

Credit Rating Report

Autonomous Community of Madrid

Morningstar DBRS

5 December 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 5 December 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 trend on all credit ratings is 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 in the medium term, 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, we expect Madrid's strong financial management combined with the return of fiscal rules to 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)	221,062	239,838	267,386	296,083	316,242
Real GDP growth (%)	-10.2	6.4	8.2	3.5	3.6
Unemployment rate (%)	12.5	11.7	11.2	10.0	9.0
Adjusted debt-to-GDP (%) ¹	16.4	15.0	13.8	13.4	12.7
Adjusted debt-to-operating revenue (%) ¹	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 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 is a structural reversal in the region's fiscal consolidation, leading operating deficits to widen over time; (2) there is 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 are downgraded.

Summary Credit Rating Rationale (Continued)

Madrid expects to continue improving financial performance in 2025, with the regional financing deficit of 1.3% of operating revenues versus 2.9% in 2024. The regional deficit remains under control and continues to evolve closer to budget balance, regardless of the capital investments that the region is implementing. We expect the financing position to gradually move towards balance although investments could temporarily deteriorate financing results. Financing results would be affected by the capital investment effort that the region is forecasting to maintain, especially given the marked decrease in EU funds the region will receive from 2025 onwards. Indeed, AIREF expects the regional deficit to broaden slightly to 0.3% of GDP in 2025 to then improve towards 0% deficit in 2026. We expect the regional government's prudent budgeting behaviour and the region's strong growth in tax revenues will mitigate the adverse financial consequences of these investments.

The regional government has approved its 2026 budget, despite some difficulties. The region will increase its social expenditure, primarily towards healthcare, education, and to the disabled. However, the forecast increase of revenues that benefit from the strong economic performance and the higher revenues from the regional financing system will be sufficient to offset expenditure increases besides that the tax reduction policy remains in place. Additionally, projected capital expenditures are around EUR 2.5 billion. The finalization of the RRF in 2026 will pressure the ability of the region to continue current investment efforts, however we believe that the region remains committed to complying with the fiscal rules and that Madrid's strong financial ability to control its expenditure will remain key to maintaining the strong financial performance necessary to keep reducing its indebtedness.

Madrid's debt stock is moderately increasing during 2025 due to its own deficit while debt of its government-related entities is slightly decreasing. At end of October 2025, our adjusted debt stock slightly increased to EUR 41 billion from EUR 40.3 billion at the end of 2024. However, Madrid's debt ratios improved, with adjusted debt-to-operating revenue decreasing to 151% at YE2024 from 169% at YE2023. This is the lowest value over the last 10 years, excluding the debt metrics seen in 2020 and 2021 that were greatly improved thanks to state support in the form of extraordinary revenues received. Madrid's debt ratio of 11.8% at YE 2024 remains substantially below the average for Spanish regions of 21.1%.

Moreover, Madrid's debt could potentially decrease even further than currently expected if the debt relief is implemented. The Spanish government has already issued the draft for the regional debt relief to the parliament and is likely to be voted in H1 2026. Debt relief for each region will depend on the amount of debt accumulated over the period of under-funding from central government. In aggregate, the regional debt will fall by EUR 83.3 billion. If approved, Morningstar DBRS would expect implementation to be completed in 2026. However, its approval could face difficulties given a lack of a clear majority in congress to pass the law. For Madrid, it would amount to approximately EUR 8.6 billion of the region's direct debt. Assuming all other factors remain stable, its adjusted debt-to-operating revenue could improve to the range of 100% to 105% from around 134% in 2024. In addition, debt relief would boost other key financial metrics such as interest expenditure over operating revenue and short-term debt to operating revenues (please see our commentary, [2026 Spanish Regional Outlook: Debt Relief Would Be a Game Changer](#)).

Madrid will continue to combine financing from a mix of bond issuances and bank loans to fund its 2026 funding needs, including access to multilateral funding with European Investment Bank and Council of Europe Development Bank. 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. The region is also committed to maintaining part of its funding needs via sustainable and green bond schemes. As a result, at the end of October 2025, Madrid's bond issuances represented 56% of its debt stock, or EUR 20.3 billion, and 40% of the total bonds outstanding for all Spanish regions. Additionally, the region has established a liquidity toolkit of EUR 2.8 billion to avoid any short-term financing pressure.

