

RATING ACTION COMMENTARY

Fitch Upgrades 6 Spanish LRGs; Outlook Stable

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Fitch Ratings - Barcelona - 03 Oct 2025: Fitch Ratings has upgraded the Long-Term Foreign and Local-Currency Issuer Default Ratings (IDRs) of the Autonomous Communities of Basque Country, Catalonia, Castile-La Mancha, Murcia, Valencia and the City of Barcelona. The Outlooks are Stable. The Short-Term Foreign-Currency IDRs of Catalonia, Castile-La Mancha, Murcia, Valencia and Barcelona have also been upgraded.

A full list of rating actions is below.

Under applicable credit rating agency (CRA) regulations, the publication of local and regional governments reviews is subject to restrictions and must take place according to a published schedule, except where it is necessary for CRAs to deviate from this schedule in order to comply with the CRAs' obligation to issue credit ratings based on all available and relevant information and disclose credit ratings in a timely manner. Fitch interprets these provisions as allowing us to publish a rating review in situations where there is a material change in the creditworthiness of the issuer that we believe makes it inappropriate for us to wait until the next scheduled review date to update the rating or Outlook/Watch status.

The next scheduled review dates for the ratings are listed below, but Fitch believes that the recent upgrade of Spain warrants such a deviation from the calendar and its rationale for this is set out in the first part (High weight factors) of the Key Rating Drivers section below.

Autonomous Community of Castile- La Mancha: 24 October 2025

Autonomous Community of Basque Country: 14 November 2025

City of Barcelona: 12 December 2025

The next review dates for Autonomous Community of Catalonia, Autonomous Community of Murcia and Autonomous Community of Valencia will be in 2026.

KEY RATING DRIVERS

HIGH

The upgrades reflect the recent upgrade of Spain's sovereign rating on 26 September 2025 (see "Fitch Upgrades Spain to 'A'; Outlook Stable " on www.fitchratings.com). The Stable Outlook reflects that on the sovereign's ratings.

The City of Barcelona's Standalone Credit Profile (SCP) is 'aaa' and its ratings are currently capped by the sovereign rating. This reflects the high influence the central government has on the city's finances and responsibilities.

The ratings of Spanish Autonomous Communities under the common regime factor in a very high likelihood of support from the Spanish central government. Their IDRs result from a combination of their SCP, which measures individual credit strength, the sovereign's rating as a measure of the central government's ability and capacity to support the local and regional government (LRG), and Fitch's view of the likelihood of ad hoc support from the central government in case of need, through liquidity mechanisms to refinance debt.

According to our rating support approach, a one-notch upgrade of Spain leads to a one-notch upgrade of Catalonia, Castile-La-Mancha, Murcia and Valencia, all other things unchanged.

Basque Country benefits from special legal status and is eligible to be rated above the sovereign. Its SCP is unchanged at 'a+'. Its rating used to be constrained at one notch above Spain, according to our LRG criteria. Following the sovereign upgrade, it now reflects the region's SCP, hence leading to a one-notch upgrade.

LOW

The LRGs' other key rating drivers, namely risk profiles, financial profile and consequently SCPs, are unchanged.

For other key rating drivers see the latest published rating action commentary for each entity.

DERIVATION SUMMARY

The SCPs of Spanish Autonomous Communities under the common regime reflect the combination of 'Midrange' risk profiles and 'bbb' financial profiles for Catalonia and 'bb' for Castile-La Mancha, Murcia and Valencia.

The Autonomous Communities' IDRs incorporate an uplift from their SCPs, driven by expectation of ad hoc support from the state, which could reach a maximum six-notch uplift for Autonomous Communities with an SCP of 'b', which are therefore rated 'BBB'. The uplift for an Autonomous Community with an SCP of 'bb-' is five notches, reaching 'BBB+'.

Barcelona's 'aaa' SCP reflects the combination of a 'High-Midrange' risk profile and a 'aaa' financial profile. The IDRs are capped by the sovereign's and are therefore below the city's SCP.

Basque Country's SCP is 'a+', reflecting a 'High Midrange' risk profile and a financial profile in the 'a' category. The SCP is one notch above the sovereign IDR. Under Fitch's criteria, this results in the Basque Country's IDRs being one notch higher than those of the sovereign because of the LRG's financial and fiscal autonomy under the Spanish constitution.

