

## 2. Listed Fixed Income

**€376.8 Bn**

financing provided through fixed-income issuances

**+8.1%**

issuances in the MARF grow, reaching 16.6 billion euros for the year

**+ 36%**

growth of green, social and sustainable issuances in Spain in the first half of the year, compared to a 15% decline worldwide

**BME's fixed-income markets have provided financing to both the public and private sectors, with issuance volumes exceeding 376.8 billion euros in 2024. Rate cuts by the main central banks have been generalized in response to the improvement in inflation and the economic slowdown. The MARF continues to grow, with 161 participating companies and 16.6 billion issued, up 8.1%. Green, social and sustainable fixed income issuances grow 36% in Spain in the first half of the year.**

### 2.1. Public Debt Activity

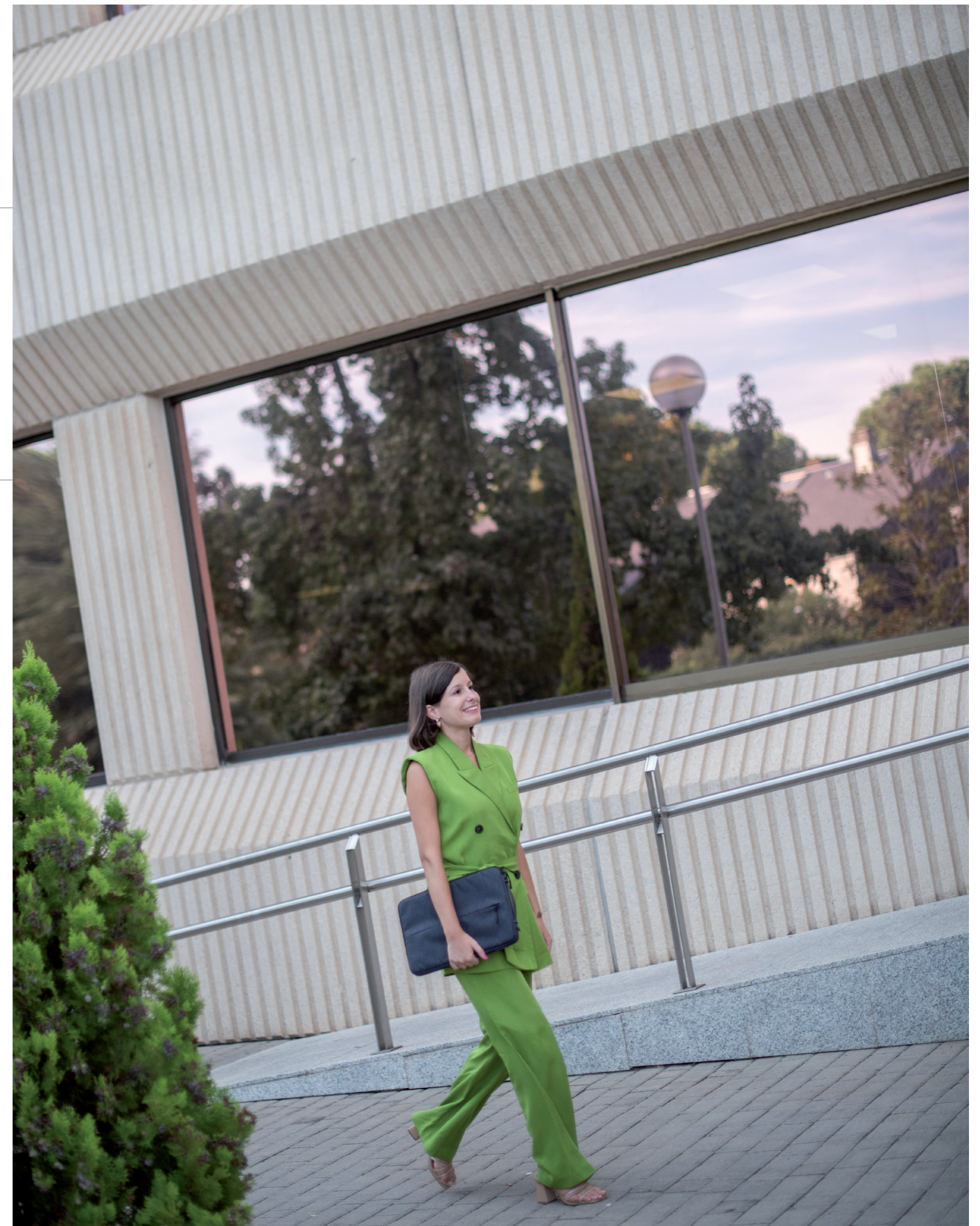
The volume of Spanish public debt issued and admitted to trading on the BME regulated market for fixed income securities between January and December 2024 reached 284.6 billion euros, 2.8% less than in the comparable period of the previous year. The volume of issues and admissions increased by 5.6% in the case of medium and long-term Treasury bills, to 91.7 billion, and contracted slightly, by 3.7%, in the case of medium- and long-term Treasury debt issues, to 174.5 billion. The debt of the Autonomous Communities grew by 25%, reaching 4 billion euros.

