



Institut Català  
de Finances

# 2018 ANNUAL REPORT



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# 01

## Letter from the CEO

In 2018, the ICF continued to drive funding into the business fabric of Catalonia, contributing towards growth and innovation in the Catalan economy. As a public investment bank, our mission is to finance and invest in company projects and entities that facilitate sustainable and responsible development, with a commitment to talent, internationalisation and digitisation.

With respect to the economic environment, the global economy closed the year with a solid growth rate of 3.7%, despite trade, geopolitical and macroeconomic tensions that continue to occupy the attention of the markets this year. In this scenario, the eurozone experienced slightly less growth than expected, mainly due to decreased export activity.

However, the Catalan economy saw its fifth consecutive year of growth, with a 2.6% increase in 2018, 8 percentage points more than the eurozone. This growth is less than previous years due to external factors: decelerated global trade, uncertainty on the world stage and the progressive weakening of the ECB's monetary stimulus. Meanwhile, in the work market, unemployment is at 11.5%, the lowest rate in 10 years, and almost two percentage points less than the previous year.

The ICF and Avalis have continued to contribute to this growth by financing business projects related to innovation and internationalisation, among other things. I would also like to emphasise the launch of new socially-responsible



**Josep-Ramon  
Sanromà Celma**  
Conseller delegat

## Letter from the CEO

lines of credit with high added value for society, such as the loans for building and purchasing rent-controlled housing, or loans for green, energy-efficient and circular economy projects.

Throughout the year, the ICF Group/Avalis boosted funding, through loans and guarantees, to more than 1,500 companies and organisations, amount to 599.2 million euros. We are aware of our role as a public financial institution serving the country's business fabric. For this reason, we have been striving to reach more companies and organisations. In fact, in 2018, the number of companies financed increased 27% compared with 2017. 96% of these were SMEs and entrepreneurs, in accordance with the volume that this segment represents in the Catalan economy.

Along with loans and guarantees, venture capital business is another avenue through which the ICF Group facilitates access to funding for Catalan businesses, fostering growth and the creation of innovative companies. Currently, the ICF has investment commitments in a venture capital fund valued at 167 million euros - 6% more than in 2017 - through 33 different instruments, and €37,6M in direct investment.

As for the main financial indicators, and in line with the previous year and forecasts, the ICF closed the year once again with positive results. The historically prudent credit risk management policy, with high level coverage,

together with the recovery of failed assets, have allowed the ICF to adapt itself to an increasingly demanding regulatory environment in terms of coverage for credit risk. Meanwhile, it was able to offset the reduction in the interest margin, which came from the expected drop in the balance sheet.

2018 was also characterised by a digital transformation strategy, both internally and externally, with a view to adapt ourselves to our customers, listening to their needs and adjusting our processes and products to offer them the best financing solution. With this conviction, this year we have initiated a key process to incorporate digital tools, procedures and applications, to improve the experience of both our current and future customers.

This innovation processes and the figures achieved would not have been possible without the commitment, professionalism, effort and constant drive for improvement of the ICF team, as well as the members of the company's different governing bodies. Thank you, because the work you carry out each days means that we can continue consolidating the ICF as a benchmark in public banking.

Together, we will continue working to strengthen the sustainable growth of the Catalan economy.

# 02

## 2018 Key figures

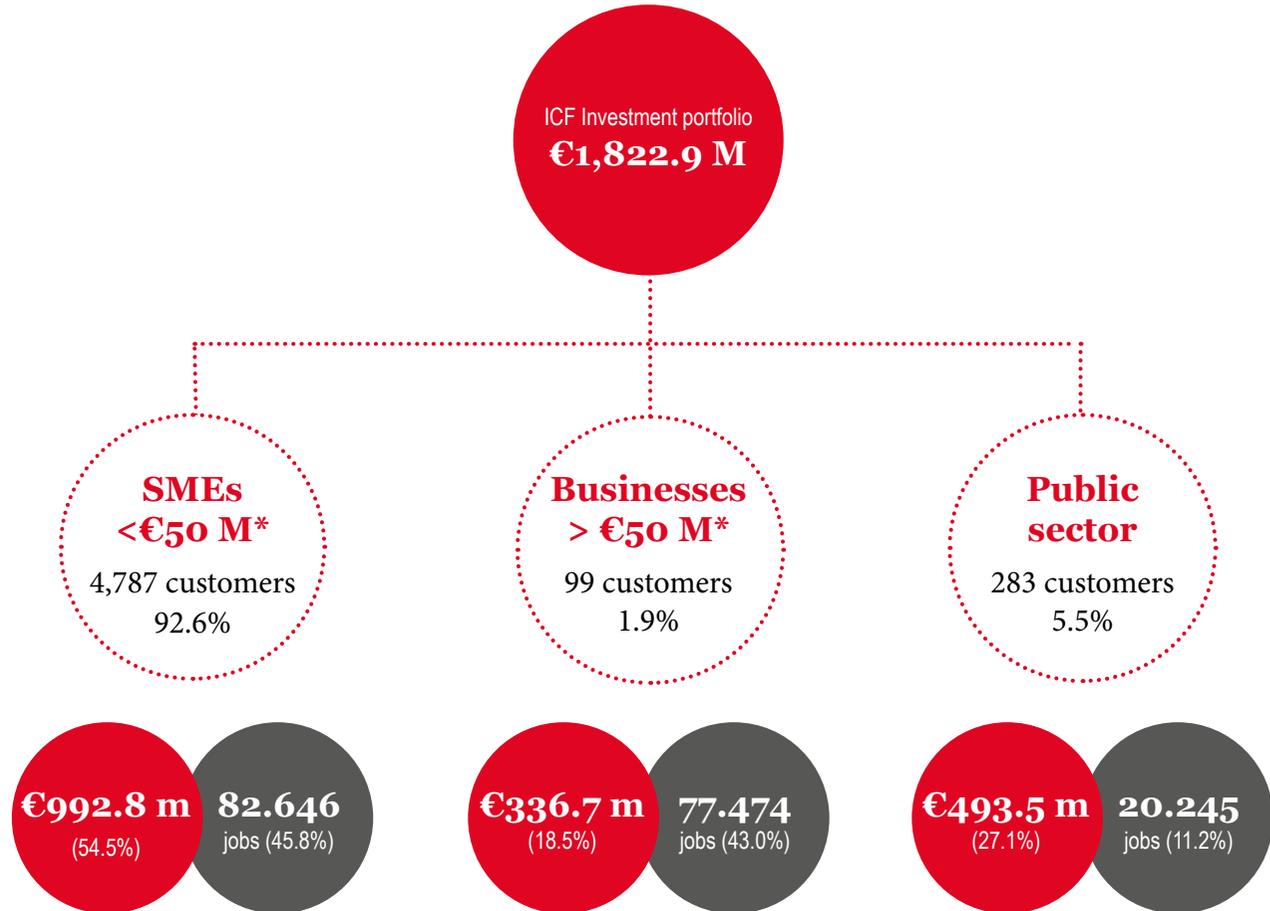
### Key financial indicators of the ICF Group



