

City of Barcelona

Key Rating Drivers

Rating Derivation Summary: Fitch Ratings assesses the City of Barcelona's Standalone Credit Profile (SCP) at 'aaa', reflecting a combination of a 'High Midrange' risk profile and a 'aaa' debt sustainability assessment. Fitch does not apply any asymmetric risk. Barcelona's Issuer Default Ratings (IDRs) are capped by the sovereign IDR (A-/Stable), and are therefore below the city's SCP.

Risk Profile – 'High Midrange': Fitch assesses Barcelona's risk profile at 'High Midrange', reflecting a combination of 'Midrange' and 'Stronger' attributes on six key risk factors. The assessment reflects Fitch's view of a low risk relative to international peers that Barcelona's ability to cover debt service with the operating balance may weaken unexpectedly over the forecast horizon (2022-2026) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt-service requirement.

Debt Sustainability – 'aaa' Category: This assessment reflects a debt payback ratio (net direct risk/operating balance) – the primary metric of debt sustainability assessment – of under five years in 2026 ('aaa' category). This, together with forecast synthetic debt service coverage ratio (operating balance/mortgage-style debt annuity) of five years in 2026 ('aaa' category), justifies the assessment of Barcelona's debt sustainability at 'aaa'.

Other Rating Factors: Barcelona's final rating is capped by the sovereign rating. This reflects the high influence the state has on the local and regional government's (LRG) funding, responsibilities and borrowing rules. The other rating factors are neutral to Barcelona's ratings.

ESG Considerations: ESG issues have a very limited impact on Barcelona's ratings, which is reflected in a score of '3'.

Rating Sensitivities

Action on Sovereign: Barcelona's IDRs would be upgraded if the sovereign ratings were upgraded.

Action on Sovereign: Barcelona's IDRs are constrained by the sovereign IDRs and are sensitive to changes in the sovereign ratings. Barcelona's IDRs would also be downgraded if there were a sustained increase in leverage, particularly if the debt payback ratio worsened beyond 13 years, which is unlikely.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Foreign Currency

Long-Term IDR	A-
Short-Term IDR	F1

Local Currency

Long-Term IDR	A-
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Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

Debt Ratings

Senior Unsecured Debt – Long-Term Rating	A-
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Issuer Profile Summary

Barcelona is the capital of the region of Catalonia. Its registered population is 21% of the region's. The city is the administrative, political and economic centre of Catalonia and benefits from being a popular tourism destination.

Financial Data Summary

City of Barcelona

(EURm)	2021p	2026rc
Payback (x)	1.1	2.6
Synthetic coverage (x) ^a	12.3	5.0
Fiscal debt burden (%)	20.5	42.7
Net adjusted debt	590	1,366
Operating balance	543	534
Operating revenue	2,877	3,198
Debt service	107	149
Mortgage-style debt annuity ^a	44	104

p: preliminary rc: Fitch's rating-case scenario

^a Fitch's calculation (see Appendix C)

Source: Fitch Ratings, City of Barcelona

Applicable Criteria

International Local and Regional Governments Rating Criteria (September 2021)

Related Research

Fitch Affirms City of Barcelona at 'A-'; Outlook Stable (February 2022)

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Rating Synopsis

City of Barcelona Rating Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Debt Sustainability (DS) Assessments				Stand alone Credit Profile (SCP)	From SCP to IDR						
	Revenue		Expenditure		Liabilities & Liquidity		Primary metric	Secondary metrics		DS Score		Intergovernmental lending	Ad-hoc support	Asymmetric Risks	Sovereign Rating	Leeway Above Sovereign	IDR	Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Payback	Coverage									
	Risk Profile																	
Stronger							aaa	aaa	aaa	aaa	aaa				AAA	AAA		
							aa	aa	aa	aa	aa+				AA+	AA+		
							a	a	a	a	aa				AA	AA		
							bbb	bbb	bbb	bbb	a+				AA-	AA-		
							bb	bb	bb	bb	a				A+	A+		
							b	b	b	b	bbb+				A	A		
											bbb				A-	A-	Stable	
											bbb-				BBB+	BBB+		
											bb-				BBB	BBB		
											bb+				BBB-	BBB-		
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											b				BB	BB		
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											ccc				CCC	CCC		
											cc				CC	CC		
											c				C	C		

■ Higher Influence KRF ■ Lower Influence KRF

The six key risk factors, which are combined according to their relative importance, collectively represent the Risk Profile of the LRG. The risk profile and debt sustainability assessments that measure the LRG’s debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in a SCP. This, together with some additional factors not captured in SCP, such as extraordinary support or rating cap, produce the IDR.

