

Credit Rating Report

Autonomous Community of Madrid

Morningstar DBRS

6 June 2025

Credit Rating Considerations

Strengths

- 1 Large and very diversified economy
- 2 Strong fiscal position
- 3 Sound debt structure and continued access to financial markets
- 4 Favourable liquidity profile

Challenges

- 1 Higher, albeit decreasing, interest rates
- 2 Still-high debt-to-operating revenues ratio

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Credit Ratings

Issuer	Debt Rated	Credit Rating	Trend
Autonomous Community of Madrid	Long-Term Issuer Rating	A (high)	Stable
Autonomous Community of Madrid	Short-Term Issuer Rating	R-1 (low)	Stable

Summary Credit Rating Rationale

On 6 June 2025, we confirmed our Long-Term Issuer Rating on the Autonomous Community of Madrid (Madrid) at A (high) and the Short-Term Issuer Rating at R-1 (low). The trends on all credit ratings are Stable.

Madrid's credit ratings remain underpinned by (1) the region's large and diversified economy; (2) its strong fiscal results since 2018, which we expect to continue; (3) its sound debt structure and consistent access to financial markets; and (4) its strengthened liquidity profile. Despite lower economic growth prospects from 2025, we anticipate that the region's strong management will be able to control growth in expenditures and limit debt accumulation.

The Stable trends reflect our view that risks to the credit ratings are currently balanced. Despite the lower economic growth expected in the medium term, Madrid's strong financial management combined with the return of fiscal rules should allow the region to continue making progress with its declining debt trajectory. Moreover, the regional equalisation system, to which Madrid is a net contributor, and the region's fiscal leeway provide budgetary flexibility against the possibility of a fiscal or economic deterioration in the medium term.

Summary Statistics

	2020	2021	2022	2023	2024
GDP (EUR millions) ¹	219,031	239,838	267,579	293,069	311,319
Real GDP growth (%) ¹	-10.2	6.4	8.1	2.5	3.2
Unemployment rate (%)	12.5	11.6	11.2	10.0	9.0
Adjusted debt-to-GDP (%) ²	16.5	15.0	13.8	13.5	12.9
Adjusted debt-to-operating revenue (%) ²	160.5	156.4	175.6	169.4	150.9
Financing surplus/(deficit)-to-GDP (%)	-0.02	0.27	-0.77	-0.75	-0.20

1. 2024 GDP figures are estimations.

2. Figures have been adjusted by Morningstar DBRS. For more information, please see the Rating European Sub-Sovereign Governments methodology.

Sources: Madrid, Instituto Nacional de Estadística, Ministerio de Hacienda y Función Pública, Morningstar DBRS.

Credit Rating Drivers

We could upgrade the credit ratings if the region maintains strong financial fundamentals and the Kingdom of Spain's credit ratings are upgraded. Madrid does not have the constitutional protection to be rated above the sovereign credit rating and its credit ratings are therefore capped by the Kingdom of Spain's credit ratings.

We could downgrade the credit ratings if any or a combination of the following occur: (1) there were a structural reversal in the region's fiscal consolidation, leading operating deficits to widen over time; (2) there were a marked and lasting deterioration in Madrid's debt metrics, including larger and costlier annual maturities and higher leverage; or (3) the Kingdom of Spain's credit ratings were downgraded.

Summary Credit Rating Rationale (Continued)

Madrid's financial performance in 2024 greatly improved, with the regional financing deficit at 2.9% of operating revenues, down from a deficit of 5.3% of operating revenues in 2023. The regional deficit remains under control and continues to evolve closer to budget balance, regardless of the capital investment efforts that the region is implementing. We believe that the capital investment effort that the region is forecasting to maintain will lead it to continue posting financing deficits, especially given the marked decrease in European Union (EU) funds the region will receive from 2025 onwards. Indeed, thanks to a high inflow of these funds in 2024, Madrid improved its financing deficit to 0.2% of GDP, and the Independent Authority for Spanish Fiscal Responsibility (AIREF) expects the regional deficit to broaden slightly to 0.3% of GDP in 2025. The regional government's prudent budgeting behaviour and continuous dynamic development of tax revenues in the region will mitigate the adverse financial consequences of these investments. Additionally, Madrid is a net contributor to the regional equalisation funds; therefore, Madrid will contribute a bit less to the rest of regions under lower tax revenue generation, which was a consequence of an economic slowdown.

We take a positive view on the improvement in financial performance and believe that Madrid has some budgetary flexibility that could be used against potential fiscal headwinds. This is also the case with the revenues recovered from the wealth tax in 2024; this had a tax benefit in previous years, with tax collection estimated at EUR 560 million per year, and there are more taxes that the region could put in place in case of financing need.

