



- *The public debt-to-GDP ratio stood at 103.4% in the second quarter of 2025, down 1.8 points from the same period in 2024, but still 5.8 points above the pre-pandemic level.*
- *The ratio remained at the same value as in the first quarter of 2025, registering a rebound of 1.8 points from the level at year-end 2024.*
- *The cumulative reduction since the peak reached in the first quarter of 2021 (124.2%) is 20.8 points.*
- *In monetary terms, public debt reached €1.69 trillion in June 2025, year-on-year growth of 4%, lower than the 5.8% increase in nominal GDP, contributing to a gradual reduction in the debt-to-GDP ratio.*
- *Financing conditions in European sovereign debt markets have improved in recent months, helped by moderating inflation and monetary policy easing.*
- *Euro area inflation has declined steadily and has been close to the 2% target since May. The monetary stance remains prudent and data-dependent, with a particular focus on core inflation, wage evolution and the strength of domestic demand.*
- *The easing of monetary policy has had an immediate impact on short-term sovereign debt, with yields falling across the board. In the case of Spain, yields on one-year debt fell by 51 basis points compared with a year earlier.*
- *In contrast, long-term debt has been on an upward trend since 2024, reflecting higher risk perceptions and the growing structural net borrowing needs of European economies, exacerbated by political uncertainty and budgetary tensions in several countries.*
- *Sovereign debt yields show a divergent evolution across countries, with an upward trend in Germany and France, compared with greater stability in Spain and Italy, where 10-year yields remain more contained.*
- *Over the last year, the 10-year risk premium has declined in Italy and Spain, helped by the rise in German bond yields.*
- *In contrast, in France, political uncertainty and the need for a credible fiscal cutback have pushed up 10-year bond yields, which have been trading above Spain's since October 2024, pushing its risk premium higher than Italy's and reflecting greater market pressure on its sovereign debt.*
- *A comparison of Spain's yield curve in 2025 with respect to 2024 and 2023 shows this clear duality between the short and long maturities of sovereign debt.*
- *Short maturities (up to three years), which are more sensitive to ECB policy, reflect the impact of monetary easing, with a significant fall in yields. In contrast, longer maturities have higher yields,*

with the 2025 curve above the 2024 curve, showing that underlying fiscal pressures continue to limit the decline in long-term rates.

- The average cost of new Treasury issues continues the downward trend that began in 2024, in line with the reduction in ECB rates. In September 2025, it stood at 2.5%, 90 basis points lower than in 2023.
- Despite this improvement, current issuance rates are still higher than the average cost of the outstanding portfolio; hence, the average cost of public debt will continue to rise gradually in the coming quarters.
- The leading rating agencies have revised Spain's sovereign rating upwards: Fitch (A), Moody's (A3) and S&P (A+), all with a stable outlook.
- Among the positive factors, the agencies highlight Spain's strong economic growth - above the euro area average - a robust labour market and a resilient foreign sector, with a current account surplus and export diversification. On the fiscal front, the rating agencies highlight the moderate public deficit, although they warn that debt reduction is progressing more slowly than in other peer countries.
- The upward revision of Spain's rating by the leading agencies is consistent with the downward trend in the risk premium over the last year; historically, similar levels of the 10-year spread vs the German bond have been associated with high-grade sovereign ratings.
- In France and Italy, rating agencies have taken contrasting decisions: while France was downgraded to A+ because of its high debt and slow fiscal cutback, Italy was upgraded to BBB+ thanks to prudent fiscal management, political stability and structural reforms, bringing their risk premiums to similar levels.
- As for debt projections, AIReF estimates a reduction of 6.4 points of GDP between 2024 and 2030, which would place the ratio at around 95.2%.
- The forecast is for an average annual reduction of 1.1 pp, with nominal growth stable at around 3.5%, an average primary surplus of 0.5% and interest payments of 2.7% towards the end of the period. The favourable growth/interest rate differential will enable a downward debt path to be maintained.
- Compared with the previous projection (May 2025), the 2029 debt ratio is revised down by 3.2 points, thanks to higher nominal growth (0.8 pp), a more favourable primary balance (1.7 pp), a better evolution of interest payments (0.4 pp) and a statistical revision of GDP (0.2 pp).
- With regard to regional debt, since the peak in 2020 (26.9% of GDP), the debt of the Autonomous Regions (ARs) as a whole has been reduced by 6 points, standing at 20.9% of GDP in the second quarter of 2025, although it still exceeds the legal limit of 13% set by the LOEPSF by 7.9 points.
- Compared with year-end 2024, total regional debt fell by 0.2 points of GDP, with Murcia recording the largest fall (-2.1 points) and Rioja the largest rise (+1.6 points).
- 2010 was the last year in which the regional debt ratio fell below the 13% threshold, and currently only four ARs maintain levels below this limit.

- There are significant differences in the level of debt across the ARs. In the second quarter of 2025, Valencia is the most indebted AR, with a ratio of nearly 40% of GDP, followed by Murcia, Catalonia, and Castile-La Mancha, with ratios of around 30% of GDP. The gap between the ARs with the highest and lowest debt ratios - Valencia (40%) and Navarre (10%) - is almost 30 pp.
- Over the course of 2025, several ARs have seen their credit ratings upgraded by the leading agencies.
- Moody's raised the ratings of Asturias, Andalusia, Galicia, Castile and Leon and Madrid to A3, the same as for the State, and upgraded the ratings of Catalonia, Castile-La Mancha, Valencia and Murcia from speculative to investment grade.
- S&P upgraded the rating of Aragon, the Canary Islands, Cantabria, Extremadura and Navarre, the latter with a high rating (AA).
- Fitch upgraded the ratings of Catalonia, Castile-La Mancha, Valencia and Murcia to medium-low investment grade, and upgraded the Basque Country to A+, one notch above Spain's sovereign rating.
- The expected fiscal improvement and a favourable macroeconomic environment would allow for a downward path of regional debt in the medium term, according to AIREF projections.
- Under a no-policy change scenario, the regional debt-to-GDP ratio would fall by 3.9 points by 2030, underpinned by a primary surplus of 0.4% of GDP and the contribution of nominal growth, which would contribute 4.6 points to the reduction.
- In the longer term, with a constant primary surplus of 0.4% of GDP, regional debt would continue to decline gradually, thanks to a virtually zero differential between interest rates and nominal growth.
- The weight of regional financing mechanisms has remained stable since 2017 at around 60%, after initial rapid growth between 2012 and 2016.
- Although initially conceived as temporary measures to guarantee the liquidity of the ARs in times of market access restrictions, these mechanisms have become consolidated over time as a structural and permanent tool of regional financing.
- The use of extraordinary financing mechanisms varies considerably from one AR to another. While Navarre, the Basque Country and Madrid do not currently resort to these funds, other ARs have reduced their dependence, such as the Canary Islands, Galicia and Asturias, while some have increased it, such as Extremadura and Rioja.
- At present, four groups can be distinguished according to the degree of use of these mechanisms: intensive (>75%) in Murcia, Cantabria, Valencia, Catalonia, Castile-La Mancha and Extremadura; high (>50%) in Aragon, the Balearic Islands, Andalusia and Rioja; low (15-20%) in the Canary Islands, Galicia, Asturias and Castile and Leon; and zero in Navarre, Madrid and the Basque Country.
- The future of the extraordinary financing mechanisms is determined by two recent regulatory milestones: the Agreement of the Government Delegated Committee for Economic Affairs (CDGAE) (July 28th, 2025) and the Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures (September 2025).
- The Agreement of the Government Delegated Committee for Economic Affairs (CDGAE) establishes the financing conditions that will prevail for 2026 to 2028, through a mixed model that combines

revenue from the Financing Fund, mainly through the Financial Facility, and partial access to the markets, as an intermediate stage towards the financial normalisation of the ARs.

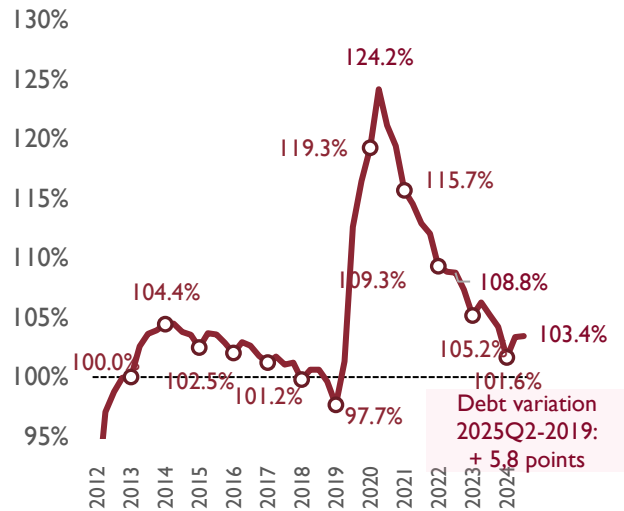
- During this period, investment-grade ARs that meet at least one of the criteria of budgetary stability or debt will be eligible for the new scheme, and must present a Multi-year Debt Plan (PPE) outlining their financial strategy.
- The Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures, pending approval, addresses the future of regional financing in two complementary areas: the partial assumption of regional debt by the State and the reform of the AR Financing Fund.
- On the one hand, the partial assumption of debt aims to reduce interest spending by facilitating a gradual return to the markets, reinforcing the discipline and financial autonomy of the ARs.
- On the other hand, the reform of the Financing Fund is envisaged, which will promote the transition towards ordinary financing, with the progressive phasing out of the Financial Facility and the consolidation of the Regional Liquidity Fund (FLA) as a mechanism of last resort.
- As a percentage of GDP, the write-off of regional debt is equivalent to a reduction of 5.1 points of GDP for the sub-sector as a whole. The largest relative reductions are recorded in Andalusia (8.6 pp), Castile-La Mancha (8.5 pp), Murcia (7.7 pp) and Valencia (7.4 pp), all of which exceed the average.
- In terms of volume, the €83.25bn of the write-off account for 24.3% of the total regional debt (€342.8bn). The ARs of the Canary Islands (48.2%) and Andalusia (45.3%) stand out, with the State assuming almost half of the debt.
- Despite the measure, some ARs maintain high levels of debt, above 20% of GDP. Valencia stands out (32.5%), followed by Murcia (23.2%), Catalonia (23.8%) and Castile-La Mancha (20.5%).
- The write-off would reduce the debt-to-current-revenue ratio from 140% to 104.7%, narrowing the regional differences, placing most of them between 60% and 100%, although the most indebted ARs will continue to show ratios above 100%.
- Of the total regional debt write-off, around 80% would be executed over the course of 2026 through the early repayment of the extraordinary financing mechanisms, while the remaining 20% would be executed through the assumption of debt with third parties by the State. However, these deadlines are subject to the time at which the agreement is signed.
- The reduction accounts for approximately one third of the total volume of financing funds to the ARs, which amounts to €204.71bn in the second quarter of 2025.
- According to the regional distribution, the write-off accounts for a particularly high percentage of the funds in Andalusia and Extremadura (around 80%), while in Rioja and Castile-La Mancha it is just over 35%, and in Aragon, the Balearic Islands, Cantabria, Murcia, Catalonia and Valencia it is between 20% and 30%.
- In Asturias, the Canary Islands, Castile and Leon and Galicia, the amount of the write-off is more than double the volume of the funds, which means that it will have to be supplemented by the assumption of debt with third parties by the State; the latter is entirely the case in Madrid, the only AR under the general regime without debt under the financing funds.

- In per capita terms, in the country as a whole, and according to data from the second quarter of 2025, the average write-off amounts to €1,688 per inhabitant, albeit with considerable regional differences. The highest per capita figures are recorded in Castile-La Mancha, Andalusia, Catalonia, Murcia and Valencia, all of which exceed €2,000 per inhabitant.
- In terms of adjusted population, the pattern is very similar: the same ARs maintain the highest values, with an average write-off of €2,284 per adjusted inhabitant, compared with a national average of €1,892.
- In a simulation of regional debt write-off for a total of €83.25bn, executed by December 31st, 2025, and following the order of priority established in the Draft Bill of the Organic Law, it is estimated that interest savings of €2.53bn would be made in the first year, equivalent to 0.14% of GDP.
- The cumulative impact would amount to €15.66bn by 2030, which would represent a significant improvement in the financial sustainability of the sub-sector. This saving derives both from the interest recognised on written-off operations and the future interest associated with the loans that would have refinanced the debt write-off.
- In this scenario, the legal debt limit of 13% of GDP would be reached in 2029, 12 years earlier than in the previous projection of the write-off, estimated at 2041.
- Although the assumption by the State of €83.25bn represents a step towards greater financial sustainability for the ARs, its amount and distribution methodology include certain elements that may hinder the orderly return of all ARs to the markets.
- In the most indebted ARs, the debt reduction may be insufficient to guarantee full normalisation, while those with a better financial position will see their capacity to access the markets strengthened.
- As AIReF has already publicly stated ([AIReF. Informative Note of the Fiscal and Financial Policy Council \(CPFF\). February 2025](#)), the measure entails risks of inappropriate fiscal incentives if it is not accompanied by conditionality linked to compliance with the fiscal rules.
- Since interest payments are excluded from the calculation of the expenditure rule, the savings from reducing them do not affect compliance with the expenditure rule and do not generate, in this area, room for other expenditure.
- The use of savings to increase expenditure, instead of reducing debt, and without an equivalent adjustment by the Central Government (CG), could exacerbate the aggregate fiscal position of the General Government Sector.
- The debt write-off process should be part of a broader reform of the regional financing system and the national fiscal framework that reinforces fiscal co-responsibility and updates a model that has been in place since 2009.
- A comprehensive overhaul of the system would help avoid the moral hazard arising from the perception that the State will inevitably come to the rescue of the ARs in difficulties, given the sense of the interim nature of the current framework, and would ensure greater long-term fiscal sustainability and discipline.

The Spanish debt-to-GDP ratio stood at 103.4% in the second quarter of 2025, 1.8 points lower than in the same quarter of the previous year but still 5.8 points higher than before the pandemic. The ratio remains constant compared with the first quarter of 2025 and shows a rebound of 1.8 points compared with the last quarter of 2024, partly explained by the positive seasonality of the first part of the year, when public issuers take advantage of strong debt demand. The cumulative reduction since the ceiling reached in the first quarter of 2021 (124.2%) is 20.8 points.

In monetary terms, public debt continued to grow in 2025, following the trend observed in 2024, at a slower pace than nominal GDP, reaching €1.69 trillion in June, a year-on-year growth rate of 4%.

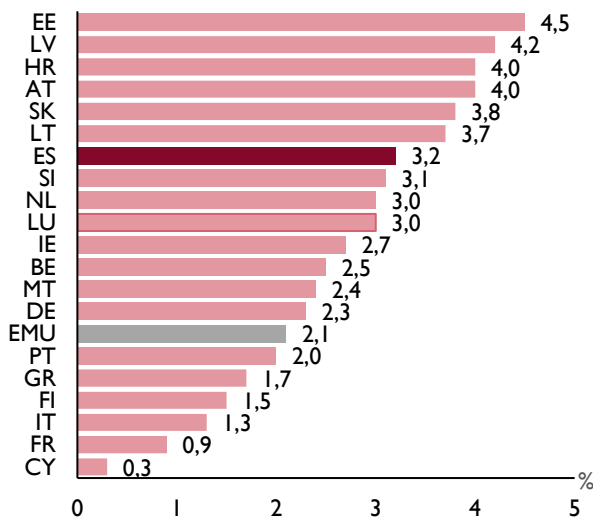
Debt (GDP), quarterly evolution



Source: Bank of Spain and INE

Compared with the previously published debt monitors, the debt-to-GDP ratio in 2022, 2023 and 2024 presents variations of -0.2 points, +0.1 points and -0.2 points, respectively, as a result of the recent statistical revision of the Spanish National Accounts carried out by the National Statistics Institute (INE). This revision implied a GDP volume adjustment of +0.2 points in 2022, -0.2 points in 2023 and +0.3 points in 2024, compared with the data released by the Quarterly National Accounts in March.

Harmonised inflation in the euro area (EA20).
Year-on-year rate. Latest data: October 2025



Source: Eurostat

The acronyms in this figure correspond to the following countries: AT (Austria), BE (Belgium), CY (Cyprus), EE (Estonia), FI (Finland), FR (France), DE (Germany), GR (Greece), IE (Ireland), IT (Italy), LV (Latvia), LT (Lithuania), LU (Luxembourg), MT (Malta), NL (Netherlands), PT (Portugal), SK (Slovakia), SI (Slovenia), HR (Croatia), ES (Spain).

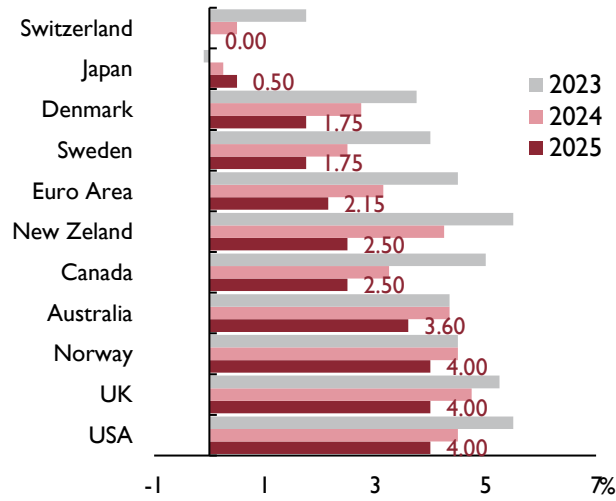
Financing conditions in European bond markets have improved in recent months, driven by moderating inflation and the resulting easing of monetary policy.

The inflation rate in the euro area has been declining, reaching a level close to the 2% target in May, standing at 2.1% in October. However, beneath this convergence of the aggregate, a notable heterogeneity between countries persists. France (0.9%) and Cyprus (0.3%), as well as Italy (1.3%), Finland (1.5%) and Greece (1.7%), the latter with inflation rates closer to the target, all stand below 2%. Germany (2.3%), Belgium (2.5%) and Spain (3.2%) stand above 2%. The Baltic-Central European group (Estonia, Latvia, Lithuania and Slovakia) also stands out, with rates between 3.7% in Lithuania and 4.5% in Estonia.

Since 2024, the monetary policy of the main central banks has entered a phase of easing. Headline inflation has gradually receded in advanced economies and is approaching price stability targets, allowing interest rate cuts to be initiated. However, the monetary stance remains prudent and gradual: each decision is made based on available data, with particular attention paid to the evolution of core inflation, wage evolution and the strength of domestic demand.

This dynamic has led to different paces of interest rate cuts across the major developed economies. In the euro area, the ECB has implemented four interest rate cuts in 2025; however, in the last two monetary policy decisions on September 11th and October 30th, it left interest rates unchanged. Since June 11th, the main refinancing rate has stood at 2.15%, the deposit facility rate at 2% and the marginal lending rate at 2.4%. This decision is based on the latest inflation data, with the aim of stabilising at 2%, together with economic growth data, a solid labour market and a robust financial situation of the private sector.

Central bank interest rate (%)



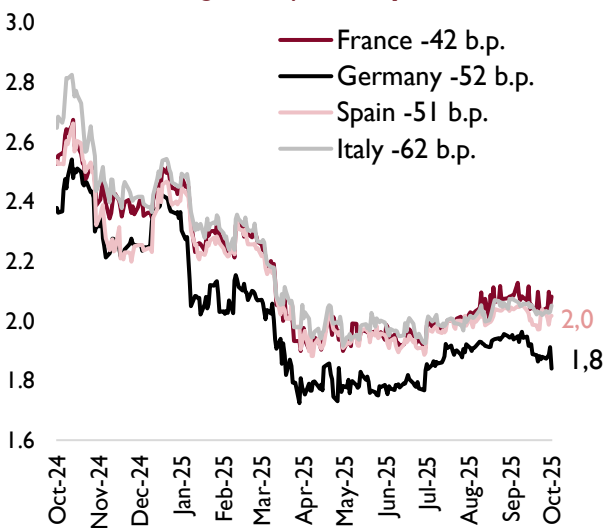
Source: Refinitiv

In the US, the Federal Reserve cut interest rates by 25 basis points twice in 2025: first on September 17th and then on October 29th, to stand within the range of 3.75%-4%. This decision primarily responds to the cooling of the labour market, which has remained relatively unchanged since the first rate cut in September, despite the lack of data due to the US Administration shutdown. The less dynamic labour market has led the Federal Reserve to rebalance the relative weight of the targets set by Congress (maximum employment and price stability), even though inflation remains above 2%. This context is further compounded by moderate economic expansion, with GDP growth of around 1.6% in the first half of the year, down from 2.4% in 2024. Looking ahead to December, uncertainty persists about the path of interest rates, with no assurance of further rate drops. The Federal Reserve has also decided to end the reduction of its aggregate holdings of securities (QT) as of December 1st, considering that bank reserves are now at a compliance level, while keeping the size of its balance sheet stable.

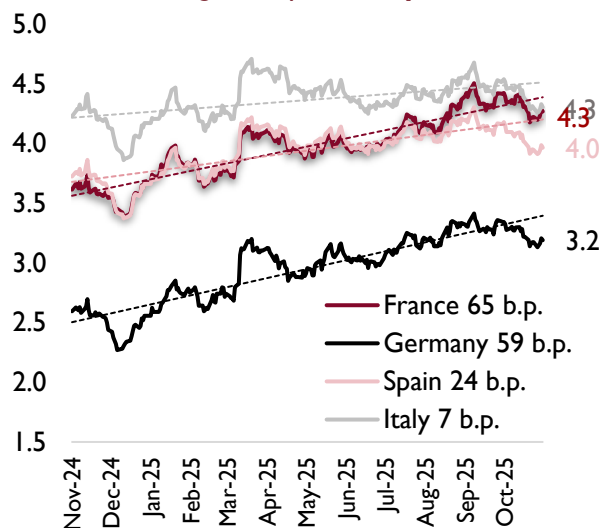
The easing of monetary policy has affected short-term sovereign debt markets. Throughout 2024 and early 2025, one-year bond yields in the main European economies have been on a downward path, with a 51-basis-point reduction in Spain compared with the previous year.

This evolution contrasts with that observed for longer-term debt. Specifically, the yield on the 30-year bond has been on an upward path in the main European economies since last year. The rise at the long end of the curve reflects the markets' assessment of increased future net borrowing needs, driven by structural factors such as an ageing population and the consequent rise in public spending, the costs of adapting to climate change, and higher defence expenditure. This was evident in March, when long-term yields rebounded following the reform of Germany's constitutional financial framework. These structural pressures on expenditure are compounded by an uncertain political environment, making budgetary negotiations more difficult and raising market risk perceptions.

Sovereign debt yields, 1-year bond



Sovereign debt yields, 30-year bond

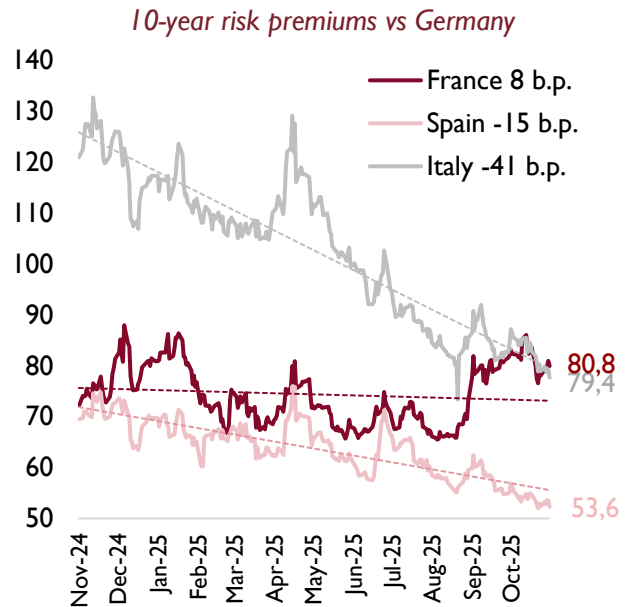
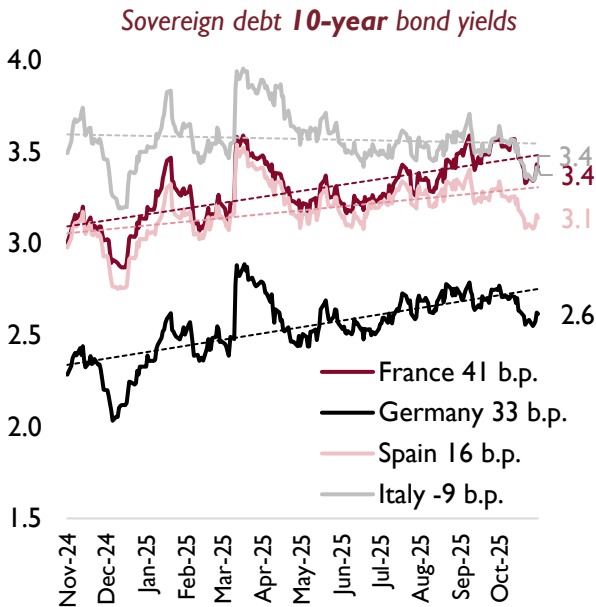


Source: Refinitiv

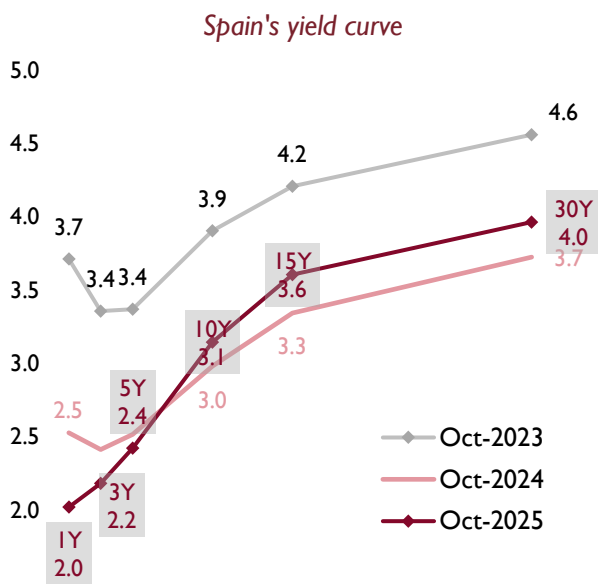
The recent evolution of bond spreads reflects the particularities affecting each country. The 10-year bond yield shows divergent trajectories across the main European economies: in Germany and France, the trend is rising and almost parallel, with a steeper slope than in Spain and Italy, where the 10-year bond yield remains more stable.

These differences are reflected in the risk premium of the 10-year bond vs the German bond. Over the last year, the risk premium has decreased by 41 basis points in Italy and by 15 basis points in Spain, respectively. This decline has been indirectly supported by the rise in German 10-year bond yields, driven by expectations of higher public expenditure, which has contributed to narrowing the spread. In France, the combination of political uncertainty and the need for a credible fiscal cutback have pushed up the yield on the 10-year bond, which, since October 2024, has traded persistently above the Spanish yield. As a result, the French risk premium has increased by 8 basis points year-on-year and has been rising since mid-August, overtaking the Italian risk premium. This behaviour reflects increasing market pressure on the sustainability of French debt compared with that of other euro area members.

Sovereign debt



Source: Refinitiv

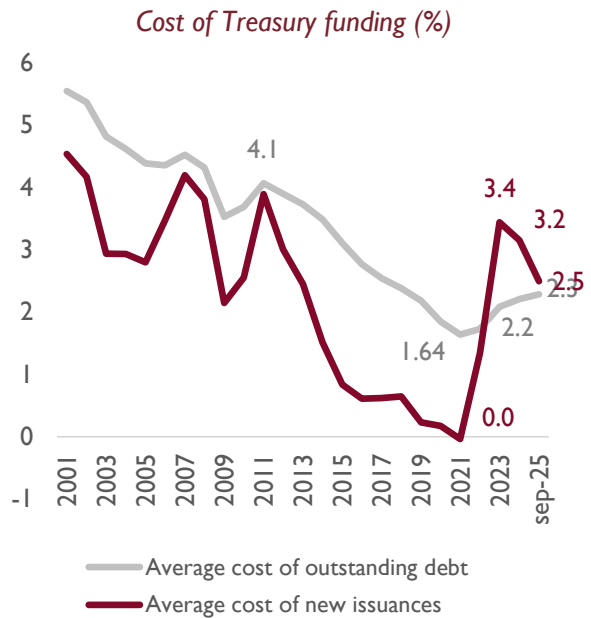


Source: Refinitiv

The comparison of Spain's yield curve in 2025 versus 2024 and 2023 clearly illustrates the duality in short- and long-term debt yields. The shorter parts of the curve (below three years), which are particularly sensitive to ECB decisions, reflect the effects of monetary easing, with significant reductions in yields. However, for the longer maturities, the 2025 curve is above the 2024 curve. This behaviour highlights that, despite monetary stimulus, underlying fiscal pressures maintain high yields at longer maturities.

