIA	310,101.73	6.42	MALASIA	4,239.42	0.09
ARGENTINA	270,012.67	5.59	MALAWI	7,477.54	0.15
B.C.I.E.	0.04	0.00	MARRUECOS	226,840.33	4.69
BANGLADESH	4,515.32	0.09	MAURITANIA	34,341.58	0.71
BOLIVIA	73,525.72	1.52	MÉXICO	272,120.64	5.63
BOSNIA-HERZEGOVINA	48,513.36	1.00	MONGOLIA	13,731.90	0.28
BURKINA-FASO	3,773.19	0.08	MOZAMBIQUE	19,379.29	0.40
CAPE VERDE	9,157.98	0.19	NAMIBIA	21,775.76	0.45
CAMEROON	23,018.32	0.48	NICARAGUA	90,123.51	1.86
CHAD	984.34	0.02	O.E.I.	9,000.00	0.19
CHILE	44.12	0.00	PAKISTÁN	38,520.64	0.80
CHINA	703,160.79	14.55	PALESTINA	69,649.68	1.44
COLOMBIA	56,310.44	1.16	PANAMÁ	41,985.98	0.87
IVORY COAST	62,739.91	1.30	PARAGUAY	24,545.02	0.51
COSTA RICA	36,098.24	0.75	PERÚ	3,514.20	0.07
CUBA	219,160.09	4.53	POLONIA	13,443.57	0.28
DJIBOUTI	1,997.98	0.04	R.D. CONGO	4,970.83	0.10
ECUADOR	166,036.57	3.43	REP. DOMINICANA	72,270.11	1.50
EGYPT	114,808.85	2.38	SANTO TOME	3,332.66	0.07
EL SALVADOR	47,783.07	0.99	SENEGAL	58,188.90	1.20
ETHIOPIA	3,685.56	0.08	SEYCHELLES	1,333.45	0.03
IMF	40,632.52	0.84	SOMALIA	24,737.74	0.51
PHILIPPINES	88,919.80	1.84	SRY LANKA	26,120.22	0.54
GABON	1,229.49	0.03	SUDAN	40,261.17	0.83
GHANA	50,281.31	1.04	TANZANIA	12,975.80	0.27
GUINEA BISSAU	8,034.78	0.17	TUNEZ	75,222.35	1.56
GUINEA CONAKRY	7,502.97	0.16	TURQUÍA	322,481.16	6.67
EQUATORIAL GUINEA	20,413.02	0.42	UGANDA	21,533.13	0.45
HONDURAS	205,451.32	4.25	URUGUAY	45,218.64	0.94
INDIA	2,158.87	0.04	UZBEKISTÁN	13,159.49	0.27
INDONESIA	295,308.25	6.11	VENEZUELA	67,911.95	1.40
JORDAN	32,935.07	0.68	VIETNAM	37,956.29	0.79
KAZAKHSTAN	33,814.76	0.70	YEMEN	15,655.25	0.32
KENYA	30,901.63	0.64	ZIMBABWE	19,788.91	0.41
			TOTAL	**4,833,717.94**	**100.00**

CHART XXIV. CARI CREDITS

Annual arrangements

	2008		2007	
	Currency of origin	Countervalue in million euros	Currency of origin	Countervalue in million euros
1. Individual credits				
USD	157.62	113.26	133.21	90.49
EURO/ECU	283.81	283.81	315.68	315.68
SUM		**397.07**		**406.17**
2. Charged to the facility				
USD	-	-	-	-
EURO/ECU	30.50	30.50	26.11	26.11
SUM		**30.50**		**26.11**
3. (1+2) Total operations				
USD	157.62	113.26	133.21	90.49
EURO/ECU	314.31	314.31	341.79	341.79
SUM		**427.57**		**432.28**

CHART XXV. MICROCREDIT FUND (FCM). OPERATIONS APPROVED

Distribution by countries and foreign on-lending institutions

Borrower	Amount approved by the Council of Ministers in 2008 (thousand euros)	Country	Geographical distribution %
2008			
FUNDACIÓN ZAKOURA	15,000	Morocco	15.81
BANCOLDEX II	20,000	Colombia	21.1
CMAC ICA	600	Peru	0.6
EKI II MIKROFIN II MIKRA	7,000 10,000 5,000	Bosnia-Herzegovina	23.2
MFW	6,000	Jordan	6.3
FUNDESER II	3,000	Nicaragua	3.2
ASC UNION III	10,000	Albania	10.5
AMRET AMK PRASAC	7,300 3,650 7,300	Cambodia	19.2
TOTAL	**94,850**	**TOTAL**	**100**

2007			
BANCO SOLIDARIO III COOPERATIVA RIOBAMBA	7,400 5,000	Ecuador	22.7
NMB TAMWEELCOM	5,000 4,000	Jordan	16.5
DBACD	1,800	Egypt	3.0
LOK MICRO	10,000	Bosnia-Herzegovina	18.3
FIG	1,500	Central America	2.7
ACME II	1,500	Haiti	2.7
CAMC CUSCO MIBANCO III	1,500 7,500	Peru	17.0
TCHUMA	1,000	Mozambique	1.8
FUNDESER	750	Nicaragua	1.3
EL COMERCIO	1,500	Paraguay	3.0
OBS	6,000	Serbia	11.0
TOTAL	**54,450**	**TOTAL**	**100**

CHART XXVI. MICROCREDIT FUND (FCM). OPERATIONS APPROVED BY THE COUNCIL OF MINISTERS

Distribution of amounts accumulated at December 31

Country	2008		2007	
	Thousand euros	Geographical distribution %	Thousand euros	Geographical distribution %
Africa, Asia and Eastern Europe	8,200	1.29	8,200	1.51
Albania	29,000	4.55	19,000	3.50
Central America and the Caribbean	2,902	0.46	2,902	0.53
Angola	2,400	0.38	2,400	0.44
Argentina	3,000	0.47	3,000	0.55
Bolivia	42,105	6.60	42,105	7.76
Bosnia-Herzegovina	54,500	8.55	32,500	5.99
Brazil	15,000	2.35	15,000	2.76
Colombia	60,470	9.48	40,470	7.45
Ecuador	47,016	7.37	47,016	8.66
Egypt	13,820	2.17	13,820	2.55
El Salvador	14,010	2.20	14,010	2.58
Philippines, Cambodia	27,265	4.28	9,015	1.66
Haiti	5,000	0.78	5,000	0.92
Indonesia	15,000	2.35	15,000	2.76
Jordan	15,000	2.35	9,000	1.66
Lebanon	4,000	0.63	4,000	0.74
Morocco	46,500	7.29	31,500	5.80
Mexico	22,000	3.45	22,000	4.05
Montenegro	2,500	0.39	2,500	0.46
Mozambique	2,000	0.31	2,000	0.37
Nicaragua, Honduras, El Salvador	43,296	6.79	40,296	7.42
Palestine	10,000	1.57	10,000	1.84
Panama	6,905	1.08	6,905	1.27
Paraguay	5,250	0.82	5,250	0.97
Peru	74,026	11.61	73,426	13.53
Dominican Republic	20,565	3.22	20,565	3.79
Serbia	21,000	3.29	21,000	3.87
Uruguay	10,000	1.57	10,000	1.84
Vietnam	15,000	2.35	15,000	2.76
Total	**637,730**		**542,880**	

CHART XXVII. PERFORMANCE OF LIABILITIES. 2008

Thousand euros and percentages

	Balance 31/12/2008 1	Balance 31/12/2007 2	Inc./dec. 3=1-2	Variation % 4=(3/2)*100
Bonds and debentures in euros	**14,849,932**	**12,079,862**	**2,770,070**	**22.9**
Bonds and debentures in f.c.	**23,910,154**	**17,539,534**	**6,370,620**	**36.3**
Accrual adjustments in €	(52,863)	(45,964)	(6,899)	15.0
Accrual adjustments in $	(8,172)	(4,317)	(3,855)	89.3
Valuation adjustments in euros	230,088	(920,156)	1,150,244	(125.0)
Valuation adjustments in f.c.				
***Pagarés* and bills in euros**	**64,073**	**64,910**	**(837)**	**(1.3)**
Valuation adjustments in euros	352,145	340,074	12,071	3.5
State loan	**2**	**2**	**0**	**0.0**
Valuation adjustments in euros	0	0		
Loans in euros	**46,278**	**146,278**	**(100,000)**	**(68.4)**
Loans in f.c.	**406,566**	**318,295**	**88,271**	**27.7**
Valuation adjustments in euros	(302,091)	(273,633)	(28,458)	10.4
Valuation adjustments in f.c.	335,702	251,198	84,504	33.6
EIB loans in euros	**394,651**	**451,098**	**(56,447)**	**(12.5)**
EIB loans in f.c.	**151,961**	**161,279**	**(9,318)**	**(5.8)**
Valuation adjustments in euros	574	1,371	(797)	(58.1)
Valuation adjustments in f.c.	493	1,250	(757)	(60.6)
Interbank in euros	**65,900**	**0**	**65,900**	
Interbank in f.c.	**6,530**	**136**	**6,394**	**4,701.5**
Valuation adjustments in euros	259	851	(592)	(69.6)
Valuation adjustments in f.c.	2,948	2,204	744	33.8
Other liabilities	**9,925,653**	**7,459,665**	**2,465,988**	**33.1**
TOTAL EXT. RESOURCES + OTHER LIABILITIES	**50,380,783**	**37,573,937**	**12,806,846**	**34.1**
Equity and reserves	**2,647,653**	**2,142,374**	**505,279**	**23.6**
Valuation adjustments	**(355,432)**	**(158,352)**	**(197,080)**	**124.5**
Results	**88,726**	**82,345**	**6,381**	**7.7**
Provisions	**207,782**	**241,312**	**(33,530)**	**(13.9)**
TOTAL INTERNAL RESOURCES	**2,588,729**	**2,307,679**	**281,050**	**12.2**
TOTAL RESOURCES	**52,969,512**	**39,881,616**	**13,087,896**	**32.8**

CHART XXVIII. FIXED INCOME AND LOANS FROM CREDIT INSTITUTIONS

Balances at December 31 | Thousand euros

			Variation	
Markets	2008	2007	Absolute	%
Domestic market	**635,858**	**(140,799)**	**776,657**	**(551.6)**
Auction programme, bonds and debentures	0	45,076	(45,076)	(100)
EMTN	9,000	9,000	0	0
Institutional bond and debenture issues [a]	235,532	445,430	(209,898)	(47)
Credit institution deposits	0	0		
Loans from other banks	46,278	146,278	(100,000)	(68)
Pagarés (promissory notes)	64,073	64,910	(837)	(1)
Valuation adjustments in euros	280,975	(851,493)		
External market	**39,819,272**	**30,255,069**	**9,564,203**	**32**
ECP (Euro Commercial Paper)	2,537,490	1,045,011	1,492,479	143
EMTN	20,632,018	14,329,702	6,302,316	44
KANGAROO	1,751,012	2,118,518	(367,506)	(17)
Institutional bond and debenture issues [a]	13,571,900	11,626,202	1,945,698	17
EIB loans	546,612	612,377	(65,765)	(11)
Loans from other banks	406,566	318,295	88,271	28
Credit institution deposits	72,430	136	72,294	53.157
Valuation adjustments in f.c.	301,244	204,828	96,416	47
TOTAL	**40,455,130**	**30,114,270**	**10,340,860**	**34.3**

(a) Includes accrual adjustments.

CHART XXIX. OPERATIONS WITH DERIVATIVES. LIABILITY ACCOUNTS. DECEMBER 31 2008

Thousand euros

	Balance sheet position		Situation post-derivatives	
Currencies and interest rates	Amount	Percentage	Amount	Percentage
EURO	**18,377,962**	**43.0**	**39,570,667**	**92.7**
Fixed	14,035,143	76.4	4,962,794	12.5
Variable	4,342,819	23.6	34,607,874	87.5
FOREIGN CURRENCY	**24,317,390**	**57.0**	**3,124,685**	**7.3**
Fixed	21,926,371	90.2	21,400	0.7
Variable	2,391,019	9.8	3,103,285	99.3
TOTAL	**42,695,352**	**100.0**	**42,695,352**	**100.0**

OPERATIONS WITH DERIVATIVES. LIABILITY ACCOUNTS. DECEMBER 31 2007

Thousand euros

	Balance sheet position		Situation post-derivatives	
Currencies and interest rates	Amount	Percentage	Amount	Percentage
EURO	**15,984,788**	**47,2**	**31,804,535**	**94,0**
Fixed	11,421,240	71,5	4,748,139	14,9
Variable	4,563,548	28,5	27,056,396	85,1
FOREIGN CURRENCY	**17,855,441**	**52,8**	**2,035,694**	**6,0**
Fixed	16,646,181	93,2	24,017	1,2
Variable	1,209,260	6,8	2,011,677	98,8
TOTAL	**33,840,229**	**100,0**	**33,840,229**	**100,0**

Note:
The charts show the conversion by derivatives of the funding originally raised.
Only that part of liabilities which constitutes ordinary funding has been taken into account (nominal values).
Headings corresponding to equity, accrual adjustments, valuation adjustments and other liabilities have not been considered.

REMARKS

Ordinary funding at source:
In the main, ICO raises funds on international markets through issues both in euros and in various foreign currencies. At year-end 2008, the balance of at-source funding in euros accounted for 43% as against 57% in foreign currencies. In respect of the year 2007, there is a decline in funding originally netted in euros (47.2% at year-end 2007 and 43% at year-end 2008). This was due to greater activity on the foreign currency issue market than on the euro market.

Operations with derivatives:
As the chart shows, the characteristics of at-source funding are modified by derivatives, mainly IRS and currency swaps, so as to adjust funding characteristics to ICO's asset requirements. This approach forms part of an assets and liabilities management policy seeking to minimise interest and exchange rate risks.
Thus, while 57% of ordinary funding was originally netted in foreign currencies, after derivatives, this funding accounts for only 7.3% of the total.
As regards interest rates, although most of at-source funding is raised at a fixed rate (90.2% in foreign currencies and 76.4% in euros), the bulk is subsequently changed to a variable rate, meaning that 0.7% remain at a fixed rate in foreign currencies and 12.5% in euros.

CHART XXX. STATEMENT OF RISK BY EXCHANGE RATE

Position in f.c. Balances at December 31 2008 — Thousands of monetary units

Units	Balance		Off-balance sheet ops. (net) +/- provs. and accruals	Open position	
	Assets 1	Liabilities 2	3	Foreign currency 4= 1-2+3	Countervalue Thousand euros 5
US DOLLAR	2,923,617	(18,726,525)	15,816,255	13,347	9,590
GB POUND	409,490	(4,252,891)	3,848,308	4,907	5,152
CANADIAN DOLLAR	11,267	(1,360,819)	1,350,000	448	280
SWISS FRANC	10,059	(879,005)	870,000	1,054	686
SWEDISH KRONA	0	(499,882)	500,000	118	11
NORWEGIAN KRONE	0	(13,871,412)	13,875,000	3,588	393
YEN	18	(165,487)	165,500	31	25
AUSTRIALIAN DOLLAR	41	(3,710,919)	3,712,000	1,122	569
OTHER CURRENCIES	-	-	-	-	512
POSITION					**17,224**

CHART XXXI. STATEMENT OF OPERATIONS WITH THE EIB

Balances at December 31 2008 — Thousand euros

	2008		2007	
	Currency of origin	Countervalue in euros	Currency of origin	Countervalue in euros
1. Loans without contra item		**191,605**		**218,344**
2. Loans with contra item		**355,007**		**394,034**
3. (1+2) Total loans		**546,612**		**612,377**
3.1 USD	211,487.0	151,961	237,418.8	161,279
3.2 EUROS	394,651.2	394,651	451,097.7	451,098
3.3 JPY				
3.4 CHF				
3.5 FRF				
3.6 NLG				
3.7 BEF				
3.8 GBP				
3.9 ITL				
3.10 DEM				
3.1 ESP				
4. Security to State-owned banks				
5. Security to enterprises		**336,712**		**570,242**
6. (4+5) Total security		**336,712**		**570,242**
6.1 EUROS	289,105.9	289,106	310,561.7	310,562
6.2 CHF				
6.3 DEM				
6.4 USD	66,254.0	47,607	382,276.0	259,681
6.4 ESP				
7. (3+6) TOTAL RISK		**883,324**		**1,182,619**

CHART XXXII. INVESTEE COMPANIES. CORPORATE PURPOSE AND ACTIVITIES

AXIS Participaciones Empresariales, S.A. (AXIS)

AXIS is a firm managing venture capital funds, to which end it takes up shares on a temporary basis in the capital of small and medium-sized enterprises, with the exception of financial and real-estate firms.

Its investment objectives are aimed at going concerns with real or potential profits in the short term and recently constituted enterprises which are promoted by corporately accredited partners and whose outlook for profit offsets the risk assumed.

As a long-term investor, AXIS maintains its share in the capital of the investee company long enough for the latter to accomplish its targets. Nevertheless, given its need to rotate resources, it limits this period to a maximum of six or seven years. While not involved in day-to-day management, AXIS is an active partner and, for as long as it remains one of the shareholders, it keeps in constant contact with the investee company with a view to watching over its own investment and collaborating with the enterprise so as to enhance the added value of its pecuniary contribution.

Compañía Española de Reafianzamiento, S.A. (CERSA)

CERSA is a mercantile company whose purpose consists in underwriting guarantee operations executed by Reciprocal Guarantee Companies (SGR), regulated under Act 1/94, March 11 and Royal Decree 2345/96, November 8. It may not execute security or other guarantees directly in favour of enterprises.

The main activity performed by CERSA is the underwriting of operations formalised by SGR. In addition, the company has outstanding direct assurance operations deriving from the former Sociedad Mixta de Segundo Aval, S.A. CERSA may carry out studies, projects and other activities geared towards favouring the distribution of any kind of guarantee or assurance, especially those that are linked to SME.

Compañía Española de Financiación del Desarrollo, Cofides, S.A. (COFIDES)

COFIDES is a mixed-capital (public and private) corporation whose main purpose is to encourage productive investments by Spanish enterprises in developing countries. Investment decisions are based on the corporate capacity of the promoters, the viability of the projects and their contribution to the recipient country's development.

COFIDES offers its customers integral backing. It puts Spanish investors in contact with potential local partners and provides them with the advice and institutional support necessary for the financial design and execution of the projects. It partially finances investments by Spanish enterprises through capital holdings and long-term loans. Furthermore, it handles long-term financing from European Union institutions and national or multilateral development institutions.

CHART XXXIII. ICO ORGANOGRAM. DECEMBER 31 2008

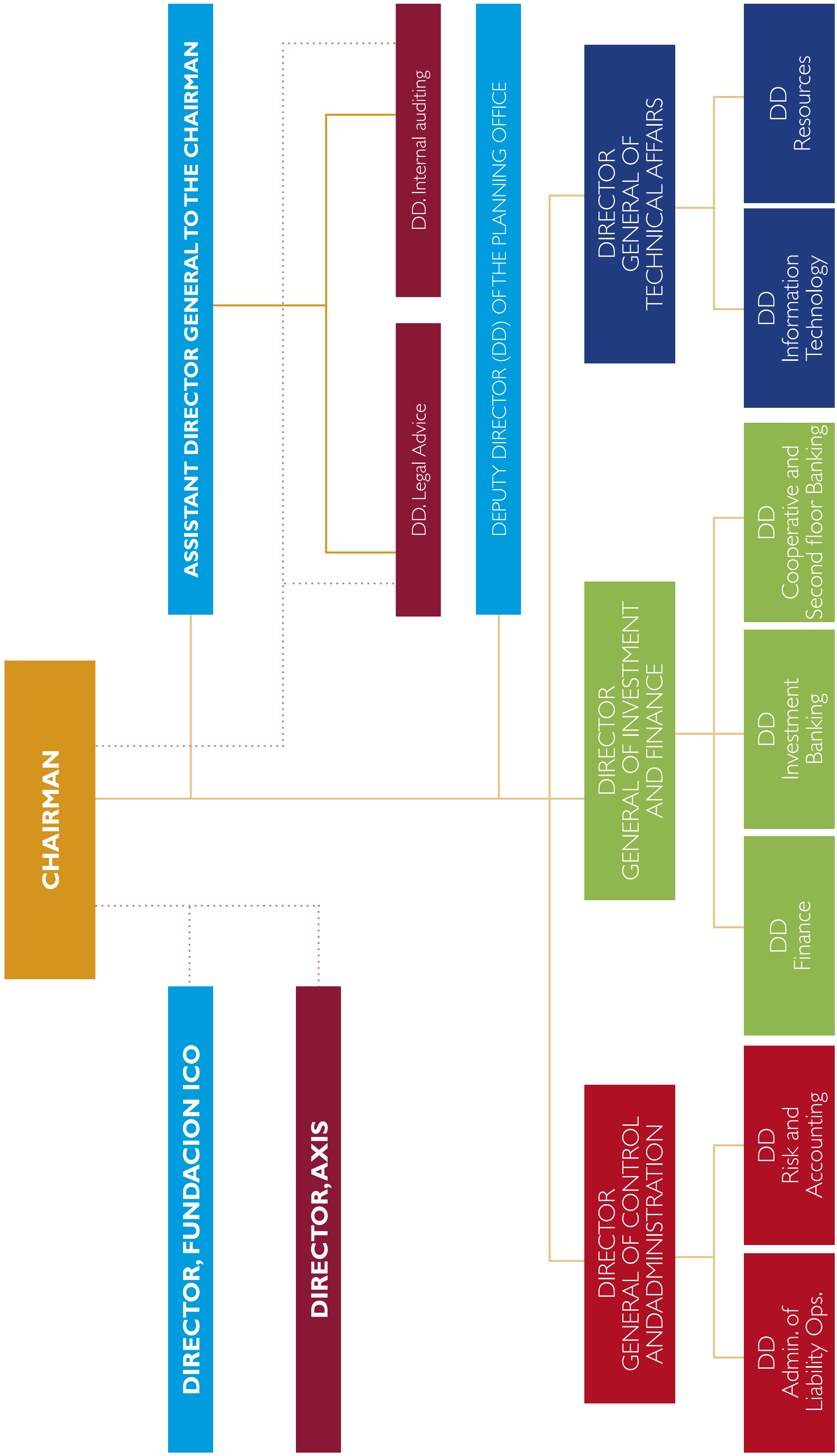


CHART XXXIV. FUNDACIÓN ICO

Objects and governing bodies	Created in 1993, FUNDACIÓN ICO is a permanent, private cultural foundation of national scope. A non-profit-making organisation, it is the holder of its own assets. Its objects are the organisation, encouragement, development, programming, fostering and promotion of all nature of studies, research, training and technical assistance, together with whatsoever other activities related to economic and corporate matters, science, technology, the environment, urban development, social issues and labour, professional, artistic, cultural, educational, civic and humanitarian subjects, international cooperation and cooperation in development. Moreover, the foundation pursues other activities of a general nature, in particular, those concerned with the fulfilment of the principles of the Constitutional State and the defence of citizens' fundamental rights and liberties. Fundación ICO has two governing bodies: the Board of Trustees and the Executive Committee. The persons performing the various functions within these bodies are appointed on trust and receive no payment for the services they render. The Board of Trustees is the foundation's governing and administrative body and is also its legal and contractual representative. It is incumbent on the Board of Trustees to accomplish, and ensure the accomplishment of, the foundational objects, promote the foundation's presence and institutional recognition through its activities and administer the assets and rights which go to make up the foundation's property, ensuring that they are put to the best purpose and use. The Board of Trustees also approves the accounts and the Performance Plan. The Executive Committee is responsible for the examination and proposal to the Board of Trustees of the foundation's specific programmes and activities; and for resolution and agreement as applicable in any such cases of an urgent nature.

Activities	So as to achieve these aims, the foundation, in accordance with the specific programmes approved in each case by the Board of Trustees, performs, amongst others, the following activities: a) The direct and indirect encouragement of studies and research in subjects related to its foundational objects, along with the preparation of projects and publications. b) The promotion of the study, research, knowledge and dissemination of the disciplines related to the objectives pursued by the foundation, by awarding prizes and scholarships, organising exhibitions, congresses and whatsoever other activities related to such purposes. c) Award all nature of grants and scholarships for the purpose of study and research and create spaces and infrastructures that contribute to the enhancement of the aims pursued. d) Organise courses, seminars, conferences, round tables, encounters, forums for debate, meetings and other activities of a similar nature, with a view to promoting vocational, scientific, technical and humanistic training, the dissemination of conclusions reached in both internal and external research and the enhancement of general awareness within the foundation's field of activity. e) Hold displays and exhibitions related to subjects conducive to the fulfilment of the foundation's aims. f) Prepare and publish books, reviews, leaflets and other periodic or single publications in whatsoever form so as to publicise events, data or ideas connected with the foundational object, along with scientific, technical, artistic and cultural monographs and documents, theses and research works. g) Invite the presentation of ideas and organise award schemes on subjects whose content is related to the foundational object.

h) Participate in patronage programmes of general interest and subscribe agreements and arrangements of cooperation with other non-profit-making institutions, enterprises or private individuals, either domestic or foreign, public or private, for the fulfilment of the foundation's aims; and, in particular, with those non-profit-making organisations whose ends and objectives are similar to those of the foundation.

i) Participate in the promotion and constitution of non-profit-making foundations, associations and institutions whose aims are similar to those of the foundation.

j) The public aknowledgement of persons distinguished for their contributions in the areas related to the foundational objects.

k) The promotion of activities of whatsoever nature related to the foundation's aims.

l) The dissemination, promotion and public announcement of the foundation's objects and activities.

m) The acquisition and exhibition of works of art.

n) The management and administration of the artistic property of Instituto de Crédito Oficial.

o) The promotion and performance of activities connected with international cooperation and cooperation in development.

p) The promotion of voluntary schemes.

q) Under agreements of cooperation or other, similar instruments, participate in the renovation and reconstruction of centres, spaces and buildings in accordance with the foundational objects.

r) Cooperate with whatsoever public administration, institution or entity in all activities relating to the foundational objects.

s) Create artistic, documentary and bibliographic holdings relating to the foundational objects.

t) Organise and programme, encourage, foster and promote whatsoever activities or actions deemed suitable by the Board of Trustees for the better accomplishment of the foundational objects and of any others of the same nature.

CHART XXXV. AXIS PARTICIPACIONES EMPRESARIALES SGECR, S.A.

Balance sheet position. Balances at December 31

Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007	
										Absolute	%
1. Fixed assets	**84**	**72**	**52**	**41**	**30**	**298**	**266**	**230**	**202**	**(28)**	**(12)**
1.1 Intangible fixed assets	1	2	1	4	3	4	2	2	0	(2)	(95)
1.2 Tangible fixed assets	83	70	51	38	27	294	263	228	202	(26)	(11)
1.3 Financial fixed assets	-	-	-	-	-	-	-	-	-	-	-
2. Floating assets	**4,454**	**4,826**	**4,885**	**4,885**	**5,207**	**5,146**	**5,868**	**6,346**	**7,901**	**1,555**	**25**
2.1 Debtors	300	470	395	681	815	497	720	606	620	14	2
2.2 Financial investments	2,059	4,244	4,372	4,126	782	1,030	1,385	2,126	3,609	1,483	70
2.3 Cash assets	2,089	105	110	63	3,603	3,604	3,747	3,598	3,654	56	2
2.4 Accrual adjustments	5	7	8	16	7	15	17	16	19	3	16
3. Total ASSETS = LIABILITIES	**4,538**	**4,898**	**4,937**	**4,927**	**5,237**	**5,444**	**6,134**	**6,576**	**8,103**	**1,527**	**23**
4. Shareholders' equity	**4,367**	**4,716**	**4,827**	**4,833**	**5,024**	**5,236**	**5,773**	**6,323**	**7,591**	**1,268**	**20**
4.1 Subscribed capital	601	601	601	601	601	601	601	601	601	0	0
4.2 Reserves	3,413	3,766	4,115	4,226	4,232	4,423	4,635	5,172	5,721	549	11
4.3 Year's profit/loss	353	349	111	6	191	212	537	550	1,269	719	131
5. Provisions for contingencies/charges	-	-	-	-	18	35	-	-	-	-	-
6. Creditors	**170**	**182**	**110**	**94**	**195**	**173**	**361**	**253**	**512**	**259**	**102**

CHART XXXVI. AXIS PARTICIPACIONES EMPRESARIALES SGECR, S.A.

Statement of income

Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Operating revenue	**1,448**	**1,442**	**1,246**	**1,217**	**1,544**	**1,494**	**1,945**	**1,805**	**2,938**	**1,133**	**63**
1.1 Management fees	1,345	1,370	1,178	1,196	1,513	1,457	1,905	1,776	2,911	1,135	64
1.2 Other revenue	103	72	68	21	31	37	40	29	27	(2)	(6)
2. Other interest revenue and similar	**157**	**185**	**154**	**111**	**99**	**172**	**143**	**229**	**281**	**52**	**23**
3. (1+2). Ordinary revenue	**1,604**	**1,627**	**1,400**	**1,327**	**1,643**	**1,666**	**2,088**	**2,034**	**3,219**	**1,185**	**58**
4. Operating expense	**1,108**	**1,079**	**1,134**	**1,294**	**1,339**	**1,289**	**1,257**	**1,238**	**1,389**	**151**	**12**
4.1 Personnel	575	617	658	680	794	753	667	759	664	(95)	(13)
4.2 Depreciation of premises and equipment	24	26	26	22	21	25	37	36	35	(1)	(3)
4.3 Variation, credit loss provision	-	(96)	-	-	-	-	-	-	-	-	-
4.4 Other expense	508	532	450	591	524	511	553	443	690	247	56
5. Interest expense and similar	-	-	-	-	-	-	-	-	-	-	-
6. (4+5). Ordinary expense	**1,108**	**1,079**	**1,134**	**1,294**	**1,339**	**1,289**	**1,257**	**1,238**	**1,389**	**151**	**12**
7. (3-6). Ordinary profit	**496**	**548**	**266**	**39**	**305**	**377**	**831**	**796**	**1,830**	**1,034**	**130**
8. Extraordinary profit/loss	**41**	**(12)**	**(83)**	**(31)**	**(18)**	**(43)**	**(5)**	**17**	**(16)**	**(33)**	**(194)**
9. (7+8). Year's profit/loss (before tax)	**538**	**536**	**183**	**8**	**287**	**334**	**826**	**813**	**1,814**	**1,001**	**123**
10. Corporate tax	**184**	**187**	**72**	**2**	**96**	**122**	**288**	**263**	**545**	**282**	**107**
11. Year's profit/loss	**354**	**349**	**111**	**6**	**191**	**212**	**537**	**550**	**1,269**	**719**	**131**

CHART XXXVII. FOND-ICO.VENTURE CAPITAL FUND

Balance sheet position. Balances at December 31

Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Holders' uncalled payments	**13,191**	**13,191**	**13,191**	**13,191**	**13,191**	**13,191**	**47,390**	**47,390**	**47,390**	**0**	**0**
2. Start-up costs	**3**	**4**	**2**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3. Floating assets	**71,099**	**75,807**	**78,165**	**81,944**	**82,433**	**88,858**	**107,718**	**106,312**	**100,353**	**(5,959)**	**(6)**
3.1 Net investment portfolio	30,264	23,769	19,474	26,773	28,797	52,758	64,343	52,097	57,628	5,531	11
3.1.1 Net holdings in capital	28,439	22,149	18,437	17,850	19,880	24,953	37,235	36,030	36,904	874	2
3.1.2 Participating loans and other (net) (1)	1,825	1,620	1,037	8,923	8,917	27,805	27,108	16,067	20,723	4,656	29
3.2 Cash assets and other fixed-income assets	35,268	45,550	50,547	45,730	44,115	28,934	37,046	48,753	38,426	(10,327)	(21)
3.3 Debtors	5,563	6,484	8,140	9,440	9,520	7,165	6,328	5,461	4,299	(1,162)	(21)
3.4 Accrual adjustments	4	4	4	1	1	1	1	1	0	(1)	-
4. Total ASSETS = LIABILITIES	**84,293**	**89,001**	**91,358**	**95,135**	**95,624**	**102,049**	**155,107**	**153,702**	**147,743**	**(5,959)**	**(4)**
5. Shareholders' equity	**83,444**	**88,532**	**90,953**	**94,708**	**95,138**	**96,900**	**147,744**	**148,201**	**147,248**	**(953)**	**(1)**
5.1 Subscribed holdings	72,121	72,121	72,121	72,121	72,121	72,121	122,005	122,005	122,005	0	0
5.2 Reserves (2)	6,146	11,323	16,411	18,832	22,587	23,017	24,779	25,738	24,813	(925)	(4)
5.3 Year's profit/loss	5,177	5,088	2,421	3,755	430	1,762	959	458	430	(28)	(6)
6. Income pending distribution	**387**	**399**	**373**	**285**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Long-term creditors	**-**	**-**	**0**	**109**	**207**	**561**	**766**	**45**	**0**	**(45)**	**(100)**
8. Short-term creditors	**462**	**70**	**32**	**32**	**279**	**4,588**	**6,598**	**5,455**	**494**	**(4,961)**	**(91)**

(1) Includes interest accrued but not due.
(2) In 2008, includes valuation adjustments charged to reserves.

CHART XXXVII. FOND-ICO. VENTURE CAPITAL FUND.

Balance sheet position. Balances at December 31

Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
Holdings in capital											
1. Opening balance	30,049	33,662	30,758	27,144	27,978	28,056	32,952	43,791	43,698	(93)	0
2. New investments in capital	9,290	4,936	1,810	2,500	7,573	6,500	16,567	347	15,363	15,016	4,324
2.1 In investee companies	38	740	1,810	0	6,119	-	-	-	192	192	-
2.2 In non-investee companies	9,252	4,196	0	2,500	1,454	6,500	16,567	347	15,171	14,824	4,268
3. Disinvestments (sales and withdrawals)	5,677	7,840	5,424	1,666	7,495	1,604	5,729	440	9,140	8,700	1,977
4. Closing balance	33,662	30,758	27,144	27,978	28,056	32,952	43,791	43,698	49,921	6,223	14
5. Securities depreciation allowance	5,223	8,609	8,707	10,129	8,176	8,000	6,556	7,668	7,912	244	3
6. Net closing balance (1)	28,439	22,149	18,437	17,850	19,880	24,953	37,235	36,030	36,904	874	2
Participating loans and other (2)											
1. Opening balance - cost	6,617	4,263	4,110	3,528	11,423	11,874	31,254	30,374	19,472	(10,902)	(35)
2. New loans and drawdowns	0	537	6	8,002	500	20,130	-	-	7,000	7,000	-
3. Repayments and withdrawals	2,354	690	588	107	49	750	880	10,902	3,474	(7,428)	(68)
4. Closing balance - cost	4,263	4,110	3,528	11,423	11,874	31,254	30,374	19,472	23,000	3,528	18
5. Credit loss provision	2,464	2,509	2,515	2,515	2,973	3,474	3,474	3,474	2,495	(979)	(28)
6. Closing balance - net	1,799	1,601	1,013	8,908	8,901	27,781	26,901	15,998	20,505	4,506	28
Number of enterprises in portfolio	**27**	**24**	**21**	**23**	**24**	**26**	**24**	**24**	**23**	**(1)**	**(4)**

(1) In 2008, net of disbursements pending.
(2) Includes only principal.

