

Investor Presentation

March 2021



Junta de Andalucía



Economic situation of Andalusia in International Context

SECTION 1

Overview of the Andalusian Economy (1)

Andalusia is one of the most important regions in the EU

Population: **8,478,083**

- The **3rd most populated region in Europe**
- Andalusia enjoys a **population larger than 13 of the 27 EU countries** (almost double than Ireland, and 50% more than Finland, Slovakia and Denmark and similar to Austria)

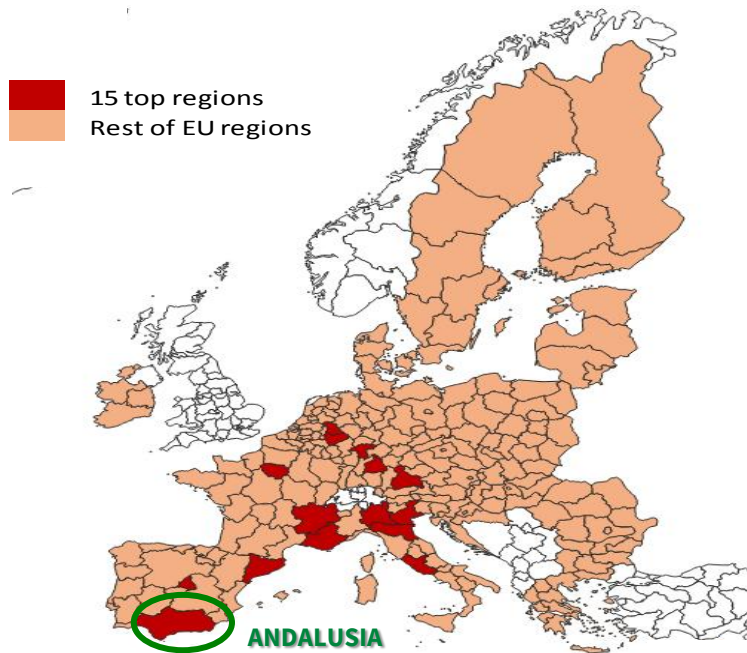
Land area: **87,597 km²**

- The **4th largest region in Europe**
- **Larger than 15 of the 27 EU countries** (Austria, Ireland, Belgium...)

Nominal GDP [PPP]: **177,947 millions**

- 12th largest region in Europe and 3rd largest in Spain
- **Generates more GBP than 9 EU countries** (Slovakia, Bulgaria or Croatia among them)

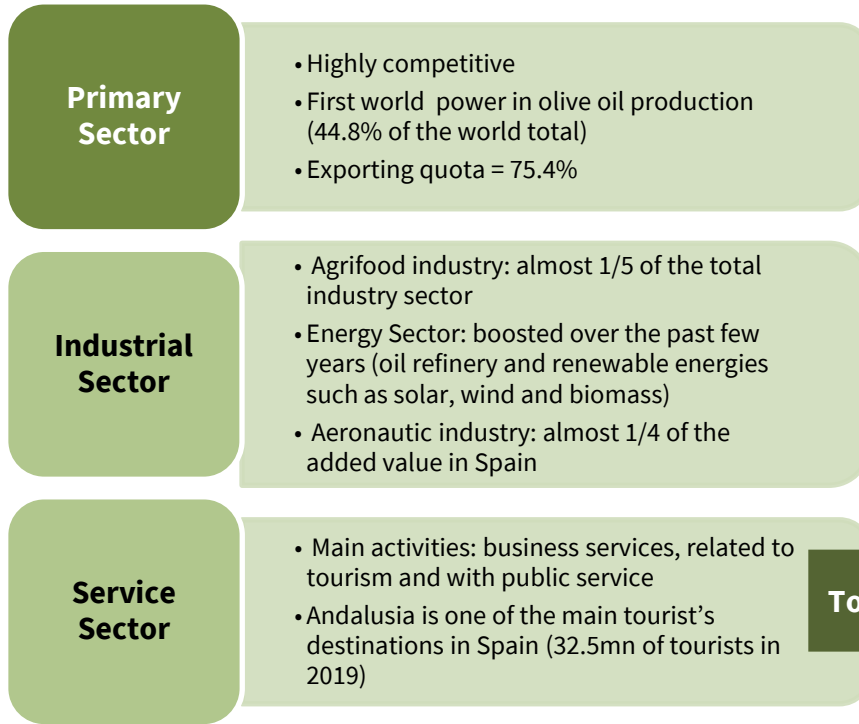
The 15 top regions out of the 242 regions in the EU in terms of GDP



Data as of 2019

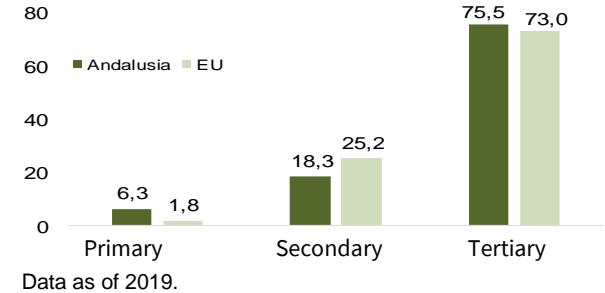
Overview of the Andalusian Economy (2)

Andalusia enjoys a similar productive structure to that of the European Union



Tourism

Sectorial distribution of GVA

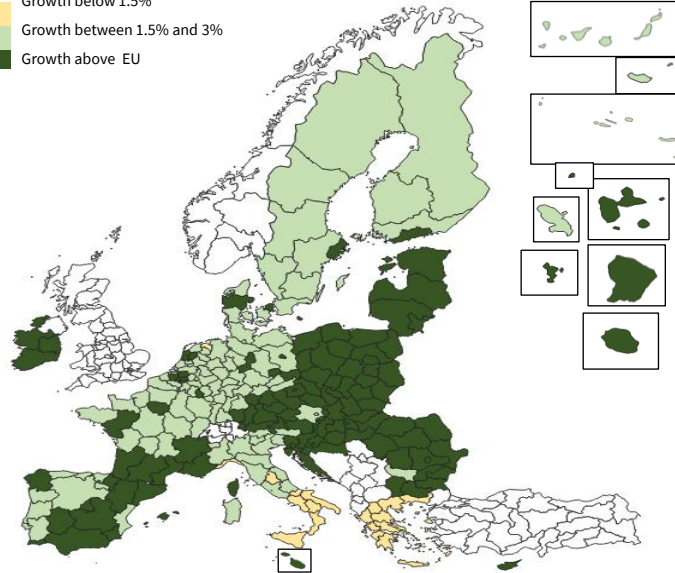


- 836km of coast and 60 recreational beaches
- Wide range of options for cultural tourism
- Large hotel network with high quality services
- Almost 30% of protected territory
- Vast variety of sport infrastructure: over 100 golf resorts, over 50 sailing ports, most southern located ski resort (Sierra Nevada)

Overview of Economic past (2000-2019)