**2018 Key figures**

*Portfolio of investment in loans and guarantees*

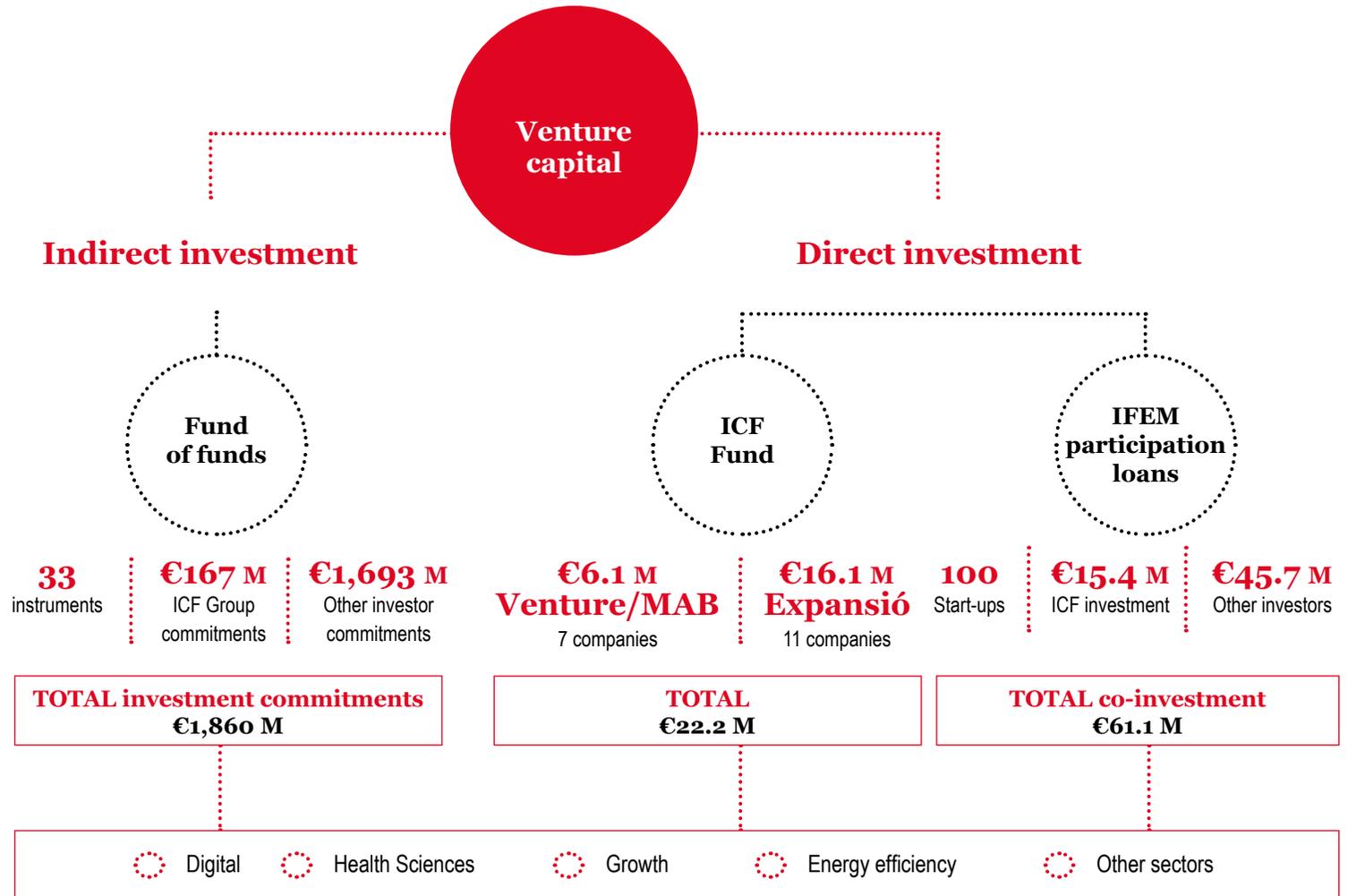
Data as of 31/12/2018



**2018 Key figures**

**Portfolio  
 in Venture  
 Capital**

Data as of 31/12/2018



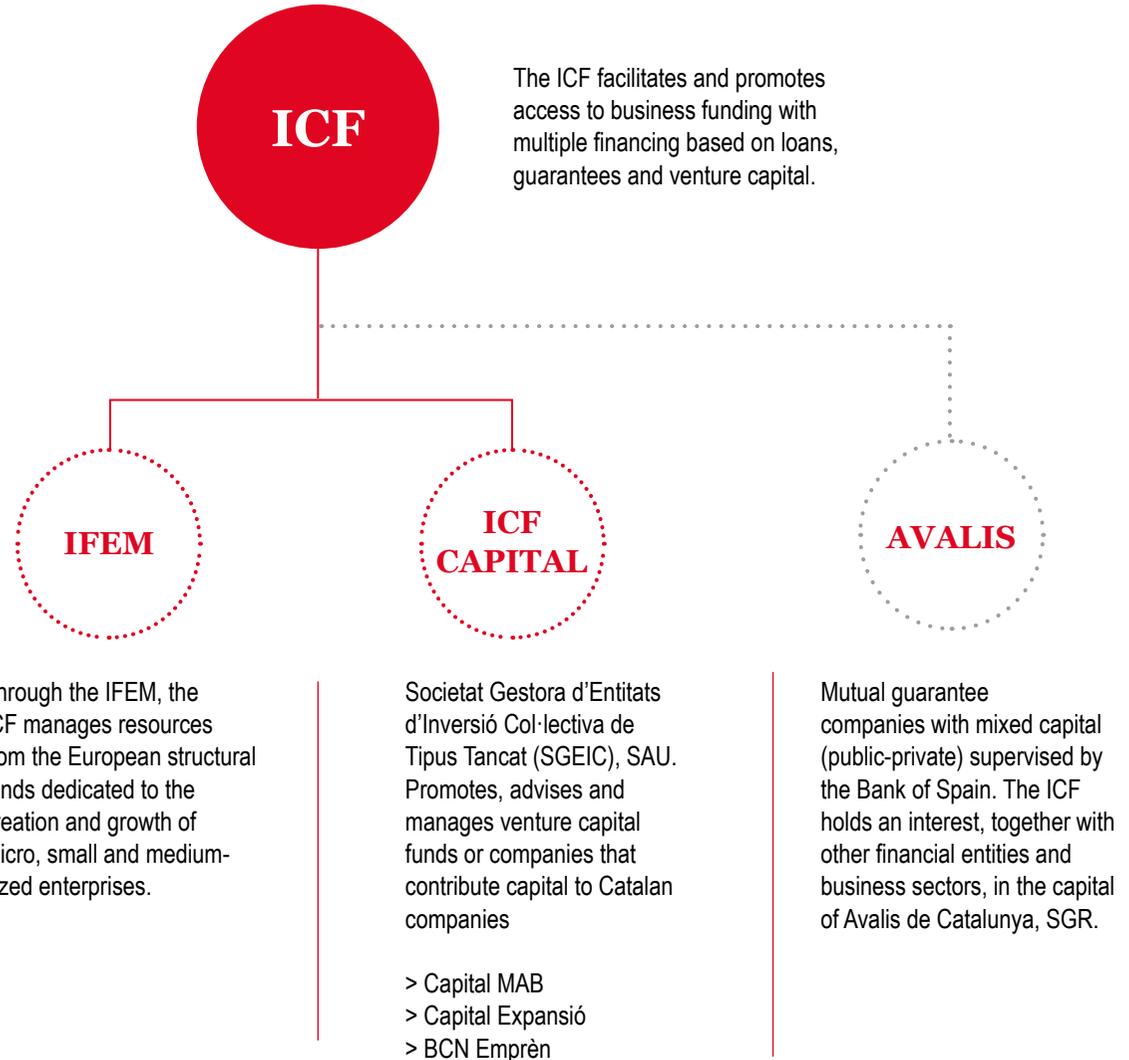
# 03

## About us

### Structure of the ICF Group/Avalis

The ICF is the public financial institution of Catalonia, founded in 1985 and owned by the Generalitat de Catalunya. Its mission is to drive funding into the economic fabric of the region to contribute to the growth and sustainability of the Catalan economy. In this regard, the ICF plays a complementary and alternative role to the private financial sector.

Through multiple funding solutions, the ICF offers a range of products and services to SMEs, large enterprises, social organisations and entrepreneurs, to consolidate their products, help them grow, internationalise their work, innovate and/or initiate new business goals.



## About us

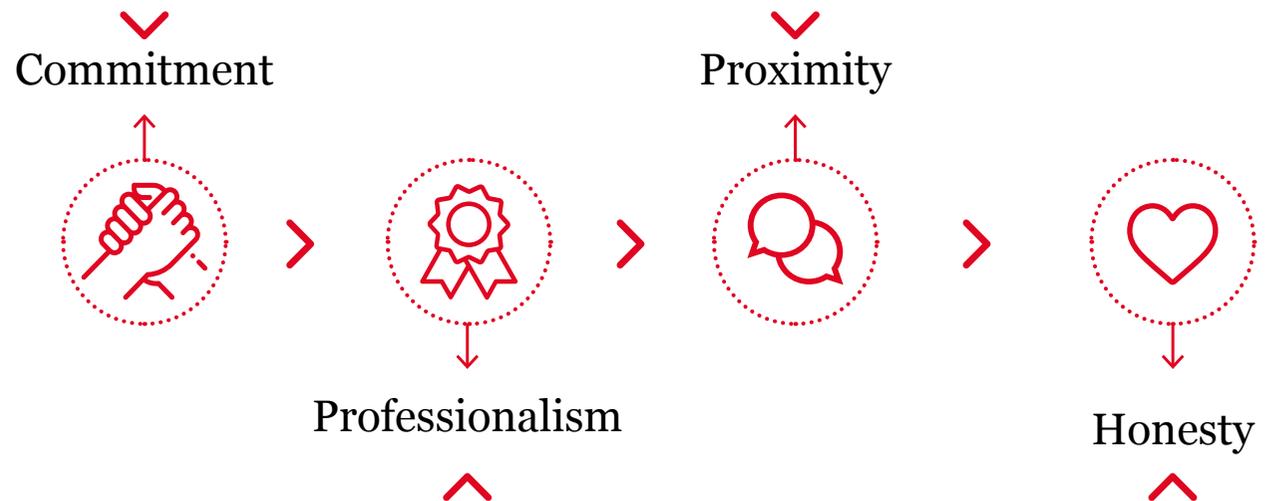
# Mission and Values

The mission of the ICF is to drive funding into the economic fabric of the region to contribute to the growth, innovation and sustainability of Catalonia.

In this regard, the entity is a key tool in facilitating the credit for SMEs and organisations, offering alternative funding and acting as a complement to private banks and

investors. The ICF assists companies and organisations throughout their lifecycle, from the initial stages through to expansion and consolidation, generating value and a positive impact that benefits the whole of society. It works closely alongside its customers, actively listening to them to provide solutions that suit their needs.

## *The ICF assists companies and organisations throughout their lifecycle*



## About us

# Legal framework

The ICF is an entity with its own legal personality whose activity is subject to private legislation. The ICF raises funds for its activities chiefly in the national and international markets via bank credit and debt issuances.

It is categorised by the Bank of Spain as a non-monetary financial institution and ratified by EUROSTAT as a financial institution outside the SEC perimeter, which is why it does not add any deficit or debt to the Generalitat of Catalonia. It has its own capital and liquid assets and functions autonomously in organic, financial, capital, functional and management terms, fully independent of the public administrations and subject to its own legislation, the Statute of Catalan public companies and other legislation, without prejudice to its activities meeting the standards of private law applicable thereto.

The ICF is regulated by Legislative Decree 4/2002, of 24 December, which approves the amended text of the ICF Act of 14 January 1985, subsequently modified on a number of occasions, with the most recent changes being made by Decree Laws 2/2015, of 28 July, and 4/2015, of 29 December, and by Act 5/2017, of 28 March on tax, administrative, financial and public sector measures.

Regarding its regulatory framework, article 1, section 4, of Legislative Decree 4/2002, in the wording given by Decree Law 2/2015, establishes that the ICF is subject to the specific regulations for credit entities and, therefore, is only subject to basic regulations and to those issued by the regulatory bodies of the European Union that apply to them, taking into account their special activity and nature. The Catalan law on annual budgets establishes, where appropriate, appropriations to the entity's equity fund and the annual maximum lending limit to which the ICF can commit.

*The ICF is an entity with its own legal personality whose activity is subject to private legislation.*

## About us

### *Legal framework*



*The ICF records its economic movements and presents its financial statements in accordance with the regulations established for credit institutions.*

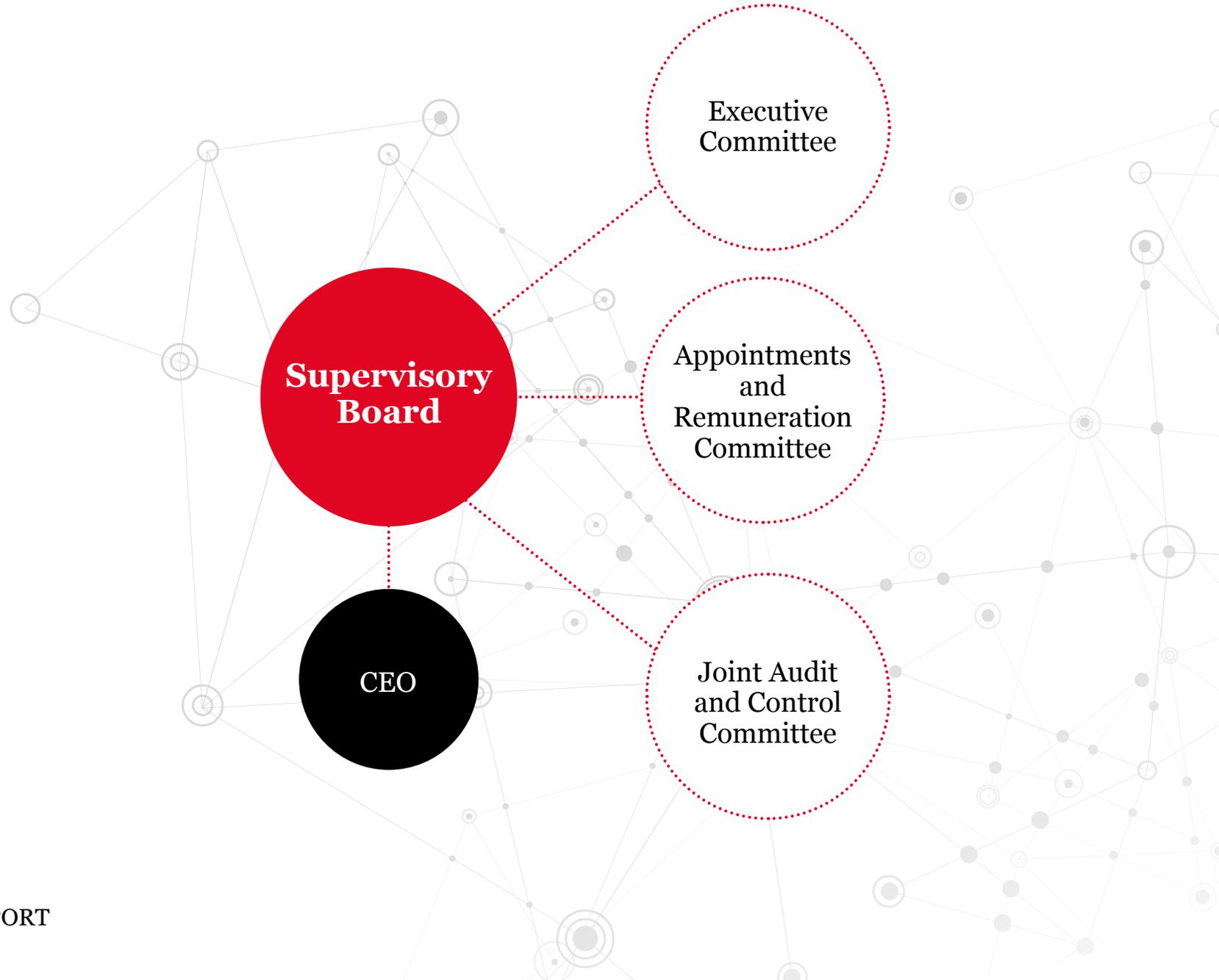
The institution's internal governance, structure, procedure and operations are in accordance with the criteria set by the European banking regulations (Directive 2013/36/EU, Regulation 575/2013 and Basel III) and national regulations (Act 10/2014, of 26 June, on the Planning, Supervision and Solvency of Credit Institutions and Royal Decree 84/2015, implementing Act 10/2014).

