Autonomous Community of Madrid
7th Sustainable Public Benchmark Bond
New € 1bn 3.462% 10-year due 30th April 2034

Press release – 20th February 2024

The Autonomous Community of Madrid rated A/Baa1/A/BBB+ (Stable/Stable/Positive/Positive) by S&P, Moody's, DBRS and Fitch respectively, launched today its seventh sustainable public benchmark transaction in the international capital markets. The new EUR 1bn bond matures on 30th April 2034 and pays a spread of 16 bps over the mid-yield level of the new 10 year SPGB reference due April 2034, resulting in a yield of 3.462%. The Joint Lead Managers were Banco Sabadell, BBVA, Caixabank, HSBC, ING and Santander. This consolidates Madrid's leading position as an ESG bond issuer, being the first Spanish public sector issuer to launch 7 Sustainable benchmark bonds and the only region with capacity to issue EUR 1bn in Sustainable format. This makes Comunidad de Madrid the most liquid ESG sub-sovereign issuer

Background

- The Autonomous Community of Madrid is one of the seventeen regions of Spain. Located in the center of the country, the city of Madrid is the capital of Spain as well as one of its most important financial and economic hubs.
- Since 2012, the Autonomous Community of Madrid is included in the scope of State Public debt. (article 135 of Spanish Constitution)
- The Autonomous Community of Madrid's gross funding needs for 2024 are projected to be EUR3,016m, of which EUR2,500m have already been covered through bilateral loans and today's transaction. The region has managed to fulfill 80% of its funding needs within 3 weeks after receiving the authorization from the Ministry which evidences the reliance of its creditors.
- The bond has been issued under Autonomous Community of Madrid's existing Sustainable Finance Framework (updated as of March 2020), which is aligned with ICMA's GSS Bond Principles; LMA's Green Loan Principles and linked to UN Sustainable Development Goals (SDGs). The Autonomous Community of Madrid published its initial Social Financing Framework in 2016, which has been updated to incorporate more ambitious sustainability targets as per its Sustainability Plan and with the aim to align it with best market practices.
- The Autonomous Community of Madrid Sustainable Financing Framework caters for the financing in six eligible categories; five social categories, affordable housing, education, healthcare, social inclusion, SME financing, and one green, Climate Change and Environmental Management.
- The Community of Madrid was the first public sector issuer in Spain, and one of the few in Europe to align its green bonds to the EU Green Taxonomy.
- **Investor Presentation:** https://www.comunidad.madrid/sites/default/files/img/profesiones/16.02.2024_investor_presentation_.pdf
- **Sustainability bond framework:**
- https://www.comunidad.madrid/sites/default/files/img/profesiones/comunidad_de_madrid_sustainable_finance_framework_update_march_23_03_2020.pdf
- **Second opinion by Sustainalytics:** https://www.comunidad.madrid/sites/default/files/img/profesiones/comunidad_de_madrid_sustainable_finance_framework_spo_update_1.pdf

Execution Summary

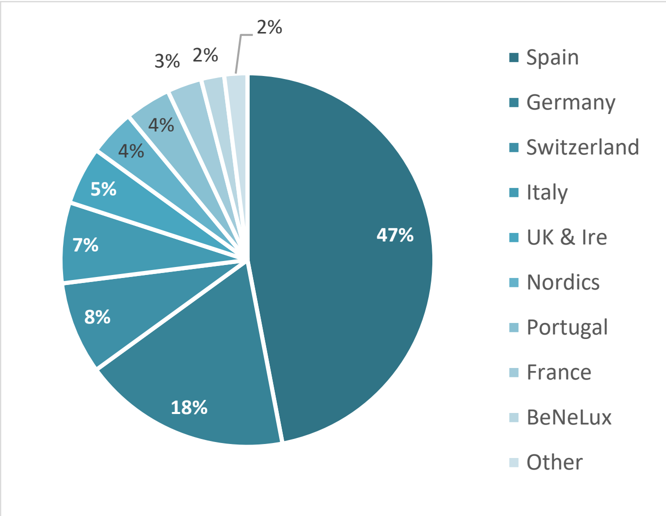
- On Tuesday February 20th, 2024, the Autonomous Community of Madrid successfully launched and priced a new EUR 1bn 10yr Sustainable bond at a spread of +16 bps over SPGB. The 7th sustainable benchmark transaction from the region was preceded by a week-long marketing exercise with 19 European investors across different geographies.
- The mandate was announced the previous day with no Initial Price Thoughts and attracted more that EUR 1,5bn initial order interests (IoIs). The good response from investors and the stable market opening allowed the transaction to hit the screens early the next day:
  - Books opened at 9:00 am CET with a Guidance of SPGB + 22bps area.
  - They book grew steadily, and by 10:00 am CET demand was already north of EUR 3bn (excluding EUR JLM interests)
  - By 11:00 am CET the good momentum allowed the guidance to be revised to SPGB + 18 bps (+/-2). Shortly after the demand peaked at EUR 4,3bn revealing the low price sensitivity of investors.
  - Books finally closed at 11:45 am CET with demand north of EUR 4,1bn and more than 125 investors involved.
  - The deal was priced at 99,989% with a yield of 3,462%.

Placement highlights

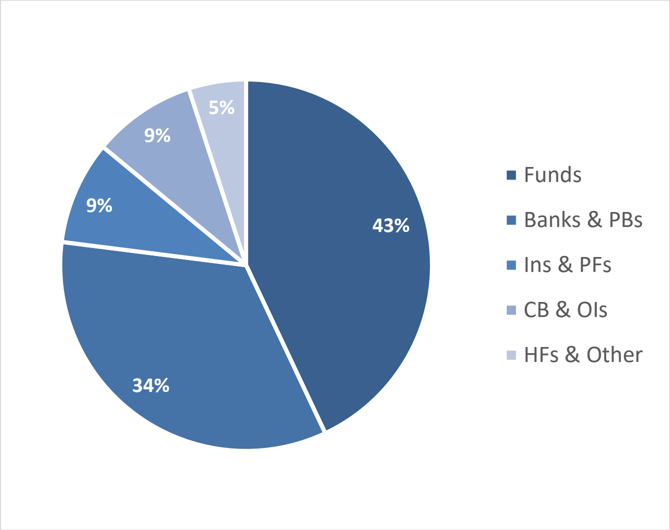
- The outstanding demand received from the investor community ahead of the initial price thoughts allowed for a fast execution under 3 hours.
- During the transaction demand peaked at EUR 4.3bn with more than 130 investors involved, who showed very low sensitivity to price revisions dropping only by EUR 200M after a spread revision of -6bp, allowing Comunidad de Madrid to price the bond inside the fair value of the theoretical secondary market.
- The transaction received strong support from international investors representing 53% of the total allocations. The quality of the orders also allowed to allocate 52% of the notes to asset managers, insurance & pension funds.

Distribution summary

By Region:



By Investor type:



Should you need any further information, please do not hesitate to contact The Autonomous Community of Madrid:

Rodrigo Robledo Tobar

Director General for Financial Policy and Treasury

+34 915803272

rodrigo.robledo@madrid.org

Comunidad de Madrid

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