GDP annual growth [PPP] 2000-2019

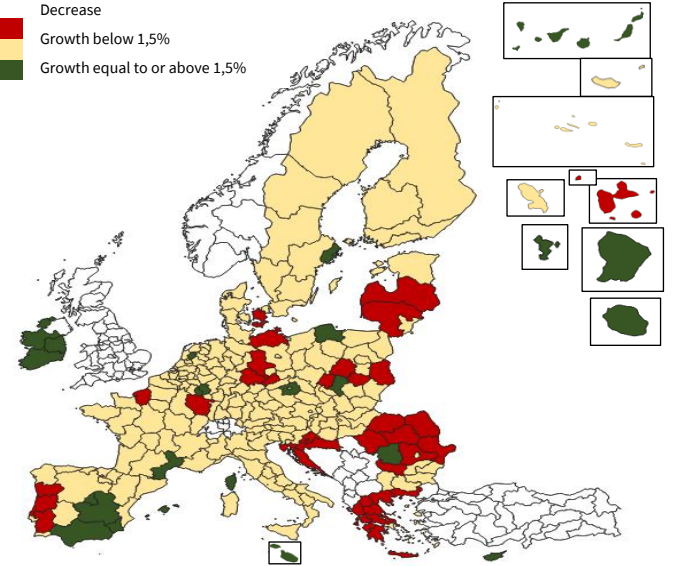
- Growth below 1.5%
- Growth between 1.5% and 3%
- Growth above EU



NOTE: % average annual change in GDP in nominal PPP. The EU annual growth rate has been 3.1% and 3.2% in Andalusia

Employment Generation 2000-2019

- Decrease
- Growth below 1,5%
- Growth equal to or above 1,5%



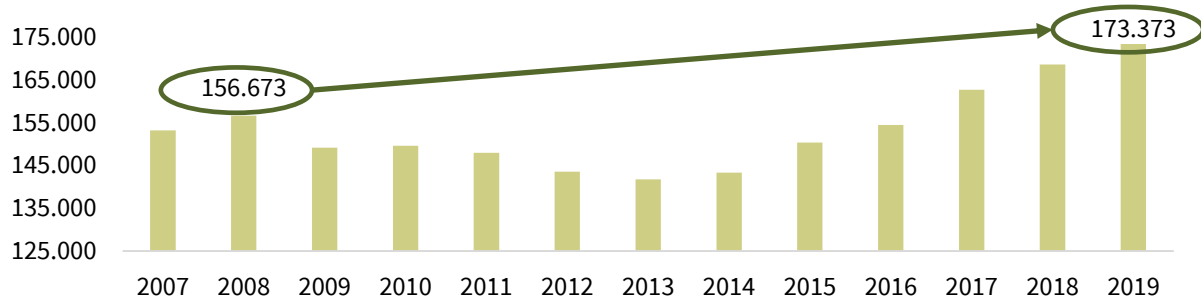
NOTE: % average annual change in occupied population. EU average 0.7%, Andalusian average 1.7%

Andalusia was one of the regions with fastest growth and employment generation in the EU until 2019...

Economic Recovery Process (2014-2019)

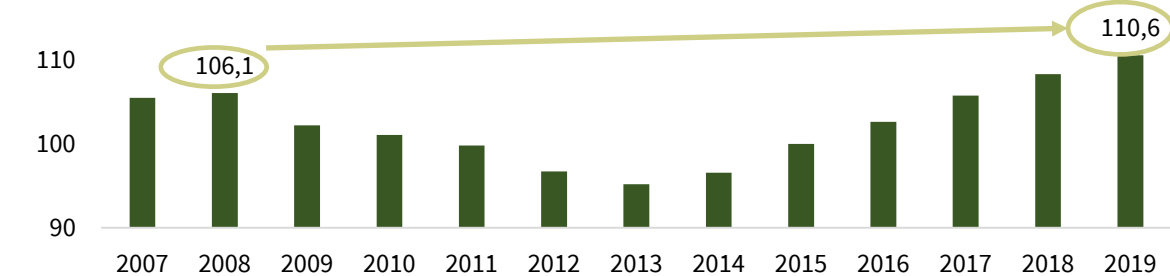
... which allowed
for the GDP
figures to exceed
pre-financial
crisis levels

Nominal GDP



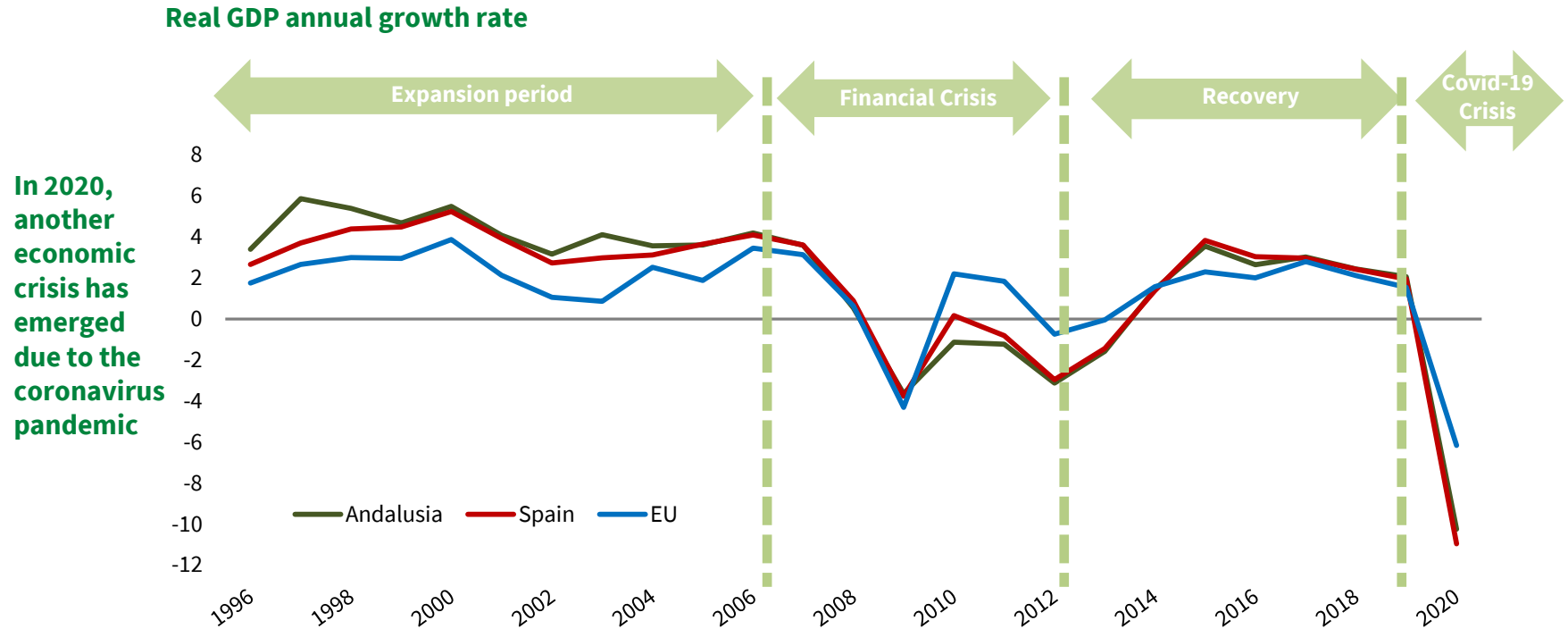
Note: Million Euros

Real GDP



Note: Linked volume indices (2015 = 100)