Issuer Profile

Institutional Framework

Municipalities’ funding is set out in the latest modification to the law (Royal Decree 2/2004); the initial law regulating local funding was approved in December 1988. This amendment simplified the funding system, dividing revenue into taxes, fees and fines and current transfers. Most of Barcelona’s current transfers come from the central government through participation in the nationally collected tax scheme.

Barcelona’s responsibilities are set out in the national law governing cities of more than 50,000 inhabitants. These include: street lighting, cemeteries, waste collection and treatment, street cleaning, water supply and treatment, sewage, traffic control, street paving, libraries, parks and gardens, markets, civil protection, social services, fire prevention and fire brigades, sports centres, and urban planning and transport.

Socioeconomic Profile

Barcelona is considered as a ‘Type B’ LRG in Fitch’s criteria as it is required to cover debt service from operating balance and is subject to requirements imposed and enforced by the central government.

The city is the capital of the Autonomous Community of Catalonia (BBB-/Stable) and is part of the provincial territory of Barcelona. Its registered population is 21% of the region’s and 28.6% of the province’s. In January 2021, the city had a registered population of 1,636,732, which has gradually increased since 1996, mainly due to the large rise in immigrants. Barcelona is the second-largest and one of the most densely populated cities in Spain at 16,149.3 inhabitants per square kilometre.

Barcelona’s socioeconomic profile is strong, as it has a diversified and wealthy economy. The city also benefits from being a popular tourism destination, with a high number of airline passengers (52.6 million in 2019 pre-Covid-19 pandemic) and overnight stays (21.3 million in 2019 pre-pandemic level). The city has a port that can accept cruise liners in the Mediterranean as well as commercial shipping. The city is the administrative, political and economic centre of Catalonia. The city has a large services sector, underlined by the number of SMEs, although it is also home to many multinationals. The provincial and regional economies are stronger than the national economy, shown by

a GDP per capita that was 17.4% above the national average in 2020, as well as lower unemployment and poverty rates.

Socioeconomic Indicators

	Barcelona	Sovereign
Population, 2021 (m)	1,636,732	47,385,107
GDP per capita, 2019 (EUR) ^a	31,733	26,417
GDP growth, 2019 (%) ^a	3.9	3.4
Inflation, 2020 (%) ^a	-0.3	-0.3
Unemployment rate, 2020 (%) ^b	12.6	15.5

^a Provincial data

^b Regional data

Source: Fitch Ratings, national statistics, City of Barcelona

Risk Profile Assessment

Risk Profile: High Midrange

City of Barcelona – Risk Profile Assessment

Risk profile	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility
High Midrange	Midrange	Stronger	Stronger	Stronger	Stronger	Midrange

Source: Fitch Ratings

Fitch assesses Barcelona’s risk profile at ‘High-Midrange’, reflecting a combination of ‘Midrange’ and ‘Stronger’ attributes on six key risk factors. The assessment reflects Fitch’s view of a low risk relative to international peers that Barcelona’s ability to cover debt service with the operating balance may weaken unexpectedly over the forecast horizon (2022-2026) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt-service requirement.

Revenue Robustness: Midrange

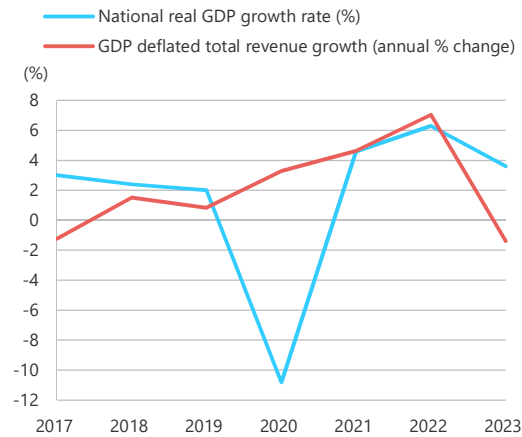
Barcelona’s revenue robustness is underpinned by regional GDP per capita that was 1% higher than the EU average in 2018, and an employment rate of 52.7%, higher than the national level (48.5%).

