



CONSEJERÍA DE HACIENDA Y FUNCIÓN PÚBLICA

Comunidad de Madrid



INVESTOR PRESENTATION



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CONSEJERÍA DE HACIENDA Y FUNCIÓN PÚBLICA

Comunidad de Madrid

I. MACRO OUTLOOK 2019 AND FORECAST 2020



Economic growth

The Comunidad de Madrid's economy is still growing vigorously, extending its dynamism for a period that already reaches four and a half years. Its GDP growth rate is above 2,5% during this period.



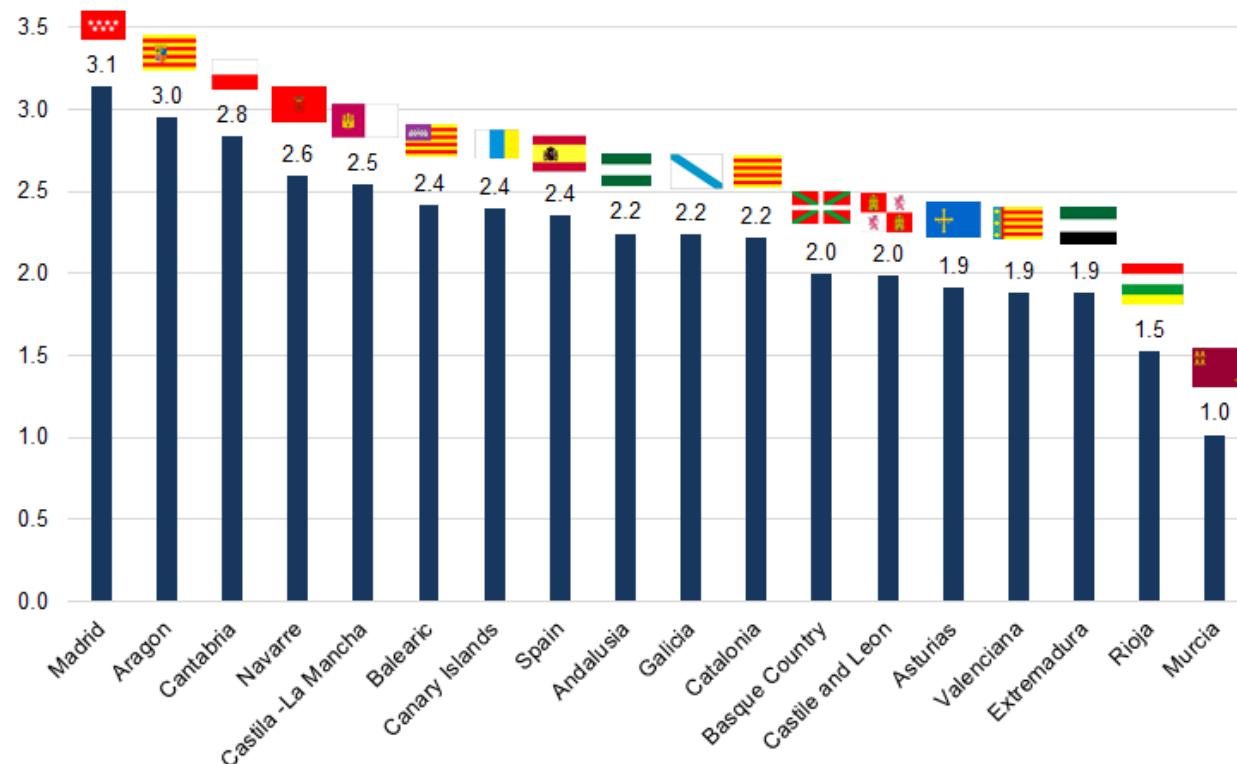
Madrid generates 19.2% of national GDP with 14.1% of the population

	POPULATION	% Total	GDP	% Total
C. MADRID	6.587	14,10%	230.794.788	19,20%
SPAIN	46.729	100%	1.202.193.000	100%

Real GDP

In 2018, the Comunidad de Madrid grew at the greatest rate in comparison with other regions (+3,1%).

Real GDP by CC.AA. (%) in 2018



Source: INE





GDP performance 3.0% (*)

YoY 2019

Leader in the
creation of
companies

Leader in the
attraction of
investors

Unemployment rate
below 10%

Record figures in
foreign trade



+0.6%
QoQ Q4 (*)

+2.7%
YoY Q4 2019
(*)

GDP
recovery to
pre-crisis
level

Highest GDP
per capita in
Spain

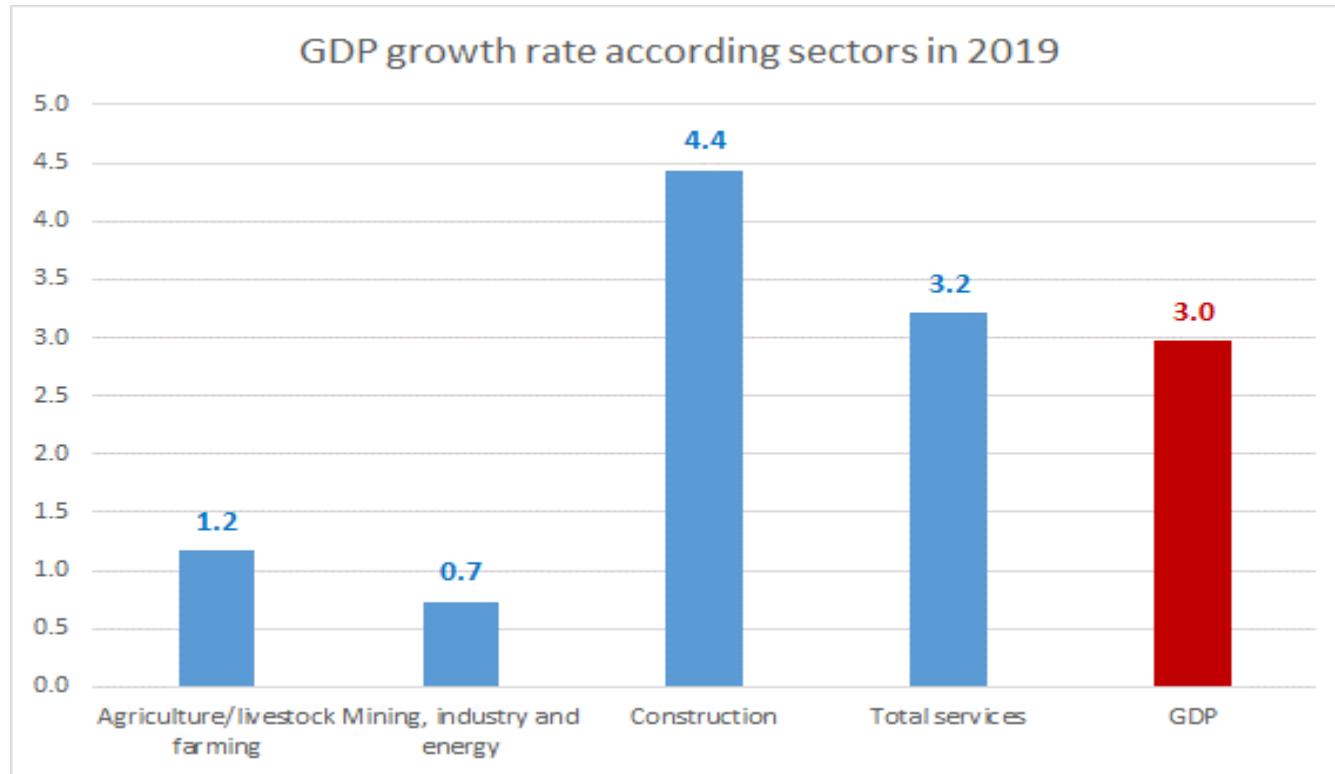
(*) Source: Region of Madrid Statistics Institute 2019 forecast



2019 Annual Summary

GDP growth for the Comunidad de Madrid in 2019 is expected to increase 0.6 pp above the GDP growth for Spain.

All economic sectors are expected to post positive figures during the year.



(*) Source: Region of Madrid Statistics Institute 2019 forecast



Economic sectors 2019

Services
expected to
increase by
3.2% (*)

Industry
expected to
increase by
0.7% (*)

Construction
expected to
increase by
4.4% (*)

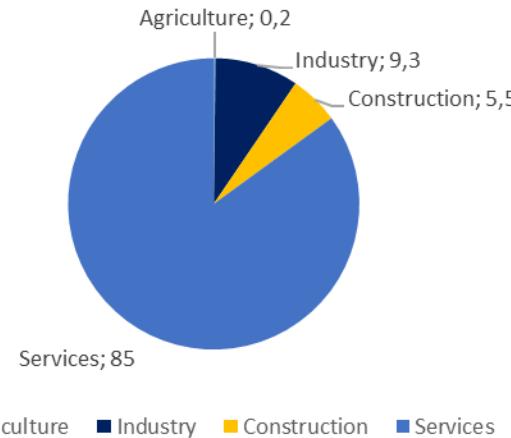
Agriculture
expected to
increase by
1.2% (*)



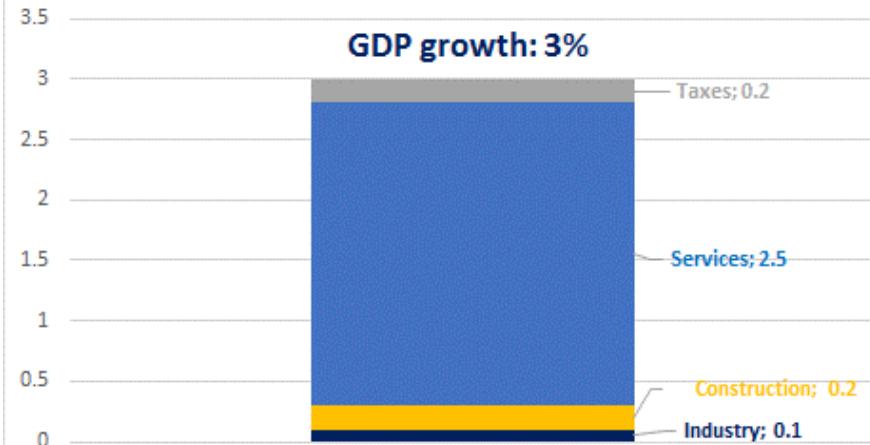
Sectoral structure of the Comunidad de Madrid

Sectorial Structure of Comunidad de Madrid

2019

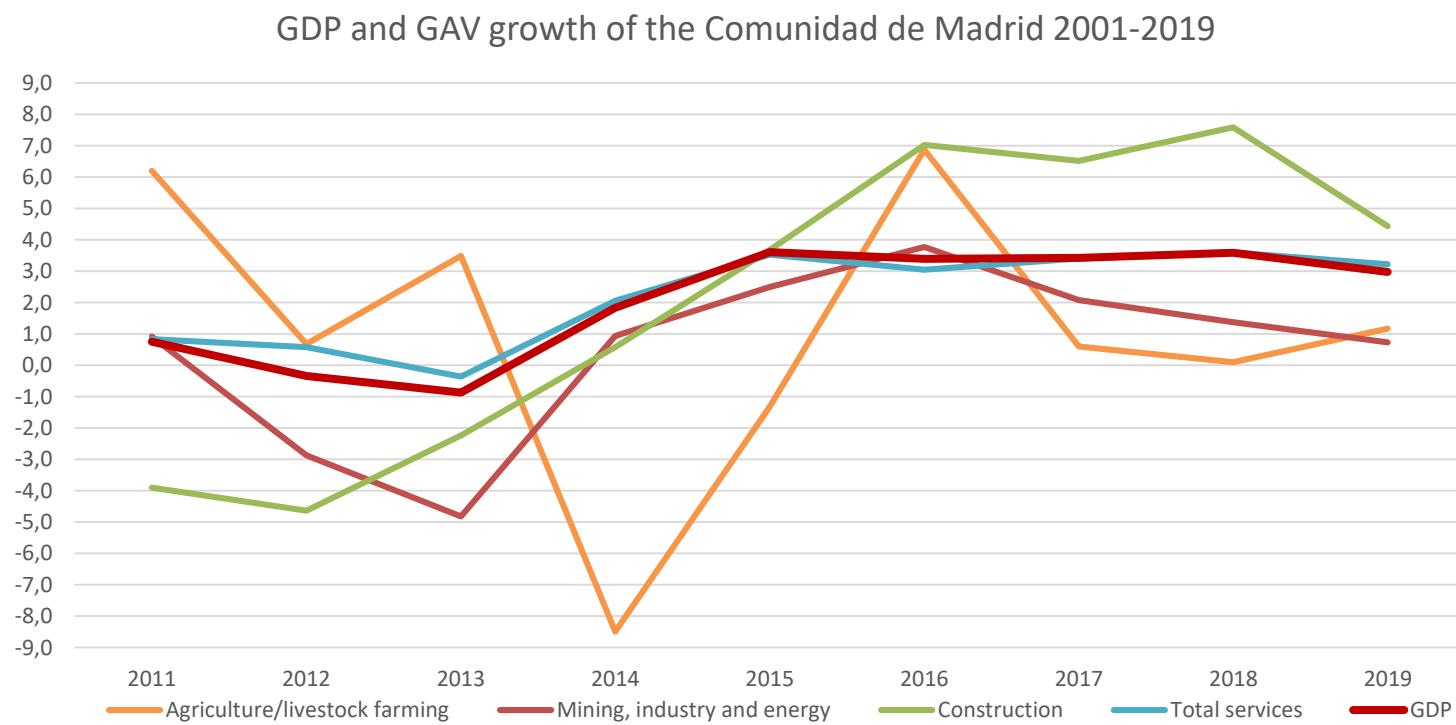


Contribution to GDP growth in 2019



Economic performance 2011-2019

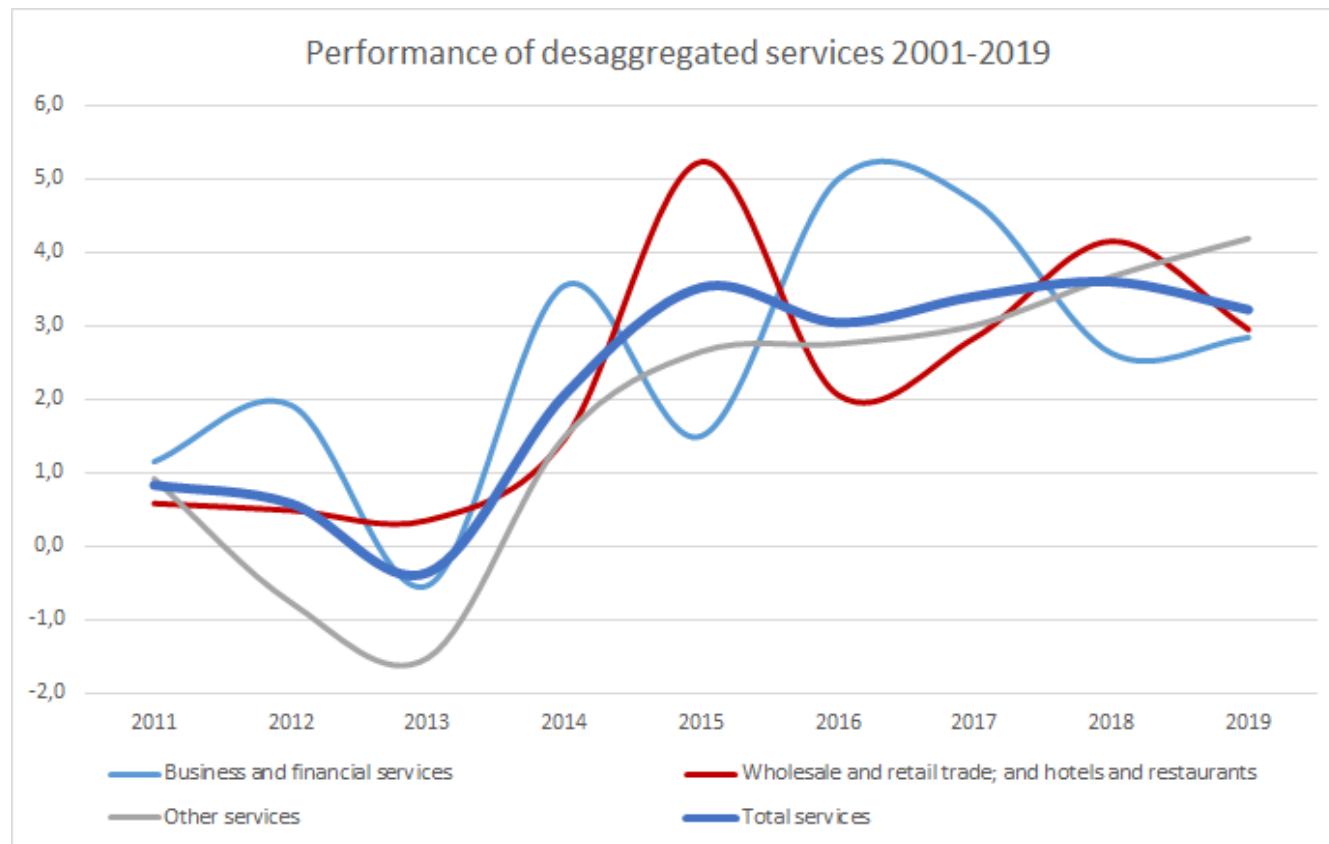
Comunidad de Madrid has been growing above 3% in the 2015-2018 period. In 2019 we expect Madrid to lead again the regional GDP growth.