Regarding the cost of Treasury funding, the average cost of new issues has continued its downward trend since 2024, in line with the reduction in the official ECB rate. In September 2025, the average cost of new issues stood at 2.5%, 90 basis points lower than in 2023 (3.4%). However, although current issuance rates are lower than two years ago, they are higher than the average cost of the outstanding portfolio, so the average cost of debt will continue to rise in the coming quarters.

The leading rating agencies have recently revised Spain's sovereign debt rating upwards. Specifically, on September 26th, Fitch raised Spain's rating by one notch, from A- to A. On the same day, Moody's also upgraded its rating from Baa1 to A3. Previously, on September 12th, S&P had raised Spain's rating to A+. All three agencies maintain a stable outlook.

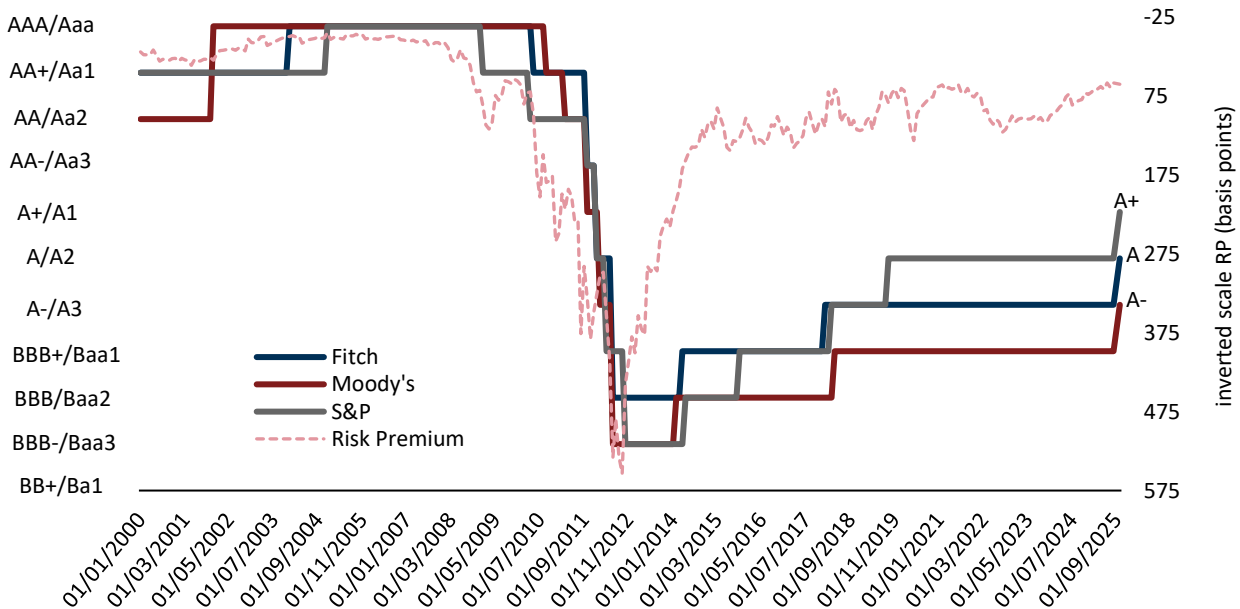


Source: Treasury

Among the factors justifying the improved rating, common to all three agencies, are: the comparatively strong performance of the Spanish economy, with growth above the euro area average and a favourable outlook; a robust labour market and a strong foreign sector (current account surplus, external deleveraging and resilience of exports, with limited exposure to US tariffs and greater diversification towards non-tourist services).

Also on the fiscal front, the agencies highlight the moderate public deficit, despite the high level of public debt-to-GDP ratio (3.1% of GDP in 2024, 2.6% in 2025, and 2.4% in 2026, according to Fitch's estimates). However, they warn that the debt reduction forecast is slower than in other peer countries in the euro area (such as Portugal or Greece, although better than in France or Belgium). From the perspective of rating agencies, the absence of a new General State Budget since 2023 undermines credibility and limits the capacity for medium-term fiscal consolidation. According to the information published by Fitch, the fiscal contribution means that, although the Fitch Sovereign Rating Model (SRM) would imply an A+ rating, the committee will apply a qualitative adjustment of -1 notch in public finances, placing the final grade at A.

Historical evolution of Spain's sovereign rating and risk premium (10-year vs. Germany, bp)



Source: AIReF and Refinitiv

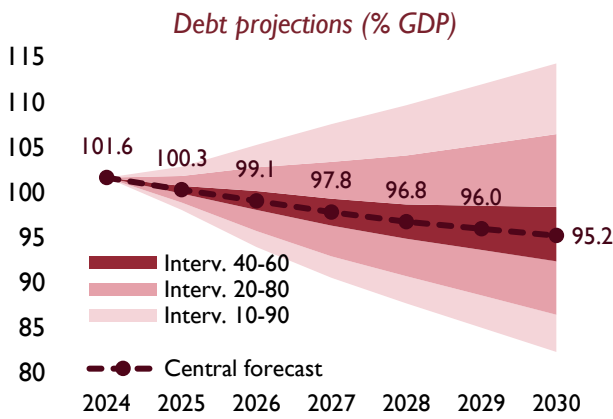
The upward revision of the rating by the leading agencies is consistent with the downward trend in the Spanish risk premium over the last year. The historical comparison of the risk premium with the ratings of various credit agencies shows that, in the past, values of the risk premium on 10-year German bonds, such as the current one, have been associated with a higher sovereign rating (high grade rather than medium grade).

The revision of credit ratings by the leading agencies has also occurred in other countries. Fitch downgraded France's rating on September 12th from a high AA- to an upper-medium A+, the same downgrade as S&P's on October 17th. These decisions are primarily based on a high debt-to-GDP ratio, expected to rise, and on a public deficit exceeding 5%, in a context of slower-than-anticipated fiscal consolidation. This evolution is primarily due to the absence of significant additional deficit reduction measures in a scenario of political instability. Nevertheless, France maintains an upper-medium grade rating thanks to its high per capita income, strong governance indicators and robust external finances, among other factors. **Moody's has therefore decided to maintain France's Aa3 rating, albeit with a negative outlook, as of October 24th.**

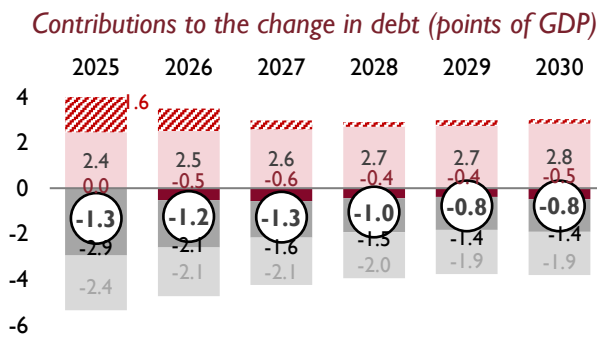
Quality	Moody's	S&P	Fitch
Prime	Aaa	Aaa	Aaa
High grade	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper medium grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Lower medium grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-investment grade (speculative)	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-

Source: Refinitiv

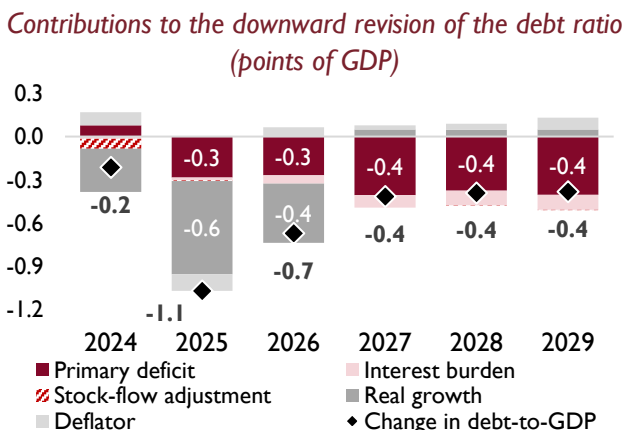
In the case of Italy, Fitch upgraded the rating on September 19th from BBB to BBB+, despite a 2024 debt-to-GDP ratio of 135.3%. The upward revision is primarily attributed to prudent fiscal policy aimed at meeting short- and medium-term fiscal targets, along with political stability and reforms undertaken to strengthen its foreign position. All these factors contribute to reducing its risk premium, which is currently lower than France's.



AIReF's medium-term baseline projection estimates a 6.4 percentage point (pp) reduction in the public debt-to-GDP ratio between 2024 and 2030, bringing it down to around 95.2% at the end of the period. This downward path is mainly underpinned by the momentum of nominal GDP growth, whose cumulative contribution would reach 23.5 pp, with the GDP deflator playing a major role, accounting for 12.5 pp of the reduction. In parallel, the primary balance is projected to gradually improve, reaching a surplus as of 2026, contributing 2.4 points to the decline in the debt ratio. In contrast, the interest burden is projected to add 15.8 points of GDP, partially moderating the projected reduction.



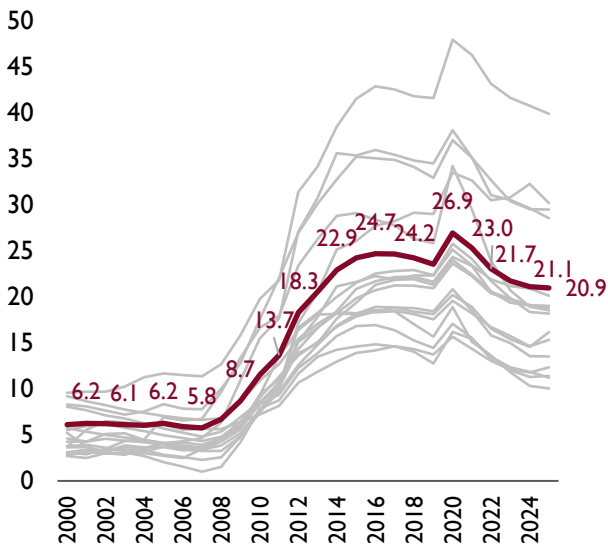
The forecast projects an average annual reduction in the debt ratio of 1.1 pp, with a slight deceleration towards the end of the period. This evolution is explained by stable nominal growth projections of around 3.5%, together with a primary surplus of close to 0.5% of GDP and interest payments of around 2.7%. The favourable growth/interest rate differential would thus contribute to maintaining a sustained downward debt path.



Compared with AIReF's previous forecast, contained in the May Report on the Monitoring of the Medium-Term Fiscal-Structural Plan, the projected debt ratio in 2029 is 3.2 points lower. This improvement is explained by a better contribution from nominal growth (0.8 pp), a more favourable primary balance (1.7 pp) and better evolution of interest (0.4 pp), coupled with a revision of the starting point by 0.2 pp stemming from the GDP statistical update.

Source: AIReF

Debt (% GDP) by sub-sector and AR, Q2 2025



Source: Bank of Spain

Since the peak in 2020 (26.9%), the debt-to-GDP ratio of the ARs as a whole has declined by 6 points to 20.9% of GDP in the second quarter of 2025. However, it still exceeds the LOEPSF's legal maximum of 13% by 7.9 points. 2010 was the last year in which it fell below this threshold. Of the 17 ARs, only four maintain debt-to-GDP ratios below 13%.

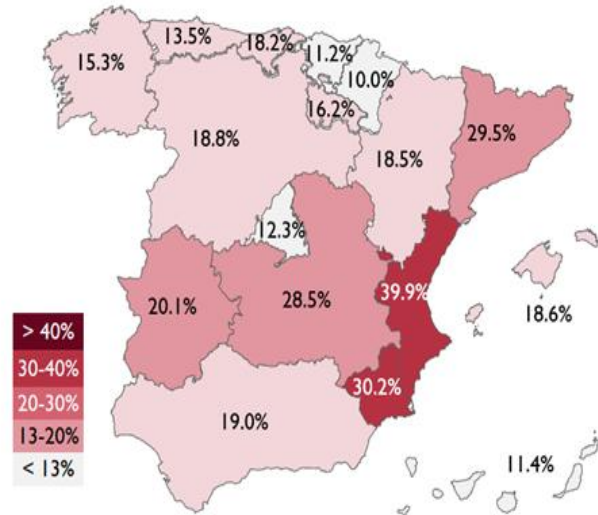
The persistence of high debt levels can be explained by the historical debt accumulation that began after the 2008 financial crisis and was reinforced, albeit to a lesser extent, by the 2020 pandemic. Thus, it can be observed that the increases recorded in periods of recession tend to consolidate subsequently, showing a notable resistance to declines even in phases of economic expansion.

Debt of the AR sub-sector

Comparing the situations of the different ARs, significant variations are observed from one AR to another, with greater differences in times of crisis. Using data from the second quarter of 2025, the AR with the highest level of debt is Valencia, with debt close to 40% of GDP, followed by Murcia, Catalonia and Castile-La Mancha, whose levels are around 30% of GDP. The difference between the AR with the highest level of debt (Valencia) and the lowest (Navarre, with 10% of GDP) is almost 30 percentage points.

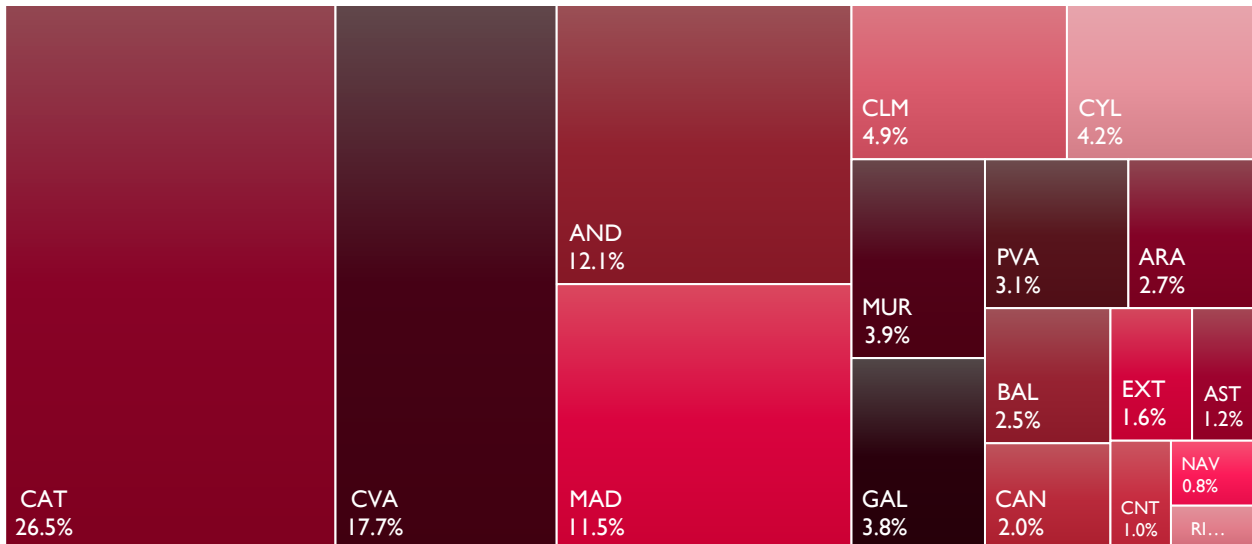
Compared with the debt-to-GDP ratio in the last quarter of 2024, a decrease of 0.2 points is observed for the sub-sector as a whole, with Murcia being the AR with the greatest decrease in its debt-to-GDP ratio (-2.1 points) and Rioja the one with the greatest increase (1.6 points).

Debt of the ARs (% regional GDP), Q2 2025



Source: Bank of Spain

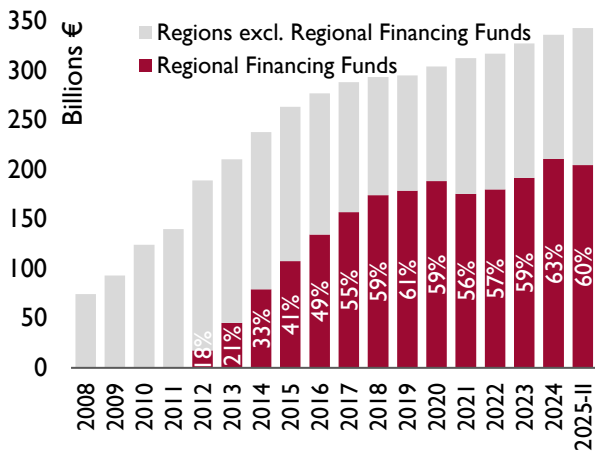
Distribution of regional public debt, Q2 2025



Source: Bank of Spain

Initially conceived as temporary measures to guarantee the liquidity of the ARs - and, to a lesser extent, the LGs - the State created extraordinary financing mechanisms to provide revenue when they were unable to access the financial markets under sustainable conditions. Their origins date back to the sovereign debt crisis of 2012, when the sharp rise in risk premiums made it difficult for the ARs to refinance maturing debt or cover their deficits. Over time, despite their temporary nature, they have become a stable and permanent tool of the regional financing system.

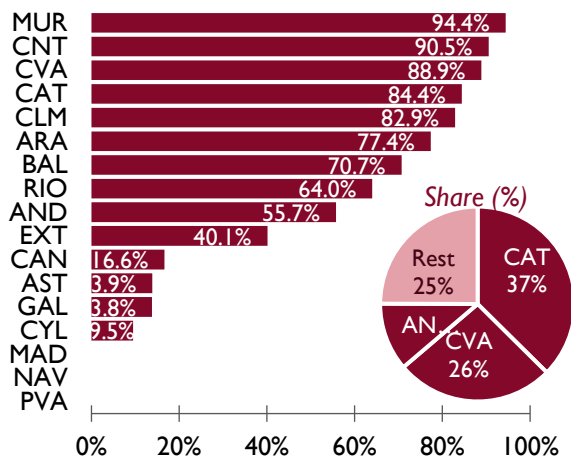
AR debt: extraordinary and other mechanisms (€bn and % of total), Q2 2025



Extraordinary financing mechanisms have acquired a central role in the evolution of regional financing, consolidating the dependence of a large part of the regional system on State financing. Since its creation, the system has been configured in different compartments, adapted to the degree of compliance and the financial situation of each AR. In particular, the Regional Liquidity Fund (FLA) is designed for the ARs with the greatest difficulties in accessing the markets and has greater conditionality, and the Financial Facility for those with a more robust fiscal position.

The weight of the extraordinary financing mechanisms of the ARs has remained stable in recent years at around 60%. After very rapid growth between 2012 and 2016, the weight of these funds in regional financing has remained very stable more recently (2017-2025), at around 60%.

Share (%) of the Regional Financing Fund in the total debt of each AR, Q2 2025



The use of the mechanisms has been very heterogeneous across the ARs, and even very different within each one over time. ARs such as Navarre and the Basque Country have never made use of this type of funding, while Madrid has not participated since 2020. Some ARs have significantly reduced their participation - the Canary Islands (from 88% to 16.6%), Galicia (from 57% to 13.8%), Asturias (from 48% to 13.9%) - while others have increased their participation - Aragon (from 41% to 77.4%), the Balearic Islands (from 43% to 70.7%), Rioja (from 24% to 64%).

Source: Bank of Spain and AIReF

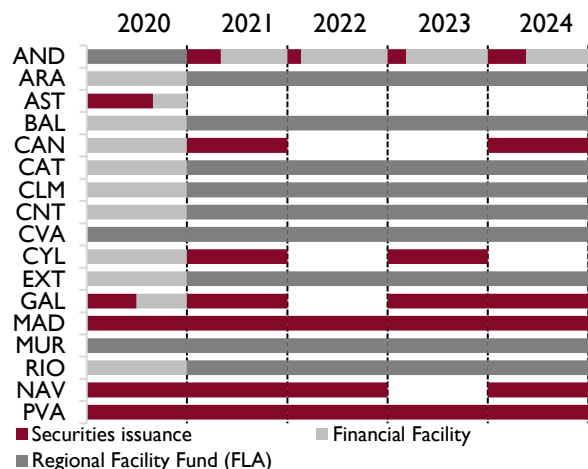
At present, four groups of ARs can be distinguished in terms of their use of funds:

- **Intensive use (>75%)** Murcia, Cantabria, Valencia, Catalonia, Castile-La Mancha and Aragon.
- **High use (>40%)** Balearic Islands, Andalusia, Rioja and Extremadura.
- **Low use (15-20%)** Canary Islands, Galicia, Asturias and Castile and Leon.
- **No use** in Navarre, Madrid and the Basque Country.

Three ARs - Catalonia, Valencia and Andalusia - account for 75% of total funding through these mechanisms.

Within the funds, in recent years **Andalusia** has been the only AR integrated in the **Financial Facility** compartment, combining this mechanism with increasing recourse to securities issues in the markets.

Distribution of financing in securities, FF and FLA



Source: Bank of Spain, Ministry of Finance and AIReF

The future of the extraordinary financing mechanisms is defined by the provisions of two recent regulatory milestones:

- **The Agreement of the Government Delegated Committee for Economic Affairs (CDGAE)** of July 28th, 2025 specifies the financing conditions for the period 2026-2028, designing a mixed model that combines revenue from the Financing Fund and partial access to the markets as an intermediate step towards the financial normalisation of the ARs. During this period, those ARs (whether or not they are in the FLA or FF) with an investment grade rating and that meet at least one of the criteria relating to the budgetary and debt situation(*) will be able to access the combined financing. They must submit a Multi-year Debt Plan (MPP) by November 30th, 2025, specifying the proportion of market financing, amortisations and their financial strategy.
- **The Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime** of September 2025, pending approval, addresses the future of regional financing in two complementary ways:
 - On the one hand, according to its explanatory memorandum, the partial assumption of regional debt by the State will reduce spending on interest and "facilitate the gradual return to the markets", encouraging the ARs to recover market discipline and access better financial conditions.
 - On the other hand, the transition to ordinary financing in the markets is initiated through the reform of the Regional Financing Fund, by means of which the Financial Facility Fund will gradually be phased out, leaving the Regional Liquidity Fund as a mechanism of last resort.

Diagram of the different compartments of the Regional Financing Fund from 2026, according to the Agreement of the Government Delegated Committee for Economic Affairs (CDGAE)

EXTRAORDINARY FINANCING MECHANISMS: COMPARTMENTS		
FINANCIAL FACILITY FUND All regions will initially be assigned to the Financial Facility —not to the Regional Liquidity Fund—, due to the lack of individualised deficit and debt targets for 2024.	REGIONAL LIQUIDITY FUND Except for the regions that fail to comply with their average payment period to suppliers (pursuant to Royal Decree-Law 17/2014).	OUTSIDE THE EXTRAORDINARY FINANCING MECHANISM Regions that did not obtain financing through the extraordinary financing mechanisms in 2025.
Andalucía, Aragón, Castilla La-Mancha, Cataluña, Extremadura, Illes Balears, Cantabria, La Rioja	According to the latest data from the Ministry of Finance (June 2025), the average payment period stands at 50.27 days in the Valencian Community and 52.60 days in the Region of Murcia, more than 20 days above the legal 30-day limit.	Asturias, Castilla y León, Canarias, Galicia, Madrid, Navarra y País Vasco

Diagram of return to markets from 2026, according to the Agreement of the Government Delegated Committee for Economic Affairs (CDGAE)

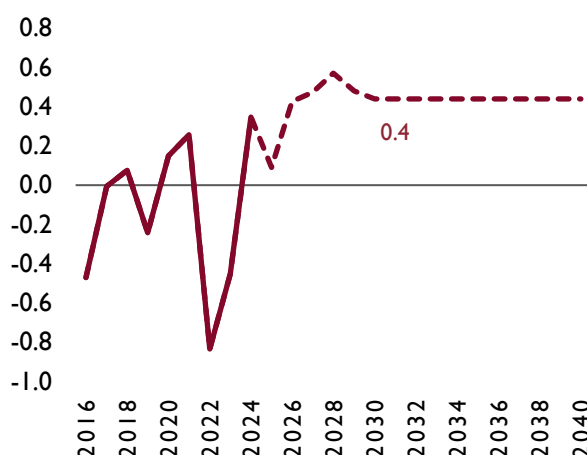


(*) Criteria for access to combined financing, with investment grade rating: (1) to have closed 2024 in budget balance or with a surplus, and (2) to have a debt ratio of less than 19.5% of GDP. If (1) is met but (2) is not, they may be financed through non-securities transactions. If neither is met, they may raise up to 10% of their annual financing needs on the markets by submitting an Annual Debt Plan with the same elements as the Multi-year Debt Plan, along with the application.

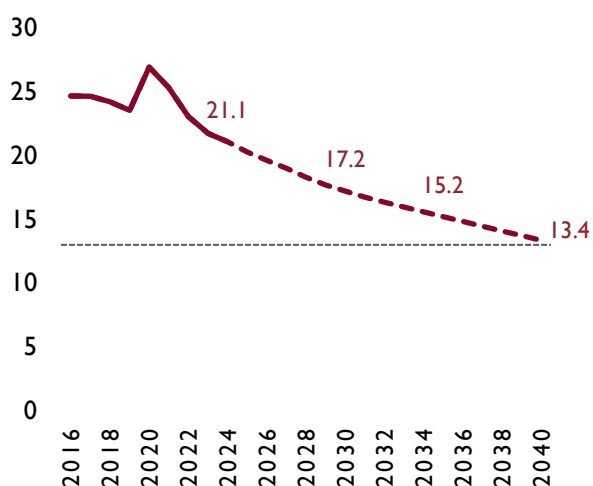
The expected fiscal improvement, together with a favourable macroeconomic environment, would enable a sustained downward path for regional debt to be established in the medium term. In this context, AIReF projects a 3.9-point reduction in the regional debt ratio by 2030 under a no-policy-change scenario. This reduction is based on an improvement in the primary balance, which would increase to a surplus of 0.4% of GDP, and on nominal growth, which would add 4.6 points to the reduction in debt over the period.

In the longer term, and under a baseline scenario in which a constant primary surplus of 0.4 percentage points of GDP is sustained, AIReF's macro-fiscal forecasts indicate that regional debt will continue to fall gradually. In this scenario, the differential between the interest rate and nominal growth would be practically zero, such that the positive contribution of growth would offset the effect of interest spending and the reduction in debt would be in line with the primary surplus. With this evolution, the regional debt ratio would be around 13% of GDP in 2040, reaching the reference limit in 2041.

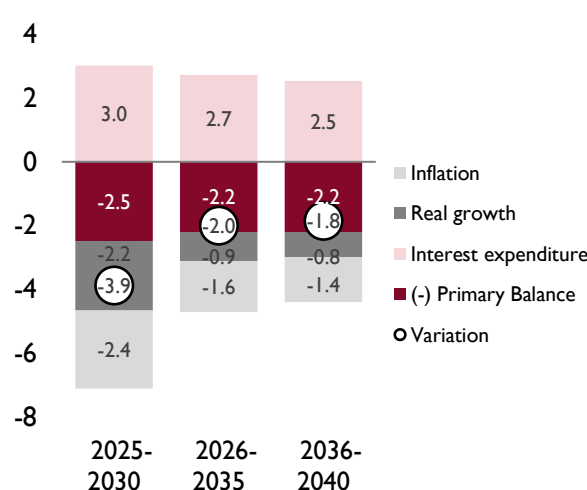
Primary balance projections (% GDP)



Debt projections (% GDP)



Contributions to the change in the debt ratio (pp)



Source: AIReF

The State's assumption of part of the regional debt is aimed at correcting the over-indebtedness accumulated by the ARs under the general regime during the years of financial crisis, as outlined in the explanatory memorandum of the Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime. The aim of this measure is for the ARs under the general regime to reduce their interest burden and gradually regain access to financial markets, thereby strengthening their financial autonomy and their compliance with the fiscal discipline demanded by markets.

However, although the measure is a step towards improving the position and financial sustainability of the ARs, its amount and distribution methodology may not be sufficient to meet the specific criteria pursued by this measure, such as the return of the ARs to the financial markets. In the most indebted ARs, the reduction is insufficient to guarantee full normalisation, while those that are already in a better situation will see their capacity to finance themselves on the markets strengthened.