#### **The Major Central Banks Began a Cycle of Interest Rate Cuts**

The global public debt markets have been shaped by the start of a new monetary policy cycle in the second half of the year, driven by the major central banks' response to signs of economic weakness and the sharp decline in inflation across key economic regions.

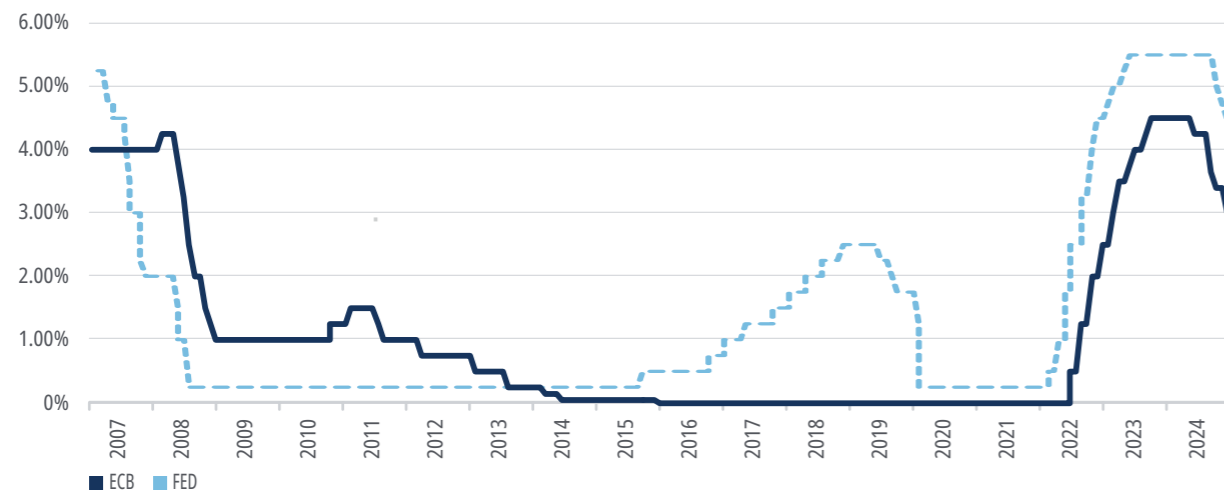
In September, the U.S. Federal Reserve (Fed) lowered its benchmark interest rates by 0.50 percentage points for the first time in four years, bringing them to a range of 4.75% to 5%. The decision came after inflation slowed to a three-year low in August and the labor market showed signs of weakness. In November, right after the elections and following the expected path, the Fed lowered interest rates again. The third and final rate cut of the year occurred in December, bringing the Fed's intervention rates to a range of 4.25% to 4.50%.

The European Central Bank (ECB) also took significant steps to adjust its monetary policy in response to the weak economic conditions in the eurozone and the sharp decline in inflation, which in the latter part of the year is approaching the 2% year-on-year target. The four rate cuts in June, September, October and December, each by 25 basis points, have lowered the key interest rate – the Deposit Facility Rate – to 3%. This has also reduced the gap between this rate and the refinancing rate in an effort to stimulate the economy and support financial stability in the eurozone.



### From Financial Crises to COVID-19, the War in Ukraine and Inflation

ECB AND FED BENCHMARK INTEREST RATES (2007-2024)



The Fed and the ECB were joined by other central banks, such as Switzerland's SNB and the Bank of England (BoE), which reduced their rates from 1.75% to 0.50% and from 5.00% to 4.75%, respectively. In contrast to these trends, Japan surprised markets by raising interest rates by 0.15 percentage points in August, ending a long period of near-zero and negative rates that had persisted for decades. The small rate hike has triggered movements not only in the currency and debt markets, but also in the stock markets, as the Japanese yen, with its low rates, has become a widely used funding currency in "carry trade" transactions.

In the major global government bond markets, yields on benchmark 10-year bonds have moved slightly upward (less than half a percentage point over the year), but within a narrower range compared to previous years – somewhat wider in the United States (about 70 basis points, or 0.70%) than in Germany (36 basis points). In the final third of the year, a notable rise in yields occurred, particularly in the United States, driven by factors such as stronger economic data and concerns over a potential increase in debt issuance following the U.S. elections.