Barcelona’s operating revenue is stable, evidenced by a CAGR in 2010-2020 of 2.3%, compared with national GDP CAGR of 0.4% in the same period. A third of operating revenue comes from taxes on property and increase in land value, the latter subject to a levy on assets based on fiscal valuation instead of regional GDP growth.

The dependence on an ‘A-’ rated counterparty for a material proportion of local revenue drives the ‘Midrange’ assessment of the robustness of Barcelona’s revenue framework. Operating revenue is mostly composed of transfers from the central government (42% of operating revenue in 2021) through participation in some national taxation and the Complementary Fund for local entities. This is a transfer from the state in which municipalities that are the capital of a region or province, or have a population above 75,000 inhabitants, are beneficiaries.

Transfers are correlated to economic cycles, but a decline of national GDP would affect revenue with a two-year lag, due to the funding system.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, City of Barcelona

Revenue Breakdown, 2021

	Operating revenue (%)	Total revenue (%)
Property tax	25.4	25.0
Tax on economic activity	3.6	3.5
Tax on motor vehicles	2.0	2.0
Tax on construction activities	1.3	1.3
Tax on increases in land values	6.6	6.5
Other taxes	4.2	4.1
Transfers	43.0	42.2
Fees and fines	13.9	13.7
Operating revenue	100.0	98.3
Interest revenue	-	1.0
Capital revenue	-	0.8
Total revenue	-	100.0

Source: Fitch Ratings, City of Barcelona

Revenue Adjustability: Stronger

We assess Barcelona’s ability to generate additional revenue in response to possible economic downturns as ‘Stronger’. It has discretionary tax leeway to increase revenue by EUR1.2 billion, which would cover more than 200% of a reasonably expected decline of operating revenue of EUR90 million, or 4% as was observed between 2010 and 2009.

Barcelona has legal control of self-collected taxes that represented 41.6% of operating revenue in 2021. The largest single contributor is property tax (25.4% of operating revenue in 2021), with a ceiling set by the state. We estimate that increasing tax rates to the legal ceilings would raise operating revenue by about 46%.

Barcelona has the flexibility to raise taxes, as evidenced in the stronger local and regional socioeconomic indicators (GDP per capita, employment and poverty rates) compared with the national average.

Spanish law sets a ceiling on these local tax rates. An increase of the property tax rate to its legal maximum (of 1.3%, up from the current municipal tax rate of 0.66%) would have increased operating revenue by EUR1.2 billion in 2021. The taxes on construction and on increases in land value rates are at their maximum legal levels of 4% and 30%, respectively.

Expenditure Sustainability: Stronger

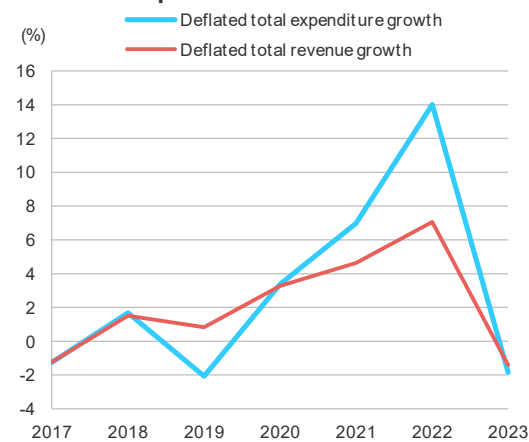
Barcelona’s control of expenditure is reflected by 1.9% CAGR growth, though this is lower than revenue growth (2.1%) in 2016-2021. Control is underpinned by a large share of responsibilities decided by the municipality, rather than at the national level. Municipalities’ responsibilities are governed by national law under the common regime according to their size.

This factor also reflects local expenditure, which is mostly non-countercyclical, apart from social spending, which represented just 12.9% of total spending in 2021 and tends to grow when unemployment rises. The risk of an uncontrolled rise in expenditure during an economic downturn is reduced by there not being a minimum level of quality of services to be provided.

Barcelona’s main responsibilities cover urban planning (6.2%), education and culture (10.8%), wellness (12.6%), security (12.2%) and welfare (12.9%). Barcelona’s expenditure is not correlated to the economic cycle; however, Fitch considers social care expenditure to be cyclical as funding needs could rise as a consequence of an economic downturn. This spending item increased by 8% in 2020 due to the economic recession triggered by the pandemic.

