



Comunidad de Madrid



374 - 280
Castellana



Investors Presentation

Normative protection of Debt payment



The Community of Madrid's debt is included in the scope of State debt

- *Article 135 of the Constitution states ...*
- ***". Loans to meet payment on the interest and capital of the State's Public Debt shall always be deemed to be included in budget expenditure and may not be subject to amendment or modification as long as they conform to the terms of issue."***

In terms of Organic Law

Article 14.5 of the Law on Financing of the Autonomous Communities states:

"The public debt of the autonomous communities and the securities of an equivalent nature issued by them shall be subject, to the same rules and shall enjoy the same benefits and conditions as the Public Debt of the State" .

Article 14 of the Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability provides:

"The payment of interest and principal on the debt of public administrations shall have absolute priority over any other expenses"

In practice, the Spanish Government has provided financial support to regions that have experienced budgetary difficulties or access to the financial market

- ✓ *Since 2012 the Treasury has implemented mechanisms such as the FLA (Autonomous Liquidity Fund) and FFPP (Payment Provider Fund) to provide liquidity to the regional governments and local authorities to enable them to cope with their payment obligations (Royal Decree-Law 17/2014). Ultimately, the Government of Spain is the ultimate guarantor of debt amortization.*



The community of Madrid: Total Debt



The total debt of the Community of Madrid (ESA 2010) (*)

€33,270 bn

DEBT DISTRIBUTION	€ Millions
General Administration	32,938
Other Entities included in the Public Administration Sector	332
Total Debt (4 Q 2018)	33,270



* The latest data published by Bank of Spain (3Q 2018)

Rating and debt ratios



	Moody's	S&P	Fitch	DBRS
Current Rating	Baa1	BBB+	BBB	A-
Outlook	Stable	Positive	Stable	Stable
Date	04/17/2018	11/09/2018	12/21/2018	02/01/2019

Ratios (%)	Community of Madrid				National Total			
	2015	2016	2017	2018 4Q	2015	2016	2017	2018 4Q
Debt/GDP	14.0	14.4	14.9	14.6	24.4	24.8	24.7	24.3
Debt per Capita (euros)	4,456	4,722	5,040	5,080	5,690	5,983	6,197	6,305
Debt/ Current Income	192.3	186.6	185.0	182.6	200.5	209.9	203.2	199.2
Debt Burden/ Current Income	26.0	15.9	15.4	16.7	20.5	20.1	19.6	25.0
Weighted Average Cost	2.79	2.41	2.27	2.16	3.12	2.77	2.55	2.54

LCR (Liquidity Coverage Requirement): NIVEL 1 EUROCLEAR.ECB

The Cost of debt under control

The average cost of Comunidad de Madrid is 2.20%
The average cost of debt Spanish Treasury is 2.42% (last information published for Tesoro Público)