Specifically, the amount assumed by the State will be €83.25bn. This amount corresponds to the difference between the increase in debt recorded in the period corresponding to the financial crisis (2010-2013), which amounted to €109.58bn, and that observed between 2020-2023, affected by the COVID-19 crisis, of €29.27bn, to which a series of adjustments will be applied. The distribution of the total amount among ARs is structured in three tranches:

- **Tranche 1: €60.23bn (75% of €80.31bn) is distributed** based on the weight of the average adjusted population of each AR under the general regime between 2010 and 2022 (both included). The total amount written off in this phase accounts for 19.33% of the total debt of the ARs under the general regime at year-end 2023.
- **Tranche 2:** the objective is for the amount assumed by the State, for each of the ARs under the general regime, to reach at least 19%, i.e. the percentage of the amount written off in the first tranche of the debt at December 31st, 2023. This results in an additional €11.51bn being distributed.
- **Tranche 3:** €11.51bn are added for ARs whose homogeneous financing per adjusted inhabitant is below the average of said indicator (with a write-off limit per adjusted inhabitant that is established in the previous phase by the AR of Valencia), or that have carried out a fiscal effort in PIT.

AUTONOMOUS REGIONS	PHASE 1 (adjusted population)		PHASE 2 Reach the average % of Phase 1		PHASE 3 Compensation for underfunding and higher fiscal effort		TOTAL DEBT RELIEF	Debt relief per adjusted inhabitant ^(*)
	75% debt relief based on adjusted population	% of debt relieved after Phase 1	Additional Phase 2 relief to reach Phase 1 %	Relief per adjusted inhabitant after Phase 2	Regions meeting either of the two criteria	Regions meeting either of the two criteria		
Andalucía	11.259	29,13%	-	1.369	✓	7.531	18.791	2.285
Aragón	1.931	21,03%	-	1.369	✓	193	2.124	1.506
Asturias	1.508	35,53%	-	1.369	-	-	1.508	1.369
Illes Balears	1.536	17,91%	122	1.477	✓	83	1.741	1.551
Canarias	2.977	45,67%	-	1.369	✓	282	3.259	1.498
Cantabria	809	24,40%	-	1.369	-	-	809	1.369
Castilla-La Mancha	2.952	18,27%	170	1.448	✓	1.804	4.927	2.284
Castilla y León	3.643	26,27%	-	1.369	-	-	3.643	1.369
Cataluña	10.249	11,92%	6.371	2.220	✓	484	17.104	2.284
Extremadura	1.562	29,34%	-	1.369	✓	156	1.718	1.506
Galicia	4.010	32,95%	-	1.369	-	-	4.010	1.369
La Rioja	448	27,58%	-	1.369	-	-	448	1.368
Comunidad de Madrid	8.644	24,09%	-	1.369	-	-	8.644	1.369
Región de Murcia	1.998	16,38%	358	1.615	✓	972	3.318	2.284
Comunitat Valenciana	6.717	11,58%	4.493	2.284	✓	-	11.210	2.285
TOTAL	60.232	19,33%	11.514	1.631		11.506	83.252	1.892

(*) Using the average number of adjusted inhabitants of each AR under the general regime between 2010 and 2022 (included).

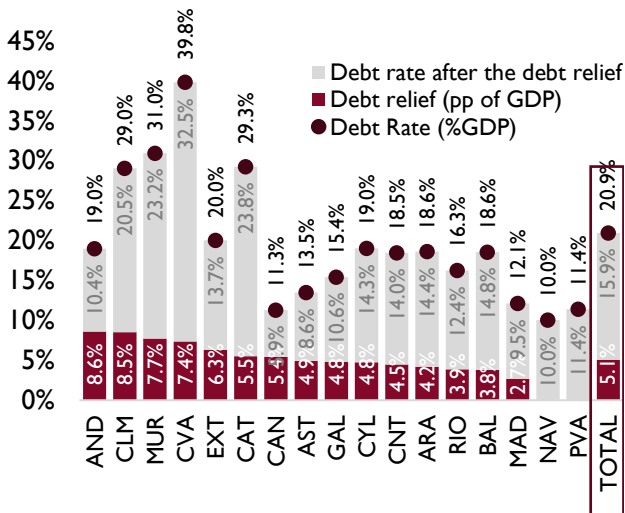
The five ARs with the highest and lowest write-offs in terms of adjusted population particularly stand out.

Source: Ministry of Finance.

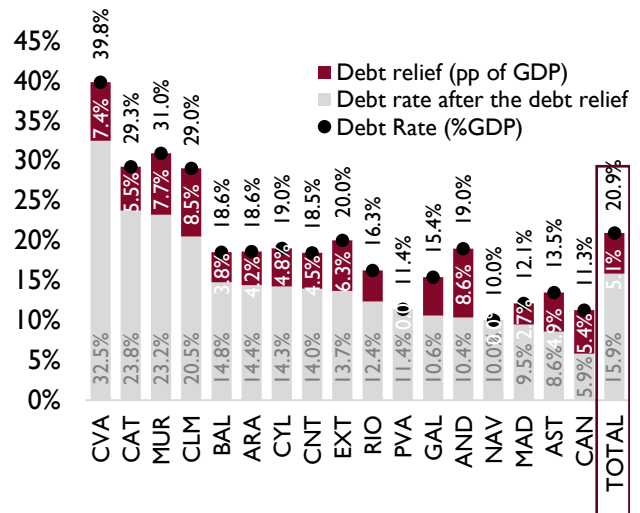
The measure entails risks of inappropriate fiscal incentives if not accompanied by conditionality linked to compliance with fiscal rules and prudent use of the savings generated. In particular, savings on interest spending do not affect compliance with the expenditure rule, nor do they create room for other spending in this area, since interest is not included in the rule's calculation. Moreover, if savings are used to increase expenditure rather than reduce debt, and there is no offsetting adjustment in the Central Government, the measure could lead to a deterioration in the aggregate fiscal position of the General Government Sector.

This process should be framed within a broader reform of the regional financing system that reinforces fiscal co-responsibility and updates the model in place since 2009. A comprehensive overhaul of the system would help avoid the moral hazard arising from the perception that the State will inevitably come to the rescue of the ARs in difficulties, given the current framework's interim nature, and would ensure greater fiscal sustainability and discipline.

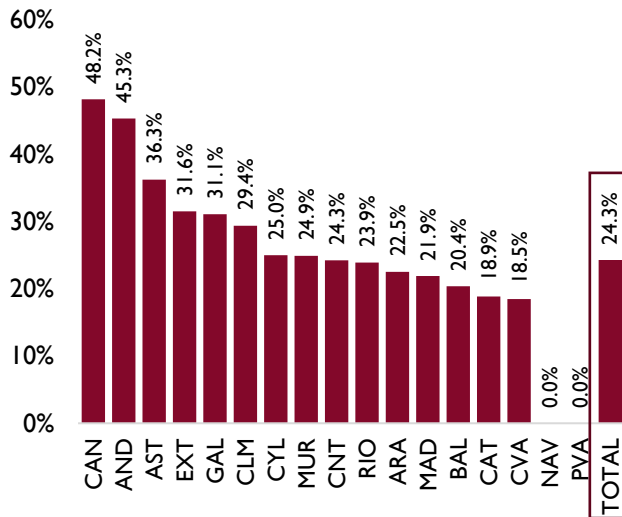
Debt ratio (% GDP), second quarter of 2025, ranked by importance of debt write-off



Debt ratio (% GDP), Q2 2025, ranked by debt levels after write-off



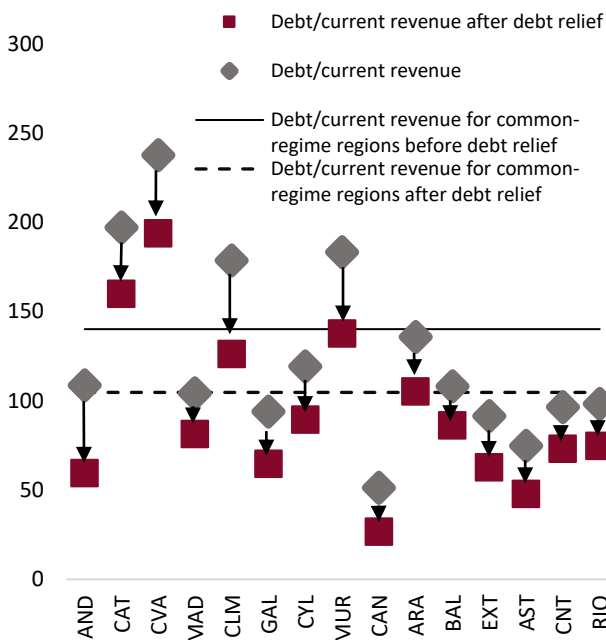
Percentage share of write-off of the AR's debt, Q2 2025



Based on second-quarter 2025 data, regional debt write-offs are equivalent to a 5.1-point reduction in GDP for the sub-sector as a whole. The ARs with the largest reductions relative to their GDP are Andalusia (8.6 points), Castile-La Mancha (8.5 points), Murcia (7.7 points) and Valencia (7.4 points), all of which are above average. In contrast, ARs such as Madrid (2.7 points), the Balearic Islands (3.8 points) and Rioja (3.9 points) show more moderate decreases.

In terms of total volume, the €83.25bn written off account for 24.3% of the €342.8bn of regional debt as of June 2025. The Canary Islands (48.2%) and Andalusia (45.3%) stand out, where practically half of their debt will be assumed by the State. Asturias (36.3%), Extremadura (31.6%) and Galicia (31.1%) also stand out, with reductions of more than 30% of their liabilities.

Debt to current revenue ratio



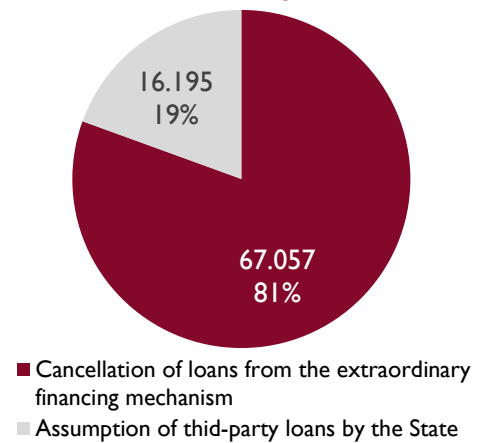
Despite this write-off, some ARs maintain high levels of debt, above 20% of GDP. Valencia stands out in particular, with a debt ratio of 32.5% of GDP, the highest of all the ARs. It is followed by Murcia (23.2%), Catalonia (23.8%) and Castile-La Mancha (20.5%).

The write-off will reduce the debt-to-current-revenue ratio for the sub-sector as a whole from 140% to 104.7%, also narrowing the differences between ARs, whose ratio will in most cases be between 60% and 100%. However, the ARs with the highest debt-to-GDP ratios (Valencia, Murcia, Catalonia and Castile-La-Mancha), will continue to record debt-to-GDP ratios well above the regional average, at over 100%.

Of the total regional debt write-off, nearly 80% would materialise through the early repayment of the extraordinary financing mechanisms over the course of 2026, while the rest would be executed through the assumption by the State of the debt held with third parties (obviously, these deadlines are subject to the date of approval of the agreement). The reduction of the funds accounts for approximately one third of their total volume, which in the second quarter of 2025 amounts to €204.71bn.

According to the regional distribution of the write-off, this would account for a particularly high percentage of the Regional Financing Funds for the ARs of Andalusia and Extremadura, around 80%. In the case of Rioja and Castile-La Mancha, the write-off would account for slightly more than 35%, while for Aragon, the Balearic Islands, Cantabria, Murcia, Catalonia and Valencia it would be between 20% and 30%.

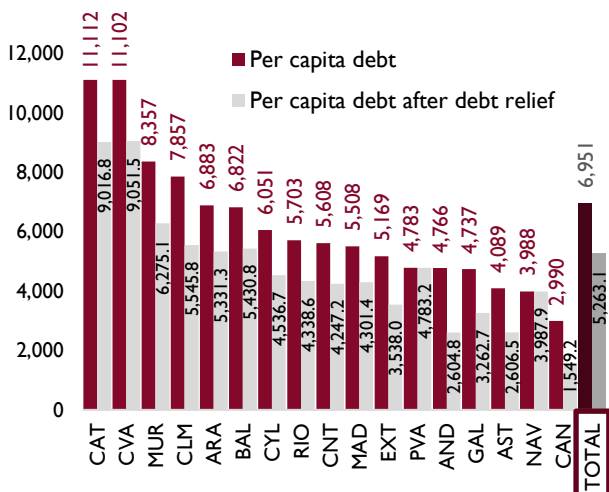
Distribution of write-off between Regional Financing Fund and other debts, according to amounts in 2Q 2025



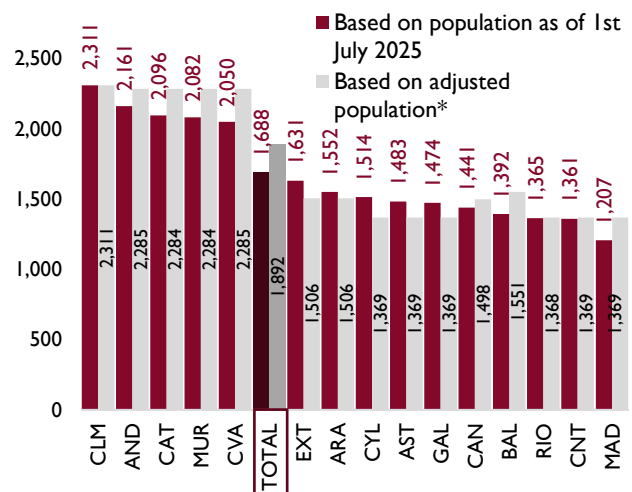
Source: AIReF

For their part, in Asturias, the Canary Islands, Castile and Leon and Galicia, the amount of the write-off exceeds the volume of the funds by more than double, so it will be necessary to complete the write-off by having the State assume debt with third parties. The latter case is fully reproduced in Madrid, the only AR under the general regime without debt linked to the Regional Financing Funds.

Debt per capita (euros), Q2 2025



Debt write-off in per capita terms (euros)



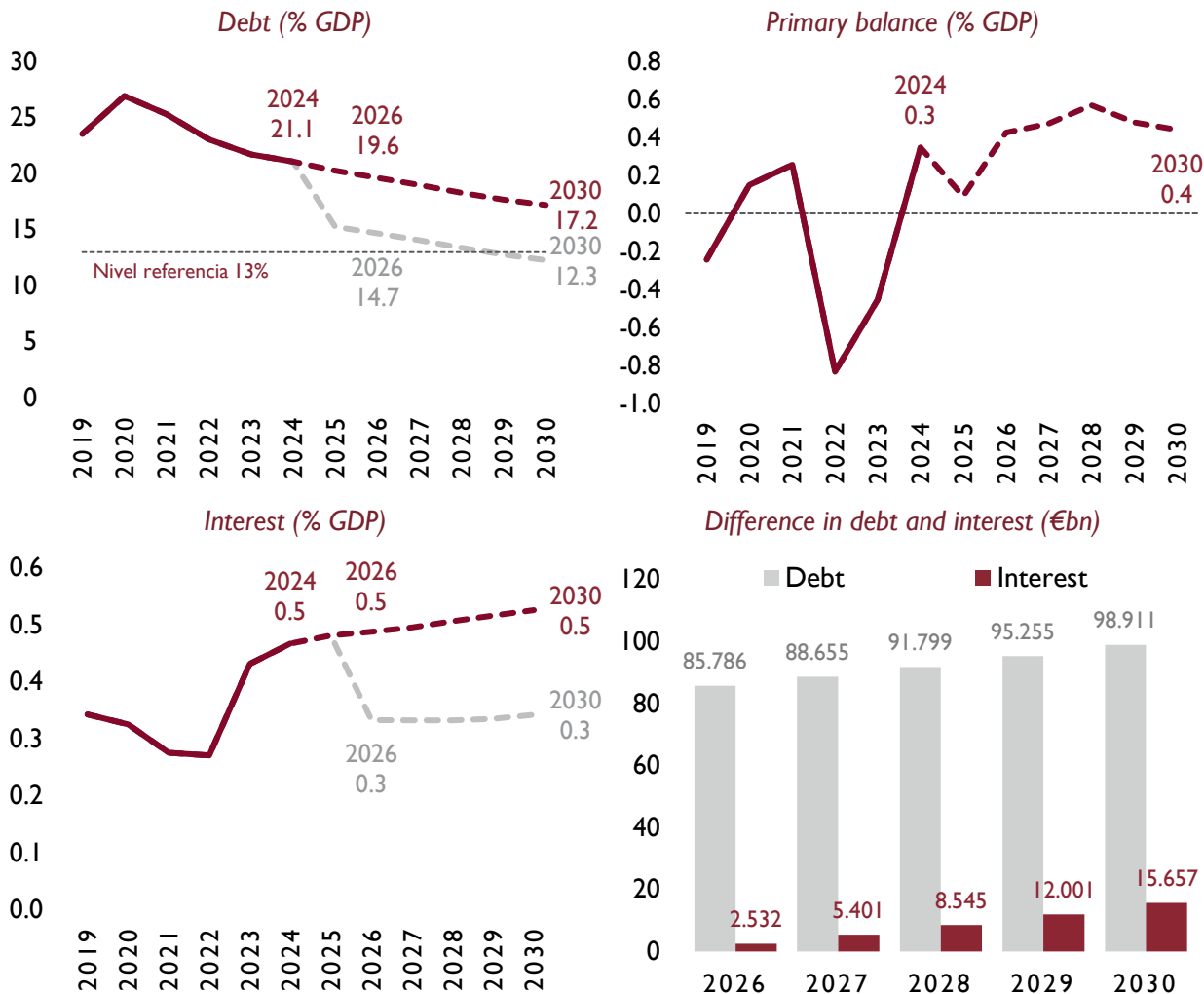
Source: Bank of Spain, INE (Continuous population statistics as of July 1st, 2025), Ministry of Finance and AIReF.

(*) The adjusted population used is that considered in the Draft Bill of the Organic Law, i.e. the average of 2010 and 2022, calculated as the average of the adjusted numbers of inhabitants of each AR in those years. This adjusted population comes from the settlements of the Regional Financing System, and is also used in the calculations of homogeneous financing.

In national terms, based on debt and population in the second quarter of 2025, the average write-off would be €1,688 per inhabitant, although there are significant differences across the ARs. The highest figures correspond to Castile-La Mancha, Andalusia, Catalonia, Murcia and Valencia, all of them above €2,000 per capita. Around the national average are Extremadura, Aragon, Castile and Leon, Asturias, Galicia and the Canary Islands, with values between €1,400 and €1,700 per inhabitant, while the Balearic Islands, Rioja, Cantabria and Madrid have lower amounts, between €1,200 and €1,400.

According to the data expressed in terms of adjusted population, the situation is very similar to that observed in per capita figures, maintaining practically the same order across ARs. The same ARs show the highest values, with a write-off of €2,284 per adjusted inhabitant, significantly above the national average of €1,892. Except for Castile-La Mancha, the population adjustment benefits the ARs that already recorded higher write-offs per capita, thus reinforcing their relative position. A similar behaviour is observed in the Canary Islands, the Balearic Islands and Madrid, where the values increase when considering the adjusted population. In contrast, in the remaining ARs, the adjustment works in the opposite direction, reducing differences and leading to a more homogeneous downward distribution.

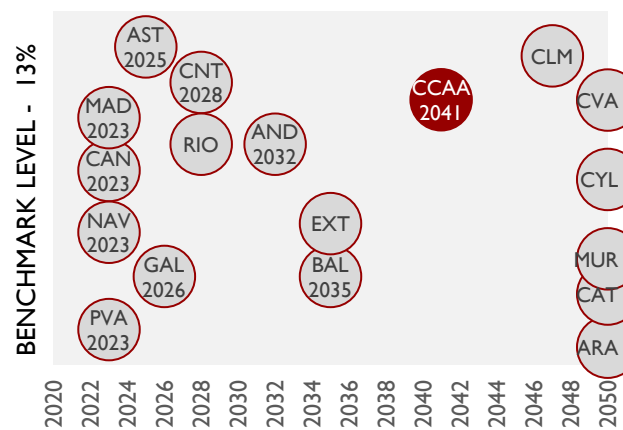
In a simulation of debt write-off for all the ARs for a total amount of **€83.25bn**, it is assumed that the operation is fully executed by **December 31st, 2025**, selecting the loans from the **extraordinary financing mechanisms** in accordance with the order established in the Draft Bill of the Organic Law, and, if they are not sufficient, assuming other debts in the same order. This write-off, together with the associated interest saving, would result in a debt reduction of **€85.79bn** by the end of **2026**, equivalent to **5% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would account for **0.14% of GDP (€2.53bn)** in the first year, accumulating **€15.66bn by 2030**, reflecting a substantial improvement in the financial sustainability of the sub-sector in the medium and long term. This saving is based on both the recognised interest on the outstanding operations to be written off and the future interest on the new loans that would refinance the debt that is written off as it matures.



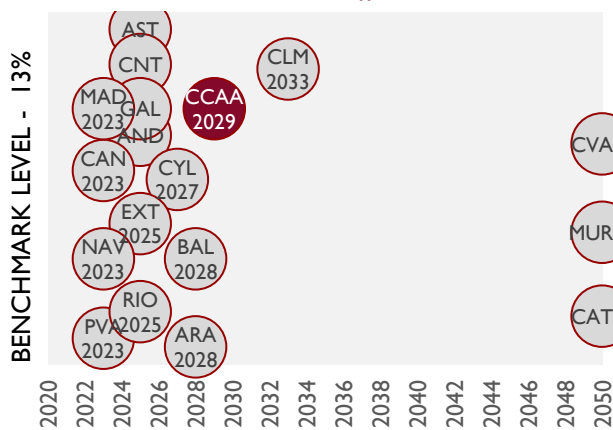
Source: AIReF

The **legal reference limit of 13%** would be reached in this scenario in **2029**, 12 years ahead of the projection prior to the write-off, which placed it at 2041.

Year in which the 13% reference limit is reached, under a baseline scenario.



Year in which the 13% reference limit is reached, after the write-off



Source: AIReF

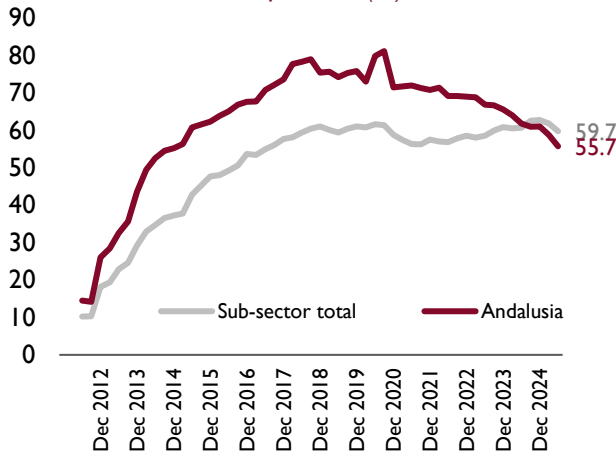
ANDALUSIA

Latest data: JUN 2025

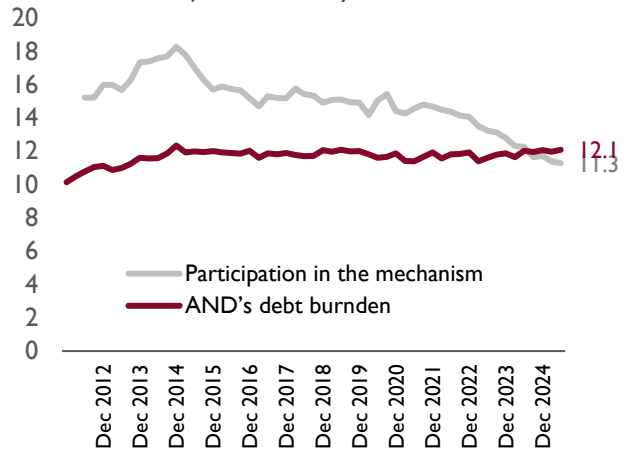
Public Debt		Regional Financing Funds	
% GDP: 19,0	% s/ total ARs: 12,1	Weight in total debt: 55,7	% total Regional Financing Funds 11,3

The weight of Andalusia's financing through **extraordinary mechanisms** has been reduced in recent years by more than 25 points to currently account for 55.7% of its total debt, a slightly lower percentage than that of the ARs as a whole (59.7%). Andalusia is the third most indebted AR (after Catalonia and Valencia) to the Regional Financing Fund, with a weight of 11.3% of the total, a percentage slightly lower than its debt (12.1%) of the total for the ARs.

Weight of extraordinary mechanisms over the total debt of the AR (%)



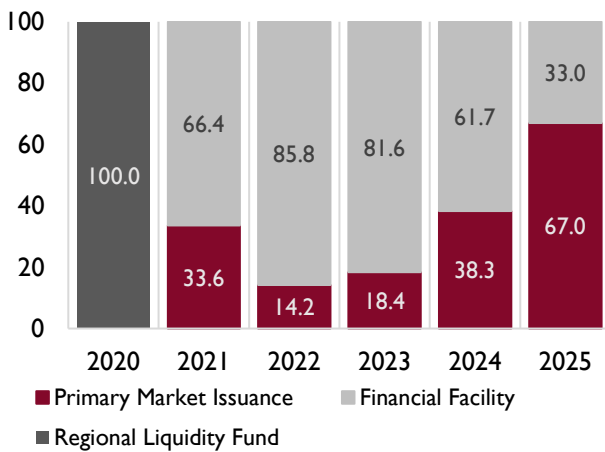
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



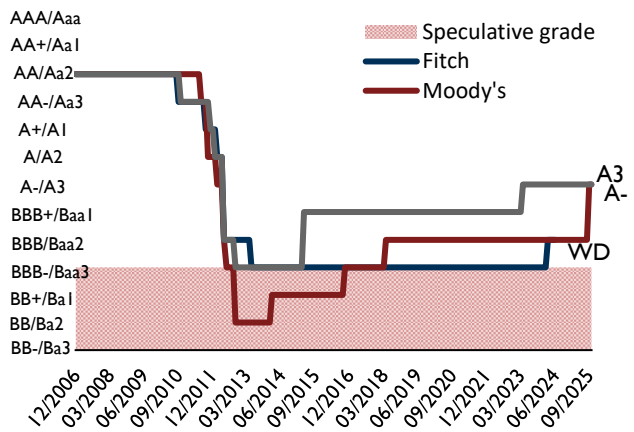
Source: AIReF and Bank of Spain

Andalusia, following its exit from the Regional Liquidity Fund in 2020, has **combined its financing through the Financial Facility Fund and direct market access with progressive growth in issuing securities**. In this context, the spreads on its issues against the Treasury have averaged around 25 basis points.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



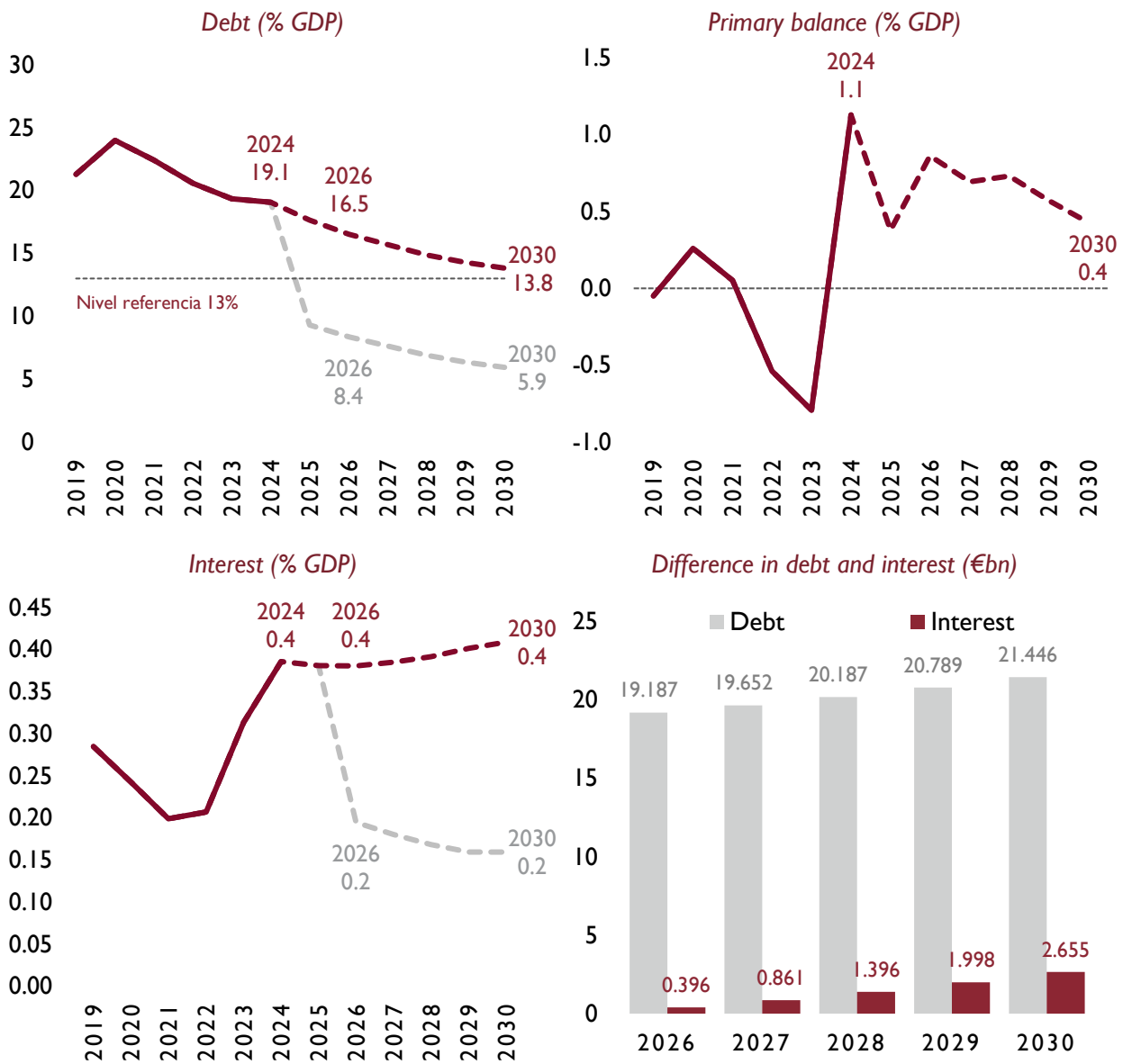
Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions. The rating (WD) refers to the withdrawal of the agency's rating.

