CREDIT OPINION
2 October 2025

Update

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RATINGS

Madrid, Comunidad Autonoma de

Domicile	Spain
Long Term Rating	A3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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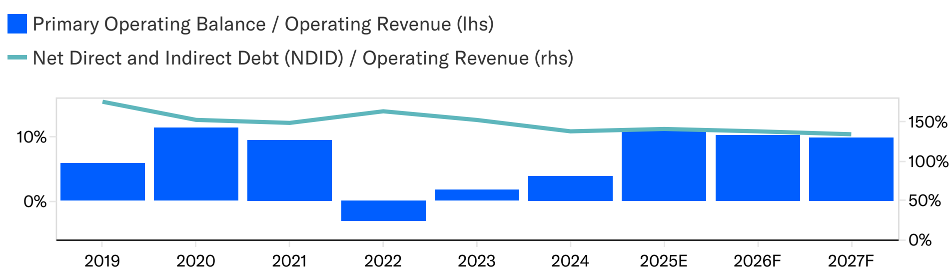
Comunidad Autonoma de Madrid (Spain)

Update following ratings upgrade

Summary

Comunidad Autonoma de Madrid's (A3 stable) credit profile reflects the region's good fiscal performance, supported by a well-controlled deficit and manageable debt burden. We expect its operating margin to improve and debt ratios to remain stable in the next two to three years, driven by Spain's positive economic prospects. Madrid benefits from a strong economic base, accounting for around 20% of Spain's GDP, and has the highest GDP per capita among Spanish regions. Its credit profile is supported by a high likelihood of extraordinary support from the Government of Spain (A3 stable).

Exhibit 1
Madrid is likely to maintain its strong financial profile over the next few years, as reflected in its positive POB and stable debt burden



E = Estimated; F = Forecast based on Moody's Ratings estimates.
Sources: Issuer and Moody's Ratings

Credit strengths

» Good budgetary management, which has kept deficits under control

» Good access to capital markets and a strong debt management

» Large and diversified economy

Credit challenges

» Moderate debt burden and low cash on hand

Rating outlook

The stable outlook for Madrid reflects its capacity to continue strengthening its fiscal positions, posting stronger primary operating balances, better financial results, and lower debt burdens. The outlook also considers Madrid's operational, economic, and financial linkages to the central government.

Factors that could lead to an upgrade

The strengthening of Spain's credit profile, as reflected by an upgrade of the sovereign rating, could have positive credit implications for Madrid in the form of further reductions in systemic risk.

Factors that could lead to a downgrade

A downgrade of Spain's rating would likely have similar implications for Madrid's rating. Factors such as fiscal slippage, rapidly rising debt levels, or the emergence of significant liquidity risks would also put downward pressure on the ratings of Madrid.

Key indicators

Exhibit 2

Comunidad Autonoma de Madrid

	2019	2020	2021	2022	2023	2024	2025E	2026F	2027F
Primary Operating Balance / Operating Revenue	5.8	11.3	9.4	-3.1	1.7	3.8	10.8	10.2	9.8
Financing Surplus(Deficit) as % of Operating Revenue	-1.9	2.7	4.5	-8.7	-8.0	-2.6	-0.9	-2.4	-1.2
Net Direct and Indirect Debt (NDID) / Operating Revenue	174.5	151.5	147.7	162.4	151.4	137.0	140.0	137.0	133.3
Interest Payments/ Operating Revenue	3.8	3.2	3.0	3.1	3.2	3.4	4.0	3.3	3.2
Capital Expenses as a % of Total Expenses	6.3	7.2	6.6	7.1	9.3	8.0	12.0	9.9	9.7
Cash and Cash Equivalents / Operating revenue	0.2	3.2	6.2	2.9	1.1	0.4	1.2	0.8	0.8

E = Estimated; F = Forecast based on Moody's Ratings estimates.
Sources: Issuer and Moody's Ratings

Profile

Comunidad Autonoma de Madrid, located in central Spain and home to the nation's capital, had a population of about 7 million (approximately 4.6% of Spain's total) as of the most recent data available in April 2025, making it the country's most densely populated autonomous region. Its diversified and robust economy contributes around 20% to Spain's GDP, mainly through sectors such as finance, commerce, healthcare, and education. Madrid's administration is characterized by strong financial management, maintaining deficits and debt levels under control.

Detailed credit considerations

On 30 September 2025, we upgraded Madrid's rating to A3 from Baa1 and changed its outlook to stable from positive. The entity's Baseline Credit Assessment (BCA) was also upgraded by 2 notches to baa1 from baa3.