We consider that the rest of responsibilities (27%) (governance, general services, financial and fiscal administration, transfers to other public administrations) are more stable and at the discretion of the municipality.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, City of Barcelona

Expenditure Breakdown, 2021

	Operating expenditure (%)	Total expenditure (%)
Urban planning ^a	7.7	6.2
Social care ^a	15.9	12.9
Wellness ^a	15.5	12.6
Security ^a	15.0	12.2
Transport ^a	8.1	6.5
Education and culture ^a	13.3	10.8
Other	33.3	27.0
Staff costs	19.3	15.6
Goods and services	24.3	19.7
Current transfers	56.4	45.8
Operating expenditure	100.0	81.2
Interest expenditure	-	0.4
Capital expenditure	-	18.4
Total expenditure	-	100.0

^a 2022 budget

Source: Fitch Ratings, City of Barcelona

Expenditure Adjustability: Stronger

Barcelona’s ability to reduce spending in response to shrinking revenue is underpinned by the Budgetary Stability Law (BSL). This enables the central government to control local administration spending and has been strengthened in recent years. Prudential rules, particularly compliance with deficit, debt and spending targets, help to maintain the fiscal balance and have resulted in it meeting stability targets in the past 10 years (2011-2020). However, these targets were put on hold for 2020 and 2021 as a result of the pandemic, and a deficit target at 0.1% was established for 2021.

The assessment also reflects a low proportion of inflexible items, largely from social spending (13% of total spending) and staff costs, as most of the municipality’s employees are civil servants (15.6% of total spending in 2021).

The municipality aims to comply with the prudential rules for 2023-2026 of not having a deficit, current balance to current revenue above 15% and debt to current revenue below 60%.

Fitch considers Barcelona’s flexibility over capital expenditure (capex; 18.4% of total spending in 2021 and 19% in the rating-case scenario in 2022-2026) to be significantly higher than over opex as it could postpone or scale back a significant share, if necessary. The delayed execution of the increase of budgeted capex at EUR563 million for 2020 (a rise of 52% from end-2019) is evidence of this.

We consider the municipality has a high level of service and investments and that its ability to reduce these items is stronger than national peers.

Liabilities and Liquidity Robustness: Stronger

This assessment is underpinned by a solid national framework for debt and liquidity management, with strict prudential borrowing limits. The city can only contract new debt in the financial markets up to 75bp above national government bonds, has a debt guarantee limit (authorised guarantees cannot exceed 30% of current revenue), a limit on debt/GDP and must seek explicit debt authorisation from the central government in certain cases of non-compliance.

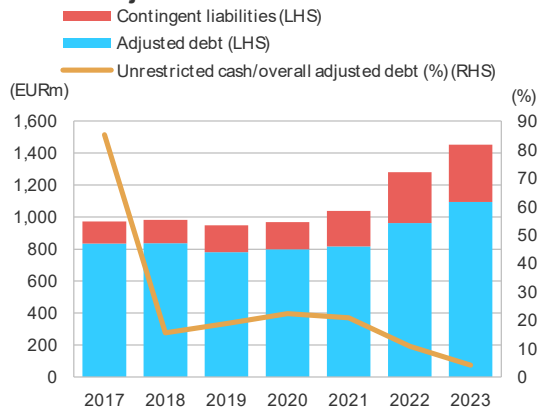
Barcelona is exposed to floating interest rates (the share of unhedged floating-rate debt was 32% in 2021), taking advantage of a low interest-rate policy. However, Fitch believes that it could access financial products to cover the risk of rising interest rates or renegotiate this debt with fixed rates.

The city's debt was characterised in 2021 by a good weighted average life of debt of 6.2 years and low average cost of debt of 1.5%. It has strong financial market access and no reliance on short-term debt. Debt service is also well covered by the operating balance (2021: 5.1x) and the city has limited off-balance-sheet risks (27% of direct debt or 0.4x of operating balance in 2021).

The city's annual debt maturities are below the expected current balances, with an annual average capital repayment of EUR43 million until 2039. It has bullet repayments in 2022, 2026, 2027, 2028, 2029, 2030 and 2031 from six loans, one sustainable bond and an issue private placement. However, the bullet repayments' risk is mitigated, in Fitch's view, by the modest amount of these maturities in absolute terms and as a proportion of Barcelona's cash flow.