Despite the economic weakness, long-term yields also rose in Germany and other eurozone countries, driven by a rebound in inflation and political instability in major countries like Germany and France. Thus, the German 10-year benchmark bond set the tone, with the 10-year bonds of Spain and Italy remaining stable within ranges of around 70 basis points (bp) for Spain and 106 bp for Italy throughout the year. The yield spreads between the 10-year bonds of Spain and Italy compared to the German benchmark have shown a clear downward trend. They started at 100 bp for Spain and 167 bp for Italy, and by the end of December, they had narrowed to 68

and 106 bp, respectively. The exception has been France, with an increase in its risk premium over Germany, rising from 50 to 76 bp following the July election result and just a few months after the motion of no confidence against the first government appointed by President Macron, which has led to political instability and growing difficulty in managing the large public deficit.

#### Decrease in Treasury's Net Debt Issuance

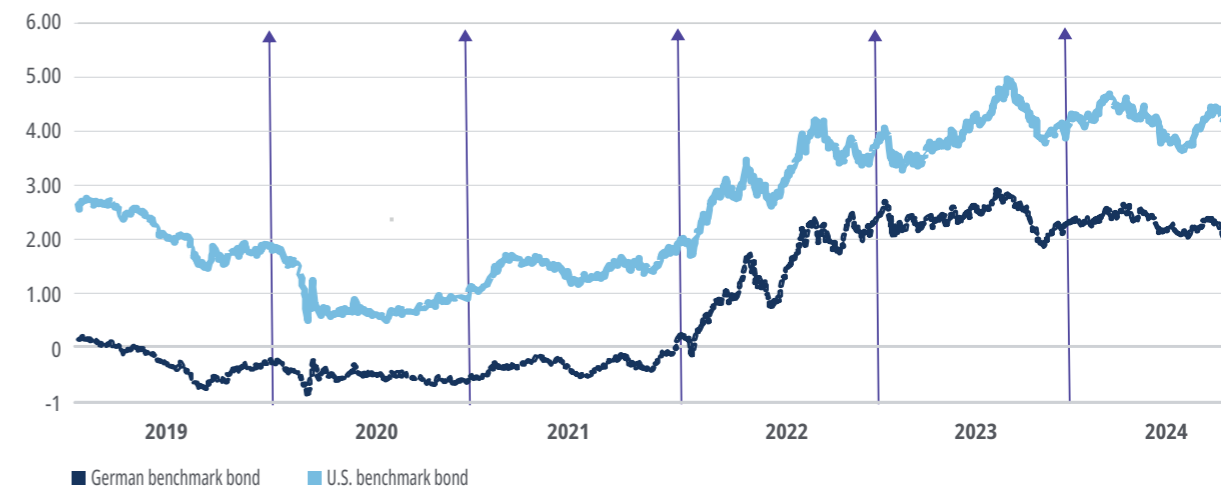
The net issuance of public debt across all maturities reached 55 billion euros in 2024 as a whole. This is 7.2% less than the previous year and significantly less than the net issuance of 110 billion issued in 2020, which was caused by the pandemic. The Treasury estimates that it will increase to 60 billion euros in 2025. The increase is primarily explained by a higher temporary issuance to offset the devastating effects of the torrential rainstorm that pummeled the Valencian Community and the Castile-La Mancha region in November.

The widespread reduction in short-term yields, resulting from the ECB's rate-cut cycle, helped the average cost of all outstanding Spanish government debt close the year 2024 at 2.21%, a low level historically, though slightly higher than the 2.05% at the close of the previous year. The average maturity of all Spanish government debt was around 8 years, a level considered appropriate to reduce refinancing risk and vulnerability to interest rate increases. Throughout the year, the demand for Spanish government debt remained strong, and by October, 85% of the medium- and long-term issuance target for 2024 had already been reached.

While treasury bills have significantly reduced their yields in 2024, medium- and long-term bonds have remained

