

Independent Audit Report

**INSTITUTO DE CRÉDITO OFICIAL AND SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended December 31, 2016**

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the General Board of Insituto de Crédito Oficial:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Instituto de Crédito Oficial (the parent company or the Institute) and its subsidiaries (the Group), which comprise consolidated balance sheet at December 31, 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

Responsibility of the President of the Institute for the consolidated financial statements

The President of the Institute is responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of Instituto de Crédito Oficial and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, identified in Note 1.2 to the accompanying consolidated financial statements, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit requires performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Instituto de Crédito Oficial and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions in the regulatory framework for financial information applicable in Spain.

Other matters

Article 168 of the General Budgetary Law 47/2003 gives the General Intervention Board of the State Administration (IGAE) the attribution to conduct the audit of the consolidated financial statements of Instituto de Crédito Oficial, and the subsequent issuance of the auditor's report, according to the Audit Standards of the Public Sector in Spain. The contract signed between Ernst & Young, S.L. and the Ministry of Finance and Public Administrations to collaborate with IGAE in conducting the audit of the consolidated financial statements of the Institute addresses the issuance of this auditor's report using the generally accepted auditing standards in Spain, and the provisions included therein.

Report on other legal and regulatory requirements

The accompanying consolidated 2016 management report contains such explanations as the President of the Institute considers appropriate concerning the situation of the Group, the evolution of its business and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the 2016 consolidated financial statements. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of Instituto de Crédito Oficial and its subsidiaries.

ERNST & YOUNG, S.L.

(signature on the original report in Spanish)

Francisco J. Fuentes García

March 28, 2017