

Sustainability Bond

Investors Presentation
City of Barcelona



01

City of Barcelona Overview and Financial Highlights



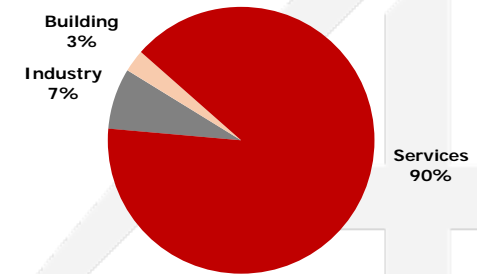
01 City of Barcelona: Overview and Financial Highlights

Overview



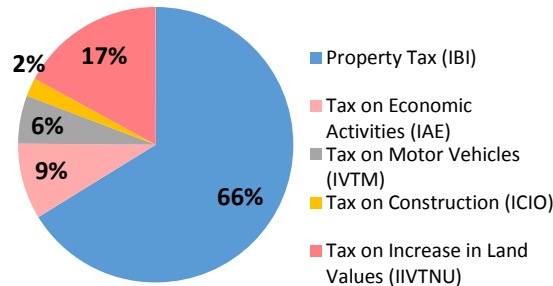
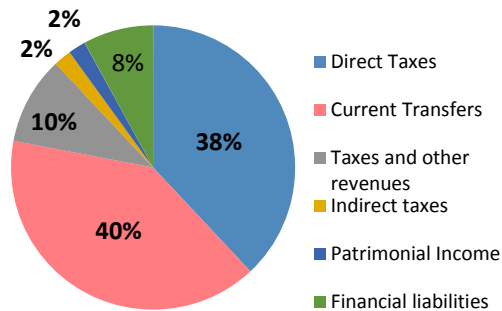
Barcelona in Numbers

- 1.6 Millions of population (2nd of Spain, 11th EU)
- 10.4% Unemployment Rate (II Quarter 2017) vs.17.3% Spain
- Occupation Distribution (II Quarter 2017):

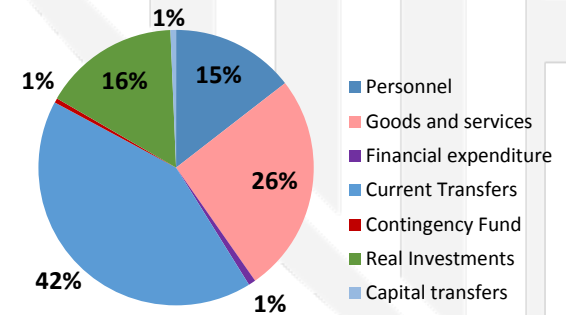


- 51.3 millions of exports in 2016 (BCN region) – Leader of export in Spain
- Record of 7.5 Millions of tourists in 2016
- 2.7 Millions of cruise tourists – 1st Port of Mediterranean sea.
- 44.1 Millions of passengers at the airport – 7th airport of Europe in terms of passengers number

Current Revenues Structure 2017



Non-Financial Expenses 2017



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Financial Position

Strong Institutional Local Framework

- **Strong legal Requirements for financial and budgetary management** → *Budgetary Stability and Financial Sustainability Law implies:*
 - Balance budget requirement
 - Non-financial expenditure rule: The rate of growth of public spending should not normally exceed a reference rate of potential growth of GDP in the medium term.
 - Financial Sustainability (Debt Limits; Debt < 110% Current Revenues)

City of Barcelona Financial Goals more restrictive than legal requirements

- **Stability:** Dèficit Zero
- **Sostenibility:** Debt < 60% Current Revenues
- **Investment Capacity:** Current savings (ESA Terms) >= 15% current revenues
- **Liquidity:** guarantee payment to suppliers at 30 days

City of Barcelona's Debt legal guarantees

Spanish Constitution (Art. 135): The credits to satisfy the interests and the capital of Administration's Public Debt will always be included in the statement of expenses of their budgets and their payment will enjoy absolute priority.

TRLRHL (Art. 49.3): Local Entitie's Public Debt have the same benefits and conditions than Spanish Public Debt.