The regional service sector QoQ evolution

Business and financial services, which represent about half of services production, are expected to grow by 2.8% in 2019.

Wholesale & retail trade and hotels & restaurants, which represent 28,5% of services, are expected to grow by 3.0% in 2019.



(*) Source: Region of Madrid Statistics Institute 2019 forecast



Demand and investment 2019

Regional
demand
increased by
2.4% (*)

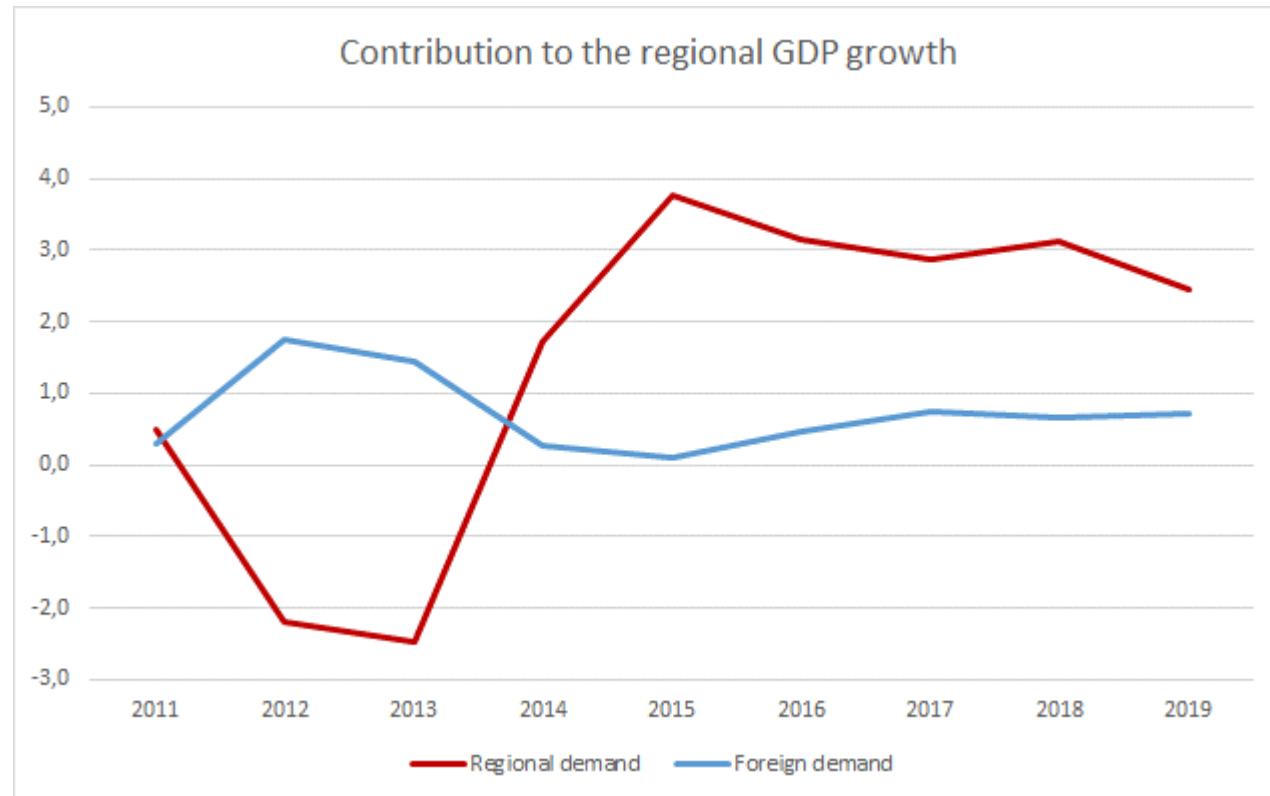
Investment and
consumption
increased

Strong
domestic
demand

Regional demand in 2019

Regional demand expected to grow by 2.4% YoY in 2019, implying a contribution to the GDP growth of 2.3 p.p.

Foreign demand expected to increase by 4.6% YoY in 2019, which would imply a contribution to the GDP growth is 0.7 p.p. This figure has been consistently positive since 2011.



Business and foreign investment

Madrid leads the
creation of
business

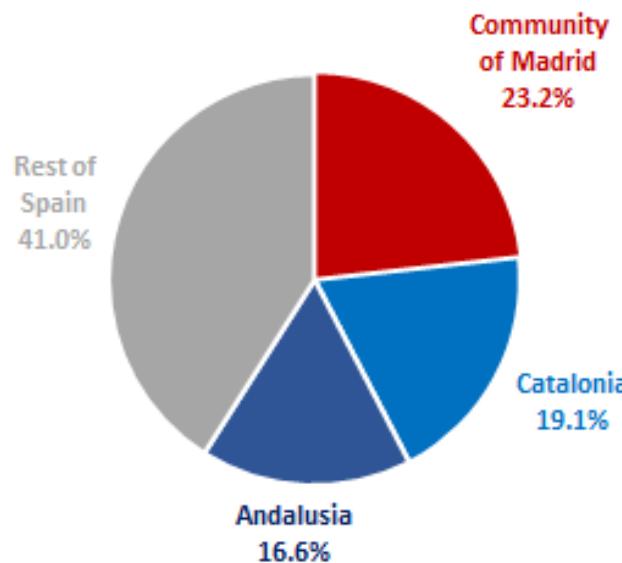
65.6% of foreign
investment

Madrid leads the creation of business in 2019

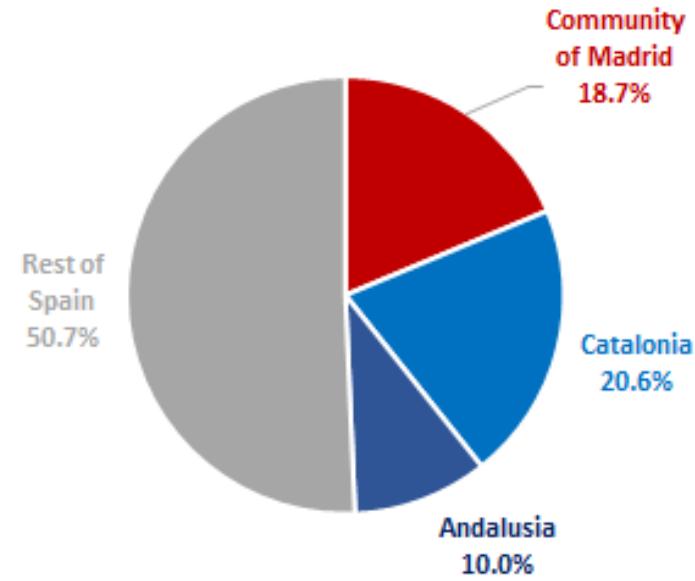
One out of five created companies in Spain is located in the Comunidad de Madrid (23.2%). In 2019, 21.791 new businesses were created in the Community of Madrid.

This new businesses's subscribed capital is 18.7% of total.

Business created in 2019



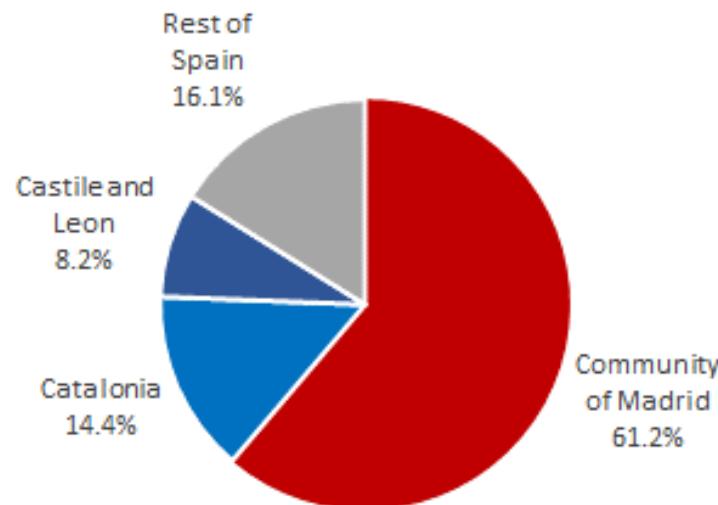
Subscribed capital in 2019



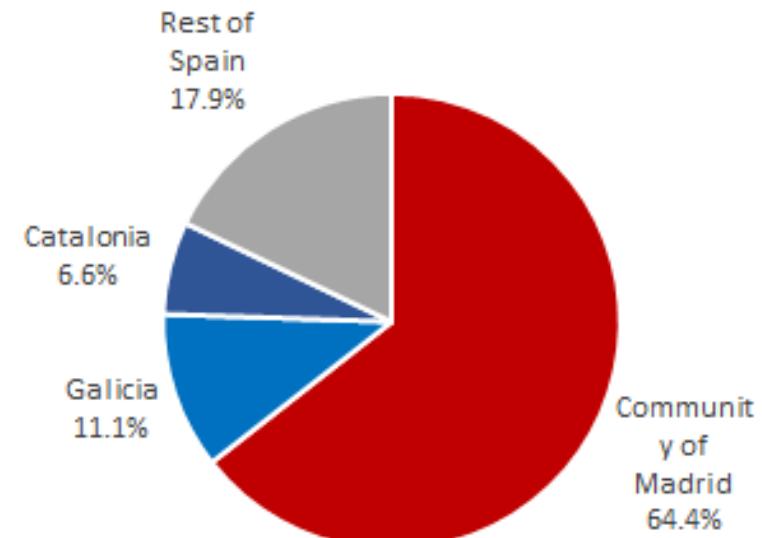
Madrid attracts 61.2% of total foreign investment in Spain in 2019

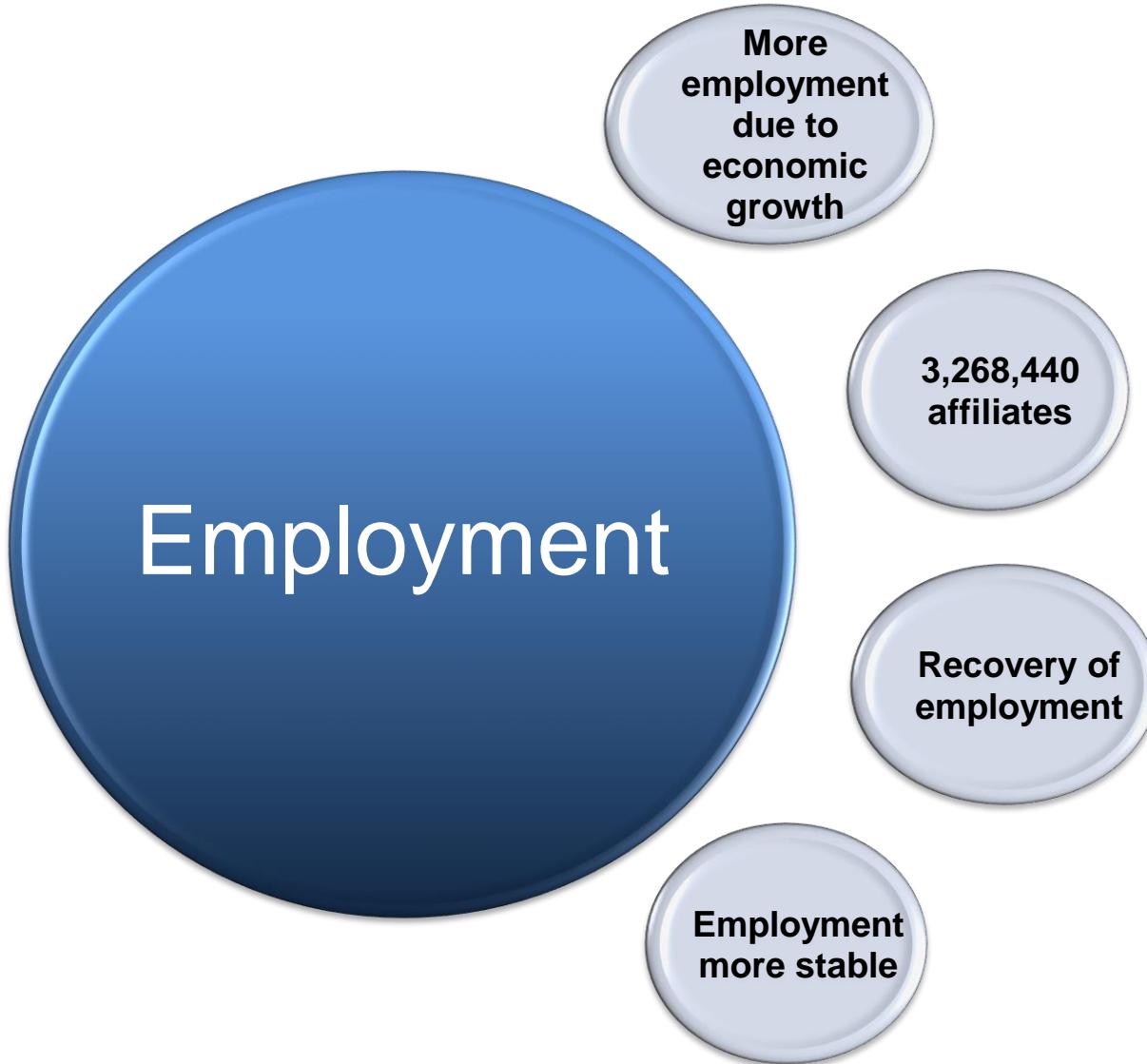
During 2019, Comunidad de Madrid received €13.7 billions of foreign investment.