CHART XXXVIII. FOND-ICO.VENTURE CAPITAL FUND

Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Interest revenue	**1,788**	**2,006**	**1,979**	**1,559**	**1,823**	**1,876**	**3,609**	**3,598**	**3,576**	**(22)**	**(1)**
1.1 Dividends	205	206	222	85	213	95	156	64	198	134	209
1.2 Interest	278	123	68	81	265	829	2,545	1,719	1,482	(237)	(14)
1.3 Cash asset interest	1,305	1,677	1,689	1,393	1,345	952	908	1,815	1,896	81	4
2. Profit from sale and depreciation of financial assets	**8,512**	**6,888**	**2,952**	**3,227**	**1,227**	**1,207**	**787**	**646**	**5,992**	**5,346**	**828**
3. (1 + 2) Ordinary revenue	**10,300**	**8,894**	**4,931**	**4,786**	**3,050**	**3,084**	**4,396**	**4,244**	**9,568**	**5,324**	**125**
4. Operating expense	**2,140**	**1,133**	**848**	**881**	**1,664**	**1,784**	**1,587**	**1,552**	**2,884**	**1,332**	**86**
4.1 Fixed-asset depreciation allowance	1	2	2	2	1	0	0	0	0	0	-
4.2 Variation, credit loss provision	935	45	6	0	458	517	0	0	0	0	-
4.3 Other operating expense	1,204	1,087	840	879	1,205	1,267	1,587	1,552	2,884	1,332	86
4.3.1 Management fees	979	1,003	798	815	1,150	1,126	1,557	1,458	2,762	1,304	89
4.3.2 Other expense	225	84	42	64	55	141	30	94	123	29	31
5. Interest expense	**2,472**	**3,999**	**2,796**	**1,422**	**1,501**	**(177)**	**1,522**	**1,113**	**5,617**	**4,504**	**405**
5.1 Variation, investment allowance	2,313	3,999	2,209	1,422	871	(177)	1,386	1,113	5,617	4,504	405
5.2 Loss on sale and depreciation of financial assets	158	0	587	0	630	0	136	0	0	0	-
6. (4 + 5) Ordinary expense	**4,611**	**5,133**	**3,644**	**2,303**	**3,165**	**1,608**	**3,110**	**2,665**	**8,501**	**5,836**	**219**
7. (3 - 6) Ordinary profit	**5,689**	**3,761**	**1,287**	**2,484**	**(115)**	**1,476**	**1,286**	**1,579**	**1,067**	**(512)**	**(32)**
8. Extraordinary profit/loss	**6**	**(38)**	**(1)**	**(4)**	**1**	**500**	**1**	**(46)**	**0**	**46**	**-**
9. (7 + 8) Year's profit/loss (before tax)	**5,696**	**3,723**	**1,286**	**2,479**	**(114)**	**1,976**	**1,287**	**1,533**	**1,067**	**(466)**	**(30)**
10. Tax on profit	**519**	**(1,365)**	**(1,135)**	**(1,276)**	**(544)**	**215**	**328**	**1,075**	**637**	**(438)**	**(41)**
11. Year's profit/loss	**5,177**	**5,088**	**2,421**	**3,755**	**430**	**1,762**	**959**	**458**	**430**	**(28)**	**(6)**

CHART XXXIX. FONDO EURO-ICO.VENTURE CAPITAL FUND

Balance sheet position. Balances at December 31 — Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Holders' uncalled payments	**0**	**0**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Start-up costs	**16**	**7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3. Floating assets	**18,354**	**19,511**	**19,046**	**18,236**	**16,634**	**17,446**	**15,922**	**14,926**	**18,864**	**3,938**	**26**
3.1 Net investment portfolio	8,413	6,638	6,113	7,066	5,732	5,353	7,584	6,551	-	-	-
3.1.1 Net holdings in capital	8,413	6,638	6,113	6,178	5,443	5,093	3,439	2,551	-	-	-
3.1.2 Participating loans and other (net) (1)	0	0	0	888	289	260	4,145	4,000	-	-	-
3.2 Cash assets and other fixed-income assets	9,825	12,503	12,342	8,941	8,875	10,518	7,790	8,153	59	(8,094)	(99)
3.3 Debtors	116	370	591	2,229	2,027	1,575	548	222	18,806	18,584	8371
3.4 Accrual adjustments	-	-	-	-	-	-	-	-	-	-	-
4. Total ASSETS = LIABILITIES	**18,370**	**19,518**	**19,046**	**18,236**	**16,634**	**17,446**	**15,922**	**14,927**	**18,864**	**3,937**	**26**
5. Shareholders' equity	**18,370**	**18,988**	**19,046**	**18,173**	**16,571**	**17,400**	**15,898**	**14,923**	**18,860**	**3,937**	**26**
5.1 Subscribed holdings	18,030	18,030	18,030	18,030	18,030	18,030	18,030	18,030	18,030	0	0
5.2 Reserves	259	341	958	1,016	143	(1,459)	(630)	(2,131)	(3,108)	(977)	46
5.3 Year's profit/loss	81	617	58	(873)	(1,602)	829	(1,502)	(976)	3,937	4,913	(503)
6. Long-term creditors	**-**	**-**	**0**	**63**	**63**	**42**	**21**	**0**	**0**	**0**	**-**
7. Short-term creditors	**-**	**530**	**0**	**0**	**0**	**3**	**1**	**4**	**5**	**1**	**16**

(1) Includes interest accrued but not due..

CHART XXXIX. FONDO EURO-ICO.VENTURE CAPITAL FUND (CONT.)

Balance sheet position. Balances at December 31 — Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
Holdings in capital											
1. Opening balance	2,411	8,413	7,727	7,503	9,091	8,329	8,127	6,142	6,054	(88)	(1)
2. New investments in capital	6,007	1,471	83	2,500	635	1,000	-	256	0	(256)	(100)
2.1 In investee companies	0	270	83	2,500	209	-	-	100	0	(100)	(100)
2.2 In non-investee companies	6,007	1,201	0	0	426	1,000	0	156	0	(156)	(100)
3. Disinvestments (sales and withdrawals)	5	2,157	307	912	1,397	1,202	1,986	344	2,644	2,300	669
4. Closing balance	8,413	7,727	7,503	9,091	8,329	8,127	6,142	6,054	3,410	(2,644)	(44)
5. Securities depreciation allowance	0	1,090	1,390	2,913	2,886	3,034	2,703	3,503	3,410	(93)	(3)
6. Net closing balance	8,413	6,638	6,113	6,178	5,443	5,093	3,439	2,551	0	(2,551)	(100)
Participating loans and other (2)											
1. Opening balance - cost	-	-	-	-	879	743	716	4,601	4,601	0	0
2. New loans and drawdowns	-	-	-	879	285	44	4,000	0	0	0	-
3. Repayments and withdrawals	-	-	-	0	421	71	115	0	4,601	4,601	-
4. Closing balance - cost	-	-	-	879	743	716	4,601	4,601	0	(4,601)	(100)
5. Credit loss provision	-	-	-	0	458	458	458	600	0	(600)	(100)
6. Net closing balance	-	-	-	879	285	258	4,143	4,000	0	(4,000)	(100)
Number of enterprises in portfolio	**10**	**9**	**9**	**10**	**9**	**9**	**6**	**6**	**2**	**(4)**	**(67)**

(2) Includes only principal..

CHART XL. FONDO EURO-ICO.VENTURE CAPITAL FUND

Thousand euros and percentages

	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Interest revenue	**502**	**442**	**409**	**286**	**248**	**314**	**344**	**526**	**307**	**(219)**	**(42)**
1.1 Dividends	-	-	9	-	-	95	-	-	-	-	-
1.2 Interest	-	-	-	16	39	13	17	198	86	(112)	(57)
1.3 Cash asset interest	502	442	400	270	209	206	327	328	221	(107)	(33)
2. Profit from sale and depreciation of fin. assets	**-**	**1,873**	**358**	**269**	**35**	**1,087**	**259**	**0**	**4,329**	**4,329**	**-**
3. (1 + 2). Ordinary revenue	**502**	**2,315**	**767**	**555**	**283**	**1,401**	**602**	**526**	**4,636**	**4,110**	**781**
4. Operating expense	**377**	**388**	**398**	**392**	**849**	**447**	**361**	**499**	**167**	**(332)**	**(67)**
4.1 Fixed-asset depreciation allowance	10	10	7	-	-	-	-	-	-	-	-
4.2 Variation, credit loss provision	-	-	-	-	458	-	-	156	0	(156)	(100)
4.3 Other operating expense	367	378	391	392	391	447	361	343	167	(176)	(51)
43.1 Management fees	366	367	380	381	363	332	348	318	149	(169)	(53)
4.3.2 Other expense	1	11	11	11	28	115	13	25	18	(7)	(28)
5. Interest expense	**-**	**1,090**	**300**	**1,523**	**902**	**148**	**885**	**991**	**532**	**(459)**	**(46)**
5.1 Variation, investment allowance	-	1,090	300	1,523	854	148	841	988	532	(456)	(46)
5.2 Loss on sale and depreciation of fin. assets	-	-	-	-	48	-	44	3	0	(3)	(100)
6. (4 + 5). Ordinary expense	**377**	**1,478**	**698**	**1,915**	**1,751**	**595**	**1,246**	**1,490**	**699**	**(791)**	**(53)**
7. (3 - 6). Ordinary profit	**125**	**837**	**69**	**(1,360)**	**(1,468)**	**806**	**(644)**	**(964)**	**3,937**	**4,901**	**(508)**
8. Extraordinary profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**-**	**33**	**(100)**
9. (7 + 8). Year's profit/loss (before tax)	**125**	**837**	**69**	**(1,360)**	**(1,468)**	**806**	**(644)**	**(997)**	**3,937**	**4,934**	**(495)**
10. Tax on profit	**44**	**220**	**11**	**(487)**	**134**	**(23)**	**858**	**(21)**	**-**	**21**	**(100)**
11. Year's profit/loss	**81**	**617**	**58**	**(873)**	**(1,602)**	**829**	**(1,502)**	**(976)**	**3,937**	**4,913**	**(503)**

CHART XLI. CERSA. CÍA. ESPAÑOLA DE REAFIANZAMIENTO, S.A.

Balance sheet position at December 31 — Thousand euros and percentages

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Shareholders' uncalled payments	**0**	**0**	**0**	**0**	**0**	**0**	**-**	**-**	**-**	**-**	**-**	**-**
2. Fixed assets	**19,576**	**18,423**	**18,134**	**13,600**	**2,535**	**2,653**	**2,626**	**2,560**	**2,556**	**35**	**(2,521)**	**(98.6)**
2.1 Financial fixed assets	17,578	17,615	17,615	13,409	2,471	2,602	2,602	2,551	2,551	32	(2,519)	(98.7)
2.2 Tangible fixed assets	151	98	85	69	38	25	12	4	4	3	(1)	(25.0)
2.3 Other fixed assets	1,847	710	434	122	26	26	12	5	1	-	(1)	(100.0)
3. Floating assets	**40,958**	**73,524**	**87,556**	**103,712**	**126,736**	**151,795**	**167,457**	**191,648**	**220,110**	**242,293**	**22,183**	**10.1**
3.1 Temp. financial investments + cash assets	40,046	71,963	85,496	100,171	120,913	144,261	157,286	179,036	205,723	221,495	15,772	7.7
3.2 Debtors. Net	901	1,550	2,047	3,527	5,808	7,517	10,171	12,612	14,387	20,798	6,411	44.6
3.3 Accrual adjustments	11	11	13	14	15	17	-	-	-	-		
4. Total assets = Total liabilities	**60,534**	**91,947**	**105,690**	**117,312**	**129,271**	**154,448**	**170,083**	**194,208**	**222,666**	**242,328**	**19,662**	**8.8**
5. Shareholders' equity	**39,325**	**39,262**	**45,273**	**45,273**	**45,273**	**57,446**	**57,446**	**57,446**	**68,702**	**80,025**	**11,323**	**16.5**
5.1 Subscribed capital	39,101	39,038	45,048	45,048	45,048	57,221	57,221	57,221	68,477	79,800	11,323	16.5
5.2 Reserves	224	224	225	225	225	225	225	225	225	225	0	0.0
6. Technical allowance fund	**9,138**	**34,190**	**41,351**	**45,711**	**53,351**	**61,517**	**70,865**	**80,451**	**90,801**	**101,726**	**10,925**	**12.0**
7. Provisions for contingencies & expenses	**11,529**	**15,620**	**15,436**	**19,030**	**20,956**	**24,041**	**28,862**	**34,234**	**39,695**	**58,317**	**18,622**	**46.9**
8. Long-term creditors	**-**	**2,347**	**3,004**	**6,369**	**8,484**	**9,999**	**11,726**	**12,446**	**13,295**	**0**	**(13,295)**	**(100.0)**
9. Short-term creditors	**542**	**528**	**626**	**929**	**1,207**	**1,445**	**1,184**	**9,631**	**10,173**	**2,260**	**(7,913)**	**(77.8)**

CUADRO XLII. CERSA. CÍA. ESPAÑOLA DE REAFIANZAMIENTO, S.A.

Profit and loss account

Thousand euros and percentages

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	%
1. Operating revenue	**10**	**4**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Fees and other revenue	10	4	2	-	-	-	-	-	-		-	-
1.2 Subsidies and operation	0	0	0	-	-	-	-	-	-		-	-
2. Interest revenue	**2,172**	**3,595**	**4,308**	**3,724**	**2,422**	**2,436**	**4,377**	**4,526**	**7,486**	**10,726**	**3,240**	**43.3**
3. (1 + 2). Ordinary revenue	**2,182**	**3,599**	**4,310**	**3,724**	**2,422**	**2,436**	**4,377**	**4,526**	**7,486**	**10,726**	**3,240**	**43.3**
4. Operating expense	**11,953**	**4,360**	**2,690**	**4,172**	**2,550**	**3,687**	**4,963**	**5,570**	**8,209**	**23,044**	**14,835**	**180.7**
4.1Personnel costs	422	422	445	470	463	502	592	655	716	744	28	3.9
4.2 Depreciation, premises and equip.	34	44	44	39	28	29	27	15	4	2	(2)	(50.0)
4.3 Variation, trade debt allowance	11,097	3,523	1,774	3,215	1,615	2,668	3,652	4,142	6,813	21,553	14,740	216.4
4.4 Technical allowance	-	-	-	-	-	-	-	-	-	-	-	-
4.5 Other operating expense	400	371	427	448	444	488	692	758	676	745	69	10.2
5. Int. Expense + variation fin. prov.	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**456**	**-**	**-**
6. (3 - 4 - 5). Ordinary profit	**(9,772)**	**(761)**	**1,620**	**(448)**	**(128)**	**(1,251)**	**(586)**	**(1,044)**	**(723)**	**(12,774)**	**(12,051)**	**1,666.8**
7. Extraordinary profit/loss	**9,772**	**761**	**(1,620)**	**448**	**128**	**1,251**	**586**	**1,044**	**723**	**12,774**	**12,051**	**1,666.8**
8. (6 + 7). Year's profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CHART XLIII. CERSA. CÍA. ESPAÑOLA DE REAFIANZAMIENTO, S.A.

Performance of risk

Thousand euros and percentages

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
Guarantees undertaken with third parties and other contingent liabilities												
Outstanding risk on assurance	1,134	677	252	252	252	252	252	252	252	210	(42)	(16.7)
Outstanding risk on underwriting	615,796	693,683	788,080	871,571	981,582	1,156,711	1,343,978	1,600,815	1,752,214	1,817,669	65,455	3.7
Underwriting on bad debtors	35,238	35,913	37,564	39,072	41,279	42,473	45,190	47,168	51,022	58,426	7,404	14.5
TOTAL	**652,168**	**730,273**	**825,896**	**910,895**	**1,023,113**	**1,199,436**	**1,389,420**	**1,648,235**	**1,803,488**	**1,876,305**	**72,817**	**4.0**
Risk arranged												
1. S.G.R. Number of operations	33,852	32,721	35,184	34,334	40,225	44,400	48,109	66,056	45,185	56,766	11,581	25.6
2. Amount arranged	824,649	855,517	983,110	1,069,743	1,296,288	1,527,180	1,856,971	2,465,622	2,463,730	2,494,294	30,564	1.2
3. Amount assigned (CERSA)	201,015	229,408	270,012	272,807	321,861	411,137	447,372	548,941	487,966	411,529	(76,437)	(15.7)
4. 3/2 ratio (%)	**24.4**	**26.8**	**27.5**	**25.5**	**24.8**	**26.9**	**24.1**	**22.3**	**19.8**	**16.5**	**(3.3)**	
Outstanding risk												
1. S.G.R. Total	1,737,322	1,989,474	2,305,331	2,582,478	2,935,629	3,410,130	4,062,830	5,131,021	5,927,414	6,419,226	491,812	8.3
2. S.G.R. Number of operations	49,762	55,045	68,795	73,514	80,301	87,501	93,302	117,804	123,030	131,094	8,064	6.6
3. CERSA. Number of operations	21,176	22,286	26,285	28,182	30,409	34,510	38,692	57,056	58,213	57,416	(797)	(1.4)
4. (4.1. + 4.2. = 4.3. to 4.8).- Underwriting	610,694	688,711	782,199	863,737	973,567	1,148,632	1,335,594	1,590,528	1,738,459	1,791,946	53,487	3.1
4.1 Financial risks	569,345	652,415	749,223	833,164	944,749	1,116,450	1,303,488	1,559,850	1,709,623	1,765,224	55,601	3.3
4.2 Technical risks	41,350	36,296	32,976	30,573	28,818	32,182	32,106	30,678	28,836	26,722	(2,114)	(7.3)
4.3 Industry	258,387	284,534	304,951	324,407	349,892	381,253	407,687	443,099	486,878	502,033	15,155	3.1
4.4 Agriculture	16,107	20,986	35,212	45,618	58,191	73,173	88,466	156,699	136,845	109,537	(27,308)	(20.0)
4.5 Trade	120,377	132,009	154,503	173,610	193,187	232,881	284,367	328,283	363,289	380,275	16,986	4.7
4.6 Services	178,056	214,040	248,573	279,571	324,840	399,002	476,654	564,692	630,056	676,982	46,926	7.4
4.7 Construction	37,659	37,142	38,960	40,531	47,457	62,323	78,420	97,755	121,392	123,119	1,727	1.4
4.8 Other	108	-	-	--	--	-	-	-	-	-		
5. 4/1 ratio (%)	**35.2**	**34.6**	**33.9**	**33.4**	**33.2**	**33.7**	**32.9**	**31.0**	**29.3**	**27.9**	**(1.4)**	

CHART XLIV. COFIDES. CÍA. ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A.

Balance sheet position. Balances at December 31

Thousand euros and percentages

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	Variation 2008/2007 %
1. Shareholders' uncalled payments	**18,373**	**18,373**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2. Tangible fixed assets	**138**	**155**	**148**	**382**	**370**	**301**	**273**	**245**	**279**	**230**	**(49)**	**(17.6)**
3. Financial fixed assets	**34,354**	**41,148**	**37,566**	**37,320**	**31,486**	**33,703**	**27,954**	**34,087**	**35,093**	**32,082**	**(3,011)**	**(8.6)**
3.1 Securities portfolio	3,775	6,995	6,369	6,139	5,054	5,075	2,930	2,271	5,870	1,374	(4,496)	(76.6)
3.2 Long-term loans	30,579	34,153	31,197	31,181	26,432	28,628	25,024	31,816	29,223	30,708	1,485	5.1
4. Provisions	**(1,238)**	**(1,482)**	**(1,503)**	**(2,000)**	**(2,511)**	**(3,158)**	**(3,798)**	**(4,016)**	**(3,410)**	**(2,595)**	**815**	**(23.9)**
5. Floating assets	**17,105**	**12,381**	**33,765**	**32,807**	**35,075**	**28,738**	**35,297**	**29,561**	**30,866**	**29,756**	**(1,110)**	**(3.6)**
5.1 Debtors	2,098	3,814	4,301	4,546	5,911	5,463	5,417	4,627	2,495	1,982	(513)	(20.6)
5.2 Financial investments	15,007	8,567	29,464	28,261	29,164	23,275	29,880	24,934	28,371	27,774	(597)	(2.1)
6. Other assets	**168**	**310**	**337**	**408**	**433**	**487**	**332**	**816**	**937**	**753**	**(184)**	**(19.6)**
7. Total ASSETS = LIABILITIES	**68,900**	**70,885**	**70,313**	**68,917**	**64,853**	**60,071**	**60,058**	**60,693**	**63,765**	**60,226**	**(3,539)**	**(5.55)**
8. Shareholders' equity	**43,682**	**44,610**	**45,674**	**46,124**	**46,736**	**46,048**	**47,119**	**48,249**	**50,452**	**53,085**	**2,633**	**5.2**
8.1 Subscribed capital	39,396	39,396	39,396	39,396	39,396	39,396	39,396	39,396	39,396	39,396	-	
8.2 Reserves	3,444	4,286	5,214	6,278	6,728	7,340	7,340	8,412	8,852	11,056	2,204	24.9
8.3 Year's profit/loss	841	928	1,064	450	612	(688)	1,071	1,129	2,204	2,633	429	19.5
8.4 Previous years' profit/loss							(688)	(688)				
9. Creditors	**24,762**	**25,680**	**24,173**	**22,436**	**17,866**	**13,854**	**12,844**	**12,168**	**13,296**	**7,114**	**(6,182)**	**(46.5)**
9.1 Long-term	23,265	23,701	22,413	19,587	15,281	12,810	8,125	6,736	8,630	3,212	(5,418)	(62.8)
9.2 Short-term	1,497	1,979	1,760	2,849	2,585	1,044	4,719	5,432	4,666	3,902	(764)	(16.4)
10. Other liabilities	**457**	**595**	**466**	**357**	**251**	**169**	**95**	**276**	**17**	**27**	**10**	**58.8**

CHART XLV. COFIDES. CÍA. ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A. PROFIT AND LOSS ACCOUNT

Thousand euros and percentages

											Variation 2008/2007	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Absolute	%
1. Operating income	**1,899**	**2,371**	**4,088**	**3,211**	**2,727**	**3,146**	**2,859**	**2,864**	**3,453**	**3,060**	**(393)**	**(11.4)**
1.1 From long-term loans	1,262	1,639	2,577	2,047	1,435	1,495	2,105	1,582	2,091	2,322	231	11.0
1.2 From financial investments	565	711	1,279	1,102	1,188	763	695	836	786	700	(86)	(10.9)
1.3 Other similar revenue	6	15	4	11	29	2	17	3	6	-	(6)	(100.0)
1.4 Exchange differences (l-t loans)	66	6	228	51	75	886	42	443	570	38	(532)	(93.3)
2. Other operating income	**2,086**	**2,198**	**2,389**	**3,441**	**4,343**	**4,464**	**5,842**	**6,629**	**7,741**	**9,195**	**1,454**	**18.8**
3. (1+2). Ordinary income	**3,985**	**4,569**	**6,477**	**6,652**	**7,070**	**7,610**	**8,701**	**9,493**	**11,194**	**12,255**	**1,061**	**9.48**
4. Interest expense	**691**	**949**	**1,262**	**1,326**	**1,256**	**1,921**	**1,107**	**1,319**	**1,398**	**749**	**(649)**	**(46.4)**
4.1 Interest expense and similar	475	690	1,008	627	234	266	507	637	378	214	(164)	(43.4)
4.2 Financial investment allowance	168	257	36	513	853	691	655	233	435	535	100	23.0
4.3 Exchange differences	48	2	218	186	169	964	(55)	449	585	-	(585)	(100.0)
5. Operating expense	**2,067**	**2,276**	**3,584**	**4,470**	**4,894**	**6,377**	**5,961**	**6,064**	**6,467**	**7,562**	**1,095**	**16.9**
5.1 Personnel costs	1,424	1,432	1,764	2,068	2,436	2,761	3,034	3,223	3,614	3,676	62	1.7
5.2 Depreciation of premises and equipment	42	44	51	62	131	158	176	173	214	314	100	46.7
5.3 Other operating expense	601	800	1,769	2,340	2,327	3,458	2,751	2,668	2,639	3,572	933	35.4
6. (4+5). Ordinary expense	**2,759**	**3,225**	**4,846**	**5,796**	**6,150**	**8,298**	**7,068**	**7,383**	**7,865**	**8,311**	**446**	**5.67**
7. (3-6). Ordinary profit	**1,226**	**1,344**	**1,631**	**857**	**920**	**(688)**	**1,633**	**2,110**	**3,329**	**3,944**	**615**	**18.47**
8. Extraordinary profit/loss	**-**	**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**
9. (7+8). Year's profit/loss	**1,226**	**1,344**	**1,631**	**857**	**920**	**(688)**	**1,633**	**2,110**	**3,329**	**3,944**	**615**	**18.47**

CHART XLVI. COFIDES. CÍA. ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, S.A. BASIC INFORMATION ON ACTIVITY

Thousand euros and percentages

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Variation 2008/2007 Absolute	%
Annual operations												
Number of projects approved	**26**	**17**	**28**	**21**	**27**	**32**	**25**	**38**	**33**	**29**	**(4)**	**(12.12)**
- Africa	4	3	3	3	3	7	3	4	4	6	2	50.0
- Latin America	18	8	20	12	15	13	11	17	16	9	(7)	(43.8)
- Asia	1	3	3	2	6	7	4	8	2	4	2	100.0
- EU accession states	1	3	1	4	2	3	6	6	8	6	(2)	(25.0)
- Central and Eastern Europe	2	0	1	0	1	2	1	2	0	0	0	-
- Other countries	0	0	0	0	0	0	0	1	3	4	1	33.3
Projects approved (amount)	**19.6**	**68.2**	**76.7**	**118.7**	**125.4**	**101.2**	**63.2**	**142.5**	**148.3**	**132.2**	**(16)**	**(10.9)**
Number of operations arranged	**15**	**16**	**12**	**21**	**17**	**22**	**14**	**25**	**23**	**31**	**8**	**34.8**
Operations arranged (amount)	**8.5**	**39.2**	**32.5**	**80.8**	**114.5**	**115.0**	**32.3**	**59.3**	**125.050**	**114.010**	**(11)**	**(8.8)**
- Own financing	4.8	5.9	2.5	8.3	8.4	12.1	9.7	15.0	8.800	10.520	2	19.5
- Third-party funds	3.6	33.3	30.0	72.5	106.0	103.0	22.6	44.3	116.250	103.490	(13)	(11.0)
Number of advisory/consultancy contracts	**8**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balances at each year-end (portfolio)												
Number of projects	**83**	**89**	**92**	**99**	**87**	**91**	**83**	**99**	**103**	**126**	**23**	**22.3**
Number of operations	**114**	**115**	**119**	**125**	**95**	**94**	**83**	**103**	**114**	**140**	**26**	**22.8**
Number of countries	**26**	**25**	**26**	**27**	**26**	**26**	**25**	**27**	**31**	**37**	**6**	**19.4**
Net commitments (amount)	**35.8**	**67.5**	**91.1**	**152.5**	**255.7**	**238.6**	**255.6**	**273.9**	**329.751**	**390.350**	**61**	**18.4**
- Holdings in capital	4.7	34.0	56.8	65.0	85.1	83.4	111.7	104.0	146.827	173.401	27	18.1
- Loans	31.1	33.5	34.3	87.5	170.6	155.3	143.9	169.9	182.923	216.945	34	18.6
Accumulated amounts												
Financial commitments (amount)	**69.2**	**108.5**	**127.7**	**208.4**	**322.9**	**437.9**	**470.2**	**529.5**	**654.500**	**768.510**	**114**	**17.4**
- COFIDES operations (investment stage)	55.9	95.1	127.7	208.4	322.9	437.9	470.2	529.5	654.500	768.510		
- Additional resources mobilised (other stages)	13.3	13.3	-	-	-	-	-	-	-	-	-	-

CHART XLVII. BALANCE SHEET POSITION AT DECEMBER 31 2008

Balances and variations | Thousand euros

ASSETS	Figures at: 31/12/08	Figures at: 31/12/07	Monthly variation Absolute	%
1. Cash and BoS	**344,174**	**128,109**	**216,065**	**168.7**
2. Financial assets held for trading	**207,752**	**466,019**	**(258,267)**	**(55.4)**
3. Lending investment	**42,849,280**	**35,200,481**	**7,648,799**	**21.7**
3.1Special and exceptional operations	69,397	105,558	(36,162)	(34.3)
- Special loans	110,270	146,432	(36,162)	(24.7)
- Provisions	(40,874)	(40,874)	0	(0.0)
3.2 Ordinary operations	42,779,884	35,094,923	7,684,961	21.9
- Second-floor loans	25,065,459	21,650,231	3,415,229	15.8
- Ordinary loans	18,146,429	13,702,183	4,444,246	32.4
- Valuation adjustments	66,779	44,787	21,992	49.1
- Provisions	(498,784)	(302,279)	(196,505)	65.0
4. Credit institutions	**2,533,630**	**3,193,251**	**(659,621)**	**(20.7)**
4.1 Loans to Argentaria	677,103	1,358,846	(681,742)	(50.2)
4.2 Deposits and other assets	1,697,307	1,737,164	(39,857)	(2.3)
4.3 Valuation adjustments	187,101	123,600	63,501	51.4
4.4 Provisions	(27,881)	(26,359)	(1,523)	5.8
5. Securities portfolio	**3,906,380**	**181,874**	**3,724,506**	**2,047.8**
5.1 Fixed income	3,750,719	29,504	3,721,215	12,612.6
5.2 Variable income	155,661	152,370	3,291	2.2
6. Hedging derivatives	**2,711,636**	**394,718**	**2,316,918**	**587.0**
7. Tangible assets	**169,388**	**169,273**	**115**	**0.1**
8. Accrual adjustments		**559**	**(559)**	**(100.0)**
9. Tax assets	**242,312**	**132,325**	**109,987**	**83.1**
10. Other assets	**4,960**	**15,007**	**(10,047)**	**(66.9)**
TOTAL ASSETS	**52,969,512**	**39,881,616**	**13,087,896**	**32.8**

CHART XLVII. BALANCE SHEET POSITION AT DECEMBER 31 2008 (CONT.)

Balances and variations | Thousand euros

LIABILITIES	Figures at: 31/12/08	Figures at: 31/12/07	Monthly variation Absolute	Monthly variation %
11. Financial liabilities held for trading	**64,933**	**321,836**	**(256,903)**	**(79.8)**
12. Market resources	**43,039,304**	**32,780,091**	**10,259,213**	**31.3**
12.1 Fixed-income securities	39,345,358	29,053,942	10,291,416	35.4
- Bonds and debentures	38,699,051	29,569,115	9,129,936	30.9
- *Pagarés* (Promissory notes)	64,073	64,910	(837)	(1.3)
- Valuation adjustments	582,234	(580,083)	1,162,316	(200.4)
12.2 Credit institutions	1,109,771	1,060,328	49,444	4.7
- EIB loans	546,612	612,377	(65,765)	(10.7)
- Other loans	452,844	464,573	(11,729)	(2.5)
- Interbank deposits	72,430	136	72,294	53,016.7
- Valuation adjustments	37,885	(16,759)	54,644	(326.1)
12.3 Customer deposits	2,584,175	2,665,821	(81,646)	(3.1)
- Demand and term	2,562,545	2,641,725	(79,180)	(3.0)
- Valuation adjustments	21,630	24,096	(2,466)	(10.2)
13. Special funding	**2**	**2**	**0**	**0.0**
14. Other financial liabilities	**1,404,505**	**834,525**	**569,980**	**68.3**
15. Hedging derivatives	**5,823,538**	**3,600,798**	**2,222,740**	**61.7**
16. Provisions and allowances	**207,782**	**241,312**	**(33,530)**	**(13.9)**
17. Own resources	**2,292,221**	**1,984,022**	**308,199**	**15.5**
17.1 Equity	2,052,097	1,629,144	422,953	26.0
17.2 Reserves	595,556	513,230	82,326	16.0
17.3 Valuation adjustments	(355,432)	(158,352)	(197,080)	124.5
18. Previous years' results	**0**	**0**	**0**	
19. The year's results	**88,723**	**82,345**	**6,378**	**7.7**
20. Accrual accounts		**2,550**	**(2,550)**	**(100.0)**
21. Other liabilities	**48,504**	**34,135**	**14,369**	**42.1**
21.1 Tax liabilities	45,076	31,895	13,181	41.3
21.2 Other	3,428	2,240	1,188	53.0
TOTAL LIABILITIES	**52,969,512**	**39,881,616**	**13,087,896**	**32.8**

ANNEX XLVIII. CONCILIATION. FINANCIAL STATEMENTS BALANCE AND ABSTRACT OF ACTIVITY BALANCE

Balances at December 31 2008 — Thousand euros

		Positive adjustments		Negative adjustments			
FINANCIAL STATEMENTS BALANCE	Balance	Item	Amount	Item	Amount	Balance	ACTIVITY BALANCE
ASSETS							**ASSETS**
Cash and deposits with central banks	344,174					344,174	Cash and Bank of Spain
Financial assets for trading	207,751					207,752	Financial assets for trading
Financial assets available for sale	105,297	Holdings	50,364			155,661	Securities portfolio
Lending investments	38,298,285				42,849,280		Lending investment
Deposits at credit institutions	20,503,644	Securitisation	7,084,624	Loans, credit institutions	(2,533,630)	25,065,459	Second-floor loans
		Guarantee deposits	10,810				
Loans and credits	17,794,631	Deposit guarantees			(10,810)	17,783,821	Loans and credits
		Loans, credit institutions	2,533,630			2,533,630	Loans to credit institutions
						677,103	Banks Argentaria
						1,856,527	Other loans and deposits
Investment portfolio due	10,835,342			Securitisation	(7,084,624)	3,750,719	Investment portfolio due
Hedging derivatives	2,711,636				2,711,636		Hedging derivatives
Non-current assets for sale	54,225			Non-current assets for sale	(54,225)		
Holdings	50,364			Holdings	(50,364)		
Tangible assets	106,113	Non-current assets for sale	54,225			169,388	Tangible assets
		Intangible assets	9,050				
Intangible assets	9,050			Intangible assets	(9,050)		
Subtotal other assets	247,275					247,272	Subtotal, other assets
Tax assets	242,312	Assets	1,255	Other assets	(1,255)	243,567	Other asset accounts
Other assets	4,963					3,705	Accrual accounts
Total Assets = Liabilities + Net Worth	**52,969,512**	**Total positive adjustments**	**9,743,958**	**Total negative adjustments**	**(9,743,958)**	**52,969,512**	**Total Assets = Liabilities + Net Worth**
LIABILITIES							**LIABILITIES**
Financial liabilities for trading	64,934					64,933	Financial liabilities for trading
Financial liabilities at amortised cost	44,443,814					44,443,811	External resources
Hedging derivatives	5,823,536					5,823,538	Hedging derivatives
Provisions	207,781					207,782	Provisions and allowances
Subtotal, other liabilities	48,504					48,504	Subtotal other liabilities
NET WORTH							**NET WORTH**
Valuation adjustments	(355,432)					(355,432)	Valuation adjustments
Internal resources	2,736,375			Year's profit/loss	(88,723)	2,647,653	Internal resources
		Year's profit/loss	88,723			88,723	The year's profit

AUDITORS' REPORT

PRICEWATERHOUSECOOPERS

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Free translation of the auditor's report originally issued in Spanish on the consolidated annual accounts prepared in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of a discrepancy, the Spanish language version prevails.

AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the General Board of Instituto de Crédito Oficial

We have audited the consolidated annual accounts of Instituto de Crédito Oficial (the Parent Entity) and its consolidated Group (the Group) consisting of the consolidated balance sheet at 31 December 2008, the related consolidated income statement, the consolidated statement of changes in net equity, the consolidated cash flow statement and the related notes of the consolidated annual accounts corresponding to the year then ended. These consolidated financial statements are the responsibility of the Parent Entity's President. Our responsibility is to express an opinion on the consolidated annual accounts as a whole, based on our audit work performed in accordance with auditing standards generally accepted in Spain, which require examining, on a test basis, evidence supporting the consolidated annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the Parent Entity's President has presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in net equity and the consolidated cash flow statement, the corresponding amounts for the previous year as well as the amounts for 2008. Our opinion refers solely to the 2008 consolidated annual accounts. On 14 March 2008, we issued our audit report on the 2007 consolidated annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for year 2008 present fairly, in all material respects, the consolidated financial position of Instituto de Crédito Oficial and its consolidated Group as at 31 December 2008, and the consolidated results of their operations, changes in consolidated net equity and consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with the International Financial Reporting Standards adopted by the European Union, which are consistent with those applied in the preparation of the figures for the previous year.

The accompanying consolidated President's report for 2008 contains the information that the Parent Entity's President considers relevant to Instituto de Crédito Oficial and its consolidated Group, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned President's report agrees with that of the consolidated annual accounts for 2008. Our work as auditors is limited to checking the consolidated President's report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from Instituto de Crédito Oficial and its consolidated Group's audited accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
José María Sanz Olmeda
Partner

April 20, 2009

PricewaterhouseCoopers Auditores, S.L. - R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
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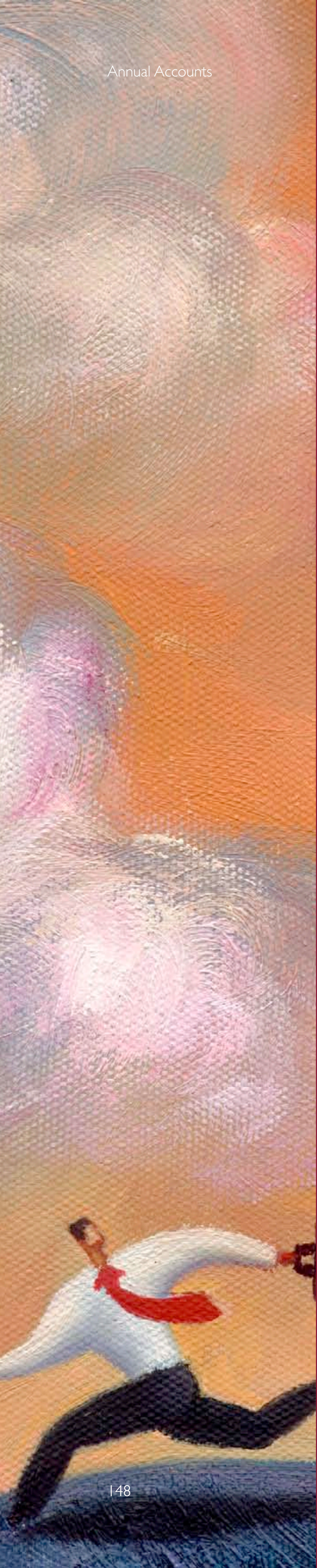


ANNUAL ACCOUNTS

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

Notes to the consolidated annual accounts and Directors' Report for the year ended 31 December 2008

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

ASSETS	**2008**	**2007 (*)**
Cash and deposits at central banks (Note 6)	**344,301**	**128,253**
Trading portfolio (Note 7)	**207,751**	**466,019**
Debt securities	-	-
Other equity instruments	-	-
Derivatives held for trading	207,751	466,019
Memorandum item: By way of loan or guarantee	-	-
Other financial assets at fair value with changes in the income statement	-	-
Available-for-sale financial assets (Note 8)	**105,297**	**118,998**
Debt securities	-	-
Other equity instruments	105,297	118,998
Memorandum item: By way of loan or guarantee	-	-
Credits, loans and discounts (Note 9)	**38,305,414**	**27,766,715**
Deposits at credit institutions	20,503,654	14,212,537
Customer loans	17,794,631	13,552,052
Debt securities	7,129	2,126
Memorandum item: By way of loan or guarantee	-	-
Held-to-maturity investment portfolio (Note 10)	**10,835,342**	**10,662,707**
Memorandum item: By way of loan or guarantee	-	
Adjustments to financial assets due to macro-hedging	**-**	
Hedging derivatives (Note 11)	**2,711,636**	**394,718**
Non-current assets for sale (Note 12)	**54,225**	**54,186**
Shareholdings (Note 13)	**42,600**	**28,219**
Associates	42,600	28,219
Multi-group Entities	-	-
Pension insurance contracts	**-**	**-**
Property, plant and equipment (Note 14)	**106,315**	**108,405**
Fixed Assets	106,315	108,405
For own use	106,315	108,405
Real estate investments	-	-
Memorandum item: Acquired under finance lease	-	-
Intangible assets (Note 15)	**9,050**	**6,910**
Other intangible assets	9,050	6,910
Tax assets (Note 16)	**242,312**	**132,325**
Current	213	9,186
Deferred	242,099	123,139
Other assets (Note 17)	5,608	15,583
TOTAL ASSETS	**52,969,851**	**39,883,038**

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

LIABILITIES	2008	2007 (*)
Trading portfolio (Note 7)	**64,934**	**321,836**
Derivatives held for trading	64,934	321,836
Other financial liabilities at fair value with changes in the income statement	**-**	**-**
Financial liabilities at amortised cost (Note 19)	**44,443,814**	**33,615,632**
Central bank deposits	-	-
Credit Institution deposits	1,109,772	1,060,328
Customer funds	2,584,178	2,666,075
Money market operations through	39,345,359	29,053,942
Subordinated debt financing	-	-
Other financial liabilities	1,404,505	835,287
Adjustments to financial liabilities due to macro-hedging	**-**	**-**
Hedging derivatives (Note 11)	**5,823,536**	**3,600,798**
Liabilities associated with non-current assets for sale	**-**	**-**
Provisions (Note 20)	**207,781**	**241,312**
Provisions for pensions and similar obligations	58	57
Provisions for taxes and other legal contingencies	-	35
Provisions for contingent exposures and commitments	26,314	28,383
Other provisions	181,409	212,837
Tax liabilities (Note 16)	**45,076**	**31,895**
Current	16,943	2,299
Deferred	28,133	29,596
Other liabilities (Note 18)	**3,940**	**4,028**
Capital classified as financial liabilities	**-**	**-**
TOTAL LIABILITIES	**50,589,081**	**37,815,501**
EQUITY		
Valuation adjustments (Note 21)	**(355,432)**	**(158,352)**
Available-for-sale financial assets	19,119	15,893
Cash-flow hedging	(374,551)	(174,245)
Exchange differences	-	-
Own Funds (Note 22)	**2,736,202**	**2,225,889**
Capital or endowment fund	2,052,096	1,629,144
Share premium	-	-
Reserves	595,743	517,557
Accumulated reserves	595,743	517,557
Retained earnings	-	-
Other equity instruments	-	-
Profit and loss for the period	88,363	79,188
Less: Dividends and remuneration	-	-
TOTAL EQUITY	**2,380,770**	**2,067,537**
TOTAL EQUITY AND LIABILITIES	**52,969,851**	**39,883,038**

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

MEMORANDUM ITEM	2008	2007 (*)
Contingent risks (Note 24)	**1,311,969**	**1,329,096**
Financial guarantees	1,311,969	1,329,096
Contingent commitments (Note 24)	**11,027,026**	**9,349,646**
Drawable by third parties	10,888,655	9,228,524
Other commitments	138,371	121,122

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

	2008	2007 (*)
Interest and similar income (Note 25)	2,171,066	1,647,588
Interest and similar charges (Note 26)	(1,875,888)	(1,440,139)
NET INTEREST INCOME	295,178	207,449
Return on equity instruments (Note 27)	1,236	320
Share of results of entities accounted for using the equity method (Note 28)	(1,629)	(3,709)
Fee and commissions income (Note 29)	32,243	18,923
Fee and commissions expense (Note 29)	(2,136)	(2,003)
Gain or losses on financial assets and liabilities (net) (Note 30)	24,518	3,668
Other	24 518	3,668
Exchange differences (net) (Note 2,4)	(10)	(758)
Other operating income	2,119	2,562
Other operating expenses	-	-
GROSS OPERATING INCOME	351,519	226,452
Administrative expenses:	(38,958)	(39,077)
Personnel expenses (Note 31)	(16,714)	(16,638)
Other administrative expenses (Note 32)	(22,244)	(22,439)
Depreciation and amortization	(3,627)	(3,037)
Tangible assets (Note 14)	(2,718)	(2,576)
Intangible assets (Note 15)	(909)	(461)
Provisions expense (net) (Note 20)	(28)	(1,909)
Financial asset impairment losses (net)	(186,833)	(77,566)
Loans and receivables (Note 9)	(163,754)	(44,317)
Other financial instruments not valued at fair value (Notes 8, 10 y 13)	(23,079)	(33,249)
NET OPERATING PROFIT	**122,073**	**104,863**
Losses for impairment of other assets (net)	(1)	-
Goodwill and other intangible assets	-	-
Other assets	(1)	-
Gains/(Losses) on disposal of assets not classified as non-current assets held for sale (Note 33)	(85)	83
Negative difference on business combinations	-	-
Gains/(Losses) on disposal of assets not classified as non-current assets held for sale (Note 33)	42	-
PROFIT BEFORE TAX	**122,029**	**104,946**
Income tax (Note 23)	(33,666)	(25,758)
PROFIT FOR THE PERIOD FROM ONGOING OPERATIONS	**88,363**	**79,188**
CONSOLIDATED NET PROFIT FOR THE YEAR (ATTRIBUTED TO THE DOMINANT COMPANY)	**88,363**	**79,188**

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND EXPENSE RECOGNIZED FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

	2008	2007 (*)
Profit for the year	**88,363**	**79,188**
Other income and expenses recognized	**(197,080)**	**(149,367)**
Available-for-sale financial assets	3,226	(3,076)
Profit/loss valuation	3,226	(3,076)
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Hedging of cash flows	(200,306)	(146,291)
Profit/loss valuation	(200,306)	(146,291)
Amounts transferred to profit and loss account	-	-
Amounts transferred to initial carrying amount of hedged items	-	-
Reclassifications	-	-
Hedges of net investments in foreign	-	-
Profit/loss valuation	-	-
Amounts transferred to profit and loss account	-	-
Income tax	-	-
Exchange differences	-	-
Gains/losses on conversion	-	-
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Non-current assets for sale	-	-
Valuation gains	-	-
Amounts transferred to profit and loss account	-	-
Reclassifications	-	-
Gains (losses) in pension actuarial	-	-
Other income and expenses recognized	-	-
Income tax	-	-
TOTAL RECOGNIZED INCOME AND EXPENSES	**(108,717)**	**(70,179)**

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(Expressed in thousand euros)

	NET ASSETS ATTRIBUTED TO THE PARENT ENTITY												
	SHAREHOLDERS EQUITY												
			RESERVES										
	Capital / endowment fund	Share premium	Reserves (Losses) accumulated	Reserves (Losses) entities accounted for participation method	Other equity instruments	Less: equity instruments	Result attributed to the dominant entity	Less: dividends and remunerations	Total own funds	Valuation adjustments	Total	Minority interests	Total net equity
Ending Balance at December 31, 2007	**1,629,144**	**-**	**517,260**	**297**	**-**	**-**	**79,188**	**-**	**2,225,889**	**(158,352)**	**-**	**-**	**2,067,537**
Total income and expenses recognized	-	-	-	-	-	-	88 363	-	88 363	(197,080)	-	-	(108,717)
Other changes in net worth:	422,952	-	82,876	(4,690)	-	-	(79,188)	-	421,950	-	-	-	421,950
Increases in capital endowment	422 952	-	-	-	-	-	-	-	422,952	-	-	-	422,952
Reductions in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity	-	-	-	-	-	-	(79,188)	-	(79,188)	-	-	-	(79,188)
Other increases (decreases) in net worth	-	-	82,876	(4,690)	-	-	-	-	78,186	-	-	-	78,186
Ending Balance at December 31, 2008	**2,052,096**	**-**	**600,136**	**(4,393)**	**-**	**-**	**88,363**	**-**	**2,736,202**	**(355,432)**	**-**	**-**	**2,380,770**

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Expressed in thousand euros)

At December 31, 2007 (*)

	NET ASSETS ATTRIBUTED TO THE PARENT ENTITY												
	SHAREHOLDERS EQUITY												
			RESERVES										
	Capital / endowment fund	Share premium	Reserves (Losses) accumulated	Reserves (Losses) entities accounted for participation method	Other equity instruments	Less: equity instruments	Result attributed to the dominant entity	Less: dividends and remunerations	Total own funds	Valuation adjustments	Total	Minority interests	Total net equity
Ending Balance at December 31, 2006	**958,758**	**-**	**414,581**	**1,785**	**-**	**-**	**103,524**	**-**	**1,478,648**	**(53,795)**		**-**	**1,424,853**
Total income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**-**	**79,188**	**-**	**79,188**	**(104,557)**		**-**	**(25,369)**
Other changes in net worth:	**670,386**	**-**	**102,679**	**(1,488)**	**-**	**-**	**(103,524)**	**-**	**668,053**			**-**	**668,053**
Increases in capital endowment	670,386	-	-	-	-	-			670,386			-	670,386
Reductions in capital	-	-	-	-	-	-						-	
Transfers between equity	-	-	-	-	-	-	(103,524)	-	(103,524)			-	(103,524)
Other increases (decreases) in net worth	-	-	102,679	(1,488)	-	-			101,191			-	101,191
Ending Balance at December 31, 2007	**1,629,144**	**-**	**517,260**	**297**	**-**	**-**	**79,188**	**-**	**2,225,889**	**(158,352)**	**-**	**-**	**2,067,537**

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED CASH-FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

	2008	2007 (*)
A. CASH FLOWS FROM OPERATING ACTIVITIES	**415,416**	**10,549,969**
1. Consolidated income for the year	88,363	79,188
2. Adjustments to result:	237,133	108,042
Depreciation and amortization	3,627	3,037
Other adjustments	233,506	105,005
3. Net increase/decrease in operating assets	**(12,573,673)**	**3,033,707**
Trading portfolio	258,267	(268,556)
Other financial assets at fair value with changes in the income statement	-	-
Available-for-sale financial assets	13,702	1,144
Credits, loans and discounts	(10,538,698)	3,317,592
Other operating assets	(2,306,944)	(16,473)
4. Net increase/decrease in operating liabilities	**12,760,399**	**7,417,157**
Trading portfolio	(256,902)	138,915
Other financial liabilities at fair value with changes in the income statement	-	-
Financial liabilities at amortised cost	10,828,944	5,453,383
Other operating liabilities	2,188,357	1,824,859
5. Collections/payments for income tax	**(96,806)**	**(88,125)**
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	**(199,367)**	**(10,662,092)**
6. Payments	**(3,780,670)**	**(10,664,244)**
Tangible assets	(376)	-
Intangible assets	(3,050)	-
Shareholdings	(26,445)	(2,842)
Other business units	-	-
Non-current assets and liabilities associated for sale	(80)	-
Held-to-maturity investment portfolio	(3,750,719)	(10,661,402)
Other payments related to investing activities		-
7. Collections	**3,581,303**	**2,152**
Tangible assets	2,467	480
Intangible assets	712	-
Shareholdings	-	-
Other business units	-	-
Non-current assets and liabilities associated for sale	41	-
Held-to-maturity investment portfolio	3,578,083	-
Other payments related to investing activities	-	1,672

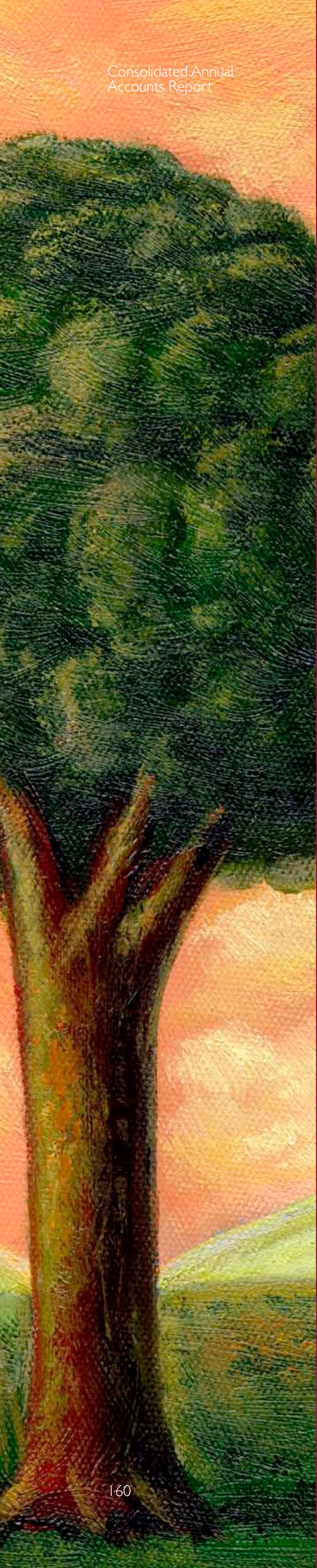
(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).

INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES

CONSOLIDATED CASH-FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007
(Expressed in thousand euros)

	2008	2007 (*)
C. CASH FLOWS FROM FINANCING ACTIVITIES	**-**	**-**
8. Payments	**-**	**-**
Dividends	-	-
Subordinated debt financing	-	-
Equity instruments amortizations	-	-
Own equity instruments purchased	-	-
Other finances received	-	-
9. Collections	**-**	**-**
Subordinated debt financings	-	-
Issue own equity instruments	-	-
Disposal own equity instruments	-	-
Other finances charged	-	-
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
E. NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS	**216,049**	**(112,123)**
F. CASH OR CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**128,253**	**240,376**
G. CASH OR CASH EQUIVALENTS AT END OF THE YEAR	**344,301**	**128,253**
MEMORANDUM ITEM	**-**	**-**
COMPONENTS OF CASH AND EQUIVALENTS AT THE END OF THE PERIOD	-	-
Cash	133	152
Cash equivalent balances with central banks	344,168	128,101
Other financial balances	-	-
Less: bank overdrafts repayable	-	-

(*) The balances for the year 2007 have been reclassified with respect to the balances in the annual accounts for that year to be presented under the new standard established by the Public Financial Circular 6/2008 Bank of Spain (see Note 2).



CONSOLIDATED ANNUAL ACCOUNTS REPORT

INSTITUTO DE CRÉDITO
OFICIAL
AND SUBSIDIARIES

Notes to the consolidated annual accounts and Directors' Report for the year ended 31 December 2008

CONSOLIDATED ANNUAL ACCOUNTS REPORT

1. INTRODUCTION, BASIS OF PRESENTATION AND OTHER INFORMATION

1.1 Introduction

The Instituto de Crédito Oficial (hereinafter the Institute or ICO) was created by Law 13/1971 (19 June) on Official Credit Organisation and System was regulated, up until the publication of Royal Decree Law 12/1995 (28 December) on Urgent Budget, Tax and Financial Measures, by the provisions of Article 127 of Law 33/1987 (30 December) on the General State Budgets for 1988 and some provisions of Law 13/1971 that were not repealed.

The Institute is domiciled at Paseo del Prado, 4, in Madrid, where it carries out all of its activities and it does not have any office network.

The Institute is a public business entity in accordance with the provisions of Article 43.1.b) of Law 6/1997 (14 April), on the Organisation and Operation of the General State Administration and pertains to the Ministry of Finance through the Secretary of State for Finance; it is a credit institution by law and is considered to be a State Finance Agency with its own legal personality, assets and finances, as well as management autonomy to fulfil its purposes.

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

The Institute is governed by the provisions of Law 6/1997 (14 April) on the Organisation and Operation of the General State Administration, through Additional Provision Six of Royal Decree-Law 12/1995 (28 December), on Urgent Budget, Tax and Financial Measures, by applicable provisions of the General Budget Act approved by Legislative Royal Decree 1091/1998 (23 September), by its by-laws, approved by Royal Decree 706/1999 (30 April), on the adaptation of Instituto de Crédito Oficial to Law 6/1997 (14 April) and the approval of its by-laws (Official State Gazette 114 published on 13 May 1999), and any matters not covered by the above are governed by the special legislation applicable to credit institutions and general civil, mercantile and employment legislation.

The Institute's purpose is to sustain and promote economic activities that contribute to growth and the improvement of national wealth distribution and, in particular, all those that are deserving of support due to their social, cultural, innovative or ecological importance.

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

The Institute also has the following duties:

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

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

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

1. Direct credit and mediation activities, providing financial support to certain sectors and strategic activities, such as small businesses, housing construction, telecommunications, internationalisation of Spanish businesses, etc., and the operations transferred by the former official banks now forming part of Banco de Bilbao

Vizcaya Argentaria, S.A. (hereinafter BBVA), by virtue of the Resolution adopted by the Council of Ministers (hereinafter RCM) on 15 January 1993.

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

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

3. Development Assistance Fund (hereinafter DAF). It was created in 1976 by Royal Decree-Law 16/1976 and it consists of providing credit to developing countries under conditions that are more favourable than can be provided by the market, with the aim of encouraging Spanish exports. The Institute acts as a Government agent and the structuring, administration and accounting for these transactions is kept separate from all other operations, in independent accounts maintained by the Institute and the ICO is reimbursed for the cost of management in accordance with the General State Budget for each year.

4. Fund for granting microloans for social development projects abroad, created in accordance with Article 105 of Law 50/1998 (30 December) on Administrative and Social Order Tax Measures, as a financial instrument through which the Government may attain the funds necessary to grant loans to improve the living conditions of vulnerable populations and the execution of basic social development projects. As is the case with DAF, the Institute acts as a government agent, administrating and accounting for these operations separately from the rest of its activities.

   The last three types of operations are not included in the accounts kept by the Institute. In this connection, Article 41.3 of Law 46/1985 states as follows: "The structuring and administration of operations charged to the institute will be the responsibility of the Institute and the accounts will be kept separate from the rest of its operations". Additional Provision Fourteen of Law 47/2003 stipulates: "In any event, these funds will be accounted for separate from the accounts relating to the State".

1.2 Basis of presentation of the annual accounts

Since January 1st 2005, the Group presents its consolidated financial statements in accordance with International Financial Reporting Standards adopted by the European Union (hereafter, NIIF-UE) mandatory for those entities that at the time of final balance sheet situation, their values where admitted to trading on a regulated market in any Member State, as established by Regulation 1606/2002 of July 19, European Parliament and Council. Similarly, the consolidated financial statements are presented according to the principles and standards contained in Circular 4/2004 of December 22 (hereafter, Circular 4/2004), Bank of Spain, on financial reporting standards and public reserved models on financial statements. The aforesaid Circular 4/2004 is mandatory for the individual financial statements of the Spanish Credit Institutions.

As established above the Circular 4/2004, this Circular, by their very nature, serves with both the International Financial Reporting Standards and with the Spanish accounting framework, and will be adapted as the framework evolves over time.

Since the adoption of Circular 4/2004, there have been changes in law and in Spanish NIIF-UE, which affect the accounting. Therefore, Bank of Spain has considered necessary to modify the Circular 4/2004, issuing the Circular 6/2008 in November 26, 2008.

As expressly mentioned in Circular 6 / 2008, major amendments to Circular 4 / 2004 concern the definition of credit institutions, public financial statement formats; treatment of financial instruments including guarantees, of pension commitments, payments based on equity instruments and tax benefits, as well as certain information that must be revealed in the memory. Circular 6 / 2008 also introduces minor changes due to changes in the rules that governs the determination and control of own funds, the information requirements of the European Central Bank, the mortgage market and the national activities classification of economy (NACE).

Accordingly, the accompanying consolidated financial statements have been prepared from the accounting records of the entities Group and in accordance with the requirements established by International Accounting

Standards (IAS) adopted by the European Union (NIIF-UE) and by Circular 4 / 2004 of December 22, Bank of Spain, partially modified by Circular 6 / 2008, November 26, Bank of Spain and with the Commercial Code, the Ley de Sociedades Anónimas or other Spanish legislation that is applicable, so that they present fairly the net worth and financial situation of the Group at 31 December 2008 and the results of its operations, of changes in equity and consolidated cash flows for the year ended on that date.

There is neither standard assessment nor mandatory valuation criteria that being significant its effect, were not applied in their preparation, included in Note 2 a summary of the principles and standards and the most significant evaluation criteria used in these consolidated financial statements.The information contained in these consolidated financial statements are responsibility of the Directors of the Parent Entity of the Group.

The consolidated financial statements of Group 2008 have been made by the President of the Parent Entity dated March 30, 2009, pending approval by the Board of Directors, which is expected to be approved without significant changes.These consolidated financial statements, are presented in thousands of euros.

1.3 Responsibility for information and estimates made

The information contained in Group's consolidated annual accounts for the year ended 31 December 2007 and the accompanying Notes to the Consolidated Annual Accounts are the responsibility of the Chairman. When preparing these consolidated annual accounts, at times estimates made by Group has been used to quantify some of the assets, liabilities, income, expenses, and commitments. These estimates relate basically to:

- Impairment losses on certain assets.
- Assumptions used in actuarial calculations of liabilities and commitments relating to post-employment benefits and other long-term commitments with employees.
- Useful lives of fixed assets and intangible assets.
- Losses on future obligations deriving from contingent risks.
- Tax assets´ recovery period.
- The fair value of certain unlisted assets.

These estimates were made based on the best information available at 31 December 2008 in connection with the facts analyses. Nonetheless, future events could generate significant adjustments (upward or downward) in coming years, which would be made prospectively, to recognize the impact of the change in the estimate on the consolidated income statement for the years in question.

1.4 Transfer of assets and liabilities from the former Argentaria

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

By virtue of the provisions of the RCM dated 15 January 1993, on 31 December 1992 the Institute acquired the assets and liabilities pertaining to BCL, BHE, BCA and BEX deriving from economic policy operations that were guaranteed by the State or the Institute and, specifically, the loans and guarantees provided to companies in conversion (covered by legislation regarding conversion and re-industrialization), exceptional loans granted to victims of floods, the loans granted by these entities prior to their transformation into public limited liability companies, as well as other assets, rights and equity investments.

Furthermore, on 25 March 1993 a management agreement was concluded with the relevant banks regarding the transferred assets and liabilities, which includes both the administration and the adequate accounting for these items in accordance with current banking legislation. The management commissions accrued in 2008 and 2007 totalled euro 211k and euro 401k, respectively.

At 31 December 2008 and 2007 the breakdown by nature of the transferred assets and liabilities that were managed at those dates by BBVA (the entity resulting from the integration of all of the above, among others), is set out below:

ASSETS AND LIABILITIES MANAGED BY BBVA

Thousand euros

	2008	2007
Credit Institutions	72	74
Loans to Spanish Public Administrations	897	1,009
Loans to other resident sectors	257	427
Doubtful assets	13,791	22,121
Non-current assets	9	34
Sundry accounts	(53)	(34)
Accrual accounts	2	2
Total assets	**14,975**	**23,633**
Sundry accounts	1,360	2,031
Connection account with ICO	16,403	21,205
Profit for year	(2,788)	397
Total liabilities	**14,975**	**23,633**

The balances of the above accounts relating to 2008 and 2007 do not coincide with the balances included in the Institute's annual accounts at 31 December 2008 and 2007, due to the fact that the latter have only included accounting information up until 30 November 2008 and 31 October 2007, respectively. This accounting information is received from BBVA and the information relating to December 2008 and November and December 2007 did not arrive on time to be included in the closing for the year. Nonetheless, the differences in the balances are not significant. Profit for the year would have been Euro 62k and Euro 91k higher had the balances relating to the month of December and the months of November and December been included in the Institute's annual accounts at 31 December 2008 and 2007, respectively.

1.5 Presentation of individual annual accounts

In accordance with Article 42 of the Code of Commerce, the Institute has prepared its individual annual accounts at the same date as the present consolidated annual accounts.

A summary is set out below of the individual balance sheet, individual income statement, individual statement of changes in equity and individual cash flow statement of Instituto de Crédito Oficial for the years ended 31 December 2008 and 2007, prepared under the same accounting principles and standards as applied by the Group in consolidated accounts:

A) INDIVIDUAL BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007:

Thousand euros

	2008	2007 (*)
Cash and balances with central banks	344,174	128,109
Financial assets held for trading	207,751	466,019
Available-for-sale financial assets	105,297	118,998
Loans and receivables	38,298,285	27,760,529
Held-to-maturity investment portfolio	10,835,342	10,662,707
Hedging derivatives	2,711,636	394,718
Non-current assets for sale	54,225	54,186
Shareholdings	50,364	33,372
Tangible assets	106,113	108,178
Intangible assets	9,050	6,909
Tax assets	242,312	132,325
Other assets	4,963	15,566
Total assets	**52,969,512**	**39,881,616**
Financial liabilities held for trading	64,934	321,836
Financial liabilities at amortised cost	44,443,814	33,615,380
Hedging derivatives	5,823,536	3,600,798
Provisions	207,781	241,312
Tax liabilities	45,076	31,895
Other liabilities	3,428	4,028
Total liabilities	**50,588,569**	**37,815,249**
Valuation adjustments	(355,432)	(158,352)
Own Funds:	2,736,375	2,224,719
Capital or endowment fund	2,052,096	1629144
Reserves	595,556	513,230
Profit and loss for the period	88,723	82,345
Total equity	**2,380,943**	**2,066,367**
Total equity and liabilities	**52,969,512**	**39,881,616**
Contingent risks	1,311,969	1,329,096
Contingent commitments	11,027,026	9,349,546
Total memorandum item	**12,338,995**	**10,678,642**

(*) The balances for the year 2007 have been reclassified with respect to the balances contained in the individual financial statements of the Parent Entity for the year to be presented under the new model of public balance established by Circular 6/2008 of Bank of Spain (see Note 2).

B) INDIVIDUAL INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007:

Thousand euros

	2008	**2007 (*)**
Interest and similar income	2,170,785	1,647,437
Interest and similar charges	(1,872,888)	(1,440,139)
Net interest income	**294,897**	**207,298**
Return on equity instruments	1,236	242
Fee and commissions income	29,305	17,117
Fee and commissions expense	(2,136)	(2,003)
Gain or losses on financial assets and liabilities (net)	24,518	3,668
Exchange differences (net)	(10)	(758)
Other operating income	2,119	2,562
Other operating expenses	-	-
Gross operating income	**349,929**	**228,126**
Administrative expenses	(37,604)	(37,876)
Depreciation and amortization	(3,592)	(3,001)
Provisions expenses (net)	(28)	(1,909)
Financial asset impairment losses (net)	(186,791)	(77,566)
Net operating profit	**121,914**	**107,774**
Losses for impairment of other assets (net)	-	-
Gains/losses on disposal of assets not classified as non-current assets held for sale	(70)	66
Negative difference on business combinations	-	-
Gains/losses on non-current assets held for sale not classified as discontinued operations	-	-
Profit before tax	**121,844**	**107,840**
Income tax	(33,121)	(25,495)
Profit for the period from ongoing operations	88,723	82,345
Profit/Loss from discontinued operations (net)	-	-
Profit for the year	**88,723**	**82,345**

(*) The balances for the year 2007 have been reclassified with respect to the balances contained in the individual financial statements of the Parent Entity for the year to be presented under the new model of profit and loss account established by the public Circular 6/2008 Bank of Spain (see Note 2).

C) STATEMENTS OF INDIVIDUAL INCOME AND EXPENSE RECOGNIZED FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007:

Thousand euros

	2008	**2007 (*)**
Profit for the year:	88,723	82,345
Other income and expenses recognized:	(197,080)	(104,557)
Available-for-sale financial assets	3,226	(2,153)
Financial liabilities at fair value with changes in equity	-	-
Hedging of cash flows	(200,306)	(102,404)
Hedges of net investments in foreign	-	-
Exchange differences	-	-
Non-current assets for sale	-	-
Income tax	-	-
Total recognized income and expenses	(108,357)	(22,212)

(*) The balances for the year 2007 have been reclassified with respect to the balances contained in the individual financial statements of the Parent Entity for the year to be presented under the new model of state revenue and expenses recognized by the Public Circular 6 / 2008 Bank of Spain (see Note 2).

D) INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

At December 31, 2008 — Thousand euros

	SHAREHOLDERS EQUITY									
	Capital/ endowment fund	Share premium	Reserves	Other equity ins-truments	Less: Treasury shares	Profit for the year	Less: Divi-dends and remune-rations	Total Own funds	VALUA-TION AD-JUSTMENTS	TOTAL NET EQUITY
Ending Balance at December 31, 2007	**1,629,144**	**-**	**513,230**	**-**	**-**	**82,345**	**-**	**2,224,719**	**(158,352)**	**2,066,367**
Total income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**88,723**	**-**	**88,723**	**(197,080)**	**(108,357)**
Other changes in net worth:										
Increases in capital endowment	422,952	-	-	-	-	-		422,952	-	422,952
Transfers between equity	-	-	82,345	-	-	(82,345)	-	-	-	-
Other increases (decreases) in net worth	-	-	(19)	-	-		-	(19)	-	(19)
Total other increases (decreases) in net worth	**422,952**	**-**	**82,326**	**-**	**-**	**(82,345)**	**-**	**422,933**	**-**	**422,933**
Ending Balance at December 31, 2008	**2,052,096**	**-**	**595,556**	**-**	**-**	**88,723**	**-**	**2,736,375**	**(355,432)**	**2,380,943**

D) INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

At December 31, 2008 — Thousand euros

	SHAREHOLDERS EQUITY									
	Capital/ endowment fund	Share premium	Reserves	Other equity ins-truments	Less: Treasury shares	Profit for the year	Less: Divi-dends and remune-rations	Total Own funds	VALUA-TION AD-JUSTMENTS	TOTAL NET EQUITY
Ending Balance at December 31, 2006	**958,758**	**-**	**410,069**	**-**	**-**	**104,204**	**-**	**1,473,031**	**(53,795)**	**1,419,236**
Total income and expenses recognized	**-**	**-**	**-**	**-**	**-**	**82,345**	**-**	**82,345**	**(104,557)**	**(22,212)**
Other changes in net worth:										
Increases in capital endowment	670,386	-	-	-	-	-	-	670,386	-	670,386
Transfers between equity	-	-	104,204	-	-	(104,204)	-	-	-	-
Other increases (decreases) in net worth	-	-	(1,043)	-	-		-	(1,043)	-	(1,043)
Total other increases (decreases) in net worth	**670,386**	**-**	**103,161**	**-**	**-**	**(104,204)**	**-**	**669,343**	**-**	**669,343**
Ending Balance at December 31, 2007	**1,629,144**	**-**	**513,230**	**-**	**-**	**82,345**	**-**	**2,224,719**	**(158,352)**	**2,066,367**

(*) The balances for the year 2007 have been reclassified with respect to the balances contained in the individual financial statements of the Parent Entity for the year to be presented under the new State model of changes in equity provided by the Public Circular 6 / 2008 Bank of Spain (see Note 2).