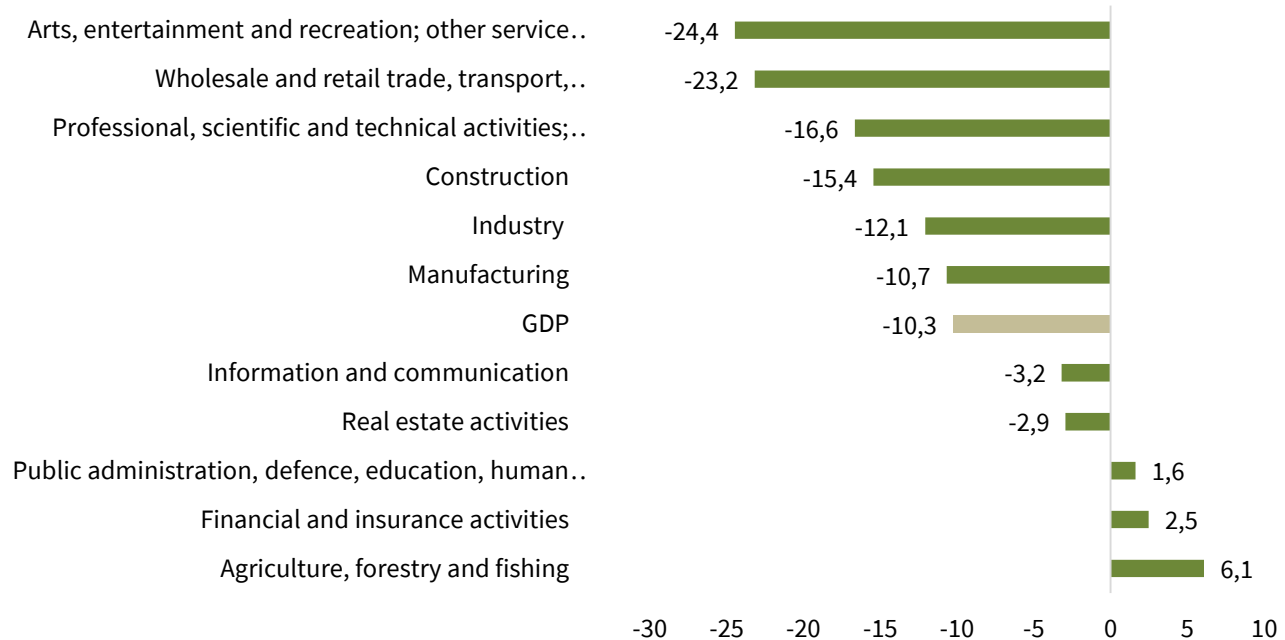
Overview of Economic cycles (1996-2020)



GDP in 2020. Andalusia (I)

Gross value added by industry breakdowns (annual growth rate %)

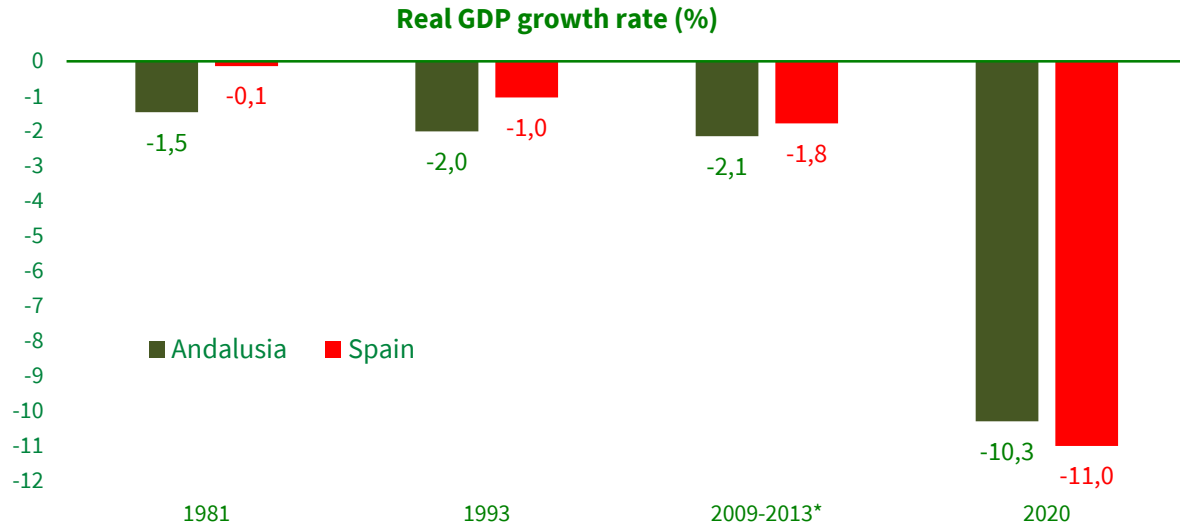
The most affected sectors are the ones linked to social consumption like arts and recreation, wholesale and retail trade, transport, accommodation and food service activities.



GDP in 2020. Andalusia (II)

Andalusian economy has behaved differently compared to other crisis

Andalusia's GDP has fallen less than Spain, showing a higher resilience in the current crisis...



Note: * Average annual growth.

Source: Statistics and Cartography Andalusian Institute . Junta de Andalucía; Eurostat..

Production: Office of the Secretary General for Economy. Junta de Andalucía.

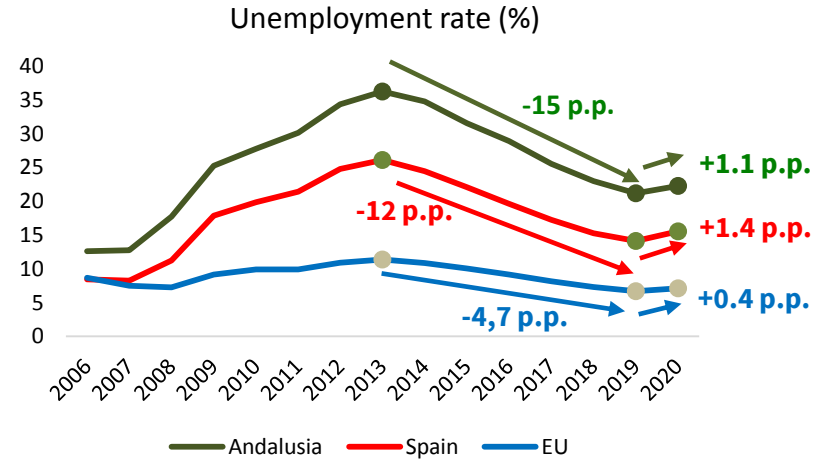
GDP in 2020. Andalusia (III)

Andalusian economy has behaved differently from other crisis

...employment has fallen less than economic activity due to temporary employment regulation schemes and...