The region's plan to continue its capital investment efforts will reinforce the importance of expenditure control in the near term. This is particularly the case in 2025 because of the much lower settlement of the regional financing system, Next Generation EU (NGEU) and REACT-EU funds Madrid is due to receive; however, the region expects to manage its deficit in the following years and achieve progress towards a balanced budget in 2028, although AIREF expects this to happen in 2029. In order to reach this goal, tighter expenditure control will remain a key credit consideration given the lower economic growth context.

Madrid increased its debt stock in 2024 because of its own deficit but the debt of its government-related entities slightly decreased. At end of 2024, our adjusted debt stock increased to EUR 40.3 billion from EUR 39.7 billion at the end of 2023. However, Madrid's debt ratios improved, with

adjusted debt-to-operating revenue decreasing to 151% at YE2024 from 169% at YE2023. Excluding the debt metrics seen in 2020 and 2021, which greatly improved thanks to extraordinary revenues from state support, this is the lowest value over the last 10 years. In its May 2025 medium-term forecast report on the Financial Stability Plan, AIREF predicts the debt ratio would keep decreasing towards 10% in 2029 and expects this ratio to keep declining over the long term towards 7% of GDP in 2040.

Moreover, Madrid's debt could potentially decrease further in the medium term if the national government keeps its commitment to providing debt relief to the regions. So far, the measure has been announced and discussed at the Fiscal and Financial Policy Council with details published on the calculation method of this debt relief, which for Madrid would amount to approximately EUR 8.6 billion. However, there is still uncertainty over the timing of this measure since the Ministry of Finance has deemed it necessary to issue an organic law to articulate the debt relief, in order to prevent any misapplication of the budget stability law and to prevent any alternative interpretation of the scope of responsibilities of the current regional financing system.

Additionally, the region is committed to maintaining part of its funding needs via sustainable and green bond schemes, with the latest sustainable bond issuance in February 2025 for EUR 1 billion. The region uses sustainable bond schemes, which are issued to fund a combination of projects related to social development or environmental benefits, and the green bonds. As of May 2025, Madrid was certified to comply with the EU green bond standards, which are considered as the new gold standard in this field. The use of this funding enhances diversification and secures Madrid's ability to tap the markets; this likely contributes to the region benefitting from a long average life of debt at 8.2 years as of YE2024, which is much higher than the average for Spanish autonomous communities (ACs), and an average cost of debt rate at 2.27% as of same date.

For 2025, almost all of Madrid's funding needs were financed in the first half of the year, with EUR 2.8 billion financed through a mix of bond issuances, private placements, and bank loans. There is still EUR 500 million pending financing; however, Madrid could cover part of it through its liquidity toolkit or recourse to preapproved long-term loans for specific investments available from multilateral institutions. For example, the region received pre-approval for a loan of EUR 372 million from the European Investment Bank for the extension of the first section of line 11 of the Madrid metro. We take the view that Madrid's setup and successful launch of a commercial paper programme in 2020 and the extension of the credit lines available to the region to EUR 1.8 billion, bringing the region's liquidity toolkit to EUR 2.8 billion, have strengthened its liquidity profile overall.

Madrid had a population of approximately 6.9 million and a GDP estimated at around EUR 291 billion at the end of 2023, making it the largest regional economy in Spain, representing close to 20% of Spain's GDP. In 2023, Madrid's real GDP grew by 2.5%, slightly lower than Spain's growth rate of 2.7%. Although the region's growth is usually higher than the national growth rate, AIREF expects Madrid's real GDP to have grown by 3.2% in 2024, in line with national growth. We expect the regional economy to continue growing thanks to its high employment level, resilient internal demand, and investment that is benefitting somewhat from a slight pickup in the construction sector. The financial resources expected from NGEU, including the Recovery and Resilience Facility

(RRF) and REACT-EU funds, should continue to support reforms and investments. Additionally, Madrid is the largest recipient of foreign investment funds in Spain, with almost 50% of the national total, which should positively influence the regional economy's prospects.

Over the last three years, the region has benefitted from strong growth in employment that led to record levels of around 3.8 million workers, with a growth that, despite now slowing down, continued to grow by 2.6% annually until April 2025. The vast majority of these jobs are in the service sector, within which there has been particularly high growth in the tourism, financial and insurance, and IT sectors over the last three years. These sectors are labour intensive and often have a high value added, which explains the strong growth in employment and why the region benefits from the highest GDP per capita in the country, estimated at EUR 42,383 in 2023, 39% above national average. At the same time, the unemployment rate stood at 9.1% at Q1 2025, down from 9.2% at Q1 2024, and is lower than the overall unemployment rate in Spain.