E) INDIVIDUAL CASH-FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007:

Thousand euros

	2008	2007 (*)
Net cash-flows from operating activities:		
Profit for the year	88.723	82.345
Adjustments for cash flows from operating activities	225.853	104.035
Net increase/decrease in operating assets	(12.572.101)	3.456.813
Net increase/decrease in operating liabilities	12.760.139	7.010.676
Net increase/decrease in operating liabilities	(96.806)	(88.125)
Net cash flows for investing activities:		
Payments	(3.771.217)	(10.675.259)
Collections	3.581.474	994
Net cash flows for financing activities	**-**	**-**
Effect of exchange rate fluctuations	-	-
Net increase/decrease in cash or cash equivalents	**216.065**	**(108.521)**
Cash or cash equivalents at beginning of the year	128.109	236.630
Cash or cash equivalents at end of the year	344.174	128.109

(*) The balances for the year 2007 have been reclassified with respect to the balances contained in the individual financial statements for that year to be presented under the new State model of public cash flows provided by the Public Circular 6 / 2008 of Bank of Spain (see Note 2).

1.6 Comparability

Following is a reconciliation of the balances on the consolidated balance sheet and the consolidated profit and loss account included in the consolidated financial statements for the year 2007 presented in accordance with the Public Circular 4 / 2004 and the balances on the consolidated balance sheet and the consolidated profit and loss account for the financial year 2007 presented in accordance with the new models introduced by Circular 6 / 2008:

COMPARISON OF INFORMATION

Asset structure in accordance with Circular 4/2004 Bank of Spain	Thousand euros 31/12/07	Reclassi-fication	31/12/07	Asset structure in accordance with Circular 6/2008 Bank of Spain
ASSETS				ASSETS
CASH AND DEPOSITS AT CENTRAL BANKS	128,253	-	128,253	CASH AND DEPOSITS AT CENTRAL BANKS
TRADING PORTFOLIO	466,019		466,019	TRADING PORTFOLIO
Deposits at credit institutions	-	-	-	Deposits at credit institutions
Money market operations through counterparties	-	-	-	
Customer loans	-	-	-	Customer loans
Debt securities	-	-	-	Debt securities
Other equity instruments	-	-	-	Equity instruments
Derivatives held for trading	466,019	-	466,019	Derivatives held for trading
Memorandum item: By way of loan or guarantee	-	-	-	*Memorandum item: By way of loan or guarantee*
OTHER FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN THE INCOMES STATEMENT	-		-	OTHER FINANCIAL ASSETS AT FAIR VALUE WITH CHANGES IN THE INCOMES STATEMENTS
Deposits at credit institutions	-	-	-	Deposits at credit institutions
Money market operations through counterparties	-	-	-	
Customer loans	-	-	-	Customer loans
Debt securities	-	-	-	Debt securities
Other equity instruments	-	-	-	Equity instruments
Memorandum item: By way of loan or guarantee	-	-	-	*Memorandum item: By way of loan or guarantee*
AVAILABLE FOR SALE FINANCIAL ASSETS	118,998		118,998	AVAILABLE FOR SALE FINANCIAL ASSETS
Debt securities	-	-	-	Debt securities
Other equity instruments	118,998	-	118,998	Equity instruments
Memorandum item: By way of loan or guarantee	-	-	-	*Memorandum item: By way of loan or guarantee*
CREDITS, LOANS AND DISCOUNTS	27,766,715		27,766,715	CREDITS, LOANS AND DISCOUNTS
Deposits at credit institutions	14,212,530	7	14,212,537	Deposits at credit institutions
Money market operations through counterparties	-	-	-	
Customer loans	13,550,856	1,196	13,552,052	Customer loans
Debt securities	2,126	-	2,126	Debt securities
Other equity instruments	1,203	(1,203)	-	
Memorandum item: By way of loan or guarantee	-	-	-	*Memorandum item: By way of loan or guarantee*
HELD TO MATURITY INVESTMENT PORTFOLIO	10,662,707		10,662,707	HELD TO MATURITY INVESTMENT PORTFOLIO
Memorandum item: By way of loan or guarantee	-	-	-	*Memorandum item: By way of loan or guarantee*
ADJUSTMENTS TO FINANCIAL ASSETS DUE TO MACRO-HEDGING	-	-	-	ADJUSTMENTS TO FINANCIAL ASSETS DUE TO MACRO-HEDGING
HEDGING DERIVATIVES	394,718	-	394,718	HEDGING DERIVATIVES
NON CURRENT ASSETS FOR SALE	54,186	-	54,186	NON CURRENT ASSETS FOR SALE
Deposits at credit institutions	-	-	-	
Customer loans	-	-	-	
Debt securities	-	-	-	
Equity instruments	-	-	-	
Tangible assets	54,186	-	54,186	
Other assets	-	-	-	
SHAREHOLDINGS	28,129	-	28,129	SHAREHOLDINGS
Associates	28,129	-	28,129	Associates
Multi-group entities	-	-	-	Multi-group entities
Group companies	-	-	-	Group companies
PENSION INSURANCE CONTRACTS	-	-	-	PENSION INSURANCE CONTRACTS
PROPERTY, PLANT AND EQUIPMENT	108,405	-	108,405	PROPERTY, PLANT AND EQUIPMENT
	-	-	108,405	FIXED ASSETS
For own use	108,405	-	108,405	For own use
Other assets transferred under an operating lease	-	-	-	
Associated with Community Projects	-	-	-	Associated with Community Projects
Real estate investments	-	-	-	Real estate investments
Memorandum item: Acquired under finance lease	-	-	-	*Memorandum item: Acquired under finance lease*
INTANGIBLE ASSETS	6,910	-	6,910	INTANGIBLE ASSETS
Goodwill	-	-	-	Goodwill
Other intangible assets	6,910	-	6,910	Other intangible assets
TAX ASSETS	132,325	-	132,325	TAX ASSETS
Current	9,186	-	9,186	Current
Deferred	123,139	-	123,139	Deferred
ACCRUAL ACCOUNTS	576	(576)	-	
OTHER ASSETS	15,007	576	15,583	OTHER ASSETS
TOTAL ASSETS	39,883,038	-	39,883,038	TOTAL ASSETS

COMPARISON OF INFORMATION (CONT.)

Liabilities structure in accordance with Circular 4/2004 Bank of Spain	Thousand euros 31/12/07	Reclassi-fication	31/12/07	Liabilities structure in accordance with Circular 6/2008 Bank of Spain
LIABILITIES				LIABILITIES
TRADING PORTFOLIO	**321,836**		**321,836**	TRADING PORTFOLIO
		-	-	Central bank deposits
Credit institutions deposits	-	-	-	Credit institutions deposits
Money market operations through counterparties	-	-	-	Money market operations through counterparties
Customer funds	-	-	-	Customer funds
Marketable debt securities	-	-	-	Marketable debt securities
Derivatives held for trading	321,836	-	321,836	Derivatives held for trading
Short positions in securities	-	-	-	Short positions in securities
			-	Other financial liabilities
OTHER FINANCIAL LIABILITIES AT FAIR VALUE WITH CHANGES IN THE INCOME STATEMENT	**-**	**-**	**-**	OTHER FINANCIAL LIABILITIES AT FAIR VALUE WITH CHANGES IN THE INCOME STATEMENT
	-	-	-	Central bank deposits
Credit institutions deposits	-	-	-	Credit institutions deposits
Customer funds	-	-	-	Customer funds
Marketable debt securities		-	-	Marketable debt securities
		-	-	Subordinated debt financing
		-	-	Other financial liabilities
FINANCIAL LIABILITIES AT FAIR VALUE WITH CHANGES IN EQUITY				
Credit institutions deposits	-	-		
Customer funds	-	-		
Marketable debt securities	-	-		
FINANCIAL LIABILITIES AT AMORTISED COST	**33,615,632**		**33,615,632**	FINANCIAL LIABILITIES AT AMORTISED COST
Central bank deposits	-	-	-	Central bank deposits
Credit institutions deposits	1,060,328	-	1,060,328	Credit institutions deposits
Money market operations through counterparties	-	-	-	Money market operations through counterparties
Customer funds	2,666,075	-	2,666,075	Customer funds
Marketable debt securities	29,053,942	-	29,053,942	Marketable debt securities
Subordinated debt financing	-	-	-	Subordinated debt financing
Other financial liabilities	834,525	762	835,287	Other financial liabilities
ADJUSTMENTS TO FINANCIAL LIABILITIES DUE TO MACROHEDGING	**-**	**-**	**-**	ADJUSTMENTS TO FINANCIAL LIABILITIES DUE TO MACROHEDGING
HEDGING DERIVATIVES	**3,600,798**	**-**	**3,600,798**	HEDGING DERIVATIVES
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS FOR SALE	**-**	**-**	**-**	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS FOR SALE
Customer funds	-	-		
Other liabilities	-	-		
PROVISIONS	**241,312**	**-**	**241,312**	PROVISIONS
Provisions for pensions and similar	57	-	57	Provisions for pensions and similar obligations
Provisions for taxes	35	-	35	Provisions for taxes and other legal contingencies
Provisions for contingent risks and commitments	28,383	-	28,383	Provisions for contingent risks and commitments
Other provisions	212,837	-	212,837	Other provisions
TAX LIABILITIES	**31,895**	**-**	**31,895**	TAX LIABILITIES
Current	2,299	-	2,299	Current
Deferred	29,596	-	29,596	Deferred
ACCRUAL ACCOUNTS	**2,550**	**(2,550)**		
OTHER LIABILITIES	**2,240**	**-**		
Community projects fund	-	-	-	Community projects fund
Remainder	2,240	1,788	4,028	Other liabilities
TOTAL LIABILITIES	**37,815,501**	**-**	**37,815,501**	TOTAL LIABILITIES
OWN FUNDS	**2,224,719**	**-**	**2,225,889**	OWN FUNDS
Capital and endowment fund	1,629,144	-	1,629,144	Capital
		-	1,629,144	Endowment fund
		-	-	Less: non required capital
		-	-	Share premium
Reserves	517,557	-	517,557	Reserves
Accumulated reserves	517,557	-		
Retained earnings	-			
Other equity instruments	-	-	-	Other equity instruments
Non-voting equity units and associated funds	-	-	-	Equity component of compound financial instruments
Non-voting equity units	-	-	-	Non-voting equity units and associated funds
Reserves of holders of non-voting equity units	-	-	-	Other equity instruments
Stabilization fund	-	-	-	Less: Treasury shares
Profit and loss for the period	79,188	-	79,188	Profit and loss for the period
Less: Dividends and remuneration	-	-	-	Less: Dividends and remuneration

COMPARISON OF INFORMATION (CONT.)

Liabilities structure in accordance with Circular 4/2004 Bank of Spain	Thousand euros 31/12/07	Reclassi-fication	31/12/07	Liabilities structure in accordance with Circular 6/2008 Bank of Spain
LIABILITIES				LIABILITIES
VALUATION ADJUSTMENTS	(158,352)	-	(158,352)	VALUATION ADJUSTMENTS
Available for sale financial assets	15,893	-	15,893	Available for sale financial assets
Financial liabilities at fair value with changes in net equity	-	-		
Cash flow hedging	(174,245)	-	(174,245)	Cash flow hedging
Hedges of net investments in foreign	-	-	-	Hedges of net investments in foreign
Exchange differences	-	-	-	Exchange differences
Non-current assets for sale	-	-	-	Non-current assets for sale
		-	-	Other valuation adjustments
TOTAL NET EQUITY	2,067,357	-	2,067,537	TOTAL NET EQUITY
TOTAL EQUITY AND LIABILITIES	39,883,038	-	39,883,038	TOTAL EQUITY AND LIABILITIES

COMPARISON OF INFORMATION (CONT.)

Asset structure in accordance with Circular 4/2004 Bank of Spain	Thousand euros 31/12/07	Reclassi-fication	31/12/07	Asset structure in accordance with Circular 6/2008 Bank of Spain
INTEREST AND SIMILAR INCOME	1,647,588	-	1,647,588	INTEREST AND SIMILAR INCOME
INTEREST AND SIMILAR CHARGES	(1,437,966)	(2,173)	(1,440,139)	INTEREST AND SIMILAR CHARGES
RETURN ON EQUITY INSTRUMENTS	-	-	-	PAY EQUITY REPAYABLE ON DEMAND
Associates participation	-	-		
Multi-group participation	-	-		
Other equity instruments	320	(320)		
NET INTEREST INCOME	**209,942**	**(2,493)**	**207,449**	**NET INTEREST INCOME**
		320	320	RETURN ON EQUITY INSTRUMENTS
SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD	(3,709)		(3,709)	SHARE OF RESULTS OF ENTITIES ACCOUNTED FOR USING THE EQUITY METHOD
FEE AND COMMISSION INCOME	18,923	-	18,923	FEE AND COMMISSION INCOME
FEE AND COMMISSION EXPENSE	(2,003)	-	(2,003)	FEE AND COMMISSION EXPENSE
GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)	3,263	405	3,668	GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES (NET)
Trading portfolio	-	-	-	Trading portfolio
Other financial assets at fair vaue with changes in the income statement	-	-	-	Other financial assets at fair vaue with changes in the income statement
Available for financial assets	-	-	-	Financial instruments measured at fair value through profit and loss
Credits, loans and discounts	-	-	-	
Other	3,263	405	-	Other
EXCHANGE DIFFERENCE (NET)	(758)	-	(758)	EXCHANGE DIFFERENCE (NET)
		2,562	2,562	OTHER OPERATING INCOME
			-	OTHER OPERATING CHARGES
GROSS INCOME	**225,658**	**794**	**226,452**	**GROSS OPERATING INCOME**
OTHER OPERATING INCOME	2,562	(2,562)		
			(39,077)	ADMINISTRATIVE EXPENSES
PERSONNEL EXPENSES	(16,638)	-	(16,638)	PERSONNEL EXPENSES
OTHER ADMINISTRATIVE EXPENSES	(22,439)	-	(22,439)	OTHER ADMINISTRATIVE EXPENSES
DEPRECIATION AND AMORTIZATION	(3,037)	-	(3,037)	DEPRECIATION AND AMORTIZATION
Tangible assets	(2,576)	-		
Intangible assets	(461)	-		
OTHER OPERATING CHARGES	-	-		
		(1,909)	(1,909)	PROVISIONS EXPENSE (NET)
		(77,566)	(77,566)	FINANCIAL ASSETS IMPAIRMENT LOSSES (NET)
		(44,317)	(44,317)	Loans and receivables
		(33,249)	(33,249)	Other financial instruments not valued at fair value
NET OPERATING INCOME	**186,106**	**(81,243)**	**104,863**	**NET OPERATING PROFIT**
ASSET IMPAIRMENT LOSSES (NET)	(73,696)	73,696	-	LOSSES FOR IMPAIRMENT OF OTHER ASSETS (NET)
Available for sale financial assets	-	-		
Loans and receivables	(40,447)	40,447		
Held to maturity investments	(30,496)	30,496		
Non-current assets for sale	-	-		
Shareholdings	(2,753)	2,753		
Tangible assets	-	-		
Goodwill	-	-	-	Goodwill and other intangible assets
Other intangible assets	-	-		
Other assets	-	-	-	Other assets
PROVISIONS EXPENSE (NET)	(1,909)	1,909		
		-	-	GAINS (LOSSES) ON DISPOSAL OF ASSETS NOT CLASS. AS NON-CURRENT ASSETS HELD FOR SALE
		-	-	NEGATIVE DIFFERENCE ON BUSINESS COMBINATIONS
		83	83	GAINS (LOSSES) ON NON-CURRENT ASSETS HELD FOR SALE NOT CLASSIFIED AS DISCOUNTED OPERATIONS

COMPARISON OF INFORMATION (CONT.)

Asset structure in accordance with Circular 4/2004 Bank of Spain	Thousand euros 31/12/07	Reclassi-fication	31/12/07	Asset structure in accordance with Circular 6/2008 Bank of Spain
OTHER GAINS	3,967	(3,967)		
Gains on disposal of tangible assets	313	(313)		
Gains on disposal of investments				
Other	3,654	(3,654)		
OTHER LOSSES	(9,522)	9,522		
Losses on disposal of tangible assets	(247)	247		
Losses on sale of shares	-	-		
Other concepts	(9,275)	9,275		
PROFIT OR LOSS BEFORE TAX	**104,946**	**-**	**104,946**	**PROFIT OR LOSS BEFORE TAX**
INCOME TAX	(25,495)	-	(25,495)	INCOME TAX
ASSIGNED TO THE EDUCATION AND DEVELOPING FUND	-	-	-	ASSIGNED TO THE EDUCATION AND DEVELOPING FUND
PROFIT OR LOSS FROM ORDINARY ACTIVITIES	**79,188**	**-**	**79,188**	**PROFIT OR LOSS FOR THE PERIOD DISCONTINUED OPERATIONS**
PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (NET)	-	-	-	PROFIT OR LOSS FROM DISCONTINUED OPERATIONS (NET)
PROFIT OR LOSS FOR THE PERIOD	**79,188**	**-**	**79,188**	**PROFIT OR LOSS FOR THE PERIOD**

The principal reclassifications in the consolidated balance sheet, the consolidated income statement, the consolidated statement of recognized income and expenses, the total consolidated statement of changes in equity and consolidated statement of cash flows in accordance with the Circular 6 / 2008 Bank of Spain, from those in the consolidated financial statements for the year 2007, are described below:

i) Consolidated Balance Sheet - Assets

- The item "Other financial assets" is removed from the epigraph "Credit, loans and discounts.
- Headings are reclassified from "Accruals" and "Other assets" under the heading of "Other assets".

ii) Consolidated Balance Sheet - Liabilities

- Headings are reclassified from "Accruals" and "Other liabilities" under the heading of "Other liabilities" except financial guarantees under the rubric of "Accruals," becoming part of "Other financial liabilities" under the heading "Financial liabilities at amortized cost."

iii) Consolidated Profit and Loss Account

- Heading of "return on equity instruments" becomes part of the new "gross operating income" which replaces regular "gross income". In this new "Gross operating income" is also included the heading of "Other operating charges" and "Other operating income".

- A new category of "administrative expenses" is created, which includes the lines "Personnel expenses" and "Other administrative expenses."

- The "Net operating income" becomes the "Net operating profit".

- Heading of "Asset impairment losses (net)" falls into the heading of "Financial asset impairment losses (net)", which becomes part of the "Net operating profit" and heading of "Losses for impairment of other assets (net)" which continues to be part of "Profit or loss before tax".

- "Other gains" and "Other losses" are removed from the "Profit or loss before tax".

- Headings "Gains (losses) on disposal of assets not classified as non-current assets held for sale", "Negative difference on business combinations" and "Gains (losses) on non-current assets held for sale not classified as discontinued operations" are added into "Profit or loss before tax".

iv) Consolidated statements of incomes and expenses recognized and consolidated cash-flow statements.

The Consolidated Statements of Changes in equity now consist of two parts which are the Consolidated statements of incomes and expenses recognized and the Consolidated Statements of Changes in equity.

vi) Consolidated cash-flow statements

- Certain breakdowns in the Consolidated cash flow statements are deleted in order to simplify it.

1.7 Environmental impact

The Group's global transactions are governed by the laws on environmental protection. The Institute deems that the Group substantially complies with these Laws and that the procedures it uses are designed to encourage and ensure compliance with said Laws.

The Institute considers that the Group has taken appropriate environmental protection and improvement measures and for minimizing, whenever applicable, the environmental impact, and complies with rules enforced in this regard. In 2008 and 2007 the Group has not carried out significant environmental investments and neither has it considered it necessary to record any provision for environmental risks and charges. Nor does it consider that there are any significant contingencies in connection with environmental protection and improvement.

1.8 Minimum coefficients

1.8.1 Minimum equity ratio:

The Bank of Spain, dated May 22, 2008, has issued Circular 3/2008 on identification and control of the minimum equity. The aforesaid Circular is the final development in the field of credit institutions, on the legislation on its equity and supervision on a consolidated basis of the financial institutions issued from Law 36/2007 of November 16, which amends Act 13/1985, of May 25, of the investment ratio, equity and information obligations of financial intermediaries and other financial system and that includes the Royal Decree 216/2008, of February 15 of financial institutions equity.

This also completes the process of adapting the legislation of Spanish credit institutions to EU directives 2006/48/EC of the European Parliament and the Council of 14 June 2006 concerning the business of credit institutions (recast) and 2006/49/EC of the European Parliament and the Council of 14 June 2006 on capital adequacy of investment services companies and credit institutions (recast). The two Directives have been deeply revised, following the equivalent Agreement adopted by the Basle Committee on Banking Supervision (known as Basel II), the minimum capital requirements due to credit institutions and their consolidated groups.

The new approach, which contains two new pillars which supports standards that ensure the institutions solvency and stability, aims, among other things, that regulatory requirements were much more sensitive to the business risks, the entities actually bear.

This not only has increased the risks for which coverage is considered relevant, such as operational risk or the possibility of giving them coverage, especially through internal models to measure; it have also grown exponentially, the fundaments and technical requirements underpinning the requirements whose complexity is much higher today than the old Capital Agreement of the Basel Committee.

The technical complexity and detail in which the new rules fall, have advised that the mentioned Law and the Royal Decree referred to as standards for its range, enable Bank of Spain, as the supervisor, for the transposition of the Directive in a very large rank. In fact, in many cases, those rules only arbitrate basic principles, letting the Bank of Spain carrying out the development, in many cases, of very large specifications in the article and especially in the various annexes of the Directive.

In addition to the required compliance and consolidated solvency requirements, the new rules incorporate the completion of the requirements at the individual level, both for parents and Spanish subsidiaries. However, the possibility that Bank of Spain may waive this requirement if it meets a number of conditions designed to ensure that own funds are appropriately distributed between the parent and the subsidiaries and that the flows and commitments can move with freedom within the group.

It is also a novelty in Spain the acceptance for credit institutions, of subordinated financing debts within less than five years, as computable equity. This acceptance is only, as the directive 2006/49, with the aim of providing coverage to the requirements of their equities to cover the trading portfolios risks.

It should also noted that, under the freedom of national authorities of deducting certain items from equity which are not considered available to attend business losses and that are not a widespread practice among the countries around us, the computation has been limited, as equities of the group, of shares in subsidiaries that represent minority interests in them, when they exceed certain thresholds of significance and when they come from individual overcapitalized subsidiaries.

Also in development of the admissibleness given by the Royal Decree 216/2008 and according to the agreements that develops Basle II, a strict limit is introduced in basic equities for those shares or preferred shares that incorporate early repayment incentives, for example, "step-up" clauses. Conversely, computing possibilities of that type of instruments are extended, when such instruments contains factors that increases entities capitalization or credit institutions consolidated group, such as mandatory conversion clauses into ordinary shares. All this is to make capital and reserves of credit institutions and their groups be the predominant element of their own equity.

In the minimum equity ratio for credit risk, although the traditional 8% over the risk weighted assets is conserved, the biggest news comes from:

- The possibility of using internal ratings and internal models for calculating the risk weighted exposures and, consequently, the resulting capital requirements. This route is subject of the Bank of Spain express authorization and a detailed set of prudential and technical requirements related primarily to risk management and entity's robust internal controls.

- For those entities that do not use these models and follow the standard method, the Circular sets out the weights to aplicate, and the requirements to be carried out by external rating agencies that are used to determine, in many cases, these weights. These criteria are based primarily on the objectivity, independence, transparency, reputation and continuous updating of the methodology used to define the different grades of risk.

- The tolerated risk reduction techniques expansion and, with extreme detail, its potential impact, particularly in the case of imperfect coverage.

- Specific regulation and technically very complex, of the minimum equity requirements due to the securitization exposures, both to the originator company or any other participant in the securitization process.

Its also new the weighted attributed to mortgage loans where coverage is insufficient, where the amount of the loan exceeds the house value purchased with the loan. The excesses of that amount are considered high risk.

Following the Directive, operational risk equity requirements are incorporated into our regulatory, which are also subject of a detailed regulation in order to identify the different calculation methods and the requirements that entities must meet to obtain the relevant authorization for the use of more advanced risk measurement methods.

The new solvency regulation also includes the setting-up of a supervisory review system in order to promote better entity's internal risk management and ensure the effective correlation between the risks assumed by the entity, including those not directly covered by the settlement. This system also includes an self-evaluation, supervised by Bank of Spain, of the required capital.

In this area, there are also specified the requirements and conditions under which entities can delegate the provision of services or the performance of credit institutions duties, thus providing a consistent treatment between credit and investment services companies which are subject to equivalent standards of norms given in higher rank.

With regard to Pillar 3 of the new Basel Accord, which is dedicated to promote and standardize the market disclosure of relevant information so that it can exercise its discipline, the minimum contents of the document "Prudential relevant Information" that banks are required to publish annually in order to be comparable between entities are determined, and principles on which entity's policy information disclosure should be based is established. Information to disclose is focused on key aspects of its business profile, risk exposure and management thereof.

Updates are minor in other prudential regulation areas, either because the new directive is less innovative, either because they relate to issues such as limits on large exposures, which are still pending review at the EU level.

Lastly, the Circular includes the reserved prudential information that entities and subject groups have to send regularly to Bank of Spain. This information is consistent with the one required under the Single Market, as it responds to a convergence process between the different countries of the European Union.

At December 31, 2008 and 2007, the entity's computable equity, which are calculated in a consolidated basis, exceed the minimum requirements required by the regulation cited in EUR 821,696k and EUR 666,139k respectively.

Also, Circular 3/2008 stipulates that net tangible assets and all consolidated groups of credit institutions risks with the same person or economic group, may not exceed certain percentages of equity, also establishing limits on positions in foreign currencies. At December 31, 2008 and 2007, the Entity Group complies with these limits.

AT DECEMBER 31, 2008 AND 2007, THE GROUP'S COMPUTABLE EQUITY IS AS FOLLOWS:

(Thousand euros)

	2008	2007 (*)
Basic own funds	2,612,307	2,107,805
- Capital	2,052,097	1,629,144
- Reserves	560,210	478,661
Second category own funds	259,618	208,455
- Other reserves	39,479	38,939
- Generic insolvency risk coverage	220,139	169,516
Total computable own funds	2,871,925	2,316,260
Total minimum own funds	2,050,229	1,650,121

(*) Calculations made in accordance with Circular 5/93.

AT DECEMBER 31, 2008 AND 2007, THE GROUP'S MINIMUM EQUITY MOST IMPORTANT DATA IS THE FOLLOWING:

	2008	2007 (*)
Basic own funds ratio (%)	10.20	10.22
Second category own funds ratio (%)	1.01	1.01
Total own funds ratio (%)	11.21	11.23

(*) Calculations made in accordance with Circular 5/93.

AT DECEMBER 31, 2008 AND 2007, THE MOST IMPORTANT DATA OF THE MINIMAL RESOURCES OF THE COMPANY ARE:

(Thousand euros)

	2008	2007 (*)
Basic own funds	2,612,307	2,107,805
Risk weighted	25,627,863	20,626,513
Basic own funds ratio (%)	10.20	10.22
Computable equity	2,871,925	2,316,260
Computable equity ratio (%)	11.21	11.23
Minimum computable equity ratio (%)	8	8

(*) Calculations made in accordance with Circular 5/93.

At December 31, 2008 and 2007, ICO´s computable own funds exceeded the minimum requirements by the mentioned standards.

1.8.2 Minimum reserves ratio

In accordance with Monetary Circular 1/1998, of 29 September 1998, that came into effect on 1 January 1999, the ten-year cash ratio was replaced with the minimum reserve ratio.

At 31 December 2008 and 2007, and throughout 2008 and 2007, the Group complied with the minimum ratios required by applicable Spanish regulations.

1.8.3. Capital management

The Institute considers capital management, first and second category computable equity regulated by the solvency legislation (Circular 3 / 2008 Bank of Spain, from May 22, 2008 on identification and control of minimum equity).

In this sense, the regulatory capital requirements are incorporated directly in the management thereof in order to maintain at all times a solvency ratio higher than 9.5%. This objective is met through a proper capital planning.

1.9 Post-balance sheet events

In accordance with Additional Provision of Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security measures, amended by aforementioned Law 42/2006, the amounts recovered following the repayment by Central Government of the debts incurred with ICO as a result of certain credit and guarantee facilities granted by the former Entidades Oficiales de Crédito and the Institute itself will form part of the Institute's equity. The amount estimated for 2009 totals euro 10 million.

Chapter VIII of the General State Budgets for 2009 envisages (as in previous years) a new contribution to ICO's equity amounting to euro140 million in order to increase the Institute's equity and adapt it to its operations.

In 2009, the Instituto de Crédito Oficial, as a State Financial Agency, has capitalized by government order, new lines of credit to businesses and individuals in order to provide more liquidity to the Spanish credit system and to address other needs within the framework of the Institute objectives. The main lines approved are:

- Línea ICO PYME 2009: with this line of euro 10,000 million, the ICO supports and funds on preferential terms the development of investment projects of the self-employed and small and medium-sized Spanish companies.

  Is destined to self-employed and small and medium enterprises, financing 100% of the investment project and with support for the aid received from the Autonomous Communities and other institutions.

- Línea ICO Liquidez 2009: with this line offers the self-employed and SMEs euro 10,000 million of which euro 5,000 million are provided by ICO and euro 5,000 million are provided by credit institutions.

  Is destined to self-employed and small and medium enterprises, being the maximum amount of funding of euro 500 thousand per customer per year, in one or more transactions. The part funded by credit institutions will be analyzed by them and depending on the creditworthiness of the applicant, the guarantees to provide will de determined.

- Línea ICO Moratoria Hipotecaria 2009: Line of euro 6,000 million aimed at the partial and temporary postponement in the liability of 50% of the mortgage payments period from March 1, 2009 until February 28 2011, with a maximum of euro 500 per month for certain groups, holding a mortgage that was established for its residence.

  At present, ICO and credit institutions that have forwarded the request to join this line are in the process of financing the drafting and signing of contracts which will incorporate the modifications and enhancements approved by the government on February 1, 2009.

1.10 Information per business segment

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

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

2. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT METHODS APPLIED

During the preparation of Group's consolidated annual accounts for the year ended 31 December 2008, the following accounting principles and policies and measurement methods have been applied:

2.1 Shareholdings

2.1.1 Group entities

"Group entities" are those in which the Institute has the capacity to exercise control. This is generally, though not exclusively, reflected by the direct or indirect ownership of at least 50% of the voting rights or, if lower, or where no voting rights are held, by other circumstances or agreements with shareholders that give control to the Parent entity. In accordance with the new regulations, control is deemed to be the power to direct an entity's financial and operational policies in order to benefit from its activities.

The subsidiaries' annual accounts are consolidated with those of the Entity using the full consolidation method, as stipulated in prevailing regulations. Consequently, all significant balances deriving from transactions between the fully-consolidated companies have been eliminated during consolidation.

Additionally, third-party interests in the:

- Group's equity are presented in "Minority interests" in the consolidated balance sheet, and there is no balance at 31 December 2008 and 2007.

- Consolidated results for the year are presented in "Surplus attributed to minority interests" in the consolidated income statement, and there is no balance at 31 December 2008 and 2007.

Results generated by subsidiaries acquired by the Group during the year are consolidated taking into account only the amounts for the period running from the acquisition date to the year end.

Appendix I provides relevant information on these entities.

2.1.2 Associated entities

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

Shareholdings in "Associated entities" are presented in these annual accounts under the heading "Shareholdings-Associated entities" in the balance sheets and are stated at acquisition costs, net of any impairment that they may have undergone.

The results on the transactions between the associate and Group companies are eliminated in the percentage represented by the Group's interest in the associate.

The results recorded in the year by the associate, following the elimination referred to above, increase or decrease, as appropriate, the value of the relevant shareholding in the consolidated annual accounts. The amount of these results is recorded under "Results in companies carried under the equity method" in the consolidated income statement (Note 28).

The variations in the valuation adjustments of the associate, subsequent to the acquisition date, are recorded as an increase or decrease in the value of the shareholding. The amount of these variations has been recorded under "Valuation adjustments", in consolidated equity.

Appendix I provides relevant information on these entities.

2.2 Financial Instruments

2.2.1 Initial recognition of financial instruments

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

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

2.2.2 Disposal of financial instruments

Financial instruments disposals are recorded in the manner in which risks and benefits associated with the transferred financial instruments are transferred, based on the following criteria:

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

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

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

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

  - If the entity retains control over the transferred financial instrument, in which case it continues recognizing it on the balance sheet at an amount equal to its exposure to value fluctuations that can experience and a financial liability associated to an amount equal to the consideration received is recognized. Such liabilities are subsequently valued at amortized cost, unless it meets the requirements to be classified as financial liabilities at fair value with changes in the income statement. To calculate the amount of this financial liabilities, the amount of its financial instruments (such as asset-backed securities and loans) which constitute funding for the entity to which financial assets have been transferred will be deducted, in the exact amount these financial instruments finance specifically the transferred assets.

The net amount between the transferred assets and liabilities associated to them, will be the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or fair value of the rights and obligations retained, if the transferred asset is measured by its fair value.

Therefore, financial assets are only removed from balance sheet when the cash flows generated have been extinguished or when the implicit risks and benefits have been transferred to third parties. Similarly, financial liabilities are only removed off the balance sheet when the obligations generated have been extinguished or when they are purchased with the intention to cancel or reposition them again.

