

## ICO becomes the first Spanish issuer to launch a public social bond designed to alleviate the economic impact of COVID-19

Instituto de Crédito Oficial – ICO – has launched a social bond issue in the amount of **500 million euros** to finance the operations of the self-employed, SMEs and companies that suffer the social and economic impact of the **COVID-19 pandemic**, through second-floor facilities, direct financing programmes and the funds managed by AXIS, its venture capital subsidiary.

The transaction recorded the **highest over-subscription** for an ICO bond operation, with a demand of **over 3,500 million euros, more than 7 times the transaction amount**. 64% of the issue was placed among socially responsible investors (SRI), which highlights the investors' interest in this type of issues, in which ICO is an international reference.

This was the eighth sustainable bond issue (seven social and one green), which positions ICO among the leaders in this market at the European level with a volume issued of over 4,050 million euros. In accordance with the commitment to transparency made to investors, ICO distributes an impact report one year after the launch of each social bond issue.

In April 2020, ICO updated the framework for issuing social bonds to expand its scope. The updated framework allows ICO to go a step further by focusing on other categories and additional social and economic needs.



## The Spanish Government activates the 5<sup>th</sup> section of the COVID-19 Guarantee Line managed by ICO

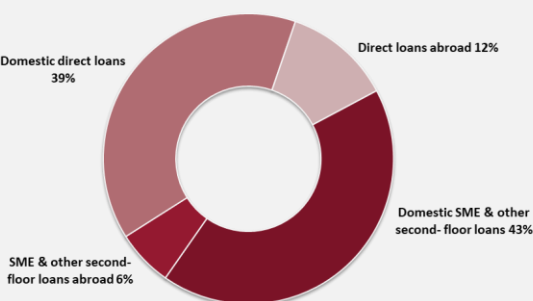
The up to EUR 100 million Guarantee Line was launched in March and, as at June 15<sup>th</sup>, 565,118 loans have been granted, amounting to EUR 69,024 million, 52,762 of which are guaranteed by the Government. Its main features are as follows:

- 74% of the loans have been granted to either self-employed or micro SMEs with less than 10 employees
- Tourism, leisure and culture sectors register the highest number of loans granted
- Madrid and Catalonia are the autonomous communities with the highest number of guaranteed operations (around 20% each)
- 86% of the approved operations are new credit operations, with an average term of almost five years

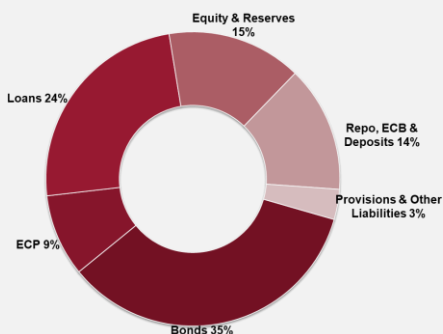
The 5<sup>th</sup> and last section was approved on 16<sup>th</sup> June and has a budget of 15.5bn of which 7.5bn are reserved for SMEs and self-employed. Also, 2.5bn are set aside for the tourism sector and a specific section of 500m is reserved for the automotive sector.

## ICO in figures

### Loan Portfolio as at 31/03/2020



### Liabilities breakdown as at 31/03/2020



### Financial Highlights

	2016	2017	2018	2019	31/03/2020
<b>Total assets</b> (Mill. EUR)	48,851	42,186	36,237	31,823	34,721
<b>Equity &amp; reserves</b> <sup>(1)</sup> (Mill. EUR)	5,222	5,295	5,246	5,257	5,257
<b>Pre-tax profit</b> (Mill. EUR)	448.1	145.99	112.91	149.25	89.49
<b>Net interest income</b> (Mill. EUR)	25.59	-69.11	-96.54	-28.06	-10.63
<b>Gross revenue</b> (Mill. EUR)	-68.8	15.92	55.23	90.53	7.2
<b>Profitability ROA</b>	0.81%	0.32%	0.28%	0.44%	1.13%
<b>Tier I Ratio</b>	29.44%	32.86%	40.54%	41.11%	37.49%
<b>Non-Performing Loans</b>					
Direct Loans	10.48%	9.00%	6.31%	4.72%	4.53%
Total loans incl. second floor loans	4.84%	4.15%	3.19%	2.43%	2.35%
Provision coverage ratio	114%	121%	154%	168%	169%
<b>Efficiency</b>					
Ordinary Expenditure/ATA	0.07%	0.09%	0.10%	0.12%	0.14%