The ICF has also applied these regulations in the calculation of the solvency rate and in risk control, monitoring the degree of compliance with the established regulatory limits. Likewise, the ICF records its economic movements and presents its financial statements in accordance with the regulations established for credit institutions.

**About us**

# Corporate governance

The governing bodies of the ICF are formed of a majority of independent board members, in accordance with the European regulations for credit institutions.



## About us

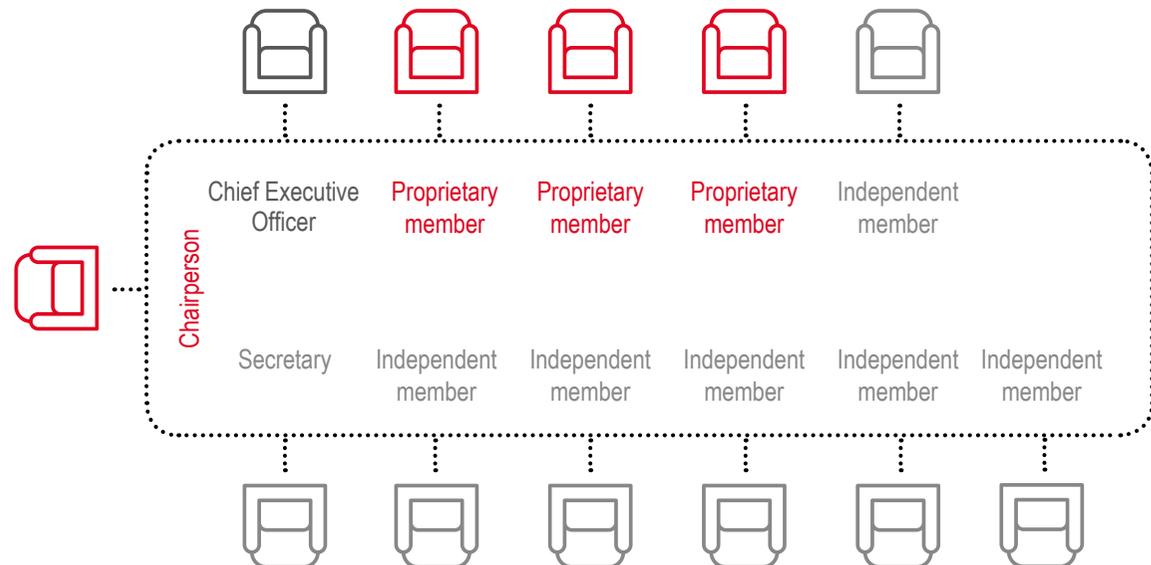
### Corporate governance

## Supervisory Board

The Institute's highest decision-making body is the **Supervisory Board** (Board of Directors), which makes the essential strategic decisions about its activity. Its functions include seeking the approval of the Government of the Generalitat—the owner of the entity—of its budget proposals, annual report, balance sheet and accounts, the proposed application of profits, decision making regarding

the organisation, operations and legal relations, and supervising the actions of the rest of the entity's boards.

The Supervisory Board is made up of the Chairperson, the Chief Executive Officer, a non-member Secretary, and between five and ten members. There is a majority of independent members.



## About us

### *Corporate governance*

## Delegate committees

The Board, in accordance with law, can create commissions and committees to which it delegates the powers to approve and modify specifically delegated investment and credit operations. Thus, the **Executive Committee** is the body responsible for approving and modifying credit operations and investments in capital instruments, as well as the creating and defining credit products.

Since 2014, in the specific area of governance and in accordance with Act 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions, the ICF has delegates on the **Appointments and Remuneration Committee** and the **Joint Audit and Control Committee**, specific positions reporting directly to the maximum governing body of the entity. Both committees are formed exclusively of independent directors appointed by the Supervisory Board.

The **Appointments and Remuneration Committee** has the authority to analyse, validate and make proposals to the Supervisory Board regarding matters relating to appointments—repute, suitability, etc.—and remuneration of the members of the governing bodies of the entity and of key personnel.

The **Joint Audit and Control Committee** is in charge of planning and monitoring the auditing, both internal and external, of global risk control, regulatory compliance and internal control.

## Chief Executive Officer

The Government of the Generalitat appoints the Chief Executive Officer, at the proposal of the head of the economy and finance department, subject to evaluation by the entity's Appointments and Remuneration Committee. This person is responsible for the ordinary and extraordinary representation of the ICF in all areas and circumstances.

Josep-Ramon Sanromà i Celma has been the CEO of the ICF since 22 February 2011.

## Governing bodies of ICF subsidiaries: ICF Capital and IFEM

The two subsidiaries of the ICF (ICF Capital and IFEM) have their own Boards of Directors, which are their maximum governing bodies and responsible for the company's administration and management.

## About us

# Governing and Management Bodies of the ICF Group

Data as of 31/12/2018

## Supervisory Board

Albert Castellanos Maduell	Chairperson (proprietary)
Josep-Ramon Sanromà Celma	CEO (executive)
Joan Roca Sagarra	Secretary (non-member)
Rafael Abella Martín	Member (independent)
Francesc Casas Selvas	Member (independent)
Mercedes Domingo Piera	Member (independent)
Ester Obach Medrano	Member (proprietary)
José Luis Peydró	Member (independent)
Virginia Verger Casasnovas	Member (independent)
Matilde Villarroya Martínez	Member (proprietary)

## Executive Committee

Josep-Ramon Sanromà Celma	Chairman (executive)
Joan Roca Sagarra	Secretary (non-member)
Francesc Casas Selvas	Member
Mercedes Domingo Piera	Member

## Joint Audit and Control Committee

Rafael Abella Martín	Chairperson
Virginia Verger Casasnovas	Member and secretary
José Luis Peydró	Member

## Appointments and Remuneration Committee

Mercedes Domingo Piera	Chairperson
Francesc Casas Selvas	Member and secretary

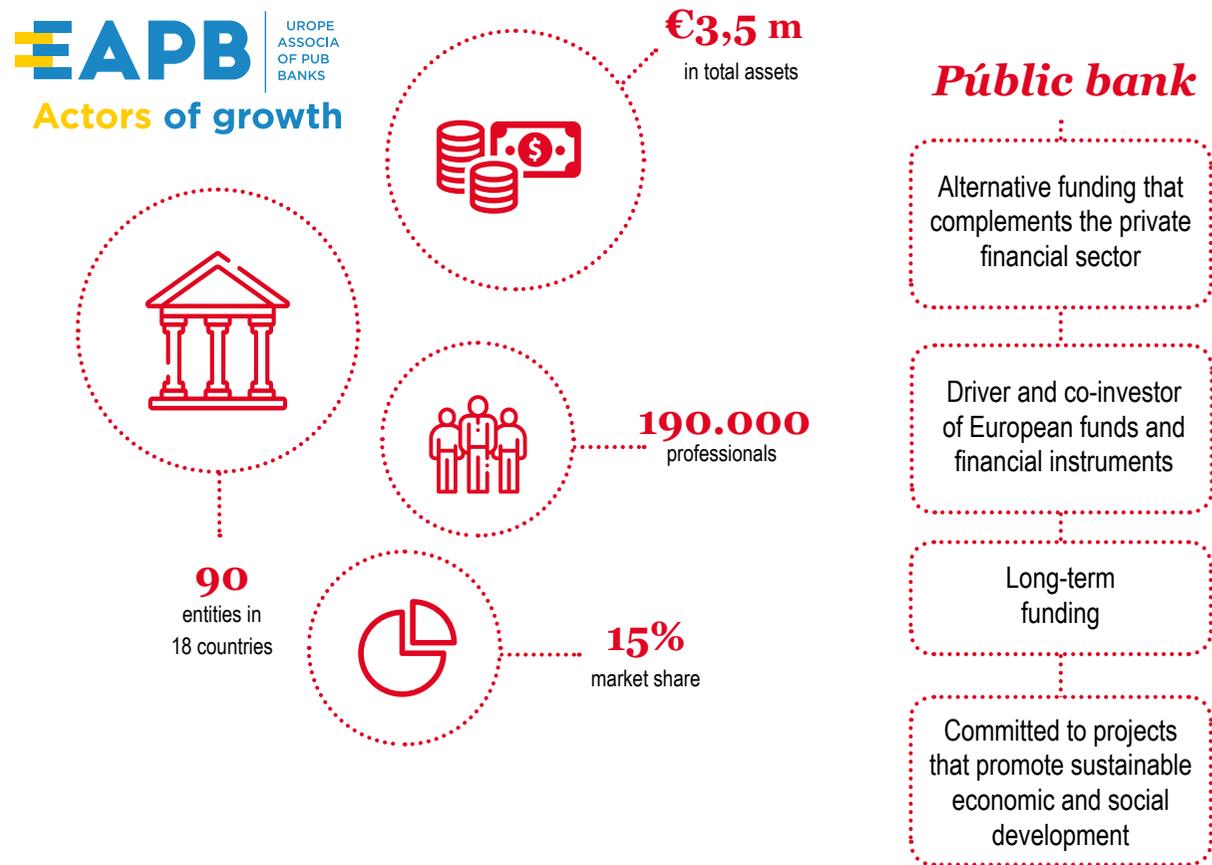
## Executive Committee

Josep-Ramon Sanromà Celma	CEO
Anna Álvarez Santiago	General director
Joan Carles Rovira Garcia	General director
Vanessa Servera i Planas	General director
Marta Gomà Rigat	Corporate director
Assís de Riba Cusó	Director

# 04

## Public bank in Europe

The ICF has been a part of the **European Association of Public Banks** (EAPB - [www.eapb.eu](http://www.eapb.eu)) since 2014. The association groups together around a hundred public banks, financial institutions, funding agencies and bank associations from 18 countries around Europe, and represents them before European institutions and other stakeholders. It also forms part of the board of directors of the EAPB. In Catalonia, the exponent of this public banking model is the ICF, which plays a key role in invigorating the Catalan economy, funding projects of strategic innovation and development, as well as projects that support Catalonia's social development.