According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Andalusia could continue to finance itself in the period **2026-2028 through the Financial Facility Fund and direct access to the markets, including issuing securities**, given that in 2024 it has a budgetary surplus, debt-to-regional GDP of no more than 19.5% and a credit rating by two rating agencies of upper-medium investment grade. In this regard,

- Fitch withdrew its rating for Andalusia in June 2024.
- Moody's upgraded Andalusia's rating by two notches in September, from lower-medium investment grade to upper-medium A3, placing it on a par with Spain.
- S&P maintains Andalusia's rating at A- as of March 2023.

By simulating the debt write-off for Andalusia for a total amount of **€18.79bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans of the **extraordinary financing mechanisms** are selected in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would result in a debt reduction of **€19.19bn** by the end of **2026**, equivalent to **8.2% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.17% of GDP** (some **€396m** in the first year), accumulating **€2.66bn** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2026**, six years ahead of the projection prior to the write-off, which placed it at 2032.



Source: AIReF

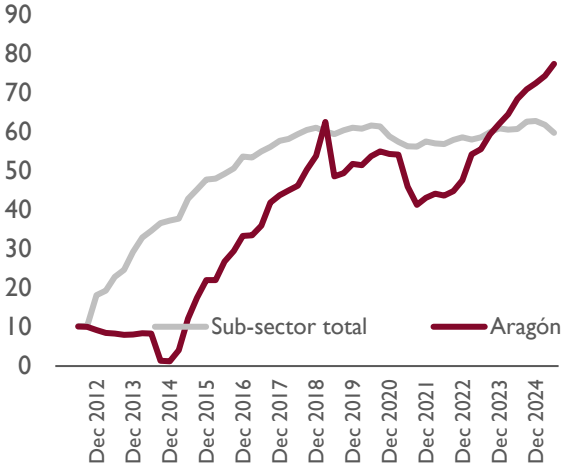
ARAGON

Latest data: JUN 2025

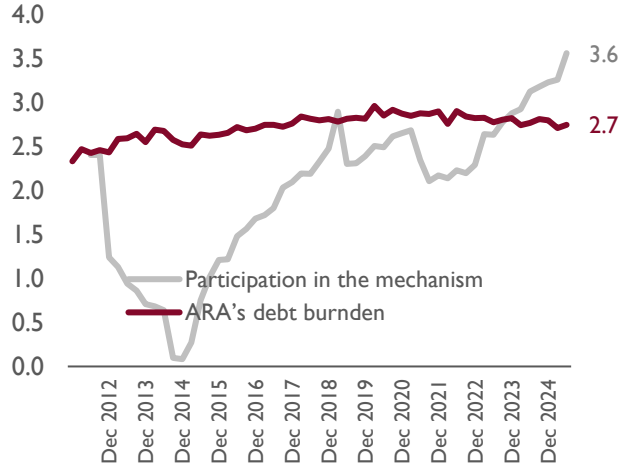
Public Debt		Regional Financing Funds	
% GDP: 18,6	% s/ total ARs: 2,7	Weight in total debt: 77,4	% total Regional Financing Funds 3,6

The weight of Aragon's financing through **extraordinary mechanisms has increased by more than 35 points in recent years, to currently account for 77.4%** of its total debt, a higher percentage than for the ARs as a whole (59.7%). Aragon's debt through the Regional Financing Fund accounts for 3.6% of its total debt, which is also higher than its debt (2.7%) as a percentage of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



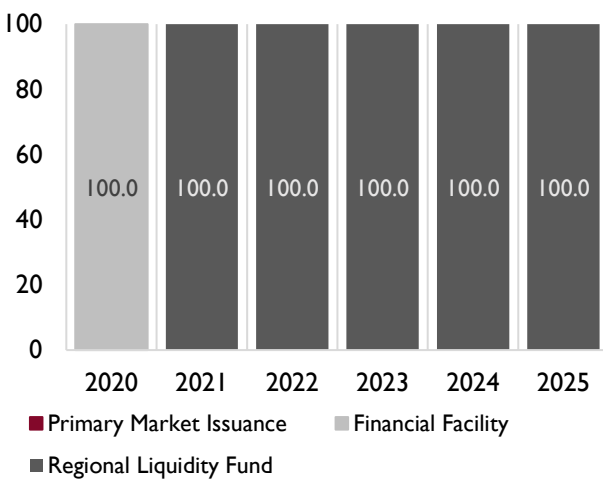
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



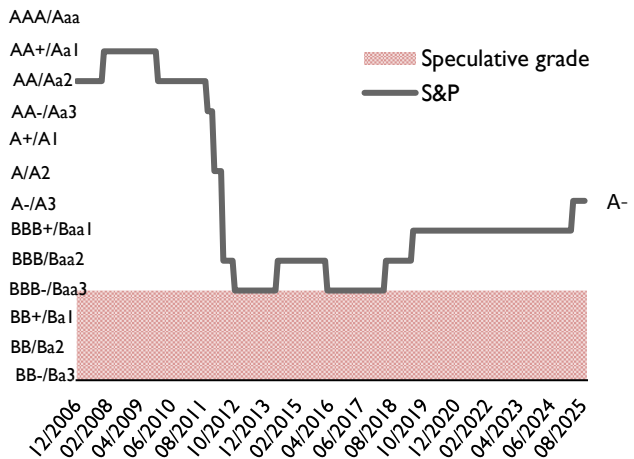
Source: AIREF and Bank of Spain

Since 2021, Aragon has financed itself mainly through allocations from the Regional Liquidity Fund, without currently resorting to issuing securities on the markets. 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIREF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

According to the Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025, Aragon could be financed in the period **2026-2028 through the Financial Facility Fund and direct access to the markets, including issuing securities**, given that in 2024 it posted a budgetary surplus, a debt in relation to its regional GDP of no more than 19.5% and a credit rating from at least one rating agency of upper-medium investment grade. In this regard,

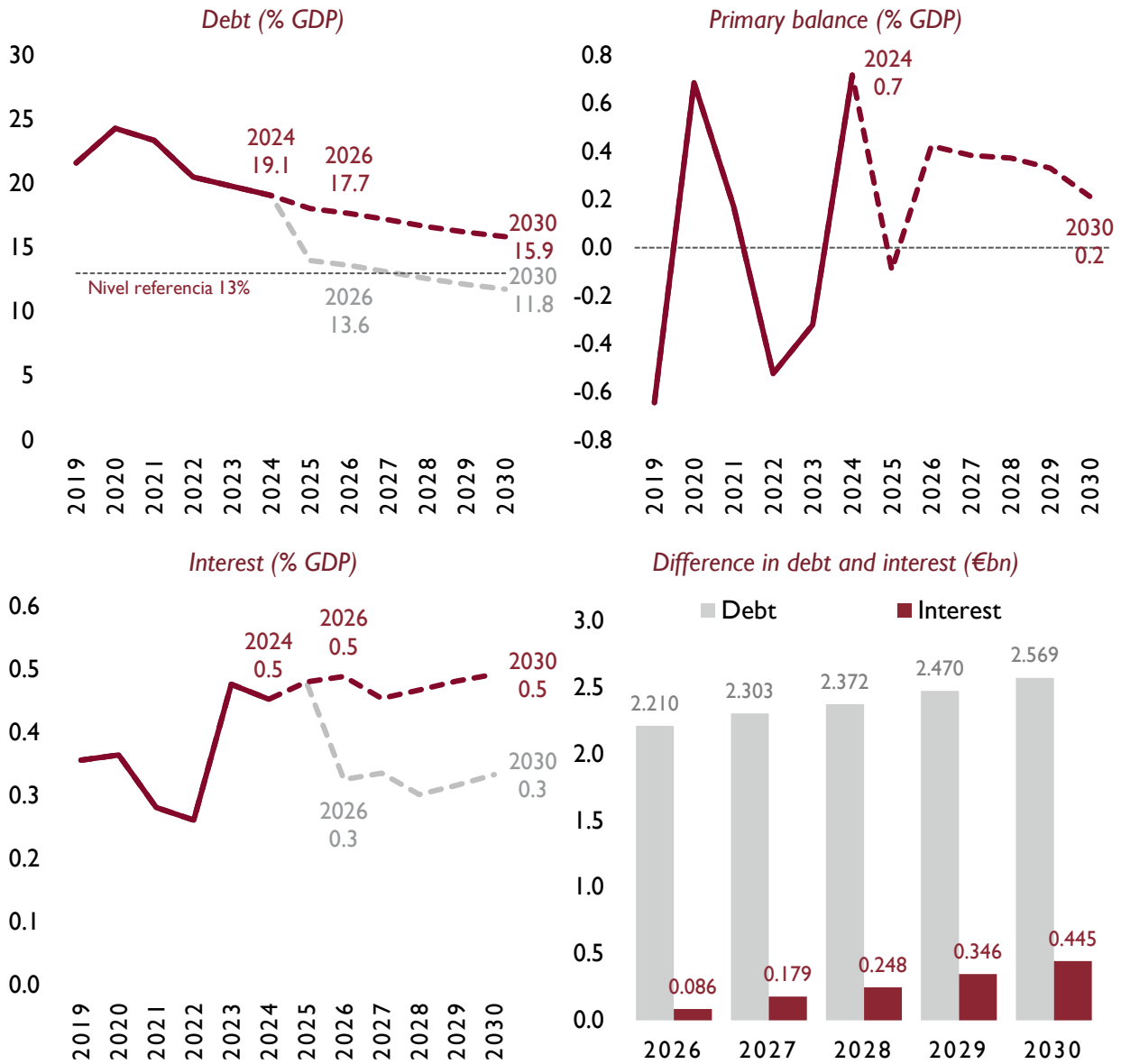
- S&P raised Aragon's rating in April from lower-medium investment grade to upper-medium A-.

Regional debt write-off: evolution of the mechanisms and market exit

In a debt write-off simulation for Aragon for a total amount of **€2.12bn**, in which it is assumed that the operation is fully executed on **December 31st, 2025** and for which the loans of the **extraordinary financing mechanisms** are selected in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€2.21bn** by the end of **2026**, equivalent to **4.1% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.16% of GDP** (some **€86m** in the first year), accumulating **€445m** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2028**, whereas in the projection prior to the write-off, the debt dynamics did not allow this limit to be reached.

Regional debt write-off, debt projection and interest saving



Source: AIReF

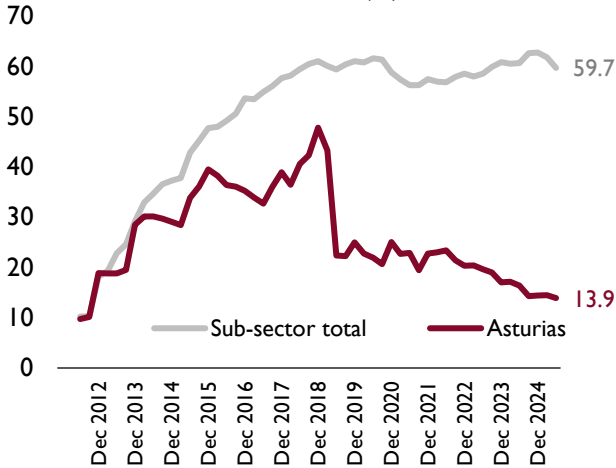
ASTURIAS

Latest data: JUN 2025

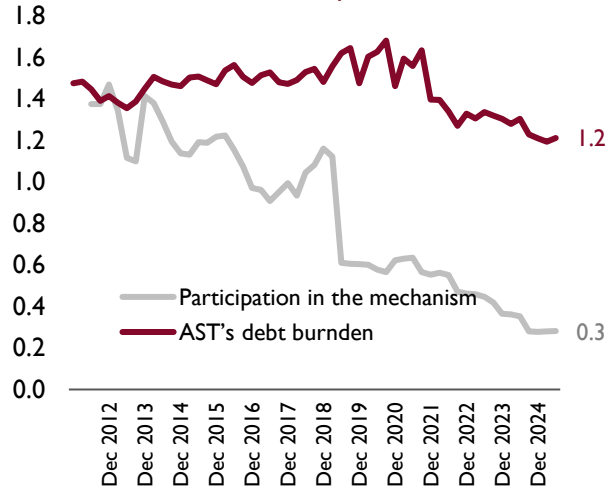
Public Debt		Regional Financing Funds	
% GDP: 13,5	% s/ total ARs: 1,2	Weight in total debt: 13,9	% total Regional Financing Funds 0,3

The weight of Asturias' financing through **extraordinary mechanisms** has fallen by more than 30 points from the 2018 peak to **13.9%** of its total debt, a lower percentage than that of the ARs as a whole (59.7%). Asturias' debt through the Regional Financing Fund accounts for only 0.3% of its total debt, which is also lower than its debt (1.2%) as a percentage of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



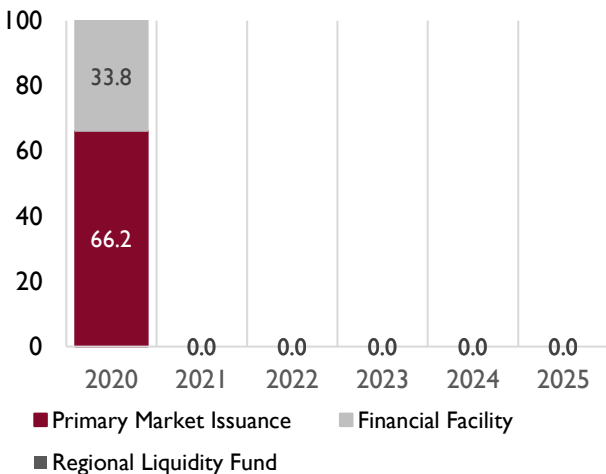
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



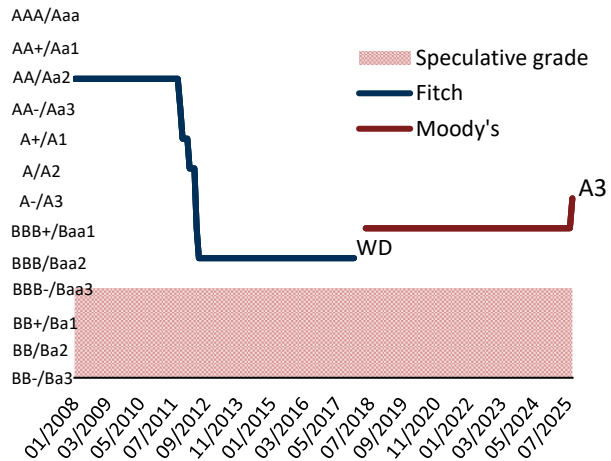
Source: AIReF and Bank of Spain

In 2020, Asturias combined its financing through the Financial Facility Fund and direct access to the markets. Since 2021, it has been financed through other mechanisms such as loans.

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions. The rating (WD) refers to the withdrawal of the agency's rating.

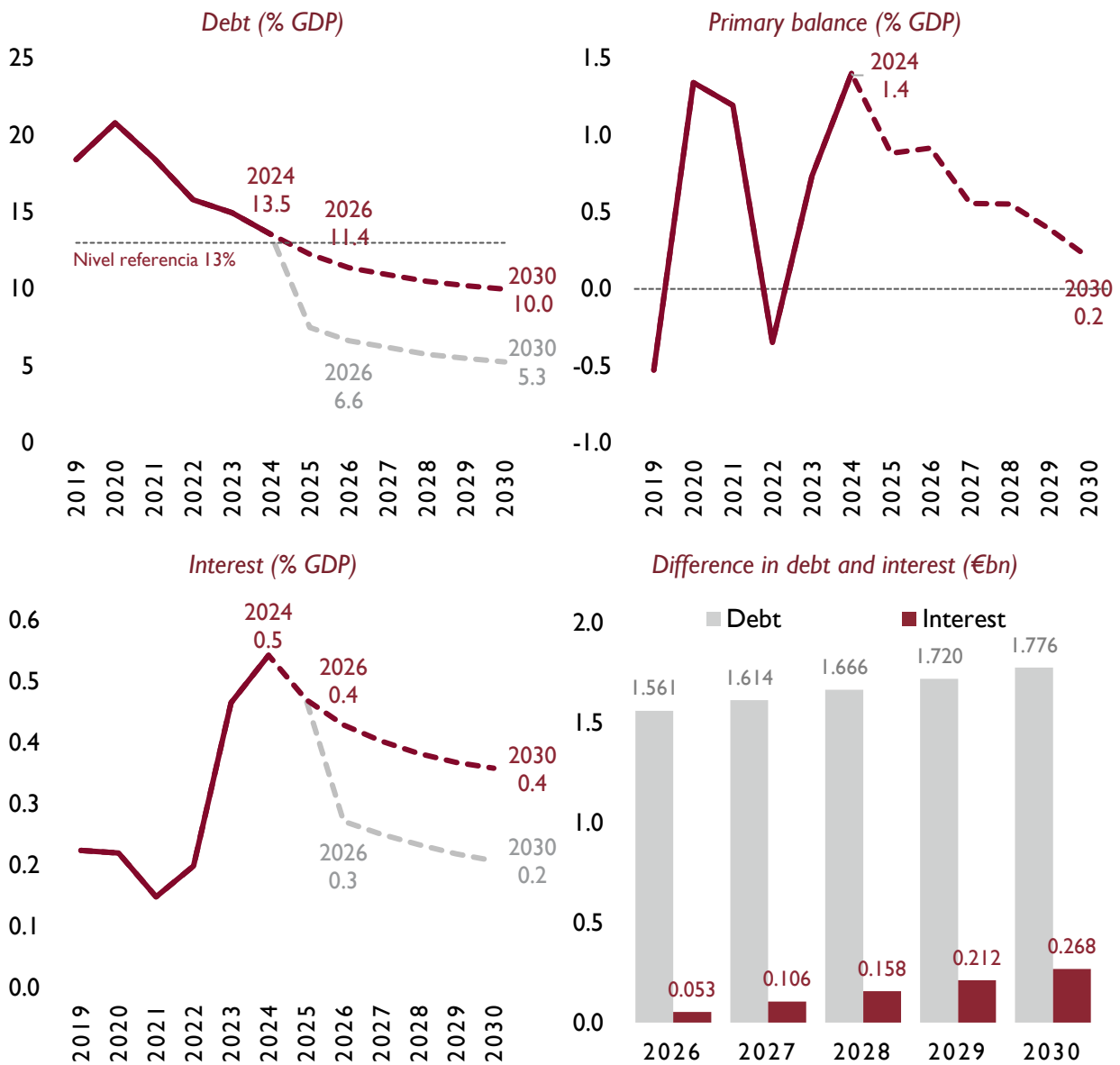
According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Asturias could be financed in the period **2026-2028 through direct access to the markets, including issuing securities**, given that it has a budgetary surplus in 2024, debt-to-regional GDP of no more than 19.5% and a credit rating from at least one rating agency of upper-medium investment grade. In this regard,

- Fitch withdrew its rating for Asturias in 2017.
- Moody's upgraded Asturias' rating by two notches in September, from lower-medium to upper-medium A3 investment grade, placing it on a par with Spain.

In a debt write-off simulation for Asturias for a total amount of **€1.51bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans of the **extraordinary financing mechanisms and other debts** are selected in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€1.56bn** by the end of **2026**, equivalent to **4.7% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.16% of GDP** (some **€53m** in the first year), accumulating **€268m by 2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in 2025, before the write-off is implemented.

Regional debt write-off, debt projection and interest saving



Source: AIReF

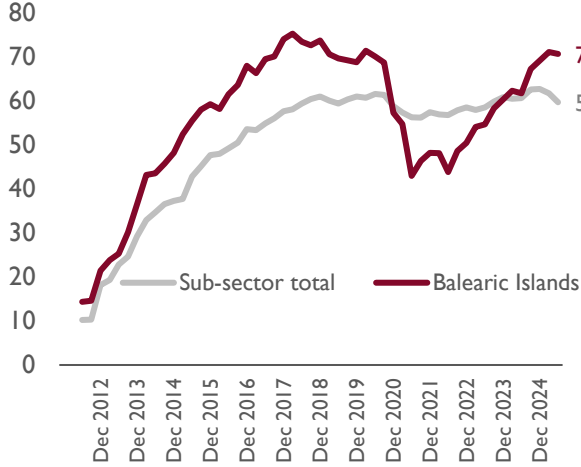
BALEARIC ISLANDS

Latest data: JUN 2025

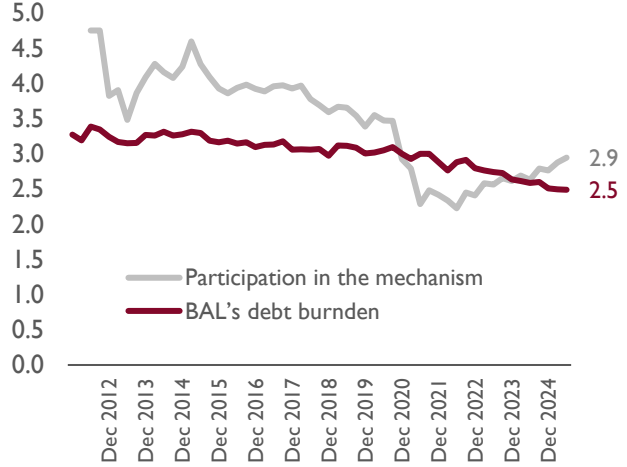
Public Debt		Regional Financing Funds	
% GDP: 18,6	% s/ total ARs: 2,5	Weight in total debt: 70,7	% total Regional Financing Funds 2,9

The weight of the Balearic Islands' financing through **extraordinary mechanisms has increased by more than 25 points since 2022, to 70.7% of total debt, a higher share** than that of the ARs as a whole (59.7%). The Balearic Islands' debt through the Regional Financing Fund accounts for 2.9% of the total, a slightly higher percentage than its debt (2.5%) out of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



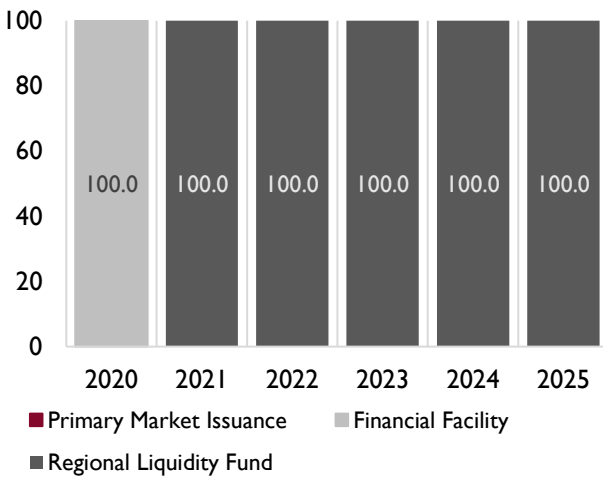
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



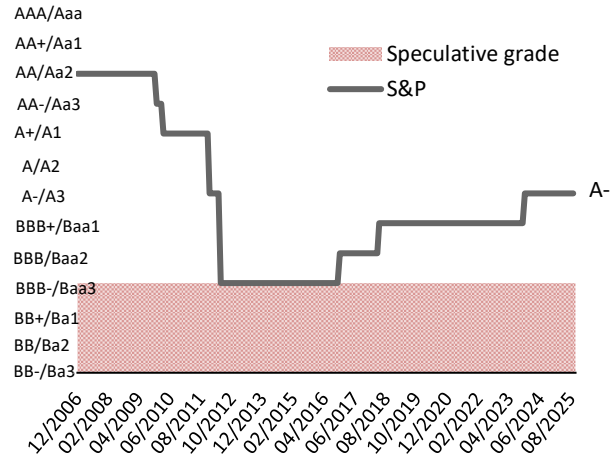
Source: AIReF and Bank of Spain

Since 2021, the Balearic Islands have financed themselves mainly through allocations from the **Regional Liquidity Fund, without currently resorting to issuing securities on the markets**. 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, the Balearic Islands could be financed in the period **2026-2028 through the Financial Facility Fund and direct access to the markets, including issuing securities**, given that in 2024 it has a budgetary surplus, a debt-to-regional GDP ratio of no more than 19.5 and a credit rating from at least one rating agency of upper-medium investment grade. In this regard,

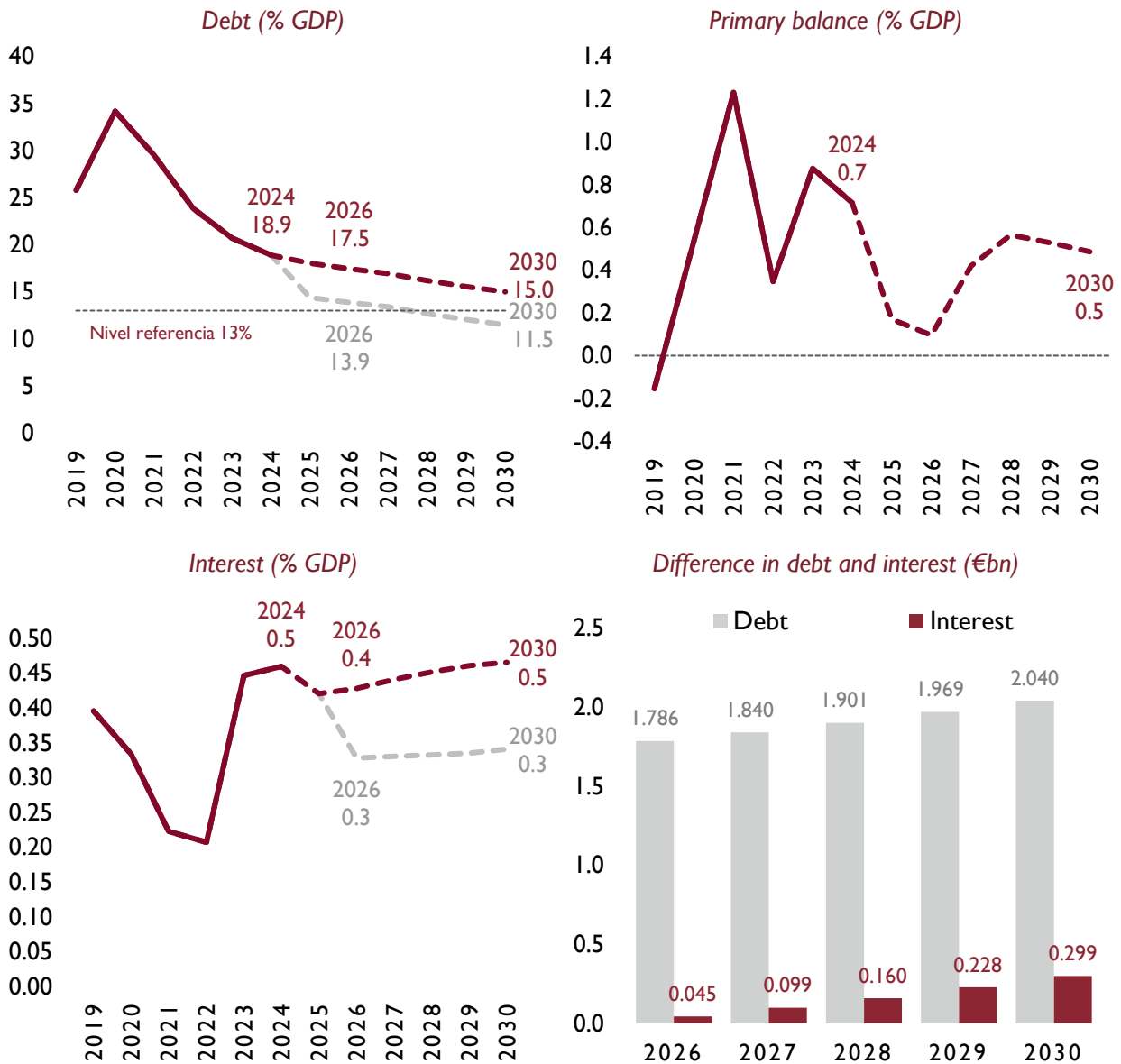
- S&P upgraded the Balearic Islands' rating at year-end 2023 to A-.

