

Instituto de Credito Oficial Upgraded To 'A+/A-1' From 'A/A-1' Following A Similar Action On Spain; Outlook Stable

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On Sept. 12, 2025, S&P Global Ratings raised its unsolicited sovereign credit rating on Spain to 'A+/A-1' from 'A/A-1'. The outlook is stable.

We equalize our ratings on Instituto de Credito Oficial (ICO) with the ratings on Spain because we view ICO as a government-related entity (GRE) with an almost certain likelihood of receiving extraordinary government support in a scenario of financial distress.

Therefore, we raised our long-term rating on ICO to 'A+' from 'A'.

The stable outlook mirrors that on Spain.

MADRID (S&P Global Ratings) Sep. 16, 2025--S&P Global Ratings today raised its long-term issuer credit rating on Spanish state-owned financial institution Instituto de Credito Oficial (ICO) to 'A+' from 'A' and affirmed its 'A-1' short-term credit rating. The outlook is stable.

The stable outlook reflects that on Spain (unsolicited, A+/Stable/A-1).

We would lower our ratings on ICO if we took the same action on Spain. We could also lower the ratings if we considered that ICO's role for and link to the Spanish government had changed, weakening the likelihood that the central government

would provide ICO with ongoing or extraordinary support. This could occur, for example, if the central government changed ICO's special public status or stopped guaranteeing its debt. However, we see this scenario as very remote.

We would raise the ratings on ICO if we took the same action on Spain, assuming that we still see ICO as having a critical role for and an integral link with Spain's government.

The rating action follows a similar action on Spain (see "[Spain Upgraded To 'A+' On Strengthening External Financial Position; Outlook Stable](#)," Sept. 12, 2025).

We view ICO as a government-related entity (GRE) that would benefit from an almost certain likelihood of extraordinary support from the Spanish central government in the event of financial distress . Our expectation of ICO receiving sufficient and timely government support stems from our view of ICO's:

Integral link with the Spanish government. Having a special public status, ICO functions, in our view, as the central government's financial arm, being fully owned and controlled by it. In turn, the government has granted ICO strong support in the form of a wide, direct, irrevocable, and unconditional guarantee covering all ICO's debt; and

Critical role as an entity created specifically to carry out key financial aspects of national economic policies on behalf of the Spanish government.

ICO's mandate is to provide financial backing on behalf of the Spanish government to companies, especially small and midsize enterprises (SMEs), and self-employed workers, in Spain and abroad. It channels loans to companies through the Spanish banking system so that each bank bears the credit risk arising from the final loan. ICO offers long-term lending to companies that operate in national interest sectors while also managing financial instruments linked to export promotion and concessionary lending programs for developing countries, on behalf of the Spanish government.

To fill market gaps, ICO has recently increased its focus on direct lending to SMEs. Specifically, it concentrates on providing funding for digitalization and to undercapitalized SMEs and companies that lack access to traditional banking. In addition, it has expanded its business beyond its traditional countercyclical role to support affordable housing projects.

ICO's role is critical during economic downturns and when the financial system suffers shocks. In response to the most recent economic shocks, ICO was given a mandate to manage and provide guarantees on behalf of the central government, in collaboration with Spanish banks. This enabled the government to channel support toward SMEs and larger organizations, self-employed workers, and residential tenants. ICO took charge of managing the guarantee programs, for which it receives a fee from the central government. However, it bears none of the associated risk, the majority of which was borne by the central government while some fell to Spanish banks.

Over the past 12 months, ICO has launched two new €5 billion guarantee lines. One was launched in October 2024 to support businesses affected by the devastating floods in the Spanish region of Valencia. The other will support those expected to be affected by the U.S. government's new tariff framework. The Spanish government initially approved funding of €1 billion for each program, and then allocated a further €240 million of funding to the flood relief line.

The aim of these new lines is to mitigate the economic impact and mobilize credit to safeguard the economy, thus preventing the erosion of productive capacity and enhancing the prospects for a rapid recovery by both households and businesses. We consider these new mandates to be evidence of ICO's critical role for the Spanish government. As of year-end 2024, guarantee programs related to the pandemic and the Russia-Ukraine war stood at a combined €34 billion.

Furthermore, since 2012, ICO has played a role in managing central government liquidity support to Spain's local and regional governments. ICO acts as a payment agent for the regional government's financing fund, which covers regional debt maturities and budgetary deficits. By the end of 2024, ICO was

managing regional financing funds worth €211 billion on behalf of the state. This amount is not included on ICO's balance sheet. In our view, support from the central government is vital if regions are to cover their funding needs, which stem from refinancing debt when it matures and from budgetary deficits.

ICO also plays an important role in executing EU funds. The organization manages up to €34.15 billion of the loans assigned to Spain under the EU's Recovery And Resilience Plan. In total, Spain was assigned loans of €83 billion under this plan. The funds are being channeled through three facilities: green transition, enterprises and entrepreneurs, and social housing promotion. This emphasizes and strengthens ICO's role as a key agent for implementing government priorities within a framework of highly strategic and transformative policies.

The value of the assets on ICO's balance sheet has increased to €37.8 billion in 2024, from €29.8 billion in 2022. Historically, ICO's balance sheet has reflected its countercyclical role, whereby it expands credit during economic crisis and winds it down as credit conditions improve. However, in recent years it has increased its direct funding activity, boosting its balance sheet. Direct funding now represents about 68% of its credit activity. This aligns with ICO's objective of filling market gaps and the expansion of its business beyond its countercyclical role. The remaining 32% of the balance sheet comprises mediation loans.

ICO's net profit remained flat in 2024 as higher interest rates depressed margins. Fees collected from managing funds and guarantee lines on behalf of the Spanish government remained stable. As a public financial institution, ICO's success is not measured by its profitability, in contrast to commercial banks. Nevertheless, we forecast that ICO will maintain positive results in 2025. Profits will be lower than those reported in 2024 because of the decrease in margins and increase in operating expenditure. The latter was largely caused by the need to expand headcount to accommodate its new mandates.

ICO maintains a diversified funding profile, through a combination of public and private debt issues. It is an active issuer in the market. As of June 2025, about 44% of ICO's total outstanding liabilities consisted of bonds. Of the remaining

liabilities, 17% were short-term notes (pagarés), 15% loans, and 4% interbank funding. ICO prefunded €2.9 billion of its 2025 funding needs during 2024; we estimate that it will need about €6 billion-€7 billion more, in total, over 2025. By August 2025, ICO had successfully raised a further €5.7 billion to cover its funding needs.

The organization has also pioneered the use of social and sustainable financing in Spain's public sector. Since its first issuance of social and sustainable bonds in 2015, ICO has issued a total of 11 social bonds totaling €5.6 billion and seven green bonds totaling €3.5 billion. We expect ICO to issue an additional €500 million social bond before year-end 2025. The sustainable financing approach has allowed ICO to broaden its investor base.

Related Criteria

General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015

General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

Spain Upgraded To 'A+' On Strengthening External Financial Position; Outlook Stable, Sept. 12, 2025

Instituto de Crédito Oficial (ICO), Sept. 23, 2024

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating

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