(1) Eligible capital for solvency purposes.

Source: ICO  
2020 unaudited figures



# Investor Newsletter

June 2020

## Funding Policy for 2020

- Expected funding needs: around EUR 5 bn.\*
- EUR benchmark transactions
- Preference for short to medium maturities
- Promotion of the sustainability bond market: further issuance of Social and Green Bonds

\* Subject to potential adjustments depending on the new activities that ICO may have to carry out to alleviate the economic effects of Covid-19 pandemic

## Funding activity

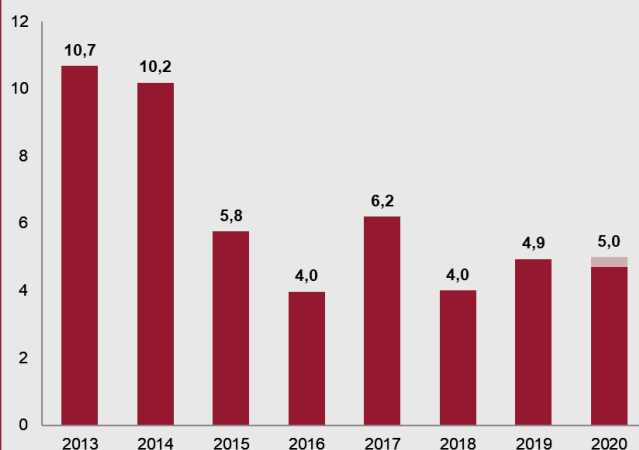
ICO enjoys the **guarantee** from the Kingdom of Spain which is defined in its bylaws as:

**Explicit  
Irrevocable  
Unconditional  
Direct**

### Long and short term ICO's ratings

Agency	LT Rating	ST Rating
DBRS	A / stable	R-1 (low)
Fitch Ratings	A- / stable	F1
Moody's	Baa1 / stable	P-2
S&P	A / stable	A-1

### Funding Activity (EUR bn.) 4.7 bn. raised as at 5<sup>th</sup> June 2020



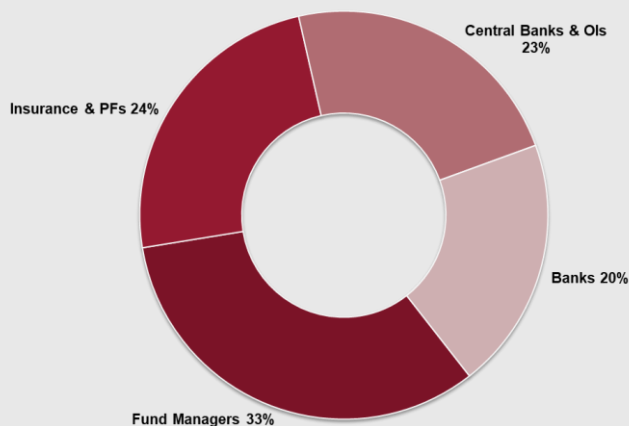
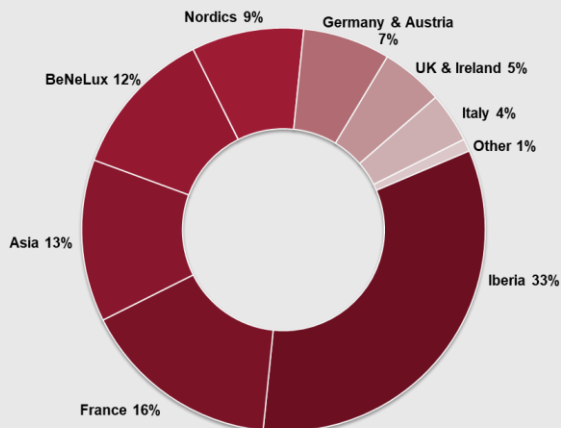
**ICO's 2020 expected funding needs are around EUR 5 bn.\***