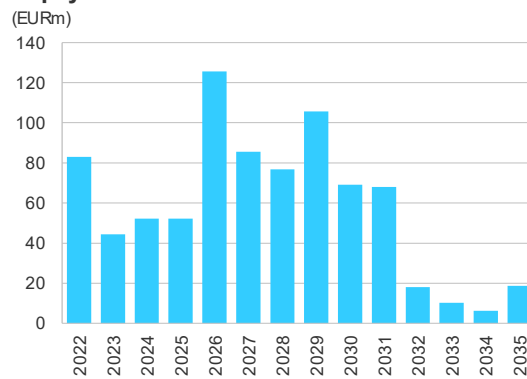
Barcelona's majority-owned government-related entities' debt mainly comprises the municipal housing institute's financial debt. In July 2017, the entity formalised a loan of EUR125 million with the European Investment Bank and EUR59 million with the Council of Europe Development Bank, to construct 2,534 social houses to rent. In 2021, it formalised a further EUR22 million and EUR44 million, respectively. Therefore, debt is expected to grow until 2026 to EUR347 million from EUR221 million at end-2021 given the expected increased social housing in the city. The construction's funding is as follows: 50% from the European Investment Bank, 15% from Barcelona and 35% with from the Council of Europe Development Bank.

Overall Adjusted Debt Structure



Source: Fitch Ratings, City of Barcelona

Debt Amortisation Schedule – Capital Repayments



Source: Fitch Ratings, City of Barcelona

Liabilities and Liquidity Flexibility: Midrange

Barcelona's unrestricted liquidity available is strong, covering more than 1.4x the short- and long-term debt that matured in 2022. At end-2021, the municipality had EUR685 million available cash, including EUR227 million considered as unrestricted and available for debt service by Fitch.

The city does not have committed liquidity lines, but would be exposed to counterparty risk at between 'BBB-' and 'A+' in case of need for liquidity support. This drives the 'Midrange' assessment of Barcelona's liability and liquidity flexibility.

Barcelona also has stable and predictable cash flow, given the monthly stable revenue allocations received from the central government under the funding system.

Debt Analysis

	2021
Fixed rate (% of direct debt)	68
Issued debt (% of direct debt)	12
Apparent cost of debt (%)	1.5
Weighted average life of debt (years)	6.2

Source: Fitch Ratings, City of Barcelona

Liquidity

(EURm)	2021
Total cash, liquid deposits and sinking funds	685
Restricted cash	458
Cash available for debt service	227
Undrawn committed credit lines	0

Source: Fitch Ratings, City of Barcelona

Debt Sustainability: aaa Category

Debt Sustainability Metrics Summary

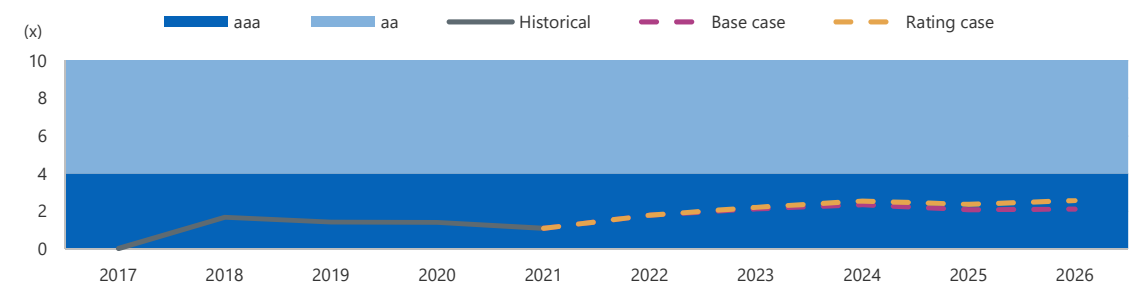
	Primary metric	Secondary metrics	
	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X ≥ 4	X ≤ 50
aa	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 25	X < 1	X > 250

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

In our rating case scenario, we expect Barcelona’s payback ratio to be below five years in the medium term, or in the ‘aaa’ category (2021: 1.1x), and have a synthetic debt service coverage ratio of five years in 2026, or in the ‘aa’ category.

The fiscal debt burden will remain low, at about 42.7%, or compatible with an ‘aaa’ category, but has lower weight in our final assessment. Overall, the combination of debt metrics leads us to an ‘aaa’ debt sustainability assessment.

Payback Ratio - Fitch's Base- and Rating-Case Scenario:



Operating Performance

The operating balance increased in 2021 to EUR543 million from EUR418 million in 2019 due to a strong 5.2% yoy increase in operating revenue, as a result of higher state funds and higher collected taxes and fees and fines. Operating expenditure in 2021 grew by a moderate 0.7% yoy, as a result of pandemic-related spending in 2020. Staff cost (5.8%) was the main driver of operating expenditure growth, especially in view of salary increase of 2% and hiring of 256 employees.