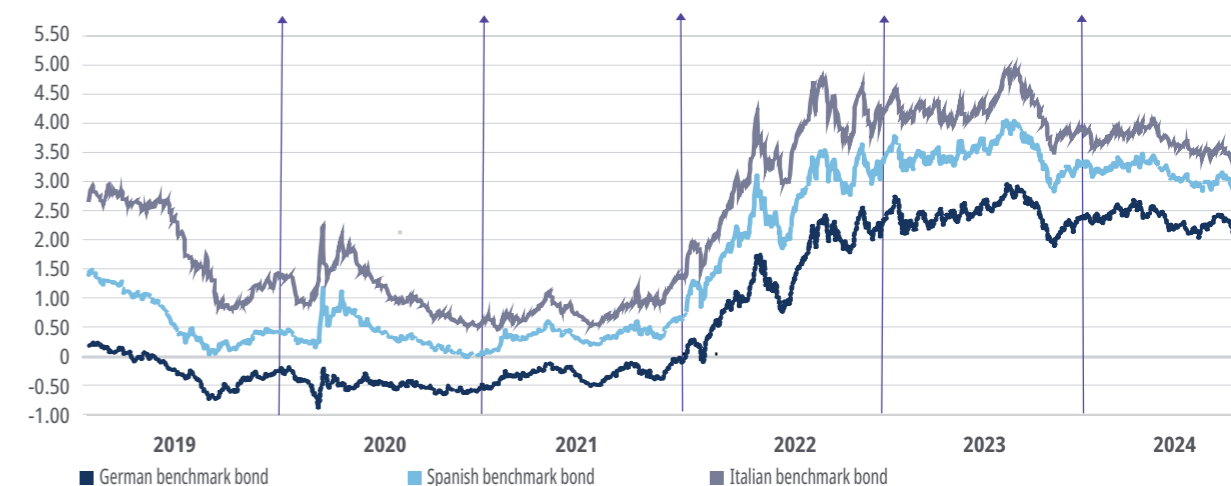
### 10-year Debt Interest Rates in the USA and Germany (2019 - 2024)

DAILY DATA. SOURCE: SIX ID



### 10-year Debt Interest Rates in Germany, Spain and Italy (2019 - 2024)

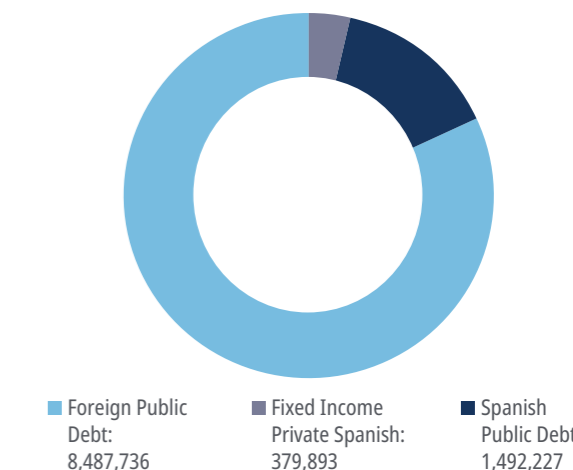
DAILY DATA. SOURCE: SIX ID



more stable. In the case of treasury bills, the interest rates on placements made in December ranged from 2.56% for three months to 2.20% for 12 months. One of the key highlights of the year has been the strong participation of retail investors despite the reduction in yields. In October, the amount of treasury bills held by individual investors exceeded 26.4 billion euros, accounting for 36% of the total in circulation, with strong demand in the corresponding auctions.

#### Total Outstanding Balance in BME's Fixed Income Market

AIAF MARKET. AT DECEMBER 2024. DATA IN MILLIONS OF EUROS



### Outstanding Balances of 1.5 Trillion in Spanish Government Debt and 8.5 Trillion in Foreign Government Debt

The total outstanding balance of Spanish government debt in BME's regulated fixed income market stood at 1.49 trillion euros at the end of December, up 4.7% from the same time last year.

The total outstanding balance of foreign government debt that tradable through BME's platform increased slightly to 8.49 trillion euros by the end of December, a 2.9% rise compared to the close of 2023.

In order to make use of the BME fixed income market's SEND electronic contracting platform universal, the Treasury issuances of Germany, France, the Netherlands, Belgium, Italy, Austria, Portugal, Ireland, Greece and the European Stability Mechanism (ESM) started to be incorporated into this system in December 2017.

### Trading Volume of Government Debt on Fixed-Income Platforms

MILLIONS OF EUROS

	SENAF	SEND	Total
2023 (Jan-Dec)	161,988	21,958	183,946
2024 (Jan-Dec)	99,115	4,708	103,823

### Decrease in Trading of Public Debt

Between January and December, total trading in public debt instruments on the SENAF platform dropped 39% to 99.1 billion euros, and on the SEND platform, which is open to all types of investors, it amounted to 4.7 billion euros, a drop of 79%. The number of cross-trades in 2024 also decreased by 43% on the SENAF platform to 11,755 trades and by 6.8% on the SEND platform to 4,665 trades.

The BME electronic trading platform SEND, in addition to Spanish debt, includes issuances from the Treasuries of Germany, France, Belgium, Italy, Austria, Portugal, Ireland, Greece, and the European Stability Mechanism (ESM).