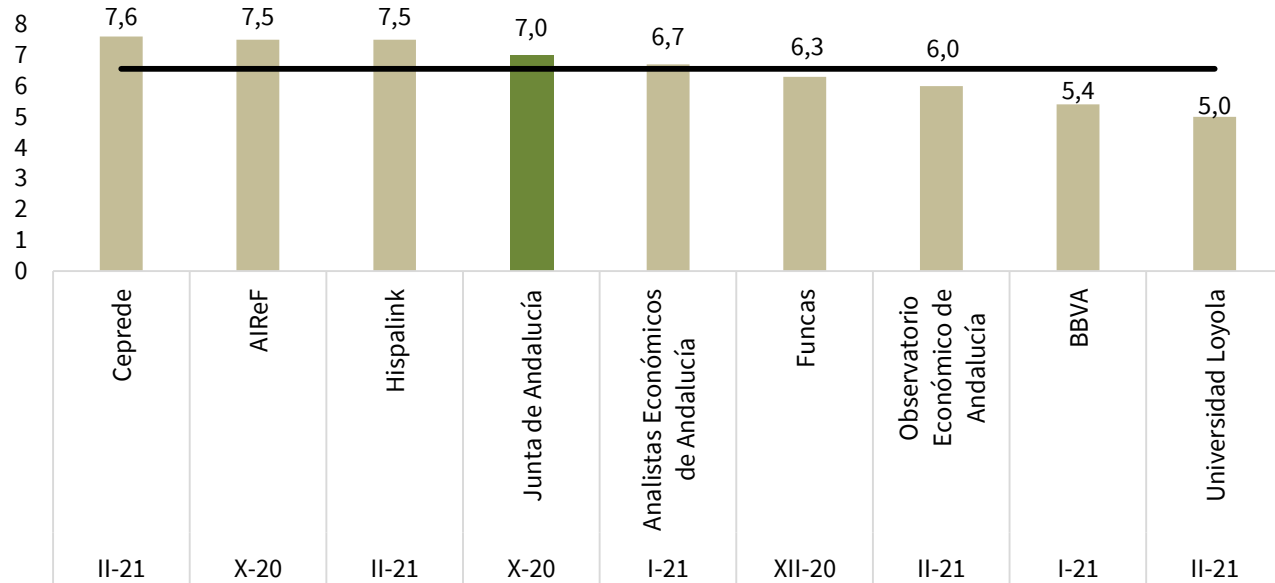
... unemployment rate has risen less than in other crisis



Economic Forecasts

Real GDP Growth Rate Forecast for 2021

Consensus forecasts point to 6.6% of growth in Andalusia in 2021



Risks for 2021 economic recovery

UPSIDE RISKS

- ❖ The proven high efficacy of vaccines and the approval of an effective treatment for Covid-19
- ❖ Strong rebound of tourism
- ❖ Transfers received from the Recovery and Resilience Mechanism and REACT-EU.

DOWNSIDE RISKS

- ❖ New waves and restrictions in the first semester of 2021
- ❖ Delays in the vaccination rates
- ❖ From liquidity tensions to corporate insolvency
- ❖ Closures of firms and unemployment growth

Accounts and Budget Stability

SECTION 2

The Institutional Framework

The political power in Spain is split between the central government and 17 autonomous communities.

- Within the scope of the strong level of decentralisation, the regional governments in Spain are responsible for education, universities, health and social services, culture, and urban and rural development.

The exercise of its financial autonomy is limited by a common framework:

• **Funds from the Autonomous Communities finance system provide the majority of non-financial income for Autonomous Communities mainly including:**

- Allocation of funds collected in their territory from a wide range of State Taxes (50% Personal Income Tax, 50% VAT...)
- Unconditional transfer of funds to support an equivalent level of services.

• **Compliance with Budget Stability and Financial Sustainability Law.**

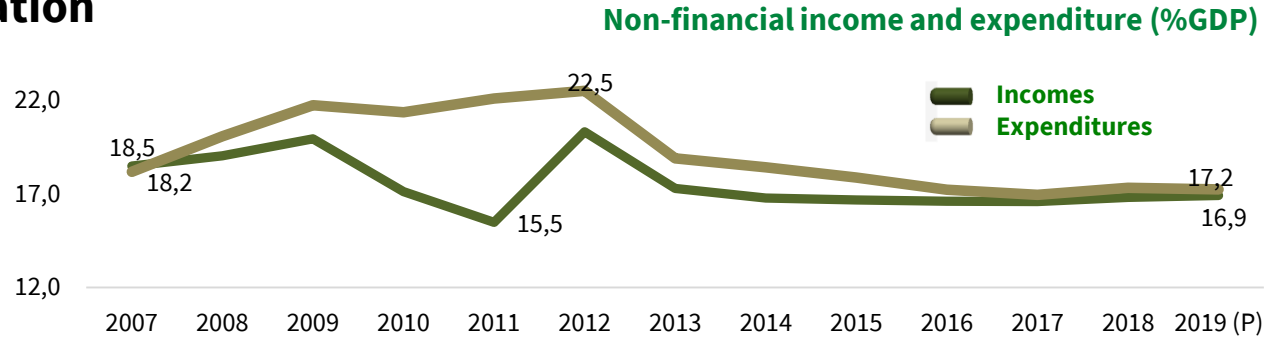
- Budgetary Stability and Financial Sustainability Law requires autonomous communities to:
 - Meet the deficit and debt objectives approved by the central government annually.
 - Comply with expenditure rule, thus limiting the growth of certain expenses to GDP Growth rate.
 - Maintain its Average Suppliers Payment Delay below 30 days.
- In the event of non-compliance the law includes a wide range of measures for redressing the balance, including submission of rebalancing plans to FFPC for its approval, stricter application of the Debt Authorization System...)

Today, the State provides liquidity to regional governments through the Fund for Financing Autonomous Communities (FFCAA)

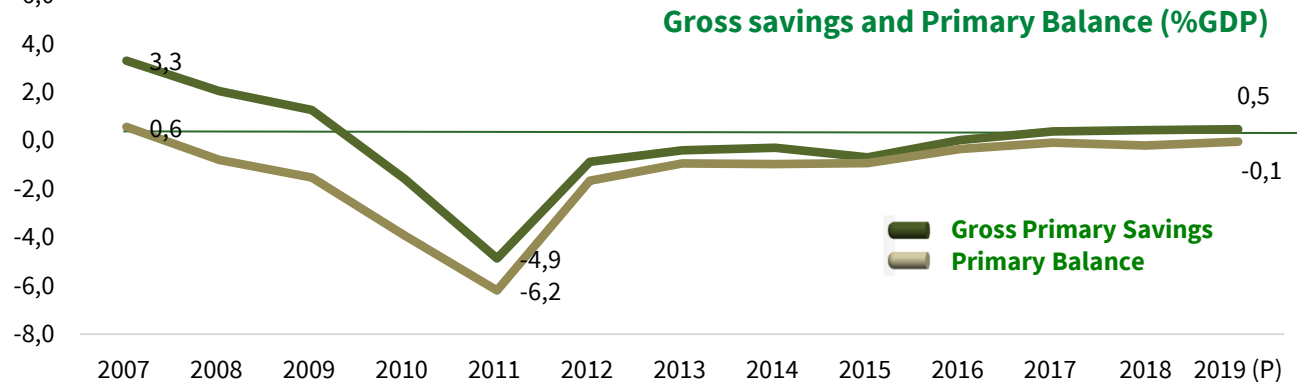
- Lending from the FFCAA covers long term financing needs including debt redemptions and deficit.