The Short-Term Foreign-Currency IDRs of Barcelona, Castile- La Mancha, Catalonia, Murcia and Valencia have been upgraded.

The Short-Term IDRs of Castile-La Mancha, Catalonia, Murcia and Valencia, reflects Liabilities and Liquidity Robustness and Liabilities and Liquidity Flexibility both assessed at 'Midrange'.

The Short-Term IDR of Barcelona reflects Liabilities and Liquidity Robustness assessed at 'Stronger' and a liquidity coverage ratio above 2x.

No other rating factors affects the ratings.

DEBT RATINGS

The ratings of all long-term senior debt instruments have been upgraded as they are aligned with the Long-Term IDRs. The ratings of short-term senior debt instruments have been upgraded as they are aligned with the Short- Term IDRs.

KEY ASSUMPTIONS

Qualitative Assumptions and Assessments and weight in the rating decision:

- Risk Profile: Midrange (Castile-La Mancha, Catalonia, Murcia and Valencia), High-Midrange (Barcelona and Basque Country), unchanged with low weight
- Revenue Robustness: Midrange (Barcelona, Castile-La Mancha, Catalonia, Murcia and Valencia), Stronger (Basque Country), unchanged with low weight
- Revenue Adjustability: Midrange (Basque Country, Castile-La Mancha, Murcia and Valencia), Stronger (Barcelona and Catalonia), unchanged with low weight
- Expenditure Sustainability: Midrange (Basque Country, Castile-La Mancha, Catalonia, Murcia and Valencia), Stronger (Barcelona), unchanged with low weight
- Expenditure Adjustability: Midrange (Basque Country, Castile-La Mancha, Catalonia, Murcia and Valencia), Stronger (Barcelona), unchanged with low weight
- Liabilities and Liquidity Robustness: Midrange (Castile-La Mancha, Catalonia, Murcia and Valencia), Stronger (Barcelona and Basque Country), unchanged with low weight
- Liabilities and Liquidity Flexibility: Midrange, unchanged with low weight
- Financial Profile: 'aaa' (Barcelona), 'a' (Basque Country), 'bbb' (Catalonia), 'bb' (Castile-La Mancha, Murcia and Valencia), unchanged with low weight
- Budget Loans (Notches): N/A, unchanged with low weight
- Ad-Hoc Support (Notches): 'N/A' (Barcelona and Basque Country), unchanged with low weight/ +5 (Catalonia), +6 (Castile-La Mancha, Murcia and Valencia), improved with high weight
- Asymmetric Risks (Notches): N/A, unchanged with low weight
- Floor: N/A, unchanged with low weight
- Sovereign Cap: N/A (Castile-La Mancha, Catalonia, Murcia and Valencia), unchanged with low weight / A (Barcelona) and A+ (Basque Country), improved with high weight
- Sovereign Cap (Local Currency): N/A (Castile-La Mancha, Catalonia and Murcia), unchanged with low weight / A (Barcelona) and A+ (Basque Country), improved with high weight

Quantitative assumptions - issuer-specific

For quantitative assumptions (issuer-specific) see the latest published rating action commentary for each entity. There were no changes since last review and all have low weights in the rating action.

Quantitative assumptions - Sovereign Related

Figures as per Fitch's sovereign actual for 2024 and forecast for 2027, respectively (no weights and changes since the last review are included as none of these assumptions was material to the rating action).

-GDP per capita (US dollar, market exchange rate): 35,339; 41,387

-Real GDP growth (%): 3.5; 1.8

-Consumer prices (annual average % change): 2.9; 2.0

-General government balance (% of GDP): -3.1; -2.5

-General government debt (% of GDP): 101.6; 100.7

-Current account balance plus net FDI (% of GDP): 1.8; 2.9

-Net external debt (% of GDP): 44.0; 36.6

-IMF Development Classification: Developed Markets

-CDS Market Implied Rating: A+

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- The Basque Country would be downgraded if the sovereign was downgraded to 'A-', all else being equal. Basque Country would also be downgraded if its SCP was revised down by two notches to 'a-' due to deterioration of the payback ratio (net adjusted debt/operating balance) and economic liability burden (ELB; net adjusted debt + a pro-rata share of central government debt)/local GDP) towards 12x and 90% on a sustained basis.