LOEPSF (Art. 14): Interest and capital payments of Spanish Public Administrations have absolute priority over any other expenses.

REG. (EU) Num. 575/2013 of European Parliament: Local Bond= Risk weight 0%

Budget Position (ESA Terms)

Millions €	2014	2015	2016	Budget 2017
(+) Current revenues	2,517.1	2,533.1	2,539.3	2,521.8
(-) Current expenditures	1,885.6	2,033.3	2,041.3	2,125.1
(=) Current savings	631.5	499.8	498.0	396.8
% Current savings /current revenues	25.1%	19.7%	19.6%	15.7%
(+) Capital revenues	53.9	57.5	42.5	19.0
(-) Capital expenditure	663.3	457.0	443.0	415.6
(=) Capital Surplus (or Deficit)	-609.3	-399.5	-400.5	-396.6
Surplus (Deficit)	22.2	100.2	97.5	233
% Surplus (Deficit) / Non-financial revenues	0.9%	3.9%	3.8%	0.0%
% Debt / Current Revenues	38.6%	33.0%	32.9%	-
Average suppliers payment Period (days)	27.4	30.0	29.8	-

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Debt Portfolio

Debt Indicators

	2014	2015	2016	Oct 2017
Debt (€ million)	971.7	835.7	835.5	794.4
Debt Average cost (%)	2.9	2.5	2.4	2.15
Average life of debt (years)	4.2	5.5	6.4	5.9

Rating

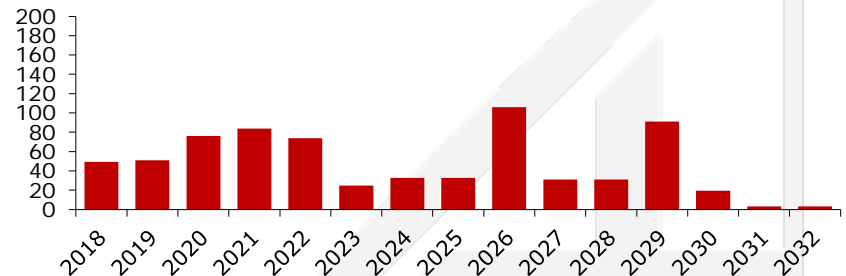
	SACP*	Rating	Perspective	Date
S&P Global	aa	BBB+	Positive	04/07/17
Fitch		BBB+	Positive	09/15/17
Moody's		Baa2	stable	02/21/17

* Stand Alone Credit Profile: The SACP is not a credit rating but a means to assess the intrinsic creditworthiness of an Local or Regional Government under the assumption that the rating on the sovereign is not a constraint. Barcelona's rating is constraint by the Kingdom of Spain rating

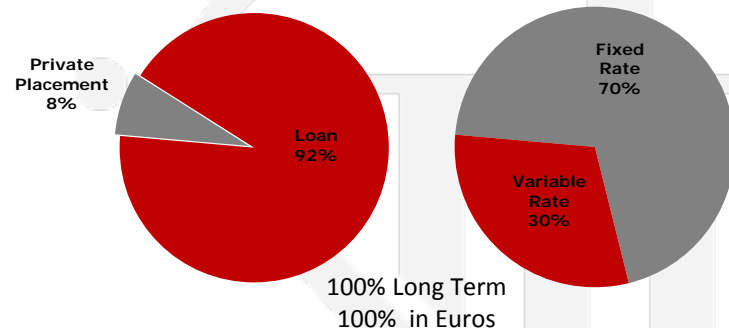
Financial Strategy 2017

- The main Goal City of Barcelona is maintaining the same level of debt (new debt equal the maturities of the year) and soften the debt profile.
- 126.1 Million € funding Needs 2017 approved by the City Government
- A maximum of 86 Million € in a Sustainability bond format has been authorized by Ministry of Finance and Public Function (Legal requirement for bonds and for non-euros financing)

Debt Maturity Profile (Millions of Euros)



Debt Type Breakdown – Oct 2017



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Link with the Region and the National Authorities for its financings