Institutional Framework

We take the view that the budgetary principles and procedures applicable to Spanish sub-sovereign governments contribute to their financial sustainability. The budgetary framework is defined by the 2012 Ley Orgánica de Estabilidad Presupuestaria y Sostenibilidad Financiera (Budget Stability Law) that sets targets in terms of fiscal performance, debt, and expenditure levels for all government tiers. The ACs must supply budget execution information monthly so that the central government can monitor and ensure compliance with the aforementioned targets. The central government unilaterally set the fiscal targets through the Budget Stability Law, but to align these targets with the regions, it created the Fiscal and Financial Policy Council composed of representatives of the central government's Ministry of Finance and regional governments that meet, at minimum, twice a year.

According to the Spanish constitution under its article 148, the ACs share regulatory powers with the central government on education and healthcare, which are the main responsibilities and represent around two-thirds of total spending excluding debt repayments. In addition, the ACs exclusively control responsibilities related to housing; territorial and urban planning; railways and regional roads; ports and airports; agriculture and livestock; mountain and forest uses, environment, construction, and exploitation of hydraulic uses; fishing; hunting; fairs; regional economic promotion; monument heritage; culture and research; social assistance; and tourism.

The transfers received from the central government to fund all these responsibilities rely on the regional funding system. This has a vertical tax-sharing model with the government by which the ACs should fund their expenditure from 50% of value-added tax and personal income tax and 58% of special taxes, fees, and fines, coupled with central government transfers for capital investments and coming from equalisation funds. However, all the tax revenues and equalisation funds are collected by the central government and then transferred to the ACs. Given the lag between recognition, collection, and distribution of these funds, the central government has established a funding system based on expectations of tax collection. The central government estimates the tax collection and communicates the level of operational transfers it will transfer to the ACs in advance. Two years later, and based on the actual tax collection, the central government pays or receives the

difference from the estimation, which usually results in further funds for the regions provided the estimation was applied prudently.

The Spanish government has shown a firm commitment to supporting the financial viability of all the ACs when unexpected economic events have materially affected their tax revenue. The main element of this support is exemplified by the importance of the state funding mechanisms available at the request of ACs (see [Spanish Autonomous Communities' Access to State Funding Mechanisms Reduces Interest and Refinancing Risks](#)). Additionally, the central government has a good track record of providing additional support to regions in periods of financial distress, such as the 15-year financing of the negative tax settlement resulting from the 2008 financial crisis. Moreover, the negative tax settlement for 2020 was also offset by the Spanish government, and throughout the coronavirus pandemic, the national government granted significant additional transfers to regional governments to support their financial position.

Governance and Fiscal Management

In terms of overall governance, we view positively the region's strong transparency and high level of overall financial disclosure as well as the budgetary monitoring it has implemented. We take the view that the re-election of regional President Isabel Diaz Ayuso in May 2023 should support policy continuity, including fiscal strategy (see [Madrid: Local and Regional Elections Point to Policy Continuity Re-Election of Madrid's Regional President and City Mayor](#)). Despite some tax cuts implemented by the regional government, we expect that Madrid's government will remain committed to the fiscal consolidation path it has recorded in recent years.

The region's budgetary process and forecasting ability is affected by the current regional financing system, given that positive or negative settlements only occur after a two-year lag. This can challenge the region's ability to build budgets with limited knowledge of resources available in a budgeted year if the central government takes time to communicate the upfront transfers, or if it revises them after the region has already approved its budget. However, Madrid keeps working on improving its forecasting ability and control. Madrid has started building a projection of expenditure volume until 2029, which is intended to control the operating expenditure in the medium term and identify capital investment needs in the same period. This medium-term budgeting exercise is combined with a series of specific objectives and metrics that allows Madrid to follow up on the different sectorial strategy programs applied in the region's departments. This medium-term planning is compatible with the administration's existing monthly standard monitoring procedure, which includes both budget execution monitoring and annual result expectations. If a material deviation is identified, a specific department in the administration that specialises in these situations takes over management of the specific project causing the deviation.