The upgrade follows our decision to upgrade the Government of Spain's sovereign ratings to A3 from Baa1 and change its outlook to stable from positive on 26 September 2025. The rating action reflects the strong correlation between the credit profile of Madrid and the Government of Spain, stemming from their institutional, operational and financial links. The upgrade of Spain's rating translates into reduced systemic risk for Madrid. Spain's improved economic and fiscal health, indicated by its rating upgrade, suggests increased predictability of state transfers to Madrid, supporting our expectation that the entity will maintain strong financial fundamentals. Additionally, the upgrade also reflects the entity's intrinsic strengths, such as its large and diversified economy, its good budgetary management and its strong access to capital markets, with recent positive trends likely to continue over the coming years.

The credit profile of Madrid, as expressed in its A3 rating, combines its Baseline Credit Assessment (BCA) of baa1 and a high likelihood of extraordinary support from the central government if the region faces acute liquidity stress.

Baseline Credit Assessment

Good budgetary management, which has kept deficits under control

According to Madrid's realized budget of 2024, the region achieved a positive primary operating balance (POB) of €1.04 billion (accounting for 3.8% of revenue), up from €409 million (1.7%) in 2023. This improvement was driven by a 14.7% rise in operating revenue, mainly caused by increased tax revenue following a one-time settlement of the regional funding of the regional funding system for 2022, received in 2024, which doubled revenue from the previous year. Meanwhile, operating expenses grew by 12.3% (excluding interest payments), mainly because of a 33% surge in overhead costs — particularly higher healthcare expenditure and a one-off €926 million payment that resolved contracts with six private hospitals.

During 2025-27, the operating margin is projected to remain stable at around 10% of its operating revenue, underpinned by sustained positive economic growth in the region. In addition, resources from the regional funding settlement are likely to return to typical levels beginning in 2025.

When considering the region's POB alongside interest payments, capital revenue and spending, Madrid reported a financing deficit of €713 million in 2024, equivalent to 2.6% of its operating revenue. This marks an improvement from the €1.9 billion deficit recorded in 2023, which was equivalent to 8% of its operating revenue. While capital expenditure remained mostly stable, capital revenue increased by around 66% in 2024 compared with 2023, mainly because of more transfers from the EU funds. On a European System of Accounts basis, Madrid registered an estimated deficit of 0.19% of its GDP in 2024, compared with a deficit of 0.74% of regional GDP in 2023. A deficit close to -0.1% of regional GDP is expected for 2025.

Madrid will receive around €4.8 billion from Spain's Recovery and Resilience Plan until 2026, of which around €3.3 billion was received as of May 2025. This will help the region fund investment projects, such as digitalisation and the extension of the metro line 11 in the city of Madrid.

Good access to capital markets and strong debt management

Madrid has typically met its annual financial needs in the capital markets, distinguishing itself as one of the Spanish regions under the common regime that has largely avoided relying on the central government liquidity mechanisms — the Fondo de Liquidez Autonomico (FLA) and the Fondo de Facilidad Financiera (FFF). In addition, the region has managed to benefit from robust demand from a wide group of both domestic and international investors, which often results in oversubscriptions and ensures favourable funding conditions.

For the year 2025, Madrid's funding needs decreased to around €3.3 billion, from €4.3 billion in 2024. As of July 2025, all funding needs were covered. This was achieved through various means, including the issuance of a 10-year sustainable bond of €1 billion in February, which received offers exceeding six times its principal amount, and its first-ever European green bond (EuGB) of €500 million in June. The remaining financial requirements were covered with loans from various financial institutions.

In recent years, the region's average maturity of its debt portfolio has stabilised slightly above eight years, making it one of the longest among other regions in Spain that we rate (8.2 years as of December 2024). In addition, Madrid maintained a manageable debt cost of 2.3% in 2024.

Supported by the region's sophisticated debt management, Madrid was the first Spanish region to issue green, social and sustainable bonds, including eight public sustainable bonds and six green bonds since 2017, becoming the Spanish public entity with the largest amount of outstanding sustainable bonds in the country totalling €8.3 billion as of July 2025.

Large and diversified economy

Madrid is one of the country's most developed and wealthiest regions with the highest GDP per capita among Spanish regions, at €42,198 in 2023 (latest available data at the regional level), well above the national level of €30,968. The region has the largest economy in the country, accounting for 19.6% of Spain's GDP in 2023.

Madrid's economy is predominantly concentrated in the services sector, which includes financial services, commerce, healthcare and education. The region is also the country's biggest recipient of foreign direct investment, together with the region of Catalonia, accounting for around 67% of all foreign companies in Spain as of December 2024.