The region of Madrid's real GDP grew by 3.6% and 3.5% in 2024 and 2023, above Spain's growth rate of 3.5% and 2.5%. We expect the regional economy to continue growing at or above the national average, thanks to its high employment level, resilient internal demand, and investment that is benefiting from a slight pick-up in the construction sector.

The unemployed population reached lowest level in more than a decade. The unemployment rate stood at 8.0% at Q3 2025, down from 9.7% at Q3 2024, and is lower than the overall unemployment rate in Spain (10.5% at Q3 2025). At the same time, employment grew by 2.7% during last year and reached a record of 3.8 million workers in the region, with 88% working in the services sector. Most 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 high value added, which contributes to productivity gains. The region benefits from the highest GDP per capita in the country, estimated at EUR 44,755 in 2024, 37% above national average.

The financial resources expected from NGEU, including the RRF and REACT-EU funds, should continue to support reforms and investments in the region. Madrid estimates that total revenues to be received from these EU funds will amount to around EUR 3.1 billion, and, as of October 2025, EUR 2.6 billion had been spent since 2020 out of the EUR 3.3 billion already committed. The full implementation of the programme is close to being completed, and we are of the view that the reforms and investments have helped develop the regional economy and are key for the

improvement of potential economic growth in the region, although their full impact is difficult to estimate. 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.

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 expects to continue improving financial performance in 2025, with the regional financing deficit of 1.3% of operating revenues versus 2.9% in 2024. The regional deficit remains under control and continues to evolve closer to budget balance, regardless of the capital investments that the region is implementing. We expect the financing position to gradually move towards balance although investments could temporarily deteriorate financing results. Financing results would be affected by capital investment effort that the region is forecasting to maintain, especially given the marked decrease in EU funds the region will receive from 2025 onwards. Indeed, AIREF expects the regional deficit to broaden slightly to 0.3% of GDP in 2025 to then improve towards 0% deficit in 2026. We expect the regional government's prudent budgeting behaviour and the region's strong growth in tax revenues will mitigate the adverse financial consequences of these investments.

In 2025, the region expects to continue improving its operating performance, with operating revenues net of operating performance increasing to around 4% of operating revenues from 0.5% in 2024 (Exhibit 2). The strong increase of property transfer tax offset the low growth from revenues from the regional financing system mainly due to a much lower settlement than in 2024, around EUR 0.8 billion versus EUR 2 billion (Exhibit 1). Likewise, the limited growth of operating

expenditure contributed to this improvement in operating performance. However, the financing result improvement is somehow limited by the lower capital revenue received from the fading MRR revenues.

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 at EUR 560 million and EUR 640 estimated for 2025, and there are more taxes that the region could put in place in the case of financing need. 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.

Exhibit 1 Madrid Transfers and Deficit Reduction¹

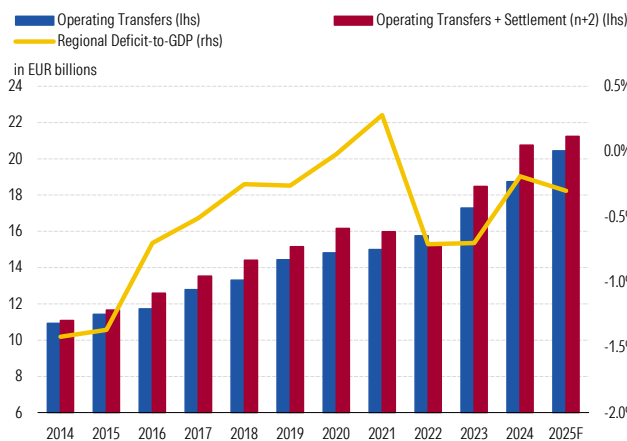
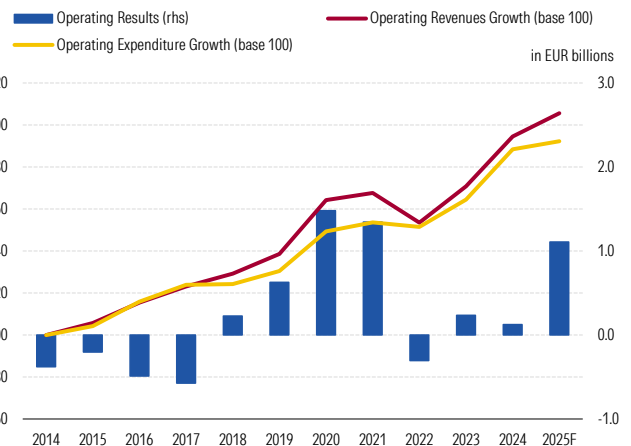