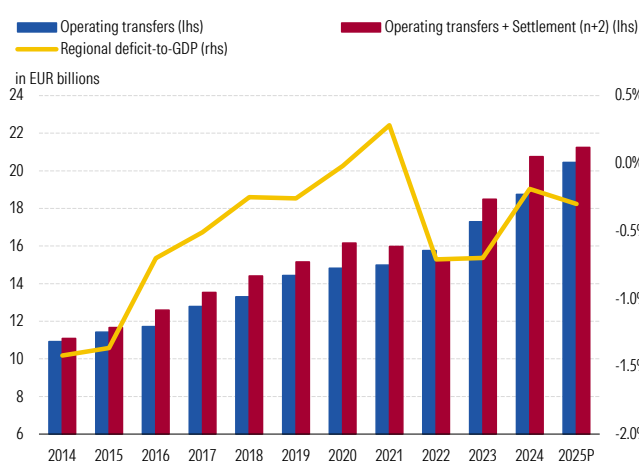
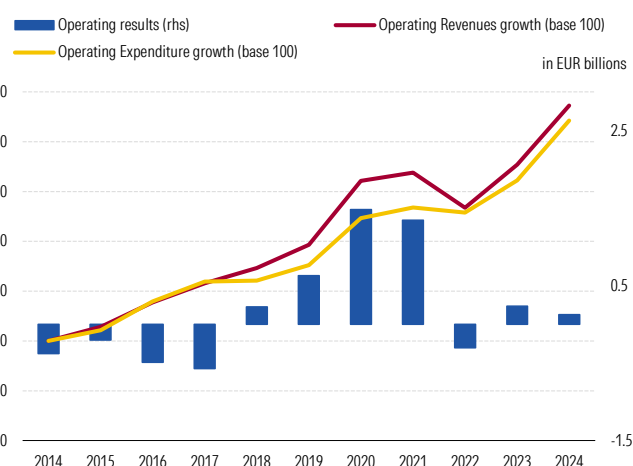
Financial Performance

Madrid's financial performance in 2024 greatly improved, with the regional financing deficit of 2.9% of operating revenues, down from a deficit of 5.3% of operating revenues in 2023. The regional deficit remains under control and continues to evolve closer to budget balance, regardless of the capital investment efforts that the region is implementing. We believe that the capital investment effort that the region is forecasting to maintain will lead it to continue posting financing deficits, especially given the marked decrease in EU funds the region will receive from 2025 onwards.

Indeed, thanks to a high inflow of these funds in 2024, Madrid improved its financing deficit to 0.2% of GDP, and AIREF expects the regional deficit to broaden slightly to 0.3% of GDP in 2025. However, the regional government's prudent budgeting behaviour and continuous dynamic development of the tax revenues in the region will mitigate the adverse financial consequences of these investments. Additionally, Madrid is a net contributor to the regional equalisation funds; therefore, Madrid will contribute a bit less to the rest of regions under lower tax revenue generation that was a consequence of an economic slowdown.

In 2024, operating surplus amounted to EUR 125 million or 0.5% of operating revenues from EUR 236 million in 2023 or 1.0% of operating revenues (Exhibit 2), thanks to higher tax revenues and a positive settlement from the regional financing system. This pace of revenue growth will be difficult to maintain in 2025 since the settlement from the revenue system is estimated at half of what it was in 2024 and the economy is cooling down to more moderate growth levels (Exhibit 1). However, in 2024, the region needed to materially increase its expenditure level given that in 2023 not all the expenditure were updated because of the lack of budget; this will also reduce the spending pressure in 2025 and we believe that the strong financial ability that Madrid has demonstrated over the last years will remain key to maintaining the strong financial performance necessary to keep reducing its indebtedness.

We view positively the improvement in financial performance and consider that Madrid has some budgetary flexibility that could be used against potential fiscal headwinds. This is also the case with the revenues recovered from the wealth tax in 2024; this had a tax benefit in previous years, with tax collection estimated at EUR 560 million per year, and there are more taxes that the region could put in place in the case of financing need.

Exhibit 1 Madrid Transfers and Deficit Reduction¹**Exhibit 2 Madrid's Operating Results**

Sources: Madrid, Ministerio de Hacienda y Función Pública, Morningstar DBRS.

Note: 2025P stands for 2025 preliminary information pending for the official settlements to be communicated by the central government.

1. Operating transfers include "entregas a cuenta" for year N, and operating transfers + settlement (N+2) also include the positive or negative settlement of the financing system for the year N-2.

The region's commitment to complying with the fiscal rules has been strong over the past years, and Madrid approved its 2025 budget based on compliance with these targets. Despite the lower growth of revenues, total expenditure is expected to grow by 4% in 2024, mainly due to higher social expenditure and investments into the extension of Metro lines 5 and 11 and the development of a new judicial centre. The region's plan to continue its capital investment effort will reinforce the importance of expenditure control in the near term. This is particularly the case in 2025 because of the much lower settlement from the regional financing system and EU funds Madrid is due to receive; however, the region expects to manage its deficit in the coming years and to improve its financial performance to achieve progress towards a balanced budget in 2028, although AIREF expects the to happen in 2029. In order to reach this goal, tighter expenditure control will remain a key credit consideration given the lower economic growth context.