Fiscal consolidation

Prudent spending management allowed to gradually close the deficit gap

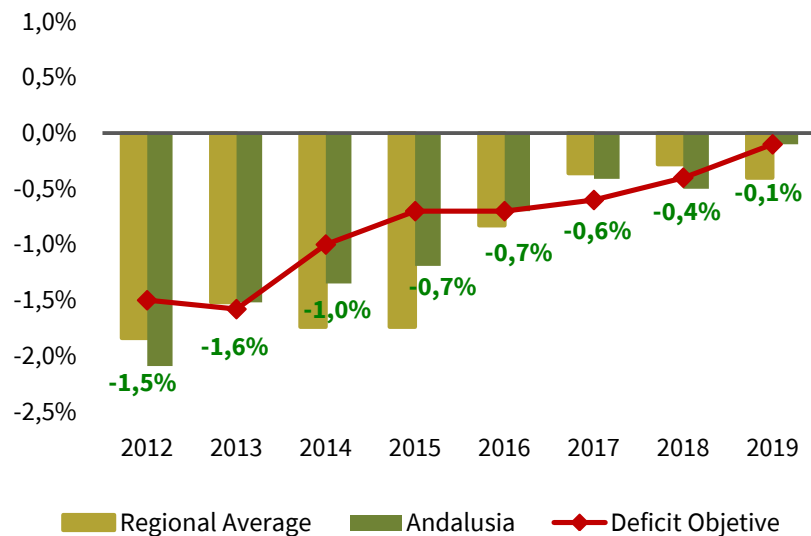


...placing the primary gross savings, positive since 2016, at 0.5% of GDP in 2019



Commitment with Stability

Evolution of Deficit target and fiscal performance(% GDP)



SOURCE: Ministry of Finance. General Secretary of Finance.
PRODUCTION: General Secretary of Finance. Junta de Andalucía.

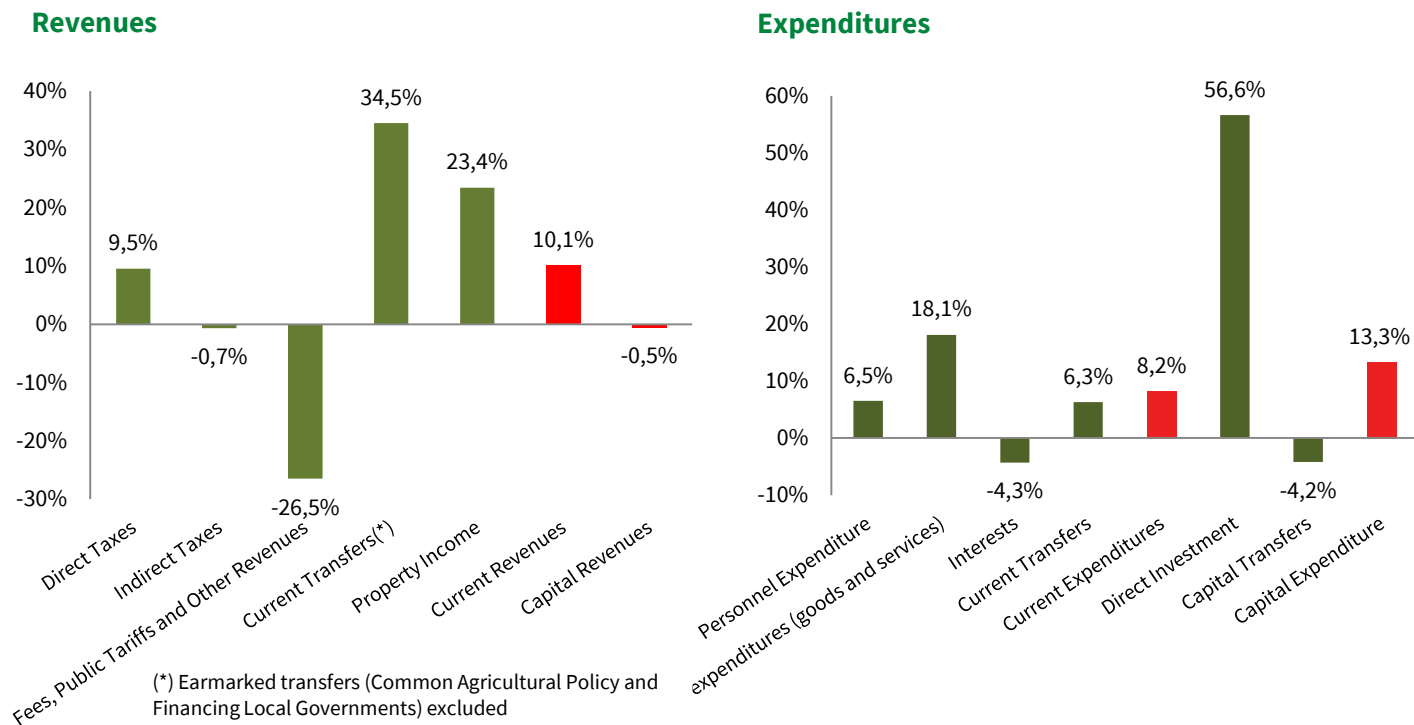
Spanish regions: Compliance with Fiscal Rules in 2019

	Deficit Objective	Debt Objective	Expenditure Rule
Canarias	✓	✓	✗
País Vasco	✓	✓	✗
Navarra	✓	✓	✗
Andalucía	✓	✓	✓
Madrid	✓	✓	✗
Galicia	✗	✓	✗
La Rioja	✗	✓	✓
Cataluña	✗	✓	✗
Baleares	✗	✗	✓
Asturias	✗	✓	✗
Castilla y León	✗	✓	✗
Cantabria	✗	✓	✗
Aragón	✗	✓	✓
Extremadura	✗	✗	✗
Castilla-La Mancha	✗	✗	✗
Murcia	✗	✓	✗
C. Valenciana	✗	✗	✗

2020 Budget execution (YoY change %)

The impact of the COVID-19 pandemic on the 2020 budget has been offset by an increase in state transfers.

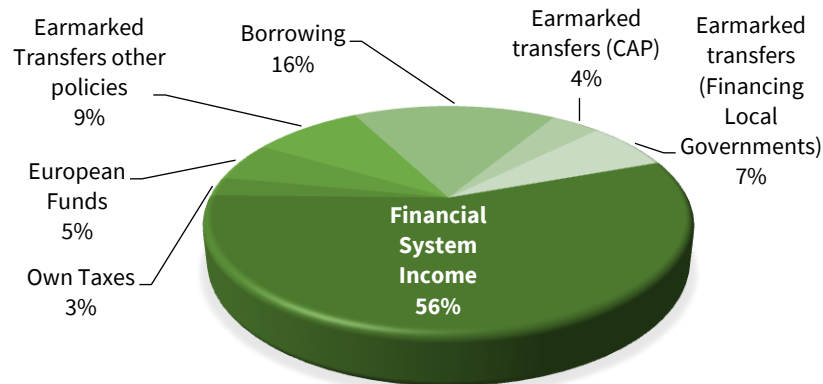
According to the estimates of the fiscal authority (AIREF), the deficit in Andalusia shall have reached 0.1% of regional GDP in 2020.