Exhibit 2 Madrid's Operating Results



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

Note: 2025F stands for forecast information or 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 regional government has approved its 2026 budget despite some difficulties drafting the budget given the low visibility of revenues from the regional financing system and expenditure raises subject to central government decisions. For this reason, on the operating expenditure there are extraordinary costs to face because the delayed approval of public servants pay rise in 2025 that will be paid in 2026. The region will increase its social expenditure with main increases in healthcare, education, and to the disabled. However, the forecast increase of revenues that benefit from the strong economic performance and the higher revenues from the regional financing system will be sufficient to offset expenditure increases besides that the tax reduction policy remains in place.

Regarding investments, the region continues with investments over the extension of Metro lines 5 and 11 and the development of a new judicial centre. Projected capital expenditures are around EUR 2.5 billion. The finalization of the RRF in 2026 will pressure the ability of the region to continue current investment efforts, however we are of the view that the region remains committed to complying with the fiscal rules and that Madrid's strong financial ability to control its expenditure

will remain key to maintaining the strong financial performance necessary to keep reducing its indebtedness.

Debt and Liquidity

Madrid's debt stock is moderately increasing during 2025 due to its own deficit while debt of its government-related entities is slightly decreasing. At end of October 2025, our adjusted debt stock slightly increased to EUR 41 billion from EUR 40.3 billion at the end of 2024. However, Madrid's debt ratios improved, with adjusted debt-to-operating revenue decreasing to 151% at YE2024 from 169% at YE2023. This is the lowest value over the last 10 years, excluding the debt metrics seen in 2020 and 2021 that were greatly improved thanks to state support in the form of extraordinary revenues received. Madrid's debt ratio of 11.8% at YE 2024 remains substantially below the average for Spanish regions of 21.1%.

Moreover, Madrid's debt could potentially decrease even further than currently expected if the debt relief is implemented. The Spanish government has already issued the draft for the regional debt relief to the parliament and is likely to be voted in H1 2026. Debt relief for each region will depend on the amount of debt accumulated over the period of under-funding from central government. In aggregate, the regional debt will fall by EUR 83.3 billion. If approved, Morningstar DBRS would expect implementation to be completed in 2026. However, its approval could face difficulties given a lack of a clear majority in congress to pass the law. For Madrid, it would amount to approximately EUR 8.6 billion of the region's direct debt. Assuming all other factors remain stable, its adjusted debt-to-operating revenue could improve to the range of 100% to 105% from around 134% in 2024. In addition, debt relief would boost other key financial metrics such as interest expenditure over operating revenue and short-term debt to operating revenues (please see our commentary, [2026 Spanish Regional Outlook: Debt Relief Would Be a Game Changer](#)).

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. The region is also committed to maintaining part of its funding needs via sustainable and green bond schemes. As a result, at the end of October 2025, Madrid's bond issuances represented 56% of its debt stock, or EUR 20.3 billion, and 40% of the total bonds outstanding for all Spanish regions.

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.

Madrid will continue to combine financing from a mix of bond issuances and bank loans to fund its 2026 funding needs, including access to multilateral funding with European Investment Bank and Council of Europe Development Bank. For instance, 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 did not receive central government's authorisation to take on debt equivalent to its 2024 deficit.