According to the national's statistical institute, Madrid's real GDP growth was 2.5% in 2023 (2.7% in Spain). Based on the region's estimations, its GDP growth is likely to be around 2.4% in 2025 (3.3% in 2024 versus 3.2% in Spain).

In the first quarter of 2025, Madrid's unemployment rate was 9.1%, compared with 11.4% at the national level during the same period.

Moderate debt burden and low cash on hand

Madrid's direct debt stock grew by 4.2% to €35.8 billion in 2024 (including €162 million of short-term debt) from €34.3 billion a year earlier. The region's indirect debt as of year-end 2024 was close to €4.3 billion, of which around €1.5 billion was from non-self-supporting companies, including debt from public-private partnership projects, such as roads and bus interchange stations. The region also guaranteed debt of €53 million in 2024, including two loans from the European Investment Bank (Aaa stable) to the company that operates Madrid's metro.

In 2024, the region's net direct and indirect debt/operating revenue fell to 137% from 151% in 2023, mainly because of higher operating revenue. The debt burden is likely to further decline to about 133% by 2027, supported by rising revenue and limited new borrowing. If Madrid joins the central government's partial debt cancellation plan (reducing debt by €8.6 billion, or 24% of its 2024 direct debt), its debt burden could drop to around 105%. However, because Madrid has no debt via central government liquidity mechanisms, this relief will take over a year to materialise, with supplementary funds provided to match loan repayments until reaching €8.6 billion. This proposal is still subject to legal approval, with an unknown time frame for its implementation.

Madrid had one of the lowest debt-to-GDP ratios at 12%, compared with the average of 21% for Spanish regions, according to Bank of Spain data in December 2024.

Madrid's cash on hand was very low at €106 million as of year-end 2024, equivalent to only 0.4% of its operating revenue, down from €250 million or 1.1% of operating revenue in 2023. However, to cover emergency needs in the event of a shortfall in 2024, Madrid secured standby facilities totalling €2.8 billion with financial institutions. Of this amount, €1.8 billion were credit line facilities and €1 billion were short-term notes. As of December 2024, the region had €162 million in outstanding short-term debt. The rollover of the €1.8 billion in credit line facilities has been extended until 2026, ensuring sufficient liquidity to address unexpected treasury needs during this period.

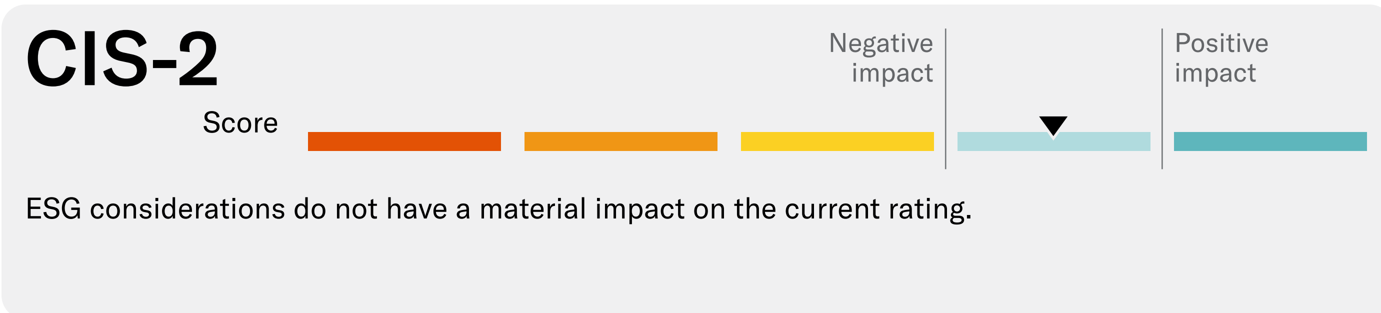
Extraordinary support considerations

Madrid has a high likelihood of receiving extraordinary support from the national government, reflecting our assessment of the risk to the Spanish government's reputation if the region were to default. The region's role in providing crucial services, such as healthcare and education, and its presence in the capital markets are additional incentives for the central government to provide support, if necessary. This assessment is corroborated by a consistent track record of government support for the region over the last few years, as illustrated by the launch of the FLA in 2012, the FFF in 2015 and the additional transfers provided by the central government to the regional sector to mitigate the negative effects of the pandemic on the regions finances in 2020 and 2021. Therefore, we have incorporated one notch of uplift into the final rating of A3 from Madrid's standalone credit assessment (BCA) of baa1.