2021 Budget

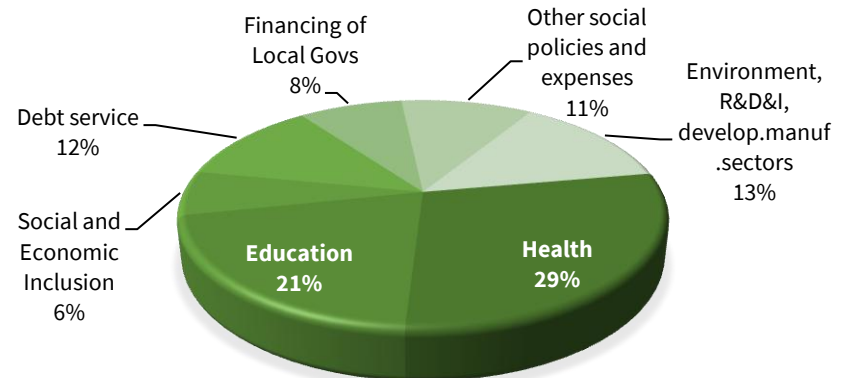
- **Total Amount: 40,188 M€ (3.7% annual increase)**
- **Deficit: 1.1% GDP (according to the reference rate approved by the Spanish Government)**
- **Green Budgeting**

Income Breakdown



(*) Next Generation EU Funds not included

Spending Policy



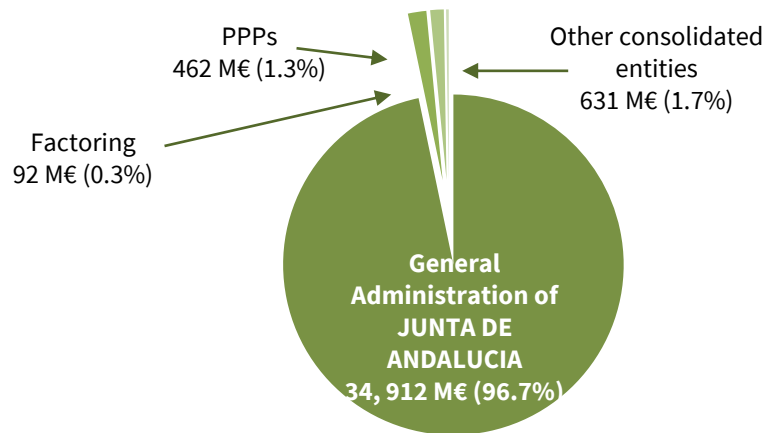
SOURCE: General Secretary of Finance. Junta de Andalucía.

Debt Profile

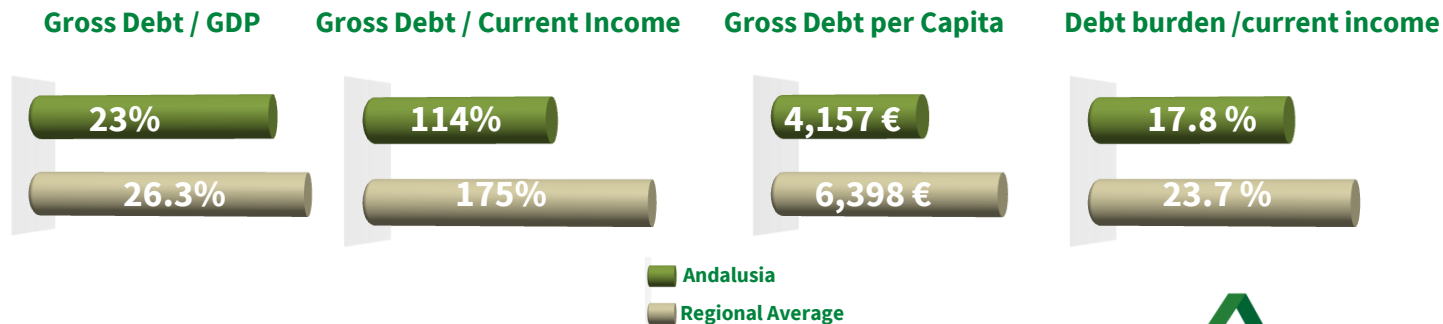
SECTION 3

Debt Structure of Andalusia according to the 'EDP'

As of 31st December 2020 the EDP debt of Andalusia stood at 36,097 million euros



As of 30th September 2020 Andalusia has a lower indebtedness than the regional average

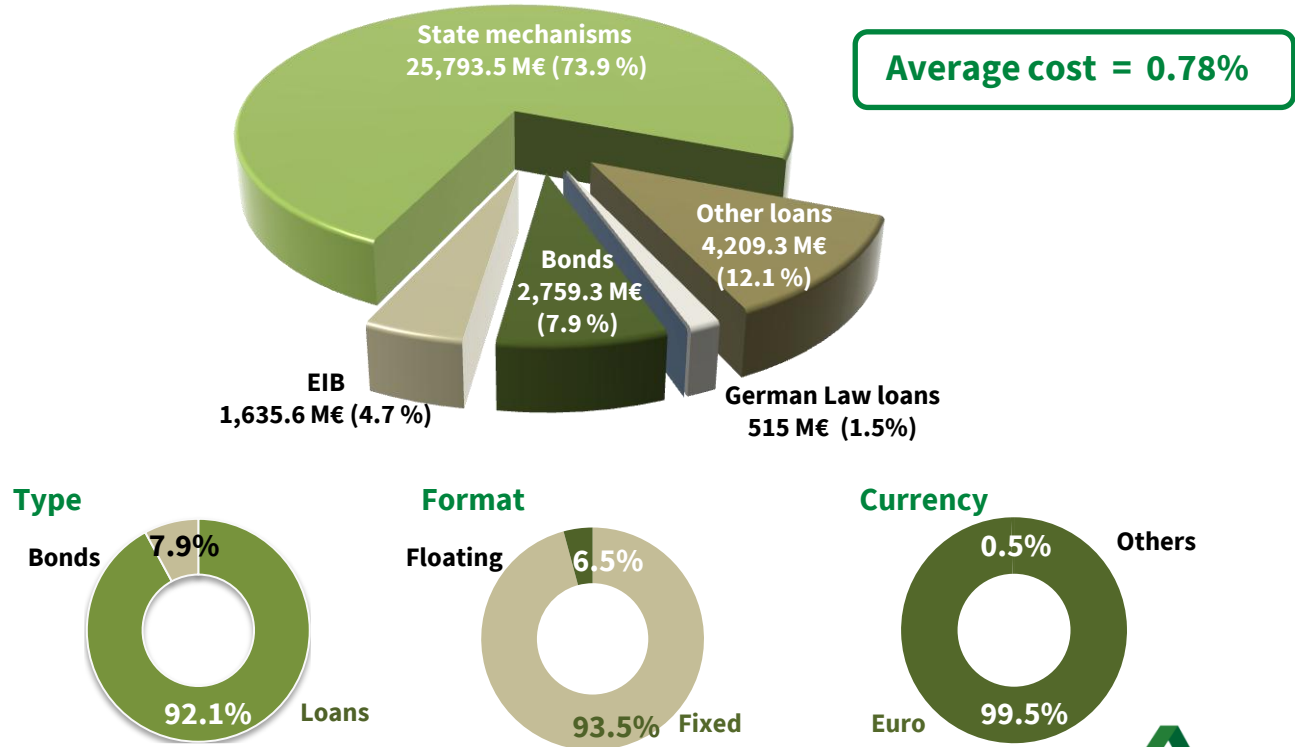


Source: Statistics Report from Bank of Spain. Finance Ministry (Debt burden / current Income). Directorate General for Treasury and Public Debt. Junta de Andalucía.