Foreign investment received



Foreign investment issued

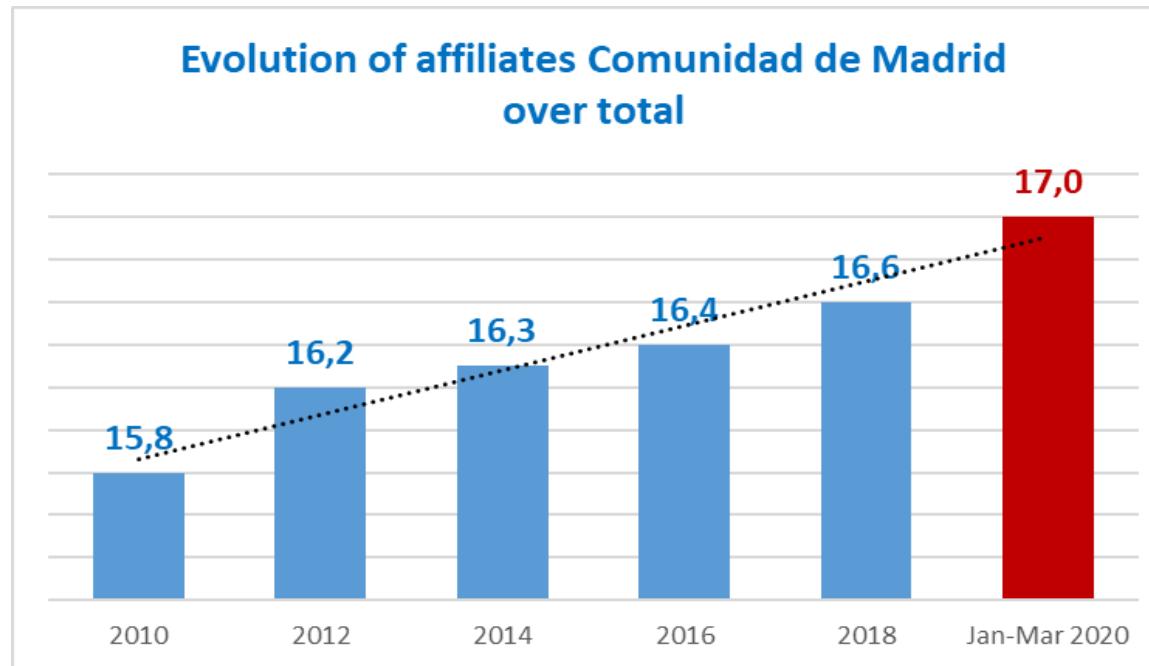




Employment keeps a favourable trend so far.

Comunidad de Madrid has 3,226,991 affiliates to the Social Security. This figure is the highest since 2004. Last year, the number of affiliations increased by 17,768 (+0.6% YoY).

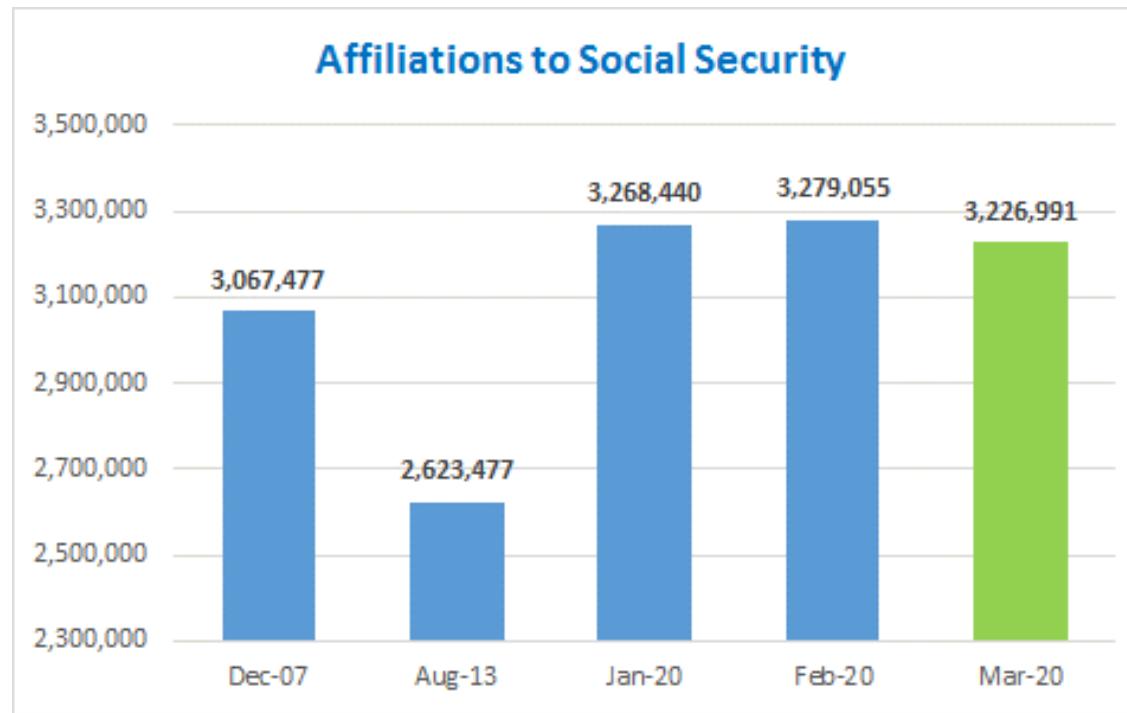
Comunidad de Madrid's affiliates represented 15.8% of the Spanish total at the beginning of the economic and financial crisis of 2008. Nowadays, this figure is 17% in Q12020.



3,226,991 affiliates in March 2020

Between 2007 (previous year of the beginning of the last economic crisis) and 2013 (year in which the number of affiliates was lowest in the Comunidad de Madrid), 443,734 jobs were destroyed.

In March 2020, affiliations have increased by 129.9% since 2013. There are 159,514 new jobs in comparison with 2017.

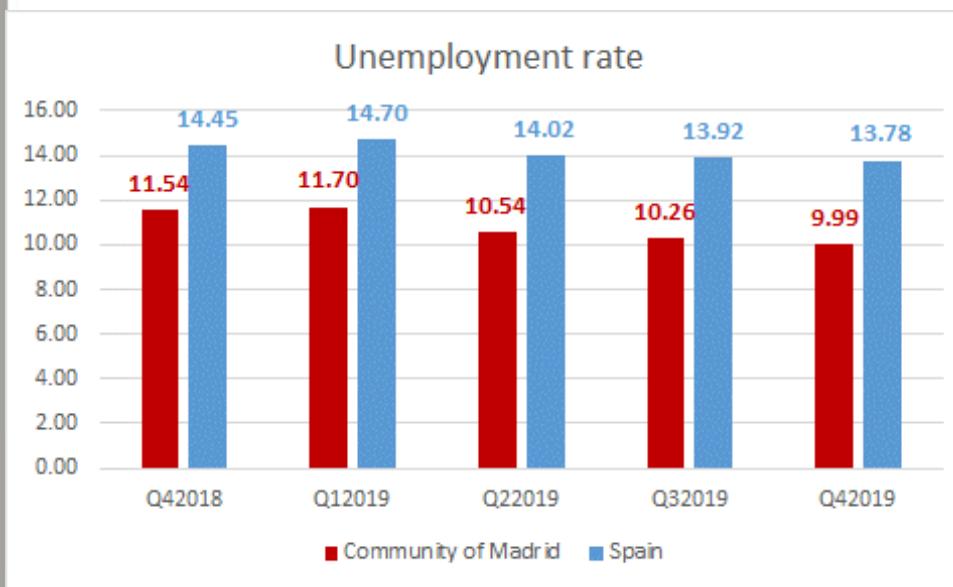


According to EPA, unemployment has dropped for the twenty-fourth consecutive quarter

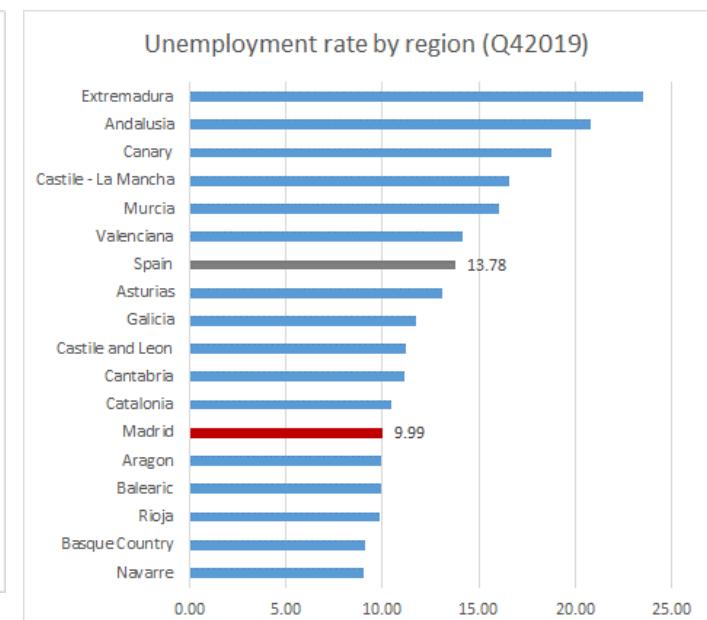
Unemployment rate is reducing and is already the lowest since Q32008.

Unemployment dropped by 43,900 people in 4Q2019 in comparison with the previous quarter (-11.1% YoY).

Comunidad de Madrid's unemployment rate was 10.0% in 4Q2019. This figure is the sixth lowest among the Spanish regions and 3.8 points below the national average.



Source: INE



Fiscal conditions

Madrid
Financing
System

Tax
Comparison



Comunidad de Madrid financing system

Comunidad de Madrid Budget increased by 7,5% YoY in 2019, due to yoy growth of the main tax shared with the government tax, the PIT.

Billions €	2018	2019	% 19/18	% Total 2019
State managed taxes	19.64	20.31	3.4%	102.7%
PIT	10.73	11.57	7.8%	58.5%
VAT	6.96	6.69	-3.9%	33.8%
Excise duties	1.59	1.71	7.6%	8.6%
Excise duties: transport	0.12	0.17	37.5%	0.8%
Bank deposits tax	0.13	0.13	0.0%	0.7%
Business Tax (Local tax on businesses locations)	0.03	0.03	0.0%	0.1%
Gambling taxes	0.02	0.02	0.0%	0.1%
Environmental tax (regional tax)	0.06	0.01	-91.7%	0.0%
Community of Madrid managed taxes	2.17	2.40	10.5%	12.1%
Wealth Transfer Tax	1.06	1.30	22.2%	6.5%
Stamp Duty	0.41	0.43	4.9%	2.2%
Inheritance and Gift tax	0.45	0.42	-6.7%	2.1%
Madrid's tax on gambling	0.17	0.16	-1.2%	0.8%
Tariffs	0.09	0.09	4.7%	0.5%
Waste Collection Fees	0.00	0.00	0.0%	0.0%
Current Transfer	-	4.07	3.76	7.6%
Rest of non-financial income	0.65	0.83	26.4%	4.2%
Total of non-financial income	18.40	19.78	7.5%	100.0%



Source: Comunidad de Madrid (Budget of the Community)

Tax comparison

The Comunidad de Madrid has fiscal advantages on some taxes where the region by law does have taxation power, in order to increase deductions –up to 100% such as Wealth Tax- or reduce the tax rate –as is the case of Property Transfer Tax and Stamp Duty-.

It has to be considered that tax rates and deductions which are shown in the following table are generally applied. Nonetheless, tax regulation sets other deductions with more residual application.

		Comunidad de Madrid	Cataluña	Andalucía	Castilla y León
PIT	Tax rate	18.5-43.5%	21.5-48%	19.5-48%	19-44%
Wealth tax	Only taxed over	700.000 €	500.000 €	700.000 €	700.000 €
	Tax rate	Discount of 100%	0.21-2.75%	0.24-3.03%	0.2-2.5%
	Tax rate	7.65-34%	7-32%	7.65-36.50%	7.65-34%
Inheritance and Gift tax	Inheritance tax	Groups I y II: 99%; Group III: 10-15%	Groups I y II: 99%-20%	Groups I y II: 1.000.000€*; Group III y IV disabled people: 250.000€*	Groups I y II: 100-80%
	Gift tax	Tax rate Bonuses	7.65-34% Groups I y II: 99%; Group III: 10-15%	Groups I y II: 5-9%	7.65-36.50%
	WTT	Tax rate	6%	10-11%	8-9-10%
	SD	Tax rate	0,75%	1,50%	1,50%
*Maximum deductible amount					

Growth forecast

Current
growth in
2019 exceeded
the forecast

Forecast for
2020



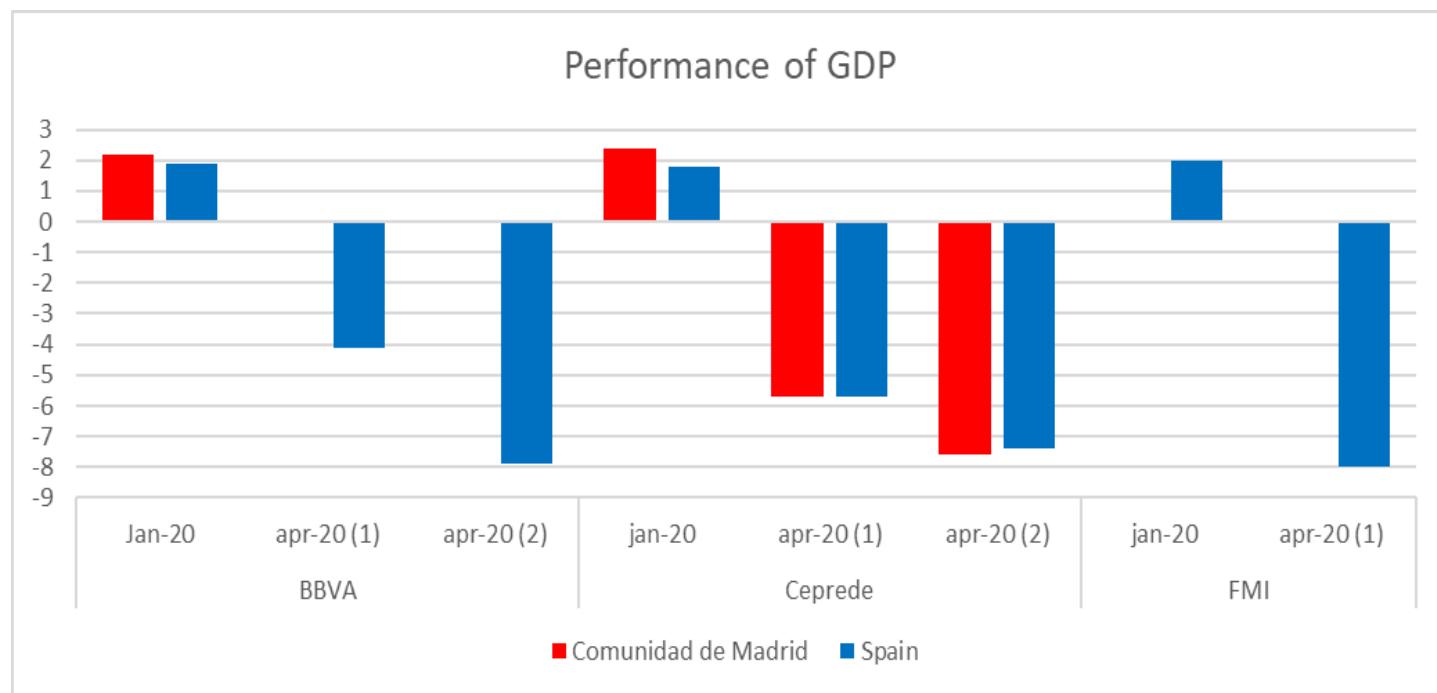
Current growth in 2019 exceeded the forecast

Economic growth and employment registered better figures than the forecasts.