The main characteristics of the debt



a. Debt composition

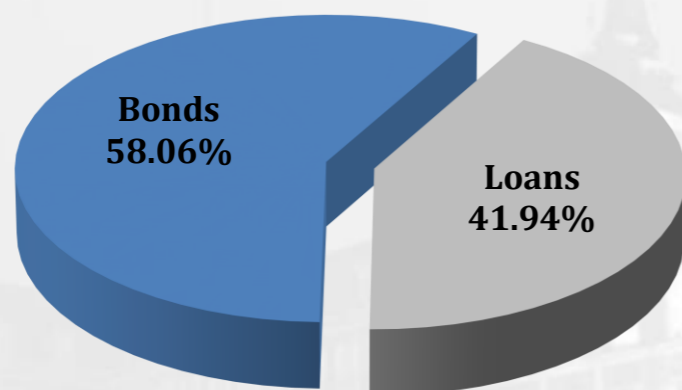
b. Evolution of debt structure

c. Maturities profile

d. Average life

e. Average cost

Distribution bonds/loans



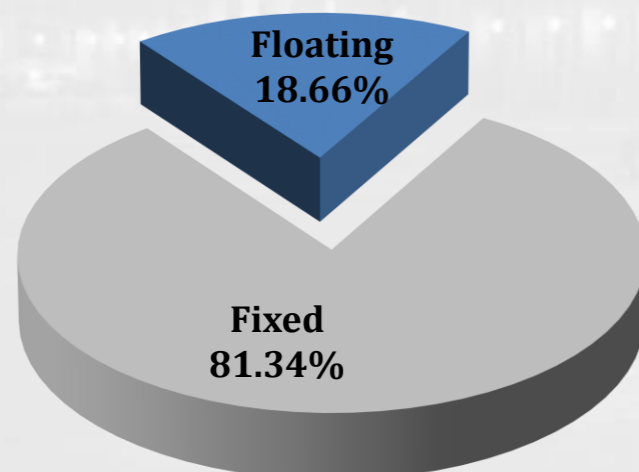
Loans	
Type	%
Public entities	36.11
Private entities	63.89
Total % Loans	41.94

Bonds	
Type	%
Euro	100.00
Foreign currency	0.00
Total % Bonds	58.06

Currency distribution

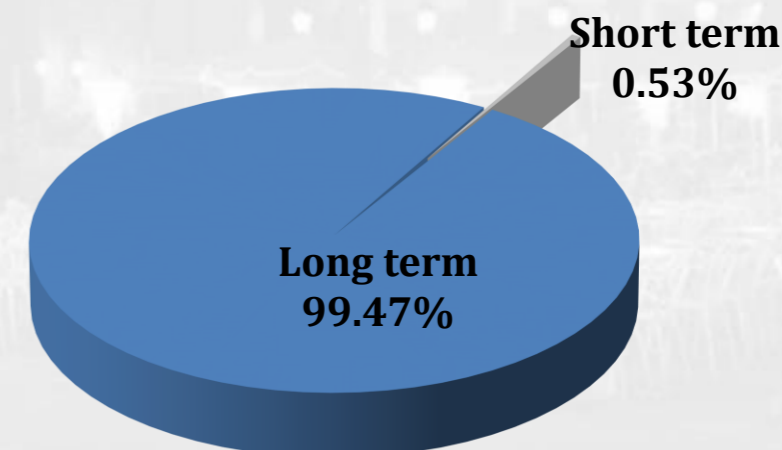


Distribution fixed/variable



A commitment to fixed-rate issuances is a strength:
 Reducing risks.
 Reducing volatility when making payments.