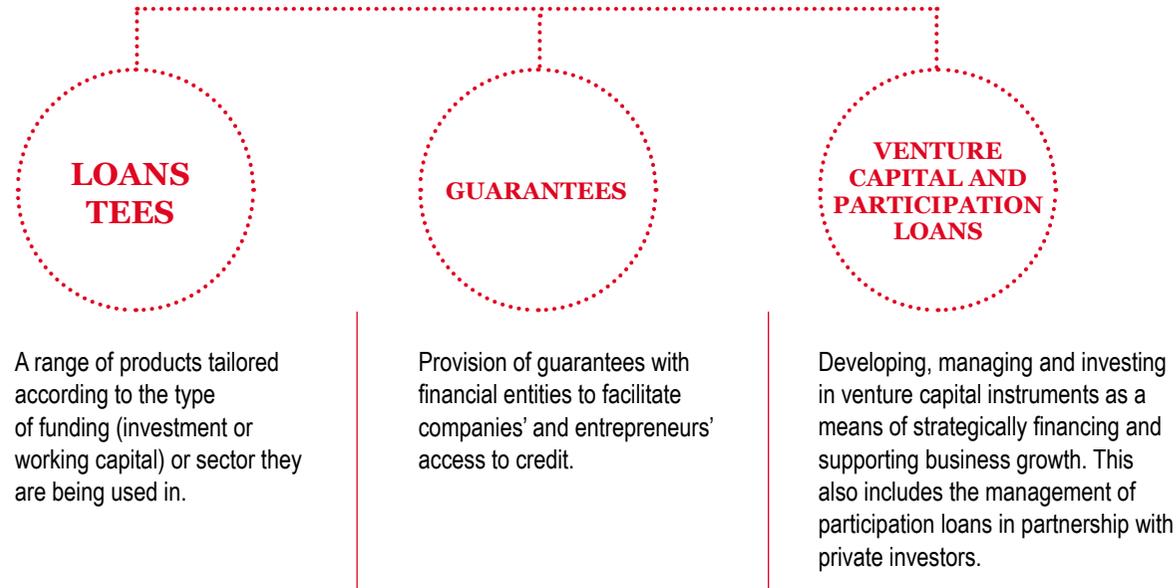
# 05

## The business model

### *Main activities*

The main goal of the ICF is to **facilitate the financing for the Catalan business sector and contribute to the growth of the Catalan economy**. The entity complements the private financial sector, meeting the needs of businesses in market conditions.

In this regard, the ICF places different products and services relating to business financing at the disposal of businesses and entrepreneurs, focused on funding investments, working capital and equity. This range of products and services comprises:



## The business model

# Strategic pillars

In line with the funding solutions, the ICF defines three strategic pillars that define its activity:



### SMEs

Medium and long-term funding and investment in equity to strengthen innovation, growth, consolidation and internationalisation for strategic business projects.



### Entrepreneurs and start-ups

The institute assists these projects from the initial stages through to the development phases, offering relevant support in the digital and health-related ecosystems.

- Co-investment with accredited private investors
- Investment in funds owned by the ICF and other investors



### Social sphere

Financing companies and projects that generate a positive impact on society and promote the sustainable development of both the territory and the economy.

- Development and acquisition of rent-controlled housing
- Social and cooperative economy
- Cultural and educational projects
- Green and circular economy and energy efficiency projects

## The business model

# Collaboration agreements

The ICF has collaboration agreements with entities involved in business financing to contribute to the stimulation and growth of the Catalan economy:



### European organisations

Noteworthy examples include the agreements signed with the European Investment Bank and the European Investment Fund for the financing of credit operations that meet certain requirements. It is also worth emphasising the participation of the ICF in the NPI Equity Platform, created by the European Investment Fund (EIF) and the European Commission (EC) to promote capital investment for SMEs and entrepreneurs in Europe.



### Ministries of the Generalitat of Catalonia

Agreements to develop lines of credit for specific sectors with favourable terms and conditions.



### Financial institutions

To co-invest or open risk mediation facilities and approve loans for companies through the commercial network of these entities in the region.



### Other financial institutions

Private investors' networks, alternative equities market or management companies specialising in venture capital.



### Entities in the enterprise field

Chambers of commerce, employers' associations and business associations, as well as consultants and advisers in the business world.

## The business model

# 2018 priorities and future challenges

In line with the global strategy launched in 2011, the ICF has continued to work to **promote and facilitate access to financing for the Catalan business sector**, especially SMEs, in accordance with the high percentage that this segment represents across the entire Catalan economy.

In this regard, the ICF has committed itself to projects to consolidate businesses and strategies that incorporate **digital innovation processes into their business models**. It has also boosted business growth through investments, enabling the company's organic growth and internationalisation, and capital to carry out mergers and acquisitions.

Throughout the year, the ICF has worked to **expand the financing offering to companies**, with the renewal and creation of products and participation in new investment vehicles, and has expanded the network of commercial delegates to spread this offer across the territory.

One of the pillars that was enhanced in 2018 was the social element, by creating **new lines of credit and agreements with entities** to finance socially responsible projects with added value for society.

Examples of these projects include financing to build and purchase rent-controlled housing, and the new line of loans for projects related to the green economy, circular economy and energy efficiency.

Meanwhile, the ICF has continued to **adapt and improve its communication and interaction channels** to make it easier for companies to access this offer, particularly through the website ([www.icf.cat](http://www.icf.cat)), which has been designed with a responsive format so that it can be used any device.

The ICF also strengthened **the dissemination and awareness of its activities throughout 2018**. This was aided by the testimonials of many companies that were able to grow their projects thanks to financing from the institute. As well advertising campaigns, it also participated in professional trade shows and media debates. In this regard, the ICF has committed itself to projects to consolidate businesses and strategies that incorporate digital innovation processes into their business models.

*One of the pillars that was enhanced in 2018 was the social element, by creating new lines of credit and agreements with entities to finance socially responsible projects*

## The business model

# Digitisation

Digital transformation is one of the ICF's priorities, considering the context of change that the financial sector has been going through in recent years. The institute has developed a strategic plan, which includes the active participation of more than 50% of its employees, covering different phases and projects to incorporate new digital tools, processes and applications, with the objective of achieving clearly defined goals.



*100% of financing proposals are managed digitally through the private area of the ICF website.*

In this digitisation process, improved customer experience is the main cog in the system. The ICF is not only looking to continue strengthening the relationship with companies, but also to reduce the response time and increase the range of products, so that it can offer a tailored financing solution for every customer.



**Focus on the customer**



**Increased financing solutions**



**Reducing the time-to-market**

*The ICF website received 115,000 hits in 2018, accumulating more than 80,000 users.*

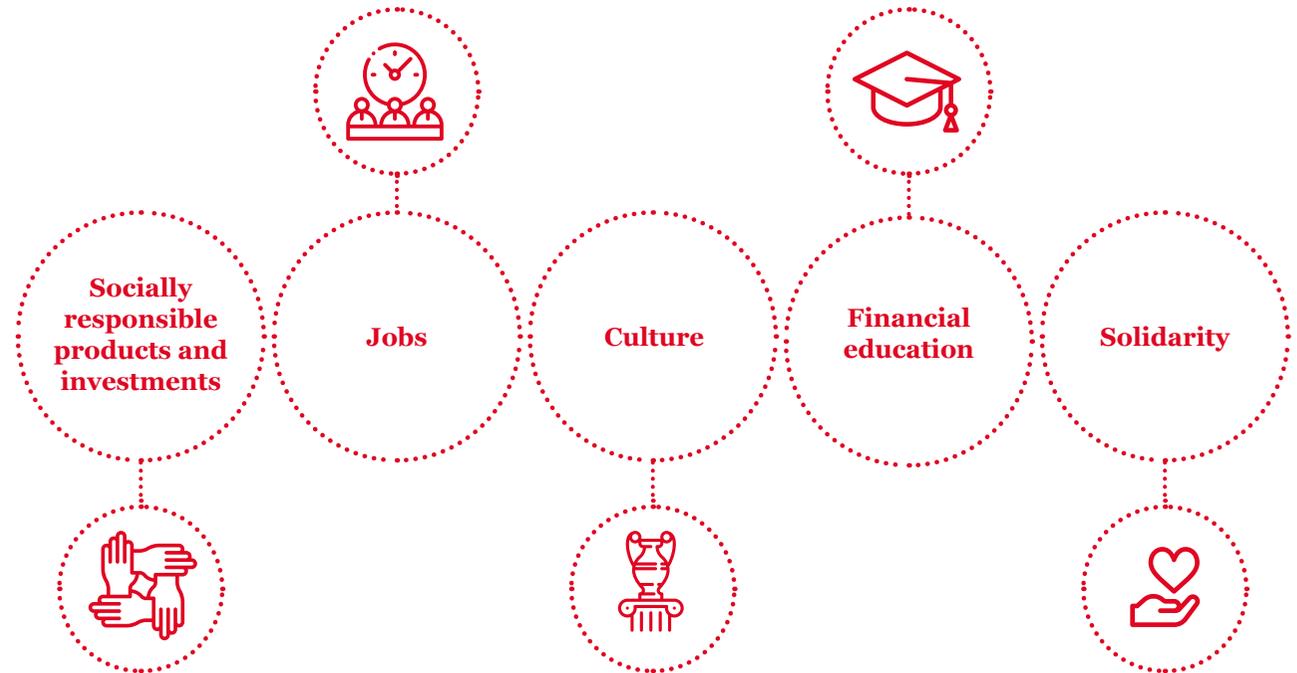
## The business model

# Social responsibility

The mission of the ICF is to drive funding into the economic fabric of the region to contribute to the growth, innovation and sustainability of Catalonia. To do this, the institute assists companies and organisations in their business development, adding value and generating a positive impact for the whole of society. In this regard, the institute's values (commitment, professionalism, honesty

and proximity) define how it conducts its activities each day, through a transparent and inclusive business model.

The social commitment of the ICF is channeled into different products, activities and initiatives; all implemented on the basis of the values of integration, transparency and service to the community.



## The business model

### *Social responsibility*

## Socially responsible products and investments

To encourage productivity growth among Catalan businesses in a sustainable fashion, the ICF has set up lines of credit that generate a positive impact for society. In particular, the institute offers specific loans to **promote rent-controlled housing**, with a view to increase the stock of rent-controlled housing by 1,800 apartments.

Furthermore, the ICF provides companies and organisations with specific lines of credit to drive projects related to the **social and cooperative economy, culture and education**; along with business initiatives within the **green, circular and energy-efficient economy**.

## Culture

Besides driving cultural projects through financing, the ICF works to promote culture across the region. Specifically, since 2014, it has been a founding member and patron of the **Fundació Catalunya Cultura**, an entity that seeks to increase collaboration between the business sector and the culture sector, recovering its social work and enhancing the prestige of its patronage.