Forecasts

According to the new forecasts in April, the GDP growth for Spain and Comunidad de Madrid is:



(1) : 50 days confinement
(2) : more than 65 days confinement



Competitive advantages

**Sectoral
structure**

**Better historical
performance**



Sector Weights breakdown of Spanish regions

CCAA	Farming	Industry	Construction	Services								Total Services
				Wholesale & Retail commerce, vehicle repairs, hospitality, transport, storage.	Information & Communication activities	Finance & Insurance activities	Real Estate activities	Technical & Scientific activities and auxiliary services	Public Administration, Defense, Social Security, Education, Healthcare and Social Services	Art, Culture and Entertainment, activities.		
Andalucía	8%	12%	7%	23%	2%	4%	13%	6%	22%	5%	74%	
Aragón	7%	21%	6%	21%	2%	4%	11%	6%	19%	4%	66%	
Asturias, Principado de	1%	20%	7%	22%	2%	4%	13%	7%	19%	5%	72%	
Balears, Illes	1%	6%	8%	37%	2%	3%	15%	9%	15%	5%	86%	
Canarias	2%	6%	6%	35%	2%	3%	13%	8%	20%	6%	86%	
Cantabria	2%	22%	7%	21%	2%	3%	14%	6%	19%	5%	70%	
Castilla y León	4%	20%	7%	20%	2%	4%	11%	6%	22%	4%	70%	
Castilla - La Mancha	10%	19%	7%	19%	1%	3%	11%	4%	21%	5%	64%	
Cataluña	1%	19%	5%	25%	3%	4%	12%	10%	15%	5%	74%	
Comunitat Valenciana	2%	19%	7%	25%	2%	4%	13%	7%	17%	5%	72%	
Extremadura	10%	13%	7%	19%	1%	4%	11%	5%	26%	4%	70%	
Galicia	5%	18%	7%	23%	2%	3%	10%	7%	19%	4%	69%	
Madrid, Comunidad de	0%	10%	5%	24%	10%	6%	10%	15%	15%	5%	85%	
Murcia, Región de	6%	18%	6%	24%	1%	3%	10%	6%	20%	4%	69%	
Navarra	4%	30%	6%	19%	2%	3%	9%	7%	16%	4%	60%	
País Vasco	1%	24%	7%	21%	3%	3%	11%	8%	17%	5%	68%	
Rioja, La	7%	26%	6%	19%	2%	4%	10%	5%	17%	4%	61%	
Ceuta	0%	5%	5%	21%	1%	2%	10%	4%	47%	4%	89%	
Melilla	0%	4%	6%	19%	1%	2%	11%	5%	47%	4%	90%	
TOTAL NACIONAL	3%	16%	6%	24%	4%	4%	12%	9%	18%	5%	75%	

Source: INE



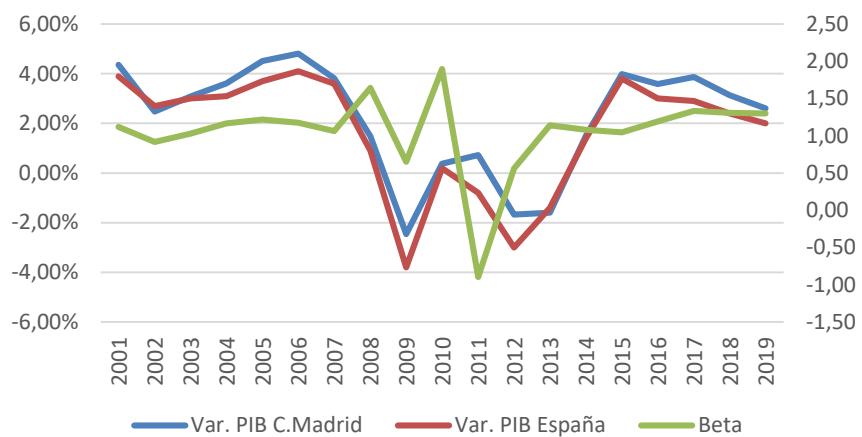
Competitive advantages

- Higher exposure than the average to the **service sector** (85%)
 - Even though the manufacturing sector might be the first one to recover from a de-escalation of the emergency state, in the medium term the COVID 19 crisis might trigger again geopolitical tensions and trade-wars which have less impact on the service sector.
- Less weight than average in **construction**; a very labor intensive sector and very sensitive in terms of unemployment rates in recessions and stress scenarios.
- Leader among other regions in activities that might actually have a 'V-shaped' recovery; **information, communications, finance, IT, scientific activities**, etc.



Madrid Vs Spain

Year	Var. GDP C.Madrid	Var. GDP España	Beta
2000			
2001	4,4%	3,9%	1,12
2002	2,5%	2,7%	0,92
2003	3,1%	3,0%	1,03
2004	3,6%	3,1%	1,17
2005	4,5%	3,7%	1,22
2006	4,8%	4,1%	1,17
2007	3,8%	3,6%	1,06
2008	1,5%	0,9%	1,65
2009	-2,5%	-3,8%	0,65
2010	0,4%	0,2%	1,90
2011	0,7%	-0,8%	0
2012	-1,7%	-3,0%	0,56
2013	-1,6%	-1,4%	1,14
2014	1,5%	1,4%	1,08
2015	4,0%	3,8%	1,05
2016	3,6%	3,0%	1,19
2017	3,9%	2,9%	1,33
2018	3,1%	2,4%	1,31
2019	2,6%	2,0%	1,30



Source: INE

- We can observe that on average Madrid **outperforms** Spain in terms of GDP growth; Beta >1 in positive scenarios and a Beta <1 in recessions.
- Madrid's worst year in terms of relative performance Vs Spain was in 2013 with a Beta of 1,14.





CONSEJERÍA DE HACIENDA Y FUNCIÓN PÚBLICA

Comunidad de Madrid

II. FUNDING PROFILE



Normative protection of Debt payment

The Comunidad de 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.



Gross financing needs 2020

Refinancing of long-term debt redemptions in 2020

2,893
MM

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

55
MM

Target deficit (over GDP) in 2020: 0%

0
MM

Agencia Vivienda Social, (Lt) debt

38
MM

Refinancing 2013 Suppliers Mechanism Loan and 2015 Financial Facility Loan

1,187
MM

GROSS FINANCING NEEDS 2020

4,173
MM

TOTAL ISSUED 2019: 2,740 MM

AMOUNTS (€ million)

Source: Comunidad de Madrid



2020 Debt Strategy

- 1. *Funding needs: EUR 4,173 bn.***
- 2. *EUR Benchmarks transactions.***
- 3. *Preference for medium and long maturities.***
- 4. *Smoothen the maturity profile towards longer term financing.***
- 5. *Commitment to liquidity (Taps).***
- 6. *Promote Sustainable Finance:***
 - *Capacity to issue bonds and loans.*
 - *Public and private deals.*
 - *In complies with the GBP and SBP and aligned with the SDG.*



Rating and debt ratios

	Moody's	S&P	DBRS
Current Rating	Baa1	A-	A-
Outlook	Stable	Positive	Positive
Date	04/30/2020	05/08/2020	03/13/2020

	Comunidad de Madrid				National Total			
	2016	2017	2018	2019 4Q	2016	2017	2018	2019 4Q
Debt/GDP (%)	14.4	14.8	14.5	14.0	24.9	24.8	24.4	23.7
Debt	30,417	32,783	33,448	33,469	276,995	288,118	293,394	295,077
	Comunidad de Madrid				Public Treasury			
	2016	2017	2018	4Q2019	2016	2017	2018	4Q2019
Debt Average Cost (%)	2.41	2.27	2.16	2.19	2.80	2.58	2.43	2.21

**LCR (Liquidity Coverage Requirement): NIVEL 1 EUROCLEAR.ECB
0% risk weighted.**

Minimum risk applicable in accordance with European Prudential Regulations

The cost of debt under control (March 2020)
The average cost of Comunidad de Madrid is 1.92%
The average cost of debt Spanish Treasury is 2.13% *



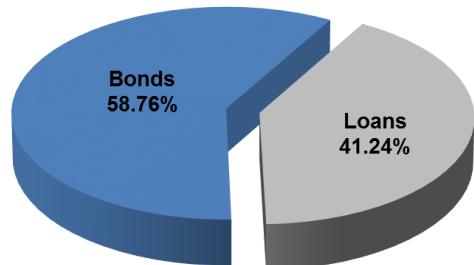
Source: Comunidad de Madrid, INE and Bank of Spain
Considering rights and obligations
* March 2020 Treasury cost

Evolution of the 10-year curve of C. Madrid and Spain



The main characteristics of the debt

Distribution bonds/loans



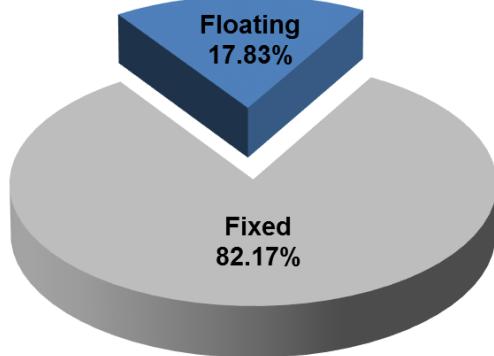
Loans

Type	%
Public entities	29.77
Private entities	70.23
Total % Loans	
	41.24

Currency distribution



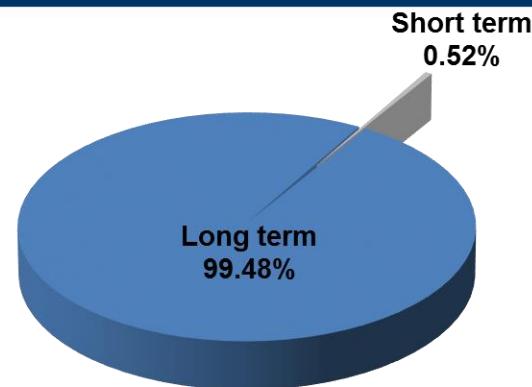
Distribution fixed/variable



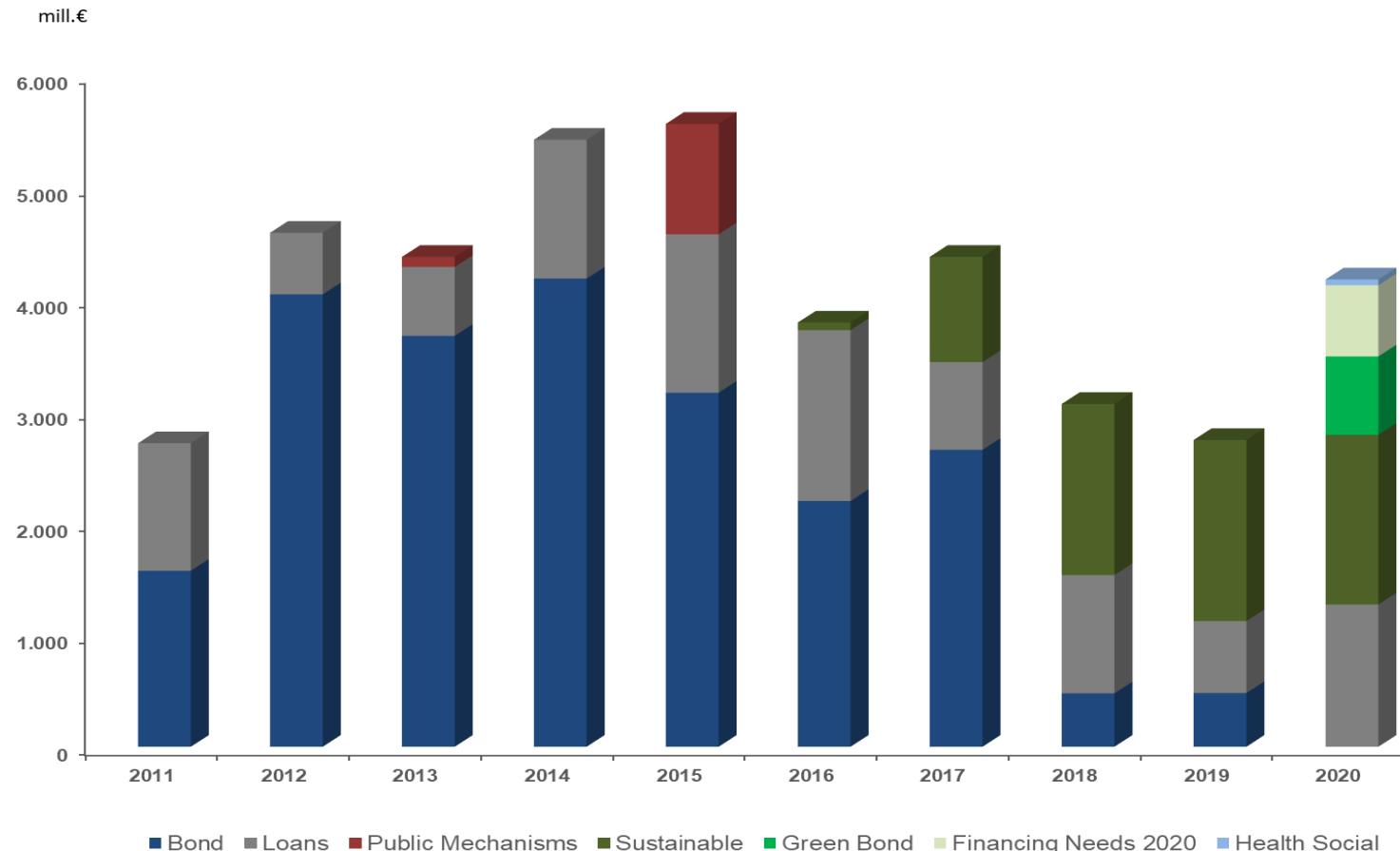
A commitment to fixed-rate issuances is a strength:

- Reducing risks.
- Reducing volatility when making payments.