Maturity Distribution



The main characteristics of the debt



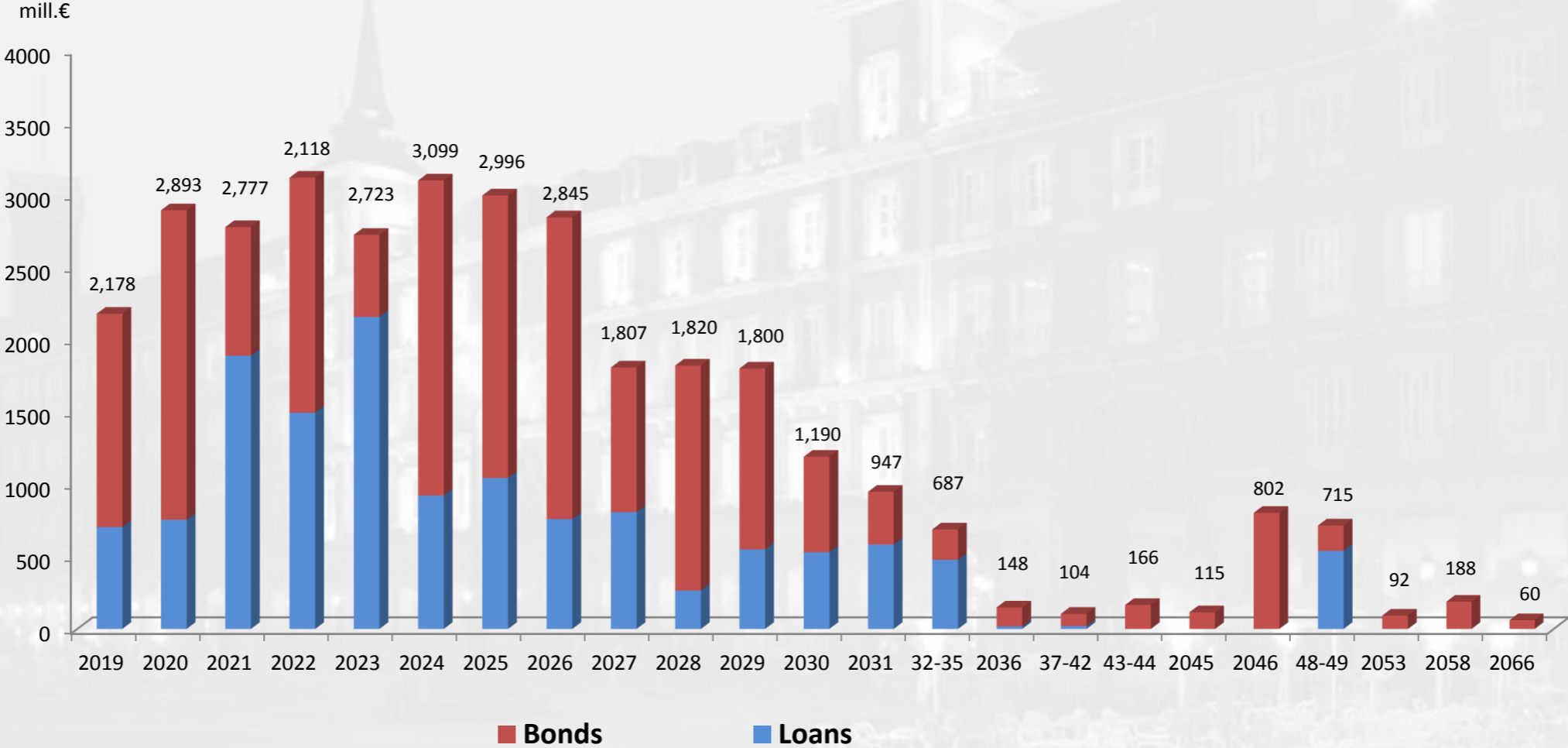
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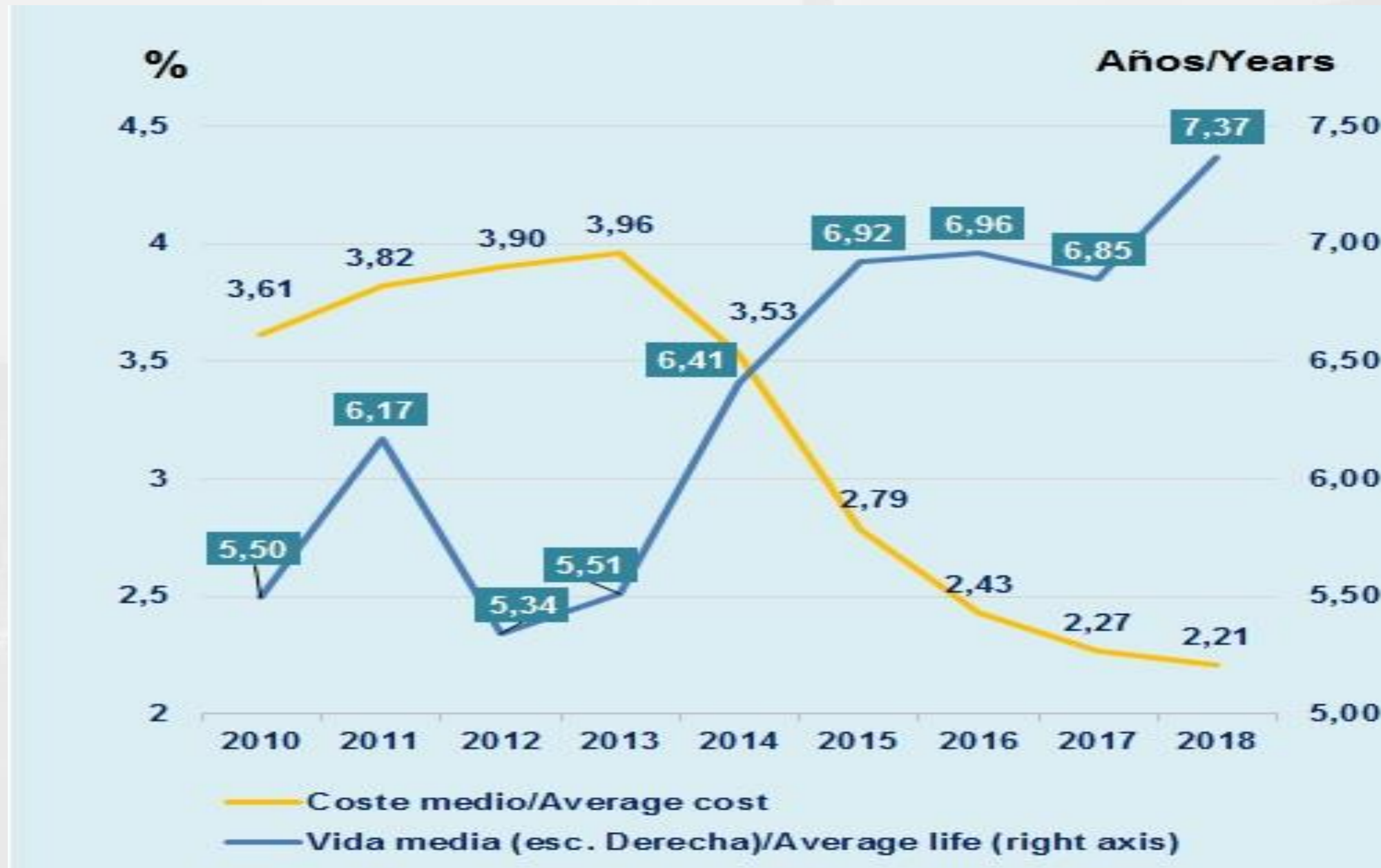