ESG considerations

Madrid, Comunidad Autonoma de's ESG credit impact score is CIS-2

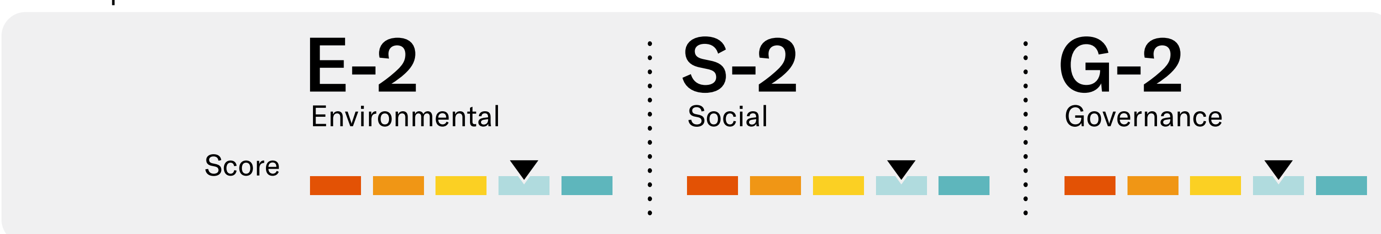
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Madrid's ESG considerations do not have a material impact on the current rating (**CIS-2**).

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Madrid's exposure to environmental risks are not material in differentiating credit quality(**E-2**).

Social

Madrid's exposure to social risks are not material in differentiating credit quality (**S-2**). This score reflects low exposure to social risks across most categories and with particularly strong scores in health & safety. Like other Spanish regions, the Comunidad Autonoma de Madrid faces long term fiscal pressures from ageing population, which will also affect social and healthcare expenditure. However, given the region's dynamic economy, population growth and large tax base, expenditure pressures are more manageable compared to other Spanish regions.

Governance

The Comunidad Autonoma de Madrid's institutions and governance strength are reflected in its issuer profile score of (**G-2**) that is not material in differentiating credit quality. The region's institutional structure is characterized by limited expenditure flexibility. Despite this, the region of Madrid demonstrates strong policy effectiveness and adheres to prudent budgeting principles. In addition, the management follows conservative debt and investment policies, limiting the region's exposure to market-related risks. The region's fiscal and debt management strategies are further enhanced by comprehensive financial reporting and high-quality transparency standards.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of baa1 is close to the suggested BCA scorecard-indicated outcome of a3.

For details about our rating approach, please refer to our Regional and Local Governments rating methodology.

Exhibit 5

Madrid, Comunidad Autonoma de

Regional & Local Governments

Baseline Credit Assessment – Scorecard	Score	Value	Sub-factor Weighting	Sub-factor Score	Factor Weighting	Total
Factor 1: Economy					**25%**	**0.52**
Regional Income [1]	1.17	73356.14	15%	0.17		
Economic Growth	6.00	a	5%	0.30		
Economic Diversification	1.00	aaa	5%	0.05		
Factor 2: Institutional Framework and Governance					**30%**	**1.80**
Institutional Framework	9.00	baa	15%	1.35		
Governance	3.00	aa	15%	0.45		
Factor 3: Financial Performance					**20%**	**2.23**
Operating Margin [2]	10.95	3.81%	10%	1.09		
Liquidity Ratio [3]	19.72	0.39%	5%	0.99		
Ease of Access to Funding	3.00	aa	5%	0.15		
Factor 4: Leverage					**25%**	**2.14**
Debt Burden [4]	8.85	137.01%	15%	1.33		
Interest Burden [5]	8.08	3.38%	10%	0.81		
Preliminary BCA Scorecard-Indicated Outcome (SIO)						**(6.69) a3**
Idiosyncratic Notching						**0.0**
Preliminary BCA SIO After Idiosyncratic Notching						**(6.69) a3**
Sovereign Rating Threshold						**A3**
Operating Environment Notching						**0.0**
BCA Scorecard-Indicated Outcome						**(7.00) a3**
Assigned BCA						**baa1**

[1] Regional GDP per capita in terms of purchasing power parity (PPP) terms, in international dollars
[2] Primary Operating Balance / Operating Revenue
[3] Cash and Cash Equivalents / Operating Revenue
[4] Net Direct and Indirect Debt / Operating Revenue
[5] Interest Payments/ Operating Revenue
Source: Moody's Ratings; Fiscal 2024.

Ratings

Exhibit 6

Category	Moody's Rating
MADRID, COMUNIDAD AUTONOMA DE	
Outlook	Stable
Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	A3
Senior Unsecured -Dom Curr	A3

Source: Moody's Ratings

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454