2.2.3 Fair value and amortised cost of financial instruments

Financial assets:

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

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

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

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

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

The effective interest rate is the discount rate that brings the initial value of a financial instrument exactly into line with total estimated cash flows throughout its residual life. In the case of fixed-income financial instruments, the effective interest rate is equal to the contractual rate defined on acquisition, adjusted for commissions and transaction costs that, in accordance with the provisions of Bank of Spain Circular 4/2004 (22 December), must be included in the calculation of the effective interest rate. The effective interest rate for variable-rate financial instruments is estimated in the same way as for fixed-income transactions, and is recalculated at each interest review date stated in the contract, taking into consideration changes in the transaction's future cash flows.

Other entities shareholdings whose fair value can not be determined objectively and financial derivatives that have this instruments like its underlying assets and are settled by delivery of them are kept at cost adjusted, where appropriate, for impairment losses they have experienced.

Subsidiaries, Multi-group and associated companies shareholdings are recorded at cost adjusted, where appropriate, for impairment losses that have occurred.

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

However, changes in instruments value included under the heading Available for sale financial assets are recorded temporarily in the epigraph Valuation adjustments in Net Equity unless they come from exchange differences. The amounts in the epigraph Valuation adjustments remain part of net equity until they are removed from balance sheet assets where they are originated, moment when they are written off against profit and loss account.

Also, changes in the value of the items included under the heading Non-current assets held for sale are recorded under consideration in valuation adjustments to equity.

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

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

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

- In cash flow hedges, the valuation differences arising on the effective coverage of the coverage items are temporarily registered under the heading of valuation adjustments of net equity.

- In net foreign investments coverage, valuation differences arising on the effective coverage of the coverage items are temporarily registered under the heading of valuation adjustments of net equity.

In the last two cases, valuation differences are not recognized as result until hedged item's gains or losses are recorded in the profit and loss account or until the hedged item's expiry date.

In interest rate risk's fair value hedges of a financial instruments portfolio, gains or losses that arise when assessing the hedging instruments are recognized directly in the profit and loss account, whereas the gains or losses in the amount covered fair value changes, in regard to the hedged risk, are recognized in the profit and loss account using as counterpart the heading Adjustments to financial assets by macro-hedges.

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

Financial liabilities Financial liabilities:

Financial liabilities are recorded at amortized cost, as defined for financial assets in Note 15.e, except as follows:

- Financial liabilities included in epigraphs Trading Portfolio, Other financial liabilities at fair value with changes in the income statement and financial liabilities at fair value with changes in equity, as defined for financial assets in Note 15.e. Financial liabilities covered by fair value hedging operations are adjusted, being registered those fair value variations in relation to the hedged risk covered by the hedge operation.

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

Financial liabilities amount's variations are recorded, in general, offset by the profit and loss account, differentiating between those that are caused by interest accrual and similar items that are recorded in the heading of Interest and similar charges, and those corresponding to other causes, which are recorded by its net amount under the heading of Net operating profit of the profit and loss account.

However, items included under the heading of financial liabilities at fair value with changes in equity value variations, are recorded temporarily in Valuation adjustments of the net equity. The amounts in the row of Valuation adjustments remain part of net equity until liabilities in which their origin are removed of the balance sheet, moment when they are written off against profit and loss account.

Financial liabilities designated as hedged items and hedging accounting valuation differences, are recorded taking into account the above criteria for financial assets in Note 2.

2.2.4 Classification and measurement of financial assets and liabilities

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

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

- Financial assets and liabilities at fair value with changes in the income statement: this category is made up financial instruments classified as trading portfolio and other financial assets and liabilities classified at fair value through the income statement:

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

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

    - "Other financial assets or liabilities at fair value with changes in the income statement" are:

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

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

        - With it, inconsistencies in the recognition or appreciation arising on the valuation of assets or liabilities or recognizing the gains and losses will be deleted or significantly reduced, with different criteria.

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

        - Held-to-maturity investment portfolio: This includes debt securities with fixed maturities and identified or identifiable cash flows that are classified by the Group from the outset and at any subsequent date based on the intention and financial capacity to hold them to maturity.

          The debt securities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognised in the consolidated income statement using the effective interest method, defined in applicable accounting legislation. They are subsequently carried at amortised cost, calculated based on the effective interest rate.

- Credits, loans and discounts: This category includes unlisted debt securities, financing provided to third parties arising from the ordinary credit and loan activities carried out by consolidated entities and debts incurred by asset buyers and by service users. It also includes finance lease transactions in which the entities are the lessors.

The financial assets included in this category are initially carried at fair value, as adjusted for commissions and transaction costs directly attributable to the acquisition of the financial asset and which, under applicable accounting legislation, must be recognised in the consolidated income statement using the effective interest method. Following acquisition, the assets acquired in this category are carried at amortised cost.

Assets acquired at a discount are recorded in the cash amount paid and the difference between the repayment value and that cash amount is recognised as financial income, applying the effective interest method during the period to maturity.

In general, the consolidated entities intends to hold the loans and credits granted to their final maturity dates and they are therefore carried at amortised cost in the balance sheet.

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

- Available-for-sale financial assets: This category includes debt securities not classified as held to maturity, such as credits, loans and discounts, or as at fair value through the income statement, and equity instruments owned by the Group relating to entities which are not subsidiaries, joint ventures or associates, which have not been classified as at fair value through the income statement.

The instruments included in this category are initially measured at fair value, as adjusted for transaction costs directly attributable to the acquisition of the financial asset, which are recognised in the consolidated income statement using the effective interest method defined in applicable accounting legislation, to maturity, unless the financial assets have no fixed maturities, in which case they are taken to the consolidated income statement when they become impaired or are written off the consolidated balance sheet. Following acquisition, the financial assets included in this category are carried at fair value.

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

Balancing entries are made in "Interest and similar income" (calculated using the effective interest method) and "Return on equity instruments - Other equity instruments" in the consolidated income statement, with respect to changes in the fair value of financial assets classed as available for sale, relating to interest or dividends accrued, respectively. Impairment losses on these instruments are recorded as mentioned in Note 2.7. Exchange differences on financial assets denominated in foreign currency other than the euro are accounted for as mentioned in Note 2.4. Changes in fair value of financial assets covered by fair-value hedges are stated as mentioned in Note 2.3.

A balancing entry is made in "Equity – Measurement adjustments – Available-for-sale financial assets", in the Group's equity, with respect to the remaining changes to the fair value from the acquisition date of available-for-sale financial assets, until the financial asset is written off, when the balance is taken to "Gain/(loss) on financial transactions (net) - Available for sale financial assets" in the consolidated income statement.

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

The financial liabilities included in this category are initially carried at fair value, as adjusted for transaction costs directly attributable to the issue of the financial liability, which are recognised in the income statement using the effective interest method, defined in applicable accounting legislation to maturity. Subsequently they are measured at amortised cost, calculated by applying the effective interest rate method defined in applicable accounting legislation.

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

Notwithstanding the above, the financial instruments that must be classed as non-current assets available for sale, in accordance with the provisions of Rule Thirty Four of Circular 4/2004 of December 22, Bank of Spain, are carried in the consolidated annual accounts as explained in Note 2.16.

Reclassifications between financial instruments portfolios are made exclusively in their case, according to the following assumptions:

a) Except if the exceptional circumstances described in paragraph d) below take place, the financial instruments can not be reclassified into or out of the category "valued at fair value with changes in profit and loss" once acquired, issued or assumed.

b) If a financial asset, as a result of a change in intent or in the financial capacity ceases to be classified in the epigraph Held to maturity investment portfolio, it will be reclassified into " available for sale financial assets" category. In this case, the same treatment will be applied to all financial instruments classified into Held to maturity investment portfolio category, unless the reclassification is included in the circumstances permitted by applicable law (sales close to maturity, or once charged almost all the main financial asset or sales attributable to a non-recurring event that could not reasonably have been anticipated by the Institute).

c) If we were to have a financial asset or financial liability reliable valuation for which such valuation was not previously available, and valuation at fair value would be mandatory, such as unquoted equity instruments and derivatives that have these ones by underlying asset, the mentioned financial assets or financial liabilities would be valued at fair value, and the difference with its book value would be maintained in accordance with the requirements of its portfolio type.

   During the year 2008 there has been no reclassification as described above.

d) If as a result of intent or financial capacity change of the Institute or, after two years of penalties set by the regulations applicable in the event of financial assets classified in held to maturity investment portfolio's sale, some financial assets (debt instruments) included in the category "available for sale financial assets" could be reclassified into the "held to maturity investment portfolio".

   In case, this financial instrument's fair value on the transfer date becomes its new amortized cost and the difference between this amount and redemption value is charged to the consolidated profit and loss account, using the type effective interest method over the remaining instrument's life.

   During the year 2008 there has been no reclassification as described above.

e) Since 2008, a financial asset that is not a derivative financial instrument may be classified outside the trading portfolio if it ceases to be maintained for sale purpose or short term repurchase, if one of the following circumstances take place:

   - In exceptional circumstances, unless the assets could have been included in the category of credits, loans and discounts. Exceptional circumstances are those that arise from a particular event, which is unusual and unlikely to recur in the foreseeable future.

   - When the Institute has the intention and financial capacity to maintain the financial asset in the foreseeable future or until maturity, when in its initial recognition it has meet with the investment credit definition.

In these situations, assets reclassification are done at fair value, not reversing the results, and considering this value as their cost or amortized cost, as appropriate. This financial assets reclassification can not be reclassified into Trading portfolio again.

During 2008, there has been no reclassification of financial assets included in the trading portfolio.

2.3 Financial derivatives

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

The Group uses financial derivatives as part of its strategy to reduce its exposure to interest rate, foreign and market exchange rate, among others. When these operations meet certain requirements of the Standards Thirty-first and Thirty-second of Circular 4 / 2004 of December 22, Bank of Spain such operations are considered as "coverage."

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

The Group only considere highly effective throughout the hedge term are treated as hedge transactions. Hedging is considered highly effective if during the envisaged term any changes in fair value or cash flows attributed to the risk covered in the hedging of the financial instrument or instruments hedged are virtually fully offset by the changes in fair value or cash flows, as appropriate, of the hedging instrument or instruments.

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

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

- Fair-value hedges: They cover the exposure to changes in the fair value of financial assets and liabilities or firm commitments, or an identified portion of these assets, liabilities or commitments, attributable to a specific risk, provided that they affect the income statement.

- Cash-flow hedges: cover changes in cash-flow that are attributable to a specific risk associated with a financial asset or liability or a highly-probable planned transaction, provided that it may affect the income statement.

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

- For fair-value hedges, differences in the fair value of both hedges and hedged components, with respect to the type of risk hedged, are recognised directly in the income statement.

- For cash-flow hedges, measurement differences arising on the efficient part of the cover of the hedges are temporarily carried under "Equity - Measurement Adjustments - Cash-flow hedges. Hedged financial instruments in this type of hedge are carried in accordance with the criteria explained in Note 2.2, without any modification due to being considered as such.

In these latter cases, measurement differences are not recognised as results until the gains or losses on the hedged item are recorded in the income statement, or until maturity.

Hedge measurement differences relating to the inefficient portion of cash-flow hedges are recognised directly under the heading "Gain/loss on financial transactions" in the income statement.

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

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

Should a cash-flow hedge transaction be interrupted, the accumulated gain or loss from the hedge carried under the heading "Equity - Measurement Adjustments - Cash-flow hedges" in the balance sheet will remain under this heading until the planned hedge transaction takes place, at which time it will be taken to the income statement, or the cost of acquiring the asset or liability to be recorded will be adjusted, in the event that the hedged component is a planned transaction that culminates with the recording of a financial asset or liability. In the event of planned transactions, when expected not to take place, the entry made under "Equity - Measurement adjustments - Cash-flow hedges" relating to that transaction is immediately recognised in the income statement.

2.4 Foreign currency transactions

2.4.1 Functional currency

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

Set out below are the total assets and liabilities denominated in foreign currency held by the Institute, the Group´s Parent entity, at 31 December 2008 and 2007 (thousands of units of each foreign currency sing):

Thousands of units of each foreign currency				
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Pound sterling	409,490	4,252,891	528,545	2,950,252
US dollar	2,923,617	18,726,525	1,885,521	9,701,730
Canadian dollar	11,267	1,360,819	-	1,364,576
Swiss franc	10,059	879,005	10,076	686,906
Swedish krona	-	499,882	-	-
Norwegian krone	-	13,871,412	-	8,147,871
Japanese yen	18	165,487	29	147,493
Australian dollar	41	3,710,919	-	3,793,255
Other traded currencies	-	512,787	-	564,761
Other non-traded currencies	190,382	43,924	328,308	21,142

The equivalent value in euros of assets and liabilities denominated in foreign currency, classified by nature, recorded by the Institute, the Group´s parent entities at 31 December 2008 and 2007 is as follows:

Thousand euros				
	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Spanish credit institutions in Spain	91,197	186,201	74,076	171,017
Spanish credit institutions abroad	47,989	20,809	5,260	137
Foreign credit institutions abroad	60,567	359,099	173,374	286,847
Loans/Deposits Spanish Public Administrations	-	-	-	598
Loans to/deposits with other resident sectors	1,275,959	-	648,802	-
Loans/Deposits non-resident Public Admin.	-	-	-	-
Loans/Deposits, other non-resident sectors	1,256,577	-	1,434,545	-
Provisions denominated in foreign currency	-	993	-	1,288
Issued bonds and others	2,321	23,913,959	83	16,281,481
	2,734,610	**24,481,061**	**2,336,140**	**16,741,368**

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

i) Monetary assets and liabilities are translated at the year-end exchange rate, understood as the average spot exchange rate at the date to which the financial statements refer.

ii) Non-monetary items measured at cost are translated at the exchange rate on the date of acquisition.

iii) Non-monetary items measured at fair value are translated at the exchange rate on the date on which fair value is determined.

iv) Income and expense are translated by applying the exchange rate on the transaction date. Nonetheless, the average exchange rate for the period is used for all transactions carried out in that period, unless there have been significant fluctuations. Depreciation/ amortisation is translated at the exchange rate applied to the relevant asset.

Exchange differences arising on translation of debtor and creditor balances denominated in foreign currency are generally recorded in the income statement. Nonetheless, in the case of exchange differences that arise on non-monetary items measured at fair value, for which the fair-value adjustment is recorded under Equity Measurement Adjustments, the component of the exchange rate relating to the revaluation of the non-monetary element is broken down.

The exchange rates used by the Group to convert balances denominated in the main foreign currencies in which it operates are the market rates at 31 december 2008 and 2007 published by the European Central Bank at each of those dates.

The net amount of exchange differences arising on the conversion of receivables and payables denominated in foreign currency is a euro 10k loss at 31 December 2008 (euro 758k loss at 31 December 2007).

2.5 Recognition of revenue and expense

Set out below is a summary of the most significant accounting policies employed by the Group to recognise income and expense:

2.5.1 Interest income and expense, dividends and similar items:

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

2.5.2 Commissions, fees and similar items:

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

- Amounts associated with the acquisition of financial assets and liabilities carried at fair value through the income statement are recognised in the income statement at the payment date.

- Amounts arising from long-term transactions or services are recognised in the income statement over the term of the transactions or services.

- Amounts relating to a one-off event are recorded in the income statement when that event takes place.

2.5.3 Non-financial income and expense:

These amounts are accounted for on an accruals basis.

2.5.4 Deferred collections and payments:

Deferred collections and payments are carried at the amount obtained by discounting forecast cash flows at market rates.

2.6 Offset of balances

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

2.7 Financial asset impairment

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

- For debt instruments, understood as loans and debt securities, when, following their initial recognition, there is an event or combined effect of various events which have a negative impact on the relevant future cash flows.

- For equity instruments, when following their initial recognition, there is an event or the combined effect of various events, making it impossible to recover their carrying value.

As a general rule, impairment financial instruments value correction is charged to the profit and loss account of the period in which such impairment is manifested and the recovery of previously recorded impairment losses, if place, are recognized in the profit and loss account of the period during which the deterioration is eliminated or reduced.

In the event that the recovery of any amount in respect of the impairment recorded is considered remote, such impairment is written off the consolidated balance sheet, although the Group may carry out the necessary actions to attempt to secure collection until the definitive extinguishment of its debt claims due to lapsing, remission or other reasons.

Debt instruments and contingent risks portfolios, regardless of their owner, warranty or instrumentation, are analyzed to determine the credit risk to which the entity is exposed and to estimate coverage requirements for impairment in value. For the financial statements preparation, the Entity classifies its operations in terms of its credit risk by analyzing, separately, the insolvency risk due to the customer and country risk to which they are exposed.

Debt instrument's future cash flows estimated are all amounts, principal and interest, the Entity believes will receive during the instrument's life. All relevant information which provide data on the possibility of future recovery of contractual cash flows that is available at the time of financial statements elaboration is considered in this estimation.

Also, in estimating instruments with security's future cash flows, are taken into account the flows that would result from its realization, less the amount of costs for its acquisition and subsequent sale, irrespective of the probability of the guarantee.

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

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

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

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

- Debt instruments are included in groups with similar credit risk characteristics, indicative of debtor capacity to pay all amounts, principal and interest, in accordance with contractual terms. The characteristics of credit risk which are taken into account in order to group together assets are, inter alia, the type of instrument, the debtor's sector of activity, geographical area of activity, type of guarantee, age of amounts overdue and any other factor that may be relevant when estimating future cash flows.

- Future cash flows in each group of debt instruments are estimated based on the Group's experience of historical losses for instruments with similar credit risk characteristics to those of the respective group, following the necessary adjustments to adapt historical data to current market conditions.

- Impairment losses in each group are the difference between the carrying value of all the group's debt instruments and the present value of its estimated future cash flows.

Debt instruments not measured at fair value through changes in the consolidated income statement, contingent risks and commitments are classified, based on the insolvency risk attributable to the client or the transaction, in the categories defined by applicable accounting legislation. For debt instruments not classified as normal risk, estimates are made regarding the specific impairment hedges necessary based on the criteria established in the above-mentioned legislation, bearing in mind the age of the unpaid amounts, the guarantees provided and the client's financial situation and, if appropriate, the guarantors.

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

In addition to the specific impairment hedges indicated above, the Group hedges against losses inherent to debt instruments not measured at fair value through the consolidated income statement and contingent risks classified as normal through group hedges, calculated based on historical impairment and other circumstances known at the time of evaluation that relate to the inherent losses incurred at the date of the financial statements, calculated using statistical methods, that have yet to be assigned to specific transactions.

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

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

The amount of impairment losses incurred in debt securities and equity instruments included under Available-for-sale financial assets is equal to the positive difference between their acquisition cost, net of any repayment of the principal, and their fair value less any impairment loss previously recognised in the income statement.

When there is objective evidence that the decline in fair value is attributable to impairment, the latent losses recognised directly under Equity Measurement adjustments are recorded immediately in the consolidated income statement. If subsequently all or part of the impairment losses are recovered, the amount involved is recognised, in the case of debt securities, in the consolidated income statement for the recovery period, and, in the case of equity instruments, under Equity Measurement Adjustments.

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

For shareholdings in Multigroup companies and Associates, the Group estimates impairment losses by comparing the recoverable amount with their carrying value. Such impairment losses are recorded in the consolidated income statement for the period in which they arise while subsequent recoveries are recorded in the consolidated income statement for the recovery period.

2.8 Financial guarantees and related provisions

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

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

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

Subsequent to initial recognition, the contracts are treated in accordance with the following criteria:

i) The financial guarantee's commissions or bonuses value to receive is updated by recording the difference in the profit and loss account as financial income.

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

The classification of financial guarantee contracts as doubtful imply its reclassification under the heading of "Provisions for liabilities and contingent"

2.9 Accounting for leases

2.9.1 Finance leases

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

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

When the Group acts as the lessee in a finance lease transaction, the cost of the leased assets is recorded in theconsolidated balance sheet on the basis of the nature of the asset leased and a liability is carried in the same amount, which will be the lower of the fair value of the leased asset and the sum of the present values of the amounts payable to the lessor, plus, if appropriate, the purchase option exercise price. These assets are depreciated at similar rates to those applied to the Group's property, plant and equipment for own use (Note 2).

In both cases, the financial income and expense on finance leases is credited and charged, respectively, to the income statement captions "Interest and similar income" and "Interest and similar charges", applying the effective interest method on the lease to estimate accrual, calculated in accordance with the applicable accounting legislation.

2.9.2 Operating leases

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

Where the Group acts as the lessor in operating lease agreements, the acquisition cost of the leased asset is carried under "Property, plant and equipment" in "Investment property" or "Other assets assigned under operating lease", depending on the nature of the leased assets. Such assets are depreciated in accordance with the policies adopted for similar property, plant and equipment for own use and the income from lease contracts is recognised in the consolidated income statement on a straight-line basis in the caption "Other operating revenue".

Where the Group acts as the lessee in operating lease agreements, the lease costs, including any incentives granted by the lessor, are charged on a straight-line basis to the income statement caption "Other general administration expenses".

2.10 Staff costs

2.10.1 Short-term remuneration

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

2.10.2 Post-employment commitments

Pension commitments entered into by the Group with respect to employees are reflected in the collective wage agreement in force.

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

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

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

The amounts to be contributed are those approved in the General State Budget for each year, and the expense totalling euro 40k at 31 December 2008, is recorded under the heading "Staff costs" in the accompanying income statement (euro 39k at 31 December 2007).

2.10.3 Death and disability benefits and retirement bonuses

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

At 31 December 2008 a provision was recorded for post-employment commitments amounting to euro 57k (euro 57k at 31 December 2007).

2.10.4 Termination benefits

Termination benefits are recorded under the heading "Personnel expenses" and the accompanying income statement crediting the accounts "Pension fund and similar obligations" under the heading "Provisions" in the accompanying balance sheet only when the Institute is demonstrably committed to terminating an employee or group of employees before their normal retirement date, or to pay remuneration as a result of an offer made as an incentive for the voluntary resignation of the employees.

At 31 December 2008 and 2007, the Institute has not recorded any provisions in this respect as there is no plan or agreement that would require such an allocation.

2.11 Corporate income tax

Corporate income tax is considered as an expense and is recorded, in general, under the heading of "Income tax" of the profit and loss account.

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

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

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

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

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

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

- Deferred tax assets are only recognized in the event that the Group considers it likely that there will be sufficient future taxable profits against which they may be offset.

- In the case of deferred tax assets deriving from tax losses, they have arisen from identified causes that are unlikely to be repeated.

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

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

As indicated in Note 23, the law 35/2006 modifies the general tax rate, becoming 30% for the year beginning in 2008. Thus, quantification of the assets and deferred tax liabilities is calculated, applying to the temporary difference, or credit due, the tax rate expected to recover or settle.

2.12 Property, plant and equipment

2.12.1 Property, plant and equipment for own use

Property, plant and equipment for own use includes those assets that are owned or acquired under finance leases that the Institute holds for its own current or future use for administrative purposes or for the production or supply of assets and when they are expected to be used for more than one financial year. Among other things, this category includes property, plant and equipment received by the Group for the total or partial settlements of financial assets that represent debt claims against third parties which are expected to be used on a continuous and internal basis. Property, plant and equipment for own use is carried in the balance sheet at acquisition cost, which consists of the fair value of any compensation paid plus any monetary payments made or promised, less accumulated depreciation and, if appropriate, any estimated losses that result from comparing the net value of each item with the relevant recoverable amount.

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

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

Annual allocations to depreciation of property, plant and equipment are charged against the heading "Depreciation-Property, plant and equipment" in the consolidated income statement and basically equals the following depreciation rates (calculated based on the estimated average useful life of the assets concerned:

	Annual rate
Buildings	2%
Plant	4 to 15%
Furnishings and office equipment	10%
Data-processing equipment	25%
Vehicles	16%

At the time of each accounting closing, the Group determines whether or not there are any internal or external indications that the net value of its property, plant and equipment exceeds their recoverable value. If so, the book value of the asset concerned is reduced to the recoverable value and future depreciation charges are adjusted in proportion to the adjusted book value and the new remaining useful life, if a new estimate is required. This reduction in the book value of property, plant and equipment for own use is applied, if necessary, by charging the heading "Impairment losses-Property, plant and equipment" in the consolidated income statement.

Similarly, when there are indications that the value of impaired property, plant and equipment has been recovered, the Institute recognizes the reversal of the impairment loss recorded in prior years by crediting the heading "Impairment losses - Property, plant and equipment" in the consolidated income statement and, consequently, adjusts future depreciation charges. Under no circumstances may the reversal of an impairment loss affecting an asset increase its book value above that which it would have had if the impairment losses had not been recognized in prior years.

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

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

2.12.2 Real estate investments

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

The criteria applied for recognizing the acquisition cost of real estate investments for depreciation, for the estimate of their respective useful lives and for recording any possible impairment losses, coincides with those described with respect to property, plant and equipment for own use (Note 2.12.1).

2.13 Intangible assets

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

Intangible assets, other than goodwill, are recognized in the balance sheet at their acquisition or production cost, net of accumulated amortization and any impairment losses they may have suffered.

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

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

Intangible assets with a defined life-span are amortised accordingly using criteria that are similar to those applied to property, plant and equipment. The annual amortisation charge for these intangible assets is carried in the consolidated income statement caption "Amortisation – Intangible assets".

For intangible assets with both an indefinite and definite useful life, the Institute recognises any impairment in those assets and uses as a balancing entry "Asset impairment losses (net) – Other intangible assets" in the consolidated income statement. The methods applied to recognise impairment losses on these assets and, if appropriate, the recovery of impairment losses recognised in prior years are similar to those applied to property, plant and equipment (Note 2.12.1).

2.14 Provisions and contingent liabilities

When preparing the annual accounts the Group differentiates between:

- Provisions: creditor balances that cover obligations in force at the balance sheet date deriving from past events that could give rise to financial losses for the entities. Although such losses are regarded as probable and are specific in nature, their amount and/or settlement date cannot be determined.

- Contingent liabilities: possible obligations deriving from past events which may materialise subject to one or more future events beyond the control of the Institute.

The Group's consolidated annual accounts include all significant provisions for obligations classed as probable. Contingent liabilities are not recognized in the consolidated annual accounts, but rather information is provided in accordance with the requirements of the Circular 4/2004 of December 22, Bank of Spain (Note 20).

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

At the 2008 and 2007 year end, a number of legal proceedings and claims had been initiated against the Group, arising in the ordinary course of business. ICO's legal advisors and its directors understand that the finalisation of these proceedings and claims will not have a significant effect other than that provided for, if appropriate, in the consolidated annual accounts for the years in which they finalise.

Provisions deemed necessary as stated above are charged or credited to the consolidated income statement caption "Transfers to provisions (net)".

2.15 Cash-flow statements

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

- Cash flows: Inflows and outflows of cash and cash equivalents, understood as short-term investments which are highly liquid and involve a low risk of changes in value.

- Operating activities: typical credit institution activities and other activities that may not be classified as investing or financing activities.

- Investing activities: acquisition, sale or disposal through other means of non-current assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that cause changes in the size and composition of equity and liabilities and do not form part of operating activities.

2.16 Non-current assets for sale

The heading "Non-current assets for sale" on the consolidated balance sheet records the book value of individual items that are very likely to be sold in their present condition within one year as from the date of the annual accounts.

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

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

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

Symmetrically, "Liabilities associated with non-current assets for sale" includes the credit balances associated with groups or for interruption in the operations of the Group.

Non-current assets held for sale are generally measured at the lower of their carrying amount when they are recognised as such and their fair value net of estimated cost of sales. While included in this category, property, plant and equipment, and intangible assets, subject to depreciation and amortisation by nature, are not depreciated or amortised.

In the event that the carrying amount exceeds the fair value of the assets, net of cost of sales, the Institute adjusts the carrying amount of the assets by the amount of the excess and makes a balancing entry in the caption "Asset impairment losses (net) – Non-current assets held for sale" in the consolidated income statement. In the event that the fair value of the assets were to increase at a later date, the Group reverses the losses previously recorded in the accounts, increasing the carrying value subject to the limit of the amount prior to their eventual impairment, against Asset impairment losses (net) – Non-current assets for sale in the consolidated income statement.

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

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

3. CUSTOMER SERVICE

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

In 2008 a total of 347 complaints were received, (306 in 2007) of which 342 were addressed within an average of 6.45 working days. Ninety-six percent of the total related to credit transactions in the intermediary line and were therefore passed on to the relevant financial institutions.

4. DISTRIBUTION OF RESULTS

The distribution of 2008 profits, which totalled euro 88,775k, has not yet been decided by the General Assembly of the Institute, the Group's Parent entity. Such distribution will conform to the bylaws applicable to each consolidated company and entity.

The distribution of 2007 profits totalling euro 79,188k was made entirely to voluntary reserves.

5. RISK EXPOSURE

Risk – General aspects

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

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

- Liquidity risk: The risk incurred as a result of an absence of sufficient liquid resources to comply with obligations.

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

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

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

As a credit institution, the ICO, the Parent entity, is exposed to this group of risks that must be identified, measured and monitored in order to operate efficiently. This is done in accordance with the Risk Policy Manual approved by the General Council, which contains the different methods, applicable legislation, procedures and organisational structure.

5.2 Organisational structure

In order to cover the entire risk spectrum, within its organisational structure the Institute, the Group's Parent entity , has created specialised units that report to the Sub-Directorate for Risk and Accounting, which reports to the General Directorate for Control and Administration.

The Sub-Directorate for Risk and Accounting is responsible for, among other things, the management of activities relating to the acceptance, measurement, management and control of risk, the supervision and monitoring of the client portfolio and Institute transactions, and keeping a map of the risks faced by the Institute, definition of criteria, proposal and recommendation of methodologies for the analysis, management and monitoring of credit risk and financial risks.

The three areas specialising in Risks are Financial Risks, Risk Acceptance, Monitoring and Supervision, each with specific duties.

The primary duties of the Financial Risk area are:

- Preparation, proposal and control of financial risk measurement methodologies applied by the Institute: market risks, cash transactions, credit and liquidity. Prepare a status report on financial risks.

- Control compliance with the limits of approved financial risks and policies. Monitor volume and prices.

- Regularly review lines of credit through the analysis of the financial-economic situations of counterparties. Analyse requests made by new counterparties for new lines of credit, control compliance with balance sheet lines of credit and supervise concentration levels with intermediaries.

- Review and define measurement, back-testing and stress-testing systems on an on-going basis.

- Propose criteria for market valuation of new financial products, establishing methodologies and risk measurement.

- Analyse the adaptation of EU Directives and national legislation regarding risks within its competency.

The primary duties of the Risk Acceptance area are:

- Evaluate the admissibility of the risk for new asset products.
- Analyse and prepare credit risk reports on transactions proposed to the competent body.
- Analyse, if appropriate, ICO's investment risk limits regarding clients and economic groups, particularly for economic sections considered to be necessary based on industry analysis.
- Analyse and value the risks assumed by ICO under any proposed modification to transactions already formalised that requires the approval of decision-making bodies.
- Analyse the adaptation of EU Directives and national legislation regarding risks within its competency.

The primary duties of the Monitoring and Supervision Area are:

- Analyse the proposal for mediation lines proposed to the competent body and monitor and verify compliance with the conditions for the current portfolio, making all necessary physical inspections and propose any appropriate corrective action in the event of any failure to comply.
- Establish and maintain an internal rating system, country risk classification system and an operational risk methodology.
- Exercise special control over doubtful and default transactions and make subjective proposals for provisions.
- Control transaction and client risks: verify compliance with the conditions of direct market and economic policy transactions, formalised and managed by ICO, until maturity. Calculate and monitor ratios and covenants, control all required documentation, payment status and guarantees, as well as the development of credit risk as a whole.
- Management of support documentation for the Monitoring Commission.
- Analyse the adaptation of EU Directives and national legislation regarding risks within its competency.

In summary, the ICO, the Group's Parent entity, has a team of professionals specialised in each type of risk, each responsible for their own duties and act in accordance with the inspirational risk principles, the risk policy manual in force and existing internal procedures.

5.3 Liquidity risk at the Group

National legislation contains several references to be taken into consideration when adequately managing this risk. There are also international recommendations of reference, such as those established in the document published by the Basle Committee on Bank Supervision in February 2000 (Sound Practices for Managing Liquidity in Banking Organizations), which contains guidelines that must be taken into consideration when establishing a system for measuring, managing and monitoring liquidity risk.

This completely defines an organisational structure responsible for reporting, monitoring and controlling liquidity risk.

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

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

The ICO, the Group's Parent entity, has established quantitative limits and alerts that allow us to get ahead of possible situations of liquidity tension.

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

5.4 Market risk at the Group

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

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

   Yield: At ICO this fundamentally derives from the income statement and therefore the relevant variable is the Financial Margin.

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

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

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

   In order to measure the sensitivity of Equity, the duration gap method is used. Based on these modified methods, the duration gap is obtained as the difference between the duration of assets and liabilities, from which the sensitivity gap may be obtained.

   With respect to V.a.R., the methodology will be determined by the type of portfolio involved and may be based on parametric, historical simulation or Monte Carlo methodology.

3) **Degree of risk.** The decision regarding the degree of risk assumed by ICO, the Group's Parent entity, is the responsibility of Senior Management, at the proposal of the Directorate for Risks and Accounting, establishes the acceptable limits based on the particular characteristics of the ICO. These limits are reviewed regularly and, at least, on an annual basis.

   The sensitivity of net interest income at 31 December 2008 to movements in interest rates of 100 base points was 15.15% in the euro, 0.50% in the US dollar and 0.08% in the Pounds sterling. The sensitivity to exchange rate fluctuations (movements of +/- 10%) was 0, 90% and 0.17% respectively.

   The sensitivity of equity at 31 December 2008 to movements in interest rates of 100 bp and fluctuations in the exchange rate of 10% was 1.17% in the euro, 0.14% in the US dollar and 0.01% in the Pound sterling (and 0.26% and 0.07% in respect of the exchange rate).

   The sensitivity of net interest income at 31 December 2007 to movements in interest rates of 100 base points was 12.05% in the euro and 0.61% in the US dollar. The sensitivity to exchange rate fluctuations (movements of +/- 10%) was 0, 75%.

   The sensitivity of equity at 31 December 2007 to movements in interest rates of 100 bp and fluctuations in the exchange rate of 10% was 0.82% in the euro and 0.14% in the US dollar (and 0.24% in respect of the exchange rate).

4) **Risk modification.** The last step for efficient risk management is the capacity to modify out maturity and duration gaps in order to bring them into line with desired risk values at any given moment, using

balance sheet or off-balance sheet instruments based on market opportunities and in accordance with the management decisions taken within the authority granted for this purpose or the Financial Management Department, the Directorate General for Investments and Finance or the Operations Committee.

The principal currencies used by ICO to present its balance sheet at 31 December 2008 are the euro, US dollar and Pound sterling, which account for 95% of total balance sheet and off-balance sheet transactions, of which approximately 72% is in euros, 22% in US dollars and the remaining 6% in Pounds sterling (compared with 95% of total balance sheet and off-balance sheet transactions at 31 December 2007, of which approximately 83% are in euros and the remaining 17% in US dollars).