The average maturity of debt is 6.56 years
 The average life of Spanish Treasury outstanding debt is 7.46 years (last information published by Tesoro Público)



Source: Comunidad de Madrid and Secretaría General del Tesoro y Financiación Internacional

Average cost and average life



Gross financing needs 2019



Refinancing of long-term debt redemptions in 2019

2,582
MM

Negative settlement 120 monthly payments (DA 36th, Law 2/2012, 29 June)

55
MM

Target deficit (over GDP) in 2019: 0.1%

239
MM

Agencia Vivienda Social, long term debt

83
MM

**GROSS FINANCING
NEEDS 2019**

2,959
MM

TOTAL ISSUED 2018: 2,992 MM





Comunidad de Madrid: 2019 Debt Strategy

- 1 *To issue Sustainable Bonds (over € 500 millions issuances)*
 - *Maturity 10-15 years*
 - *The issue complies with the Green Bonus Principles and the Social Bond Guidelines, and is aligned with a large number of United Nations Sustainable Development Goals (ODS).*
- 2 *To smooth the maturity profile in the long term.*
- 3 *To manage debt liability.*
- 4 *Preference for Bonds over Loan agreements.*

2019 Transactions



a. Maturity

b. Distribution

2019 Issues and Loans

Operation	€ mill.	Settlement date	Maturity date
Public Issue	1,250,000,000.00	02/14/2019	04/30/2029
Retap	38,000,000.00	03/05/2019	10/22/2058
Loan	65,000,000.00	03/12/2019	03/12/2049
Loan	300,000,000.00	03/13/2019	03/13/2031
Loan	50,000,000.00	03/14/2019	03/14/2030
Loan	100,000,000.00	03/14/2019	03/14/2030
Loan	100,000,000.00	03/15/2019	03/15/2031
Loan	97,000,000.00	03/15/2019	03/15/2031
Private Issue	175,000,000.00	03/18/2019	10/31/2049
Loan	25,000,000.00	03/18/2019	10/31/2049
Loan	220,000,000.00	03/29/2019	03/29/2030
Loan	53,000,000.00	04/05/2019	04/05/2029
Total	2,473,000,000.00		