The ICF is a member of the Board of Trustees and of the Executive Committee of the Foundation, with the aim of supporting and actively participating in the promotion of new initiatives to transform the business-culture relationship in all areas, and promote the development of culture in our country.

## Jobs

The activity of the ICF around loans, guarantees and venture capital directly generates jobs. In 2018, it contributed to the creation and/or maintenance of almost **56,000 jobs** in different sectors of the Catalan economy. At the same time, financing and investment in projects related to the social and cooperative economy has created work for people with different types of disabilities.



## The business model

### *Social responsibility*

## Financial education and training

The financial and banking sector can be a complex world to understand, but it is important to have some basic financial literacy. **The ICF is aware of the value of financial training. This is why, for the fifth year in a row, it participated in the Financial Education for Catalan Schools programme (EFEC)**, led by the Generalitat in collaboration with the Financial Studies Institute (IEF). This initiative teaches financial skills to adolescents and adults, to improve the skills and knowledge of citizens in this field. The courses are taught by professionals from the financial and banking world, including professionals from the ICF who have taken part in the program altruistically as teachers, sharing their knowledge with students from schools around the country.

Meanwhile, but also in relation to training, the ICF has a student internship programme. The goal of this programme is for participants to complete their training project and offer them a professional experience of value and an initial contact with the working world. Since 2012, the ICF offers this opportunity to students from different universities, such as the Universitat Pompeu Fabra (UPF), the Universitat de Barcelona (UB) and the Universitat Politècnica de Catalunya (UPC). In total, 12 students have completed an internship with the institute.

## Solidarity

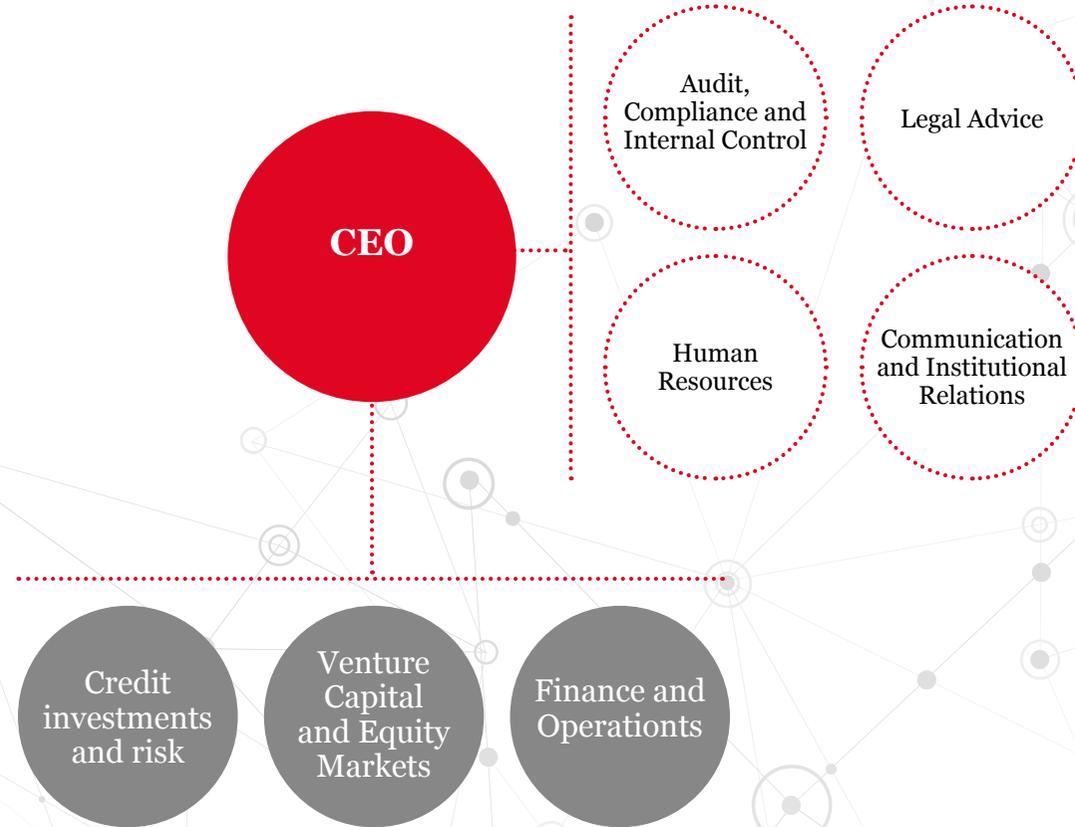
Being socially responsible and generating a positive impact goes far beyond just the business activities of the ICF. The institute continues to **work with non-profit organisations and foundations to manage internal services**.

At the institutional level, indicative data and initiatives promoted by the ICF are used to collaborate with non-profit organisations. This year, it worked with the Fundació La Tavella to offer fruit and foster healthy living habits among professionals; the Fundació Musica en Vena, to create a charity Christmas card, and the Sant Joan de Deú Hospital, as part of its Sant Jordi campaign.

In this regard, beyond institutional involvement, many of the institute's employees actively participate in social projects.

# 06

## Organisational structure



## Organisational structure

# Human resources

The professionals that make up the ICF are one of its main assets. They are committed to the institute's mission to drive sustainable growth across the Catalan economy, through its business activities around loans, guarantees and venture capital.

The company's values - professionalism, honesty, commitment and proximity - are reflected in each and every person in the ICF team.



### Age groups



21 TO 30



31 TO 40



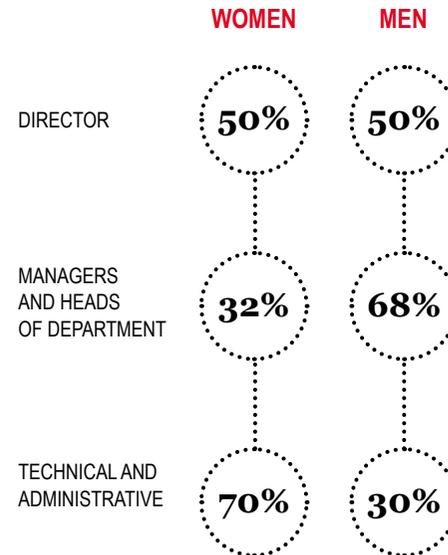
41 TO 50



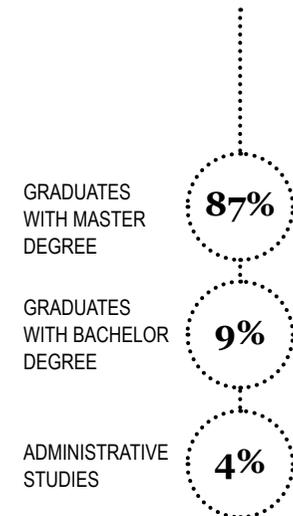
51+



### Distribution by gender



### Distribution by professional qualifications



## Organisational structure

# Human resources development

Enhancing and promoting internal talent is one of the central components in the ICF's strategy. In this regard, **the institute drives the development of its human resources** with a wide range of internal and external training programmes.

It has a policy that, among other things, establishes different methods of financing to provide access to personal and professional training and development: training funded fully by the company, training co-funded with the employee and training funded by the employee, which, in this case, can be channeled through the flexible compensation plan made available to the company's staff.

Within the framework of the 2018 training plan, 56 training activities have been carried out, equivalent to 1,021 training hours, with 539 participants taking part. 96% were fully financed by the ICF, whilst

The remaining 4% were co-financed. Once again, specific mention should be made of the efforts to boost language training, the internal policy to encourage staff to obtain professional qualifications, and the development of 'training pills' and a series of in-house talks on digital innovation and transformation, which received very positive feedback.



**1,021 Training hours**

**539 Participants**

**Language training**

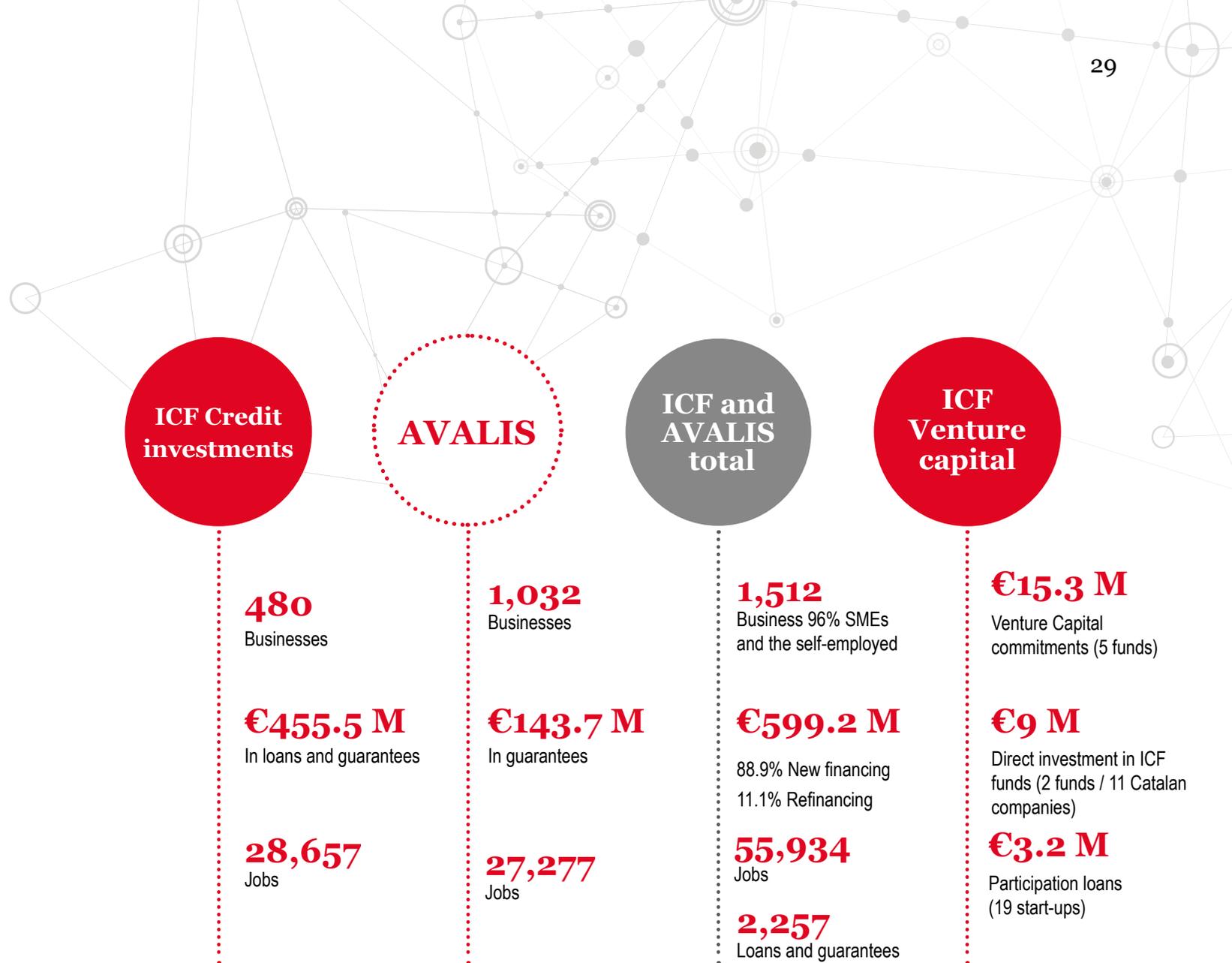
**Professional qualifications**

**Innovation and digital transformation**

# 07

## 2018 Activity

The ICF Group/Avalis has facilitated, through loans and guarantees, the financing for 1,512 businesses, for an overall amount of 599.2 million euros in 2018. It also invested 27.5 million euros in venture capital instruments.



