Instituto de Crédito Oficial

Rating Report

Rating rationale and Outlook

The A/Positive issuer rating of Instituto de Crédito Oficial (ICO, or the bank) is equalised with the A/Positive sovereign rating of the Kingdom of Spain, due to the sovereign's direct, explicit, unconditional and irrevocable guarantee of ICO's liabilities.

ICO's credit profile is further underpinned by: i) a mature and very supportive legal set-up, which makes changes to the bank's business model or guarantee structure unlikely; and ii) the bank's high strategic importance to the Spanish State as its national promotional bank, implementing economic and social policies with a countercyclical role, supported by the stability of its financial resources.

The A rating also recognises ICO's strong standalone fundamentals, which include robust capitalisation, sustained profitability, and solid asset quality. Almost one-third of ICO's loan portfolio consists of intermediary loans to private banks, which in turn extend funds to private sector borrowers, with the ultimate risk for ICO linked to private banks. This structure, coupled with conservative risk management and a broadly diversified loan portfolio across sectors, results in low non-performing loans. Furthermore, ICO's robust access to capital markets—bolstered by the State guarantee—ensures ample liquidity buffers, a diversified investor base and sustained funding across economic cycles.

Figure 1: Scope's approach to rating ICO

ICO		
Public Sector	**Kingdom of Spain** (A/Positive)	
Step 1: Integration with the public sponsor (QS1)	Rating approach	Top-down
Step 2: Equalisation factor	Rating equalisation with public sponsor?	Yes (A/Positive)
Final rating	**A/Positive**	

For further details, please see Scope's Government Related Entity Rating Methodology. Source: Scope Ratings

Foreign currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt/Outlook

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

Local currency

Long-term issuer rating/Outlook

A/Positive

Senior unsecured debt/Outlook

A/Positive

Short-term issuer rating/Outlook

S-1/Positive

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Credit strengths and challenges

Credit strengths

- Explicit, irrevocable, unconditional and direct guarantee extended by the Kingdom of Spain
- Robust integration with the government of Spain
- Sustained stand-alone fundamentals, with high capitalisation and solid asset quality

Credit challenges

- Elevated exposure to fluctuations in the national economy and financial markets

Outlook and rating triggers

The **Positive** Outlook is aligned with the Positive Outlook on the sovereign rating of the Kingdom of Spain and reflects Scope's view that risks to the ratings are skewed to the upside over the next 12 to 18 months.