Debt Structure of Junta de Andalusia

As of 31st December 2020 the EDP debt of Andalusia stood at 34,912.7 million euros

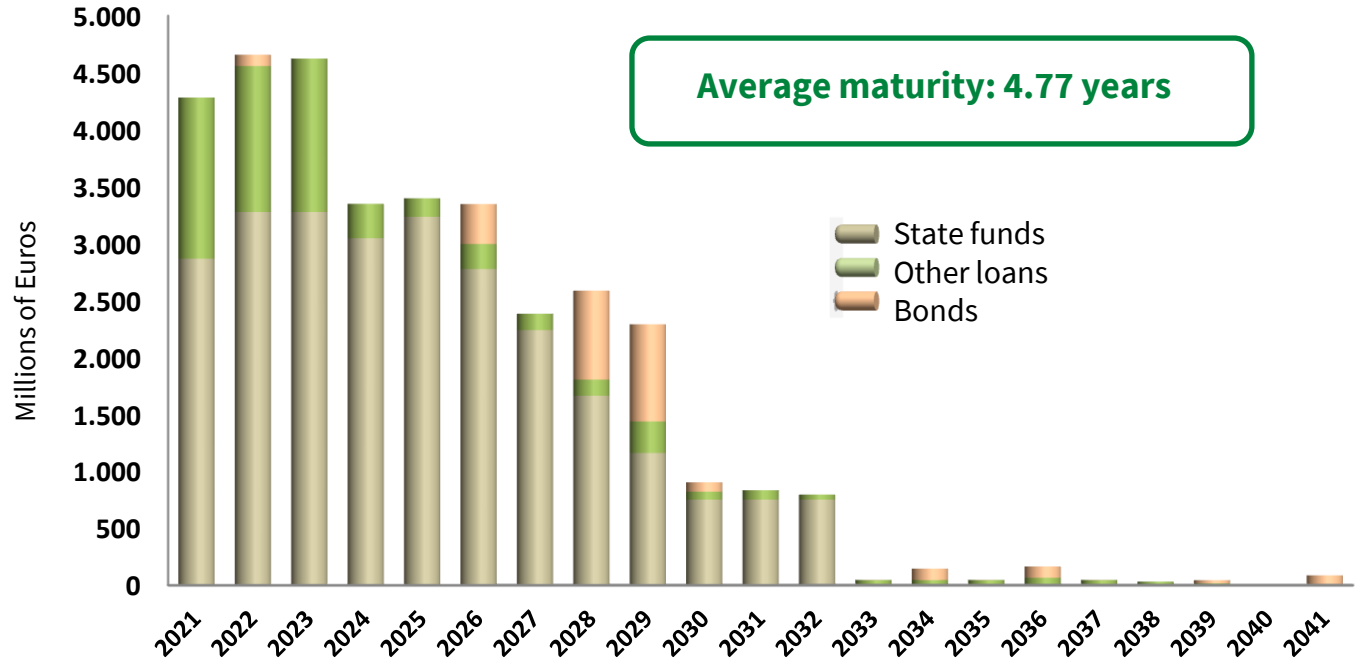
By joining the State's financial mechanisms in 2012, Andalusia has seen a progressive increase in the weight of loans versus bonds.



Debt Maturity Profile of Junta de Andalucía

The repayment structure of the debt from the State financial mechanisms was based on a 10-year term with a grace period of 2 years until 2019, but as of 2020, it is based on a 12-year term with a grace period of 4 years.

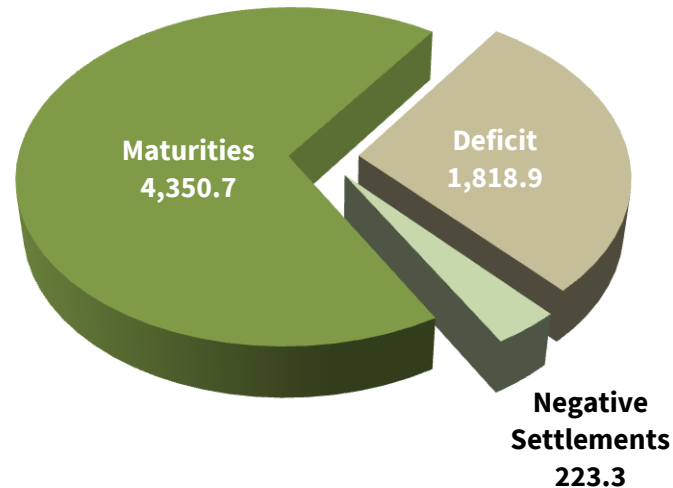
This results in a larger than usual proportion of debt maturing in the next years and a lower average debt life.



Funding needs in 2021

Andalusia's funding needs for 2021 amount to a total consideration of 6,393 million. 68% correspond to debt redemptions, 28.5% is the budget deficit for the year approved by the Central Government and the remaining 3.5% is Andalusia's negative obligations resulting from budgetary settlement rules.

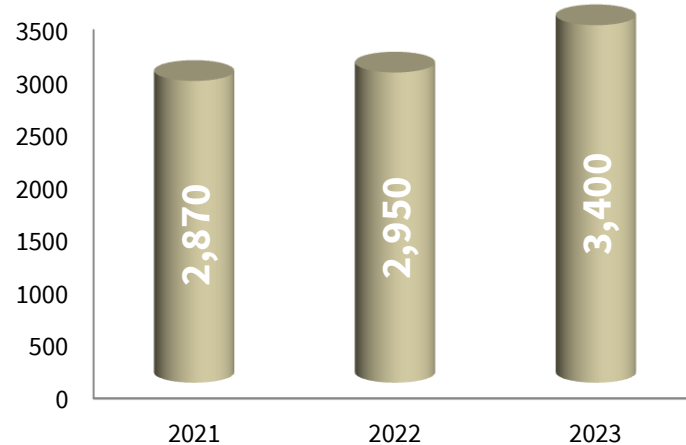
Funding needs in 2021



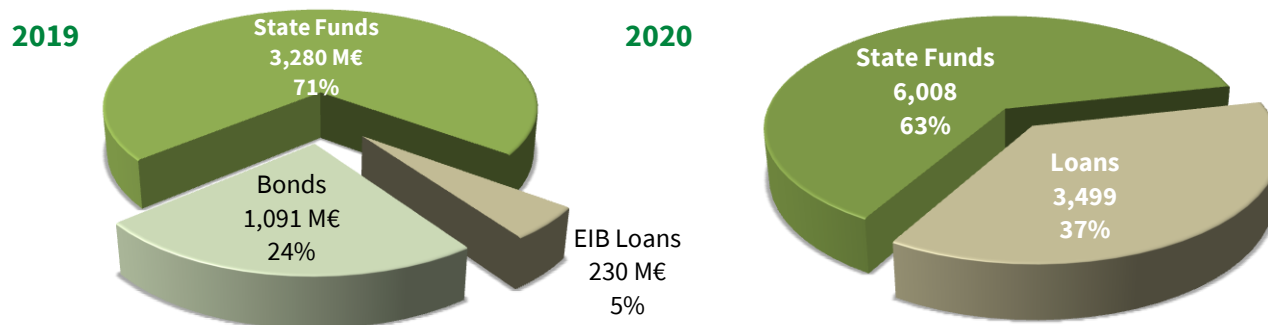
The capital markets funding needs in 2021-2023