## 2018 Activity

# Lending activity

Throughout 2018, the ICF Group/Avalis financed a total of 1,512 companies and organisations, for a total amount of €599.2 m, through 2,257 loan and guarantee transactions. In keeping with previous years, and reflecting the business structure of Catalonia, 96% of companies financed were SMEs and entrepreneurs.

Throughout the year, **the ICF's credit solutions reached more companies than the previous year (+27%)**, meeting the group's objective to drive growth among Catalan businesses. The number of transactions also increased (+18%), although the total amount was slightly less than in 2017 (-7%). It is necessary to remark that the operations of new money have increased 4.65% compared to the former year.

In 2018, **the ICF invested 353 million euros in direct loans for new investments and working capital**; 174.5 million euros in guarantees to facilitate companies' access to bank credit and 5.4 million euros in intermediated loans with other financial institutions, among other financial

operations. The average amount per transaction was 265,490 euros.

In relation to volume, it is worth highlighting direct loans and co-investment, with a total of 355 transactions totalling 353 million euros. Furthermore, we can also highlight the financing carried out through different lines of loans to the industrial sector, with 49 transactions representing 94.5 million euros.

In keeping with the previous year, when the ICF Eurocrédit facility was set up, co-financed with the European Regional Development Fund (ERDF) of the European Union, these loans continued to show good results: 121 transactions were formalised, for an amount of 51.3 million euros.

It is also worth noting the **implementation of two lines, during the second term of the year, of credit to promote the construction and acquisition of rent-controlled housing**, for which 9 transactions were completed, representing 17.9 million euros.

*Throughout 2018, the ICF Group/Avalis financed a total of 1,512 companies and organisations, for a total amount of €599.2 M.*

## 2018 Activity

### Lending activity

# Segmentation by type of business

By type of business, in line with the business structure of Catalonia, predominantly formed of small and medium-sized enterprises, **96% of the financing for the year has been allocated to promote the projects of entrepreneurs, self-employed professionals and small and medium-sized businesses.**

With regard to the company's holdings, financing of the ICF falls almost entirely on private-sector companies. In fact, the number of customers in this sector is 1,499, with just 13 from the public sector.

All in all, the volume of financing granted by the ICF Group / Avalis in 2018 allowed for the creation and/or maintenance of almost 56,000 jobs.



Segment	ICF			AVALIS			TOTAL		
	No. Customers	M€	N. Employees	No. Customers	M€	N. Employees	No. Customers	M€	N. Employees
Entrepreneurs and micro-enterprises (<€2m)	246	71.4	808	627	60.6	4,138	873	132.0	4,946
SMEs (€2-50m)	191	167,6	10.349	395	75,7	21.083	586	243,4	31.432
Companies (>€50m)	30	123.0	16,181	10	7.4	2,056	40	130.4	18,237
<b>TOTAL PRIVATE SECTOR</b>	<b>467</b>	<b>362.1</b>	<b>27,338</b>	<b>1,032</b>	<b>143.7</b>	<b>27,277</b>	<b>1,499</b>	<b>505.8</b>	<b>54,615</b>
<b>TOTAL PUBLIC SECTOR</b>	<b>13</b>	<b>93.4</b>	<b>1,319</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>13</b>	<b>93.4</b>	<b>1,319</b>
<b>TOTAL ACTIVITY</b>	<b>480</b>	<b>455.5</b>	<b>28,657</b>	<b>1,032</b>	<b>143.7</b>	<b>27,277</b>	<b>1,512</b>	<b>599.2</b>	<b>55,934</b>

## 2018 Activity

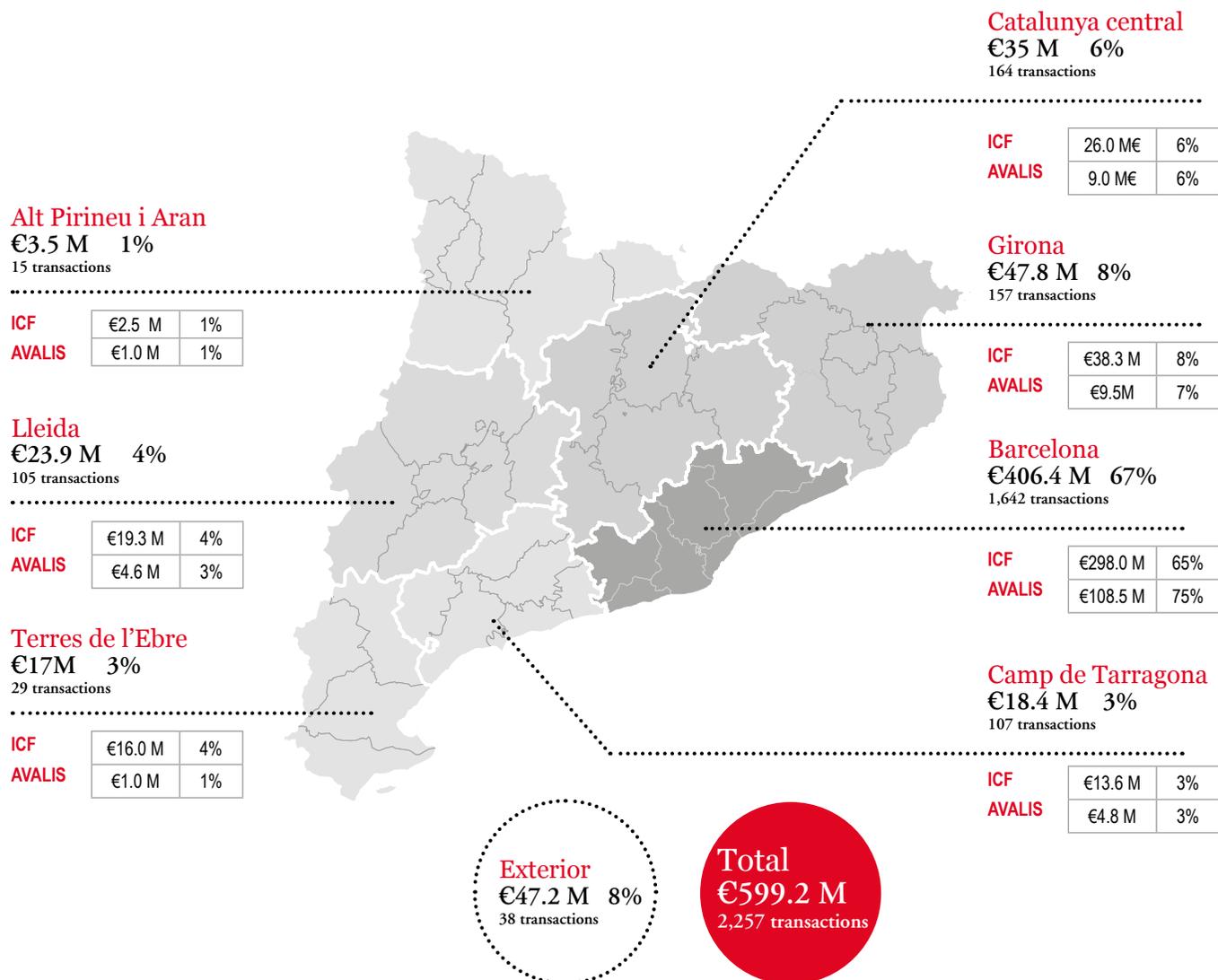
### Lending activity

# Geographical distribution

With regard to the territorial distribution of the entity's lending activity, Barcelona and its area of influence comprise the most important area both in terms of volume of investment (67%) and in terms of the number of financing transactions (73%). This data is consistent with the economic importance of the area and Catalan GDP.

With respect to other districts, Central Catalonia and Girona represent the next highest number of transactions. They are followed by Camp de Tarragona and Lleida.

In 2018, the ICF continued to boost its presence in the region by incorporating new commercial delegates in Girona and Lleida, and strengthening the commercial department in Barcelona and its metropolitan area. Thus, the commercial network of the ICF is present throughout the region, in order to bring the group's financing solutions closer to Catalan businesses.



## 2018 Activity

Lending activity

# Sector distribution

With respect to sector distribution, industry, as well as trade and tourism, were the main recipients of financing from the ICF Group/Avalis in 2018, in accordance with the sectorial composition in Catalonia and in line with the activities of the previous year.

In 2018, the institute launched new lines of credit to respond to sectors of particular relevance, either due to their contribution to sustainable economic growth, or because of their high social impact. In this regard, we can highlight the ICF Ecoverda line related to projects within the circular, green and energy-efficient economy, and the ICF Habitatge Social loans, to build and develop rent-controlled housing.



**29%**

Manufacturing industries  
**€172.1 M**

<b>ICF</b>	€139.7 M	31%
<b>AVALIS</b>	€32.4 M	23%



**22%**

Trade, tourism and transport  
**€133.9 M**

€71.5 M	16%
€62.3 M	43%



**11%**

Public Administration  
**€66.9 M**

€66.9 M	15%
€0 M	0%



**11%**

Education, culture and sports  
**€62.9 M**

€53.8 M	12%
€9.2 M	6%



**10%**

Other  
**€57.8 M**

<b>ICF</b>	€38.4 M	8%
<b>AVALIS</b>	€19.4 M	14%



**9%**

Agri-food and primary sector industry  
**€56.2 M**

€50.7 M	11%
€5.5 M	4%



**4%**

Construction and public works  
**€25.5 M**

€13.6 M	3%
€11.9 M	8%



**3%**

Mining energy and supplies  
**€16 M**

€16.0 M	3%
€0 M	0%



**1%**

Health and Services  
**€8 M**

€4.9 M	1%
€3.0 M	2%

## 2018 Activity

# Venture capital business

Venture capital activity is another strategic path through which the ICF Group facilitates access to financing for the Catalan business network.

In this area, **the Group acts primarily as a fund of funds, investing in funds that invest in businesses in Catalonia.** It also collaborates with the specialised private sector to identify gaps in the market and participate as a driving force and a catalyst for investment. The purpose is to multiply the resources destined to each business project by other investors.

In the area of venture capital, the ICF **aims to foster growth and the consolidation of pre-existing companies, and to promote the creation of new companies,** with a view to implement projects based around innovation, internationalisation and growth.

By 31 December 2018, the ICF had accumulated venture capital investment commitments for a value of 167 million euros - 15.3 million euros of which were new to 2018 - through 33 capital instruments, which, together with the 1,693 million euros provided by other investors, amounted to almost 1,860 million euros.