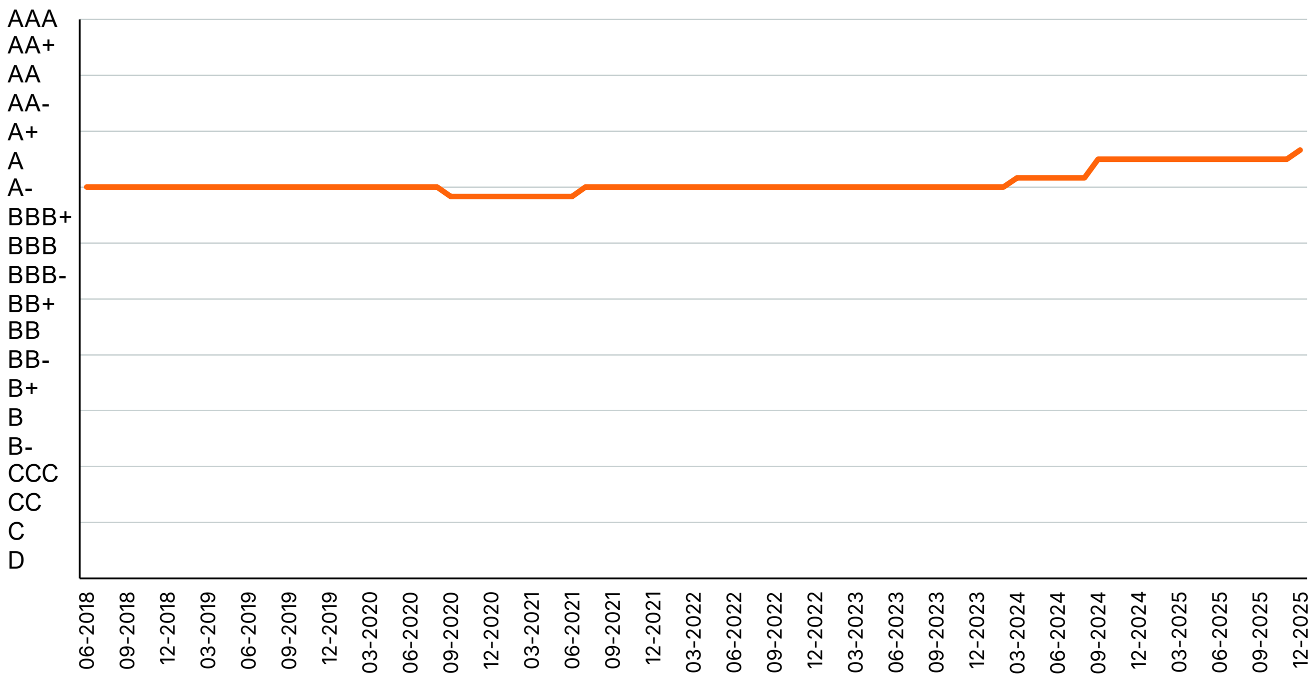
Positive rating-change drivers

- A positive change in the Kingdom of Spain's sovereign rating

Negative rating-change drivers

- A negative change in the Kingdom of Spain's sovereign rating/Outlook
- Removal of the guarantee by the Kingdom of Spain or material weakening of the level of integration with the Kingdom of Spain, resulting in weaker credit support

Figure 2: Rating history



Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.
Source: Scope Ratings.

1. Rating approach and integration with Spain (A/Positive)

To determine the level of integration of a GRE with its public sponsor, we structure our analysis around four analytical components: i) Legal status, ii) Purpose & activities; iii) Shareholder structure; and iv) Financial interdependencies. Based on this analysis, we adopt either the Top-Down or Bottom-Up approach to assign the ratings. The Top-Down approach takes the public sponsor's rating as the starting point for the assessment, while the Bottom-Up approach starts from the GREs' stand-alone credit fundamentals.

The A rating is underpinned by strong integration of ICO with the Spanish government, which underpins our adoption of the 'Top-down' approach to assign the ratings, reflecting:

Analytical component (weight)	Assessment (Score)	Analytical rationale
Legal status (40%)	High (100)	As a public business entity (EPE), ICO cannot be declared insolvent, exempting it from the Banking Recovery and Resolution Directive (BRRD). The legal form allows ICO to have its own legal status and manage its assets and treasury autonomously to fulfil its objectives.
Purpose & activities (20%)	High (100)	As Spain's national promotional bank, ICO plays a crucial role in fostering economic growth and improve the distribution of wealth by implementing government economic policies. Its mission focuds on supporting sustainable growth and focusing on projects with social, cultural, innovating or environmental significance.
Shareholder structure (20%)	High (100)	The institution is fully owned by the Spanish state and operates under ministerial and Bank of Spain supervision.
Financial interdependencies (20%)	High (100)	ICO also acts as the state's financial agent, managing key programmes, including guarantee lines related to the pandemic and Ukraine, development cooperation and territorial funds, further reinforcing its integral role in Spain's financial and economic landscape.
Approach adopted		**Top-Down**

2. Equalisation factor

In cases where the GRE benefits from a statutory guarantee, explicit guarantee or laws to similar effect covering all, or most of its debt obligations, we follow the equalisation approach and align the GRE's rating with that of its public sponsor.

ICO's ratings are equalised with the Kingdom of Spain's A/Positive rating. This is because the State provides an explicit, irrevocable, unconditional and direct guarantee on all ICO's liabilities. The guarantee is explicitly addressed in ICO's bylaws, article 24.2[1], financial transactions.

[1] Real Decreto 706/1999, de 30 de abril, de adaptación del Instituto de Crédito Oficial a la Ley 6/1997, de 14 de abril, de organización y funcionamiento de la Administración General del Estado y de aprobación de sus Estatutos.

3. Supplementary analysis

The supplementary analysis considers the fundamentals of the GRE as well as the potential risk for negative interventions by the public sponsor or additional constraints affecting the GRE's credit worthiness. This can have both credit-positive and negative implications for the rating.

ICO's business model is driven by its public policy mandate. As a promotional bank, ICO acts as a long-term, countercyclical lender and plays a critical role in state support measures. ICO's profitability is typically stable but modest, aligned with its non-profit-maximising development bank mandate. The institution consistently delivers positive earnings, even during economic downturns, largely due to its low credit losses. Net profit amounted to EUR 250m in 2024, remaining stable compared to the 2023 level, while net interest income declined slightly but remained high at EUR 257m from 291m in 2023.