Debt and Liquidity

Madrid increased its debt stock in 2024 because of its own deficit but the debt of its government-related entities slightly decreased. At end of 2024, our adjusted debt stock increased to EUR 40.3 billion from EUR 39.7 billion at the end of 2023. However, Madrid's debt ratios improved, with adjusted debt-to-operating revenue decreasing to 151% at YE2024 from 169% at YE2023. Excluding the debt metrics seen in 2020 and 2021, which greatly improved thanks to received extraordinary revenues from state support, this is the lowest value over the last 10 years.

Additionally, the debt-to-GDP ratio has been falling for the last seven years, with a peak in 2017 at 14.7% of GDP to 12.0% of GDP at YE2024, with the exception of the pandemic-related temporary GDP drop in 2020 and 2021. Madrid's debt ratio of 12.0% remains substantially below the average for Spanish regions of 21.1%. AIREF projects that the debt ratio will keep decreasing towards 10%¹ in 2029 and expects this ratio to keep declining over the long term towards 7% of GDP in 2040.

Moreover, Madrid's debt could potentially decrease further in the medium term if the national government keeps its commitment to providing debt relief to the regions. So far, the measure has been announced and discussed at the Fiscal and Financial Policy Council with details published on the calculation method of this debt relief, which for Madrid would amount to approximately EUR 8.6 billion. However, there is still uncertainty over the timing of this measure since the Ministry of Finance has deemed it necessary to issue an organic law to articulate the debt relief, in order to prevent any misapplication of the budget stability law and to prevent any alternative interpretation of the scope of responsibilities of the current regional financing system.

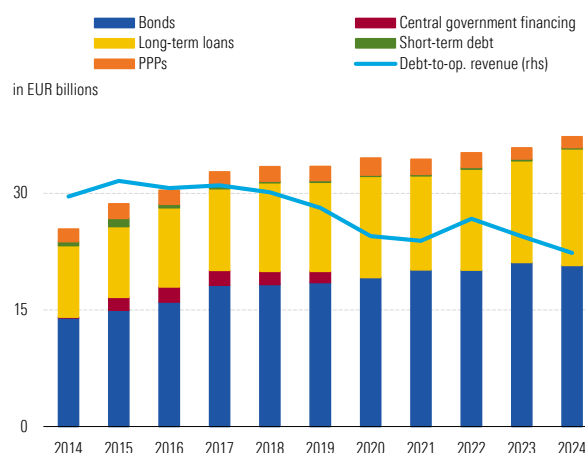
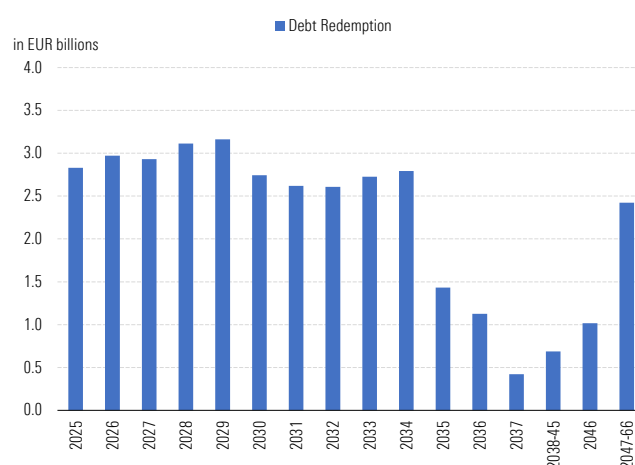
Unlike most other regions in Spain, Madrid has historically had very limited recourse to the financing facilities provided by the central government. Madrid fully repaid its stock of national government-funded debt in 2020 but has maintained consistent access to the financial markets since the financial crisis. As a result, at the end of 2024, Madrid's bond issuances represented 56% of its debt stock, or EUR 20.7 billion,² and 43% of the total bonds outstanding for all Spanish regions.

¹ AIREF uses the debt ratio from the Bank of Spain that consolidates fewer debt elements and hence is lower than Morningstar DBRS' adjusted debt-to-GDP.

² According to Bank of Spain data.