Regional debt write-off: evolution of the mechanisms and market exit

In a debt write-off simulation for the Balearic Islands for a total amount of **€1.74bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€1.79bn** at year-end **2026**, equivalent to **3.6% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.09% of GDP** (some **€45m** in the first year), accumulating **€299m by 2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2028**, seven years ahead of the projection prior to the write-off, which placed it at 2035.

Regional debt write-off, debt projection and interest saving



Source: AIReF

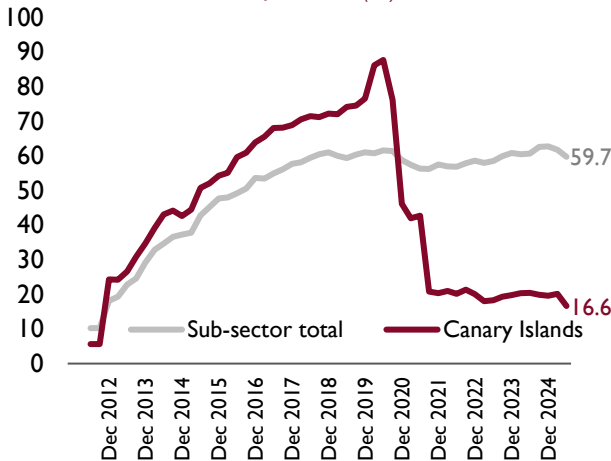
CANARY ISLANDS

Latest data: JUN 2025

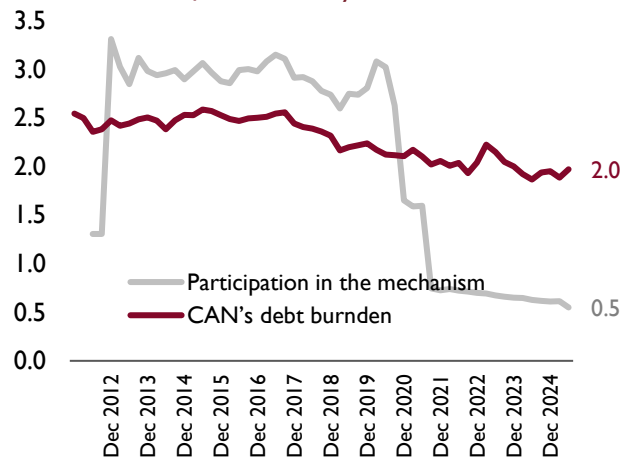
Public Debt		Regional Financing Funds	
% GDP: 11,3	% s/ total ARs: 2,0	Weight in total debt: 16,6	% total Regional Financing Funds 0,5

The weight of the Canary Islands' financing through **extraordinary mechanisms** has fallen by more than 70 points from the peak reached in the second quarter of 2020, to currently account for 16.6% of its total debt, a lower percentage than that of the ARs as a whole (59.7%). The Canary Islands' debt through the Regional Financing Fund accounts for 0.5% of the total, a lower percentage than its debt (2%) out of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



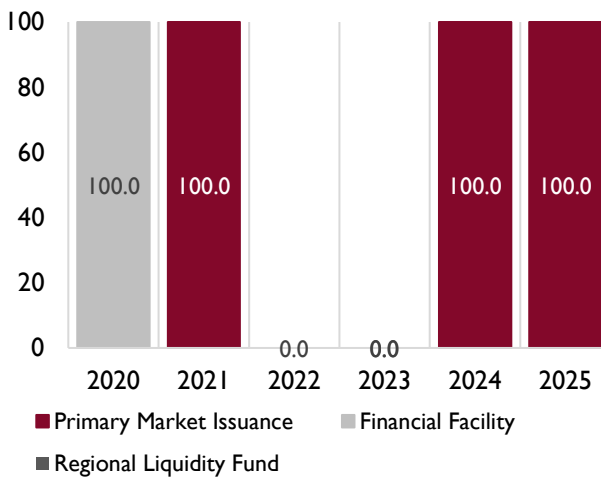
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



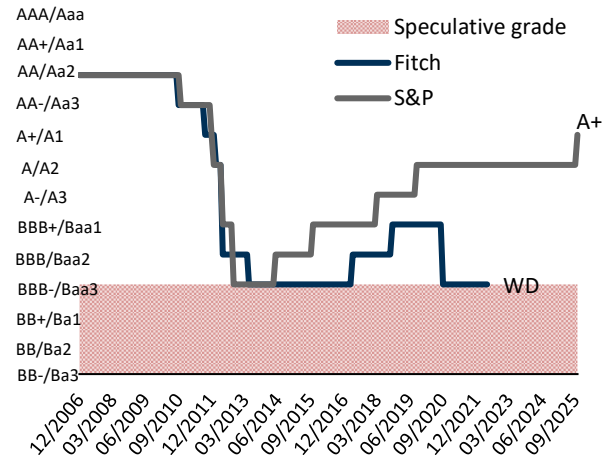
Source: AIReF and Bank of Spain

2020 was the last year in which the Canary Islands resorted to finance through the extraordinary Financial Facility Fund. **Since then, it has obtained financing through direct market access, issuing securities and other mechanisms such as loans.** In this context, the spreads on its issues vis-à-vis the Treasury have averaged around 23 basis points.

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions. The rating (WD) refers to the withdrawal of the agency's rating.

According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, the Canary Islands could be financed in the period **2026-2028 through direct access to the markets, including issuing securities**, given that in 2024 it has a budgetary surplus, debt-to-regional GDP of no more than 19.5% and a credit rating from at least one rating agency of upper-medium investment grade. In this regard,

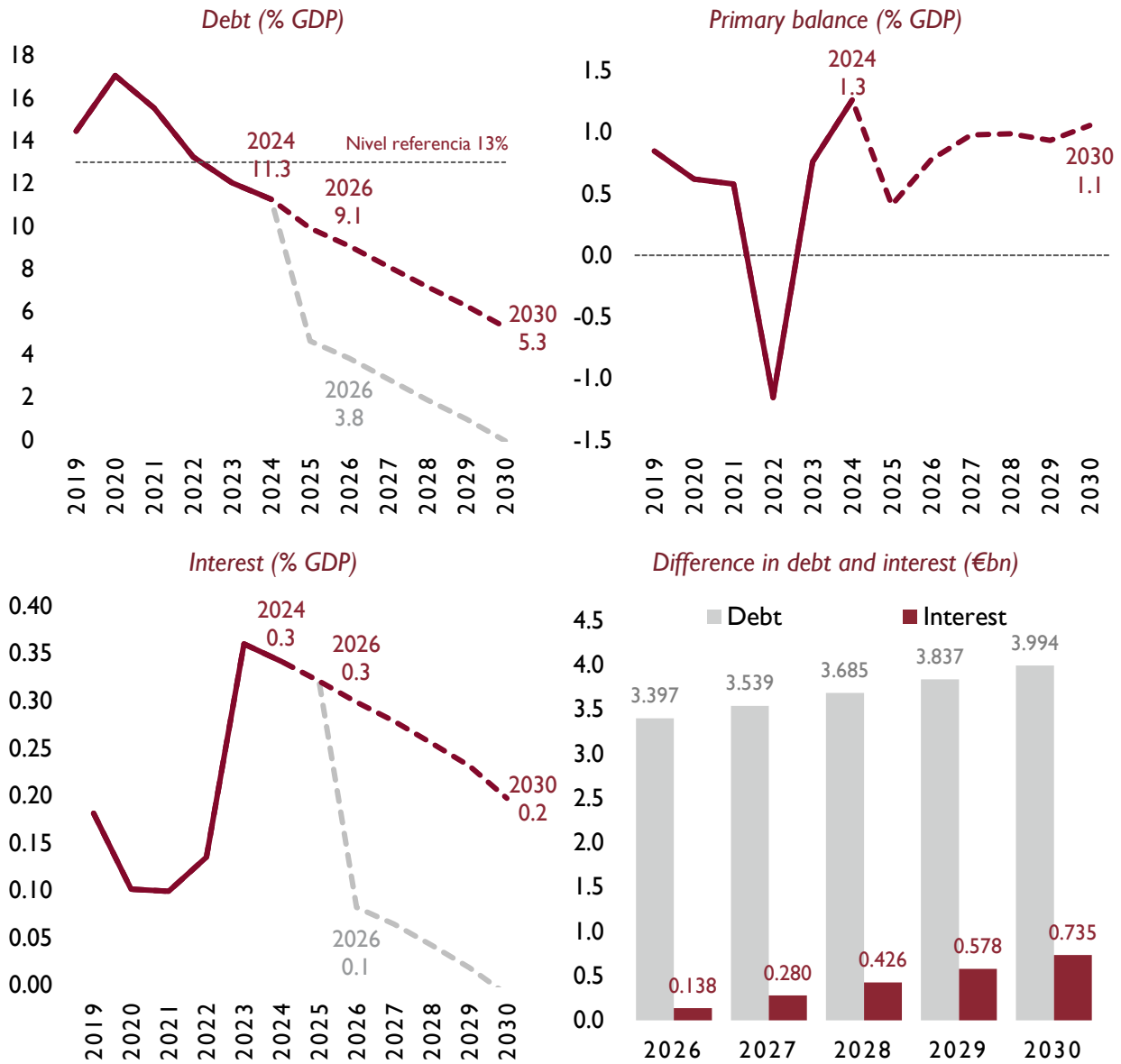
- Fitch withdrew its rating in 2022.
- S&P raised its rating for the Canary Islands in October to A+, the same rating as for Spain.

Regional debt write-off: evolution of mechanisms and market exit

In a debt write-off simulation for the Canary Islands for a total amount of **€3.26bn**, in which it is assumed that the operation is fully executed on **December 31st, 2025** and for which the loans of the **extraordinary financing mechanisms and other debts** are selected in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€3.4bn** by the end of **2026**, equivalent to **5.3% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.21% of GDP** (some **€138m** in the first year), accumulating **€735m** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would have been reached by 2023.

Regional debt write-off, debt projection and interest saving



Source: AIReF

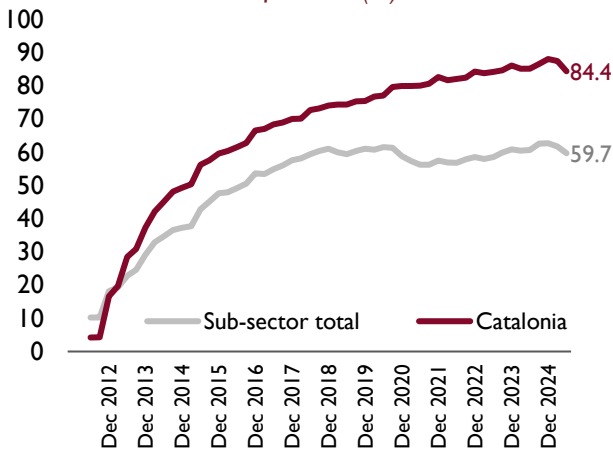
CATALONIA

Latest data: JUN 2025

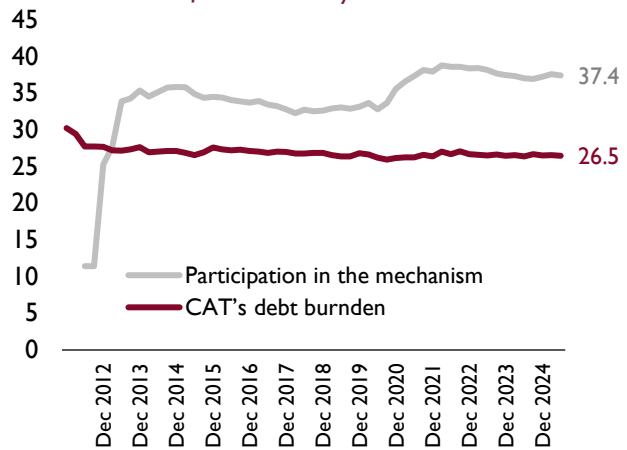
Public Debt		Regional Financing Funds	
% GDP: 29,3	% s/ total ARs: 26,5	Weight in total debt: 84,4	% total Regional Financing Funds: 37,4

The weight of Catalonia's financing through **extraordinary mechanisms has risen steadily since 2012, currently accounting for 84.4% of its total debt, a higher share** than that of the ARs as a whole (59.7%). However, a fall in the weight of financing through extraordinary mechanisms is observed in the first two quarters of 2025. Catalonia is the AR most indebted to the Regional Financing Fund (followed by Valencia and Andalusia), with a share of 37.4% of the total, a higher percentage than its share of the regional total (26.5%).

Weight of extraordinary mechanisms over the total debt of the AR (%)



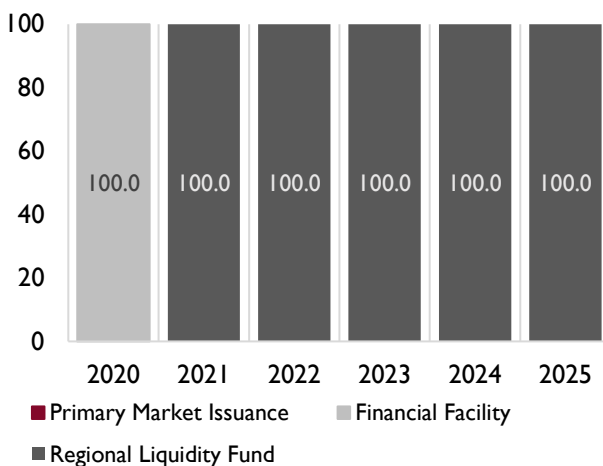
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



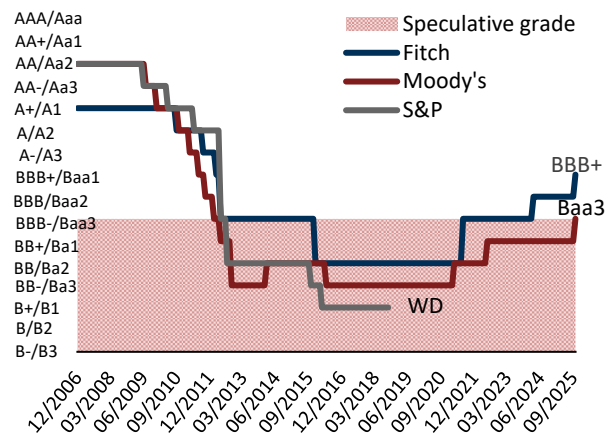
Source: AIReF and Bank of Spain

Since 2021, **Catalonia has financed itself mainly through allocations from the Regional Liquidity Fund, without currently resorting to issuing securities on the markets.** 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions. The rating (WD) refers to the withdrawal of the agency's rating.

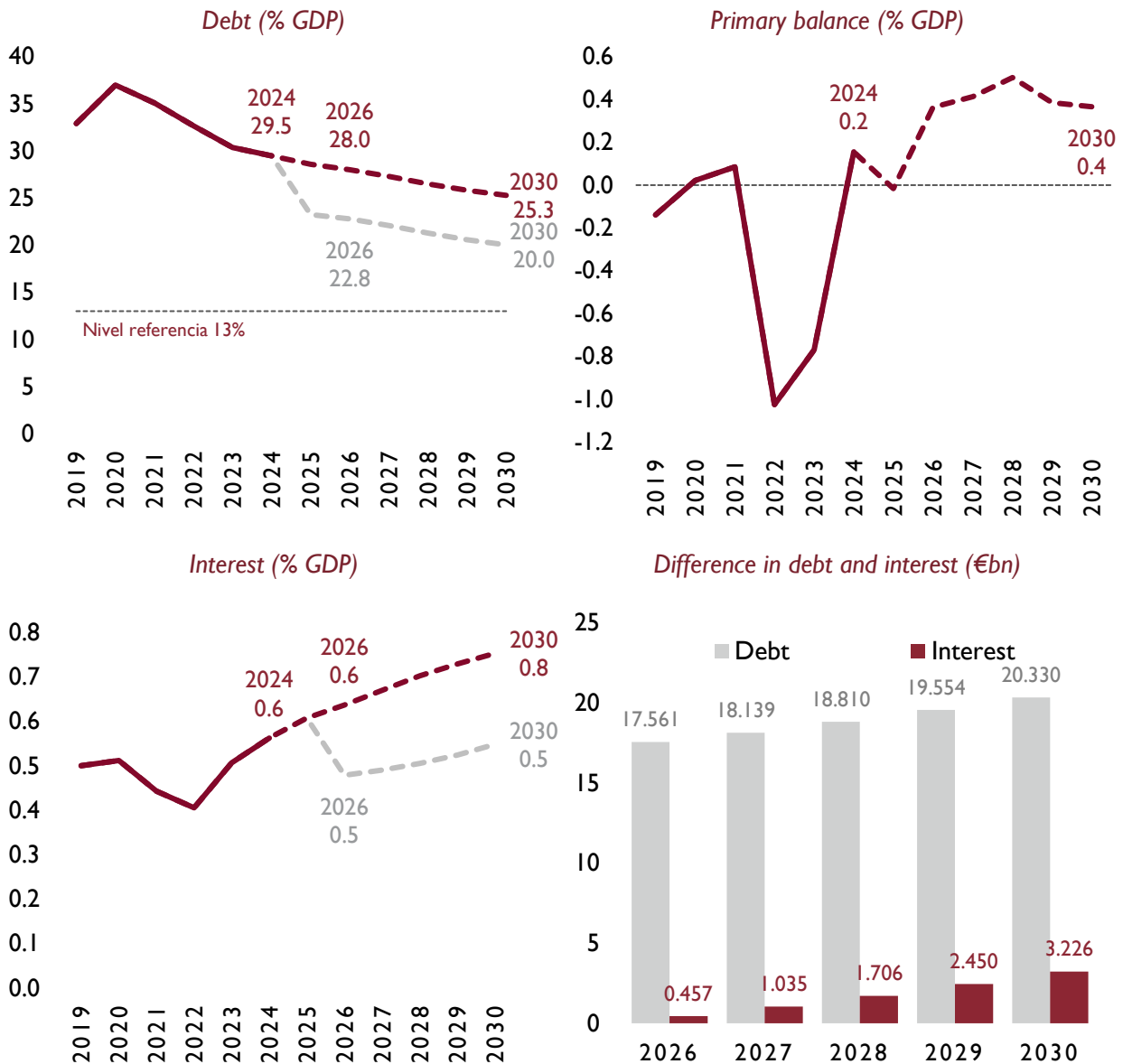
According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Catalonia will be able to finance itself through the **Financial Facility Fund and, in addition, will have the option to cover up to 10% of its annual financing needs through direct access to the markets.** This is due to the fact that in 2024 it has a budgetary deficit and a debt-to-regional GDP ratio of more than 19.5%, but has two investment-grade credit ratings from agencies. In this regard,

- Fitch raised its credit rating for Catalonia in October to an investment-grade rating of BBB+.
- Moody's upgraded the rating in October from speculative to investment grade Baa3.
- S&P withdrew its rating for Catalonia in 2018.

In a debt write-off simulation for Catalonia for a total amount of **€17.1bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€17.56bn** by the end of **2026**, equivalent to **5.2% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.14% of GDP** (some **€457m** in the first year), accumulating **€3.23bn** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** is not achieved in the projected time frame until 2050 even in the scenario of a debt write-off.

Regional debt write-off, debt projection and interest saving



Source: AIReF

CASTILE-LA MANCHA

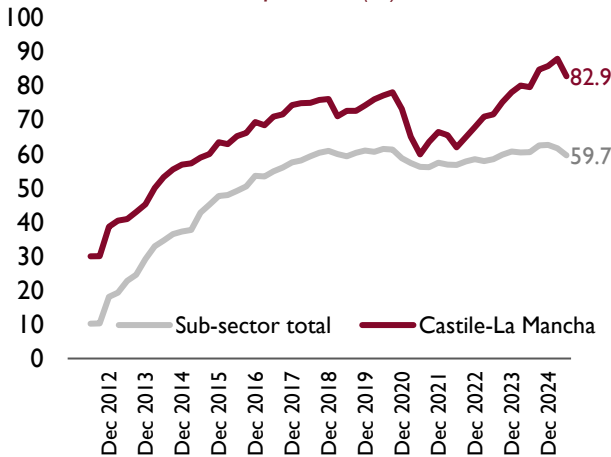
Latest data: JUN 2025

Public Debt		Regional Financing Funds	
% GDP: 29,0	% s/ total ARs: 4,9	Weight in total debt: 82,9	% total Regional Financing Funds 6,8

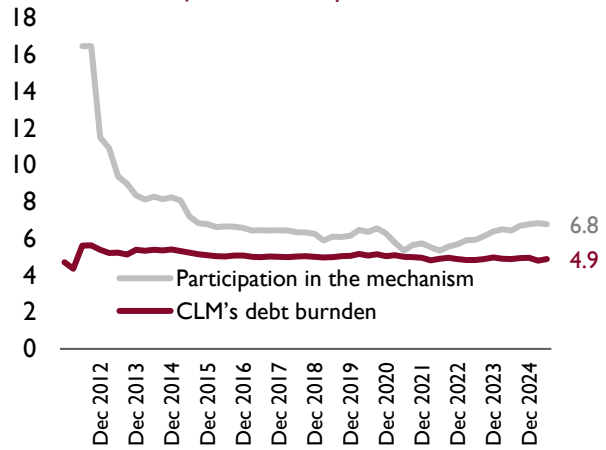
The weight of Castile-La Mancha's financing through **extraordinary mechanisms has continued to grow in recent years. It now accounts for 82.9%** of its total debt, a higher percentage than that of the ARs as a whole (59.7%), although there was a fall in the weight of financing through extraordinary mechanisms in the first two quarters of 2025. Castile-La Mancha's debt through the Regional Financing Fund accounts for 6.8% of the total, a higher percentage than its debt (4.9%) out of the regional total.

Regional debt write-off: evolution of the mechanisms and market exit

Weight of extraordinary mechanisms over the total debt of the AR (%)



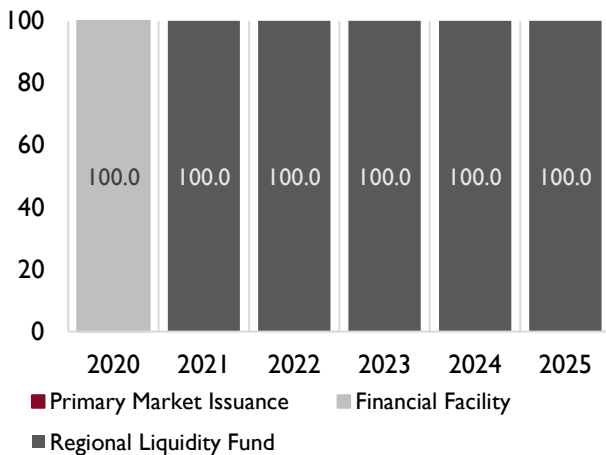
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



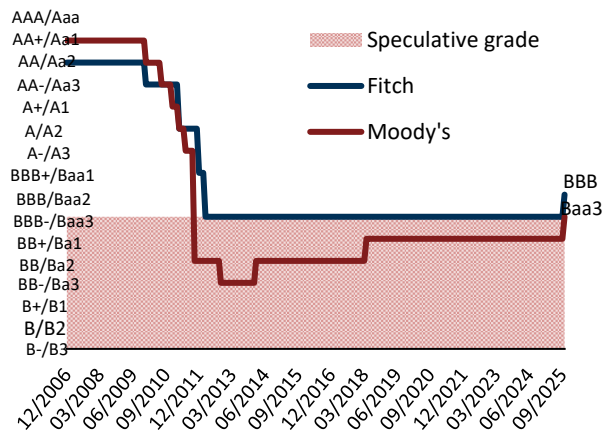
Source: AIREF and Bank of Spain

Since 2021, **Castile-La Mancha has financed itself mainly through allocations from the Regional Liquidity Fund, without currently resorting to issuing securities on the markets.** 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIREF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

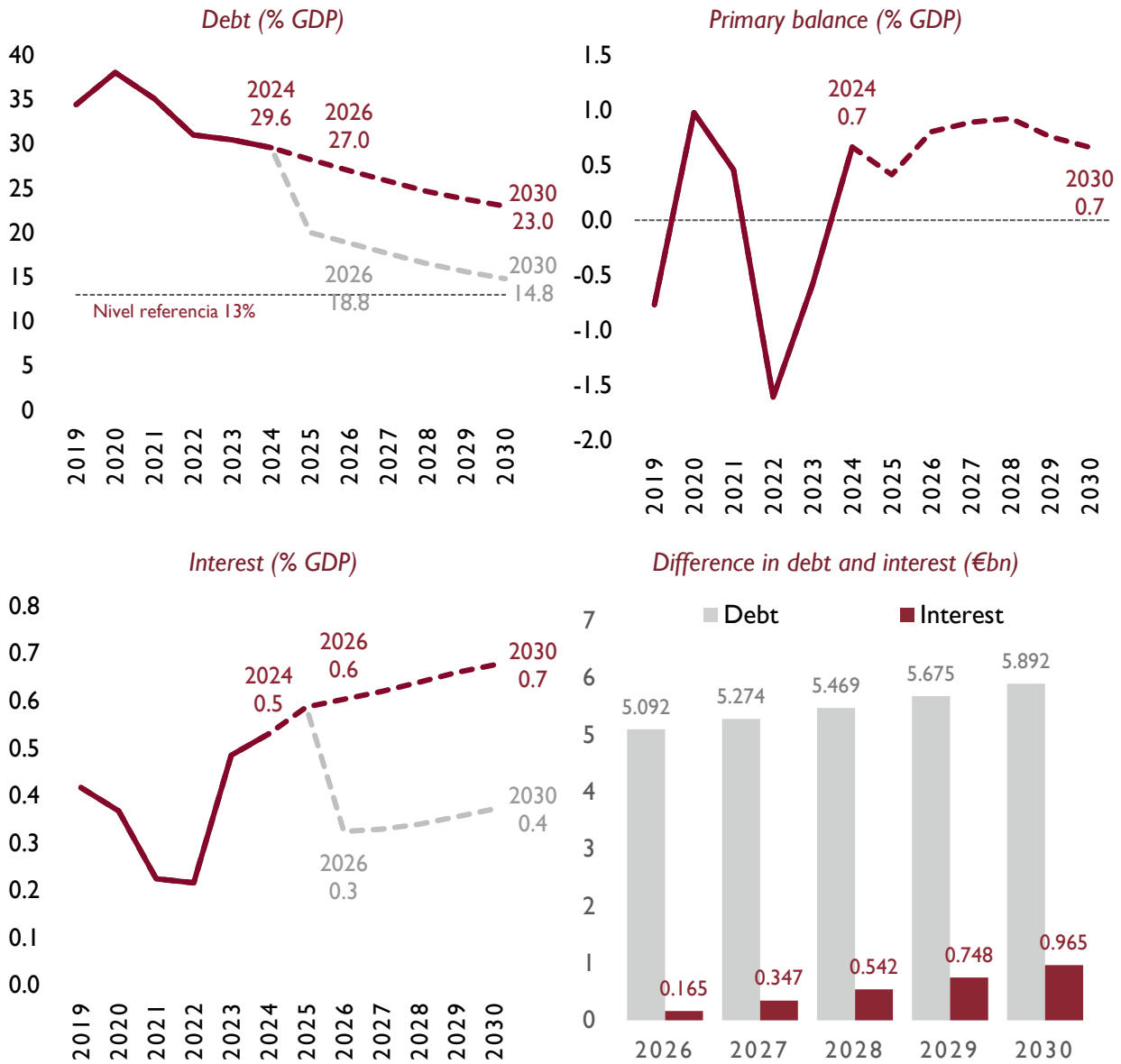
According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Castile-La Mancha may be financed in the period **2026-2028 through the Financial Facility Fund and through financial operations that are not securities-based**, given that it has a budgetary surplus in 2024 and an investment-grade credit rating from two rating agencies. However, it cannot finance itself through securities-based market operations, as its debt-to-GDP ratio exceeds 19.5% of regional GDP. In this regard,

- Fitch raised its rating for Castile-La Mancha by one notch to BBB in October.
- Moody's raised its rating in October from speculative to investment grade Baa3.

