

RATING ACTION COMMENTARY

Fitch Upgrades ICO to 'A' on Sovereign Action; Stable Outlook

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Fitch Ratings - Barcelona - 01 Oct 2025: Fitch Ratings has upgraded Instituto de Credito Oficial's (ICO) Long-Term Issuer Default Rating (IDR) to 'A' from 'A-' and Short-Term IDR to 'F1+' from 'F1'. Fitch has also upgraded ICO's Government Support Rating (GSR) to 'a' from 'a-'. The Outlook on the Long-Term IDR is Stable. A full list of rating actions is below.

The upgrade of ICO's ratings follows the upgrade of Spain's sovereign rating (see [Fitch Upgrades Spain to 'A'; Outlook Stable](#) dated 26 September 2025).

KEY RATING DRIVERS

Sovereign Support Drives Ratings: ICO's IDRs and GSR reflect Fitch's view of a very high probability of support for ICO from the Spanish sovereign, its 100% owner. The equalisation of ICO's IDRs with Spain's is underpinned by the bank's special policy role and the explicit, irrevocable, unconditional and direct guarantee provided by Spain for debts and obligations incurred by ICO when raising funds. The Stable Outlook on ICO's Long-Term IDR mirrors that on Spain.

Important Policy Role: ICO's purpose is to support and foster economic activities that contribute to the growth and promotion of the Spanish economy and social development. The Spanish government exerts influence over ICO's lending activity, operations, appoints the bank's chair, and annual debt limit. The bank's policy role has not changed over political cycles, and we expect this to continue.

State Support Measures Transmission: ICO's policy role is primarily achieved through the provision of medium- and longer-term lending to the private and public sectors, and by providing services to SMEs and export-oriented companies. ICO's lending activity is usually reinforced during crises, in line with its countercyclical role. During the pandemic, it was pivotal in containing the economic crisis, acting as an intermediary between the government and Spanish banks. ICO manages EUR34 billion of loans as part of Spain's EU Recovery Plan, aimed at enhancing the green and digital transition, among other initiatives, including affordable housing.

No Viability Rating: Fitch does not assign a Viability Rating to development banks because their operations are largely determined by their policy role.

Reasonable Asset Quality: ICO's loan book includes direct loans to Spanish companies (68% at end-June 2025) and second-floor loans to Spanish banks (32%), which are channelled to SMEs. For the latter, ICO is only exposed to the credit risk of a commercial bank. ICO's impaired loans ratio was 2.4% at end-June 2025 (including second-floor loans), and risks are mitigated by full coverage of impaired loans by loan loss allowances.

Strong Capitalisation: ICO's regulatory risk-weighted Tier 1 capital ratio was 23% at end-June 2025, well above the minimum regulatory requirements. The government has a record of providing capital support to ICO and we expect this to be forthcoming, if needed. As a financial institution, ICO is supervised by the Bank of Spain, but it is exempt from the EU's Capital Requirements Directive V and Bank Recovery and Resolution Directive.

Wholesale Funded Bank: ICO funds its activities predominantly through obligations guaranteed by Spain. Its access to debt markets has been good throughout economic cycles and the bank has consolidated a very diversified investor base in the last years, with around 70%-80% foreign investors. Wholesale funding is complemented by loans from multilateral banks and is underpinned by state guarantees on its liabilities.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

Negative rating action would stem from a downgrade of the Spanish sovereign. ICO's ratings are also sensitive to changes in its strategic importance to the Spanish government or the provision of government guarantees for its debts and obligations, which Fitch does not expect.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

ICO's ratings would be upgraded if the Spanish sovereign was upgraded and the state's strong propensity to support the bank was unchanged.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

ICO's senior unsecured debt ratings are equalised with the bank's IDRs.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The senior unsecured debt ratings are primarily sensitive to changes to ICO's IDRs.

Sources of Information

The principal sources of information used in the analysis are described in the Applicable Criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

ICO's IDRs are aligned with those of Spain.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Instituto de Credito Oficial	LT IDR	A Rating Outlook Stable		A- Rating Outlook Positive
	Upgrade			
	ST IDR	F1+	Upgrade	F1
	Government Support	a	Upgrade	a-
senior unsecured	LT	A	Upgrade	A-

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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