

DBRS Morningstar Confirms ICO's Long-Term Ratings at A, Trend Revised to Stable

BANKING ORGANIZATIONS

DBRS Ratings GmbH (DBRS Morningstar) confirmed Instituto de Crédito Oficial's (ICO or the Bank) ratings, including the Long-Term Issuer Rating at A and the Short-Term Issuer Rating at R-1 (low). All ratings have been revised to Stable from Positive Trend. ICO's Support Assessment remains SA1. See a full list of ratings at the end of this press release.

KEY RATING CONSIDERATIONS

The confirmation of ICO's Long-Term Issuer Rating at "A", and the trend change to Stable follows DBRS Morningstar's confirmation of the Kingdom of Spain's Long-Term Foreign and Local Currency rating at "A" with a Stable trend on May 29, 2020. ICO's ratings reflect its statutory ownership and the full guarantee of its liabilities by the Kingdom of Spain as stated in its by-laws. As a result, DBRS Morningstar's support assessment for ICO is SA1 and ICO's issuer ratings and trend are equalised with the ratings of the Kingdom of Spain and will move in line with the rating of the Spanish sovereign.

RATING DRIVERS

An upgrade on the Kingdom of Spain's ratings would be reflected in ICO's ratings.

Similarly, a downgrade on the Kingdom of Spain's ratings would be reflected in ICO's ratings.

The Long-Term and the Short-Term ratings move in line with the ratings of the Kingdom of Spain.

RATING RATIONALE

ICO is a credit institution by law and is considered to be a State Finance Agency of Spain. As a public specialized lending institution and the state's financial agency, ICO enjoys a unique and dominant franchise in Spain which contributes to support its current rating. Moreover, the ratings also consider ICO's limited business scope, constrained by its business model and its high dependence on the Spanish Government.

ESG CONSIDERATIONS

DBRS Morningstar views that the Corporate Governance ESG subfactor was significant to the credit rating. This is included in the Governance category. DBRS Morningstar sees as positive for the rating that ICO's statutory owner is the Spanish Government and it benefits from an explicit guarantee of its liabilities from the Kingdom of Spain. As a result, the ratings are equalised with the ratings of the Kingdom of Spain.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

Notes:

All figures are in Euro unless otherwise noted.

The principal methodologies are the Global Methodology for Rating Banks and Banking Organisations (11 June 2019) <https://www.dbrsmorningstar.com/research/346375/global-methodology-for-rating-banks-and-banking-organisations> and the DBRS Morningstar Criteria: Guarantees and Other Forms of Support (22 January 2020) <https://www.dbrsmorningstar.com/research/355780/dbrs-morningstar-criteria-guarantees-and-other-forms-of-support>

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>

The sources of information used for this rating include ICO Annual Accounts (2015-2018), and S&P Global Market Intelligence. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive Trend are resolved within a twelve month period. DBRS Morningstar's outlooks and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/362070>

Ratings assigned by DBRS Ratings GmbH are subject to EU and US regulations only.

Lead Analyst: Pablo Manzano, Vice President – Global FIG

Rating Committee Chair: Elisabeth Rudman - Managing Director, Head of European FIG - Global FIG

Initial Rating Date: February 25, 2013

Last Rating Date: March 13, 2020

For more information on this credit or on this industry, visit www.dbrsmorningstar.com.

Contacts

Pablo Manzano, CFA

Vice President - Global FIG

+34 91903 6502

pablo.manzano@dbrsmorningstar.com

Elisabeth Rudman

Managing Director, Head of European FIG - Global FIG

+44 20 7855 6655

elisabeth.rudman@dbrsmorningstar.com

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