The region is also committed to maintaining part of its funding needs via sustainable and green bond schemes, with the latest sustainable bond issuance in February 2025 for EUR 1 billion. The region uses the sustainable bond schemes, which are issued to fund a combination of projects related to social development or environmental benefits, and the green bonds. As of May 2025, Madrid was certified to comply with the EU green bond standards, which are considered to be the new gold standard in this field. The use of this funding enhances diversification and secures Madrid's ability to tap the markets; this likely contributes to the region benefitting from a long average life of debt of 8.2 years as of YE2024, which is much higher than the average for Spanish Acs, and an average cost of debt rate at 2.27% as of same date. The regional debt structure is sound, with short-term debt representing less than 1% of its debt stock, and about 95% of its direct and indirect debt at fixed rates (Exhibits 3 and 4). All of Madrid's debt stock is denominated in euros. Contingent liabilities have also decreased since 2012, with public and private partnerships now factored into the regional government's debt.

For 2025, almost all of Madrid's funding needs were financed in the first half of the year, with EUR 2.8 billion financed through a mix of bond issuances, private placements, and bank loans. There is still EUR 500 million pending financing; however, Madrid could cover part of it through its liquidity toolkit or recourse to preapproved long-term loans for specific investments available from multilateral institutions. For example, the region received pre-approval for a loan of EUR 372 million from the European Investment Bank for the extension of the first section of line 11 of the Madrid metro. This combination of financing instruments supports Madrid's strategy to maintain debt repayment at less than EUR 3 billion per year through long debt maturities of between three and 25 years, a feature that could become an asset if the liquidity markets tighten further. Indeed, Madrid has avoided liquidity stress so far in 2025 given its flexible financing set up, but the region is waiting for the central government's authorisation to take on debt equivalent to its 2024 deficit in order to preserve such flexibility.

Exhibit 3 Madrid's Debt Structure¹**Exhibit 4 Direct Debt Amortisation Schedule as of end of 2024**

Sources: Ministerio de Hacienda y Función Pública, Madrid, Bank of Spain, Morningstar DBRS.

1. Debt refers to direct and indirect debt (data from Bank of Spain).

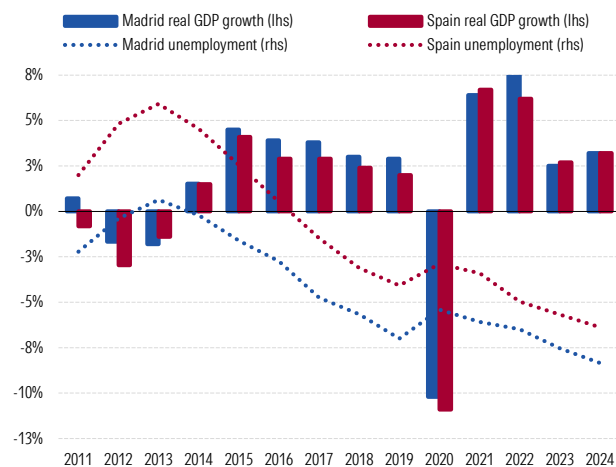
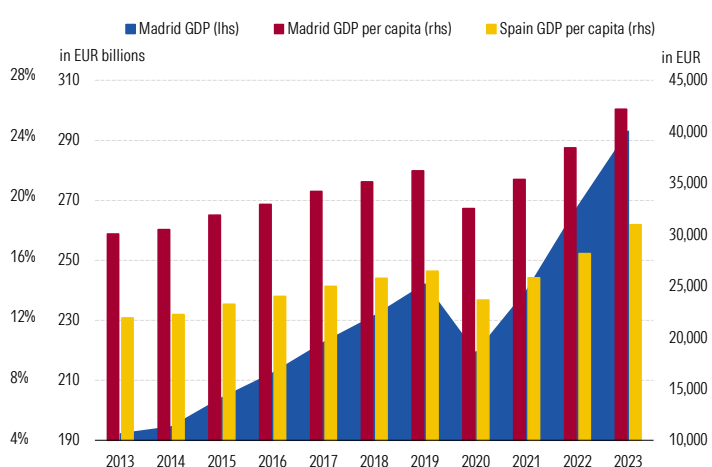
Madrid has historically recorded a relatively low cash position, as its liquidity needs are predictable and mainly depend on the calendar settlements from the regional financing system. This also reflects structural features of the Spanish regional system, with a clear national government payment calendar based on disbursement of monthly payments planned throughout the year depending on needs, and the Spanish regions need approvals to issue debt and contract loans. Nevertheless, we take the view that Madrid's setup and successful launch of a commercial paper programme in 2020 and the 2022 extension of the credit lines available to the region to EUR 1.8 billion, bringing the region's liquidity toolkit to EUR 2.8 billion, have strengthened its liquidity profile overall. We will continue to monitor the use of those liquidity instruments to assess their impact, if any, on the region's liquidity profile.