The government initiated a full cadastral revaluation of real-estate stock with effects from 2018 with a global increase of cadastral values of 19% in 10 years.

Fitch expects 2022 operating revenue to grow 3.3% yoy as the level of state allocations increases by EUR160 million from 2021, and the city is expected to receive EUR22.6 million in compensation from the central government from the VAT from 2017 (the city only collected 11 months due to a change of the tax system). However, operating revenue will be affected by an estimated negative revenue settlement from 2020 of EUR178 million that the city will need to return in three years to the central government (EUR52 million is the negative revenue settlement impact for 2022) and the negative impact over the tax on increases in land values (estimated with a 30% yoy fall in collection) due to the reform to establish a new method for calculating the tax base, after it was declared unconstitutional.

Fitch expects opex to increase by 7.7% yoy in 2022, which will not be compensated by higher operating revenue growth, thus accounting for the fall in the operating balance.

Operating revenue in 2023 will be affected by an estimated negative revenue settlement from 2021 of EUR30 million that the city will need to return to the central government. However, the payback ratio will remain sound, structurally below five years until 2026 in our scenario.

Capex Program

Barcelona’s capex is moderate, at close to EUR422 million a year on average in 2017-2021, or 18.4% of total expenditure in 2021. In 2021, capex increased significantly by EUR194 million due to the suspension of fiscal targets for that year.

In our rating-case scenario, we assume capex to be close to EUR609 million a year on average, equivalent to 21% of total expenditure, and the capital balance to be close to minus EUR590 million a year. We expect capex to grow by EUR260 million in 2022 as being partly funded by EUR150 million of EU funds. In 2023 and 2024 the city will receive EUR100 million and EUR25 million from EU funds. Capex is mostly dedicated to road maintenance, renovation of public spaces and other civil amenities.

Accordingly, in our scenario, we expect the municipality’s net adjusted debt to grow to about EUR1.3 billion at end-2026 from EUR590 million at end-2021, as the city would increase its capex in a context of lower revenue received.

Fitch’s base- and rating-case scenarios end in 2026 and are based on the assumptions below:

Scenario Analysis Assumptions

Assumptions	5-Year historical average	2022-2026 average	
		Base case	Rating case
Operating revenue growth (%)	2.9	2.5	2.1
Tax revenue growth (%)	1.9	2.5	2.1
Current transfers received growth (%)	3.3	2.5	2.1
Operating expenditure growth (%)	2.4	2.7	2.7
Net capital expenditure (average per year; EURm)	-400	-609	-609
Apparent cost of debt (%)	1.8	1.5	1.7

Source: Fitch Ratings

Outcomes	2026		
	2021	Base case	Rating case
Payback ratio (x)	1.1	2.1	2.6
Synthetic coverage ratio (x)	12.3	6.4	5.1
Fiscal debt burden (%)	20.5	37.8	42.7

Source: Fitch Ratings, City of Barcelona

Fitch’s overall adjusted debt includes Barcelona’s financial debt (EUR817 million at end-2021), as well as the public housing entity’s net debt (EUR221 million), included in the majority-owned GRE debt and other contingent liabilities. Net adjusted debt corresponds to the difference between overall adjusted debt and the year-end available cash viewed as “unrestricted” by Fitch (EUR227 million at end-2021).

The city's available cash was EUR685 million at end-2021. Fitch considers that EUR458 million was restricted, which corresponds to the gap between receivables (net of provisions for difficult-to-collect revenue) and payables.

Peer Analysis

Peer Comparison

Peers	Risk profile	Payback ratio (x), rc	SCP	IDR	Outlook
Barcelona, City of	High Midrange	2.6	aaa	A-	Stable
Pamplona, City of	High Midrange	-2.0	aaa	A	Stable
Milan, City of	Midrange	8.1	a-	BBB	Stable
Porto, City of	Midrange	3.2	aa	BBB	Stable
Strasbourg, City of	High Midrange	8.4	aa	AA	Negative
Essonne, Department of	High Midrange	7.6	aa-	AA-	Stable

rc: Fitch's rating-case scenario

Source: Fitch Ratings

The City of Barcelona compares well with French municipalities and French departments in terms of risk profiles. This reflects similarities in terms of scope of responsibilities, revenue mix and debt and liquidity characteristics. However, there are differences with the French departments, mainly in the spending key risk factors, as a material share of their responsibilities are decided nationally, correlates to the macroeconomic environment, and they have a large share of rigid expenditure items.