Moderate interest rate

10-40 years maturity

The average cost for 2019 is 1.68%
and the average maturity es 13.26
years



2019 Transactions

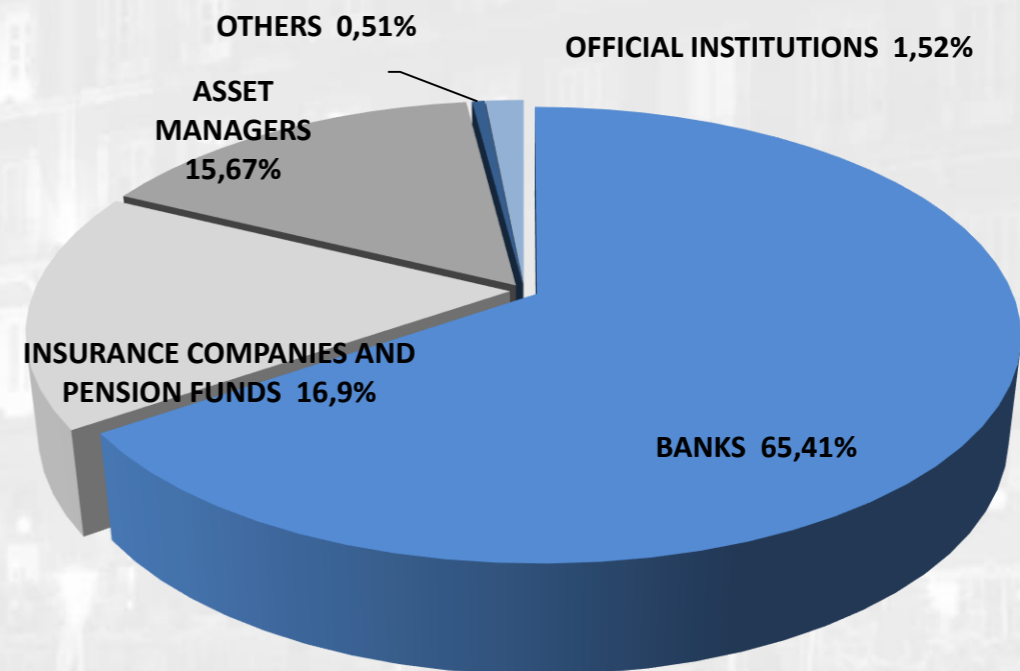
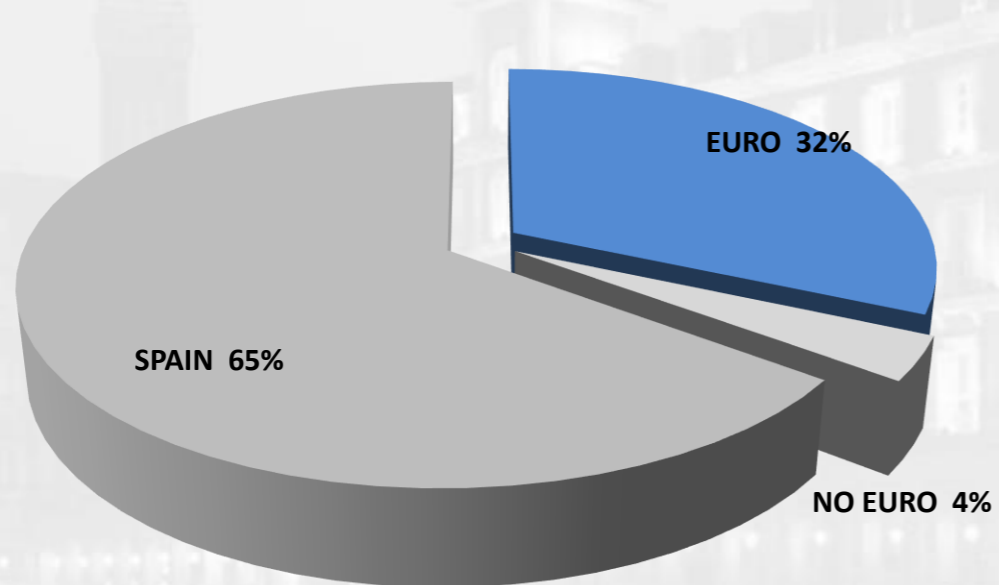