Equity instruments	No. of instruments	Accumulated commitments			ICF multiplier / Total
		ICF	Other investors	Total	
Seed Venture Capital	10	15.8	150.6	166.4	10.5
Venture Capital	19	91.2	1,326.8	1,418.0	15.6
Growth Venture Capital	4	60.0	215.5	275.5	4.6
<b>TOTAL RISK CAPITAL</b>	<b>33</b>	<b>167.0</b>	<b>1,693.0</b>	<b>1,859.9</b>	<b>11.1</b>

## 2018 Activity

*Venture capital business*

# Investments in venture capital funds

As a fund of funds, in 2018, the ICF carried out new investment commitments for a value of 15.3 million euros. The majority of investments in risk capital funds came from the venture capital segment, specifically the digital sector.



Venture  
Digital  
€14 M

- Indinvest Digital Fund III, FCR  
€5 M
- NAUTA SideCar Tech I, FCR  
€5 M
- Bonsai Partners Fund I, FCR  
€3 M
- Spinnaker Invest SCR, SA  
€1 M



Seed  
Life Sciences  
€1.3 M

- Invereday Biotech III SCR, SA  
€1.3 M

## Activitat 2018

### Activitat en capital risc

# Inversions directes

The ICF manages two funds directly through ICF Capital. On the one hand, the **Capital Expansió** fund, aimed at supporting growth, internationalisation and sectorial consolidation projects among medium-sized enterprises, and, on the other, the **Capital MAB** fund, which invests in companies listed on alternative markets or admitted to trading on the Alternative Stock Exchange.

Throughout 2018, the ICF invested a total of **9 million euros through these two funds, across 11 Catalan companies**, significantly increasing investments compared with the previous year (3.6 million euros in four SMEs).



### Capital Expansió Industrial €7.2 M

- Cristales Curvados  
€2.4 M
- Company of the food sector  
€1.5 M
- Reyes y Varón  
€1.3 M
- BuildAir Ingeniería y Arquitectura  
€1 M
- Adelte  
€1 M



### Capital MAB ICT/Digital €1.1 M

- Newton Learning  
€0.5 M
- Voz Telecom S.A.  
€0.4 M
- Agile Content  
€0.2 M



### Capital MAB Life Sciences €0.6 M

- Inbiomotion  
€0.3 M
- Company of the health sector  
€0.3 M

## 2018 Activity

# Support for entrepreneurship

Since 2012, the ICF has had a specific vehicle (IFEM) for co-investing in innovative start-ups, together with other investors accredited by the institute, who invest additional funds. Through this line of public-private co-financing, which receives funding from the European Regional Development Fund (ERDF), the entity invests in these companies through participation loans of up to 200,000 euros. Since 2017, for certain transactions, a part of this investment is made to equity, in addition to the participation loan.

Through this line of co-financing, the ICF stimulates the development of start-ups in Catalonia, whilst facilitating access to credit for these companies, diversifying its sources of resource acquisition, and acting as a magnet for more investment.

With this co-investment facility with private investors, in 2018, **the entity has invested 3.2 million euros in 19 start-ups by means of participation loans and equity, 28% more than the previous year.** The number of start-ups invested in increased from 16 to 19.



• Digital  
• 14 projects  
• €2.3 M  
•  
•



• Health Sciences  
• 2 projects  
• €400,000  
•  
•



• Other sectors  
• 3 projects  
• €483,000  
•  
•

# 08

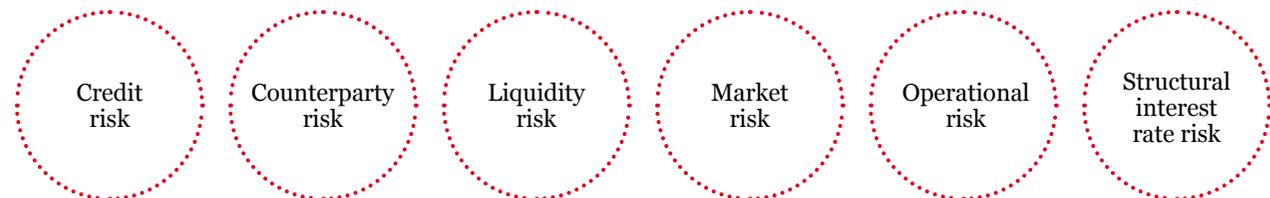
## Risk management *Global risk monitoring*

The ICF establishes the general guidelines of the risk management system through a series of risk control policies. Levels of responsibility are established for each type of risk, which are assigned to specific decision-making bodies and committees, such that the responsibility for all risk is explicitly allocated.

The ICF's risk monitoring system is based on the following principles:

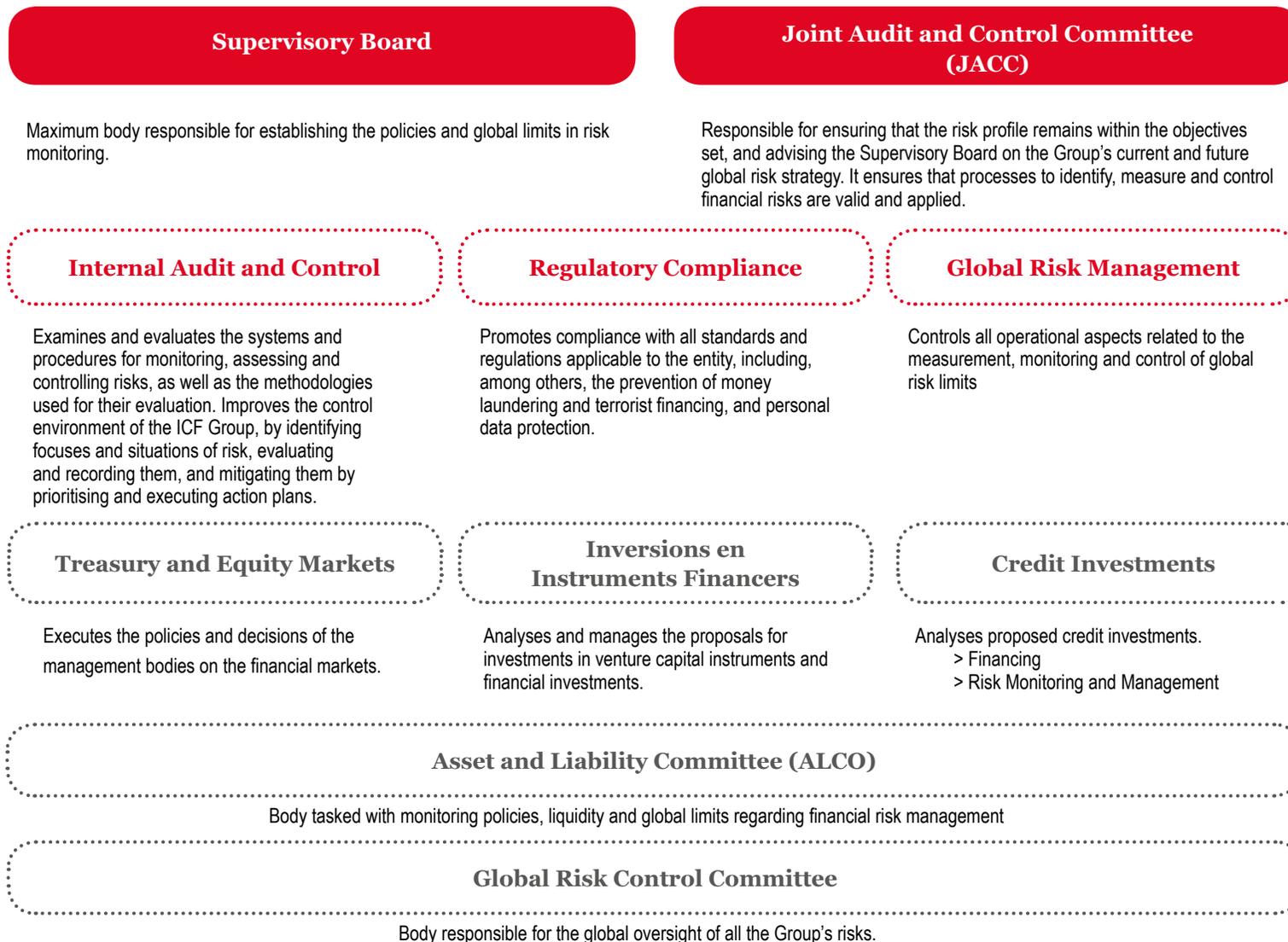
- Ensure that risks that may affect the entity's strategies and objectives are adequately identified, analysed, assessed, managed and controlled.
- Achieve the strategic objectives with regard to risks and returns .
- Ensure that risk monitoring takes into account both risks and opportunities.
- Ensure the proper use of financial instruments in accordance with their investment objective and risk hedging, and with the requirements of prevailing standards.
- Reporting in a transparent manner on the risks to the various committees and governing bodies in accordance with the powers assigned to them.

The Group follows a risk management and control model based on three lines of defence, adopting the GL/2017/11 Guidelines of the European Banking Authority (EBA) on internal governance. The main risks to which the ICF Group may be exposed are:



## Risk management

# Organising risk management and control



## Risk management

### *Credit risk*

The **Global Risk Control Unit** conducts periodic monitoring of levels of risk concentration, the evolution of default rates and various defined flags that enable the evolution of credit risk to be monitored. The Monitoring Committee diligently analyses specific clients with high risk exposure, who are under special surveillance, classed as doubtful, or have been flagged.

The **management of concentration risk** is based on the principles established in European legislation on establishing and monitoring minimum equity requirements (Circular 3/2008), in particular Chapter 9 on the limits on large risks.

### *Counterparty risk*

The ICF has defined a counterparty risk management policy that is included within its own financial risk policy. At December of 2018, counterparty risk comes from the exposure on derivatives, which it uses merely as a financial

risk management tool, for the purposes of economic hedging, and compatible with the interest rate risk.

### *Market risk*

The ICF's assets do not include a trading portfolio through which market risk is incurred. Its available-for-sale and maturity fixed-income portfolio is entirely in euros.

### *Operational risk*

Operational risk relates to losses that could entail errors in processes related to the organisation's daily activities. The consolidation of the ICF Group in its risk management and control model is based on three lines of defence, allowing it to limit and manage this risk from different areas.