The classification by residual periods of ICO assets and liabilities in euros, not including valuation adjustments, at 31 December 2008, is set out in the table below:

Thousand euros

	On demand	Up to 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 & 12 months	Between 1 & 5 years	Over 5 years	Total
ASSETS								
Cash and deposits at central banks	**344,174**	**-**	**-**	**-**	**-**	**-**	**-**	**344,174**
Cash at credit institutions	**-**	**516,428**	**803,342**	**1,910,570**	**2,881,132**	**5,181,681**	**8,825,610**	**20,118,763**
Customer loans	**-**	**108,031**	**574,839**	**173,306**	**585,652**	**5,387,104**	**8,908,930**	**15,737,862**
- Spanish Public Admin.	-	12,625	83,205	11,322	45,196	362,410	817,165	1,331,923
- Other resident sectors	-	91,171	483,628	142,640	481,295	4,830,104	7,899,378	13,928,216
- Non-residents	-	4,235	8,006	19,344	59,161	194,590	192,387	477,723
Debt securities	**-**	**-**	**3,780,719**	**-**	**-**	**-**	**7,084,624**	**10,865,343**
Other assets with maturity	**-**	**-**	**9,721**	**-**	**-**	**-**	**-**	**9,721**
	344,174	**624,459**	**5,168,621**	**2,083,876**	**3,466,784**	**10,568,785**	**24,819,164**	**47,075,863**

Thousand euros

	On demand	Up to 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 & 12 months	Between 1 & 5 years	Over 5 years	Total
LIABILITIES								
Credit institution deposits	**-**	**-**	**8,261**	**8,974**	**111,244**	**229,953**	**148,397**	**506,829**
Customer funds	**37,162**	**443,143**	**356,636**	**86,507**	**-**	**-**	**1,639,085**	**2,562,533**
- Spanish Public Admin.	-	-	-	-	-	-	986,329	986,329
- Other resident sectors	21,309	443,143	356,636	86,507	-	-	652,756	1,560,351
- Non-residents	15,853	-	-	-	-	-	-	15,853
Debt securities	**-**	**197,692**	**1,069,038**	**1,197,145**	**2,545,067**	**9,442,149**	**410,052**	**14,861,143**
Other maturing liabilities	**-**	**-**	**-**	**-**	**1,227,303**	**-**	**-**	**1,227,303**
	37,162	**640,835**	**1,443,935**	**1,292,626**	**3,883,614**	**9,672,102**	**2,197,534**	**19,157,808**

The same information at 31 December 2007 is as follows:

Thousand euros

	On demand	Up to 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 & 12 months	Between 1 & 5 years	Over 5 years	Total
ASSETS								
Cash and deposits at central banks	128,109	-	-	-	-	-	-	128,109
Cash at credit institutions	-	1,954,654	1,072,185	1,713,996	2,784,682	3,295,071	3,014,296	13,834,884
Customer loans	-	137,718	210,929	128,094	465,601	4,577,867	6,235,310	11,755,519
- Spanish Public Admin.	-	64,885	3,847	10,606	92,034	354,724	559,930	1,086,026
- Other resident sectors	-	68,505	199,076	98,440	342,422	4,002,640	5,484,107	10,195,190
- Non-residents	-	4,328	8,006	19,048	31,145	220,503	191,273	474,303
Debt securities	-	-	60,000	-	-	-	10,633,203	10,693,203
	128,109	2,092,372	1,343,114	1,842,090	3,250,283	7,872,938	19,882,809	36,411,715

Thousand euros

	On demand	Up to 1 month	Between 1 & 3 months	Between 3 & 6 months	Between 6 & 12 months	Between 1 & 5 years	Over 5 years	Total
LIABILITIES								
Credit institution deposits	-	-	8,261	23,225	24,960	331,203	209,727	597,376
Customer funds	37,287	576,032	1,156,186	130,853	-	-	740,692	2,641,050
- Spanish Public Admin.	-	-	-	-	-	-	740,692	740,692
- Other resident sectors	22,249	576,032	1,156,186	130,853	-	-	-	1,885,320
- Non-residents	15,038	-	-	-	-	-	-	15,038
Debt securities	-	61,809	-	1,720,059	1,838,583	7,848,128	630,230	12,098,809
Other maturing liabilities	-	-	-	833,741	-	-	-	833,741
	37,287	637,841	1,164,447	2,707,878	1,863,543	8,179,331	1,580,649	16,170,976

With respect to currencies other than the euro and dollar with which the Group operates, its balance sheets are closed to interest and exchange rate risks either because the operation involves financing obtained in the currency concerned and converted to euros using a derivative instrument that completely covers all currency flows, or because the financial of a certain asset is custom designed to avoid these risks.

In addition to the establishment of limits, monitoring and control of regular compliance, the Group has established an integrated system through the application of measurement, management and control of risks in order to verify the influence that various development scenarios involving relevant financial variables could have on the Financial Margin or on Equity. On a regular basis the development of the controlled variables is observed given different scenarios such as, for example, development estimates provided by the Analysis Service at the ICO, should there be non-parallel movement in interest curves or market stress situations.

5.5 Credit risk at the Group

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

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

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

The basic criteria for establishing counterparty lines are also approved by ICO's General Council on an annual basis. These counterparty lines are subdivided into two broad groups as a result of the operating characteristics of the ICO. The first of the counterparty lines relate to cash transactions. The other counterparty line relates to mediation transactions, transactions in which the ICO finances various investment projects through framework programmes concluded with various entities operating in Spain such as, for example, lines for small and medium-sized businesses.

Currently, transactions involving derivatives contracted by ICO have counterparties with high credit ratings such that at least 99% of them maintain an Agency rating equal or higher than A-. These counterparty institutions operate at the national and international level.

The ICO has structured several stages of evaluation and control relating to company credit risk: Acceptance, Monitoring and Oversight.

Acceptance performs an analysis of companies and transactions based on a going-concern evaluation and guarantees are examined to issue an opinion as to the risk and the potential client, which is the basis for taking decisions by the Operations Committee or General Council, as appropriate.

The Monitoring process has the purpose of making the Group's credit portfolio of the highest quality, i.e. it ensures that our loans are repaid on a timely basis on the agreed dates. The basic monitoring unit is the client, not the transaction, such that any incident affecting a transaction affects the rating for a client and its group. This is achieved through ongoing controls, regular reviews, rating updates and alert systems such that the entire portfolio is classified into one of the following categories: Normal monitoring, Special monitoring and Recovery.

Finally, Oversight is performed based on the mediation lines as financed companies are indirect ICO clients in order to establish and maintain a control environment for credit institutions and to verify compliance with the agreements concluded with credit institutions with respect to: i) investments financed through ICO funds and ii) beneficiary conditions meeting the terms of agreement concerned.

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

In this connection, ICO, the Group's Parent entity, has approved a methodology for measuring country risk that follows current legislation and complies with the objective of evaluating countries by risk group based on multiple criteria, thereby allowing for a defined policy when recording provisions for that country risk, evaluating direct loan transactions and segmenting the non-resident loan portfolio and introducing Basle II criteria. Rating agency and OECD-CESCE evaluations are used as source of information when classifying countries into risk groups and these classifications are reviewed on a monthly basis.

In order to reduce the Institute's credit risk with Spanish financial institutions deriving from the Intermediary Lines since 2001 and avoid the concentration of risk in the same, a securitization transaction was completed that will enable a more consistent management of the Group's credit risk (Note 9).

The following chart shows the maximum credit risk exposure assumed by the Group at December 31, 2008 and 2007 without deducting collateral or other credit enhancements received to ensure compliance of debtors:

December 31, 2008 **Thousand euros**

	Available for sale financial assets	Credit loans and discounts	Held to maturity investment portfolio	Hedging derivatives	Off balance sheet items	Trading portfolio
Types of instruments						
Debt instruments	-	-	10,835,342	-	-	-
Credit institutions deposits	-	20,503,654	-	-	-	-
Securities	105,297	-	-	-	-	-
Customer loans	-	17,794,631	-	-	-	-
Contingent risks: guarantees	-	-	-	-	1,311,969	-
Financial derivatives	-	-	-	2,711,636	-	207,781
Other instruments	-	7,129	-	-	-	-
TOTAL	**105,297**	**38,305,414**	**10,835,342**	**2,711,636**	**1,311,969**	**207,751**

December 31, 2007 **Thousand euros**

	Available for sale financial assets	Credit loans and discounts	Held to maturity investment portfolio	Hedging derivatives	Off balance sheet items	Trading portfolio
Types of instruments						
Debt instruments	-	-	10,662,707	-	-	-
Credit institutions deposits	-	14,212,537	-	-	-	-
Securities	118,998	-	-	-	-	-
Customer loans	-	13,552,052	-	-		-
Contingent risks: guarantees	-		-	-	1,329,096	-
Financial derivatives	-	-	-	394,718	-	466,019
Other instruments	-	2,126	-	-	-	-
TOTAL	**118,998**	**27,766,715**	**10,662,707**	**394,718**	**1,329,096**	**466,019**

The Credit, loans and discounts breakdown based on credit ratings assigned, internal or external, is as follows:

Thousand euros

	2008		2007	
	Amount	%	Amount	%
External ratings				
Credit quality level 1 (AAA)	4,448,171	25	4,672,340	34
Credit quality level 2 (AA, AA+)	411,029	2	411,029	3
Credit quality level 3 (A)	1,409,609	8	1,399,707	11
Others				
Not assigned amounts (without rating)	11,525,821	65	7,068,370	52

The maturity amount's breakdown due is as follows:

Thousand euros

	2008	2007
On demand	-	-
Up to 3 months	37,493	10,718
Between 3 months and 1 year	6,571	22
Between 1 and 5 years	74,891	72,797
Over 5 years	-	-

The maturity expired not impaired amount's breakdown is as follows:

Thousand euros

	2008	2007
Up to 1 month	37,493	10,718
Up to 2 months	-	-
Up to 3 months	-	-

5.6 Operating risk at the Group

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

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

5.7 Active credit risk with companies

5.7.1 Classification by sector

Taking into account a classification by sector, the distribution of the outstanding risk, not including valuation adjustments and certain items, classified as loans and advances to other debtors and financial guarantees, is as follows:

Million euros

	2008		2007	
Outstanding risk by sector	Amount	%/total	Amount	%/total
Investment properties	597	3%	643	4%
Construction of social housing for rent	375	2%	368	2%
Acquisition and development of land	99	1%	121	1%
Other	123	1%	154	1%
Investment intangible assets	38	-	33	-
Investment tangible assets	12,280	66%	8,877	60%
Renewable energies	1,091	6%	548	4%
Water infrastructures	400	2%	71	-
Electricity infrastructures	2,260	12%	1,719	12%
Gas and fossil fuel infrastructures	1,406	8%	709	5%
Transport infrastructures	5,528	30%	4,416	30%
Tourism and leisure	434	2%	183	1%
Social-health infrastructures	119	1%	90	1%
Telecommunications	139	1%	366	2%
Audiovisual production and exhibition	48	-	46	-
Business parks and other constructions	35	-	33	-
Other	820	4%	696	5%
Acquisitions of companies	3,286	18%	3,273	22%
General corporate needs	1,414	8%	1,139	8%
Restructuring of liabilities	179	1%	151	1%
General State Budgets	839	4%	585	5%
Financial intermediary services	63	-	41	-
	18,696	**100%**	**14,742**	**100%**

As with other business figures, at 31 December 2008 and 2007 the outstanding risk is concentrated in "Transport infrastructures" and "Acquisition of companies". The outstanding risk relating to both sectors amounts to euro 8,814 million and eruro 7,689 million respectively (47% and 52% of the total outstanding risk each year).

5.7.2 Classification by geographic location of financial investments

The total risk at 31 December 2008 is distributed as follows: 76% in transactions financing investments in Spain, amounting to euro 14,287 million (75% relating to euro 11,033 million at 31 December 2007) and 24% in transactions aimed at financing investment projects in other countries (25% at 31 December 2007).

Of the domestic total, the distribution of outstanding risks by autonomous region is similar to last year; Madrid stills being the regions with the greatest concentration, 23% (22% at 31 December 2007); followed by the Autonomous Region of Valencia, 5% (6% in 2007), Andalucía, 5% (5% in 2007) and Cataluña, 5% (5% in 2007); not taking into account the risks attributed to "general" domestic relating to transactions that, in light of their nature, are not located in a specific geographic area but throughout Spain.

Transactions taking place in the international market at 31 December 2008 and 2007 are distributed as follows in accordance with the active foreign risk:

Million euros

	2008		2007	
	Amount	%	Amount	%
European Economic Community	1,466	33%	1,077	28%
Latin America	1,427	32%	769	20%
Brazil	209	5%	500	13%
United States	877	20%	846	22%
Rest of Europe (not EEC)	35	1%	269	7%
Other	395	9%	385	10%
	4.409	**100%**	**3.846**	**100%**

5.8 Risk concentration

The ICO's, the Group's Parent entity, bylaws stipulate that the Institute is subject to the provisions of Royal Decree 1343/1992 (6 November) governing credit institutions, which enables Law 13/1992 (1 June) on consolidated equity and supervision for financial institutions and its enabling regulations, except for the regulations regarding large risk limits.

6. CASH AND DEPOSITS AT CENTRAL BANKS

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2008 and 2007 is as follows:

Thousand euros

	2008	2007
Cash on hand	133	152
Deposits at Bank of Spain	344,168	128,101
Mandatory to comply with minimum reserve ratios	339,800	124,850
Not mandatory	-	-
Accrued interest	4,368	3,251
	344,301	128,253

7. TRADING PORTFOLIO

The total balance under this heading in the balance sheets at 31 December 2008 and 2007 is made up of trading derivatives.

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

Additionally, the balance includes the valuation of the derivative associated with the transaction Titulización ICO-Pyme, since it cannot be regarded as a hedge following the write-off of securitized loans from the balance sheet. The fair value of this instrument amounts to euro 121,213k at 31 December 2008 (euro 125,076k at 31 December 2007).

The fair value of these items has been calculated in both 2008 and 2007, taking as a reference, implicit curves in monetary and government debt markets.

The effect on the consolidated income statement for the years ended 31 December 2008 and 2007 of the changes in the fair value of trading portfolio assets and liabilities is a profit of euro 14,986k and euro 3,263k, respectively.

Set out below is a breakdown, by class of derivative, of the fair value of the Institute's trading derivatives and their notional value (amount on which future payments and collections of these derivatives are based) at 31 December 2008 and 2007:

Thousand euros

	Notional		Assets		Liabilities	
	2008	2007	2008	2007	2008	2007
By type of market						
Organised markets	-	-	-	-	-	-
Non-organised markets	13,044,790	17,281,292	207,751	466,019	64,934	321,836
	13,044,790	17,281,292	207,751	466,019	64,934	321,836
By type of product						
Swaps	13,044,790	17,281,292	207,751	466,019	64,934	321,836
	13,044,790	**17,281,292**	**207,751**	**466,019**	**64,934**	**321,836**
By counterparty						
Credit institutions	3,628,655	2,911,602	74,832	220,722	48,755	319,412
Other financial institutions	8,768,933	14,099,479	121,213	125,076	-	-
Other sectors	647,202	270,211	11,706	120,221	16,179	2,424
	13,044,790	**17,281,292**	**207,751**	**466,019**	**64,934**	**321,836**
By type of risk						
Exchange risk	2,047,650	1,894,513	72,442	325,073	64,809	315,262
Interest rate risk	10,997,140	15,386,779	135,309	140,946	125	6,574
	13,044,790	**17,281,292**	**207,751**	**466,019**	**64,934**	**321,836**

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

An analysis of the balances of this caption in the consolidated balance sheets at 31 December 2008 and 2007, by instrument, is as follows:

Thousand euros

	2008	2007
FONDICO, Fondo de Capital Riesgo (1)	100,811	101,415
FEI, Fondo Europeo de Inversiones (2)	2,628	2,496
EUROICO, Fondo de Capital Riesgo (3)	-	15,087
SWIFT (4)	2	-
Fondo Fons Mediterránea FCR (5)	1,547	-
Fondo PYMEX Fundación Emp y Crecim (6)	259	-
Fondo de Carbono Postkyoto (7)	50	-
	105,297	**118,998**

The balance of Valuation Adjustment of equity epigraph at December 31, 2008 and 2007 produced by changes in the fair value of the items included under the heading of financial assets available for sale is as follows:

Thousand euros

	2008	2007
Equity instruments	19,119	15,893
	19,119	**15,893**

Movements experienced during the years 2008 and 2007 under the heading of financial assets available for sale are listed below:

Thousand euros

	2008	2007
Initial balance	118,998	120,142
Purchase additions	-	1,009
Amortizations and sales	(16,444)	-
Fair value fluctuations movements	3,226	(2,153)
Impairment losses movements	(483)	-
Balance at the end of the year	**105,297**	**118,998**

(1) Fund formed in May 1993, in which the Institute, the Group's Parent entity, is the sole participant. The book value of the interest held is euro 100,811k at 31 December 2008 (31 December 2007 euro 101,415k), of which euro 47,390k has yet to be paid in at 31 December 2008 and 2007.

(2) Interest equivalent to 0.2667% of share capital. At 31 December 2008 euro 6,400k is pending payment (euro 4,000k at 31 December 2007).

(3) Fund formed in May 1998, in which the Institutor, the Group´s Parent entity is the sole participant. The book value of the interest totals is zero at 31 December 2008 (euro 15,087k at 31 December 2007), being the fund in liquidation process. The European Investment Bank has granted the Institute a loan which balance at 31 December 2008 is zero (totalling euro 14,319k at 31 December 2007) (Note 19.1), which falls due in 2008 and is associated with the results obtained from the investments made by the Fund.

(4) Institute's shareholding in one action of this entity, as a full member of the same from 2008.

(5) Fund formed in October 2005 and in which the Institute participates with other public and private entities. The Fund was created to invest in projects developed by Spanish companies in the African Maghreb.

(6) Fund formed in May 2003 by the Enterprise Foundation and Growth, in collaboration with the BID and Nacional Financiera SNC, which aims at taking stakes in the temporary capital of non-financial firms located in Mexico.

(7) Fund formed in September 2007 in which ICO participates with the BEI, KfW and other public financial institutions in Europe, in the market for the CO_2 emissions beyond 2012.

These investments are classified as financial assets available for sale at fair value, with reference to its theoretical value of exercise. In determining the fair value has been found that by investments nature, book value represents the most appropriate valuation.

9. CREDIT, LOANS AND DISCOUNTS

The breakdown by type and status, of customer loans under the heading of Credit, loans and discounts at December 31, 2008 and 2007, excluding assets impairments value adjustments, is as follows:

Thousand euros

By mode and location:	2008	2007
Commercial credit	-	-
Debtors with mortgage	77,389	76,024
Debtor with other security	34,646	31,639
Assets temporary acquisitions	-	-
Hybrid financial assets	-	-
Other term debtors	37,515,047	27,144,787
Leases	-	-
Advances on demand and other	52,047	14,156
Doubtful assets	372,405	331,720
Valuation adjustments	253,880	168,389
	38,305,414	**27,766,715**

In "Advances on demand and other" epigraph are included, not expired impaired assets, funds provisions to third parties pending to be liquidated and other temporary advances.

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2008 and 2007, classified by type of counterparty is as follows:

Thousand euros

By counterparty categories:	2008	2007
Credit institutions (Note 9.1)	20,344,435	14,115,287
Resident public administrations (Note 9.2)	1,331,922	1,089,771
Non-resident public administrations (Note 9.2)	16,935,586	12,759,449
Other financial assets	-	1,203
Other resident sectors	7,129	2,126
	38,619,072	27,967,836
(Impairment losses)	(567,538)	(369,510)
Other measurement adjustments (*)	253,880	168,389
	38,305,414	**27,766,715**

(*) Measurement adjustments relate to the accrual of interest and similar yields, as well as commission adjustments.

On 8 March 2007 the Institute, the Group's Parent entity, carried out a transfer of assets in the form of securitization with respect to debt claims relating to the loans that ICO has granted to financial institutions through its Intermediary Lines since 2001 amounting to euro 14,099,000k.

The aforementioned securitization transaction was carried out through the formation of the Securitization Fund "ICO-MEDIACIÓN AyT, FTA" (hereinafter the Securitization Fund). The Fund's assets are made up of the debt claims assigned that serve as a guarantee of both a bond issue amounting to euro 13,169,000k and other fund liabilities amounting to euro 930,470k, that, by order of priority, are payable after the aforementioned bonds and that have been subscribed by other financial institutions. The aforementioned bond issue had been fully subscribed by the Institute and has been classified in the held-to-maturity investment portfolio at 31 December 2008 and at 31 December 2007 (Note 10). The issue was accepted for trading on "AIAF Mercado de Renta Fija" (fixed-income securities market) and rated AAA by the rating agency FITCH.

On this transaction, according to the criterion described in Note 2.2.2. and Regulation 39 of IAS, the risks and rewards associated with the ownership of the debt claims assigned have been substantially transferred to third parties, inter alia, through subordinated loans. The loans subject to securitization have therefore been written off.

Additionally, the Group has arranged with the Securitization Fund an interest rate swap that has been classified in the trading portfolio in the accompanying balance sheet at 31 December 2008.

Set out below is the movement for 2008 and 2007 in impairment losses recorded to cover the credit risk and the accumulated amount of such losses at the beginning and end of those years on the portfolio of loans and discounts:

Thousand euros

	Country risk	Specific provisions	General provision	Total
Balance as at January 1, 2007	**19,088**	**306 234**	**149 916**	**475,238**
Appropriations charged to income	-	22,071	50,555	72,626
Recoveries	(19,054)	(11,748)	-	(30,802)
Application of funds	-	-	-	-
Other movements	9,642	(153,264)	-	(143,622)
Adjustments for exchange differences	(375)	(3,555)	-	(3,930)
Balance as at December 31, 2007	**9,301**	**159,738**	**200,471**	**369,510**
Appropriations charged to income	-	136,218	37,167	173,385
Recoveries	(486)	(9,080)	-	(9,566)
Application of funds	-	(1,586)	-	(1,586)
Other movements	-	34,474	-	34,474
Adjustments for exchange differences	10	1,311	-	1,321
Balance as at December 31, 2008	**8,825**	**321,075**	**237,638**	**567,538**

The general provision is constituted in December 31, 2008 and 2007, 81% and 125% respectively of the alpha parameter established for its calculation in Annex IX of Circular 4 / 2004, respectively.

The net amount carried in the accompanying income statements for 2008 and 2007 as a result of movements affecting assets whose recovery is deemed remote totals euro 65k and euro 1,377k, respectively.

Additionally, the profit and loss account for year 2008 includes an amount of euro 3,870k in losses recorded in the heading "impairment losses" corresponding to provisions coverage correction.

The heading "Other movements" included in variations for 2008 in the specific provision records amounts reclassified by the Group, taking into account the nature of the transactions covered, broken down mainly as follows:

- Transfer from "Other provision funds" corresponding to an operation Law 24/01 (18,853 thousand euros) (Note 20) and from " Other financial liabilities "compensatory account of managed portfolio by BBVA (15,621 thousand euros) (Note 19.6).

- The amounts used to record bad debt provisions during the term of the Central Government Loan – ICO, relating to the transactions of the Fesa – Enfersa e Inmobiliaria Espacio group, that totaled euro 97,872k, are considered contributions to the Group's equity (Note 22), insofar as these provisions are no longer necessary and are covered by the Provision Fund.

- Transfer of transactions covered by Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security Measures, amounting to euro 27,165k, and other transactions involving lower amounts based on the nature of the coverage, to "Other provisions" for an amount of euro 31,805k (Note 20).

- Reclassification to "Provision by country risk" of the coverage provided for transactions classified in the specific provision amounting to euro 9,302k.

Specific provision on the basis of determining criteria breakdown is presented below:

Thousand euros

	2008	2007
Determined:	245,983	159,738
Exclusively to customer arrears	170,524	86,935
Other than customer arrears	75,459	72,803
Substandard	75,092	-

The substandard specific provision corresponds to credit assets for an amount of euro 750,917k at December 31, 2008.

The movement of financial impaired assets written off to be recovery considered remote, is as follows:

Thousand euros

	2008	2007
Initial balance	325,605	335,088
Additions:	1,628	26,419
By remote recoveries	1,586	-
By other causes	42	26,419
Recoveries:	(63)	(5,401)
By refinancing or restructuring	-	-
By collecting cash without additional funding	(65)	(1,377)
For asset allocation	-	-
Others	2	(4,024)
Definitive write-off:	(532)	(32,378)
By forgiveness	-	-
By expiry	(207)	(19,758)
By other causes	(325)	(12,620)
Net exchange fluctuation	355	1,877
Final balance at the year end	**326,993**	**325,605**

Set out below is a breakdown of those financial assets classified as credits, loans and discounts and considered to be impaired due to the credit risk at 31 December 2008 and 2007 and those which, although not considered impaired, record some amount which is past due at that date, classified by counterparty and on the basis of time elapsed from the due date of the amount not paid at that date most outstanding on each operation. Impaired assets secured by Central Government are detailed in Note 9.2.

Impaired assets at 31 December 2008

Thousand euros

	Up to 6 months	Between 6 & 12 months	Between 12 & 18 months	Between 18 & 24 months	Over 24 months	Total
By counterparty categories						
Other resident and non-resident sectors	295,720	1,794	572	-	74,319	372,405
	295,720	**1,794**	**572**	**-**	**74,319**	**372,405**

At 31 December 2008 there is a balance of euro 8,825k relating to assets impaired by country risk, relating to three transactions (amount included in the previous table).

Impaired assets at 31 December 2007

Thousand euros

	Up to 6 months	Between 6 & 12 months	Between 12 & 18 months	Between 18 & 24 months	Over 24 months	Total
By counterparty categories						
Other resident and non-resident sectors	258,923	-	-	-	72,797	331,720
	258,923	**-**	**-**	**-**	**72,797**	**331,720**

At 31 December 2007 there is a balance of euro 9,301k relating to assets impaired by country risk, relating to three transactions.

The amount of the unimpaired matured assets relating to 2008 and 2007 totals euro 37,493k and euro 10,718k, respectively, and their age in both years is between one and two months.

9.1 Deposits at credit institutions

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2008 and 2007 is as follows:

Thousand euros

	2008	2007
By nature		
Institute loans to BBVA (Note 9.1.1)	677,077	1,358,820
Deposits at credit and financial institutions (Note 9.1.2)	1,675,574	1,718,659
Financing loans for small and medium-sized businesses (Note 9.1.3)	13,351,253	8,337,815
Other mediation loans (Note 9.1.2)	4,629,582	2,679,213
Other demand accounts (Note 9.1.2)	10,949	20,780
Other financial assets	-	7
	20,344,435	14,115,294
(Impairment losses)	(27,881)	(26,359)
Other measurement adjustments (*)	187,100	123,602
	20,503,654	**14,212,537**

(*) Measurement adjustments relate to the accrual of interest and similar yields, as well as commission adjustments.

9.1.1 Institute loans to BBVA

The breakdown, by product type, of the loans and current accounts granted to BBVA at 31 December 2008 and 2007, as well as the average annual interest charged during those years, is set out below:

	Thousand euros		Average nominal interest rate	
	2008	**2007**	**2008**	**2007**
Loans				
Ordinary financing	628,098	1,301,992	4.91%	4,.5%
Official Export Credit	48,907	56,754	4.83%	4,.8%
Other accounts	72	74	4.83%	4.38%
	677,077	**1,358,820**		
Current accounts				
Current Accounts and other outstanding debits (1)	9,189	8,975		
	686,266	**1,367,795**		

(1) Included in "Other demand accounts" under Credit institutions.

Of the total recorded under this heading, the amount denominated in foreign currency at 31 December 2008 and 2007 totalled euro 48,907k and euro 56,754k, respectively.

The interest accrued during 2008 and 2007 for these loans totalled euro 46,823k and euro 78,021k, respectively, which is included under the heading "Interest and similar revenues - credit institutions" in the income statement.

A breakdown of loans by maturity date, excluding restatement adjustments, at 31 December 2008 and 2007 is set out below:

	Thousand euros	
	2008	**2007**
Up to 1 year	152,333	684,413
From 1 to 2 years	152,333	150,715
From 2 to 3 years	152,333	150,715
From 3 to 4 years	148,666	150,715
From 4 to 5 years	71,412	150,715
More than 5 years	-	71,547
	677,077	**1,358,820**

9.1.2 Deposits in credit and financial institutions, other mediation loans and other demand accounts.

At 31 December 2008 and 2007, the headings "Deposits in credit and financial institutions" and "Other mediation loans" accrued interest at 4.83% and 4.38% per year, respectively. Their composition, in terms of nature and currency, at 31 December 2008 and 2007 is set out below.

Thousand euros

	2008	2007
By nature		
Demand deposits	10,949	17,328
Fixed-term deposits	6,305,156	4,397,872
	6,316,105	**4,415,200**

"Time deposits" grouped by maturity date at 31 December 2007 and 2006 break down as follows:

Thousand euros

	2008	2007
Up to 1 year	580,236	487,333
From 1 to 2 years	772,325	527,413
From 2 to 3 years	772,065	626,076
From 3 to 4 years	517,580	420,473
From 4 to 5 years	577,883	218,949
More than 5 years	3,085,065	2,117,628
	6,305,154	**4,397,872**

In transactions classified as "Other mediation loans", the ICO, the Group´s Parent entity assumes a percentage of credit risk that the entity receiving the funds holds, in turn, with respect to final borrowers.

The interest accrued during 2008 and 2007 for these loans have amounted to euro 265,245k and euro 193,237k, respectively, which are included under the heading "Interest and similar income - of credit institutions" of the profit and loss account.

At 31 December 2008 and 2007, a provision totalling euro 5,224k and euro 5,217k covering possible defaults arising under "Other mediation loans" had been recorded under the heading "provisions for liabilities and charges in the accompanying balance sheets (Note 20). These amounts cover 100% of the percentage risk assumed by the Group in this respect.

9.1.3 Financing loans for small and medium-sized companies

By virtue of the Resolution of the Council of Ministers adopted on 26 February 1993, a line of credit was opened to assist with the financing of small and medium-sized companies (SMB). This line is instrumented through loans granted by the Institute to various financial institutions, which formalised the loans with the companies concerned. During successive years this policy continued, and a line of credit in various amounts was approved for each year.

In 2008 and 2007 euro 9,000 million was approved for each year, respectively.

By virtue of a Resolution adopted by the Government Commission for Economic Matters, ICO was authorised to charge the line items contained in the General State Budget for 2008 and 2007, the 0.35% difference between the 6-month Euribor rate (if variable) or the ICO reference rate (if fixed) and the rate assigned for the small and medium-sized business (SMB) line of credit for 2008 and 2007. Should the total amount of the budget be insufficient to cover all of the 0.35% difference, the Institute was authorised to charge the shortfall against the Special Provision fund created by Royal Decree-Law 12/1995.

The interest accrued during 2008 and 2007 for these loans totalled euro 565,656k and euro 313,953k, respectively, which is included under the heading "Interest and similar revenues - credit institutions" in the income statement.

The breakdown of SMB financing loans at 31 December 2008 and 2007, by maturity date, is as follows:

Thousand euros

	2008	2007
Up to 1 year	2,527,865	1,458,812
From 1 to 2 years	2,693,653	1,608,609
From 2 to 3 years	2,523,009	1,663,565
From 3 to 4 years	2,141,251	1,423,826
From 4 to 5 years	1,359,434	1,169,285
More than 5 years	2,106,041	1,013,718
	13,351,253	**8,337,815**

In transactions classified as "SMB Financing loans" granted up to 31 December 1997, the ICO , the Group's Parent entity , assumes a percentage of credit risk that the entity receiving the funds holds, in turn, with respect to final borrowers. Since that date the Institute does not assume any risk whatsoever regarding the insolvency of final borrowers.

At 31 December 2008 and 2007, the Group has recorded a provision for the possible default of these lines of SMB financing totalling euro 1,348k, which are recorded under the heading "Provisions" (Note 20) in the accompanying balance sheets. Based on the accumulated experience over the years the SMB lines have been open, the Group has been able to determine that defaults have been minimal, representing 0.055% of all draw-downs between 1993 and 1997. Bearing in mind that the lines giving rise to this provision are fully amortised and, given accumulated experience, in 2005 the Group decided to reverse euro 35,000k from the provision that had been recorded.The adoption of this new approach to the treatment of these provisions meant that, with this amount of euro 35,000k a reserve was recorded deriving from the first application of Bank of Spain Circular 4/2004. During 2008 the amount of this provision has remained unchanged.

9.2 Customer loans

The breakdown of this balance sheet heading at 31 December 2008 and 2007, based both on the category of counterparty and the currency concerned, is as follows:

Thousand euros

	2008	2007
By counterparty categories		
Resident Public Administrations	1,331,922	1,086,026
Non-resident Public Administrations	-	3,745
Other resident sectors	15,209,875	10,852,930
Other non-resident sectors	1,725,711	1,906,519
Other financial assets		1,196
	18,267,508	**13,850,416**
(Impairment losses)	(539,657)	(343,151)
Other measurement adjustments(*)	66,780	44,787
	17,794,631	**13,552,052**

(*) Measurement adjustments shown relate to the accrual of interest and similar yields, as well as commission adjustments.

Of the above counterparty balances, below we provide information regarding the transactions secured by the State, set out by counterparty and type of instrument, included under "Other resident sectors" and "Resident Public Administrations", which are classified under the heading Customer loans at 31 December 2008 and 2007:

Thousand euros

	2008	2007
Balances included under "Resident Public Administrations"		
Loans to the national government	46,565	34,911
Loans to regional governments	1,285,357	1,051,115
Measurement adjustments	12,790	10,211
	1,344,712	**1,096,237**
Balances included under "Other resident sectors"		
Doubtful assets secured by the State	19,310	69,425
Loans to other public entities	3,571,653	1,849,823
Loans to other sectors guaranteed by the State	774,677	469,524
	4,365,640	**2,388,772**
Total transactions secured by the State	**5,710,352**	**3,485,009**

The breakdown of "Loans to the National government", without any measurement adjustment, is as follows at 31 December 2008 and 2007:

Thousand euros

	2008	2007
Loans to the State and its Autonomous Entities	793	864
Accounts receivable from the Public Treasury	34,279	25,247
Other accounts receivable from the State	11,493	8,800
	46,565	**34,911**

The heading "Accounts receivable from the Public Treasury" records the amounts paid by the Group to the Public Treasury that have yet to be effectively repaid as Subsidies receivable to offset interest rate differences affecting mediation loans.

The heading "Other accounts receivable from the State" records the Institut´s CARI operations amounts.

The balances of these amounts, which are carried at their nominal value, do not bear any interest whatsoever.

The breakdown of the principal amounts of loans included under the heading "Customer loans", including measurement adjustments, and set out by maturity date at 31 December 2008 and 2007, is as follows:

Thousand euros

	2008	2007
By maturity		
Up to 3 months	372,866	366,694
From 3 months to 1 year	344,796	752,138
From 1 to 5 years	5,893,960	6,609,744
More than 5 years	11,645,280	6,087,439
Indeterminate maturity	77,386	77,386
	18,334,288	**13,893,401**

In accordance with current Bank of Spain regulations, the provision for signature risk insolvency is recorded under the heading "Provisions for liabilities and charges - Other provisions" in the consolidated balance sheet.