### Regulated Private Fixed-income Market AIAF

ADMISSION TO TRADING OF SHORT, MEDIUM AND LONG-TERM PRIVATE DEBT (MILLIONS OF EUROS)

	Bonds and debentures	Covered bonds	Securitization bonds	Preferred stock	Commercial paper	Total
2023 (Jan-Dec)	46,091	26,880	14,666	1,350	25,896	114,882
2024 (Jan-Dec)	29,036	18,793	14,740	750	12,278	75,597
Chg. %	-37.0%	-30.1%	0.5%	-44.4%	-52.6%	-34.2%

### 2.2. Corporate Debt Activity

The volume of Spanish private debt issued and listed on BME's regulated fixed-income market in 2024 reached 75.6 billion euros, a decrease of 34.2% compared to 2023, largely due to expectations of interest rate cuts that led many companies to delay their debt issuance plans, hoping for better conditions.

At the close of 2024, the total balance of outstanding Spanish issues registered in the regulated private fixed income market was 379.9 billion euros, 6.4% more than the value observed the previous year.

Global corporate debt markets have generally experienced a year of stability and narrowing spreads with public debt. European triple-B rated fixed income saw gains of 5.2% by the end of the year, according to the Iboxx eurozone BBB bond price index.

The interest rate cuts by central banks have also benefited higher-risk, higher-return bonds ("high-yield" bonds) which have maintained a stable spread (around 3 percentage points) compared to higher-rated bonds. According to the ICE BofA Global High Yield Index in dollars, the price gain in a portfolio of these high-yield issuances in December 2024 was 7.5%. Also according to this index, the average interest rate of a high-yield bond portfolio at the end of November reached 7.4%.

### One Year After the Changes in the New Securities Markets and Investment Services Law

The year 2024 was the first full year that the new Spanish Securities Markets and Investment Services Law (LMVSI) was in force. This law introduced changes to the procedure for verification and admission to trading of fixed-income securities in regulated markets, with the aim of providing the Spanish fixed-income markets with a more agile, efficient and competitive framework for action.

Until that date, these functions were divided between the market supervisory body, the CNMV and BME as the governing company of the regulated private fixed-income market. In practice, this division of competencies meant that issuers had to submit documentation to the CNMV and BME and process separate files. In accordance with the new regulations, the CNMV continues to approve the prospectuses, but it is BME that verifies compliance with the admission requirements and proceeds to admit the securities.

BME's Fixed Income market has developed new regulations to take on the new responsibilities, which establishes the timetable for presentation and the documentation to be provided for admission to trading, while taking advantage of the opportunity to coordinate

### Corporate Index for the Euro Area with a BBB Rating

(2019-2024) IBOXX EURO OVERALL BBB RATED TOTAL RETURN. DAILY DATA. SOURCE: FACSET



### High-yield Bond Index

(2019-2024) ICE BofA GLOBAL HIGH-YIELD INDEX USD. DAILY DATA. SOURCE: SIX ID



this documentation with that used for the book-entry of the issue in the Spanish central securities depository, Iberclear.

With the entry into force of these legislative changes, some Spanish companies have started to benefit from these modifications, such as the airport operator AENA or banking entities like ABANCA.

In 2024, despite these legislative changes, the volume of issues made and registered by banks, companies and subsidiaries of Spanish entities and groups in foreign markets and exchanges remained very high. By September 2024, according to data published by the CNMV, cumulative issuances made abroad exceeded 141 billion euros, compared to 16.6 billion euros issued in the same period in Spanish markets, representing just over 10% of the total. These figures show practices that are not in the best interest of the Spanish financial markets and their participants. Since 2018, the CNMV and the BME have taken steps to make Spanish markets more attractive to issuers by introducing measures which streamline the issuance and approval processes of debt securities, consequently improving capital raising capability in domestic markets.

### The MARF Reaches 161 Issuing Companies

After completing a decade of operation last year, the MARF Fixed Income market has continued to increase its activity, reaching 161 companies that have obtained financing directly, with several hundred more doing so through securitization issues that include financing instruments such as loans or invoices from small companies. The total resources raised in this period well exceed 80 billion euros.