a. Maturity

b. Distribution

2019 INVESTORS RESIDENCE DISTRIBUTION

TYPE OF INVESTOR DISTRIBUTION



TOTAL AMONT 2,473,000,000 EUROS



Source: Comunidad de Madrid

2018 Transactions



a. Maturity

b. Distribution

2018 Issues and Loans			
Operation	€ mill.	Settlement date	Maturity date
Loan	75,000,000	01/22/2018	01/22/2030
Loan	100,000,000	01/23/2018	01/23/2030
Loan	25,000,000	01/24/2018	01/24/2027
Loan	150,000,000	01/24/2018	01/24/2029
Loan	340,000,000	01/29/2018	01/29/2032
Loan	36,000,000	02/05/2018	02/05/2033
Loan	65,000,000	02/06/2018	02/06/2028
Loan	10,000,000	02/05/2018	02/05/2028
Loan	39,000,000	02/05/2018	02/05/2028
Loan	75,000,000	02/06/2018	02/06/2029
Retap	385,000,000	02/20/2018	05/03/2046
Public Issue	1,000,000,000	02/23/2018	04/30/2028
Loan	200,000,000	03/16/2018	03/16/2048
Loan	250,000,000	04/27/2018	04/27/2048
Private Issue	92,000,000	10/10/2018	11/10/2053
Private Issue	150,000,000	10/22/2018	10/22/2058
Loan	70,000,000	12/14/2018	12/14/2027
Total	3,062,000,000.00		