In a debt write-off simulation for Castile-La Mancha for a total amount of **€4.93bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€5.09bn** by the end of **2026**, equivalent to **8.2% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.27% of GDP** (some **€165m** in the first year), accumulating **€965m by 2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2033**, whereas in the projection prior to the debt write-off, the debt's dynamics allowed it to be reached in 2047.

Regional debt cancellation, debt projection and interest saving



Source: AIReF

CANTABRIA

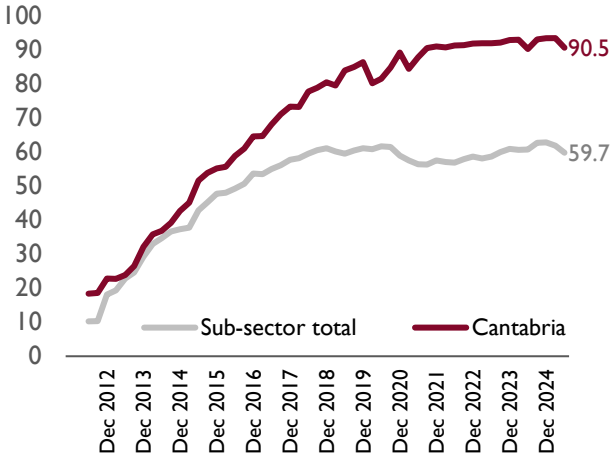
Latest data: JUN 2025

Public Debt		Regional Financing Funds	
% GDP: 18,5	% s/ total ARs: 1,0	Weight in total debt: 90,5	% total Regional Financing Funds 1,5

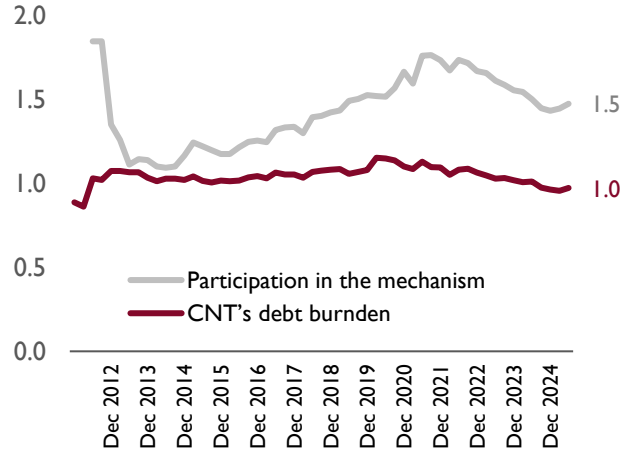
The weight of Cantabria's financing through **extraordinary mechanisms** has risen steadily since 2012, reaching **90.5% of its total debt**, a higher share than that of the ARs as a whole (59.7%). However, a slight fall in this percentage is observed in the first two quarters of 2025. Cantabria's debt through the Regional Financing Fund accounts for 1.5% of the total, a higher share than its debt (1%) of the regional total.

Regional debt write-off: evolution of mechanisms and market exit

Weight of extraordinary mechanisms over the total debt of the AR (%)



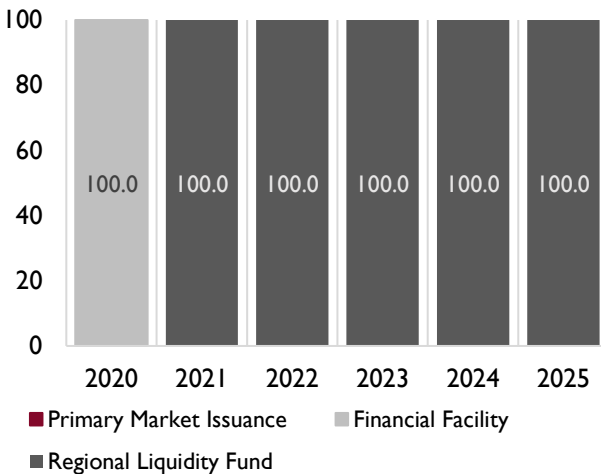
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



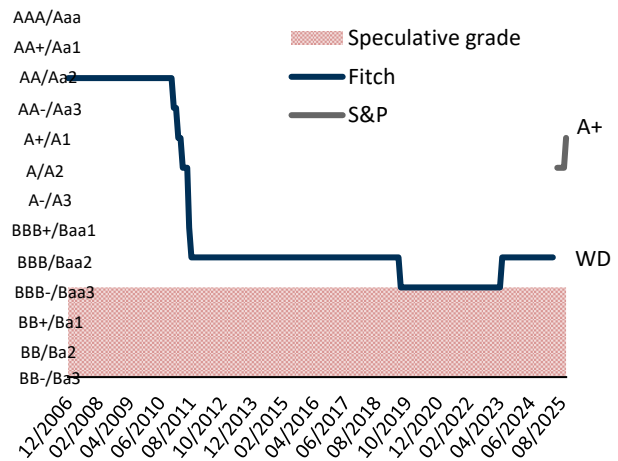
Source: AIReF and Bank of Spain

Since 2021, Cantabria has financed itself mainly through allocations from the Regional Liquidity Fund, without currently resorting to issuing securities on the markets. 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions. The rating (WD) refers to the withdrawal of the agency's rating.

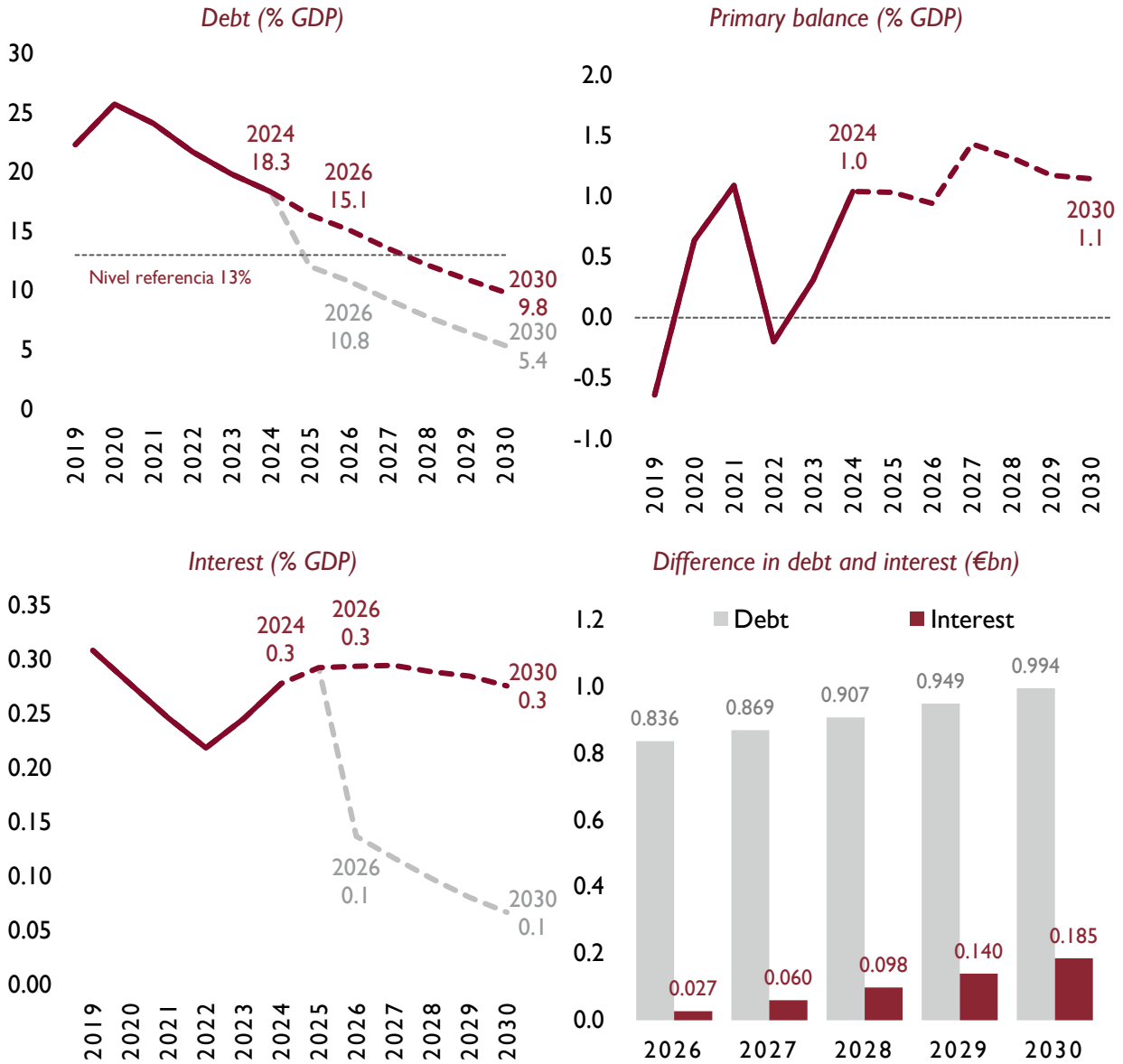
According to the Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025, Cantabria could be financed in the period 2026-2028 through the Financial Facility Fund and direct market access, including issuing securities, given that in 2024 it has a budgetary surplus, debt-to-regional GDP of no more than 19.5% and an investment grade credit rating from at least one rating agency. In this regard,

- Fitch withdrew its rating for Cantabria in April 2025.
- S&P gave a credit rating for Cantabria in June 2025, which was raised by one notch in September 2025.

In a debt write-off simulation for Cantabria for a total amount of **€809m**, in which it is assumed that the operation is fully executed on **December 31st, 2025** and for which the loans of the **extraordinary financing mechanisms** are selected in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would result in a debt reduction of **€836m** by the end of **2026**, equivalent to **4.3% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.14% of GDP** (some **€27m** in the first year), accumulating **€185m** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2026**, two years ahead of the projection prior to the write-off, which placed it at 2028.

Regional debt write-off, debt projection and interest saving



Source: AIReF

VALENCIA

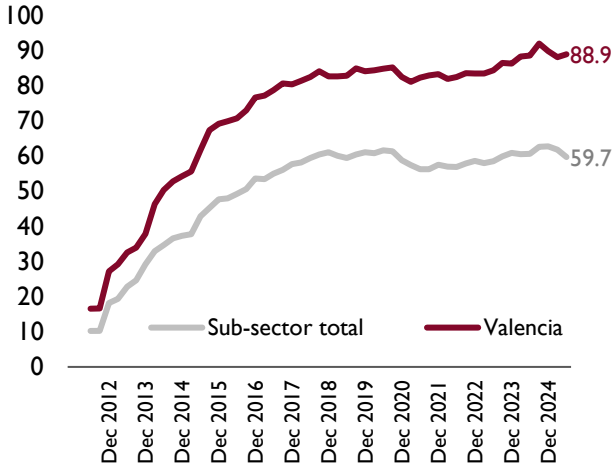
Latest data: JUN 2025

Public Debt		Regional Financing Funds	
% GDP: 39,8	% s/ total ARs: 17,7	Weight in total debt: 88,9	% total Regional Financing Funds 26,4

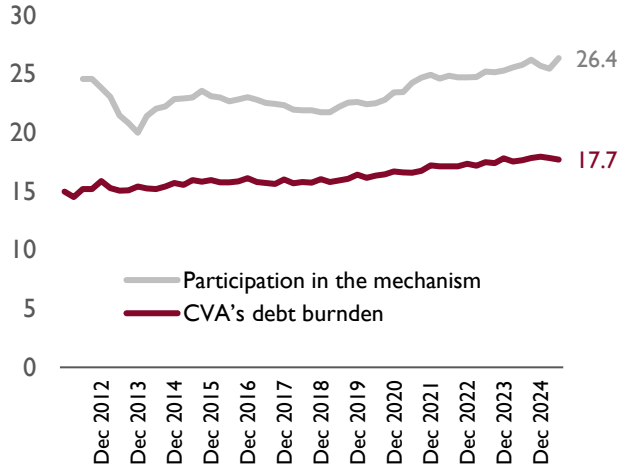
The weight of Valencia's financing through **extraordinary mechanisms** has risen steadily since 2012, reaching **88.9% of its total debt**, a higher share than that of the ARs as a whole (59.7%). Valencia is the second most indebted AR (after Catalonia) to the Regional Financing Fund, with a share of 26.4% of the total, a higher percentage than its share of the regional total (17.7%).

Regional debt write-off: evolution of the mechanisms and market exit

Weight of extraordinary mechanisms over the total debt of the AR (%)



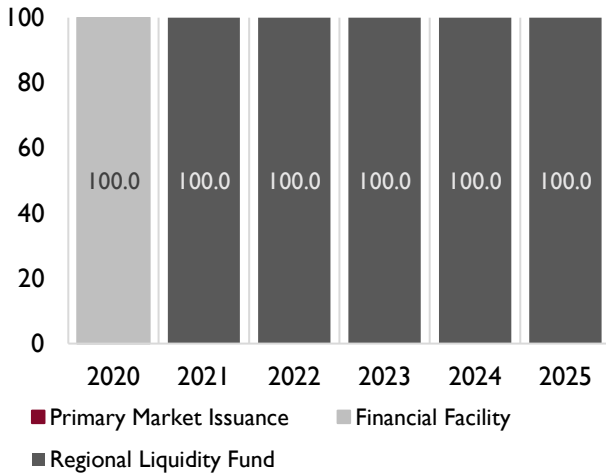
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



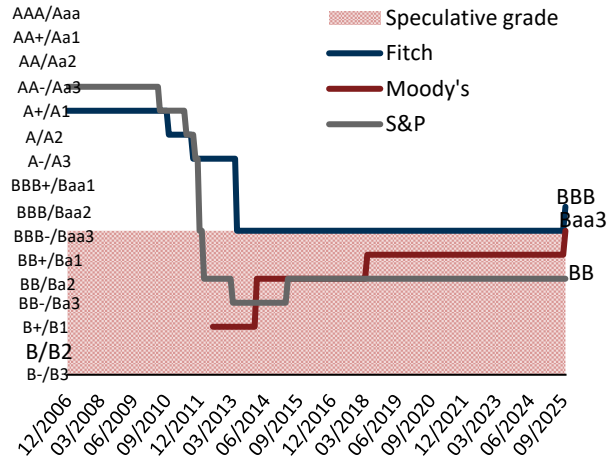
Source: AIReF and Bank of Spain

Valencia has been financing itself since 2020 **mainly through allocations from the Regional Liquidity Fund, without resorting to issuing securities on the markets.**

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and the Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

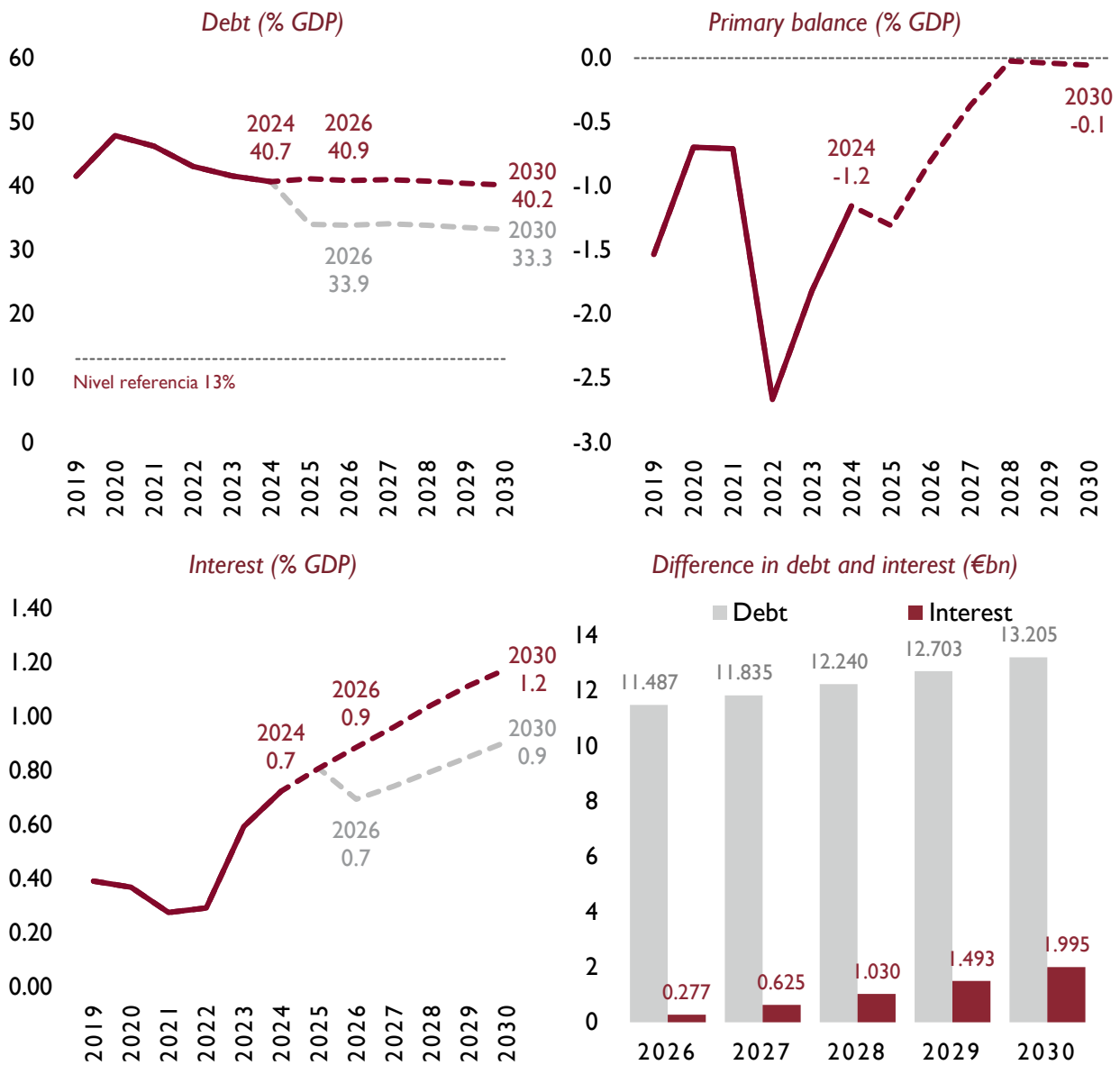
According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Valencia will be able to finance itself through the **Regional Liquidity Fund and, in addition, will have the option to cover up to 10% of its annual financial needs through direct market access.** This is because it does not comply with the average payment period to suppliers, posted a deficit in 2024, and has debt-to-regional-GDP of more than 19.5%, although it does have an investment-grade credit rating from two agencies. In this regard,

- Fitch raised the rating in October to BBB.
- Moody's upgraded the rating in September from speculative to investment grade Baa3.
- S&P has maintained a speculative-grade rating of BB since 2018.

In a debt write-off simulation for Valencia for a total amount of **€11.21bn** in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would result in a debt reduction of **€11.49bn** by the end of **2026**, equivalent to **7% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.17% of GDP** (some **€277m** in the first year), accumulating **€2bn** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** is not achieved in the projected time frame until 2050 even in the scenario of a debt write-off.

Regional debt write-off, debt projection and interest saving



Source: AIReF

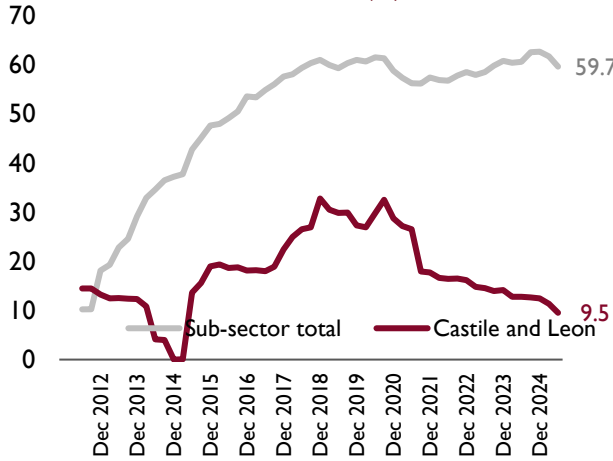
CASTILE AND LEON

Latest data: JUN 2025

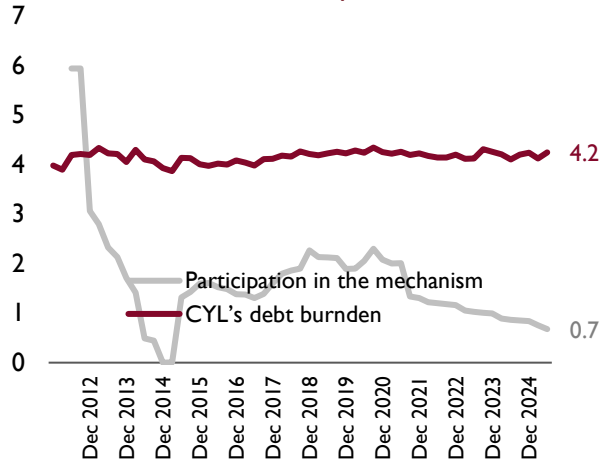
Public Debt		Regional Financing Funds	
% GDP: 19,0	% s/ total ARs: 4,2	Weight in total debt: 9,5	% total Regional Financing Funds 0,7

The weight of Castile and Leon's financing through **extraordinary mechanisms** has been reduced in recent years by **more than 20 points to currently account for 9.5%** of its total debt, which is lower than that of the ARs as a whole (59.7%). Castile and Leon's debt through the Regional Financing Fund accounts for 0.7% of the total, which is also lower than its debt (4.2%) as a percentage of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



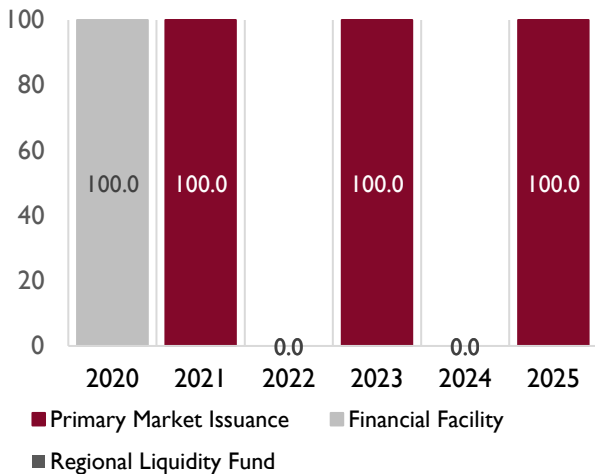
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



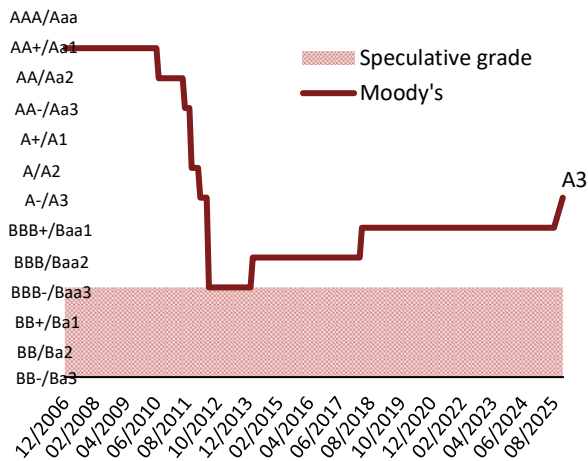
Source: AIREF and Bank of Spain.

2020 was the last year in which Castile and Leon resorted to finance through the extraordinary mechanisms of the Financial Facility. **Since then, it has obtained financing through direct market access, issuing securities and other mechanisms such as loans.** In this context, the spreads on its issues vis-à-vis the Treasury have averaged around 24 basis points.

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIREF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and the Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Castile and Leon could continue to finance itself in the period **2026-2028 through direct market access, including issuing securities**, given that in 2024 it has a budgetary surplus, debt-to-regional GDP of no more than 19.5% and a credit rating of at least investment grade from one rating agency. In this regard,

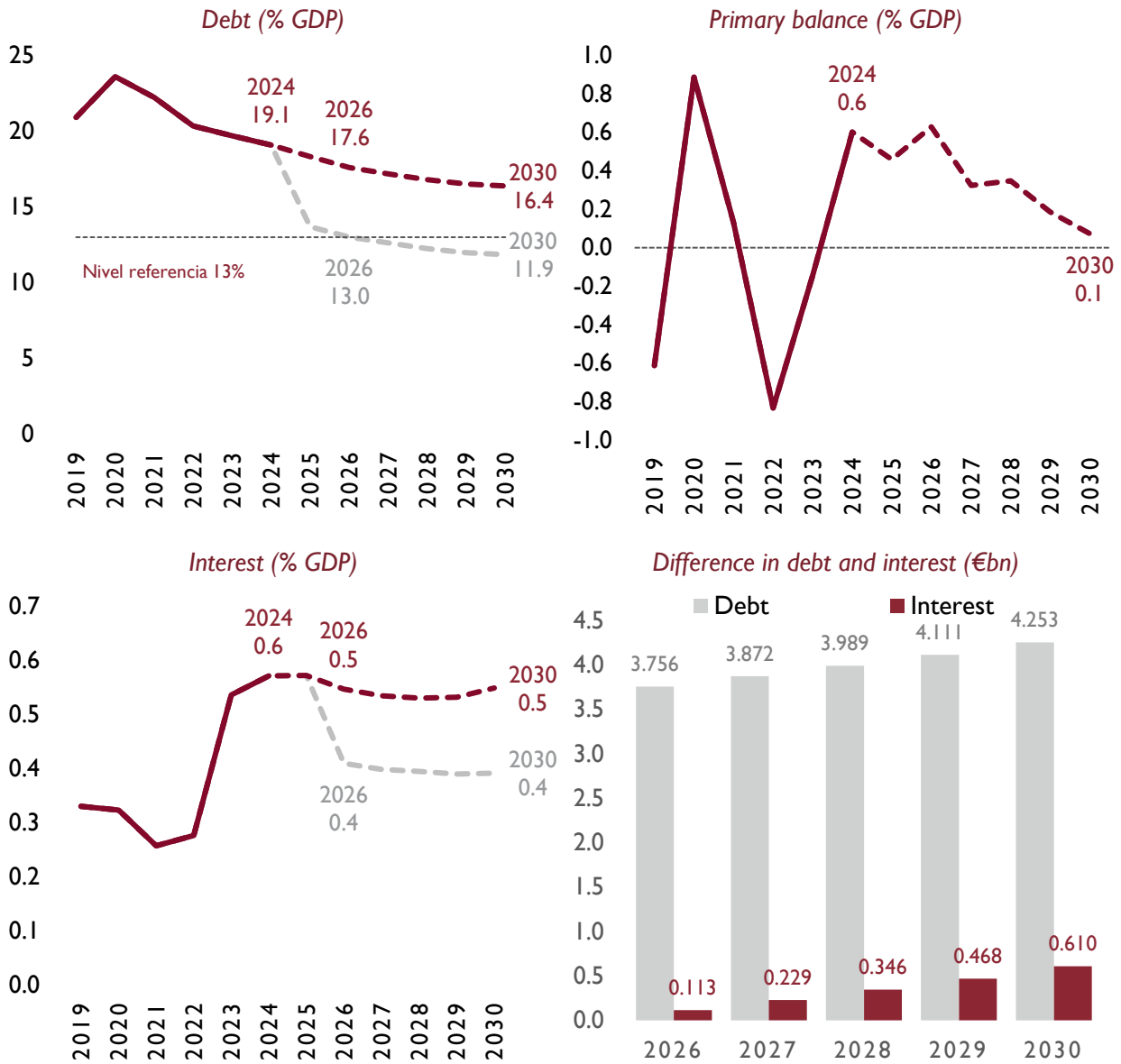
- Moody's upgraded Castile and Leon's rating by one notch in September, from lower-medium to upper-medium A3 investment grade, placing it at the same level as Spain.