Barcelona has a stronger risk profile than Portuguese municipalities, mainly reflecting higher tax flexibility.

Barcelona's SCP (aaa) the same as Pamplona and is above Strasbourg (aa), Milan (a-) and Porto (aa) and the Department of Essonne (aa-).

The differences in the final ratings also reflect the differences in sovereign ratings and institutional frameworks. In Italy, France and Portugal the municipalities' ratings are also capped by those of the sovereign, reflecting a higher degree of interdependence between national and subnational finances. Pamplona's ratings are capped by Fitch's credit view on Navarra in view of its special status.

Long Term Rating Derivation

From SCP to IDR: Factors Beyond the SCP

SCP	Sovereign Rating	Support				Asymmetric Risks	Cap	Notches above the Sovereign	IDR
		Intergovern. Financing	Ad-hoc Support	Floor					
aaa	A-	-	-	-	-	A-	-	A-	

Source: Fitch Ratings

Barcelona's 'aaa' SCP reflects a combination of a 'High Midrange' risk profile and a 'aaa' debt sustainability assessment. Fitch does not apply any asymmetric risk. Barcelona's IDRs are capped by the sovereign's and are therefore below the city's SCP.

Short-Term Rating Derivation

Barcelona's Short-Term IDR is 'F1', resulting from a strong liquidity coverage ratio estimated at 6.9x in 2022 and 'Stronger' debt structure robustness and 'Midrange' debt flexibility.

Transaction and Securities

The senior unsecured 'A-' rating is the same as Barcelona's Long-Term IDR.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Appendix A: Financial Data

City of Barcelona

(EURm)	2017	2018	2019	2020	2021	2022rc	2026rc
Fiscal performance							
Taxes	1,147	1,131	1,172	1,198	1,240	1,272	1,369
Transfers received	1,082	1,105	1,129	1,191	1,236	1,288	1,386
Fees, fines and other operating revenues	294	337	339	347	401	412	443
Operating revenue	2,523	2,572	2,640	2,736	2,877	2,972	3,198
Operating expenditure	-2,085	-2,165	-2,216	-2,318	-2,334	-2,514	-2,664
Operating balance	438	407	424	418	543	458	534
Interest revenue	42	34	48	22	29	23	23
Interest expenditure	-18	-12	-18	-14	-12	-16	-23
Current balance	463	430	454	426	559	465	534
Capital revenue	13	36	25	18	22	178	45
Capital expenditure	-442	-435	-370	-336	-529	-789	-659
Capital balance	-429	-399	-346	-317	-507	-611	-614
Total revenue	2,578	2,642	2,713	2,777	2,928	3,173	3,266
Total expenditure	-2,545	-2,612	-2,604	-2,668	-2,876	-3,319	-3,346
Surplus (deficit) before net financing	34	31	109	109	52	-146	-80
New direct debt borrowing	130	54	1	102	111	229	207
Direct debt repayment	-128	-52	-57	-83	-94	-83	-126
Net direct debt movement	2	3	-57	19	16	146	81
Overall results	36	33	52	128	68	0	1
Debt and Liquidity							
Short-term debt	0	0	0	0	0	0	0
Long-term debt	836	836	780	800	817	962	1,366
Intergovernmental debt	0	0	0	0	0	0	0
Direct debt	836	836	780	800	817	962	1,366
Other Fitch-classified debt	0	0	0	0	0	0	0
Adjusted debt	836	836	780	800	817	962	1,366
Guarantees issued (excluding adjusted debt portion)	0	0	0	0	0	0	0
Majority-owned GRE debt and other contingent liabilities	137	145	167	169	221	318	347
Overall adjusted debt	973	981	947	969	1,038	1,280	1,713
Total cash, liquid deposits, and sinking funds	828	758	581	661	685	684	684
Restricted cash	0	605	403	445	458	538	684
Unrestricted cash	828	153	178	216	227	146	0
Net adjusted debt	8	683	602	584	590	816	1,366
Net overall debt	145	828	769	753	811	1,134	1,713
Enhanced net adjusted debt	8	683	602	584	590	816	1,366
Enhanced net overall debt	145	828	769	753	811	1,134	1,713

