

Instituto de Credito Oficial Outlook Revised To Stable From Negative After Same Action On Spain; 'A/A-1' Affirmed

- On March 18, 2022, we revised our outlook on Spain (unsolicited A/A-1) to stable from negative.
- We equalize our ratings on Instituto de Credito Oficial (ICO) with those on Spain since we consider that ICO has an integral link with and a critical role for the Spanish government.
- We therefore revised our ICO outlook to stable from negative, and affirmed our 'A/A-1' ratings.

MADRID (S&P Global Ratings) March 22, 2022--S&P Global Ratings today revised its outlook on the long-term rating on Spanish state-owned financial institution Instituto de Credito Oficial (ICO) to stable from negative. At the same time, we affirmed our 'A/A-1' long and short-term foreign and local currency ratings on ICO.

The revision of our ICO outlook to stable from negative follows a similar rating action on Spain (see "[Spain Outlook Revised To Stable From Negative On Balanced Growth; 'A/A-1' Ratings Affirmed](#)," published March 18, 2022, on RatingsDirect). In accordance with our criteria for rating government-related entities (GREs), we think that there is an almost certain likelihood that ICO would receive timely and sufficient extraordinary support from the Spanish government in the event of financial distress. We therefore equalize our long-term issuer credit ratings on ICO with those on Spain.

We view ICO as a GRE that would benefit from extraordinary support from the Spanish central government, with an almost certain likelihood of support 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. Endowed with a special public status, ICO functions, in our view, as the central government's financial arm, and is 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 its 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 acts as the Spanish government's financial agency and its role is critical during economic crises. It has played a central role in managing the Spanish central government's pandemic support to the business sector by acting as an intermediary between the government and Spanish financial institutions. ICO's role over the next few years will focus on the government's strategic economic-development priorities. Its funding strategy is diversified and combines loans, bonds, and interbank funding.

The stable outlook mirrors that on Spain.

We could lower the ratings on ICO if we take the same action on Spain. We could also lower the ratings on ICO if we assess that its role for and link with the Spanish government and, in turn, the likelihood of ongoing or extraordinary central government support, have weakened. This could be the case if the central government changes ICO's special public status or stops guaranteeing its debt. However, we see this scenario as very remote.

We could raise our ratings on ICO if we take the same action on Spain, assuming we continue to have the same opinion of ICO's critical role for and integral link with the Spanish government.

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 Outlook Revised To Stable From Negative On Balanced Growth; 'A/A-1' Ratings Affirmed**, March 18, 2022

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 www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at

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Regulatory Disclosures For Each Credit Rating Including Ratings List Table

Disclosures include requirements relating to press releases or reports published in accordance with Article 10(1), 10(2), and 10(5), and Annex I, Section D, I, 1, 2, 2a, 4, and 5. These requirements are available by rating via the link titled "Regulatory Disclosure" and include, but are not limited to:

- Key Elements Underlying The Credit Rating
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- Solicited Or Unsolicited Status
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- Office Responsible For The Credit Rating
- Materials Used In The Credit Rating Process
- Criteria Applied
- Models Applied, Loss, And Cash Flow Analysis Performed
- Scenario Analysis
- Sensitivity Analysis
- Risk Warning, Understanding Credit Rating Categorizations, And Criteria
- Rated Entity Notification
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