Exhibit 3 Madrid's Debt Structure¹

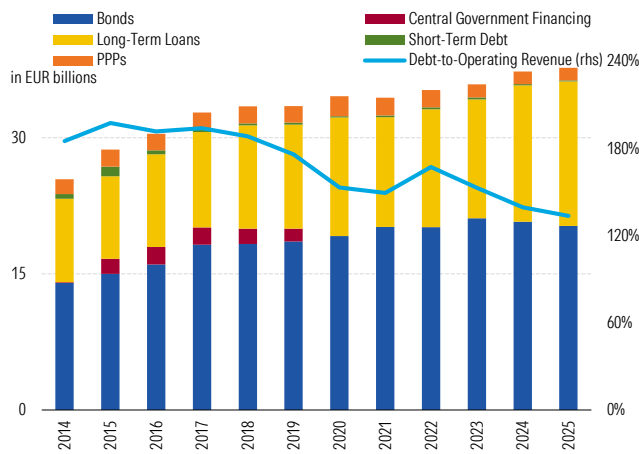
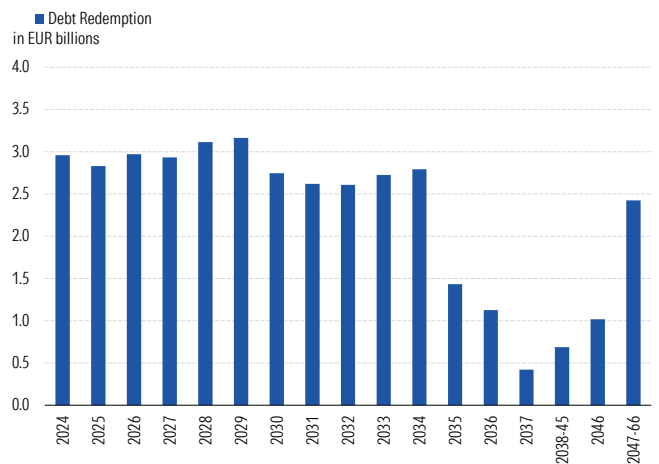


Exhibit 4 Direct Debt Amortisation Schedule as of end of 2024



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 2025 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 7.1 million and a GDP estimated at around EUR 316 billion at the end of 2024, 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. The region of Madrid's real GDP grew by 3.6% and 3.5% in 2024 and 2023, above Spain's growth rate of 3.5% and 2.5% (Exhibit 5). We expect the regional economy to continue

growing at or above the national average, thanks to its high employment level, resilient internal demand, and investment that is benefitting from a slight pick-up in the construction sector.

The unemployed population reached lowest level in more than a decade. The unemployment rate stood at 8.0% at Q3 2025, down from 9.7% at Q3 2024, and is lower than the overall unemployment rate in Spain (10.5% at Q3 2025). At the same time, employment grew by 2.7% during last year and reached a record of 3.8 million workers in the region, with 88% working in the services sector. Most 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 contributes to productivity gains. The region benefits from the highest GDP per capita in the country, estimated at EUR 44,755 in 2024, 37% above national average (Exhibit 6).

Exhibit 5 Real GDP Growth and Unemployment¹

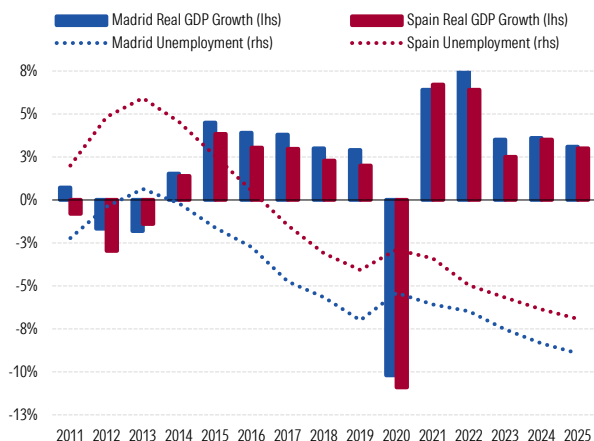
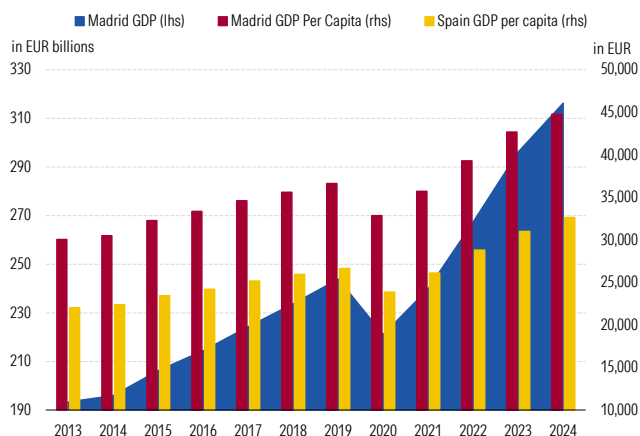


Exhibit 6 GDP and GDP per Capita¹



Sources: Madrid, General State Comptroller, INE, AIREF, Morningstar DBRS.
 1. Madrid 2025 real GDP growth are estimates from AIREF.