Maturity Distribution



Funding Activity

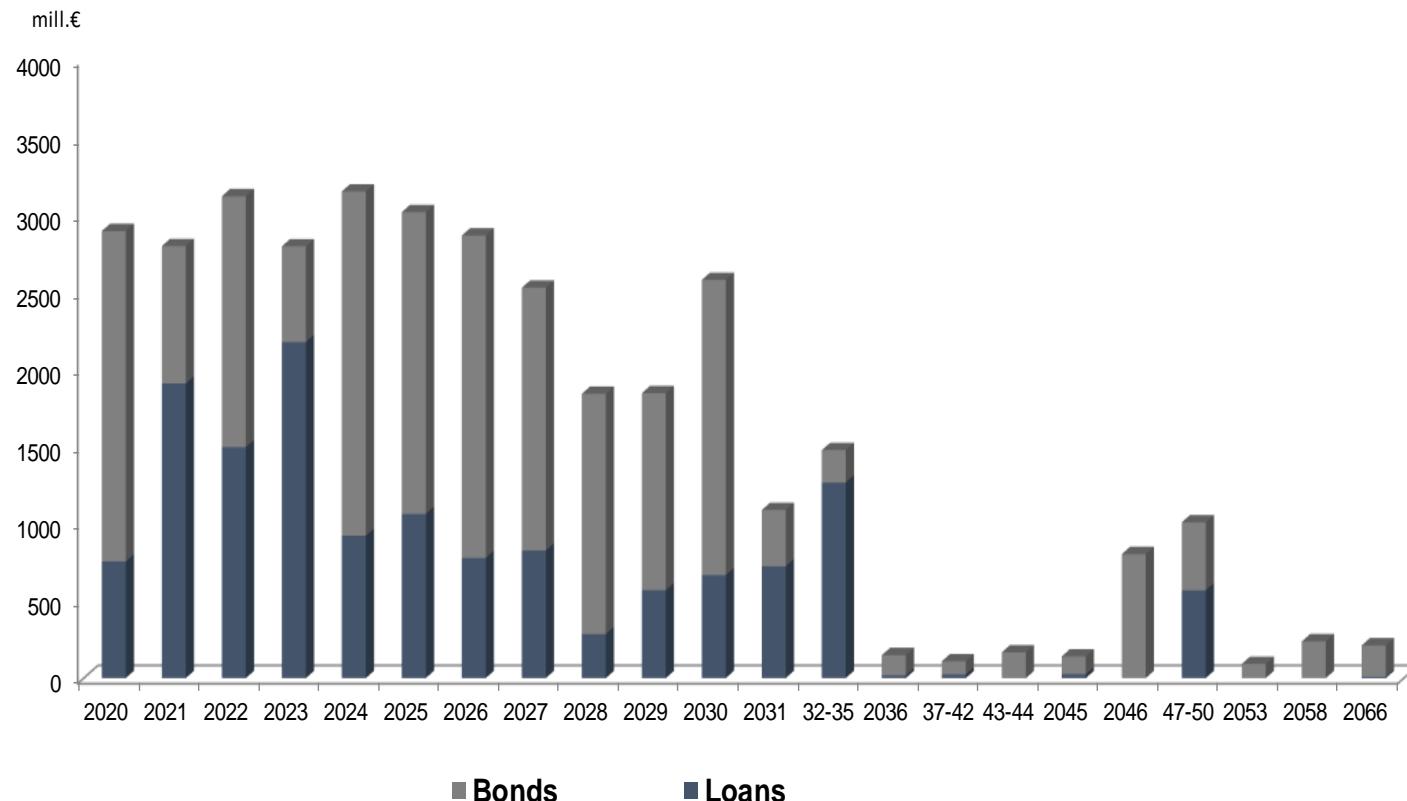


Madrid, regular player in Capital Markets.

Source: Comunidad de Madrid



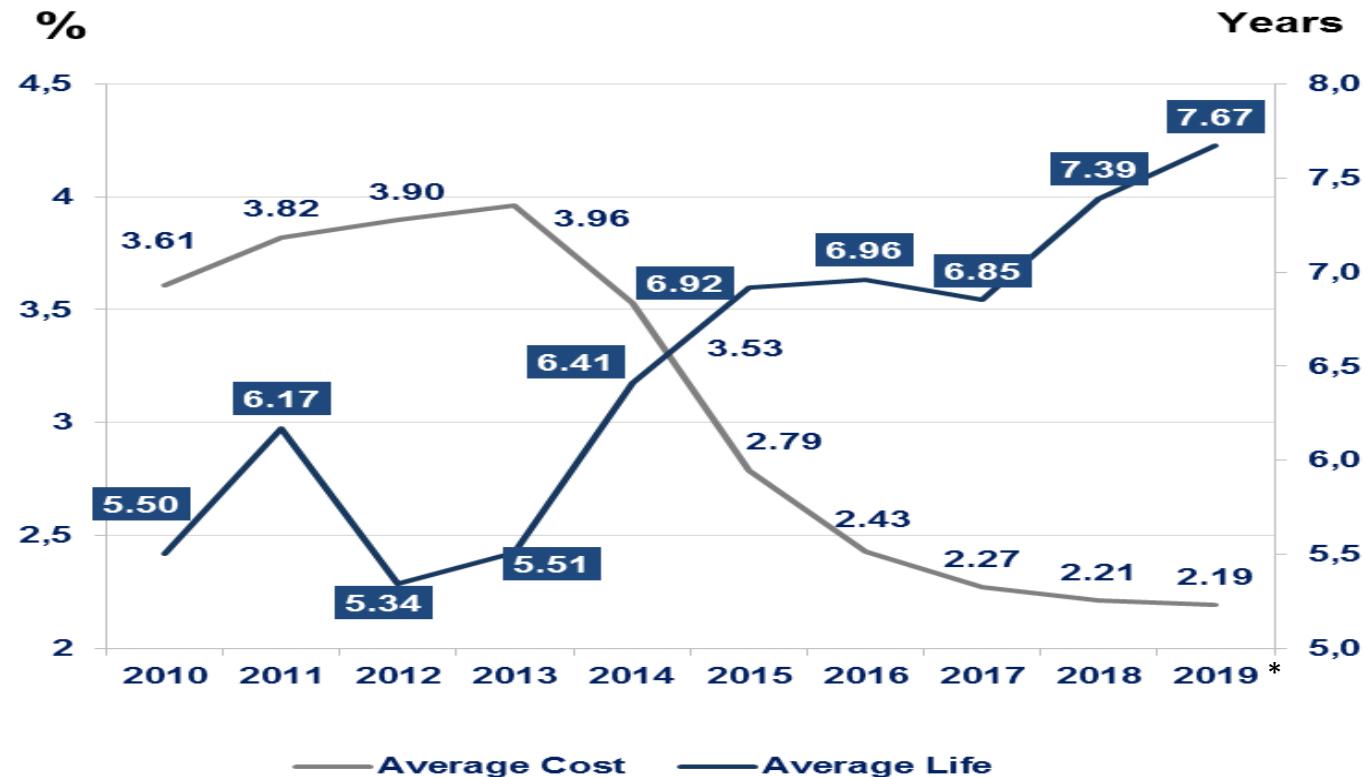
The main characteristics of the debt



Source: Comunidad de Madrid



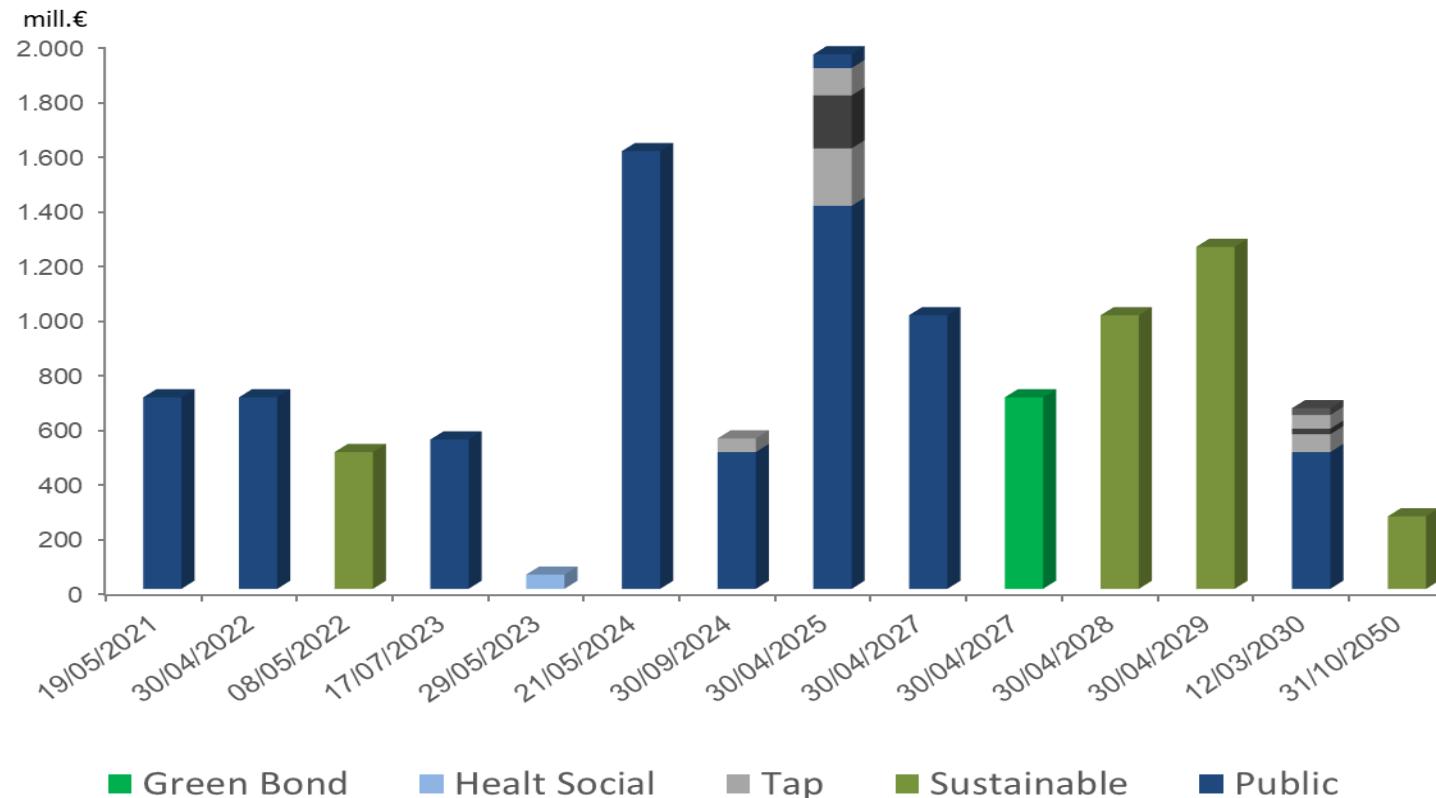
Average cost and average life



The average maturity of debt is 7.43 years (March 2020)
The average maturity of Spanish Treasury is 7.62 years (March 2020)



Comunidad de Madrid: Benchmark Transactions



Common features of these operations:

- Extraordinary investor's response.
- Outstanding quality of the orderbook: Demand driven by real money investors.
- High international support, very well diversified in geographical terms.



2020 Transactions

2020 Placements and Loans				
Operation	Amount		Settlement date	Tenor
	€ mill.			
Loan	345,000,000		01/30/2020	12
Loan	500,00,000		01/30/2020	10
Loan	86,000,000		01/31/2020	10
Loan	25,000,000		02/06/2020	25
Loan	250,000,000		01/31/2020	12
Loan	25,000,000		02/04/2020	30
Loan	50,000,000		01/31/2020	13
Loan	10,000,000		02/06/2020	46
Loan	140,000,000		02/07/2020	11
Public Placement (Sustainable)	1,250,000,000		02/27/2020	10
Loan	130,000,000		03/12/2020	9
Private Placement (Sustainable)	265,000,000		04/08/2020	30
Loan	20,000,000		04/20/2020	30
Public Placement (Green)	700,000,000		05/08/2020	7
Loan	140,000,000		05/29/2020	13
Private Placement (Health Social Bond)	52,000,000		05/29/2020	3
Loan	70,000,000		05/19/2020	12
Total	3,608,000,000			

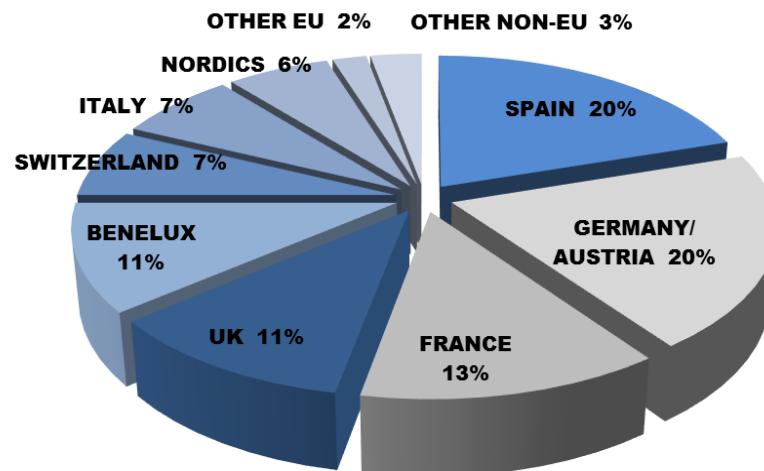
- Moderate interest rate with “Contained financial costs”.
- 10-46 years tenors executed.
- The average Funding cost for 2020 is 0.64% and the average tenor is over 11.43 years.



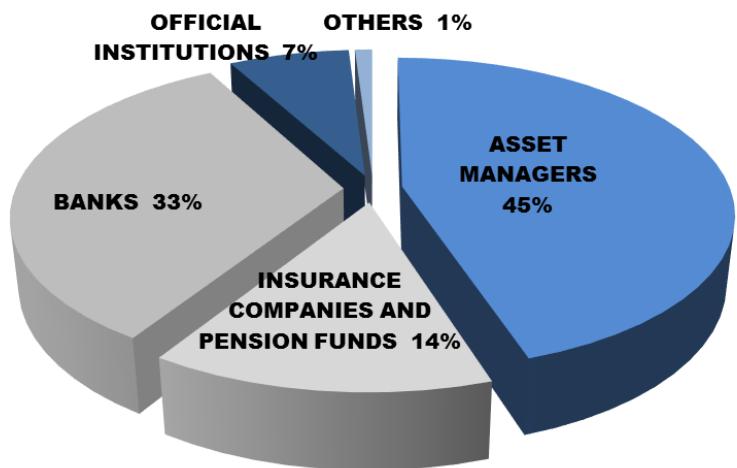
€1.25bn 0.419% due 30th April 2030

4^º Sustainable Public Deal

BY REGIONS



BY INVESTOR TYPE



TOTAL AMOUNT 1,250,000,000 €

- Lower rate in a public syndicated deal.
- High quality order book with more than € 7 bn.
- 80% placed outside Spain
- 51% ESG investors

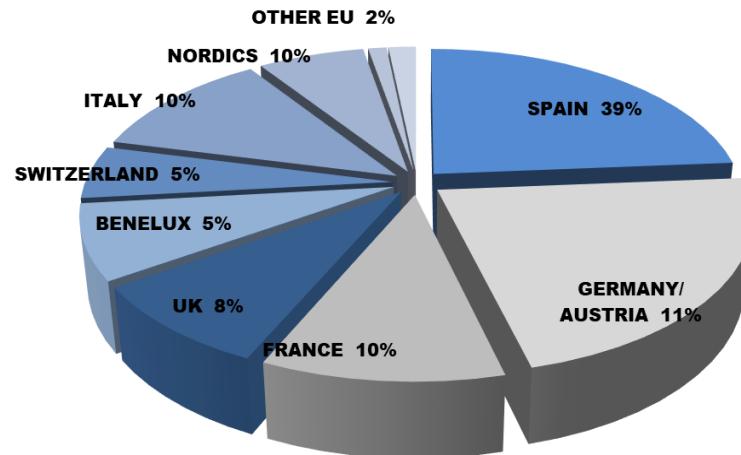
Source: Comunidad de Madrid



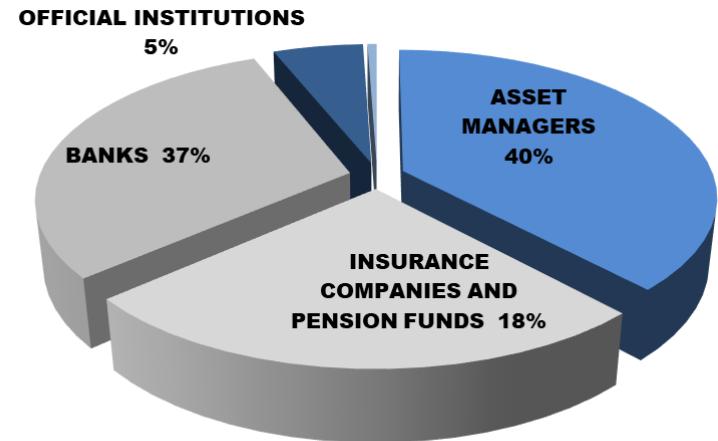
€700 bn 0.827% due 8th May 2027

1^o Green Public Deal

BY REGIONS



BY INVESTOR TYPE



TOTAL AMOUNT 700,000,000 €

- First public syndicated green deal.
- High quality order book with more than € 3.5 bn.
- 61% placed outside Spain
- 58% ESG investors