Source: Fitch Ratings, Fitch Solutions, City of Barcelona

Appendix B: Financial Ratios

City of Barcelona

	2017	2018	2019	2020	2021	2022rc	2026rc
Fiscal performance ratios							
Operating balance/operating revenue (%)	17.4	15.8	16.1	15.3	18.9	15.4	16.7
Current balance/current revenue (%)	18.0	16.5	16.9	15.5	19.3	15.5	16.6
Operating revenue growth (annual % change)	1.0	1.9	2.6	3.6	5.2	3.3	0.9
Operating expenditure growth (annual % change)	0.5	3.8	2.4	4.6	0.7	7.7	1.5
Surplus (deficit) before net financing/total revenue (%)	1.3	1.2	4.0	3.9	1.8	-4.6	-2.5
Surplus (deficit) before net financing/GDP (%)	0.1	0.1	0.2	0.2	0.1	-0.3	-0.1
Total revenue growth (annual % change)	-0.0	2.5	2.7	2.3	5.5	8.4	1.0
Total expenditure growth (annual % change)	-0.0	2.6	-0.3	2.4	7.8	15.4	1.3
Debt ratios							
Primary metrics							
Payback ratio (x) (Net adjusted debt to operating balance)	0.0	1.7	1.4	1.4	1.1	1.8	2.6
Enhanced payback ratio (x)	0.0	1.7	1.4	1.4	1.1	1.8	2.6
Overall payback ratio (x)	0.3	2.0	1.8	1.8	1.5	2.5	3.2
Enhanced overall payback ratio (x)	0.3	2.0	1.8	1.8	1.5	2.5	3.2
Secondary metrics							
Fiscal debt burden (%) (net debt-to-operating revenue)	0.3	26.6	22.8	21.3	20.5	27.5	42.7
Synthetic debt service coverage ratio (x)	742.7	7.9	8.7	9.5	12.3	7.3	5.0
Actual debt service coverage ratio (x)	3.0	6.4	5.6	4.3	5.1	4.6	3.6
Other debt ratios							
Liquidity coverage ratio (x)	8.2	19.5	7.7	6.2	7.1	6.9	-
Direct debt maturing in one year/total direct debt (%)	5.9	6.7	10.4	11.7	10.2	0.0	0.0
Direct debt (annual % change)	0.0	0.1	-6.7	2.5	2.1	17.8	6.3
Apparent cost of direct debt (interest paid/direct debt) (%)	2.1	1.4	2.2	1.8	1.5	1.8	1.7
Revenue ratios							
Tax revenue/total revenue (%)	44.5	42.8	43.2	43.1	42.4	40.1	41.9
Current transfers received/total revenue (%)	42.0	41.8	41.6	42.9	42.2	40.6	42.4
Interest revenue/total revenue (%)	1.6	1.3	1.8	0.8	1.0	0.7	0.7
Capital revenue/total revenue (%)	0.5	1.4	0.9	0.7	0.8	5.6	1.4
Expenditure ratios							
Staff expenditure/total expenditure (%)	14.7	15.2	16.0	15.9	15.6	15.6	-
Current transfers made/total expenditure (%)	43.3	45.7	47.2	49.1	45.8	45.8	-
Interest expenditure/total expenditure (%)	0.7	0.5	0.7	0.5	0.4	0.5	0.7
Capital expenditure/total expenditure (%)	17.4	16.7	14.2	12.6	18.4	23.8	19.7

Source: Fitch Ratings, Fitch Solutions, City of Barcelona

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Fitch's overall adjusted debt includes Barcelona's financial debt (EUR816.6 million at end-2021), as well as the public housing entity's net debt (EUR221 million), included in the majority-owned GRE debt and other contingent liabilities. Net adjusted debt corresponds to the difference between overall adjusted debt and the year-end available cash viewed as "unrestricted" by Fitch (EUR227 million at end-2021).

The city's available cash was EUR685 million at end-2021. Fitch considers that EUR458 million was restricted, which corresponds to the gap between receivables (net of provisions for difficult-to-collect revenue) and payables.

Synthetic Coverage Calculation

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess 'Type B' LRGs' debt sustainability.

Mortgage-style debt annuity calculation

(EURm)	2021	2026rc
Net adjusted debt	590	1,366
Apparent cost of debt, %	1.5	1.7
Amortisation period, years	15	15
Mortgage-style debt annuity	44	104

Source: Fitch Ratings, City of Barcelona

Analyst Table

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