Tourism activity in Madrid has fully recovered from drop in tourism that followed the pandemic and remains stable at high levels of activity. Tourist arrivals (domestic and foreign) at hotels remained stable up to september 2025 after an annual growth of 5% as of YE2024. At the same time, the overnight stays grew by 6% annually as of YE 2024 and it continued to grow around 2.5% from January to September 2025 versus the same period of 2024. The post-pandemic recovery in tourism has been stronger nationally than in Madrid, but the recovery of the region's tourism activity is positive for Madrid. However, the good performance of the sector is not the main character of services sector' growth in 2024 and 2025, high-value-add sectors such IT and finance also 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. In the region's housing market, the house price index from the Instituto Nacional de Estadística (INE) grew by 8.7% in the first half of 2025, versus 5.9% in the first half of 2024. The steep rise in property prices during the last few years, is affected by a low rate of construction that is exacerbating the very low supply of housing. At the same time, the number of transactions from January to August 2025 increased by

12% versus the same period in 2024 and continue growing after a short period of decreases in 2023 caused by the increase of interest rates. This recent evolution has been important for the financial performance of the region since its collection of property transfer taxes grew considerably during the last two years.

The financial resources expected from NGEU, including the RRF and REACT-EU funds, should continue to support reforms and investments in the region. Madrid estimates that total revenues to be received from these EU funds will amount to around EUR 3.1 billion, and, as of October 2025, EUR 2.6 billion had been spent since 2020 out of the EUR 3.3 billion already committed. The full implementation of the programme is close to being completed, and we are of the view that the reforms and investments have helped develop the regional economy and are key for the improvement of potential economic growth in the region, although their full impact is difficult to estimate. 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.

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)	243,889	221,062	239,838	267,386	296,083	316,242
Real GDP growth (%)	2.9	-10.2	6.4	8.2	3.5	3.6
Unemployment rate (annual) (%)	10.6	12.5	11.7	11.2	10.0	9.0
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 (%)	13.7	15.7	14.3	13.0	12.1	11.8
Short-term debt ²	3,116	2,768	3,094	2,842	3,121	2,994
Short-term debt-to-operating revenues (%) ²	16.4	12.3	13.4	13.5	13.3	11.2
Adjusted debt stock ³	35,431	36,190	35,995	37,003	39,704	40,309
Adjusted debt-to-operating revenues (%) ³	186.2	160.5	156.4	175.6	169.4	150.9
Adjusted debt-to-GDP (%) ³	14.5	16.4	15.0	13.8	13.4	12.7
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 (%) ⁴	-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 Short-term debt includes short-term debt as well as long-term debt falling due within the next 12 months.

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

4 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: $1.00 \leq \text{score} < 2.25$; Moderate risk: $2.25 \leq \text{score} < 3.5$; Higher risk: $3.5 \leq \text{score} < 5.00$.

Sources: Morningstar DBRS' methodologies [Rating European Sub-Sovereign Governments](#) (August 2025) 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	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	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	N
	Will recent regulatory changes have an impact on economic resilience or public finances?	N	N	N
	Carbon and GHG Costs	N	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	N
	Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N	N
	Resource and Energy Management	N	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	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	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	N
Social		Overall:	Y	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	N
	Are labour or social conflicts a key source of economic volatility?	N	N	N
	Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N	N
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N	N
	Human Capital and Human Rights	N	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	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	R
Governance		Overall:	N	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	N
Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N	N
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N	N
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N	N
	Institutional Strength, Governance, and Transparency	N	N	N
Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N	N
	Is the government's authority over certain regions contested by domestic or foreign militias?	N	N	N
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N	N
	Peace and Security	N	N	N
Passed-through Governance credit considerations	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	N
Consolidated ESG Criteria Output:		Y	R	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 Energy, Climate and quality of air 2023–30.

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 44,755 or approximately 137% of the national average in 2024. 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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