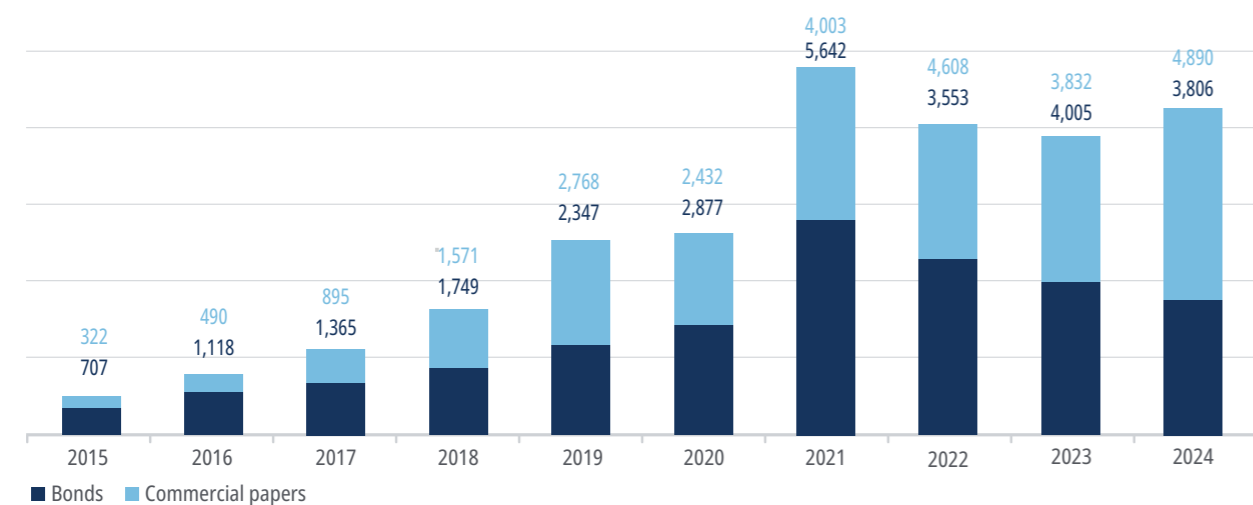
In 2024, the volume of issues and admissions incorporated into the MARF reached 16.6 billion euros, an increase of 8.1% compared to the previous year. This year saw a notable increase in securitization issuances (+154.4%), mortgage covered bonds (+150%), and bonds and debentures (+68.8%).

The outstanding balance at the end of the year stood at 8.7 billion euros, marking a 10.9% increase compared to the end of 2023. Notably, outstanding commercial paper issuances totaled 4.9 billion euros (+27.6%) across 567 tranches issued under active commercial paper programs. The remaining balance consists of bond issuances, mortgage covered bonds, securitization issuances, and preferred securities distributed across 66 issuances.

The wide variety of companies that MARF has been able to attract since its inception was also evident in 2024.

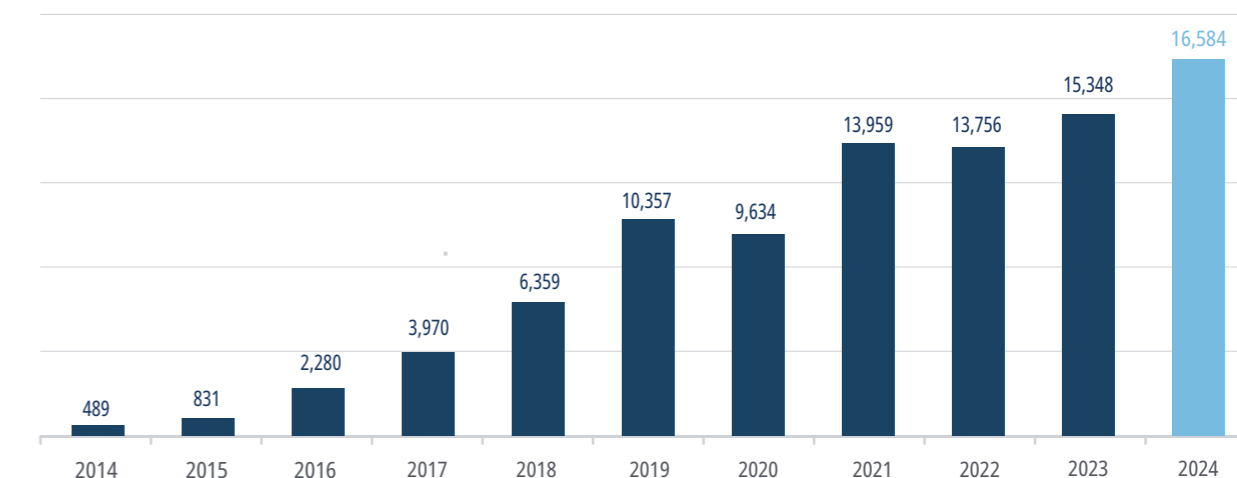
### Alternative Fixed Income Market (MARF) Outstanding Balance at the End of the Period (2015 - 2024)