Moderate interest rate

10-40 years maturity

The average cost for 2018 is 2.10%
and the average maturity es 18 years



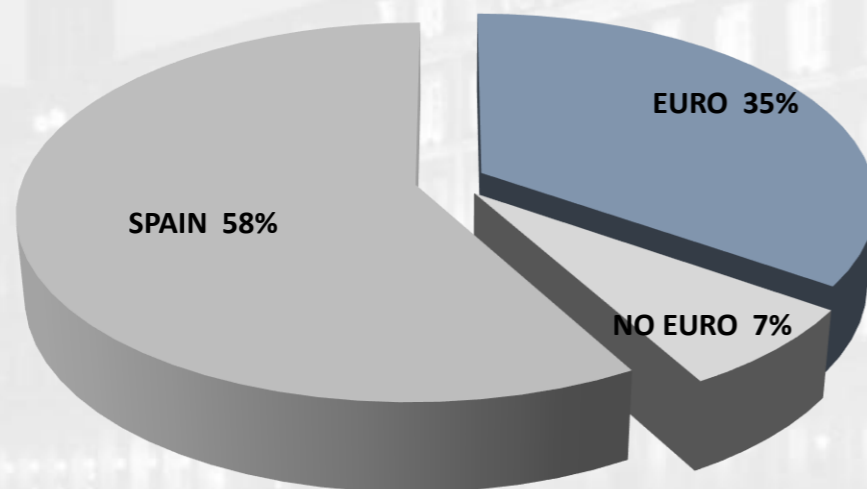
2018 Transactions



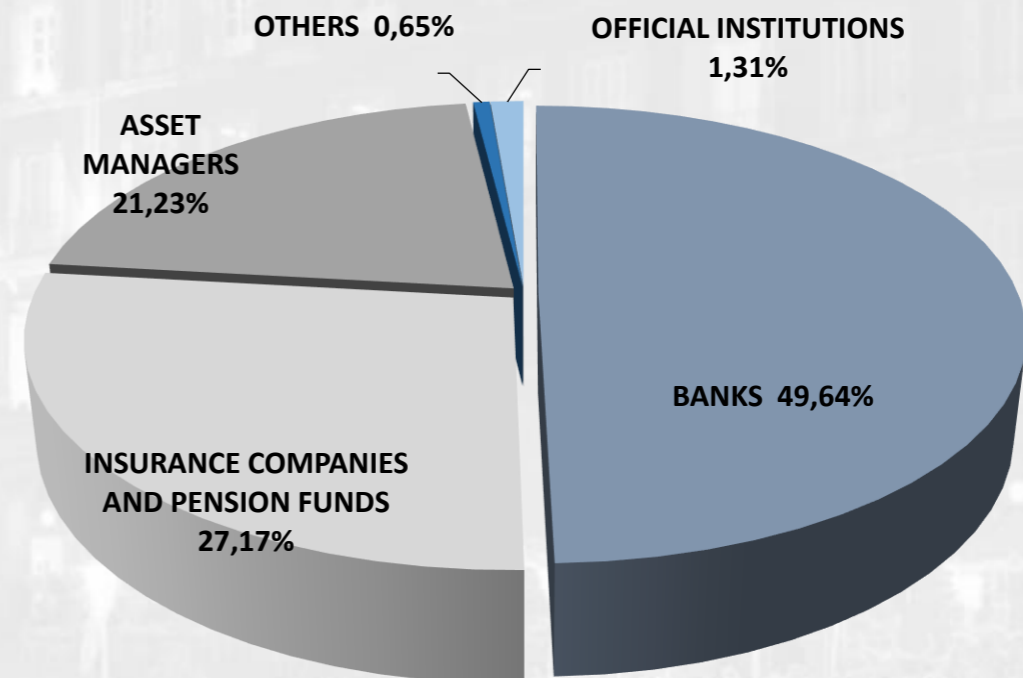
a. Maturity

b. Distribution

2018 INVESTORS RESIDENCE DISTRIBUTION



TYPE OF INVESTOR DISTRIBUTION



TOTAL AMONT 3,062,000,000 EUROS



Source: Comunidad de Madrid

Comunidad de Madrid: Benchmark Transactions



Benchmark Transactions					
Operation date	Term	Maturity	€ mill.	Coupon	Spread
January 2013	5 years	February 2018	1,000.00	5.75%	T+190 bp
January 2014	5 years	April 2019	1,400.00	2.875%	T+49 bp
February 2014	10 years	May 2024	1,600.00	4.125%	T+57bp
July 2014	9 years	July 2023	546.00	2.875%	T+38 bp
February 2015	10 years	April 2025	1,400.00	1.826%	T+19 bp
March 2015	15 years	March 2030	500.00	2.08%	T+27 bp
May 2015	7 years	May 2022	500.00	1.189%	T+28 bp
May 2016	5 years	May 2021	700.00	0.727%	T+27 bp
August 2016	15 years	August 2031	48.00	1.785%	T+40pb
September 2016	8 years	September 2024	500.00	0.997%	T+26 pb
February 2017	10 years	April 2027	1,000.00	2.146%	T+38 bp
April 2017	5 years	April 2022	700.00	0.747%	T+29bp
February 2018	10 years	April 2028	1,000.00	1.773%	T+23bp
February 2019	10 years	April 2029	1,250.00	1.571%	T+21bp

Common features of these operations:

- Extraordinary investor`s response.
- Strong support from international investors.
- Outstanding quality of the orderbook: Real money investors drove demand.
- High international support, very well diversified in geographical terms.



Source: Comunidad de Madrid

Debt issuance Procedure: Public issue (I)



Authorizations

- Authorization from the Regional Government.
- Authorization from the Central Government.

Contact with Investors and Financial Institutions

- Continuous contact is maintained with investors and financial institutions, indicating deadlines, levels and amounts in which Comunidad de Madrid has more interest.
- Instructions to a group of institutions that are selected taking into account those which have realized higher amounts of private placements with Comunidad de Madrid, as well as those which have participated successfully in public issue of equivalent terms of the Treasury; FADE, ICO, FROB and even private companies. If market conditions are good the transaction will carry out.
- Range price formation. The syndicate, in communication with Comunidad de Madrid, sets a price range to trade the issue within the agreed timeframe with Comunidad de Madrid; the eventual commission to be received by the syndicate is discussed, and on the issue date, Comunidad de Madrid informs via email of the roles to be played by each one of the participants of the group and seeks the approval of the syndicate.
- On the scheduled issue date, the transaction is announced on the trading screens of Bloomberg and Reuters in order to capture the attention of investors.
- The order book is opened.
- The order book is closed.

Fixing of Issue Price

- Once the bonds have been allotted to the investors who have recorded orders in the book, a time is announced to fix the issue price; at the scheduled time, a joint call for fixing the price is made. Once Comunidad de Madrid and all banks are connected online with the screens of Bloomberg, the transaction is priced in accordance with the agreed terms in the Termsheet, based on the Treasury references. Fixing the issue price, coupon and IRR for the transaction. A first simulation of the relevant calculations is made.