Regional debt write-off: evolution of the mechanisms and market exit

In a debt write-off simulation for Castile and Leon for a total amount of **€3.64bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans of the **extraordinary financing mechanisms and other debts** are selected according to the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€3.76bn** by the end of **2026**, equivalent to **4.6% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.14% of GDP** (some **€113m** in the first year), accumulating **€610m by 2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2027**, whereas in the projection prior to the debt write-off, the debt dynamics did not allow it to be reached during the projection period.

Regional debt write-off, debt projection and interest saving



Source: AIReF

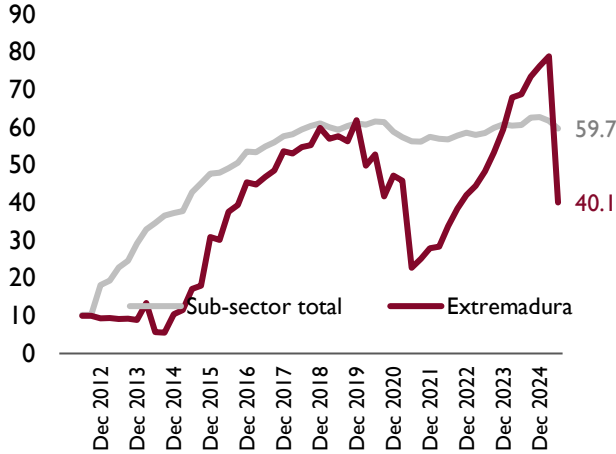
EXTREMADURA

Latest data: JUN 2025

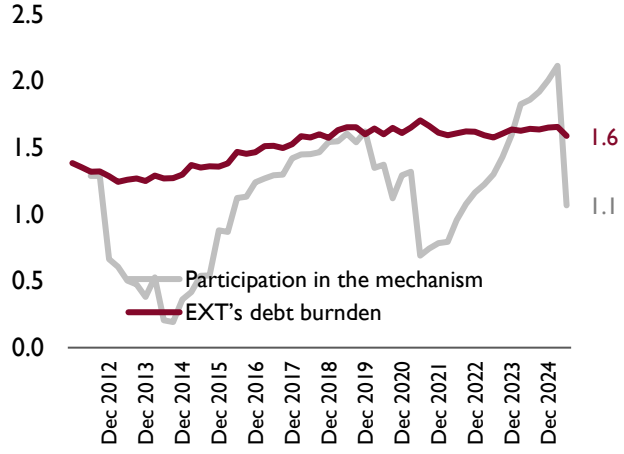
Public Debt		Regional Financing Funds	
% GDP: 20,0	% s/ total ARs: 1,6	Weight in total debt: 40,1	% total Regional Financing Funds 1,1

The weight of Extremadura's financing through **extraordinary mechanisms fell in the second quarter of 2025 by more than 35 points, to now account for 40.1%** of its total debt, a lower percentage than that of the ARs as a whole (59.7%). Extremadura's debt through the Regional Financing Fund also decreased in the second quarter of 2025 to 1.1% of the total, lower than its debt (1.6%) out of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



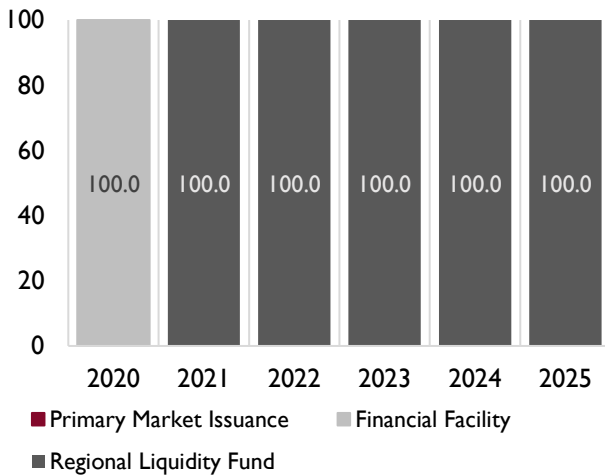
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



Source: AIReF and Bank of Spain

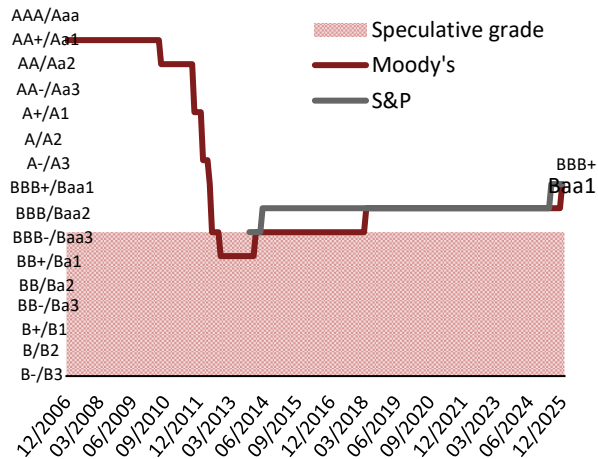
Since 2021, Extremadura has been financed mainly through allocations from the Regional Liquidity Fund, without currently resorting to issuing securities on the markets. 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and the Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

Evolution of credit rating



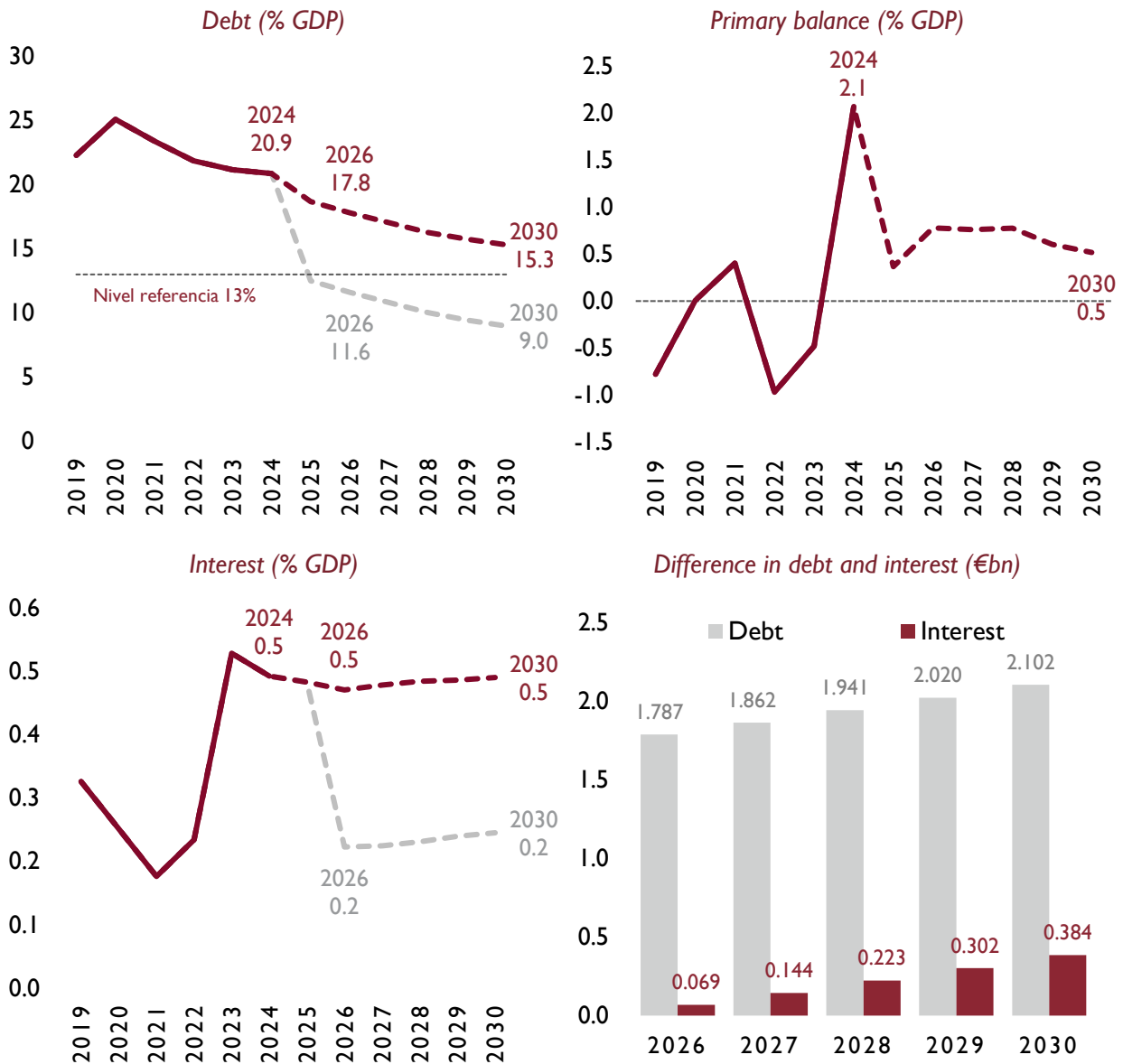
According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Extremadura could be financed in the period **2026-2028 through the Financial Facility Fund and through operations that are not securities-based**, given that in 2024 it has a budgetary surplus and an investment grade credit rating from two rating agencies, but has a level of debt in relation to its regional GDP of more than 19.5%. It will be able to perform securities-based operations if its level of debt in relation to its regional GDP ceases to exceed 19.5% in the period 2026-2028. In this regard,

- Fitch raised its rating by one notch in April 2025.
- Moody's raised its rating for Extremadura by one notch in September 2025.

In a debt write-off simulation for Extremadura for a total amount of **€1.72bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of €1.79bn at year-end 2026, equivalent to **6.2% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.24% of GDP** (some **€69m** in the first year), accumulating **€384m by 2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2026**, nine years ahead of the projection prior to the write-off, which placed it at 2035.

Regional debt write-off, debt projection and interest saving



Source: AIReF

GALICIA

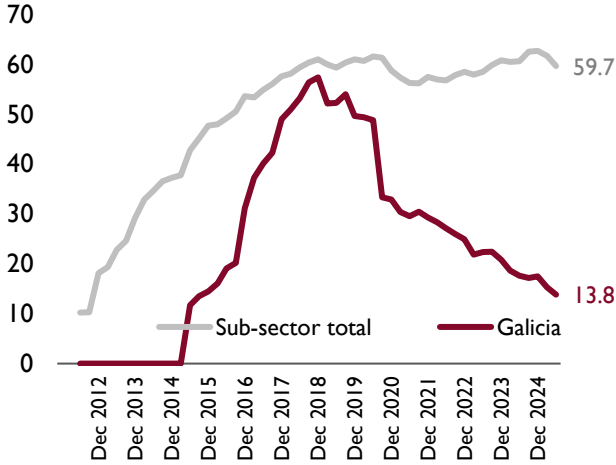
Latest data: JUN 2025

Public Debt		Regional Financing Funds	
% GDP: 15,4	% s/ total ARs: 3,8	Weight in total debt: 13,8	% total Regional Financing Funds 0,9

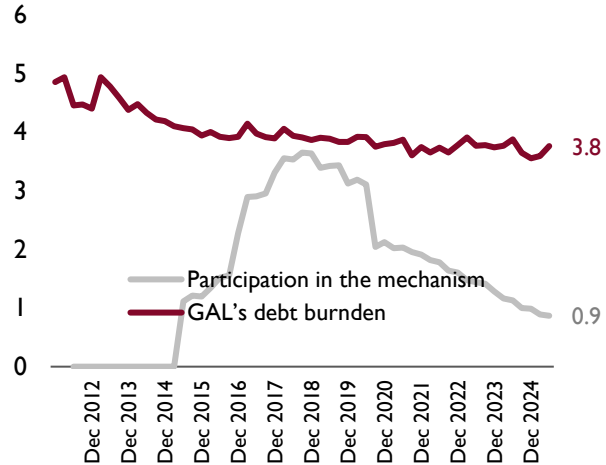
The weight of Galicia's financing through **extraordinary mechanisms** has been reduced from its peak by more than **40 points to currently account for 13.8%** of its total debt, a percentage lower than that of the ARs as a whole (59.7%). Galicia's debt through the Regional Financing Fund accounts for 0.9% of the total, which is also lower than its debt (3.8%) as a percentage of the regional total.

Regional debt write-off: evolution of mechanisms and market exit

Weight of extraordinary mechanisms over the total debt of the AR (%)



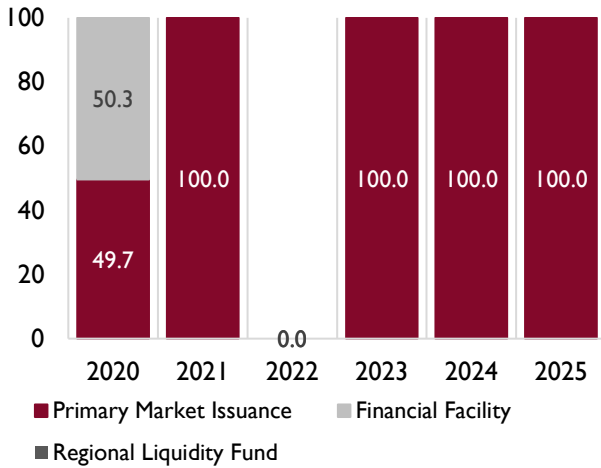
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



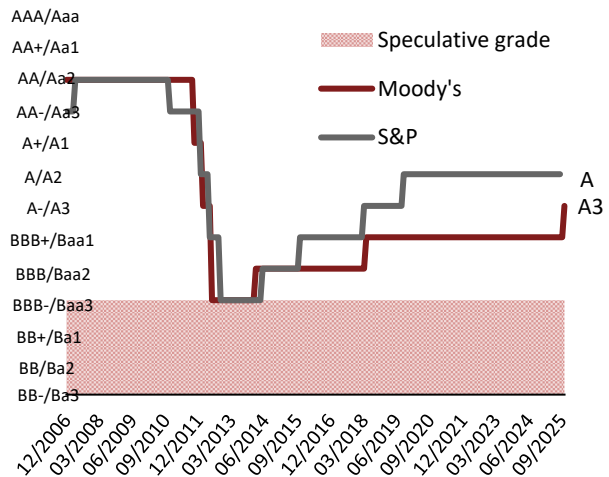
Source: AIReF and Bank of Spain

Following its exit from the Financial Facility Fund in 2020, Galicia **has financed itself mainly through direct market access**. In this context, the spreads on its issues vis-à-vis the Treasury have averaged around 15 basis points.

Percentage distribution of the type of funding between Regional Financing Fund and issuing securities



Evolution of credit rating



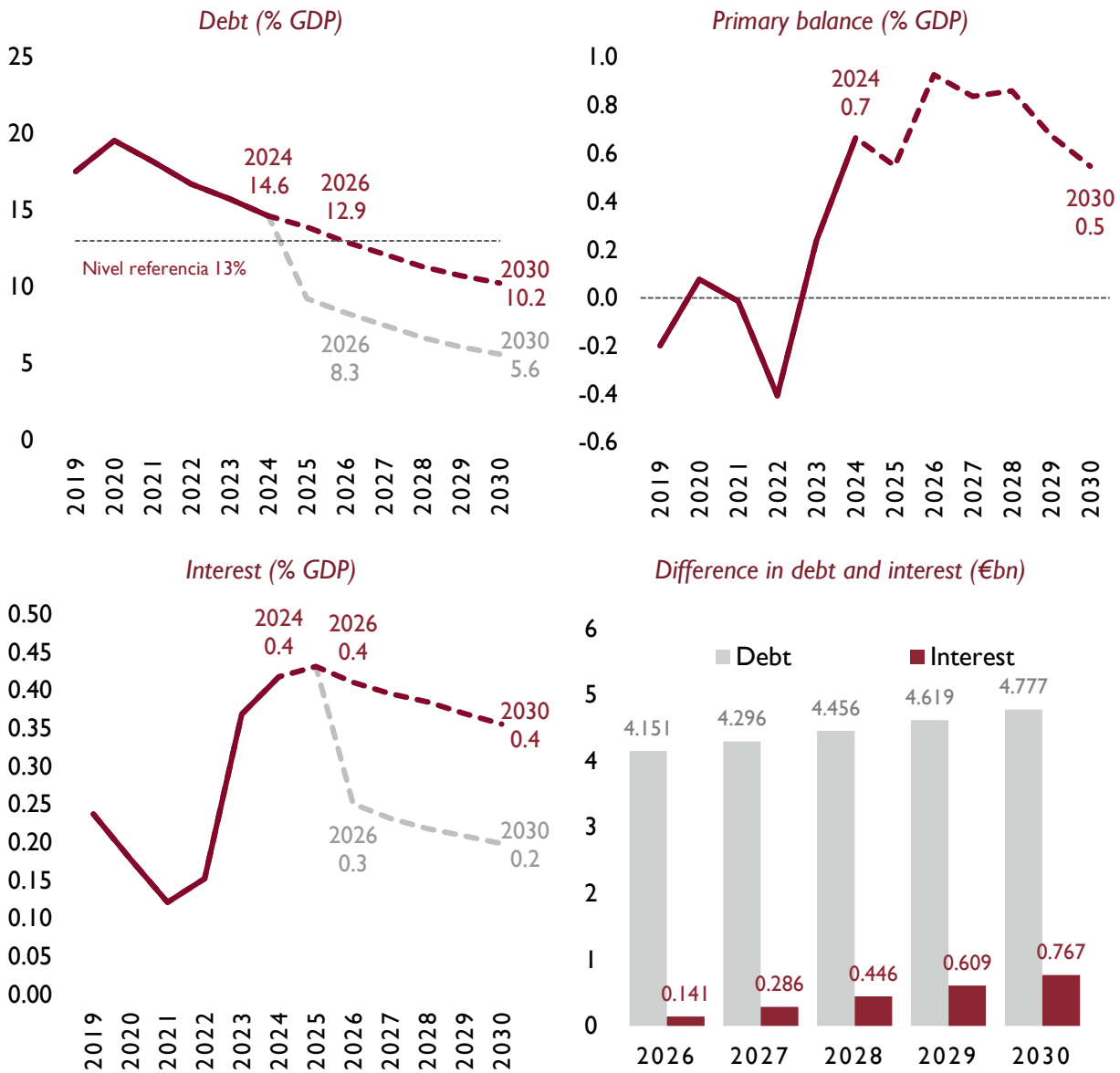
Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and the Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Galicia could be financed in the period **2026-2028 through direct market access, including issuing securities**, given that in 2024 it has a budgetary surplus, debt-to-regional GDP of no more than 19.5% and a credit rating of investment grade by two rating agencies. In this regard,

- Moody's upgraded Galicia's rating in October from lower-medium to upper-medium investment grade A3, placing it at the same level as Spain.
- S&P maintains Galicia's rating at A as of March 2019.

In a debt write-off simulation for Galicia for a total amount of **€4.01bn**, in which it is assumed that the operation is fully executed on **December 31st, 2025** and for which the loans from the **extraordinary financing mechanisms and other debts** are selected in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€4.15bn** by the end of **2026**, equivalent to **4.6% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.16% of GDP** (some **€141m** in the first year), accumulating **€767m** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2026**, the same as in the projection prior to the write-off.



Source: AIReF

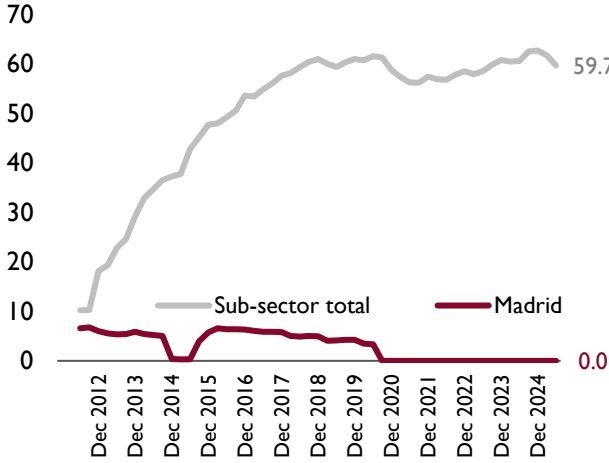
MADRID

Latest data: JUN 2025

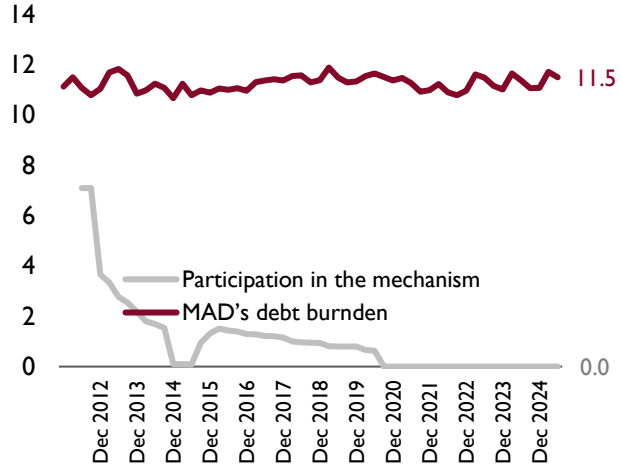
Public Debt		Regional Financing Funds	
% GDP: 12,1	% s/ total ARs: 11,5	Weight in total debt: 0,0	% total Regional Financing Funds 0,0

The weight of Madrid's financing through **extraordinary mechanisms has been progressively reduced to zero since the third quarter of 2020**. Madrid is one of the three ARs that do not finance their debt through extraordinary mechanisms, together with the Basque Country and Navarre, which have the special features of the chartered regime. Madrid's debt accounts for 11.5% of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



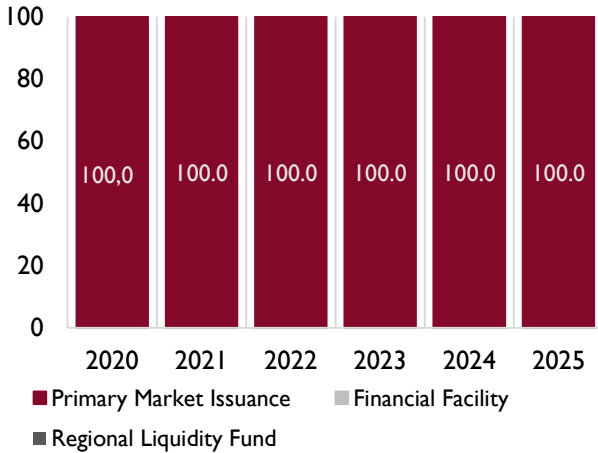
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



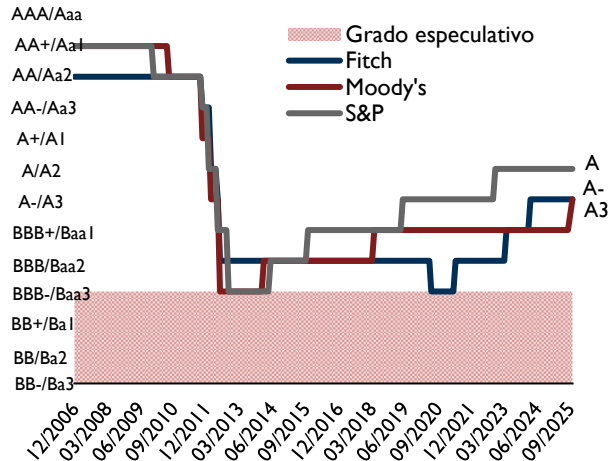
Source: AIReF and Bank of Spain

Since 2020, **Madrid has obtained its financing mainly through direct market access**. In this context, the spreads of its issues vis-à-vis the Treasury have averaged around 16 basis points.

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Madrid could finance itself in the period **2026-2028 through direct market access, including issuing securities**, despite posting a deficit in 2024, given that it has debt-to-regional GDP of no more than 19.5%, together with an investment grade credit rating from three rating agencies. In this regard,

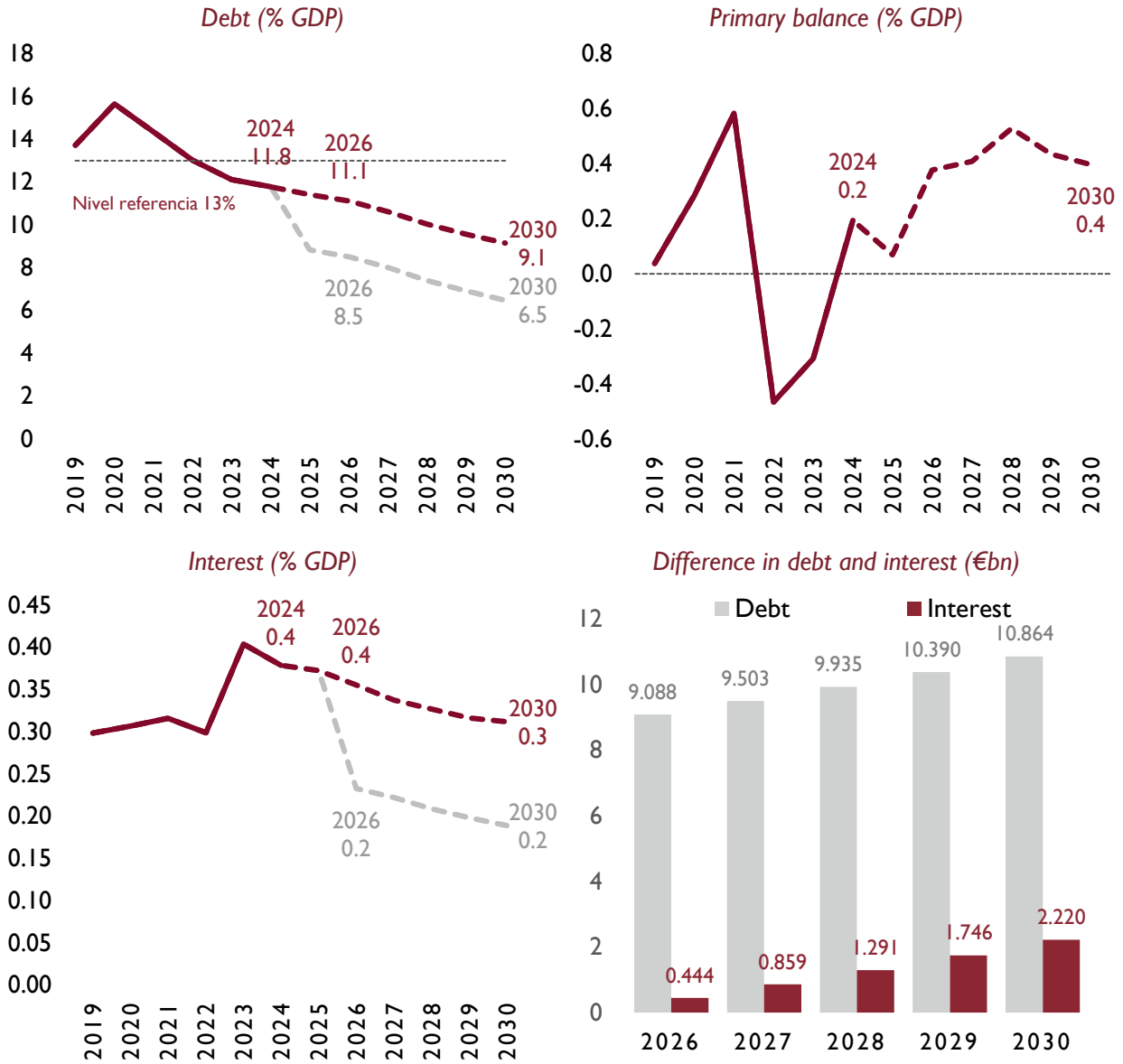
- Fitch raised its rating for Madrid in 2024.
- Moody's raised its rating in September to A3, the same rating as for Spain.
- S&P maintains Madrid's rating at A as of March 2019.

Regional debt write-off: evolution of the mechanisms and market exit

In a debt write-off simulation for Madrid for a total amount of **€8.64bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€9.09bn** by the end of **2026**, equivalent to **2.6% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.13% of GDP** (some **€444m** in the first year), accumulating **€2.22bn** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** was already reached in 2023.