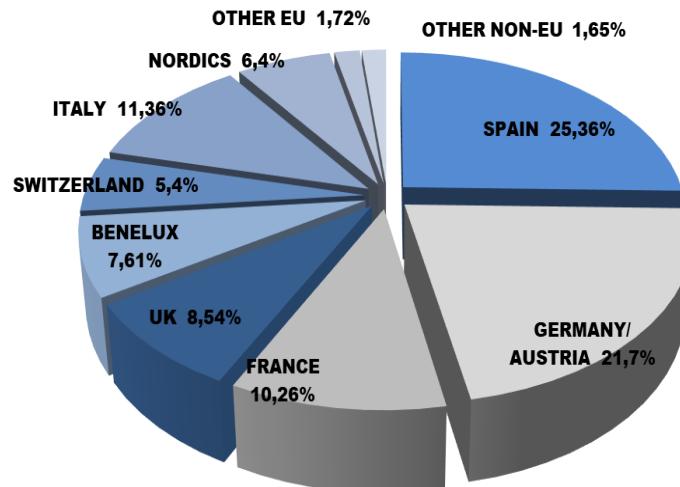
Source: *Comunidad de Madrid*



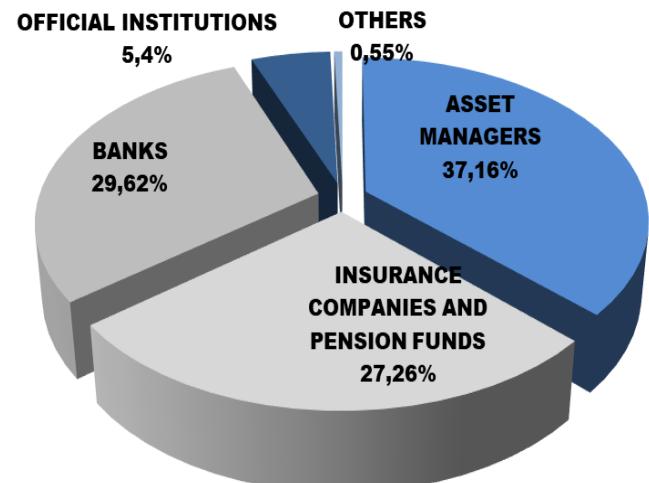
2020 Bond Profile

BOND TRANSACTIONS

BY REGIONS



BY INVESTOR TYPE



TOTAL AMOUNT 2,267,000,000 €



Source: *Comunidad de Madrid*

2019 Transactions

2019 Placements and Loans				
Operation	Amount	(€ mill)	Settlement date	Tenor
Public Placement (Sustainable)		1,250,000,000	02/14/2019	10
Tap	38,000,000	03/05/2019	40	
Loan	65,000,000	03/12/2019	30	
Loan	300,000,000	03/13/2019	12	
Loan (Sustainable)	50,000,000	03/14/2019	11	
Loan	100,000,000	03/14/2019	12	
Loan	100,000,000	03/15/2019	12	
Loan (Sustainable)	97,000,000	03/15/2019	10	
Private Placement	175,000,000	03/18/2019	40	
Loan	25,000,000	03/18/2019	40	
Loan (Sustainable)	220,000,000	03/29/2019	11	
Loan (Sustainable)	53,000,000	04/05/2019	10	
Tap (Sustainable)	50,000,000	04/25/2019	40	
Tap	50,000,000	05/17/2019	47	
Tap	92,000,000	06/10/2019	47	
Tap	50,000,000	12/03/2019	5	
Private Placement	25,000,000	12/04/2019	10	
Total		2,740,000,000		

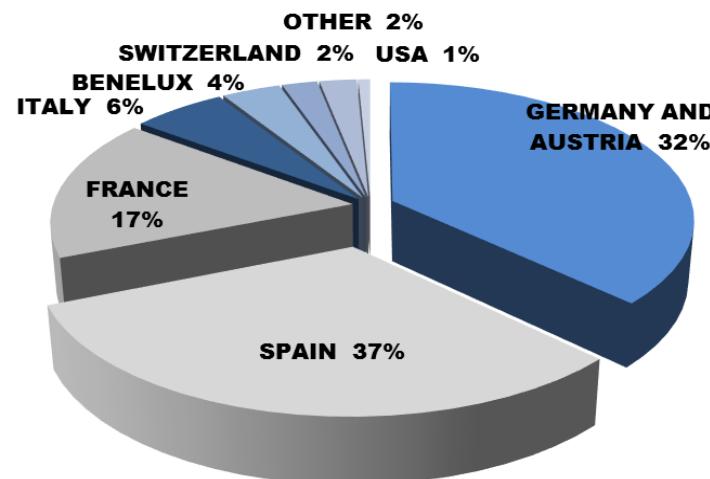
- Moderate interest rate with “Contained financial costs”.
- 5-47 years tenors executed.
- The average Funding cost for 2019 was 1.77% and the average tenor was over 15 years.



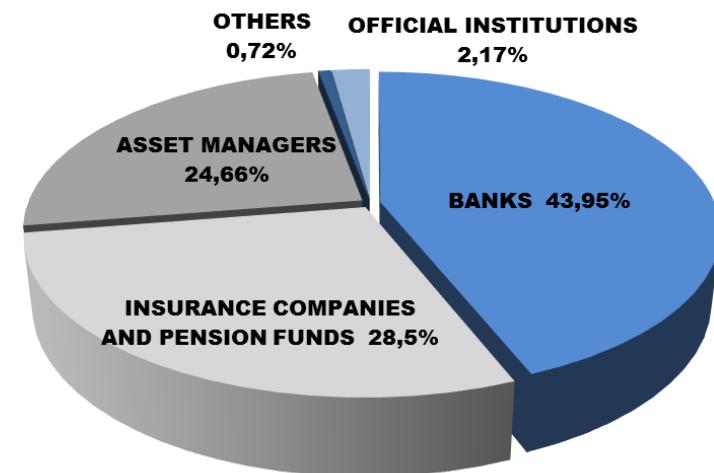
2019 Bond Profile

BOND TRANSACTIONS

BY REGIONS



BY INVESTOR TYPE



TOTAL AMOUNT 1,730,000,000 €



Source: *Comunidad de Madrid*



CONSEJERÍA DE HACIENDA Y FUNCIÓN PÚBLICA

Comunidad de Madrid

III. SUSTAINABLE FINANCE



Sustainability Mandate of Comunidad de Madrid

Comunidad de Madrid has the clear social and environmental mandate to meet the needs of its citizens. The Region is committed to integrate sustainable development and social responsibility in all its activities while playing a key role to promote sustainable development initiatives on the territory.

The **social expenditures** include several programs such as the financing of public policies related to **public health, education, social services, employment promotion, public transportation, and subsidized housing**. The community of Madrid's expenditure on social programs aim to strengthen Madrid's socio-economic recovery and improve social cohesion, thanks to the development of public services that benefit all the citizens and the implementation of programs to promote employment through investment of small businesses.

Additionally, Comunidad de Madrid has an important **environmental mandate**. Almost 50% of the region area of the region is protected due to its environmental protection and conservation value. The geo-economic situation in Madrid creates the need to implement policies for pollution management and waste treatment in densely populated urban areas.

Regarding the latter, the region set out its **Strategy for Sustainable Waste Management** for the 2017-2024 period. In relation with climate change and air quality, the **Plan Azul+ 2013-2020** has been the backbone for eight years, particularly focusing in tackling pollution and promoting energy efficiency.

Among the measures set out in the Plan Azul+, which is expected to be followed by a new Plan from 2021, we find the following objectives by sector, which are representative of the regions' general sustainable strategy:

- **Transportation:** modernisation of the taxi and bus fleets with greener vehicles, improvement of bicycle infrastructure, fiscal incentives for the transition towards greener technologies in private transportation
- **Industry:** reduction of emissions from industrial activities, like NOX produced by cogeneration plants
- **Residential/commercial/institutional:** use of clean fuels for domestic heating, improvements in energy efficiency, smart grids
- **Agriculture:** sustainable management of forests, promotion and development of biomass energy

In the social category, there is a **Strategy for Social Inclusion 2016/2021**, within the framework of the Europe 2020 Strategy, which seeks to eradicate severe poverty from the region.



Source: Comunidad de Madrid



Rationale for Sustainable Financing



Comunidad de Madrid' Sustainability Mandate

- Comunidad de Madrid devotes a substantial portion of its budget to social and environmental spending
- Via the issuance of sustainable debt, Comunidad de Madrid **contributes to its social and environmental policies and actions**
- Alignment of the funding strategy with the sustainability strategy

Addressing the social and environmental transition

- By issuing Sustainable Finance Instruments, Comunidad de Madrid **contributes to global, EU and national social and environmental objectives**
- Contribution to the achievement of **UN Sustainable Development Goals (SDGs)**
- Achievement of **sustainable growth** for Comunidad de Madrid's citizens

Supporting the growth of a sustainable financial market

- Address the increasing **demand for more sustainable assets** by responsible investors
- Diversify its investor base **targeting SRI and dark green investors**, while fostering the relationship with existing investors
- Contribution to the development of a **sustainable financial market**

Comunidad de Madrid believes that Sustainable Finance Instruments are effective tools to channel investments to projects demonstrating environmental and social benefits

Source: Comunidad de Madrid



Sustainable Finance Framework

Alignment to the Standards

Comunidad de Madrid Sustainable Finance Framework complies with:

- ICMA Green Bond Principles¹, Social Bond Principles², Sustainability Bond Guidelines³
- LMA Green Loan Principles⁴



Comunidad de Madrid Sustainable Finance Framework's pillars

1

Use of Proceeds

- Sustainable Finance Instruments' proceeds will be allocated to **Eligible Expenditures** with a **clear social and/or environmental benefit** within the General Budget

2

Project Evaluation and Selection

- Carried out by the **Committee of Selection, Monitoring and Evaluation** that meets before the issuance of a Sustainable Finance Instrument, in accordance with the Eligibility and the Exclusionary Criteria

3

Management of Proceeds

- Sustainable Finance Instruments' proceeds will be managed in a **portfolio approach**

4

Reporting

- Allocation and Impact reporting **provided annually until full allocation** of the Sustainable Finance Instruments' proceeds

5

External Review

- **Second Party Opinion (SPO) from Sustainalytics.** Comunidad de Madrid might hire an external party to audit the allocation of proceeds

Under the Green Finance Framework, Comunidad de Madrid can issue Sustainable Finance Instruments which include Green, Social, Sustainability bonds, thematic bonds, private placements and loans

1. <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>
2. <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>
3. <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>
4. https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

Source: Comunidad de Madrid

Second Party Opinion by Sustainalytics¹

Use of Proceeds

- By financing social housing, CdM **directly supports Spain's State Housing Plan**
- Comunidad de Madrid finances **public education for all**, and allocates resources to guarantee access to education for **students in disadvantaged situations**
- The financing of the healthcare programme will facilitate **the ongoing provision of quality healthcare services to the local population**
- Comunidad de Madrid **supports social cohesion and inclusion, protection of children and women, and care for the elderly and incapacitated** via its measures and policies
- The support provided to Madrid's SMEs, will **strengthen the competitiveness of SMEs and leading to the creation and preservation of jobs**, and **promote the integration of vulnerable people**
- Financing **low carbon transportation and reduction of global CO2 emissions** are considered an impactful use of proceeds



Project Evaluation and Selection

In line with market practice



Management of Proceeds

In line with market practice



Reporting

In line with market practice



Sustainalytics is of the opinion that the Comunidad de Madrid Sustainable Finance Framework is credible and impactful, and aligns with the Green and Social Bond Principles and Green Loan Principles 2018

1. The full Second Party Opinion is available at: <http://www.comunidad.madrid/inversion/relacion-inversores/deuda-sostenible>

Source: Comunidad de Madrid



Use of proceeds: transparent and audited programs

Eligible categories	Brief category description	Program in the General Budget	Amount in € million (2020)
Affordable Housing	<ul style="list-style-type: none"> Provision of affordable housing and shelter to disadvantaged populations 	261B	113.3
Education	<ul style="list-style-type: none"> Provision of education to the youth (including disadvantaged groups) and support of public schools and universities 	232A / 322A,B,C,F / 324M	1,189.8
Healthcare	<ul style="list-style-type: none"> Support to Madrid's Public Healthcare System and financing of high impact medicines against rare diseases 	312A	2,928.1
Social Inclusion	<ul style="list-style-type: none"> Fight against gender violence and promotion of equal opportunities Integration, education and employment programmes and financial assistance to vulnerable groups at risk of social exclusion Universal accessibility to the public transportation system (reduced price ticked) Provision of goods and services to the elderly and the mentally and/or physically disabled 	232B / 231A,C,F,D,E / 232A,B,E / 241A,M 261B / 322A,B,F / 422B / 431A / 433A / 453N / 463A	3,180.3
Economic Inclusion and SME Financing	<ul style="list-style-type: none"> SMEs financing Employment promotion and advancement, including people with distance to labour market 	241A,M / 422B / 431A / 433A / 463A	360.3
Climate Change and Environmental Management	<ul style="list-style-type: none"> Waste management Clean Transportation Environmental conservation and biodiversity 	422B / 453N / 456A,N	700

Source: Comunidad de Madrid



Contribution to the UN SDGs

Comunidad de Madrid Sustainable Finance Framework contributes to the achievement of the EU 2030 Agenda for Sustainable Development



1 NO POVERTY 	<ul style="list-style-type: none">➢ Affordable Housing (Target 1.4)➢ Social Inclusion (Target 1.1 and 1.B)
3 GOOD HEALTH AND WELL-BEING 	<ul style="list-style-type: none">➢ Healthcare (Target 3.8)
4 QUALITY EDUCATION 	<ul style="list-style-type: none">➢ Education (Target 4.1, 4.2, 4.4, 4.A)
5 GENDER EQUALITY 	<ul style="list-style-type: none">➢ Social Inclusion - Fight against gender violence and promotion of equal opportunities (Target 5.1 & 5.2)
8 DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none">➢ Social Inclusion (8.6)➢ SMEs financing (8.3, 8.6)
11 SUSTAINABLE CITIES AND COMMUNITIES 	<ul style="list-style-type: none">➢ Affordable Housing (11.1)➢ Clean and Sustainable Transportation (11.2)
13 CLIMATE ACTION 	<ul style="list-style-type: none">➢ Climate Change Policies (13.2, 13.3)
15 LIFE ON LAND 	<ul style="list-style-type: none">➢ Environmental conservation and biodiversity (15.1, 15.2)

Source: Comunidad de Madrid

Management of Proceeds

- An amount equivalent to the proceeds of the Sustainable Finance Instruments will be allocated to a **mix of environmental and social projects** and provision of service. All amounts can be traced back to Madrid's General Budget for a specific fiscal year.
- The use of revenue may include **capital and operating expenditures** of eligible project categories and programs, as well as **indirect lending to projects** such as grants for private and public organizations and consortiums for special purposes. Only Comunidad de Madrid's own expenditures (net of EU grants, EIB loans, state grants or other revenues earmarked for specific purposes) are eligible.
- Specific **chapters** of the relevant budgetary programs that will be **excluded** are:
 - Personnel expenditures (Chapter 1 of the budgetary programs),
 - Financing costs (Chapter 3 of the budgetary programs),
 - Contingency Funds (Chapter 5 of the budgetary programs),
 - Financial assets (Chapter 8 of the budgetary programs), except for art.87-89 - Indirect investments in projects such as grants for private and public companies and consortiums for relative framework purposes.
 - Financial liabilities (Chapter 9 of the budgetary programs)
- It is possible to issue **multiple Sustainable Finance Instruments** as long as the total amount of funding does not exceed the amount of eligible programs in the annual budget.
- The proceeds of sustainable finance instruments will be allocated to eligible programmes in the General Budget of Comunidad de Madrid, corresponding to **the fiscal year of the Sustainable Finance Instrument issuance** and, in case necessary, to the preceding fiscal year.
- **An external auditor will verify** the amounts within one year from the date of the Sustainable Finance Instruments issuance.
- **Comunidad de Madrid ensures** that the **systems and processes** as specified above **meet their requirements** over the lifetime of the instrument.