Documentary Process

- Sending the final Termsheet, with the terms and conditions of the transaction that has just been established, to his approval. At this stage, a distribution by type of investor and nationality is requested. At this point, the institution that has been assigned this role, advises Bloomberg of the price, date, coupon, and ISIN code for the transaction.
- Preparation internal report to be signed by the Managing Director of Financial Policy, Treasury and Real Estate and then sent out to our Legal Services.
- Legal Service, in accordance with the terms of the report, applies for the corresponding ISIN code to the Bank of Spain and prepares the transaction authorization order to be signed by Regional Minister of Economy and Finance once it has been examined by the Intervención Delegada de Tesorería.
- The Orden is published in the BOCM at least two days before payment takes place, since during this period of time the Bank of Spain must be advised of the list of subscribers and the application for the credit of securities; this Order becomes the Prospectus for the public issue. Letters are also sent to the rating agencies in order to request a specific rating for the transaction in question, that is submitted to the subscribing institution.
- At the same time, over this period, Legal Services, along with the Financial Institution, prepare the Contract which is signed the day before disbursement day and requires a preparatory report by Legal Services and by the Intervención Delegada de Tesorería. That Contract:
 - Is a subscription contract.
 - Is excluded from the scope of Law 30/2007, of 30 October, on Public Sector Contracts.

Disbursement :T+7

- Disbursement :T+7
- At this stage, the rating letters from the rating agencies are submitted to the subscribing institution.



Debt Issuance Procedure.

Private placement or retap (II)



Authorizations

- Authorization from the Regional Government.
- Authorization from the Central Government.

Contact with Investors and Financial Institutions

- Continuous contact is maintained with investors and financial institutions, and the communications indicate that Comunidad de Madrid has the necessary authorizations to execute financial transactions, as well as the deadlines, levels and minimum amounts that interest us.
- A specific offer is submitted by an investor or financial institution which should have been assigned a code by the Bank of Spain (Banco de España); for this reason, sometimes the operation is carried out through a bank that has been assigned such code and functions as an intermediary.
- The offer submitted is then studied by means of an indicative termsheet, in which key elements that must be included are:
 - Amount
 - Pricing date
 - Date of disbursement
 - IRR all-in (including all commissions), indicating the Treasury reference levels.

Fixing of Issue Price

- Once the operation has been internally approved, taking into account the financial strategy of Comunidad de Madrid, the pricing time is fixing with the financial institution.
- On the day and agreed time for pricing, the financial institution contacts by telephone with Comunidad de Madrid in order to establish the price.
- Connected online with the screens of Bloomberg, and in accordance with the terms established in the indicative Termsheet, a first simulation of the relevant calculations is made, and if the parties agree, the transaction is established in a real way.

Documentary Process

- The final Termsheet, with the terms and conditions of the transaction that has just been established, is submitted to the issuer for his approval. At this stage, a distribution by type of investor and nationality is requested. At this point, the financial institution advises Bloomberg of the amount, coupon, maturity date and ISIN code for the transaction.
- Preparation Internal Report to be signed by the Managing Director of Financial Policy, Treasury and Real Estate.
- Legal Services, in accordance with the terms of the Report, applies for the corresponding ISIN code to the Bank of Spain (provided that the transaction is not a reopening) and prepares the authorization order to be signed by the Regional Minister of Economy and Finance, once it has been examined by the Intervención Delegada de Tesorería.
- The Order is published in the BOCM at least two days before payment takes place. Bank of Spain is advised of the list of subscribers and the application for the credit of securities. This Order becomes the Prospectus for the private placement. Letters are also sent to the rating agencies in order to request a specific rating for the transaction in question, that is submitted to the subscribing institution.
- At the same time, over this period, Legal Service, along with the Financial Institution, prepare the Contract which is signed the day before disbursement day and requires a preparatory report by Legal service and by the Intervención Delegada de Tesorería. Said Contract:
 - Is a subscription contract.
 - Is excluded from the scope of Law 30/2007, of 30 October, on Public Sector Contracts.

Disbursement (T+6)

- Disbursement: T+6
- At this stage, the rating letters from the rating agencies are submitted to the subscribing institution.





Contact



- www.madrid.org/relacionesconinversores
- www.madrid.org/investorrelations

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