Regional debt write-off, debt projection and interest saving



Source: AIReF

MURCIA

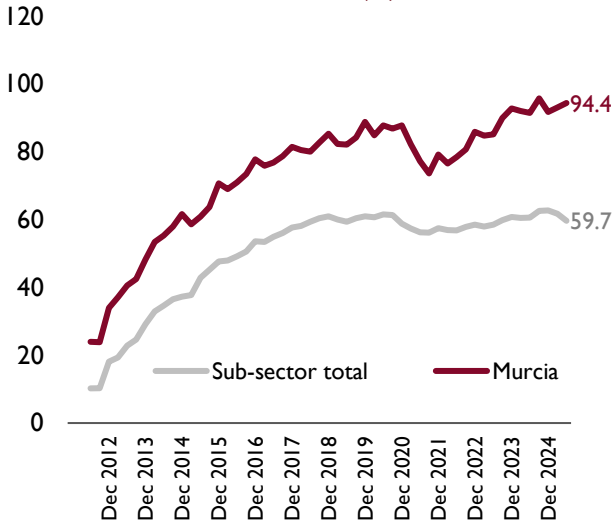
Latest data: JUN 2025

Public Debt		Regional Financing Funds	
% GDP: 31,0	% s/ total ARs: 3,9	Weight in total debt: 94,4	% total Regional Financing Funds 6,1

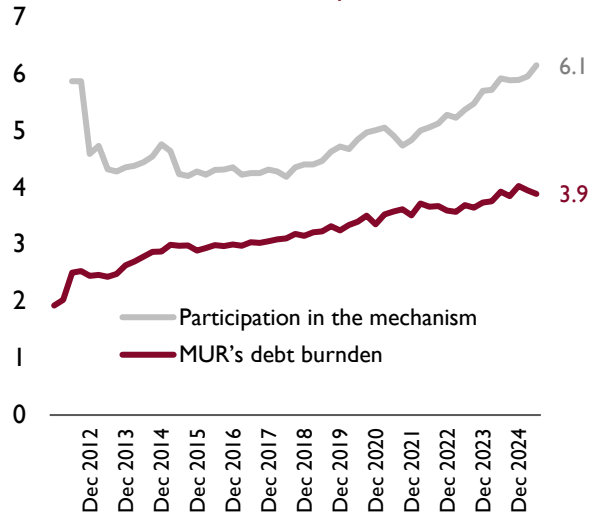
The weight of Murcia's financing through **extraordinary mechanisms has increased in recent years by more than 20 points to currently account for 94.4%** of its total debt, a higher percentage than that of the ARs as a whole (59.7%). Murcia's debt through the Regional Financing Fund accounts for 6.1%, a higher percentage than its debt (3.9%) out of the regional total.

Regional debt write-off: evolution of mechanisms and market exit

Weight of extraordinary mechanisms over the total debt of the AR (%)



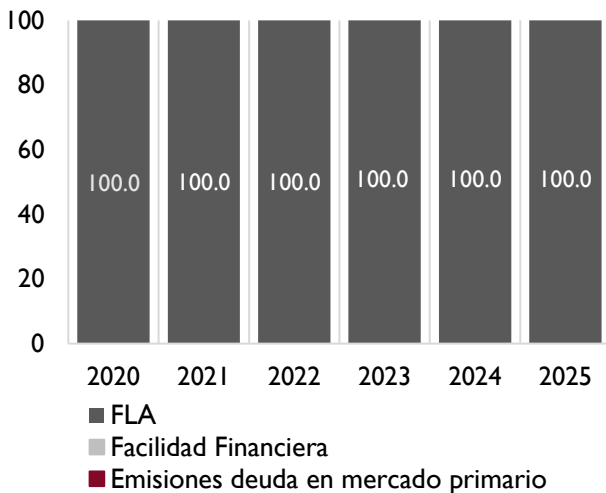
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



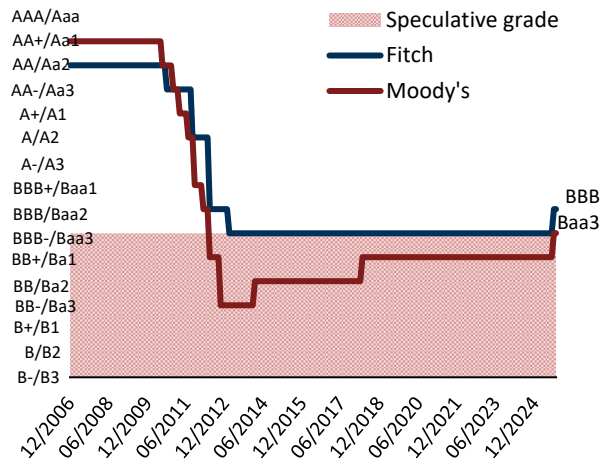
Source: AIReF and Bank of Spain

Since 2020, Murcia has financed itself mainly through **allocations from the Regional Liquidity Fund, without resorting to issuing securities on the markets.**

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

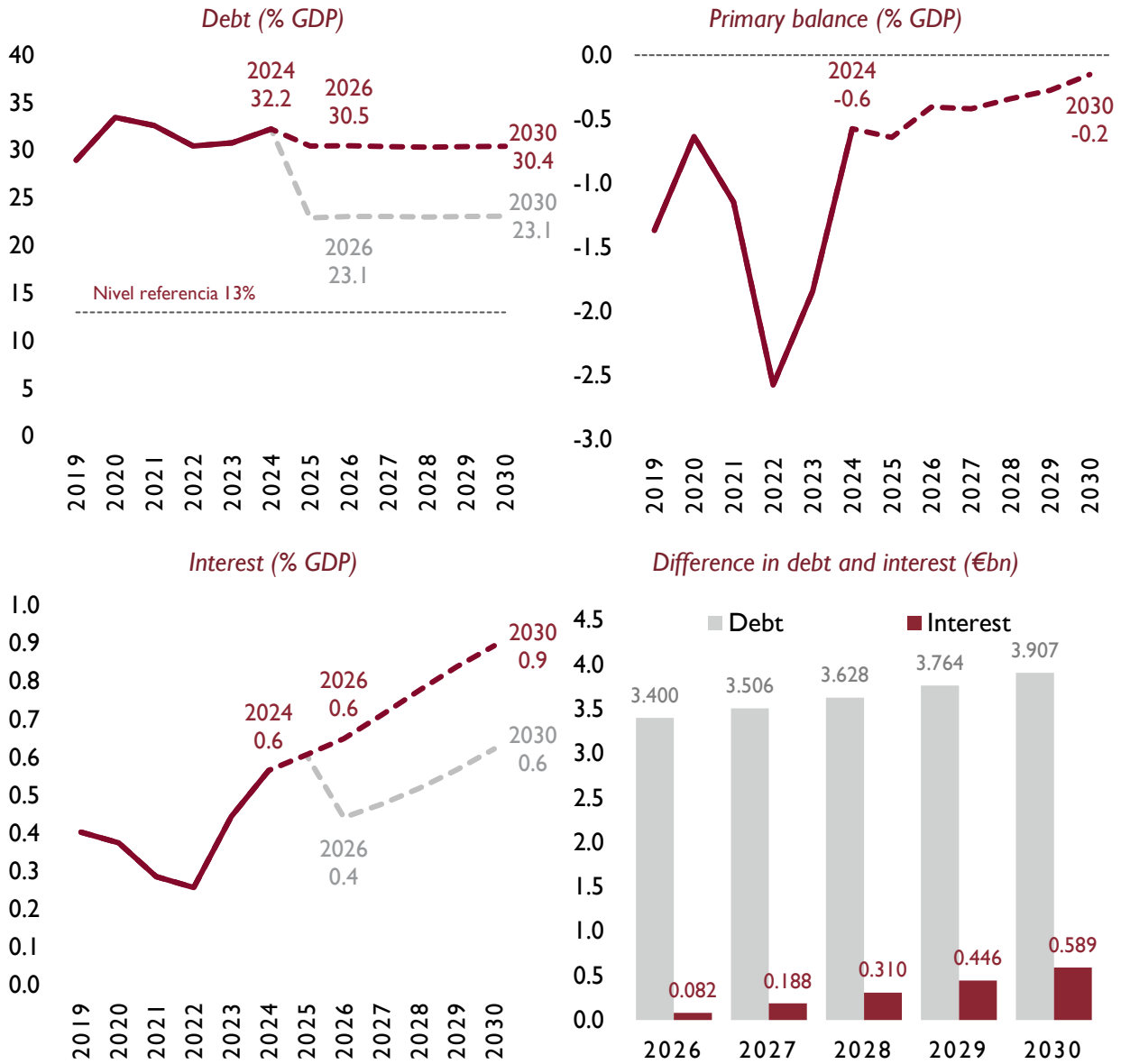
According to the *Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025*, Murcia will be able to finance itself through the **Regional Liquidity Fund and, in addition, will have the option to cover up to 10% of its annual financing needs through direct market access.** This is because it does not comply with the average payment period to suppliers, has a budgetary deficit in 2024, and has debt-to-regional GDP of more than 19.5%, yet maintains an investment-grade credit rating.

- Fitch raised Murcia's rating by one notch in September to BBB.
- Moody's upgraded Murcia's rating by one notch in September from speculative to investment grade Baa3.

In a debt write-off simulation for Murcia for a total amount of **€3.32bn**, in which it is assumed that the operation is fully executed by **December 31st, 2025** and for which the loans are selected from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would translate into a debt reduction of **€3.4bn** by the end of **2026**, equivalent to **7.4% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.18% of GDP** (some **€82m** in the first year), accumulating **€589m by 2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would not be reached in the projection period, not even in the debt write-off scenario.

Regional debt write-off, debt projection and interest saving



Source: AIReF

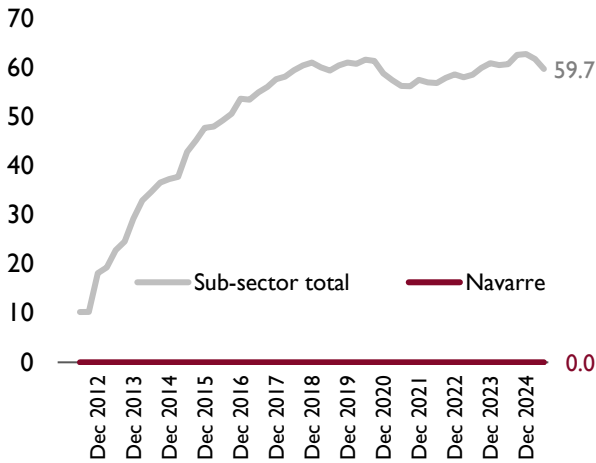
NAVARRRE

Latest data: JUN 2025

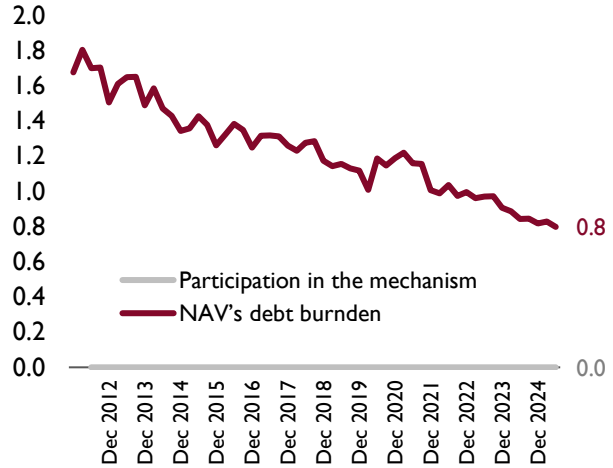
Public Debt		Regional Financing Funds	
% GDP: 10,0	% s/ total ARs: 0,8	Weight in total debt: 0,0	% total Regional Financing Funds 0,0

Navarre, together with the Basque Country, does not participate in the extraordinary regional financing mechanisms through the Regional Financing Fund. Navarre's debt accounts for 0.8% of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



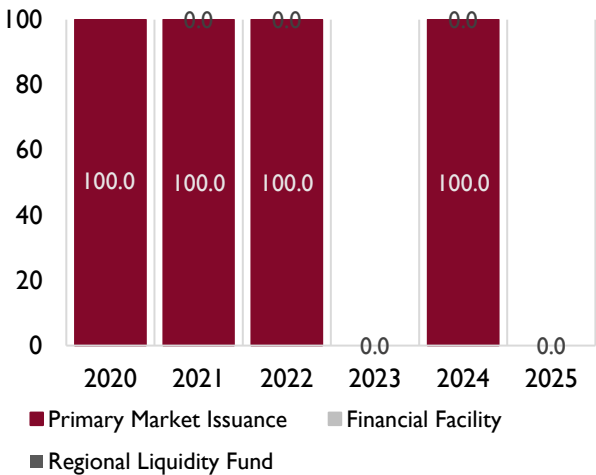
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



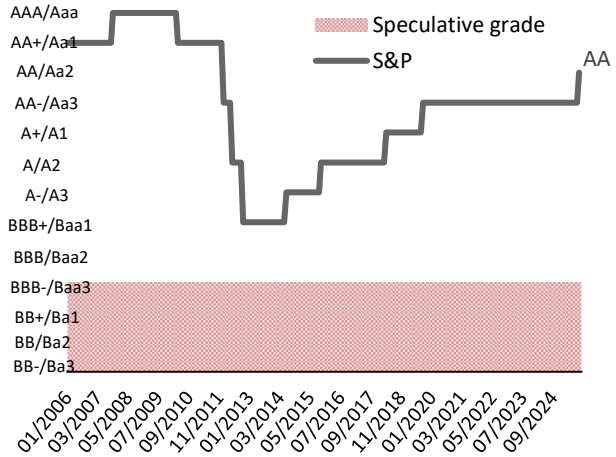
Source: AIReF and Bank of Spain

Navarre is financed by issuing securities directly on the market and other mechanisms such as loans. In this context, the spreads of its issues against the Treasury have hovered around 8 basis points on average.

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

S&P upgraded Navarre's rating in October 2025 to AA, higher than Spain's rating.

The legal reference limit of 13% was reached in 2023.

Regional debt write-off: evolution of the mechanisms and market exit

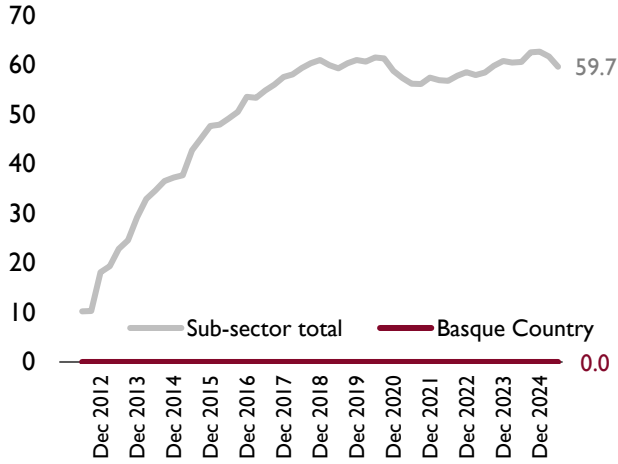
BASQUE COUNTRY

Latest data: JUN 2025

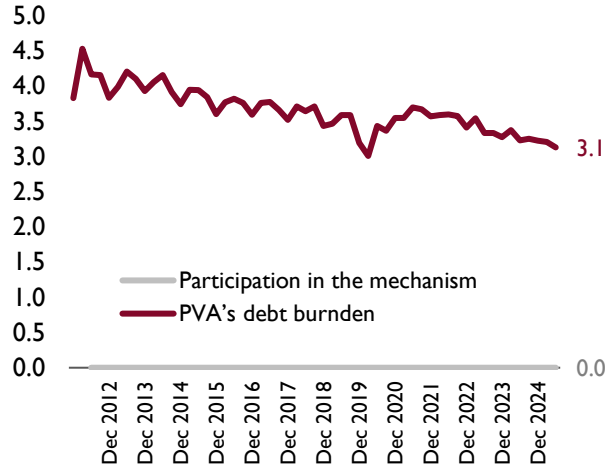
Public Debt		Regional Financing Funds	
% GDP: 11,4	% s/ total ARs: 3,1	Weight in total debt: 0,0	% total Regional Financing Funds 0,0

The Basque Country, together with Navarre, does not participate in the extraordinary regional financing mechanisms through the Regional Financing Fund. The debt of the Basque Country accounts for 3.1% of the regional total.

Weight of extraordinary mechanisms over the total debt of the AR (%)



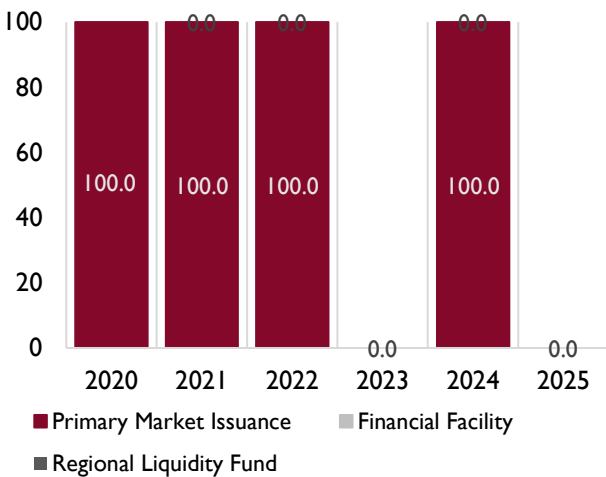
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



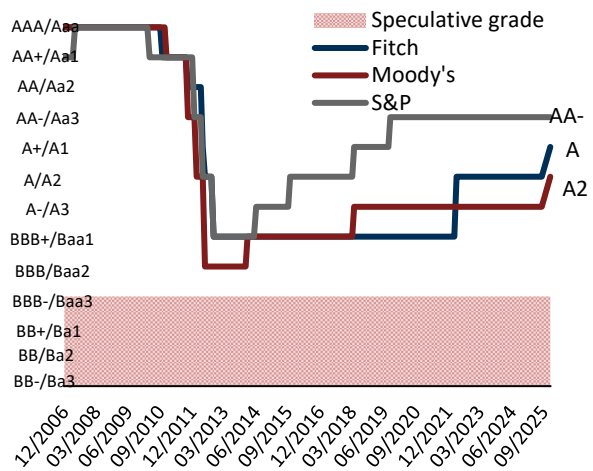
Source: AIReF and Bank of Spain

The Basque Country is financed by issuing securities directly on the market and other mechanisms, such as loans. In this context, the spreads of its issues against the Treasury have averaged around 16 basis points.

Percentage distribution of the type of financing between Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

- Fitch upgraded the rating for the Basque Country in October 2025 to an upper-medium investment grade rating of A+, one notch above Spain.
- Moody's upgraded the rating for the Basque Country in October 2025 to A2, one notch above Spain.
- S&P has maintained the Basque Country's rating at a high AA- rating since March 2019, one notch above Spain.

Regional debt write-off: evolution of the mechanisms and market exit

RIOJA

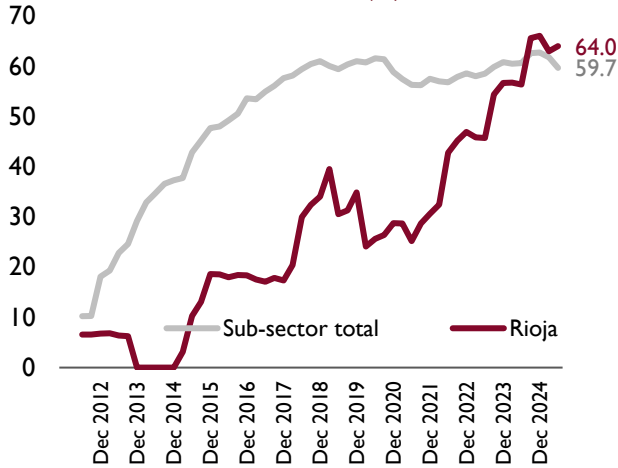
Latest data: JUN 2025

Public Debt		Regional Financing Funds	
% GDP: 16,3	% s/ total ARs: 0,5	Weight in total debt: 64,0	% total Regional Financing Funds 0,6

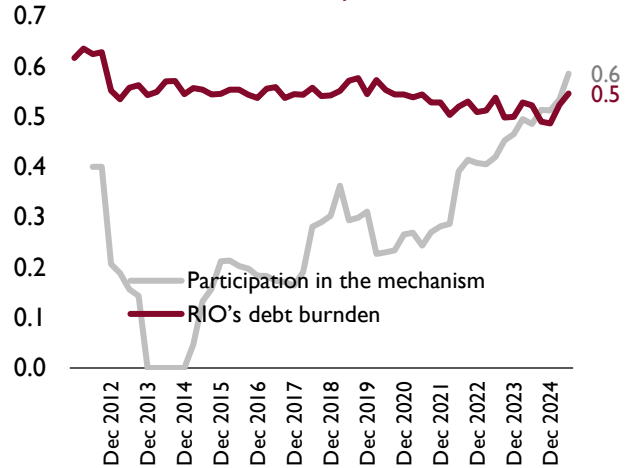
The weight of Rioja's financing through **extraordinary mechanisms** has increased in recent years by more than 30 points to account for **64%** of its total debt, a higher percentage than that of the ARs as a whole (59.7%). Rioja's debt through the Regional Financing Fund accounts for 0.6% of the total, the same percentage as its debt (0.5%) out of the regional total.

Regional debt write-off: evolution of the mechanisms and market exit

Weight of extraordinary mechanisms over the total debt of the AR (%)



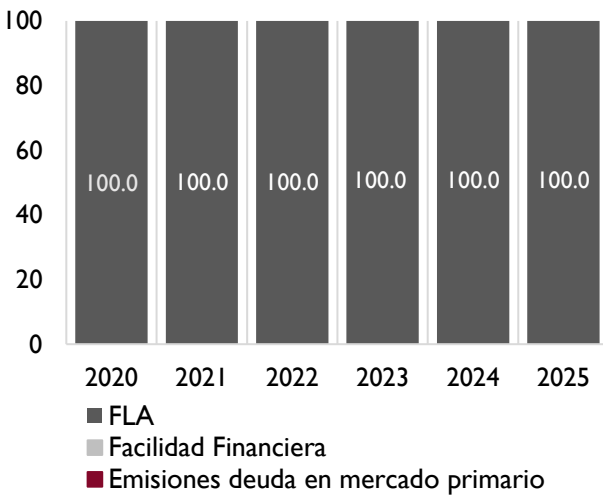
Weight of debt as a percentage of total debt and share of extraordinary mechanisms



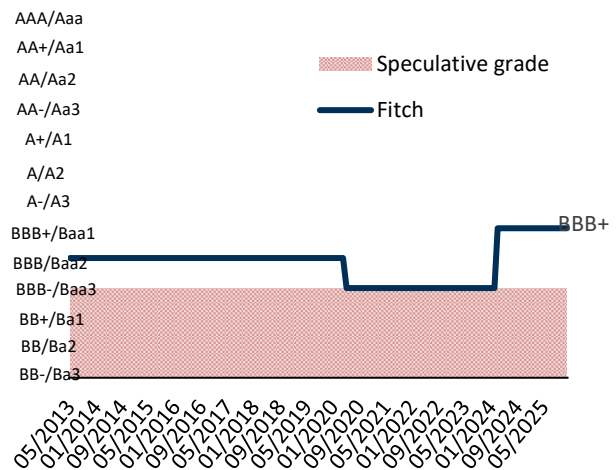
Source: AIReF and Bank of Spain

Since 2021, Rioja has financed itself mainly through allocations from the Regional Liquidity Fund, without currently resorting to issuing securities on the markets. 2020 was the last year in which it obtained financing through the Financial Facility Fund.

Percentage distribution of the type of financing between the Regional Financing Fund and issuing securities



Evolution of credit rating



Source: AIReF, Ministry of Finance, Bank of Spain and Refinitiv. Only debt issues in the primary market and financing obtained through the extraordinary mechanisms (FLA and the Financial Facility) are included, excluding other sources of financing from funds or financial institutions.

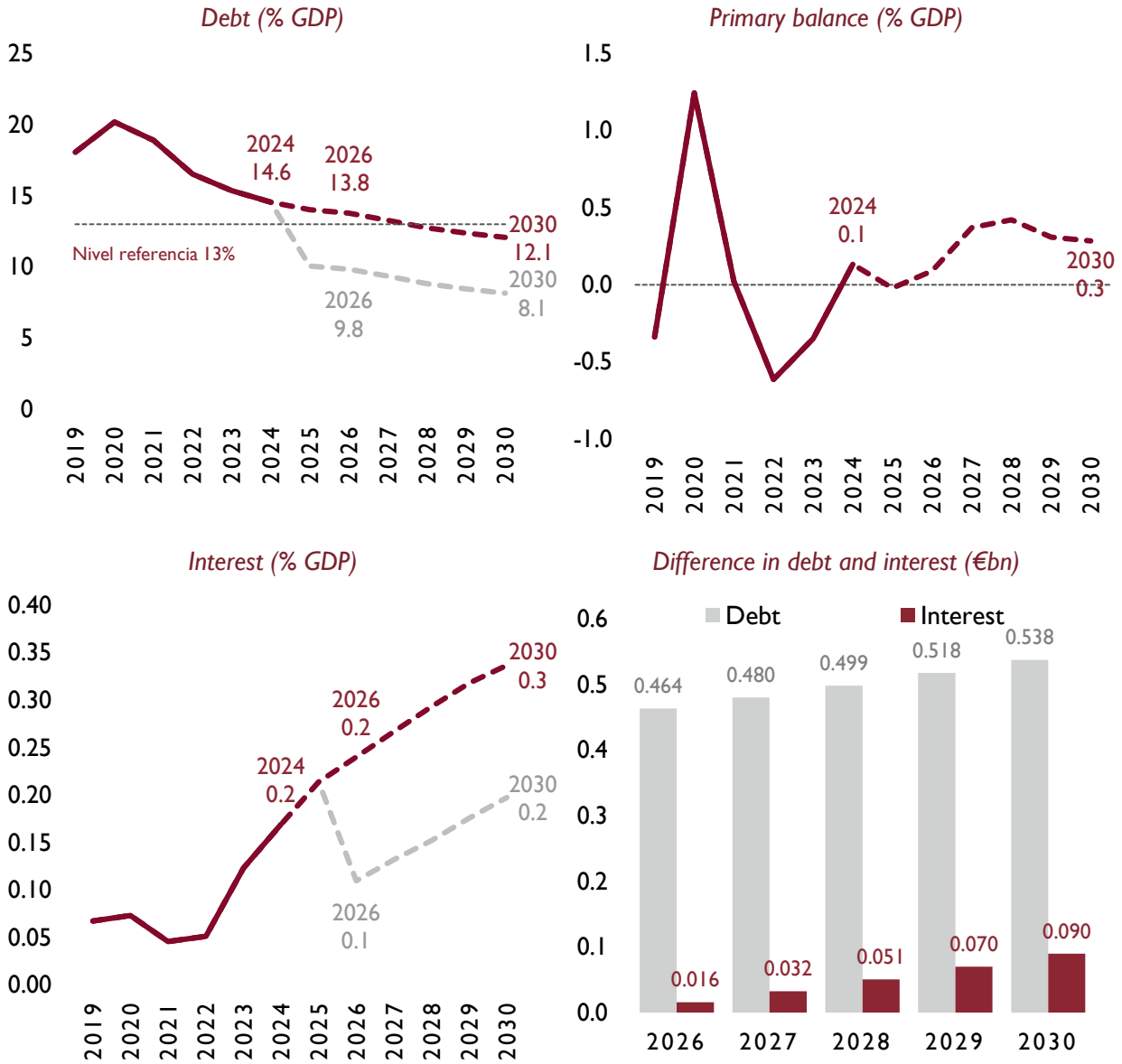
According to the Agreement of the Government Delegated Committee for Economic Affairs of July 28th, 2025, Rioja could be financed in the period **2026-2028 through the Financial Facility Fund and direct market access, including issuing securities**, given that in 2024 it has a budget balance or surplus, debt-to-regional GDP of no more than 19.5%, together with an investment grade credit rating. In this regard,

Fitch maintains a lower-medium investment-grade rating of BBB+ as of 2024.

In a debt write-off simulation for Rioja for a total amount of **€448m**, it is assumed that the operation is fully executed on **December 31st, 2025**, selecting the loans from the **extraordinary financing mechanisms** in accordance with the order established in the *Draft Bill of the Organic Law on Exceptional Financial Sustainability Measures for the ARs under the General Regime*. This write-off, together with the associated interest saving, would result in a debt reduction of **€464m** by the end of **2026**, equivalent to **3.9% of regional GDP** according to AIReF projections. In terms of interest saving, the impact would amount to **0.13% of GDP** (around **€16m** in the first year), accumulating **€90m** by **2030**, reflecting a substantial improvement in the AR's financial sustainability in the medium and long term.

The **legal reference limit of 13%** would be reached in this scenario in **2026**, two years ahead of the projection prior to the write-off, which placed it at 2028.

Regional debt write-off, debt projection and interest saving



Source: AIReF