Projects List 2020

ELEGIBLE CATEGORY	PROJECT NAMES	SUM
Affordable Housing	Social Housing Agency as an intermediate entity of the FEDER operating program of the Community of Madrid: Realojo Cañada Real and Río Guadarrama. Acquisition of houses.	9.068.225,00
	Conservation and maintenance of inhabited social housing	2.585.000,00
	Urbanization of land designated for the construction of social housing	3.697.761,00
	Construction of new social housing development	14.355.300,00
Education	Reparation of uninhabited social housing for its second adjudication	4.790.000,00
	Neighborhood Assistance Service of the Community of Madrid, ASIVECAM	982.057,00
	Attention to certain students with specific needs for educational support	1.811.302,00
	Book loaning program	49.997.776,00
	Maintenance expenses in Secondary Education Centers of the Community of Madrid	14.000.000,00
Health	Tutoring Program (support and academic reinforcement)	1.889.800,00
	Training and awareness-raising for women in situations of social exclusion	144.499,00
	Vocational training scholarships of higher degree	16.000.000,00
	Educational compensation classrooms	707.594,00
	High impact medications and orphan drugs (for uncommon diseases)	480.000.000,00
Social Inclusion	Collaboration with local entities	116.800,00
	Collaboration with professional entities	110.000,00
	Nursing Care Report 2.0	20.000,00
	Collaboration with citizen entities	500.000,00
	Drogodependientes mobile service and referral to treatment	1.238.102,00
	Reduced cost of school menu	30.000.000,00
	Assist beneficiaries of economic benefits recognized in their PIA	206.000.000,00
	Assist the beneficiaries of home help recognized in their PIA	66.000.000,00
	Care for the elderly in centers	292.972.990,00
	Subsidy for the user of public transportation in Madrid	302.777.633,00
	Senior Centers	13.955.287,00
	Comprehensive care in residential centers	4.576.872,00
	Soup Kitchens	2.704.359,00
	Attention in non-residential centers	6.600.338,00
	Free transportation services to special education centers for students	5.561.417,00
	Free school transport services for students with physical disabilities from early childhood, primary and secondary education centers	2.154.545,00
Economic Inclusion and SMEs Financing	Economic benefits for social integration of victims	300.000,00
	Free lunch service for students in special education centers	2.949.474,00
	Free school transportation service for students in shanty towns	982.851,00
	Participation and integration centers	1.900.000,00
	Volunteer School of the Community of Madrid	112.314,00
	Housing First program	500.000,00
	Center for people in situation of social exclusion	1.000.000,00
	Network of volunteer information points (PIV)	69.320,00
	Information and attention program, LGTBI	400.000,00
	Minimum Insertion Income	168.626.480,00
Climate Change and Environmental Management	Subsidies for integration projects linked to minimum insertion income	4.700.000,00
	Cooperation for development subsidies	3.100.000,00
	Pre-commercial public purchase	1.500.000,00
	Help for the promotion of technological sectors	2.500.000,00
	Help for the promotion of technological Start-Ups	1.925.000,00
	Aid to encourage the use of innovation services in small businesses. Check Innovation Program	1.500.000,00
	Aid for the industrial SECs for industry project 4.0	1.500.000,00
	Aid to intermediary innovation entities	1.500.000,00
	Financing for the management of household waste	7.032.256,00
	Measures to promote efficient mobility	2.000.000,00
	Measures of conservation of the protected natural areas of the community of Madrid	3.879.562,00
	Measures to protect and improve the environment	1.137.006,00
	Conservation measures for green areas and preurban parks of the Community of Madrid	1.700.000,00
	Assistance to non-profit entities with environmental purposes	500.000,00
	Inventory of emissions. Study of contribution of sources. Study of impact quantification measures Strategy of Air Quality and Climate Change of the Community of Madrid 2013-2020. Blue plan +	142.279,00
	Maintenance and support for the management for the air quality of the Community of Madrid	1.019.361,00
	Subsidy for the user of public transportation in Madrid	700.000.000,00
TOTAL		2.447.793.560,00



Reporting Framework example: Sustainability Bond Allocation Reporting 2019

Comunidad de Madrid Sustainable Finance Allocation Reporting 2019

Eligible Sustainability Project Portfolio	Amount (EUR)	Allocation of Sustainability	Amount (Eur)
Affordable Housing	35.478.343	Sustainability Bonds	1.300.000.000
Education	84.550.971	Sustainability Loans	420.000.000
Healthcare	481.984.902		
Social inclusion	1.817.943.880		
Economic inclusion	10.425.000		
Environmental Management	17.410.464		
Eligible Sustainability Project Portfolio	2.447.793.560	Sustainability Funding	1.720.000.000

% of Eligible Sustainable Project Portfolio allocated: 70,3%

% Sustainable net proceeds allocated: 100%

Source: Comunidad de Madrid

Impact Reporting Indicators

Comunidad de Madrid will report over the most important social and environmental impacts produced by the eligible programs, based on the impact indicators. The following is a sample of the indicators by category:

Eligible category	Sample of impact indicators
Affordable housing	Number of vulnerable individuals or families benefiting from subsidized housing
Education	Number of supported special education centers Number of education programs or professional development aimed at young people in risk of exclusion
Healthcare	Number of people with rare diseases who are provided access to adequate services and medication
Social inclusion	Number of supported victims of domestic violence (in terms of housing, financial, and other) Number of individuals or families who benefit from social minimum income
Economic inclusion	Number of SMEs that receive support for equipment and facilities and technological modernization
Clean Transportation¹	Number of electric vehicles acquired New points of electric vehicle recharge Annual GHG emission reduced/avoided
Waste Management	Amount of recycled or composted waste (tons)
Environmental conservation and Biodiversity	Area/Number of Protected Natural Parks and other areas with unique conservation value where there has been an intervention

1. Comunidad de Madrid may hire an external expert consultant to perform the impact reporting calculation of the indicators for this category

Reporting Framework example: Sustainability Bond Impact Reporting 2019

Comunidad de Madrid Sustainability Bond Impact Reporting 2019									
Project category		Target population	Allocation information						
Eligible Project Category	SDG Addressed (a*)	Target Group (if applicable)	Budgeted amount (b*)	Allocated to sustainable bond (amount)	Share of Total Budget Financing (c*)	Number of beneficiaries (*d)		Other impact indicators	
			EUR	EUR	%	Number	Unit of measure	Additional Indicators	number / unit of measure
Affordable Housing	Goal 1: No Poverty Goal 11: Sustainable Cities and Communities	Disadvantaged and underserved groups	35.478.343	39.922.495	2,3%	181	Families with social housing	Number of social housing units acquired	188
Education	Goal 4: Quality education	Youth, disadvantaged groups	84.550.971	72.561.614	4,2%	320927	Number of vulnerable students	Number of special education centres	36
								Number of special education students	2.976
								Number of public schools (0-18 years)	1.437
Healthcare	Goal 3: Good Health and Well-being	Citizens (including disadvantaged and underserved groups)	481.984.902	471.736.604	27,4%	233	Number of people with a rare disease being provided access to services and adequate medication	Number of people treatment medication high impact	52.251
Social inclusion	Goal 1: No Poverty SDG 5: Gender equality	Disadvantaged and underserved groups	1.817.943.880	1.114.754.677	64,8%	3771686	Number of individuals or families benefiting from social benefits	Number of individuals or families benefiting of social minimum income	33.000 families
								Number of subsidized trips	295 millions
Economic inclusion	Goal 4: Quality education Goal 8: Decent work and economic growth	SMEs and long-term unemployed	10.425.000	6.395.879	0,4%	147	Number of SMEs that received support		
Environmental management	Goal 13: Climate Action		17.410.464		0,9%			Amount of recycled or composted waste (tons)	277.957
								Interventioned Area (ha)/ Number of Protected Natural Parks and other areas with unique conservation value	119.079
								Number of electric vehicles acquired / new points of electric vehicle recharge	984 Taxis
Total			2.447.793.560	1.720.000.000	100,0%	4.093.174			

*a: Eligible SDGs which are addressed by the financed portfolio/project and fit to the chosen SBP (sub)category

*c: This is the share of the total portfolio cost that is financed by the issuer.

Source: Comunidad de Madrid

*b: Signed/budgetted amount committed by the issuer for the portfolio or portfolio components eligible for sustainable finance.

*d: Impact indicators



Leadership in Sustainable Bonds

- *First Spanish Region to issue Sustainable Bonds*
- *Largest Sustainable Bonds issued in Spain*
- *Ability to Issue Green, Social and Sustainable Bonds and Loans*
- *4 Sustainable benchmark public bond issues since 2017*
- *47% of Sustainable Bonds in Comunidad de Madrid's annual issuance in 2019 (62% Sustainable Financing in 2019 total funding)*
- *Largest amount outstanding in Sustainable Bonds (5,772 MM)*
- *Transparent and public reporting on projects financed by under the framework*

	Amount (€ million)	Settlement	Tenor
Sustainable Bond (Public)	700	04/18/2017	5
Sustainable Bond (Public)	1,000	02/23/2018	10
Sustainable Bond (Public)	1,250	02/14/2019	10
Sustainable Bond (Public)	1,250	02/27/2020	10

Source: Comunidad de Madrid





CONSEJERÍA DE HACIENDA Y FUNCIÓN PÚBLICA

Comunidad de Madrid

IV. INAUGURAL GREEN BOND



Rationale for Madrid's inaugural green bond



- **Take action:** Comunidad de Madrid has a **strong and unanimous commitment**: the transition to a low-carbon development model that has no way back, and the region wants to be at the forefront



- Finance the region's great variety of green initiatives and projects **aligned with the Climate Change Strategy** of the region



- **Support Spain's** to meet the objectives set out in **the Paris Agreement** and within the framework of the European Union



- **Transportation sector:** work and influence one of the most important sectors in the region and in Spain due to the volume of GHG emissions while improving our expertise in the calculation, monitoring and reporting of green KPIs associated to these green projects



- **Diversify and extend our fixed income investor base**, particularly including specialized green investors with dedicated green mandates



- Pioneer and therefore, **to drive the issuance of green bonds** within **Spanish regional governments**

Source: Comunidad de Madrid

Focus on the Green Use Of Proceeds

Overview of the Green Use of Proceeds					
Eligible Category	Main eligible expenditures	Budgetary Programme	Budget code	UN SDGs	EU Environmental Objectives
Climate change and environmental management	Waste Management: <ul style="list-style-type: none"> Measures to implement the Waste Strategy of Comunidad de Madrid 	16: Environment, Local administration and territorial planning	456N	 11 SUSTAINABLE CITIES AND COMMUNITIES	EU Objective 4: Circular economy
	Clean transportation: <ul style="list-style-type: none"> Promote the manufacture and use of the electric vehicles and points of recharge Promote public transport services and modal shift towards public transportation (e.g. railway, metro de Madrid, bus system) and soft mobility, support multimodal transport solutions and promote the use of bicycles 	14: Transport, Social Housing & Infrastructure	422B 453N	 11 SUSTAINABLE CITIES AND COMMUNITIES	EU Objective 1: Climate Change Mitigation
	Environmental conservation: <ul style="list-style-type: none"> Management and restoration of Protected Natural Parks and other unique spaces with important conservation value 	16: Environment, Local administration and territorial planning	456A	 13 CLIMATE ACTION	EU Objective 6: protection and restoration of biodiversity and ecosystems

Source: Comunidad de Madrid

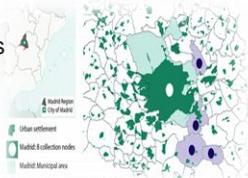


Overview of Green Eligible Expenditures

Green Eligible Expenditures: Budget year 2020		
ICMA / LMA Green Eligible Category	Eligible Amount (€m)	Project examples
Waste Management	c.€16m	<ul style="list-style-type: none"> • Waste Strategy development • Maintenance, quality control and support for network management • Advice and technical support for atmospheric emissions • Environmental control of groundwater
Clean Transportation	c. €664m	<ul style="list-style-type: none"> • Fully-electrified metro • Electric buses¹ • Metro Ligero Madrid • Metro Ligero Oeste
Environmental conservation and biodiversity	c. €20m	<ul style="list-style-type: none"> • Guadarrama River Regional Park • Valdebernardo Park • Forest Program • Improvements in green areas • Monitoring river water level of pollution Manzanares Reserve • Study, control and improvement of protected wildlife • Environmental education • Maintenance recreational areas

Waste Strategy 2017-2024

Comunidad de Madrid assumes **all waste collection and treatment costs** of municipalities with populations of less than 1,000, and 50 % of the costs of municipalities with populations of between 1,000 and 2,500. The Strategy gives great attention to the **Prevention Programme**



Supporting electric mobility

Comunidad de Madrid has launched the **Table for the Promotion of Electric Mobility** ('Mesa para el Fomento de la Movilidad Eléctrica'), that will encourage the discussion within the transportation sector with the purpose to meet the objectives of sustainable mobility



Addressing climate change

Comunidad de Madrid has launched a **Scientific Technical Committee** on Climate Change to define a roadmap to 2050, including measures to improve air quality



Comunidad de Madrid's 2020 Green Eligible Portfolio amounts to c.€700m: 95% Clean Transportation, 3% Environmental conservation and biodiversity and 2% Waste Management