-Barcelona's IDRs are constrained by the sovereign IDRs and are sensitive to changes in the sovereign ratings. Barcelona's IDRs would also be downgraded if there was a

sustained increase in leverage, particularly if the debt payback ratio worsened beyond 11x, which Fitch views as unlikely.

-Catalonia would be downgraded if its SCP was revised down to 'b+'. This would require an ELB above 110% under Fitch's rating case. Catalonia's IDRs would also be downgraded if the sovereign's IDRs were downgraded to 'A-'.

-Castile-La Mancha's, Murcia's and Valencia's IDRs would be downgraded if the sovereign's IDRs were downgraded by one notch to 'A-'. Their ratings would also be downgraded if their SCPs were revised down to 'b-' . The latter would require an ELB deteriorating to above 150%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

-Basque Country's IDRs could be upgraded if its SCP was revised up to 'aa+'. This would require a payback improvement below 5x on a sustained basis under Fitch's rating case, all else being equal.

-Barcelona's IDRs would be upgraded if the sovereign ratings were upgraded.

-Catalonia's IDRs would be upgraded if its SCP was revised up to 'bbb-'. This would require the debt payback and ELB improving to 23x and below 70% under Fitch's rating case. A one-notch upgrade of the sovereign would not lead to an upgrade of Catalonia, unless its SCP was revised to 'bbb'.

-Castile-La Mancha's, Valencia's and Murcia's IDRs would be upgraded if their SCPs were revised up to 'bb-'. This would require ELBs improving sustainably below 100% under Fitch's rating case. Castile-La Mancha's, Valencia's and Murcia's IDRs could also be upgraded if the sovereign's IDRs were upgraded to 'A+' combined with a SCP revised up to 'b+'. This would require ELBs improving to 110% under Fitch's rating case.

Sources of Information

Committee date: 2 October 2025

There was an appropriate quorum at the committee and the members confirmed that they were free from recusal. It was agreed that the data was sufficiently robust relative to its materiality. During the committee no material issues were raised that were not in the original committee package. The main rating factors under the relevant criteria were discussed by the committee members. The rating decision as discussed in this rating action commentary reflects the committee discussion.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of the six entities are linked to those of Spain.

ESG CONSIDERATIONS

Catalonia, Autonomous Community of has an ESG Relevance Score of '4' for Political Stability and Rights, which reflects higher political risk than other autonomous communities due to tensions with the central government. It is likely to remain a key factor for Catalonia's credit quality and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			PRIOR ⚡
Castile-La Mancha, Autonomous Community of	LT IDR	BBB Rating Outlook Stable		BBB- Rating Outlook Positive
	Upgrade			
	ST IDR	F2	Upgrade	F3
	LC LT IDR	BBB Rating Outlook Stable		BBB- Rating Outlook Positive
	Upgrade			

senior unsecured	LT	BBB Rating Outlook Stable	BBB-
	Upgrade		
Catalonia, Autonomous Community of	LT IDR	BBB+ Rating Outlook Stable	BBB Rating Outlook Positive
	Upgrade		
	ST IDR	F1 Upgrade	F2
	LC LT IDR	BBB+ Rating Outlook Stable	BBB Rating Outlook Positive
	Upgrade		
senior unsecured	LT	BBB+ Upgrade	BBB
senior unsecured	ST	F1 Upgrade	F2
Murcia, Autonomous Community of	LT IDR	BBB Rating Outlook Stable	BBB- Rating Outlook Positive
	Upgrade		

VIEW ADDITIONAL RATING DETAILS

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APPLICABLE CRITERIA

[International Local and Regional Governments Rating Criteria \(pub. 17 Aug 2024\)](#)
[\(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

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Catalonia, Autonomous Community of	EU Issued, UK Endorsed
Valencia, Autonomous Community of	EU Issued, UK Endorsed
Barcelona, City of	EU Issued, UK Endorsed
Basque Country, Autonomous Community of	EU Issued, UK Endorsed
Murcia, Autonomous Community of	EU Issued, UK Endorsed
Castile-La Mancha, Autonomous Community of	EU Issued, UK Endorsed

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