Economic Structure

Madrid had a population of approximately 6.9 million and a GDP estimated at around EUR 291 billion at the end of 2023, making it the largest regional economy in Spain, representing close to 20% of Spain's GDP. We expect the regional economy to continue growing broadly in line with the national economy. In 2023, Madrid's real GDP grew by 2.5%, slightly lower than Spain's growth rate of 2.7%. Although regional growth is usually higher than the national growth rate, AIREF expects Madrid's real GDP to have grown by 3.2% in 2024, in line with national growth (Exhibit 5). We expect the regional economy to continue growing thanks to its high employment level, resilient internal demand, and investment that benefits somewhat from a slight pickup in the construction sector.

We also expect a positive effect on productivity stemming from high capital investments implemented in recent years. The financial resources expected from NGEU, including the RRF and REACT-EU funds, should continue to support reforms and investments. Additionally, Madrid is the largest recipient of foreign investment funds in Spain, with almost 50% of the national total, which should positively influence the regional economy's prospects.

Over the last three years, the region has benefitted from strong growth in employment that led to record levels of around 3.8 million workers, with a growth that, despite now slowing down, continued to grow by 2.6% annually until April 2025. The vast majority of these jobs are in the service sector, within which there has been particularly high growth in the tourism, financial and insurance, and IT sectors over the last three years. These sectors are labour intensive and often have a high value added, which explains the strong growth in employment and why the region benefits from the highest GDP per capita in the country, estimated at EUR 42,383 in 2023, 39% above national average (Exhibit 6). At the same time, the unemployment rate stood at 9.1% at Q1 2025, down from 9.2% at Q1 2024, and is lower than the overall unemployment rate in Spain of 11.4% at Q1 2024.

Exhibit 5 Real GDP Growth and Unemployment¹**Exhibit 6 GDP and GDP per Capita¹**

Sources: Madrid, General State Comptroller, INE, AIREF, Morningstar DBRS.

1. Madrid 2024 real GDP growth are estimates from AIREF.

Tourism activity progressively recovered in Madrid in 2021 and 2022 and has now fully recovered. Domestic and foreign tourist arrivals at hotels grew by approximately 5% year over year as of 2024, and cumulative overnight stays were 6% higher than in 2023. The post-pandemic recovery in tourism has been stronger nationally than in Madrid; the country's 2023 tourist arrivals were already higher than those in 2019, but the full recovery in overnight stays did not occur until the first quarter of 2024. However, high-value-add sectors such IT and the finance supported the region's growth.

Although it is also a signal of the region's wealth, housing could pose problems for the region's economic development—likewise nationally but perhaps more acutely in Madrid. Madrid's house price index (based on 2015 prices) from Spain's national statistics institute rose to 182 at Q4 2024 from 158 at YE2022, and the index increase seems to have accelerated over the last year, probably as a consequence of a lack of construction. At the same time, the number of house transactions increased by around 25% in 2024 from 2023 numbers, likely because the number of transactions in 2023 was low due to higher interest rates. Nonetheless, the real estate market seems to have fully recovered from this temporary impact, and it is 9% up from the average number of transactions that took place between 2021 and 2022.

Autonomous Community of Madrid

	2019	2020	2021	2022	2023	2024
Economic Indicators						
Population ¹	6,663,394	6,779,888	6,751,251	6,743,254	6,871,903	7,001,715
GDP (EUR millions) ²	242,093	219,031	239,838	267,579	293,069	311,319
Real GDP growth (%) ²	2.9	-10.2	6.4	8.1	2.5	3.2
Unemployment rate (annual) (%)	10.6	12.5	11.7	11.2	9.96	8.98
Debt Section (EUR millions)						
Direct and indirect debt stock	33,469	34,601	34,409	34,821	35,875	37,260
Debt from the central government	1,429	0	0	0	0	0
Direct and indirect debt-to-operating revenues (%)	175.9	153.4	149.5	165.0	152.8	139.4
Direct and indirect debt-to-GDP (%)	13.8	15.8	14.5	13.3	12.3	12.3
Short-term debt ³	3,116	2,768	3,094	2,842	3,121	2,994
Short-term debt-to-operating revenues (%) ³	16.4	12.3	13.4	13.5	13.3	11.2
Adjusted debt stock ⁴	35,431	36,190	35,995	37,003	39,704	40,309
Adjusted debt-to-operating revenues (%) ⁴	186.2	160.5	156.4	175.6	169.4	150.9
Adjusted debt-to-GDP (%) ⁴	14.6	16.5	15.0	13.8	13.5	12.9
Fiscal Performance (EUR millions)						
Operating revenues	19,028	22,550	23,013	21,071	23,442	26,710
Operating expenditure	18,399	21,068	21,669	21,374	23,206	26,586
of which interest costs	717	735	661	613	722	849
Interest costs-to-operating revenues (%)	3.8	3.3	2.9	2.9	3.1	3.2
Operating surplus/(deficit)	629	1,482	1,345	-303	236	125
Operating surplus/(deficit)-to-operating revenues (%)	3.3	6.6	5.8	-1.44	1.01	0.47
Capital revenues	79	137	793	870	561	1,173
Capital expenditure	1,027	1,424	1,305	1,279	2,036	2,083
Financing surplus/(deficit)	-319	196	832	-712	-1,239	-784
Financing surplus/(deficit)-to-operating revenues (%)	-1.7	0.9	3.6	-3.4	-5.3	-2.9
Financing surplus/(deficit)-to-GDP (%) ⁵	-0.26	-0.02	0.27	-0.77	-0.75	-0.20