1. For the purpose of the inaugural green bond issuance, hybrid buses are excluded



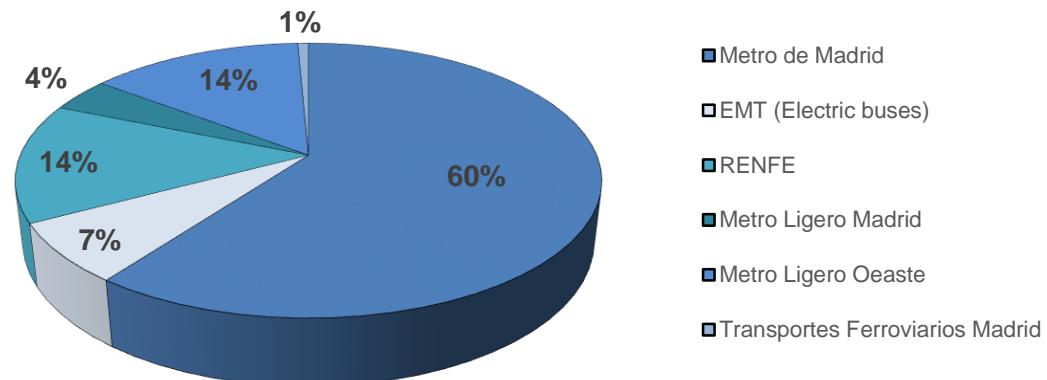
Advancing Clean Transportation in Madrid's region

Comunidad de Madrid is financing low carbon transportation aimed at reducing greenhouse gas emissions and promoting modal shift towards public transportation



Financings to clean and sustainable mobility	Percentage (%)
Metro de Madrid	60%
EMT (Electric Buses only)	7%
RENFE	14%
Metro Ligero Madrid	4%
Metro Ligero Oeste	14%
Transportes Ferroviarios Madrid	1%
Total	100%

Breakdown of Clean Transportation Category by type of operator



Source: Comunidad de Madrid



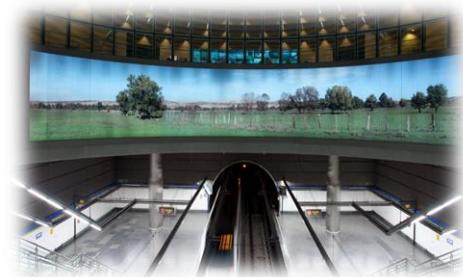
Examples of specific Green Eligible Projects

Increasing the share of electric buses in Madrid's public bus fleet



- Comunidad de Madrid supports the **decarbonization of the Region's public transport**
- In 2020, EMT Madrid has approved a **€39m investment** for the purchase of **50 new electric buses and 15 electric micro-buses**
- This is in line with the **company's strategy** of gradually reducing the fleet's carbon emissions

Fully electrified Madrid underground



- Comunidad de Madrid supports the maintenance and development of the fully-electrified Madrid's metro
- Thanks to the Energy Saving Plan 2012-2017 and the current Energy Efficiency Plan, **Metro de Madrid** – the public enterprise of the Madrid underground – **has reduced electricity consumption in daily operations by 25%**

Environmental Conservation of Public Parks



- Comunidad de Madrid finances the **maintenance and restorations of public Natural Parks** in the Region
- One of the them is the Valdebernardo park, peri-urban park located at the eastern end of the Valdebernardo neighborhood, which covers 108 hectares and which offers a variety of 180.540 trees and numerous sports facilities and children's areas

Comunidad de Madrid strongly supports the decarbonization of the Region's public transport and takes very seriously the mandate of protecting, restoring and enhancing green public areas



Thanks you for your attention

Contact Information

Rodrigo Robledo Tobar

Director General for Financial Policy and Treasury



Mª Luz García Aliaga

Deputy Director Financial Policy

Beatriz Mula Coso

Head of Funding

dgpf@madrid.org

<http://www.comunidad.madrid/inversion/relacion-inversores>

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CONSEJERÍA DE HACIENDA Y FUNCIÓN PÚBLICA

Comunidad de Madrid

ANNEXES



Overview of outstanding Sustainable transactions

	Amount (€ million)	Settlement	Maturity	Tenor
Social Bond (PP)	48	08/18/2016	08/18/2031	15
Social Loan	20	11/08/2016	11/08/2026	10
Sustainable Bond (Public)	700	04/18/2017	04/30/2022	5
Sustainable Loan	240	06/28/2017	06/28/2032	10
Sustainable Bond (Public)	1000	02/23/2018	04/30/2028	10
Sustainable Loan	39	02/05/2018	02/05/2028	10
Sustainable Loan	340	01/29/2018	01/29/2032	10
Sustainable Bond (PP)	150	10/22/2018	10/22/2058	40
Sustainable Bond (Public)	1250	02/14/2019	04/30/2029	10
Sustainable Loan	50	03/14/2019	03/14/2030	11
Sustainable Loan	97	03/15/2019	03/15/2029	10
Sustainable Loan (Blockchain)	220	03/29/2019	03/29/2030	11
Sustainable Loan	53	04/05/2019	04/05/2029	10
Sustainable Bond (PP)	50	04/25/2019	10/22/2058	40
Sustainable Bond (Public)	1250	02/07/2020	04/30/2030	10
Sustainable Bond (PP)	265	04/08/2020	10/31/2050	30



2018 Transactions

2018 Placements and Loans			
Operation	Amount (€ mill)	Settlement date	Tenor
Loan	75,000,000	01/22/2018	12
Loan	100,000,000	01/23/2018	12
Loan	25,000,000	01/24/2018	9
Loan	150,000,000	01/24/2018	11
Loan (Sustainable)	340,000,000	01/29/2018	14
Loan	36,000,000	02/05/2018	15
Loan	65,000,000	02/06/2018	6
Loan	10,000,000	02/05/2018	8
Loan (Sustainable)	39,000,000	02/05/2018	10
Loan	75,000,000	02/06/2018	11
Tap	385,000,000	02/20/2018	28
Public Placement (Sustainable)	1,000,000,000	02/23/2018	10
Loan	200,000,000	03/16/2018	30
Loan	250,000,000	04/27/2018	30
Private Placement	92,000,000	10/10/2018	35
Private Placement (Sustainable)	150,000,000	10/22/2018	40
Loan	70,000,000	12/14/2018	5
Total	3,062,000,000		

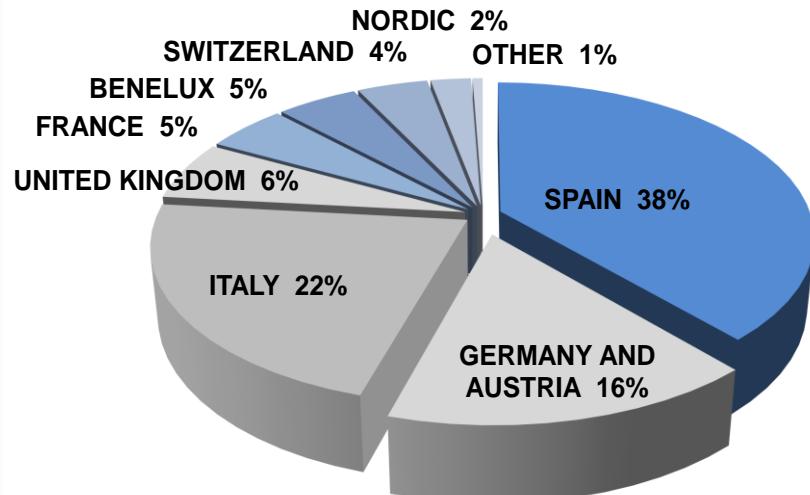
- Moderate interest rate with “Contained financial costs”
- 5-40 years tenors executed
- The average Funding cost for 201 was 2.1% and the average tenor was over 18 years.



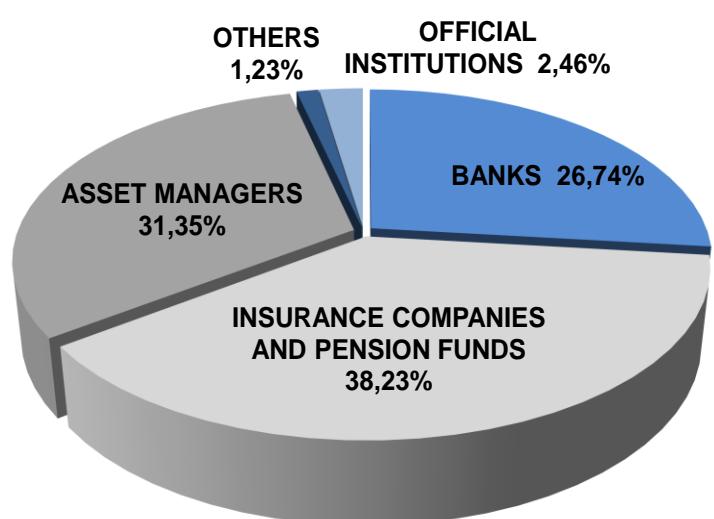
2018 Bond Profile

BOND TRANSACTIONS

BY REGIONS



BY INVESTOR TYPE



TOTAL AMOUNT 1,627,000,000 €



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 an 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.



Source: Comunidad de Madrid

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.



Affordable Housing

Use of proceeds: Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at **fighting against housing exclusion** by providing **affordable housing** and shelter to disadvantaged populations.

Eligible expenditures include:

- Development and **provision of social housing** in Comunidad de Madrid;
- Renovation, maintenance and **improvements of affordable housing projects**;
- Provide affordable housing with **adjusted rents to disadvantaged targeted populations**;
- Maintenance, adaptation and **modernization of shelters for at risk youth**, improving spaces for accommodation.



By financing affordable housing, Comunidad de Madrid directly supports Spain's State Housing Plan



Education

Use of proceeds : Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at providing **educational programs and vocational training to youth**, as well as allowing for a successful **integration of disadvantaged groups in the education system**, preparing them for future labor market opportunities.

Eligible expenditures include:

- Construction, rehabilitation and maintenance of **public education schools**;
- Construction, rehabilitation and maintenance of **public education centers**;
- **Acquisition of equipment** to ensure a quality education in public education schools;
- Financing expenses related to **home educational support service (SAED)**, **hospital classrooms (AAHH)** and **therapeutic educational centers (CET)**;
- Financing **educational programs and vocational training** for young people at **risk of exclusion or unemployed**;
- Collaboration to support the **integration of students with special educational needs**;
- Expenses related to **subsidized school transport services**;
- Financing the **development and maintenance of public universities**;
- Providing financial support to university students, based on **socioeconomic criteria such as income level and patrimony, or disabilities**.



Comunidad de Madrid finances public education for all, and devotes particular attention to allocate resources to guarantee access to education for disadvantaged students

Source: Comunidad de Madrid



Healthcare

Use of proceeds: Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at providing a **modern and sustainable public healthcare service system to the citizens of Madrid** (including, but not limited to, vulnerable groups).

Eligible expenditures include:

- Development, maintenance and modernization facilities integrated in the **public healthcare service system** (hospitals, health-care centers, mental health facilities, etc.);
- Provision of health care or social services in **underdeveloped areas or vulnerable populations**;
- Acquisition of **medical equipment or provision of diagnostic services**;
- Financing programs for the **promotion of health**;
- Financing activities to **prevent and treat drug addiction**.

Expenditures related financing to healthcare aimed at fighting COVID-19 in the Madrid's Region can be used for the purpose of the issuance of thematic social bonds.



The financing of the healthcare programme will facilitate the ongoing provision of quality healthcare services to the local population, including, but not solely, to the disadvantaged groups

Source: Comunidad de Madrid



Social Inclusion

Use of proceeds : Proceeds of the Sustainable Finance Instruments will be allocated to projects aimed at supporting, integrating and **providing basic services to several vulnerable population groups** (victims of domestic violence, the elderly, risk population and minorities, physically and/or disabled people, etc.) and to **integrate, education and employment programs** as well as financial assistance to vulnerable groups at risk of social exclusion.

Eligible expenditures include:

- Fighting against domestic violence and promotion of **equal opportunities**;
- Support integration of **families and individuals at risk** (social action and education);
- Provision of **financial assistance** (i.e minimum income) to people **at risk of social exclusion**;
- Ensure universal accessibility to the **public transportation system**;
- Support to **the elderly**;
- Support to **the mentally and/or physically disabled**.



Comunidad de Madrid supports social cohesion and inclusion, protection of children and women, and care for the elderly and incapacitated via its measures and policies

Source: *Comunidad de Madrid*



Economic Inclusion & SME Financing

Use of proceeds: Proceeds of the Sustainable Finance Instruments will be allocated to projects and programs aimed at **promoting labor market entry opportunities for long-term unemployed or people** with lower employment prospects, and **financing SMEs in the Comunidad de Madrid**. This activity will contribute to the growth and development of Madrid's economy, hence promoting employment creation and retention.

Eligible expenditures include:

- Supporting professional training directed at the **unemployed in the Comunidad of Madrid**;
- Conducting studies and labor market research to plan and **implement policies of employment**;
- Support in **orientation programs** for those distant to the labor market that allow for a direct contact with employment agencies and employers;
- Promote **integration in the labor market of persons with disabilities** and those who are in **risk of social exclusion**;
- Provide **finance to SMEs, including start-ups** in order to stimulate their competitiveness and job creation;
- Provide **training and advising to commercial SMEs** to help them improve their skills and business;
- Support SMEs in the **Handicraft and Artisan Market** to improve their competitiveness.

MEMORIA DE PROGRAMA
PROGRAMA: 4201 INDUSTRIA
Serie: 4201.1 D.G. DE INDUSTRIA, ENERGÍA Y MINAS

MEMORIA DE PROGRAMA
PROGRAMA: 4104 ECONOMÍA
Serie: 4104.1 D.G. DE ECONOMÍA, ESTADÍSTICA Y COMPETITIVIDAD

The support provided to Madrid's SMEs, will strengthen the competitiveness of SMEs and leading to the creation and preservation of jobs, and promote the integration of vulnerable people

Source: Comunidad de Madrid



Climate Change and Environmental Management

Use of proceeds: Proceeds of the Sustainable Finance Instrument will be allocated to financing the measures to promote the sustainable mobility solutions, financing of activities related to the 'Waste Strategy of the Comunidad de Madrid' and to the management and restoration of Protected Natural Parks and other unique spaces with important conservation value ('Zonas de Especial Conservacion').

Eligible expenditures include:

Clean Transportation

- Development, extension, improvement, promotion and maintenance of **public transport** including metro, low-carbon buses (such as hybrid and electric buses), including **new stations for electric buses only, rail-related infrastructure**;
- **Renewal of the most polluting fleets** (replacing vehicles with lower emission vehicles);
- Funding the installation of **charging points for electric vehicles**;
- **Urban planning and development** that leads to a reduction in the use of passenger cars.



Waste Management

- Measures to **decrease the volume of waste generated**;
- Treatment of **electrical and electronic equipment waste**;
- Programmes for **new uses of recycled materials** such as rubber from tires;
- Development of **research studies on contaminated soils** and financing necessary measures to ensure **decontamination** of identified sites.

Environmental conservation and biodiversity

- **Conservation and restorative activities** such as: repair of damaged areas to reconstruct distorted natural habitats, ongoing maintenance in the form of tree, plant and wildlife care and management and fire protection;
- Educational activities and facilities to enhance awareness and knowledge of the importance of the **National Parks** and other environmental spaces in the Comunidad de Madrid, encouraging the environmental care by local residents and visitors;
- Monitoring and development of the **Forestry Plan of the Comunidad de Madrid**



Comunidad de Madrid is heavily financing low carbon transportation and subsequently contributing to the reduction of greenhouse gas emissions in the Region