FIGURES IN MILLION EUROS



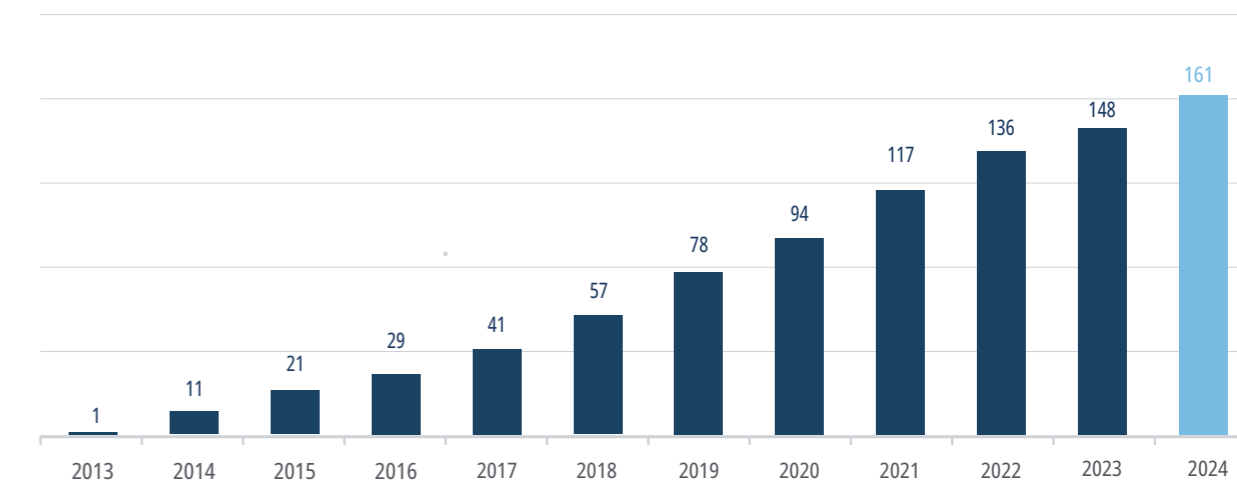
### Alternative Fixed Income Market (MARF) Volume Issued and Incorporated Into Listings During the Year (2014 - 2024)

FIGURES IN MILLIONS OF EUROS



### Companies That Have Been Financed in the MARF Since Its Inception (2013 - 2024)

CUMULATIVE FIGURES FROM 2013 TO EACH YEAR-END.



Among the 14 new additions this year are Sonnedix España, a renewable energy producer; FerroGlobe, one of the world's leading producers of silicon metal; Residencial Marina, head of the powerful Palladium hotel group; Greenvolt Energías Renovaveis, the eighth Portuguese company to attend the MARF; and Substrate AI.

Over its eleven-year history, this market has established itself as a solid financing alternative for companies of all sizes and sectors of the economy. Out of the 161 direct

issuers in the MARF, 14 are international, including a significant representation of Portuguese companies (8 companies). The MARF provides a wide variety of financing possibilities, ranging from commercial paper programs for obtaining short-term financing to medium- and long-term bond issues, including project bonds for infrastructure financing and securitizations. In addition, the market has been seeing issuance of ESG securities for the last several years: sustainable bonds, sustainability-linked, social or green issuances.

### 2.3. Sustainable Issuances Increase by 36% in Spain

In the first half of 2024, the issuance of green, social and sustainable bonds in Spain experienced a sharp rise of 36% to 17 billion euros, according to data published by the Spanish Observatory of Sustainable Finance (OFISO).

Recovery and issuance volume in 2024 is concentrated in green bonds, with nearly 13 billion in H1 (+83%).

### Sustainable Issuances Slow Down Worldwide

Worldwide data on bond issuance for financing projects aimed at promoting environmental and social sustainability is not as positive as the data in Spain.

According to available figures for the first half of 2024, total issuances reached nearly 406.5 billion euros, 15% less than in the same period of the previous year according to figures from the Spanish Observatory of Sustainable Finance (OFISO) based on data from

Environmental Finance. The largest volume corresponds to green bonds, with a 16% reduction to almost 240 billion euros.