Revenues from Central and Regional Government – Budget Outturn 2016

Millions €	Current	%/Total Current Revenue	Capital	%/Total Capital Revenue	Total Revenue	%/Total Revenue
Central Government	1,062.2	41.9%	1.4	0.7%	1,063.6	38.8%
Regional Government	74.6	2.9%	12.8	6.4%	87.4	3.2%
<i>Total Revenues</i>	<i>2,537.8</i>	<i>100%</i>	<i>201.3</i>	<i>100%</i>	<i>2,739.1</i>	<i>100%</i>

■ Principal Revenue from the *Central Government*:

- Non-earmarked transfers
- Shared taxes (Personal-income Tax, VAT & Special Taxes)
- Supplementary Finance Fund
- Finalist subsidies

■ Principal Revenue from the *Regional Government*:

- Finalist subsidies -Barcelona receives compensation from Catalonia only for services provided on its behalf, based on bilateral agreements

Rating (The City of Barcelona rating is capped at the level of Spanish Sovereign rating)

	City of Barcelona		Catalonia		Spain	
	Rating	Perspective	Rating	Perspective	Rating	Perspective
S&P Global	BBB+	Positive	B+	Negative	BBB+	Positive
Fitch	BBB+	Positive	BB	Negative	BBB+	Positive
Moody's	Baa2	stable	Ba3	Negative	Baa2	stable

02

City of Barcelona Sustainability Bond Framework



02 City of Barcelona Sustainability Bond Framework

Rationale and Framework Overview

- City of Barcelona aims at building up and strengthening a collective construction project which must include, in equal conditions, from the active citizenship to its governmental institutions.
- In this context, the city has defined a Municipal Action Plan for 2016-2019 based on 5 priorities that the city is committed to achieve:
 1. A diverse city ensuring a good quality of life
 2. A more integrated socio-economic model
 3. An implicated city in the ecological transition
 4. A participative and well governed city
 5. An open and committed city to the world
- The City of Barcelona found in the issuance of a Sustainability Bond, a innovative solution allowing the financing of its social, economic and sustainable development plan as well as the monitoring of the achievements.

Sustainable Bond Framework: aligned to the 2017 Sustainability Bond Guidelines

Use of Proceeds

The eligible projects categories are at the heart of the City of Barcelona mandate.

The eligible projects categories are defined on their Social and/or Environmental objectives.

Management of proceeds

City of Barcelona's Sustainability Bond will be used to finance projects included in the annual budget of the fiscal year of issuance of each Sustainability Bond.

Project evaluation and selection

An Internal committee including sustainability experts will be charge of selecting, monitoring and evaluating the eligible projects

Monitoring and reporting

City of Barcelona will report on the performance the eligible projects.

External Review

Sustainalytics second opinion

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Project Evaluation and Selection & Management of Proceeds

Eligible Projects Categories	Eligible Projects Categories	
	<ul style="list-style-type: none"> • Access to essential services • Socioeconomic advancement • Affordable Housing • Employment generation 	<ul style="list-style-type: none"> • Energy efficiency • Clean Transportation • Pollution prevention and control • Sustainable water
	Targeted groups of Social Eligible projects	
	<ul style="list-style-type: none"> ✓ Low-income population ✓ Young people ✓ Elderly people ✓ People with disabilities 	<ul style="list-style-type: none"> ✓ Families ✓ Homeless people ✓ Unemployed ...
Process for Project selection and Evaluation	Social and/or Environmental objectives	
	<ul style="list-style-type: none"> ✓ Reduce social exclusions and inequalities ✓ Promote access to housing for targeted groups ✓ Facilitate the access to the labor market ✓ Climate change mitigation ✓ Improvement of Waste and water management 	
Management of Proceeds	<ul style="list-style-type: none"> • A dedicated internal Committee will be in charge of selecting, monitoring and evaluating eligible programs and/or projects from the General Budget. • The Committee will be composed by members from both the Financing Administration and Budget and Investment Services Office as well as by representatives of the Urban Ecology Management and the Social Rights Management, along with other members. 	
	<ul style="list-style-type: none"> • Proceeds from the Sustainability Bonds will be immediately allocated. In case this does not occur, management of proceeds pending allocation is carried out in line with the City of Barcelona liquidity management practice. • If any projects that do not materialize in the fiscal year of the bond issuance, or if an allocated project no longer meets the eligibility criteria, proceeds from the bond will be re-allocated towards new Eligible Projects. 	