The contribution as interests to the profit and loss account during the years 2008 and 2007, under heading customers' credit, arises to the amount of euro 803,517k and euro 652,154k, respectively (Note 25).

10. HELD-TO-MATURITY INVESTMENT PORTFOLIO

The breakdown by counterparty of the held-to-maturity investment portfolio at 31 December 2008 and 2007 is as follows:

Thousand euros

	2008	2007
By counterparty		
Resident credit institutions	3,750,719	-
Other resident sectors	7,084,623	10,633,203
Doubtful assets	30,000	60,000
	10,865,342	**10,693,203**
Value adjustments for impairment	(30,000)	(30,496)
	10,835,342	**10,662,707**

The heading "resident credit institutions" include debt securities issued by Spanish financial institutions, which are managed in an active market, have a fixed maturity and its cash flows have determined or determinable amount in which the Institute has, from the outset and at any later date, the positive intention and financial capacity to keep until maturity.

The heading "Other resident sectors" mainly includes the bonds issued by the Fund "ICO – Mediación AyT, FTA" acquired for eruo 13,169,000k (Note 9), being the outstanding balance at 31 December 2008 euro 7,084,623k (euro 10,633,203k at 31 December 2007).

The contribution of interest to the consolidated income statement in 2008 and 2007 totalled euro 482,290k and euro 414,529k, respectively (Note 25).

The Institute used euro 30,000k to cover losses owing to the deterioration in the credit risk attributed to different securities held in the held-to-maturity portfolio at 31 December 2008, classified as doubtful assets (euro 30,496k at 31 December 2007).

Movements experienced during the years 2008 and 2007 under the heading of Held-to-maturity investment portfolio are shown below:

Thousand euros

	2008	2007
Initial balance	10,662,707	-
Purchase additions	7,800,589	10,662,707
Amortization and depreciation	(7,627,954)	-
Balance at the end of the year	**10,835,342**	**10,662,707**

Movement of impairment losses recorded in the held-to-maturity investment portfolio at the end of the years 2008 and 2007 is shown below:

Thousand euros

Balance as at January 1, 2007	**-**
Appropriations charged to income	30,496
Recoveries	-
Application of funds	-
Other movements	-
Adjustments for exchange differences	-
Balance as at December 31, 2007	**30,496**
Appropriations charged to income	22,597
Recoveries	-
Application of funds	(23,093)
Other movements	-
Adjustments for exchange differences	-
Balance as at December 31, 2008	**30,000**

The breakdown by term residual maturity of December 31, 2008 and 2007 is as follows:

Thousand euros

	2008	2007
On demand	30,000	60,000
Up to 3 months	3,750,719	-
Between 3 months and 1 year	-	-
Between 1 and 5 years	7,084,623	10,633,203
Over 5 years	-	-

11. HEDGING DERIVATIVES (DEBTORS AND CREDITORS)

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

The derivatives contracted and the hedged items were fundamentally the following:

- Interest-rate swaps, which hedge financial instruments remunerated at a rate other than the Euribor.

- Exchange hedges, which cover changes in fair value and cash flows relating to several financial instruments.

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

The notional and net fair values of financial derivatives recorded as "Hedging derivatives" at 31 December 2008 and 2007 are set out below by counterparty, remaining term and type of risk:

Thousand euros

	Notional		Assets		Liabilities	
	2008	2007	2008	2007	2008	2007
By type of market						
Organized markets	-	-	-	-	-	-
Non-organized markets	63,097,375	45,049,203	2,711,636	394,718	5,823,536	3,600,798
	63,097,375	**45,049,203**	**2,711,636**	**394,718**	**5,823,536**	**3,600,798**
By type of product						
Swaps	63,097,375	45,049,203	2,711,636	394,718	5,823,536	3,600,798
	63,097,375	**45,049,203**	**2,711,636**	**394,718**	**5,823,536**	**3,600,798**
By counterparty						
Credit institutions	63,097,375	45,049,203	2,711,636	394,718	5,823,536	3,600,798
Other financial institutions	-	-	-	-	-	-
Other sectors	-	-	-	-	-	-
	63,097,375	**45,049,203**	**2,711,636**	**394,718**	**5,823,536**	**3,600,798**
By type of risk						
Exchange risk	19,841,038	14,495,550	1,922,380	212,599	4,458,039	3,496,979
Interest rate risk	43,256,337	30,553,653	789,256	182,119	1,365,497	103,819
	63,097,375	**45,049,203**	**2,711,636**	**394,718**	**5,823,536**	**3,600,798**

12. NON-CURRENT ASSETS FOR SALE

The entire balance in the heading "Non-current assets for sale" relates to assets awarded in foreclosure.

Movements between 1 January 2007 and 31 December 2008 in the balances under this balance sheet heading are shown below:

Thousand euros

	Cost	Impairment	Total
Balance as at 1 January 2007	**58,355**	**(2,497)**	**55,858**
Additions	196	-	196
Disposals/Applications	(1,868)	-	(1,868)
Transfers	-	-	-
Balance as at 31 December 2007	**56,683**	**(2,497)**	**54,186**
Additions	-	-	-
Disposals/Applications	(3)	42	39
Transfers	-	-	-
Balance as at 31 December 2008	**56,680**	**(2,455)**	**54,225**

At December 31, 2008 and 2007, the amount collected under the heading Non-current assets held for sale, an amount of euro 49,241k and euro 4,290k respectively, corresponds to a property whose fair value has been obtained by an independent valuation in 2008 amounted to euro 2,449k. This asset is subject to the regulations of Act 24/01 (DA 11), with a compensatory fund, amounting to euro 49,241k under the heading of Other financial liabilities, Other concepts (Note 19.6) at December 31 of 2008 and 2007.

13. SHAREHOLDINGS

The balance of this consolidated balance sheet heading at 31 December 2007 and 2006, set out by company and shareholding, is as follows:

Thousand euros

	Multi-group entities	Associated entities	Total
Balance at 31 December 2006	**-**	**30,276**	**30,276**
Additions	-	6,460	6,460
Disposals/Applications	-	-	-
Other movements	-	-	-
Additions	-	(8,517)	(8,517)
Balance at 31 December 2007	**-**	**28,219**	**28,219**
Additions	-	12,526	12,526
Disposals/Applications	-	-	-
Other movements	-	-	-
Impairment	-	1,855	1,855
Balance at 31 December 2008	**-**	**42,600**	**42,600**

Appendix I contains a breakdown of shareholdings, as well as the most relevant information regarding these interests at 31 December 2008 and 2007.

The most significant additions for 2008 relate to the acquisition of a shareholding in the Economic Interest Groupings detailed in Appendix I, engaged in the acquisition and charter of aircraft and ships and the performance of related air transport activities classified as associates under "Shareholdings".

The return on the aforementioned shareholdings is tax related due to the inclusion in the Group's Parent entity's tax base of the relevant tax losses of these companies. The annual impairment charge is calculated such that the tax profit obtained in the year is adjusted to the expected final results of the investment.

At 31 December 2008 an amount of euro 1,855k was recognized in respect of impairment by charge to corporate income tax in the accompanying consolidated income statement.

There has also been reduced as income tax expense the amount euro 2,330k because of the recovery from a self-correcting tax.

In the year 2007 an amount of euro 8,517k was registered as impairment allocation with charge to the profit and loss account (euro 5,764k charged to the consolidated tax expense account and euro 2,753k charged to impairment portfolio).

14. PROPERTY, PLANT AND EQUIPMENT

Movements in 2008 and 2007 recorded under Property, plant and equipment, and accumulated depreciation, are as follows:

Thousand euros

	Buildings of own use (*)	Furniture,vehicles and another fixed assets	Real-estate investments	Total
Cost				
Balance as at January 1, 2008	**111,686**	**14,520**	**-**	**126,206**
Additions	-	278	-	278
Disposals and other write-offs	-	-	-	-
Balance as at December 31, 2008	**111,686**	**14,798**	**-**	**126,484**
Accumulated depreciation				
Balance as at January 1, 2008	**11,477**	**6,324**	**-**	**17,801**
Appropriations	2,168	550	-	2,718
Transfers and other movements	-	(350)	-	(350)
Balance as at December 31, 2008	**13,645**	**6,524**	**-**	**20,169**
Impairment losses				
As at December 31, 2008	**-**	**-**	**-**	**-**
Property, plant and equipment net				
Balance as at December 31, 2008	**98,041**	**8,274**	**-**	**106,315**
Cost				
Balance as at January 1, 2007	**87,002**	**14,724**	**22,905**	**124,631**
Additions	24,684	-	-	24,684
Disposals and other write-offs	-	(204)	(22,905)	(23,109)
Balance as at December 31, 2007	**111,686**	**14,520**	**-**	**126,206**
Accumulated depreciation				
Balance as at January 1, 2007	**9,481**	**6,264**	**-**	**15,745**
Appropriations	1,996	580	-	2,576
Transfers and other movements	-	(520)	-	(520)
Balance as at December 31, 2007	**11,477**	**6,324**	**-**	**17,801**
Impairment losses				
As at December 31, 2007	**-**	**-**	**-**	**-**
Property, plant and equipment net				
Balance as at December 31, 2007	**100,209**	**8,196**	**-**	**108,405**

(*) The value of land and buildings for own use has been increased in accordance with NIIF 1, net of depreciation.

At 31 December 2008 there are fully-depreciated property, plant and equipment for own use for a gross amount of approximately eur 4,966k (euro 4,866k at 31 December 2007).

In compliance with Group policy, all property, plant and equipment is insured at 31 December 2008 and 2007.

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

15. INTANGIBLE ASSETS

The breakdown of Intangible assets in the balance sheet at 31 December 2008 and 2007 relates solely to other intangible assets.

Thousand euros

	Useful estimated life	2008	2007
With indefinite useful life	-	-	-
With defined useful life	3 to 10 years	10,426	7,376
Gross total		**10,426**	**7,376**
Of which: Internal developments	3 years	8,688	3,546
Remainder	10 years	1,738	3,830
Accumulated depreciation		(1,376)	(467)
Impairment losses		-	-
		9,050	**6,909**

At 31 December 2008 and 2007, all the items recorded under this heading relate to computer applications. At 31 December 2008 and 2007 the Group does not record any fully-amortised intangible assets still in use.

16. TAX ASSETS AND LIABILITIES

The breakdown of tax assets and liabilities at 31 December 2008 and 2007 is as follows:

Thousand euros

	Assets		Liabilities	
	2008	2007	2008	2007
Current taxes:	**213**	**9,186**	**16,943**	**2,299**
Corporate income tax	-	8,940	15,138	1,526
VAT	213	246	12	120
Personal income tax withholdings	-	-	1,395	392
Social Security contributions	-	-	398	261
Other	-	-	-	-
Deferred taxes:	**242,099**	**123,139**	**28,133**	**29,596**
Impairment losses on credits, loans and discounts	80,990	45,857	-	-
Measurement of cash-flow hedges (Note 21)	160,522	75,917	-	-
Restatement of property	-	-	15,932	15,932
Restatement of available for-sale financial assets (Note 21)	-	191	8,194	7,434
Accrual financial liabilities	-	-	3,717	5,806
Accrual of financial commissions	587	1,174	-	
Reinvestment deferral	-	-	290	424
Balance at the end of the year	**242,312**	**132,325**	**45,076**	**31,895**

Movements in 2008 and 2007 in the deferred tax asset and liability balances are set out below:

Thousand euros

	Assets		Liabilities	
	2008	2007	2008	2007
Balance at beginning of the year	**123,139**	**86,482**	**29,596**	**36,652**
Impairment losses on credits, loans and discounts	35,133	983	-	-
Valuation of cash flow hedges	84,605	36,586	-	-
Restatement of property	-	-	-	(2,665)
Restatement of available for-sale financial assets	(191)	(32)	760	(1,239)
Accrual financial liabilities	-	-	(2,089)	(2,934)
Accrual of financial commissions	(587)	(880)	-	-
Reinvestment deferral	-	-	(134)	(128)
Balance at the end of the year	**242,099**	**123,139**	**28,133**	**29,596**

In addition to movement generated by temporary differences of the years 2008 and 2007 listed in Note 23, the balance of assets and liabilities deferred tax is reduced in December 31, 2008 and 2007 in an amount of €763k and €1,091k, respectively, due to adjustments in those balances arising from the presentations of the final settlement of the corporate income tax each year.

17. OTHER ASSETS

The breakdown of Other Assets at 31 December 2008 and 2007 is as follows:

		Thousand euros
	2008	**2007**
Other assets	1,900	15,007
Accruals	3,708	576
	5,608	**15,583**

Other assets include a receivable in favor of the Institute, the Group's Parent entity, amounting to euro 13,292k relating to the settlement of the Feder grant for the Intermediary Lines 2001-2004, with respect to which the final decision is still pending. In the year 2008, based on this resolution, this asset has been canceled to be considered non-recoverable, being charged to the provision formed for it (Other Provisions) (Note 20).

18. OTHER LIABILITIES

The breakdown of Other Assets at 31 December 2008 and 2007 is as follows:

		Thousand euros
	2008	**2007**
Other assets	1,884	2,240
Accruals	256	1,788
	3,940	**4,028**

The heading "Other liabilities" includes an amount of euro 1,360k and euro 2,031k at December 31, 2008 and 2007 respectively, relating to various liabilities payable in the management of the part of the balance sheet handled by BBVA (see Note 1.4).

19. FINANCIAL LIABILITIES AT AMORTISED COST

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

Thousand euros

	2008	2007
By counterparty categories		
Credit institution deposits (Note 19.1)	1,109,772	1,060,328
Customer deposits (Note 19.2)	2,584,178	2,665,823
Debts represented by negotiable securities (Note 19.3)	39,345,359	29,053,942
Other financial liabilities (Note 19.6)	1,404,505	835,287
	44,443,814	**33,615,380**

19.1 Credit institution deposits

The composition of this balance sheet heading at 31 December 2008 and 2007, set out by currency and the nature of the transaction, is as follows:

Thousand euros

	2008	2007
By nature:		
Loans from the European Investment Bank (1)	546,612	612,377
Inter-bank loans	72,430	137
Loans from other financial institutions	452,844	464,573
Measurement adjustments - Accrual accounts	37,886	(16,759)
	1,109,772	**1,060,328**

(1) This figure includes the loan granted to the Institute, the Group's Parent entity, that will be repaid in accordance with the results obtained from the liquidation of the Venture Capital Fund - EUROICO, formed in 1998. This loan, for which interest is capitalised (eruo 14,319k at 31 December 2007), has been totally amortized during 2008 (Note 8).

Interbank deposits fall due within one year as from 31 December 2008 and 2007, respectively.

The "Loans from the European Investment Bank" have the following final repayment schedule.

Thousand euros

	2008	2007
Up to 1 year	123,039	74,065
From 1 to 2 years	209,173	120,163
From 2 to 3 years	45,190	199,843
From 3 to 4 years	44,893	43,461
From 4 to 5 years	39,329	43,074
More than 5 years	84,988	131,771
	546,612	**612,377**

The breakdown by maturity date of "Loans from other financial institutions" is as follows:

Thousand euros

	2008	2007
Up to 1 year	118,002	100,211
From 1 to 2 years	629	102,318
From 2 to 3 years	629	634
From 3 to 4 years	1,048	634
From 4 to 5 years	79,646	1,057
More than 5 years	252,890	259,719
	452,844	**464,573**

19.2 Customer funds

The composition of this heading in the consolidated balance sheets at 31 December 2008 and 2007, according to sector and currency, is as follows:

Thousand euros

	2008	2007
By counterparty category		
Public Administrations	986,329	741,290
Other resident sectors(1)	1,560,352	1,885,572
Other non-resident sectors	15,853	15,038
Measurement adjustments - Accrual accounts	21,644	24,175
	2,584,178	**2,666,075**

(1) Of which at 31 December 2008 and 2007 euro 21,309k and euro 22,249k, respectively, relate to demand.

At 31 December 2008 and 2007, the breakdown by nature of the balance recorded under "Public Administrations" is as follows:

Thousand euros

	2008	2007
Special loan from the State	2	2
Reciprocal Interest Adjustment Agreement (RIAA)	7,522	8,208
Public Administration Current Accounts and other items	978,805	733,080
	986,329	**741,290**

During 1996, in compliance with the provisions of Royal Decree – Law 12/95 (28 December) euro 2,253,795k charged against the Ordinary Loan from the State was used to increase the Institute's equity and euro 150,253k was used to create a provision for bad or default loans that could arise during the course of the Institute's business (Note 20).

In 1997, in accordance with the provisions of Law 12/1996 on the General State Budget, an additional amount totaling euro 150,253k was charged against the Ordinary Loan from the State and allocated to the above-mentioned provision (Note 20).

By virtue of the Resolution adopted by the Council of Ministers on 30 July 2004 an allocation was made to the Royal Decree Law 12/95 Fund totaling euro 249,500k by charging the Ordinary Loan from the State, in compliance with the provisions of Additional Provision One of Royal Decree Law 4/2004 (2 July), which adopts certain measures relating to the damages caused by the vessel "Prestige", in order to attend to payments to victims for which ICO acted as an Agent on behalf of the State (Notes 20).

In accordance with Additional Provision 49 of 2007 General State Budget Law, of 29 December 2006, the amount of the Ordinary Central Government Loan outstanding at 31 December 2006 totaling euro 228,903k became in its entirety a Central Government contribution to the Institute's equity (Note 22).

19.3 Debts represented by negotiable securities

The breakdown of the heading "Debts represented by negotiable securities" at 31 December 2008 and 2007 is set out below:

Thousand euros

	2008	2007
Promissory notes and other securities (Note 19.4)	668,106	674,707
Interest paid in advance	(604,032)	(609,797)
	64,074	**64,910**
Bonds and debentures issued (Note 19.5)	38,760,086	29,619,395
Interest paid in advance and share premium	(61,035)	(50,280)
	38,699,051	**29,569,115**
Measurement adjustments	582,234	(580,083)
	39,345,359	**29,053,942**

Movements experienced during the years 2008 and 2007 under the heading of debt securities - notes are as follows:

Thousand euros

	2008	2007
Balance at beginning of the year	64,910	65,883
Issues	-	-
Amortizations and depreciations	(836)	(973)
Balance at the end of the year	**64,074**	**64,910**

Movements experienced during the years 2008 and 2007 under the heading of debt securities - Bonds and obligations are shown below:

Thousand euros

	2008	2007
Balance at beginning of the year	29,569,115	24,109,124
Issues	17,582,466	13,353,809
Amortizations and depreciations	(8,452,530)	(7,893,818)
Balance at the end of the year	**38,699,051**	**29,569,115**

19.4 Promissory notes and other securities

The breakdown of the heading "Promissory notes and other securities", based on the nominal amount of the securities and their amortization periods, is set out below at 31 December 2008 and 2007:

Thousand euros

	2008	2007
Up to 1 year	104,535	6,601
From 1 to 2 years	299,606	104,535
From 2 to 3 years	131,983	299,606
From 3 to 4 years	131,982	131,983
From 4 to 5 years	-	131,982
More than 5 years	-	-
	668,106	**674,707**

The financial cost of the promissory notes and other securities in 2008 and 2007 totaled €61,657k and €55,368k respectively, and are recorded under the heading "Interest and similar charges for deposits represented by negotiable securities" (Note 26) in the income statement.

The average weighted interest rate on active promissory notes at 31 December 2008 (all issued between 1989 and 1993) and 2007 was 9.15% and 8.16%, respectively, excluding hedges obtained. Taking hedges into consideration the average rates in 2008 and 2007 fall to 6.87% and 5.88% respectively.

19.5 Bonds and debentures issued

Set out below are the main characteristics of the debenture issues outstanding at 31 December 2008 and 2007, grouped together by currency together with the relevant interest rates and maximum redemption dates:

Thousand euros

Number of issues 2008	2007	Currency	Redemption date	Annual interest rate	2008	2007
22	15	Norwegian krone	Until 2016	4.28 to 6.61	1,423,076	1,024,127
1	15	Swedish krona	Until 2016	4.5	45,998	-
16	-	Australian dollar	Until 2014	0.055 to 13.5	1,830,921	2,261,739
4	5	Canadian dollar	Until 2020	3.32 to 5.00	794,211	942,626
2	-	Brazilian real	Until 2011	Various	23,123	-
2	3	New Zealand dollar	Until 2015	6.375	85,983	215,518
74	60	US dollar	Until 2018	Various	13,121,889	7,543,307
53	62	Euro	Until 2026	Various	14,849,933	12,079,862
6	4	Swiss franc	Until 2024	Unitl 2.00	592,593	415,184
29	26	British pound	Until 2013	0.0475 to 5.00	4,461,927	4,020,590
7	6	Turkish lira	Until 2011	10.00 to 10.50	424,517	349,448
22	22	Yen	Until 2023	Various	1,105,915	766,994
					38,760,086	**29,619,395**

A breakdown of each issue may be consulted on the Institute's webpage (www.ico.es) in "Investments – Issues of reference".

In 2008 and 2007 the total financial cost of debenture loans in both euros and foreign currency recorded under the heading "Interest and similar charges for debenture loans and other negotiable securities" in the income statement was euro 1,700,316k, which is an annual average interest rate of 4.82%. In 2007 financial costs totaled euro 1,523,103k, which was an average annual interest rate of 5.16% (Note 26).

The above interest rates do not take into account the effect of hedges obtained. If hedges are taken into account the above-mentioned rates decline to 4.71% in 2008 and to 4.21% in 2007 respectively.

19.6 Other financial liabilities

An analysis of the balances of this caption in the consolidated balance sheets as at 31 December 2008 and 2007 is as follows:

Thousand euros

	2008	2007
Grants	11,320	34,516
Treasury Funds	1,202,409	559,737
Compensatory account – portfolio managed by BBVA (Note 1.4)	-	18,344
Other items	190,776	222,690
	1,404,505	**835,287**

Compensatory account - portfolio managed by BBVA´s final amount has been reclassified, under the heading of impairment provisions to cover credit risk (euro 15,621k) (Note 9). The difference with the initial amount at 31 December 2007 (euro 18,344k) corresponds to the amount covered recovery.

At 31 December 2008 "Other items" mainly include, an amount of euro 49,241k reflecting certain liabilities deriving from financing transactions classified in Non-current assets for sale and Loans and other advances to other debtors (Note 12) (euro 49,241k at December 2007); an amount of euro 89,359k reflecting pending compensation in connection with the Titulización ICO Pyme´s operation (SME Securitization ICO) (euro 13,016k at December 31, 2007) and an amount of euro 21,982k from an Economic Policy operation refinancing (euro 29,309k at December 31, 2007). At December 31, 2007 in this section was also included an amount of euro 115,969k reflecting pending compensation economic policy operations, Law 24/2001 DA 11th.

Treasury Funds record those funds received by the Institute, the Group's Parent entity, and repayable in accordance with legislation applicable to each:

- "FOMIT": Fund for the modernization of tourist infrastructures.
- "Avanza": Fund for access to new technologies.
- "Préstamos Renta Universidad": Fund relating to university admission.
- "DGT Carnet de conducir": Fund relating to obtainment of a driving license
- Plan Vive: fleet renewal.

Detailed information on the lines associated with each of these funds can be found on the Institute website www.ico.es.

The funds associated with the most important lines are:

- Línea Avanzada (Advanced line): this line with the ICO supports and funds the access of citizens and companies to new information technologies (broadband and technological support needed for it). Is implemented, depending on their target, in TIC loans (small and medium enterprises) young people and university students loans (specific group) and digital citizenship loan (citizens in general).

- Línea FOMIT - Turismo (FOMIT – Tourism line): this line is to provide financial support to financial projects aimed to renovation and modernization of infrastructure and tourist destinations.

Unlike other Institute lines, which are funded through market fundraising by the ICO, the financial funds designated to these operations are provided directly by the state, being instrumented through Institute's opened accounts on behalf of the correspondent Ministries. These funds balance, corresponds to the amount provided by formal transactions that are also listed under the heading of Credit, loans and discounts (net amounts, less unamortized willing), so that amount plus the balance of the associated current account (which reflects the balance of the above lines) is always equal to the amount received by the Institute for the provisioning of the line.

The balance of those funds at 31 December 2008 and 2007 is set out below:

		Thousand euros
	2008	**2007**
FOMIT	263,959	153,240
Avanza	880,150	395,373
Préstamos Renta Universidad	42,338	10,460
Plan Vive	3,016	-
DGT Carnet de conducir	12,946	664
	1,202,409	**559,737**

20. PROVISIONS

At 31 December 2008 and 2007 the breakdown of the balances recorded under this heading in the accompanying balance sheet is as follows:

Thousand euros

	2008	2007
Provisions for pensions and similar obligations	58	57
Provisions for taxes and other legal contingencies	-	35
Provisions for contingent exposures and commitments	26,314	28,383
Other provisions	181,409	212,837
	207,781	**241,312**

Provisions for contingent exposures and commitments

This heading includes the amount of provisions created to cover contingent risks, which are understood to be those transactions in which the Group guarantees the obligations of a third party as a result of financial guarantees granted or other agreements, and contingent commitments, which are understood to be irrevocable commitments that could give rise to the recognition of financial assets (Note 24).

Other provisions

An analysis of the balances of this caption in the balance sheets as at 31 December 2008 and 2007 is as follows:

Thousand euros

	2008	2007
Provision for SMB (Note 9.1.3)	1,348	1,348
Royal Decree-Law 12/1995 Fund (Note 9.2)	134,807	133,964
Provision for other mediation loans (Note 9.1.2)	5,224	5,217
Other specific provisions - CARI Egypt	868	1,170
Fund for amounts recovered from BBVA	2,500	4,358
Fund for subsidiaries yet to be collected	-	13,292
Fund Línea *Prestige*	13,318	17,975
Operations Fund Law 24/2001	-	27,165
Fund to compensate AIE shareholdings results	20,513	3,379
Other funds	2,831	4,969
	181,409	**212,837**

Royal Decree-Law 12/1995 (28 December)

Royal Decree- Law 12/1995 (28 December), published in the Official State Gazette (BOE) on 30 December 1995 and taking effect on 1 January 1996,it is stipulated that Instituto Oficial de Credito would create, by charging the resources obtained from the State Loan referred to by Section 4.1 of the Council of Ministers Resolution (11 December 1987), a Fund totaling a maximum of euro 150,253k (Note 19.2) to provide provisions and charge the amounts relating to doubtful and default loans that could arise in the future from the activities listed in Note 1, in accordance with the regulations in force for credit institutions.. Additional Provision 4 of Law 66/1997 (30 December) on Tax, Administrative and Social Order Measures stipulated that notwithstanding the application of these regulations, the Council of Ministers or the CDGAE could authorize the ICO to charge the Special provision Fund established under RDL 12/95 for any defaults arising during the course of its business, provided that they did not receive any specific coverage in the General State Budgets. This Fund was created in 1996 under the heading "Other Provisions".

Those loans or transactions that, in view of the relevant terms and conditions, require the application of this Fund are provided for by charge to the same. The Institute's income statement is therefore not affected.

Since they are already provided for through this Fund, the loans covered by the same are not therefore included in the calculation of the general and specific bad debt provision.

The Fund was created as explained in the preceding paragraph and was credited, in addition to the initial allocation, with future allocations that the Instituto Oficial de Crédito makes out of profits obtained and any made or authorized by the State when assuming or offsetting losses, or through any other appropriate system . Similarly, the Fund is credited with the amounts of an recoveries obtained from loans for which provisions have been recorded or any that have been declared to be in default and charged against the fund, that in 2008 and 2007 amounted to euro 10,337k and euro 5,480k, respectively and the income obtained on the management of the funds assigned to the Fund itself, in 2008 and 2007, amounted to euro 5,498k and euro 5,242k, respectively.

In accordance with the provisions of Law 12/1996 (30 December) on the General State Budget, in 1997 an additional euro 150,253k was allocated to this Fund by charging the Ordinary State Loan. (Note 19.2)

In 2004 another allocation totaling euro 249,500k was charged against the State Loan granted to ICO in accordance with the Council of Ministers Resolution dated 30 July 2004 and no further allocations have been made since then. (Note 19.2).

At 31 December 2008 and 2007, the balance of this Fund totals euro 134,807k and euro 133,964k respectively.

Movements in 2008 and 2007 in this fund recorded under "Other Provisions" in the balance sheet at 31 December 2008 and 2007 are as follows:

	Thousand euros
	2007
Balance as at January 1, 2007	141,984
Capitalization of interest	5,242
Loan recoveries (principal and interest)	5,480
Applications	(18,742)
Balance as at December 31, 2007	133,964
Capitalization of interest	5,498
Loan recoveries (principal and interest)	10,337
Applications	(14,992)
Balance as at December 31, 2008	**134,807**

Other provisions CARI-Egypt

The heading "Other provisions CARI-Egypt" records the present value of the Institute's, the Group's Parent entity, commitments with BBVA, deriving from an old official credit export operation involving Egypt.

Funds recovered from BBVA

Additional provision Eleven of Law 24/2001 (27 December) on Tax, Administrative and Social Order Measures, was applied by the Institute, the Group's Parent entity, in 2001 and 2002, with respect to the heading "Funds recovered from BBVA", to allocate part of its equity to cancel an amount owed to the Institute by the State as a result of certain loans and guarantees granted by the former Official Credit Institutions and secured by the State.

Nonetheless, the management of the transactions affected by the cancellation process has meant that ICO continues to receive collections pertaining to these loans, which for prudence, are not generally reflected as income in the income statement. For those recorded as income, the relevant provision for liabilities has been recorded amounting to euro 2,500k and euro 4,358k at 31 December 2008 and 2007, respectively, that will be capitalized in accordance with Additional Provision 10.1 of Law 24/2001, amended by Law 42/2006 (see Note 1.9).

Fund for grants pending collection

"Fund for grants pending collection" relates to the cover of certain balances relating to grants awarded by the European Union with respect to which there are discrepancies concerning ownership (Note 17). In 2008 this provision has been applied to its purpose because it is considered non-recoverable.

Prestige Line fund

The Prestige Line Fund has its origins in the RDL 7 / 2002, November 22, which authorizes to charge on Fund Special Provision 12/95 RDL the default amounts from loans Prestige line, with credit to this fund specific provision.

Operations Fund Law 24/2001

The Operations Fund Law 24/2001, due to the nature of the operations covered by it, has been subject of reclassification by the amount remaining to heading impairment provisions to cover credit risk (euro 18,853k) (Note 9).

Fund to compensate AIE shareholdings results

Heading Fund to compensate AIE shareholdings includes the provision to adjust to its profit the transactions performance conducted through the Economic Interest Groupings (Note 13). This provision has been recognized under the rubric of corporate income tax of the income account for an amount of euro 17,134k and euro 3,379k, respectively in the years 2008 and 2007.

Movements in 2008 and 2007 in the provisions recorded under these balance sheet headings at 31 December 2008 and 2007:

Thousand euros

	Provisions for taxes	Fund for pensions	Provisions for contingent exposures and commitments	Other provisions	Total
Balance as at December 31, 2007	**35**	**-**	**31,371**	**193,516**	**224,922**
Net allocation (1)	-	57	814	8,083	8,954
Recoveries	-	-	(3,802)	(3,243)	(7,045)
Application of funds	-	-	-	(17,115)	(17,115)
Transfers and other movements	-	-	-	31,805	31,805
Exchange differences	-	-	-	(209)	(209)
Balance as at December 31, 2007	**35**	**57**	**28,383**	**212,837**	**241,312**
Net allocation (1)	-	1	908	8,121	9,030
Recoveries	(35)	-	(2,977)	(6,025)	(9,037)
Application of funds	-	-	-	(16,838)	(16,838)
Transfers and other movements (2)	-	-	-	(16,718)	(16,718)
Exchange differences	-	-	-	32	32
Balance as at December 31, 2008	**-**	**58**	**26,314**	**181,409**	**207,781**

(1) Net transfers by charge to results relating to "Other provisions" include euro 5.498k in 2008 and euro 5,242k in 2007, which should be credited to the Special Provision Fund in respect of the capitalization of accrued interest relating to actual remuneration.

In the year 2007, according to their nature and purpose, the Institute reclassified the heading of "Specific Provisions" to "Other Provisions" for an amount of euro 31,805k (see Note 9) that is included in the concept of "Transfers and Other movements."

(2) Transfers and other movements were formed primarily by the shift to specific provisions amounting to euro 18,853k (Note 9) and the capitalization of reserves by charges for BBVA (euro 1,857k) (see Note 22).

21. VALUATION ADJUSTMENTS

The valuation adjustments balance attributed to the amount of gross and net tax effect is as follows:

Thousand euros

	2008			2007		
	Gross	Tax effect (note 16)	Net	Gross	Tax effect (note 16)	Net
Available-for-sale financial assets	27,313	(8,194)	19,119	23,327	(7,434)	15,893
Cash flow hedging	(535,073)	160,522	(374,551)	(250,162)	75,917	(174,245)
TOTAL	**(507,760)**	**(152,328)**	**(355,432)**	**(226,835)**	**68,483**	**(158,352)**

The balance of this heading relates to the account "Available-for-sale financial assets" and "Valuation adjustments for cash flow hedging" in the accompanying consolidated balance sheets. The first account records the net amount of changes in the fair value of the assets classified as available for sale that, in accordance with Note 2.2.4, must be included as part of the Group's equity. The second account records the net amount of changes in the fair value of the cash flow hedge instruments.

Thousand euros

	2008	2007
Opening balance	(158,352)	(53,795)
Change in fair value of available-for-sale financial assets	3,226	(2,153)
Cash flow hedges	(200,306)	(102,404)
Closing balance	**(355,432)**	**(158,352)**

22. OWN FUNDS

The reconciliation of the opening and closing carrying value in 2008 and 2007 of the heading "Equity" in the consolidated balance sheets:

Thousand euros

	Share	Restatement reserves	Other reserves	Results	Total
Balance as at December 31, 2006	**958,758**	**32,697**	**383,669**	**103,524**	**1,478,648**
Distribution of results	-	-	103,524	(103,524)	-
Other increases in reserves	-	(910)	910	-	-
Result for the year	-	-	-	79,188	79,188
Other movements	670,386	-	(2,333)	-	668,053
Balance as at December 31, 2007	**1,629,144**	**31,787**	**485,770**	**79,188**	**2,225,889**
Distribution of results	-		79,188	(79,188)	-
Other increases in reserves	-	(911)	910	-	(1)
Result for the year	-	-	-	88,363	88,363
Other movements	422,952	-	(1,001)	-	421,951
Balance as at December 31, 2008	**2,052,096**	**30,876**	**564,867**	**88,363**	**2,736,202**

In 2008 capital was increased by euro 422,952k as follows:

- Contribution of euro 303,000k by charge to budgetary item 15.16.931M.871 of General State Budget Law 51/2007, of 28 December, authorized in order to increase the Institute's equity.