**Risk management**

*Liquidity risk*

**Liquidity position**

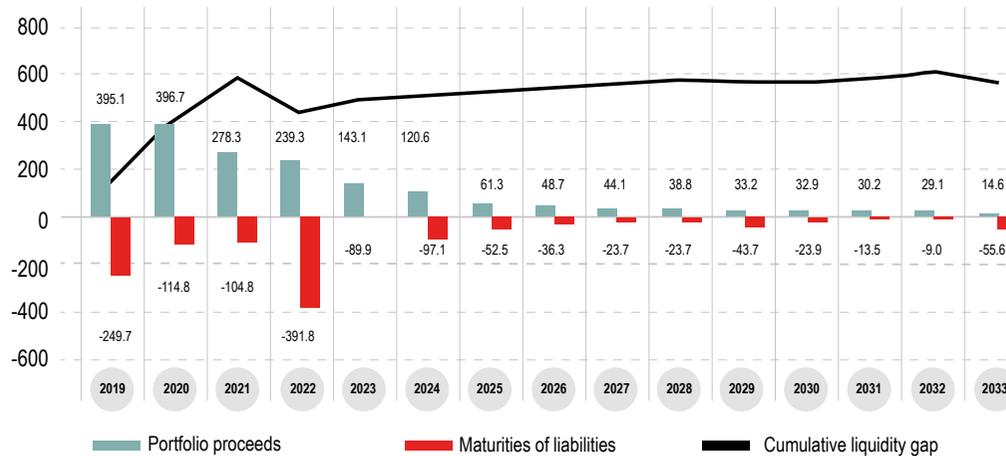
At 31 December 2018, total cash positions totalled 557 million, 459 million euros in fixed income, 88 million euros in current accounts and 10 million euros in deposits. The cash position accounts for 27% of the entity's total assets.

The ICF has a static liquidity gap that remains positive throughout the 2019-2033 period. The high positive value of the liquidity gap is due to the conservative management profile. Liquidity management also involves efforts to match the average life of liabilities with the average life of the loan investment

**Current liquidity coverage ratio (LCR)**

According to regulation 2015/61, which complements regulation (EU) 575/2013, credit institutions supervised by CRD IV must comply with the LCR ratio of 100% from 1 October 2018.

On 31 December 2018, the ICF widely complies with the minimum requirements of supervised credit institutions:



**LCR ICF**  
5.332%

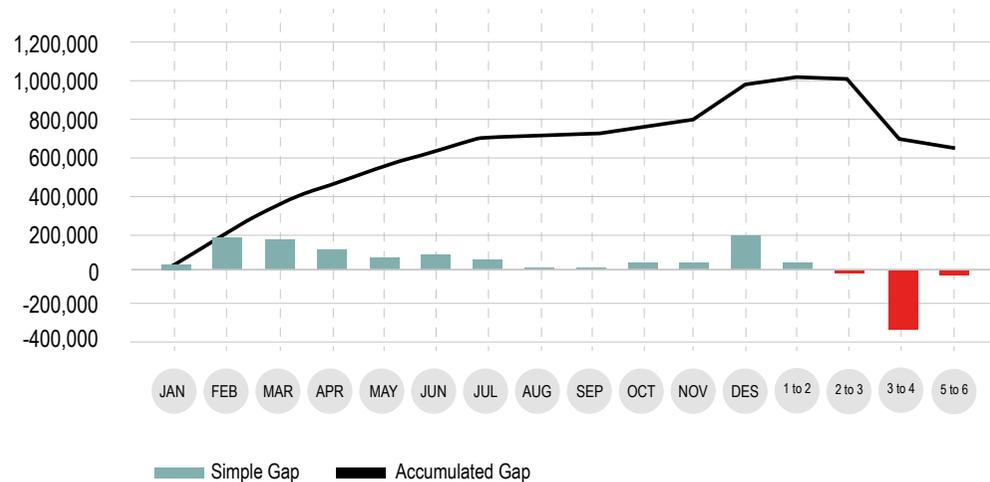
**Regulatory Limit**  
100%

**Risk management**

*Structural interest rate risk*

Structural interest rate risk directly affects the activity of the ICF Group due to the effect that variations therein can have on the income statement, or its economic value.

Sensitivity to the margin of interests, simulated over one year with a constant balance sheet structure, with parallel movements of the curve of -200 basic points, is -2.9%, calculated in comparison to the base scenario. Sensitivity to the economic value on the same curve movement is +7.42%. In both cases, the ICF meets regulatory limits.



# 09

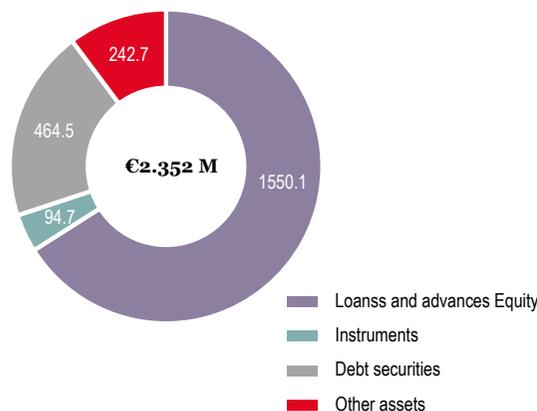
## Summary of financial information

### Balance sheet

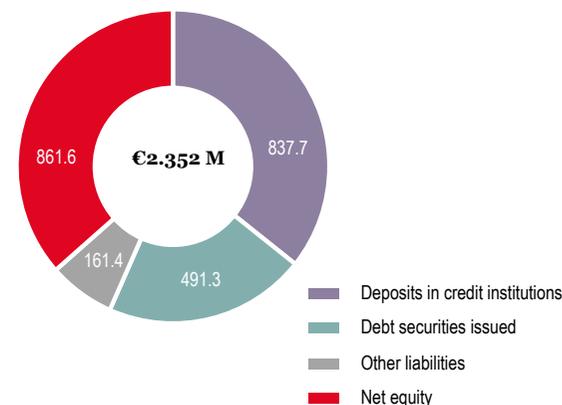
The ICF Group closed 2018 with a total assets volume of more than 2,300 million euros, 66% of which correspond to 'Loans and advances', where the Group's credit portfolio is registered. At year-end, 93% of this portfolio corresponded to small and medium-sized enterprises in terms of the number of customers (54% in terms of amount), with a geographical segmentation in line with the GDP of each area, and a high level of sectoral diversification. The 'Equity instruments' section primarily incorporates venture capital investments. As for 'Debt securities', these correspond to the institute's fixed-income portfolio, diversified and entirely formed of investments classified as 'Investment Grade'. The other assets primarily include the Group's fixed assets, on-demand deposits in credit institutions and tax assets.

Furthermore, the Group has off-balance sheet commitments of 150 million euros under the concept of available to third parties, and 108 million euros in financial guarantees granted. With respect to net liabilities and equity, it is worth noting once again the increase in equity, as a result of distributing profits from 2017 into reserves, thus increasing the capacity of the ICF Group to increase its future activities. As for the Group's liabilities, the cost of borrowing has been managed with different public and private counterparts, allowing it to continue with a strong, solid cash position. This debt is primarily divided into bank debt deposited by the Group, recorded under 'Deposits in credit institutions', and issuances and promissory notes, recorded under 'Debt securities issued'.

**Assets**



**Liabilities and net equity**



## Summary of financial information

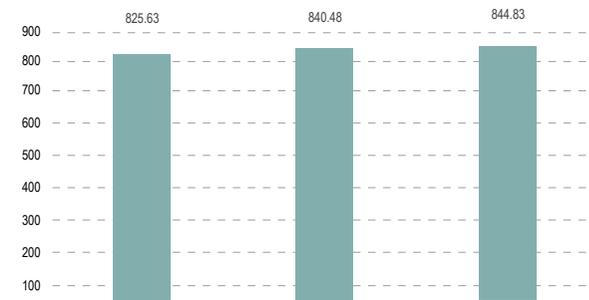
### Balance sheets

The NPL ratio on 31 December 2018 was 7.8%, increasing to 9.0% when taking into account foreclosed assets, which represents a fall of 1.7% and 1.4%, respectively, compared to the closing figures from 2017, in line with the sector trend. In terms of absolute value, the figure for doubtful loans decreased 53 million euros compared with the previous year-end.

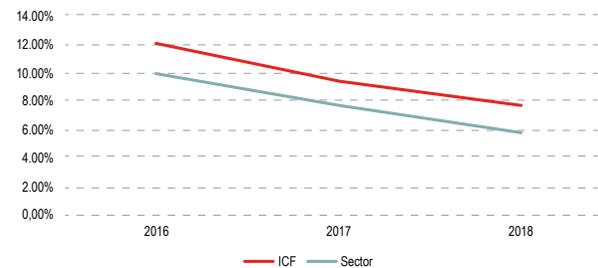
Furthermore, the coverage ratio of these doubtful transactions is 136.1%, higher than the sector average, and representing a considerable increase compared with the previous year, partly as a result of the change of model from incurred losses to expected losses, associated with the first application of the new Circular 4/2017 of the Bank of Spain.

The increase in equity resulting from the profit from the previous year consolidates the rising trend of the Group's solvency ratio, which continues to be significantly higher than the minimum requirements from regulations on credit institutions, as well as the sector average.

### Equity (in thousands of euros)



### NPL ratio evolution



### Solvency



## Summary of financial information

# Income statement

The ICF Group closed 2018 with a profit after tax of 13.1 million euros. The main component of this result, the interest margin, was 32.5 million euros, in line with the Group's forecasts within a context of strong competition and falling prices. With respect to expenses, in one aspect, the Group still has a much lower efficiency ratio than the sector in terms of overheads, at around 30%.

With regard to provisions for the impairment of the credit portfolio, the ICF has a longstanding policy of prudence in managing credit risk, which translates into a high level of coverage, and the recovery of failed assets. This policy allows the ICF to adapt to an increasingly demanding regulatory context with regard to coverage of credit risk, whilst reducing the amount allocated to this concept in the income statement.

### ICF Group 2018 Profit and Loss



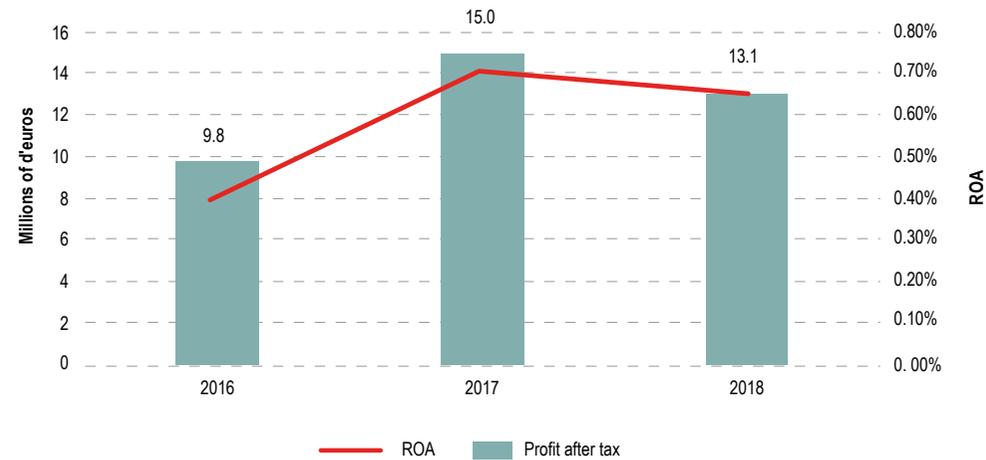
\* Source: Basil III and Act 10/2014, on the regulation, supervision and solvency of credit institutions

## Summary of financial information

### Income statement

With respect to the Group's evolution of profit after tax, the results of 2018 remain in line with the previous year if we exclude the extraordinary results generated from updating the value of the institute's own buildings in 2017. In relative terms, the Group ended 2018 with returns on average total assets of 0.65%, in line with the rest of the sector.

### Evolution of profit after tax and return on assets





Institut Català  
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