Reporting and External review

Allocation and Performance reporting

- One year after the Sustainability Bond issuance and until full allocation of the proceeds, an annual reporting on the amount allocated to the various eligible projects will be provided to the investors.
- The impact reporting will be realized on a project portfolio basis and by project when feasible.
- The reporting will be verified by an external auditor and published in the City of Barcelona's website
- City of Barcelona will also report on the performance of the eligible projects, and, where feasible, relevant metrics such as the following could be included:

Social Benefits

- Number of beneficiaries,
- Number of projects
- Number of jobs preserved/created

Environment Benefits

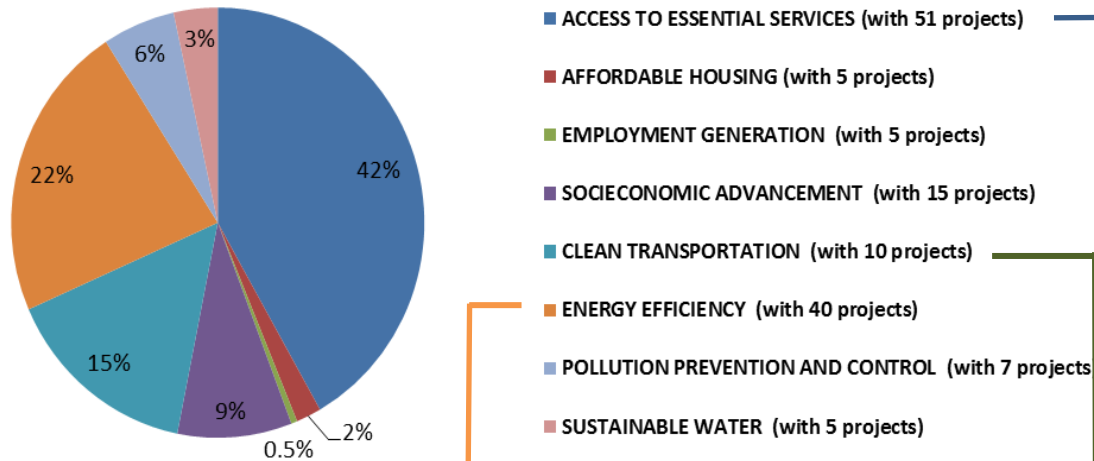
- Ex-ante estimated annual energy savings (MWh)
- Greenhouse Gas emissions reduced or avoided (tCO₂e)

Second Opinion and External verification

- Sustainalytics was appointed to provide a Second Party Opinion on this Sustainability Bond Framework. This Second Party Opinion document will be made available on City of Barcelona's website.
- An external auditor will verify the tracking of the Bond proceeds on an annual basis, until the proceeds of the Bond are completely allocated.

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What can be financed in 2017



ACCESS TO ESSENTIAL SERVICES

Access to public education, culture, leisure, sports and health: investment in infrastructures such as schools, preschools, social infrastructures including libraries, social and solidarity facilities, health centers

In 2017 it is composed of 72% in Education Centers, and of 11% in Social equipment

ENERGY EFFICIENCY

- Buildings: construction or renovation works integrating energy efficiency solutions both in the installations and materials used while paying special attention to insulation, consumption etc.
- Maintenance of public spaces and markets taking into account environmental criteria such as Energy and environmental self-sufficiency
- Public signals: installation of electrical consumption meter reading

In 2017 it is composed of 52% in renovation of public markets and at 45% in maintenance of public spaces

CLEAN TRANSPORTATION

Public transport, and alternative transport: such as the promotion of bicycle use, and electric vehicles infrastructures as well as increased deployment of the new bus network, improving its frequency and accessibility to a public transport stop less than 300m

Excluded expenses: no fossil fuel transports will be eligible

In 2017 it is composed of 55% in development of bicycle use

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**Ajuntament
de Barcelona**