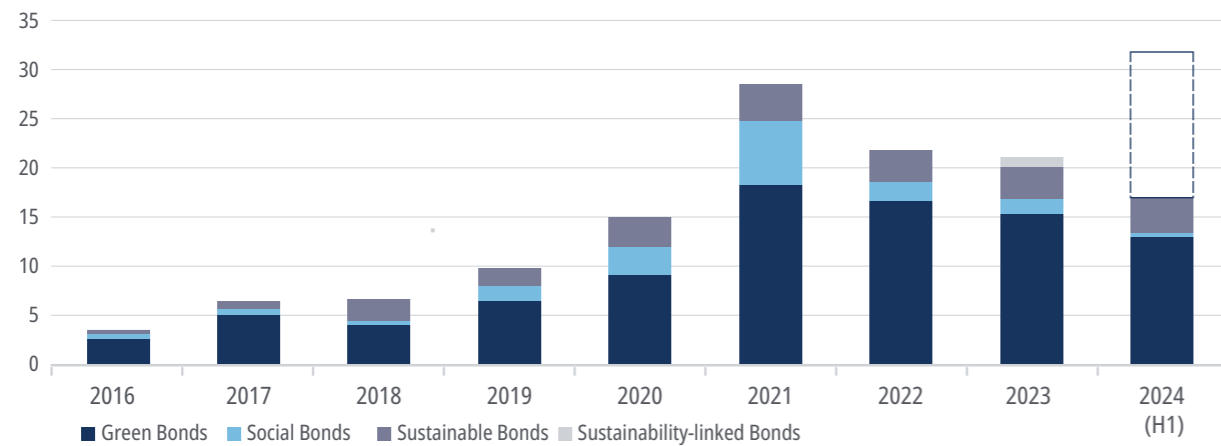
In the fixed-income markets and platforms managed by BME, 65 green, social and sustainable fixed-income issuances were admitted for trading up to November, for a total amount of nearly 89.4 billion euros. A total of nearly 9.3 billion euros of this amount correspond to Spanish issuers and the rest to foreign issuers. By the end of December, there were 227 outstanding bond issuances and active commercial paper programs in BME's fixed income markets. More than 100 of these were Spanish, with notable issuers including the railway operator ADIF, Colonial and Endesa; banking entities such as ICO, BBVA, Abanca, Unicaja, Kutxabank, Sabadell and Caja Rural de Navarra; as well as the

regional governments of Madrid, Andalusia, Castile and Leon, the Basque Country and Galicia.

In the MARF (the Spanish alternative fixed income market, aimed at financing smaller companies), green, social and sustainable issues also have had a leading role following the debut in 2019 of the first green bond issuance, made by the company Grenergy Renovables. As of November 2024, there are 19 base documents for the incorporation of green, social, and sustainable promissory notes and securitized notes, including those of El Corte Inglés, Pikolin, Ecoener, Ence, Greening Group, Greenvolt, Grenergy Renovables, Nexus, Visalia, Aludium and Elecnor. There are also 8 bond and securitization issuances, with Audax Renovables' issuance of 294 million euros standing out.

### Sustainable Bond Issuance in Spain (2016 - 2024 H1)

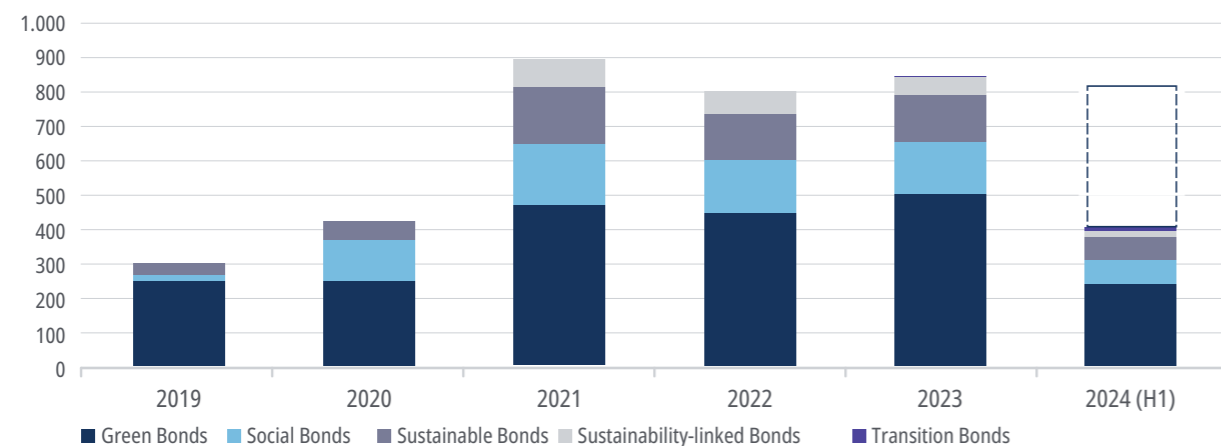
DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS



Source: Spanish Sustainable Financing Observatory (OFISO).

### Sustainable Bond Issuance Worldwide (2019 - 2024 H1)

DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS



Source: Spanish Sustainable Financing Observatory (OFISO).

Green, social and sustainable fixed income issuances grow 36% in Spain in the first quarter of the year in Spain. In BME's fixed income markets, there are already 227 outstanding issuances of this type.