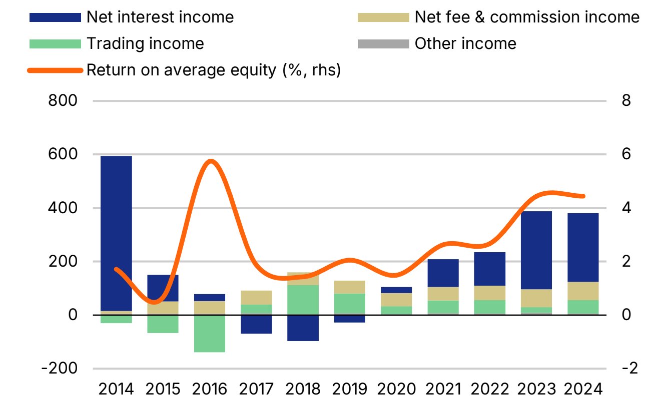
The bank's standalone fundamentals are further supported by its strong capitalisation and solid asset quality. As of September 2025, ICO's Tier I capital ratio was robust at 23.61%, well above the minimum regulatory requirement. Moreover, 31% of the bank's loan portfolio consists of intermediary loans to private banks, which then extend the funds to private sector borrowers. Asset quality remains solid, with a non-performing loan (NPL) ratio declining to 2.3% in September 2025 from 2.8% in 2023 and a substantial provision coverage ratio of 145%, ensuring strong risk protection. ICO's robust access to capital markets - benefiting from state guarantees – ensures, a diversified investor base and sustained funding across economic cycles.

This results in no adjustment to the indicative rating, for a final rating of A/Positive for ICO.

4. Selected charts

Figure 3: Revenue composition and ROE

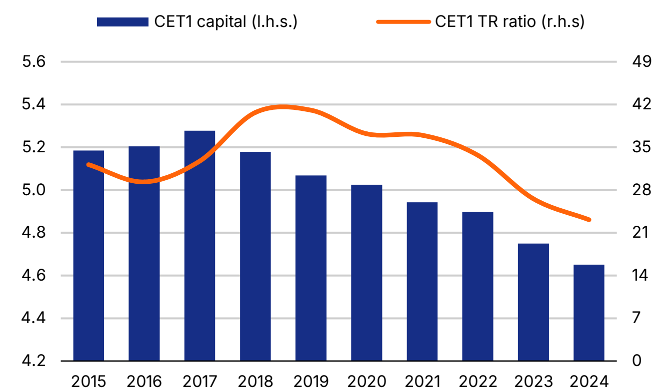
EUR m (l.h.s.), % (r.h.s)



Sources: SNL, Scope Ratings

Figure 4: CET 1 ratio evolution

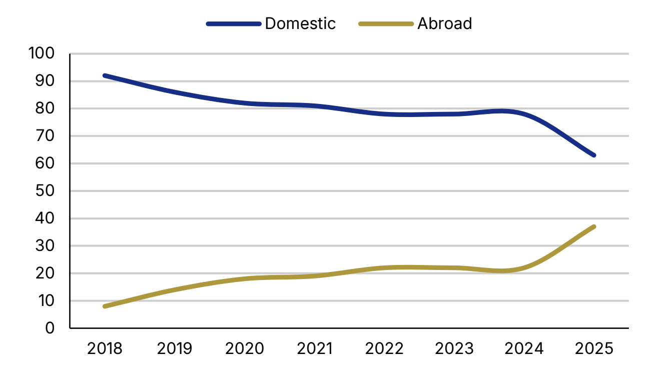
EUR bn, (l.h.s), % (r.h.s.)



Sources: SNL, Scope Ratings

Figure 5: Investment distribution by geography

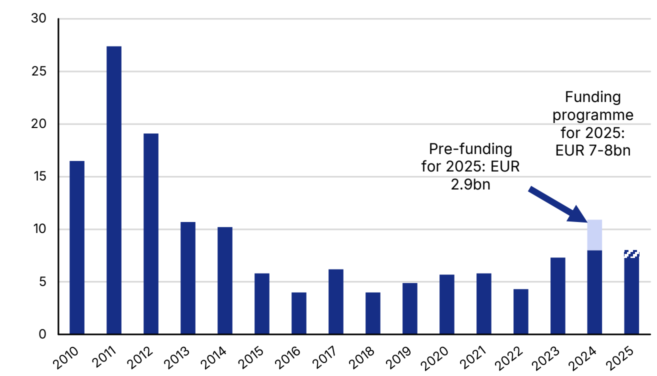
%



Note: In general, investment distribution as per 31/03 is shown. For 2018 and 2021 distribution as per 31/12 of previous year is shown. Interpolation for 2023. Latest data for 2025 as of 30 September 2025. Source: ICO, Scope Ratings