- Capitalization of an amount of euro 75,861k, in accordance with the ACM 11/12/87 and the Law 51/2007, of PGE 2008 relative to an economic policy operation.

- Capitalization of an amount of euro 44,091k. Eleventh Additional Provision of Law 24/2001 of December 27, of Fiscal, Administrative and Social Order, was modified, becoming part of the Institute's equity the amounts recovered after the cancellation of debts owed by the State with the ICO as a result of certain loans and guarantees granted by the former official credit institutions and by the Institute.

In 2007 capital was increased by euro 670,386k as follows:

- Contribution of euro 303,000k by charge to budgetary item 15.16.931M.871 of 2007 General State Budget Law 42/2006, of 28 December, authorized in order to increase the Institute's equity.

- Central government contribution to the Institute's equity of the Central Government Loan – ICO, indicated in point 4 of paragraph 1 of the Cabinet Resolution of 11 December 1987, amounting to euro 228,903k (Law 42/2006).

- Contribution of euro 97,872k relating to the amount transferred to the provisions for bad debts over the term of the aforementioned Loan, through successive reductions in the same relating to the transactions of the Fesa – Enfersa e Inmobiliaria Espacio group, insofar as these provisions have become unnecessary and cover is provided by the Provision Fund (Note 9) (Law 42/2006).

- Additional Provision 11 of Law 24/2001, of 27 December 2001, on Tax, Administrative and Social Security measures was amended and the amounts recovered, following the repayment of the debts incurred by Central Government with ICO as a result of certain loans and guarantees granted by the former Entidades Oficiales de Crédito and the Institute itself, were included in the Institute's equity. The amount involved totaled euro 40,611k.

As from 1993, minimum equity was regulated by Bank of Spain Circular 5/1993, of 26 March 1993, that lays down that equity should not be less than the accounting balances of risk assets, net of specific provisions, depreciation/ amortization and compensatory balances, weighted and multiplied by the coefficients established in said Circular.

The mentioned Circular 5/1993, modified by Circular 3/2005, of 30 June, Bank of Spain, has been modified by Circular 3/2008.

Royal Decree – Law 12/1995 of 28 December 1995, concerning urgent budgetary, tax and financial measures published in the Official State Gazette of 30 December 1995 also laid down that the level of equity of Instituto de Crédito Oficial will be that required at each time under legislation governing Credit Institutes, with the pertinent regulatory exceptions.

The Institute's net computable equity, that does not include profit and amounted to euro 2,871,925k at 31 December 2008, exceeded the amount laid down in Bank of Spain Circular. At 31 December 2007 the Institute's net computable equity amounted to euro 2,316,260k that also exceeded the amount laid down in said Circular (Note 1.9.1).

22.1 Reserves in fully or proportionally consolidated companies

Set out below is the breakdown by consolidated company of balances under equity "Equity – Reserves – Accumulated Reserves" in the consolidated balance sheets at 31 December 2008 and 2007, in the part of that balance which has arisen on consolidation, analyzed for fully and proportionally consolidated companies in the consolidated financial statements:

		Thousand euros
	2008	**2007**
AXIS Participaciones Empresariales, S.A.	4,580	4,031
Instituto de Crédito Oficial	564,680	481,443
	569,260	**485,474**

22.2 Reserves and exchange differences in entities carried under the equity method

Set out below is the breakdown by consolidated company of balances under equity "Equity – Reserves – Reserves in companies carried under the equity method" in the consolidated balance sheets at 31 December 2008 and 2007, in the part of that balance which has arisen on consolidation process, analyzed for each company carried under the equity method in the consolidated financial statements:

Thousand euros

	2008	2007
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	2,215	1,659
CERSA, Compañía Española de Reafianzamiento, S.A.	53	437
Arrendadora Aeronáutica, AIE	(2,765)	(1,493)
Other entities	(3,896)	(306)
	(4,393)	**297**

23. TAX SITUATION

The balance sheet at 31 December 2008 and 2007 includes, within the heading "Customer debits" the liability relating to applicable taxes.

The Group does not pay tax under the tax consolidation regime as the Institute, the Group's Parent entity, was exempt from corporate income tax in the years 1993 through 1996, in accordance with Royal Decree Law 3/1993, of 26 February 1993, on urgent budgetary, tax, financial and employment measures. In accordance with the provisions of Transitional Provision Thirteen of Law 43/1995 (27 December) on corporate income tax, the Institute was exempted from this tax in 1997 and 1998 and became liable to general corporate income tax as from 1999.

The reconciliation of the accounting ICO´s profit for 2008 and 2007 to the corporate income tax base is as follows:

Thousand euros

	2008	2007
Book profit before income tax	124,174	107,840
Permanent differences		
Externalization of pension commitments	45	44
Foreign taxes paid	4,437	5,073
Tax-loss carry forwards attributed to investee companies	(47,834)	(39,387)
Monetary adjustment due to the sale of assets	-	-
Adjustment to the measurement of derivatives	-	(7,047)
	(43,352)	**(41,317)**
Temporary differences:		
Due to impairment losses and provision non-deductible	145,790	19,854
Due to the reversal of temporary differences arising in other years	(23,851)	7,542
	121,939	**27,396**
Tax assessment base	202,761	93,920
Gross tax payable (30% in 2008 – 32.5% in 2007)	60,828	30,524
Deductions and allowances	(4,074)	(5,098)
Withholdings and interim payments	(41,616)	(34,366)
Tax payable	15,138	(8,940)
Corporate income tax	20,173	16,522
Adjustments for exchange differences	-	(170)
Other adjustments (Note 13 and 20)	12,948	9,143
Corporate income tax	**33,121**	**25,495**

There are no tax losses available for offset. During the year the losses allocated of the Economic Interest Groupings in which ICO, the Group's Parent entity, has a differing proportional interest in capital are included (euro 43,353k at December 2008 and euro 36,768k at December 2007). Losses are allocated on the basis of the information provided by the entities. It has been decided to allocate these items in the same period in which the balance sheets of the Economic Interest Groupings are closed.

The tax incentive deductions applied in the years 2008 and 2007 in respect of professional training expenses amount to euro 16k and euro 21k respectively. There is an international double tax deduction (taxes borne) amounting to euro 3,953k and euro 5,073k respectively. Deductions charged by the IEA owned sum up a total of euro 105k in 2008. There are no deductions pending inclusion in future year tax assessments.There are no commitments entered into pending the completion of in relation to the tax incentives applied.

There are no changes in the methods used to depreciate/ amortize fixed assets owing to exceptional causes.

The Institute did no avail itself of the balance sheet restatement envisaged in Royal Decree Law 7/1996 in 2008 and 2007.

Taxes and other tax obligations applicable to the Institute since 2005 are open to inspection by the tax authorities.

Due to the possible interpretations of tax legislation that may be afforded to some transactions, basically related to new subjectability to corporate income tax following the full exemption from the same, there could be certain contingent tax liabilities. However, in the opinion of the Institute's tax managers, the possibility of these liabilities crystallizing is remote and in any event, the tax debt that may derive from them would not significantly affect the accompanying annual accounts.

24. FINANCIAL GUARANTEES AND BALANCES DRAWABLE BY THIRD PARTIES

The headings "Contingent risks" and "Contingent commitments" in the balance sheets record the amounts that the group must pay on behalf of third parties in the event that the obligated parties do not do so, in response to the commitments acquired during the normal course of its business.

This heading breaks down as follows at 31 December 2008 and 2007:

Thousand euros

	2008	2007
Contingent risks		
Guarantees and other sureties	1,311,969	1,329,096
	1,311,969	**1,329,096**
Contingent commitments		
Balances drawable by third parties:		
Credit institutions	1,568,999	2,452,581
The Public Administrations sector	544,950	306,023
Other resident sectors	7,676,510	5,709,464
Non-resident sectors	1,098,196	760,456
	10,888,655	**9,228,524**
Other commitments	138,371	121,122
	138,371	121,122
	11,027,026	**9,349,646**

A significant part of these amounts will mature without any payment obligation arising for the Group and therefore the sum of the balances relating to these commitments cannot be considered as an actual future need for financing or liquidity to be granted by third parties to the Group.

The revenues obtained from guarantee instruments (guarantees and other sureties) are recorded under the heading "Commissions received) in the income statement and are calculated by applying the rate established in the relevant contract to the nominal amount of the guarantee.

25. INTEREST AND SIMILAR INCOME

Interest and similar yields for 2008 and 2007 are broken down below by source:

Thousand euros

	2008	2007
Bank of Spain and credit institutions (Note 9)	877,724	585,211
Credit institution deposits	803,517	652,154
Public administrations	52,909	57,135
Resident sectors	750,608	595,019
Debt securities (Note 10)	482,290	414,529
Adjustment of income from accounting hedges	(5,671)	(10,050)
Doubtful assets	13,206	5,744
	2,171,066	**1,647,588**

26. INTEREST AND SIMILAR CHARGES

The breakdown of this profit and loss heading during 2008 and 2007 is as follows:

Thousand euros

	2008	2007
Credit institution deposits	45,348	56,834
Customer funds	112,642	97,212
Deposits represented by marketable securities	1,761 973	1,578,471
Promissory notes (Note 19.4)	61,657	55,368
Other non-convertible securities (Note 19.5)	1,700,316	1,523,103
Adjustment of expenses owing to hedging operations	(44,075)	(292,378)
	1,875,888	**1,440,139**

27. RETURN ON EQUITY INSTRUMENTS

All yields obtained in this respect relate to the Equity portfolio and in 2008 and 2007 this item totaled euro 1,236k and euro 320k, respectively, in the consolidated income statement.

28. RESULTS IN COMPANIES CARRIED UNDER THE EQUITY METHOD

All entities results valuated by the equity method registered in this caption in the consolidated income statements amounted losses of K euro 1,629 and K euro 3,709 in 2008 and 2007, respectively. Appendix I provide a breakdown of and relevant information on the shareholdings at 31 December 2008 and 2007.

29. FEES AND COMMISSIONS INCOME AND EXPENSES

The breakdown of the balance of this consolidated profit and loss account heading is as follows:

	Thousand euros	
	2008	**2007**
Commissions received		
Contingent risks	5,004	4,896
Availability commissions	8,944	3,453
Collection and payment services	1,076	972
Other commissions	17,219	9,602
	32,243	18,923
Commissions paid		
Signature risks	(137)	(111)
Other commissions	(1,999)	(1,892)
	2,136	2,003
Net commissions for the year	**30,107**	**16,920**

30. GAIN OR LOSSES ON FINANCIAL ASSETS AND LIABILITIES

The breakdown of this consolidated profit and loss account heading, based on the origin of its components, is as follows:

	Thousand euros	
	2008	**2007**
Hedging derivatives	-	-
Derivatives held for trading	14,986	3,264
Other financial transactions	9,532	404
	24,518	**3,668**

The heading of Other financial transactions to December 31, 2008 includes the extraordinary results obtained from the cost adjustment of certain liabilities (euro 6,605k) and the extraordinary result of financial liabilities cancellation (euro 2,478k).

31. PERSONNEL EXPENSES

The composition of this consolidated income statement heading is as follows in 2008 and 2007:

Thousand euros

	2008	2007
Wages and salaries	12,440	12,596
Staff welfare expenses	2,831	2,603
Other expenses	1,443	1,439
	16,714	**16,638**

The average number of employees at the Group in 2008 and 2007, by professional category and location, was as follows:

Distribution of the average workforce (1)

	Men		Women	
	2008	2007	2008	2007
Management	14	11	7	4
Managers and technicians	83	87	113	112
Administrative staff	14	15	60	60
Support and sundry staff	5	5	3	2
	116	**118**	**183**	**178**

(1) Additional information to the Annual Accounts Report: The section Management 2008 includes personnel from the group's subsidiaries who, in 2007, were assigned to the middle manager and technical specialist section.

Remuneration and other benefits for the General Council

In 2008 and 2007 the Group recorded in the consolidated income statement euro 198k and euro 198k, respectively, in respect of remuneration accrued by the members of the Governing Bodies of the companies that form the Group in respect of wages, per diems and other remuneration. These allowances were paid to the Treasury, according to the applicable regulation law (also in 2007).

Fees collected by the Managing Director and other persons exercising similar functions during the years 2008 and 2007 are as follows:

Year 2008

Number of employees	Salaries and wages		Other wages	Total (1)
	Fixed	Variable		
5	646	137	75	858

Year 2007

Number of employees	Salaries and wages		Other wages	Total
	Fixed	Variable		
5	492	55	80	627

(1) Additional information to the Annual Accounts Report: As compared with 2007, the total amount of remuneration underwent a number of variations. This was due, in the main, to the fact that, unlike in previous years, part of the remuneration corresponding to 2007 but not paid in that year was charged to 2008; and also to the settlements deriving from the withdrawal of two members of the management team.

At December 31, 2008 and 2007 there were no loans granted to the executive members of the Institute's General Council. At December 31, 2008 loans granted under internal regulations on loans to staff, had an outstanding amount of euro 22,502k and the average interest rate was 2.52% (euro 21,487k at 31 December 2007, with an average interest rate of 2.52%).

In addition, at that date no pension or life insurance obligations had been acquired with respect to current or former members of the General Council.

32. OTHER ADMINISTRATIVE EXPENSES

The breakdown of the consolidated balance of this profit and loss account heading is as follows:

Thousand euros

	2008	2007
Buildings, installations and materials	1,222	1,723
Computers	2,757	2,519
Communications	382	362
Advertising and publicity	3,335	3,211
Rates and taxes	4,870	5,446
Other general administrative expenses	9,678	9,178
	22,244	**22,439**

Audit expenses

Audit expenses for the year relating to the Institute, the Group's Parent entity, are borne by the Contracting Body of the Ministry of Finance in accordance with the Law on Contracts with Public Administrations and complementary legislation and are therefore not included in external services in the accompanying consolidated income statement.

The amount invoiced by PricewaterhouseCoopers for the rendering of services other than audit services in 2008 amounted to euro 309k (euro 85k during 2007).

The amount invoiced by PricewaterhouseCoopers for the remaining group entities for the audit services during 2008 amounted to euro 7k, being the amount charged of other provision services of euro 3k.

33. FAIR VALUE

As mentioned above, financial assets are recorded on the balance sheet at fair value, except for credit, loans and discounts and equity instruments whose market value can not be estimated reliably.

In the same way, financial liabilities are recorded on the balance sheet at amortized cost, except those included in the trading portfolio.

Part of the assets recorded under the heading "Credit, loans and discounts" and liabilities recorded under the heading "Financial liabilities at amortized cost" of the balance sheet at December 31, 2008 are variable rate, with annual interest rate revision, so its fair value as a result of the movements of market interest rates is not significantly different from the one recorded in the balance sheet.

Of the total amount recorded under the heading Credit, loans and discounts and financial liabilities at amortized cost, amounting to euro 6,006,308k and euro 273,799k, respectively, at December 31 of 2008 (euro 53,841,951k and euro 211,941k at December 31, 2007) related to assets and liabilities linked to fixed rate. The fair value of these has been obtained using a weighted average maturity and a weighted average rate through which it has proceeded to calculate fair value using a discount flows. The value calculated for these operations to December 31, 2008 and 2007 is as follows:

Thousand euros

	Book value		Fair value	
	2008	**2007**	**2008**	**2007**
ASSETS				
Credits, loans and discounts				
Deposits at credit institutions	3,707,171	3,180,512	3,475,160	2,957,665
Customer loans	2,299,137	2,661,439	2,285,652	2,400,863
LIABILITIES				
Financial liabilities at amortized cost				
Credit institutions deposits	273,799	211,941	315,490	234,775

CONSOLIDATED MANAGEMENT REPORT

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Notes to the consolidated annual accounts and Directors' Report for the year ended 31 December 2008

ICO DIRECTORS' REPORT

FINANCIAL CONTEXT

In 2008, the international financial situation was marked by turbulence and uncertainty in financial markets that caused generalized liquidity issues, solvency problems in some credit institutions (mainly in the USA and UK) and credit restrictions, all of which adversely affected the real economy.

Two phases may be distinguished in the evolution of the European Central Bank (ECB)'s monetary policy during the year. In phase one, which continued well into the third quarter of 2008, the increase in inflation derived from the rise in energy prices in international markets led the ECB to apply a restrictive monetary policy and to increase the reference interest rate in July by 25 basis points to 4.25%, despite the liquidity difficulties observed in the interbank market. However, the strong distortions in the international financial environment resulting from Lehman Brothers' bankruptcy in October 2008 and the reduction in the inflation rate due to the sharp fall in oil prices as from August persuaded the ECB to considerably relax its policy and cut the repo rate from 4.25% in September to 2.50% in December. The extraordinary and coordinated reduction in intervention rates on 10 October 2008 is striking in symbolic terms: the rate was cut 50 bp by the ECB, the Federal Reserve, the Bank of England and the central banks of Canada, Sweden and Switzerland.

However, in October the interbank market was still strained and depo-repo spreads reached maximum levels during the month (the spread between the 3-month Euribor and the 3-month Eonia swap averaged 85 bp in 2008, having risen from 65 bp in January to 109 bp at the end of 2008).

Sovereign debt yields also declined during 2008 in the world's main economies. In Spain, yields on 10-year and 5-year bonds fell from 4.41% and 4.12%, respectively, at the beginning of January 2008 to 3.81% and 2.32% at the year end, while spreads against the benchmark German bond increased (the spread on the 10-year bond rose from 7.7 bp at the start of the year to 87.2 bp at the end of December).

Variable income was not immune to this financial turbulence or to the slump in world economic growth during 2008, particularly with respect to financial and real estate stocks. In Spain, although the Ibex-35 also suffered (having closed the year 39.4% down), it proved more resistant than other international indices (for example, the Eurostoxx-50 fell by 44.4%).

In line with the turbulence and uncertainty in international financial markets, and the deterioration of economic activity throughout the world, 2008 saw a progressive decline in lending, which was more pronounced in Spain than in other countries. In year-on-year terms, the total increase in borrowings in the Spanish economy in 2008 (15.7%) was below 2007 (17.7%), although the rate of growth remained higher than in the Eurozone (7.7% in 2008 and 11.4% in 2007), as in previous years. Similar differences were observed in lending to non-financial companies and households, which rose by 14-6% in Spain and by 8.1% in the Eurozone.

SCOPE OF ACTIVITIES

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".

In the past year, following the instructions and guidelines of the Economic Authorities and the resolutions of its General Council, the ICO once more prioritized funding for companies, focusing partly on SMEs, under the Business Development Plan, and partly on financing investment in infrastructures, strategic activities, renewable energies and the direct internationalisation of Spanish companies. In addition to these programmes, a smaller volume of funds was assigned to stimulate energy efficiency, film making, tourism, public road transport and the acquisition of computer equipment. In the course of its activities as the State's Financial Agency, the ICO also provided credit lines for disaster victims. Financing granted in 2008 totaled euro 14,399,930k.

The maximum limit on the funds that the ICO is allowed to capture each year is stipulated in the annual National Budget Law.

Financial resources are obtained for the fundamental purpose of generating new equity capital and, additionally, to settle liabilities and structure the balance sheet in order to eliminate or minimize implicit liquidity, interest rate and foreign exchange risks. Besides these basic objectives of achieving the necessary and most adequate level of financing, the ICO also seeks to consolidate and extend its investor base. For this reason, the transparency and liquidity of its public issues are always afforded particular attention when designing and executing the ICO's financial programmes.

As in 2007, in 2008 the ICO captured funds mainly through large strategic issues, significantly expanding its scope into other currencies and markets. Issues were launched in eleven different currencies and gross funds obtained during the year, including long-, medium- and short-term issues, valued at the exchange rates prevailing at the transaction dates and excluding funds obtained from the interbank market and from customer deposits, amounted to euro 19,345,640k.

The ICO is required to maintain the same level of regulatory capital as other credit institutions, with the exceptions stipulated in applicable regulations. At year-end 2008, regulatory capital prior to consolidation stood at euro 2,867,345k or 5.41% of total assets. The increase in computable regulatory capital during 2008 is due initially to the implementation of a number of measures stipulated in Additional Provision Forty-Nine of Law 42/2006 on the 2007 National Budget (28 November 2006), which has allowed the Official Credit Institute's capital adequacy ratio to reach 11.19%, above the legal minimum required by the Bank of Spain and the 9.5% figure stipulated in the National Budget Law.

ACTIVITIES

As explained in the previous year's report, on 8 March 2007 the ICO and the company Ahorro y Titulización Sociedad Gestora de Fondos de Titulización (SGFT) created the securitisation fund "ICO Mediación I AyT, FTA", for a total of euro 14,099,000k. The dual objective was to improve the credit quality of the Institute's balance sheet by including financial assets with a higher credit quality and to reduce banking exposure by avoiding the high concentration of risks with financial institutions caused by the considerable volume of loans drawn down on indirect subsidised financing granted.

At 31 December 2008, outstanding bond issues launched by the Asset Securitisation Fund and acquired by the ICO totaled euro 7,084,680k (including adjustments and rated AAA). This amount was supplemented by a syndicated loan of euro 930,000k. Additionally, to improve credit quality, the fund has a credit line of euro 169,000k. Bonds redeemed during the year totaled euro 3,584,600k.

For the purposes of comparison with the previous year and treating the outstanding balance of the bonds acquired by the ICO as loans and receivables, the balance of loans and receivables excluding deposits assigned on the interbank market, after deducting provisions and adjustments, amounted to euro 43,724,306k at 31 December 2008, which is 19.19% up on the figure at 31 December 2007. At year-end 2007 and 2008, net loans and receivables represented 91.98% and 82.85%, respectively, of the ICO's total balance sheet.

The balance of ordinary loans and receivables relating to direct operations with customers, after deducting provisions and adjustments, stood at euro 17,714,424k, while indirect subsidised financing (granted, arranged and transferred to final customers by collaborating banks), including the amounts securitised and represented by the AAA bonds, amounted to euro 25,065,459k. These balances were 31.76% and 15.77% up on 2007, respectively. Special and exceptional loans and receivables, after provisions, granted for "important economic or social reasons" totaled euro 69,397k, which is 34.26% down on the figure at year-end 2007.

At the end of 2008, the balance of the financing granted by the ICO to credit institutions (excluding the above-mentioned indirect lending) stood at euro 2,533,630k, which is 20.66% below the figure for 2007. Of that amount, euro 1,658,604k relates to the sum of deposits assigned on the interbank market (not classed as a lending activity), euro 677,103k relates to operations with BBVA (almost entirely attributable to the refinancing of the amounts granted prior to privatization to the former Official Credit Entities) and the remaining euro 197,923k consists of net loans (after valuation adjustments and country-risk provisions) granted to non-resident credit institutions.

Ordinary loans and receivables as a percentage of total loans and receivables rose from 36.74% at year-end 2007 to 40.51% at year-end 2008, while indirect financing decreased from 59.01% to 57.33% of the total, special and exceptional lending declined from 0.29% to 0.16% and loans to credit institutions fell from 4.04% to 2%, respectively.

The ICO's borrowings consist 96.86% of market financing. The ICO's ordinary financing amounted to euro 43,039,304k, representing an increase of 31.3% on the previous year. Fixed-income securities outstanding (debentures, bonds and notes) totaled euro 39,345,358k and funds received from credit institutions (European Investment Bank, other banks and interbank funds) amounted to euro 1,109,771k, having increased by 35.42% and 4.66%, respectively, with respect to 2007 figures. Customer deposits, consisting almost entirely of deposits held at call, totaled euro 2,584,175k, which is 3.06% down on 2007.

RISK MANAGEMENT POLICY

The Institute's management of credit risk, liquidity risk, market risk and operational risk is described in the relevant note to the Consolidated Annual Accounts.

RESULTS

Bank of Spain Circular 6/2008 (26 November) amended Circular 4/2004 on public and reserved financial reporting and model financial statements. Under Circular 6/2008, the net interest margin (formerly net interest income) no longer includes yields from equity instruments, which are included in the new gross margin (formerly the ordinary margin). The gross margin also includes other operating income and expenses. The caption Results from operating activities (formerly the net operating margin) includes net provisioning expense and impairment losses on financial assets forming part of the business activity.

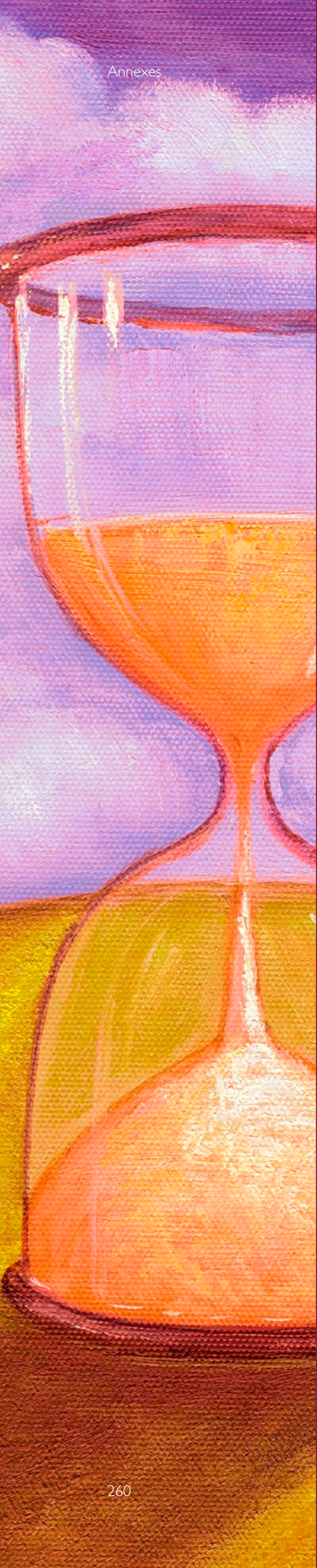
The net interest margin obtained by the ICO in 2008 totaled €294,897k, representing an increase of 42.26% on 2007, which is explained by the growth in lending and the increase in lending margins and in funds captured in markets. The ratio of net interest income to average total assets stood at 0.64%. The gross margin totaled €349,929k and results from operating activities amounted to €121,914k, representing annual increases of 53.39% and 13.12%, respectively.

The net aggregate value of asset impairment (provisioning expense and other gains and losses) totaled €186,819k. Profit for the year before income tax amounted to €121,844k and net profit for the year totaled €88,723k, which is 7.75% up on 2007. The ratio of profit after tax to average total assets amounted to 0.19% and 0.21%, respectively in 2008 and 2007.

EVENTS AFTER THE BALANCE SHEET DATE

As occurred in previous years, the 2009 National Budget Law includes budget item 15.16.931M.871 in the amount of euro 140,000k to increase the Institute's regulatory capital.

As from the third quarter, due to the international financial crisis and in the 2009 crisis scenario, the Institute, as the State's Financial Agency, will focus on the execution of measures to alleviate the impact of the crisis. At the reporting date, the Spanish Plan to Stimulate the Economy and Employment has already been implemented. Under this plan, the Institute is implementing measures to provide financing through new credit facilities.



ANNEXES

INSTITUTO DE CRÉDITO OFICIAL
AND SUBSIDIARIES

Notes to the consolidated annual accounts and Directors' Report for the year ended 31 December 2008

APPENDIX I. SHAREHOLDING 12.31.2008 AND 12.31.2007 (DIRECT AND INDIRECT)

The relevant information to the shareholding in associate and dependent entities on December 31, 2008 and 2007 is as follows:

At December 31, 2008

Thousands euros and percentages

Associated entities	Address	Activity	Direct	Indirectly	Total	Gross	Impairment	Net	Assets	Net equity	Profit/loss
CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana, 151. Madrid	Release of guarantee operations provided by the SS.GG.RR.	23.49%	-	23.49%	18.746	-	18.746	221.270	68.702	-
COFIDES, Compañía Española Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132. Madrid	Financial support to private projects with Spanish interest carried out in developing countries	25.25%	-	25.25%	10,522	-	10,522	67,181	50,471	2,223
EFC2E GESTION S.L.	Paseo del Prado, 4. Madrid	Asset management	50.00%	-	50.00%	2	-	2	1,202	751	747
Arrendadora Aeronáutica AIE	Paseo de la Castellana, 189. Madrid	Purchase and leasing of aircraft	17.21%	-	17.21%	16,495	(2,766)	13,729	477,674	17,449	(7,280)
Aviones Portacoli CRJ-200 AIE	Gran Vía. Madrid	Joined activities for air transportation at airports	25%	-	25%	888	(94)	795	17,826	3,249	73
Aviones Turia CRJ-200 I AIE	-	Joined activities for air transportation at airports	25%	-	25%	888	(112)	777	17,934	3,247	72
Aviones Carraixet CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	888	(112)	777	17,978	3,247	72
Aviones Alfambra CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,123	(239)	884	32,103	3,536	(854)
Aviones Gabriel CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,123	(239)	884	32,131	3,536	(854)
Aviones Gorgos CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,123	(241)	883	32,214	3,530	(858)
Aviones Sella CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,123	(241)	883	32,242	3,533	(855)
Naviera Calliope AIE	-	Purchase and leasing of ships	13.19%	-	13.19%	1	(804)	(803)	298,153	(6,353)	(6,357)
Naviera Attile AIE	-	Purchase and leasing of ships	12.58%	-	12.58%	38	(136)	(98)	55,113	10,902	(990)
Naviera Electra AIE	-	Purchase and leasing of ships	12.60%	-	12.60%	38	(137)	(99)	54,395	10,912	(988)

APPENDIX I. SHAREHOLDING 12.31.2008 AND 12.31.2007 (DIRECT AND INDIRECT)

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At December 31, 2008

Thousands euros and percentages

Associated entities	Address	Activity	Direct	Indirect	Total	Gross	Impairment	Net	Assets	Net equity	Profit/loss
Naviera Lakme AIE	-	Purchase and leasing of ships	15.12%	-	15.12%	-	(391)	(391)	145,019	30,579	(2,485)
Naviera Alcione I AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(28)	(27)	13,560	(359)	(362)
Naviera Alcione II AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(52)	(51)	13,546	(359)	(362)
Naviera Alcione III AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(75)	(74)	13,531	(358)	(361)
Naviera Alcione IV AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(96)	(95)	13,556	(363)	(366)
Naviera Nadela AIE	-	Purchase and leasing of ships	16.70%	-	16.70%	672	(231)	441	8,119	(1,379)	(1,379)
Naviera Atios AIE	-	Purchase and leasing of ships	16.70%	-	16.70%	604	(191)	413	7,610	(1,140)	(1,140)
Naviera Moaña AIE	-	Purchase and leasing of ships	16.70%	-	16.70%	722	(243)	479	8,719	(1,452)	(1,452)
Naviera Poppea AIE	-	Purchase and leasing of ships	20%	-	20%	32	(237)	(205)	67,764	13,370	(1,623)
Naviera Kuriles AIE	-	Purchase and leasing of ships	3.77%	-	3.77%	-	-	-			
Naviera Sollube AIE	-	Purchase and leasing of ships	49%	-	49%	**52**	**-**	**52**			
						55,088	(6,665)	48,424			
		Reserves of entities by shareholding						(4,393)			
		Income of entities by shareholding (Note 28)						(1,629)			
		Differences in first application						128			
		Shareholding (Note 13)						**42,600**			
Associated entities											
AXIS Participaciones Empresariales Sociedad											
Gestora de Entidades de Capital Riesgo, S.A.	Los Madrazo, 38 . Madrid	Financial investments	100.00%	-	100.00%	1,940	-	1,940			

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At December 31, 2007

Thousands euros and percentages

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CERSA, Compañía Española de Reafianzamiento, S.A.	Paseo de la Castellana, 151. Madrid	Release of guarantee operations provided by the SS.GG.RR.	23.81%	-	23.81%	15,921	-	15,921	221,270	68,702	-
COFIDES, Compañía Española de Financiación del Desarrollo, S.A.	Príncipe De Vergara, 132. Madrid	Financial support to private projects with Spanish interest carried out in developing countries	25.25%	-	25.25%	10,525	-	10,525	67,181	50,471	2,223
EFC2E GESTION S.L.	Paseo del Prado, 4. Madrid	Asset management	50.00%	-	50.00%	2	-	2	1,202	751	747
Arrendadora Aeronáutica AIE	Paseo de la Castellana, 189. Madrid	Purchase and leasing of aircraft	17.21%	-	17.21%	5,767	(5,500)	267	477,674	17,449	(7,280)
Aviones Portacoli CRJ-200 AIE	Gran Vía. Madrid	Joined activities for air transportation at airports	25%	-	25%	887	(94)	793	17,826	3,249	73
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Aviones Gabriel CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,097	-	1,097	32,131	3,536	(854)
Aviones Gorgos CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,097	-	1,097	32,214	3,530	(858)
Aviones Sella CRJ – 200 AIE	-	Joined activities for air transportation at airports	25%	-	25%	1,097	-	1,097	32,242	3,533	(855)
Naviera Calliope AIE	-	Purchase and leasing of ships	13%	-	13%	1	(826)	(825)	298,153	(6,353)	(6,357)
Naviera Attile AIE	-	Purchase and leasing of ships	12.58%	-	12.58%	38	(125)	(87)	55,113	10,902	(990)
Naviera Electra AIE	-	Purchase and leasing of ships	12.60%	-	12.60%	38	(125)	(87)	54,395	10,912	(988)

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At December 31, 2007

Thousands euros and percentages

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Naviera Lakme AIE	-	Purchase and leasing of ships	15.12%	-	15.12%	-	(377)	(377)	145,019	30,579	(2,485)
Naviera Alcione I AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(73)	(72)	13,560	(359)	(362)
Naviera Alcione II AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(74)	(73)	13,546	(359)	(362)
Naviera Alcione III AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(73)	(72)	13,531	(358)	(361)
Naviera Alcione IV AIE	-	Purchase and leasing of ships	20.30%	-	20.30%	1	(74)	(73)	13,556	(363)	(366)
Naviera Nadela AIE	-	Purchase and leasing of ships	16.70%	-	16.70%	-	(230)	(230)	8,119	(1,379)	(1,379)
Naviera Atios AIE	-	Purchase and leasing of ships	16.70%	-	16.70%	605	(190)	415	7,610	(1,140)	(1,140)
Naviera Moaña AIE	-	Purchase and leasing of ships	16.70%	-	16.70%	-	(242)	(242)	8,719	(1,452)	(1,452)
Naviera Poppea AIE	-	Purchase and leasing of ships	20%	-	20%	**-**	**(326)**	**(326)**	67,764	13,370	(1,623)
						39,949	**(8,517)**	**31,433**			
		Reserves of entities by shareholding						297			
		Income of entities by shareholding (Note 28)						(3,709)			
		Differences in first application						198			
		Shareholdings (Note 13)						28,219			
Dependent Entities											
AXIS Participaciones Empresariales Sociedad Gestora	Los Madrazo, 38. Madrid	Financial investments	100.00%	-	100.00%	1,940	-	1,940			

Instituto de Crédito Oficial

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