\*subject to potential adjustments depending on the new activities that ICO may have to carry out to alleviate the economic effects of Covid-19 pandemic

### By region

### COVID-19 Social Bond (latest benchmark transaction)

### By investor type



**Spanish Economy: latest figures and comments**

**Recent macro developments**

The COVID-19 crisis has drastically altered the outlook for the Spanish economy as well as for the rest of the European countries and for the global economy. According to the Spanish Statistical Office, in the first quarter of 2020 the Spanish GDP registered a variation of -5.2% with respect to the previous quarter. This rate was 5.6 points lower than that recorded for the fourth quarter due to the strong impact caused by the strict confinement measures put in place in Spain in response to the outbreak of the COVID-19 pandemic. The year-on-year GDP rate decreased to -4.1% from +1.8% yoy in the previous quarter, showing a severe decline of the contribution of domestic demand to -4.3 pp, while the external demand registered a positive contribution of 0.2 pp. Such an unprecedented contraction in economic activity is in line with the drop in output observed in other European economies in this period.

In terms of employment, according to the latest Labour Force Survey, unemployment rate increased to 14.41% of the active population in the 1st quarter of 2020 from 13.78% in the 4th quarter of 2019 but stood below the rate registered one year ago (14.7%).

The Government macroeconomic scenario for 2020 and 2021 in the context of the 2020 Spanish Stability Programme forecasts a GDP drop of -9.2% in 2020 followed by a strong rebound in 2021 (+6.8%) as activity gradually resumes in the second half of 2020. These estimates are consistent with the European Commission's spring 2020 forecast for Spain (-9.4% and +7.0% in 2020 and 2021, respectively).

**Spanish Government response to the crisis in line with European Commission's recommendations**

The Spanish Government has carried out various packages of measures focused on supporting companies, health and social services. In particular, the Government has approved an up to EUR 100bn guarantee line managed by ICO. In addition, the use of temporary ways of employment adjustment has been facilitated, with a view to avoid job losses and support household's income, among other measures such as the support to meet payment obligations or the approval of a guaranteed minimum income scheme. These measures go hand in hand with specific aid for SMEs and self-employed workers (deferral of tax payments, reductions of social security contributions and state guarantees).

All these policies are in line with the European Commission's recommendations in the light of its assessment of the 2020 Spanish National Reform Programme and Stability Programme. These recommendations take into account the need to tackle the pandemic, sustain the economy and support the following recovery, pursuing prudent medium-term fiscal positions and debt sustainability. Supporting employment, reinforcing unemployment protection and improving coverage and adequacy of minimum income schemes are priorities for the Commission as well as providing liquidity to small and medium-sized enterprises and the self-employed, all of which are measures currently implemented by the Spanish Government.



Source: INE

MAIN FEATURES OF SPANISH ECONOMY- Spanish Government's April 2020 projections

	2019	2020	2021
GDP real (% change)	2.0	-9.2	6.8
Private Consumption Expenditure	1.1	-8.8	4.7
Government Consumption Expenditure	2.3	2.5	1.8
Gross Fixed Capital Formation	1.8	-25.5	16.7
Exports	2.6	-27.1	11.6
Imports	1.2	-31.0	9.3
GDP nominal (% change)	3.6	-10.1	8.7
Employment (worked hours)	1.5	-9.7	5.7
Unemployment rate: % labour force	14.1	19.0	17.2
General government balance	-2.8	-10.3	-
General government gross debt	95.5	115.5	-

Contact us

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