Figure 6: ICO's funding activity

EUR bn



Sources: ICO, Scope Ratings

5. Selected financial information

	2020	2021	2022	2023	2024
Balance sheet summary (EUR m)					
Assets					
Cash and interbank assets	13,292	17,104	9,549	10,459	13,162
Total securities	9,314	9,593	9,711	8,254	11,137
of which, derivatives	347	466	469	327	370
Net loans to customers	11,434	10,713	10,174	12,601	12,898
Other assets	368	381	369	374	621
Total assets	**34,407**	**37,790**	**29,803**	**31,689**	**37,818**
Liabilities					
Interbank liabilities	10,753	9,339	7,618	6,050	7,286
Senior debt	15,294	20,087	13,374	16,921	21,865
Derivatives	662	342	595	607	1,216
Deposits from customers	1,414	842	394	408	569
Subordinated debt	0	0	0	0	0
Other liabilities	1,043	1,771	2,232	1,928	1,399
Total liabilities	**29,166**	**32,381**	**24,214**	**25,913**	**32,335**
Ordinary equity	5,241	5,409	5,589	5,776	5,483
Equity hybrids	0	0	0	0	0
Minority interests	0	0	0	0	0
Total liabilities and equity	**34,407**	**37,790**	**29,803**	**31,689**	**37,818**
Core tier 1/ common equity tier 1 capital	*5,024*	*4,943*	*4,897*	*4,749*	*4,652*
Income statement summary (EUR m)					
Net interest income	22	105	126	291	257
Net fee & commission income	49	50	53	66	68
Net trading income	30	48	50	21	50
Other income	4	7	6	9	6
Operating income	**105**	**209**	**235**	**388**	**380**
Operating expenses	-28	63	55	43	67
Pre-provision income	**133**	**146**	**180**	**344**	**313**
Credit and other financial impairments	22	-48	-23	-13	-36
Other impairments	0	0	0	0	0
Non-recurring income	0	0	0	0	0
Non-recurring expense	0	0	0	0	0
Pre-tax profit	**110**	**195**	**204**	**357**	**350**
Income from discontinued operations	0	0	0	0	0
Income tax expense	31	55	57	105	100
Other after-tax Items	0	0	0	0	0
Net profit attributable to minority interests	0	0	0	0	0
Net profit attributable to parent	**79**	**140**	**147**	**252**	**250**

Sources: SNL, Scope Ratings

6. Selected financial ratios

	2020	2021	2022	2023	2024
Asset mix, quality and growth					
Net loans/ assets (%)	33.2%	28.3%	34.1%	39.8%	34.1%
Problem loans/ gross customer loans (%)	3.9%	3.6%	3.5%	4.1%	3.9%
Loan loss reserves/ problem loans (%)	140.8%	152.5%	160.2%	121.7%	130.7%
Net loan growth (%)	9.8%	-6.3%	-5.0%	23.9%	2.4%
Problem loans/ tangible equity & reserves (%)	8.0%	6.8%	6.1%	8.4%	8.6%
Asset growth (%)	8.1%	9.8%	-21.1%	6.3%	19.3%
Earnings and profitability					
Net interest margin (%)	0.1%	0.3%	0.4%	1.0%	0.7%
Net interest income/ average RWAs (%)	0.2%	0.8%	0.9%	1.8%	1.4%
Net interest income/ operating income (%)	20.9%	50.0%	53.5%	75.2%	67.4%
Net fees & commissions/ operating income (%)	46.9%	23.9%	22.8%	17.0%	17.9%
Cost/ income ratio (%)	-27.0%	30.1%	23.2%	11.2%	17.6%
Operating expenses/ average RWAs (%)	-0.2%	0.5%	0.4%	0.3%	0.4%
Pre-impairment operating profit/ average RWAs (%)	1.0%	1.1%	1.3%	2.1%	1.6%
Impairment on financial assets / pre-impairment income (%)	16.7%	-33.1%	-13.0%	-3.7%	-11.6%
Loan loss provision/ average gross loans (%)	0.1%	-0.6%	-0.4%	-0.1%	-0.2%
Pre-tax profit/ average RWAs (%)	0.9%	1.4%	1.5%	2.2%	1.8%
Return on average assets (%)	0.2%	0.4%	0.4%	0.8%	0.7%
Return on average RWAs (%)	0.6%	1.0%	1.1%	1.6%	1.3%
Return on average equity (%)	1.5%	2.6%	2.7%	4.4%	4.4%
Capital and risk protection					
Common equity tier 1 ratio (%, transitional)	37.2%	37.0%	33.7%	26.6%	23.1%
Tier 1 capital ratio (%, transitional)	37.2%	37.0%	33.7%	26.6%	23.1%
Leverage ratio (%)	12.7%	11.7%	14.3%	13.3%	11.0%
Asset risk intensity (RWAs/ total assets, %)	39.2%	35.4%	48.8%	56.4%	53.2%

Sources: SNL, Scope Ratings

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Related research

Scope affirms Spain's credit ratings at A and revises the Outlook to Positive, November 2025

Applied methodologies

Government Related Entity Rating Methodology, September 2025

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