Sources: Madrid, General State Comptroller (IGAE), Ministerio de Hacienda y Función Pública, INE, Bank of Spain, Morningstar DBRS.

1 Population at the beginning of the year.

2 GDP data from 2024 are provisional from the IGAE.

3 Short-term debt includes short-term debt as well as long-term debt falling due within the next 12 months.

4 Figures have been adjusted by Morningstar DBRS. For more information, please see the Rating European Sub-Sovereign Governments methodology.

5 Financing deficit-to-GDP using national accounting standards.

Budgetary figures are presented using public accounting standards (General Administration, not consolidated) unless otherwise specified.

European Sub-Sovereign Government Scorecard

Autonomous Community of Madrid		Value
Institutional Framework		
Sovereign Credit Rating		A (high)
Institutional Framework Weight		Moderate
Intrinsic Assessment		
Economic Structure		
Economic Structure Grid		Lower risk
Fiscal Management		
Fiscal Management Grid		Moderate risk
Debt and Liquidity		
Debt and Liquidity Grid		Moderate risk
Financial Metrics		Moderate risk

Note: A moderate weight for the Institutional Framework ranges from 30% to 55%. The scorecard risk assessment is split as follows: Lower risk: 1.00<=score<2.25; Moderate risk: 2.25<=score<3.5; Higher risk: 3.5<=score<5.00.
Sources: Morningstar DBRS' methodologies [Rating European Sub-Sovereign Governments](#) (August 2024) and [Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings](#) (May 2025).

Madrid, Autonomous Community of Environmental, Social, and Governance (ESG) Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*	
Environmental		Overall:	N
Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
	Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
	Carbon and GHG Costs	N	N
Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
	Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N
	Resource and Energy Management	N	N
Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
Climate and Weather Risks	Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		Overall:	R
Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	N	N
	Are labour or social conflicts a key source of economic volatility?	N	N
	Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
	Human Capital and Human Rights	N	N
Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	Y	R
Governance		Overall:	N
Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	N	N
	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
	Institutional Strength, Governance, and Transparency	N	N
Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N
	Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
Passed-through Governance credit considerations	Peace and Security	N	N
	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
Consolidated ESG Criteria Output:		Y	R

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.

A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

ESG Considerations**Environmental**

There were no Environmental factors that had a significant or relevant effect on the credit analysis. Madrid has reinforced its environmental policies in recent years, supported by the launch of sustainable and green bond issuances under the region's sustainable finance framework. Further progress towards enhanced environmental policies is expected in coming years, possibly through the implementation of Madrid's Strategy for Adaptation and Mitigation of Climate Change 2021–30, which is expected to be supported by European Union funds.

Social

The following Social factor had a relevant effect on the credit analysis: Passed-through Social considerations. The Passed-through Social credit considerations had a relevant effect on the credit ratings, as the social factors affecting the Kingdom of Spain's credit ratings are passed through to Madrid. Human capital, as measured by GDP per capita, is factored into the Kingdom of Spain's credit ratings, which have been used as an input for Madrid's credit ratings. Madrid's GDP per capita is above the national level, estimated at EUR 42,383 or approximately 139% of the national average in 2022. Respect for human rights is high, and there is widespread access to quality healthcare and other basic services within the region.

Governance

There were no Governance factors that had a significant or relevant effect on the credit analysis. Madrid's governance and transparency is strong. The region, in line with national peers, has strengthened its financial reporting over the last decade. As with other regional governments in Spain, Madrid publishes information on monthly budgetary execution, monthly commercial debt position, and information regarding delays in paying suppliers. Greater transparency may indicate good governance, a positive credit feature. While Madrid benefits from some autonomy, it needs to abide by the Budget Stability Law that sets targets in terms of fiscal performance, debt, and expenditure levels for all government tiers in Spain.

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