- In 2018 Andalusia became the first autonomous community obtaining Central Government approval to combine both capital market funding and the State mechanisms and launched its first public issue since 2011
- In 2021 Andalusia has obtained Central Government approval to combine again both capital market funding and the State mechanisms as being Andalusia the only Autonomous Community which was able to meet all the stability objectives.
- Under the framework of Andalusia´s multi-year debt plan (PPE), the proportion of its funding needs covered by capital markets will gradually increase until 2023.
- Financial funding from Central Government will still be a key part of overall funding from 2021 to 2023

Capital markets funding needs (Euro millions)



Sources of funding: 2019 and 2020



Transactions 2019-2020

2019	Amount (M€)	Maturity	Years	Average life (years)	Coupon
State mechanisms loan 2019	3.280	2029	10	6,34	0,63%
EIB Loan 2019	230	2039	20	12,92	0,05%
Public Issue october 2019	700	2029	10	10	1,38%
Private Placement may 2019	28	2030	20	20	1,90%
Private Placement may 2019	85	2031	22	22	1,95%
Private Placement may 2019	230	2032	30	30	2,30%
Private Placement july 2019	48	2033	30	30	2,30%
2020	Amount (M€)	Maturity	Years	Average life (years)	Coupon
State mechanisms loan 2020	6.008	2032	12	7,92	0,26%
Domestic Loans Nov-Dec 2020 (*)	3499	2023	3	1,45	0,00%

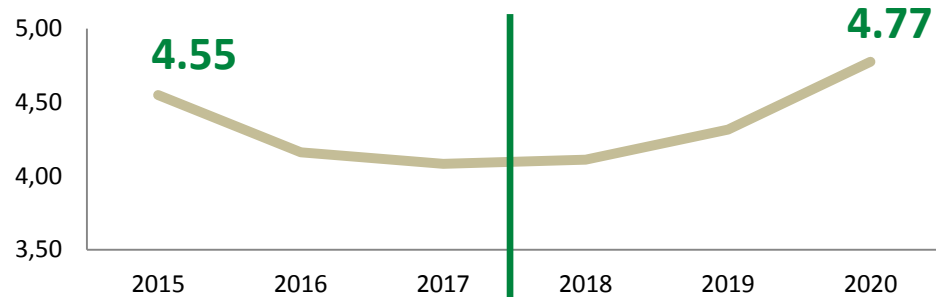
(*) Loans for refinancing Mechanisms, based on a structure similar to that of the loans which have been amortized.

Average Life and Average Cost of Debt

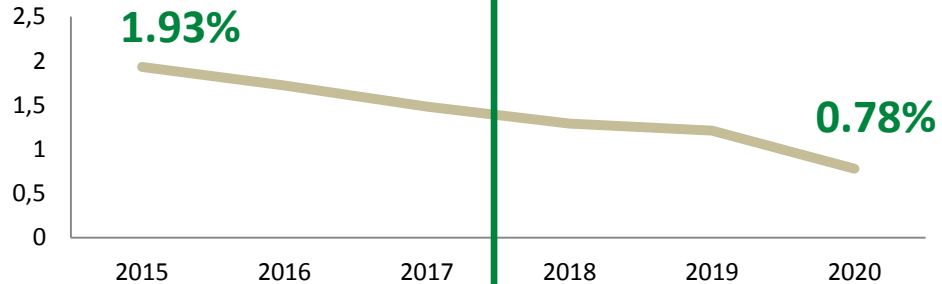
The return to the debt markets in 2018 and the conclusion of several long term transactions have allowed Junta de Andalucía to revert the down trend in debt average life, as a result of the rigid structure of State financing mechanisms.

Notwithstanding the average cost of debt has maintained its reduction path.

Average Life (Years)



Average Cost (%)



Return to markets

Investment Highlights 2021



Sustainable Finance

SECTION 4

A framework that favors sustainable development in Andalusia

- Autonomous Community of Andalusia is firmly committed to social and environmental sustainability.
- The regulation on sustainable development is based on the Statute of Autonomy is developed in many regulations such as Law 8/2018, of October 8, of measures against climate change and for the transition towards a new energy model in Andalusia., and is built on two priority drivers, promotion of a green economy and strengthening of social cohesion.
- Likewise, to foster sustainable development there are two strategic plans in place, the Andalusian Sustainable Development Strategy 2030 * and the Andalusian Climate Action Plan **.
- The regional budget of the Junta de Andalucía is the main tool to promote the climate strategy, turning it into a "Green Budget".
- Since 2003 the Andalusian budget integrates, the gender perspective in a transversal way in order to advance in equal opportunities between men and women.
- The public services associated with the Welfare state (education, health or social services) are the key competences assumed by Autonomous Community of Andalusia that make up a safety net for citizens, especially for the most vulnerable groups. Other social expenditures such as housing, transport or the promotion of employment are geared towards a balanced and sustainable development

* <http://www.cma.junta-andalucia.es/medioambiente/site/portalweb/menuitem.7e1cf46ddf59bb227a9ebe205510e1ca/?vgnextoid=20f01399061a7510VgnVCM1000001325e50aR CRD&vgnnextchannel=e2ae4e5bf01f4310VgnVCM1000001325e50aRCRD>

** <http://www.cma.junta-andalucia.es/medioambiente/site/portalweb/menuitem.7e1cf46ddf59bb227a9ebe205510e1ca/?vgnextoid=2a39ed29c1732710VgnVCM100000341de50aR CRD&vgnnextchannel=1c9a9c10d999e510VgnVCM1000001325e50aRCRD>

Green Budget

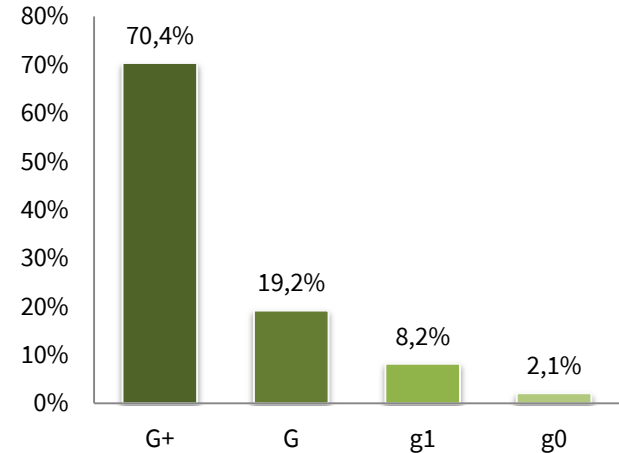
- The budget law is accompanied by a report on the impact of environmental indicators.
- The law also envisages the preparation of an annual report on the climate change budget and its degree of execution.
- Junta de Andalucía has launched the Green Fund *, an instrument intended to finance actions of the different regional ministries to analyze the impact of their budgetary programs on the environment.
- Junta de Andalucía is working with the DG Reform of the European Commission to apply the EU taxonomy to all the budgetary programs of the Autonomous Community.
- There is a Climate Change Commissioner that depends from the Regional Ministry of Presidency and whose competences include: The evaluation and analysis of the forecasts annually established by budget laws on climate change, ecological transition and energy model fields.

*All the information available:

<https://juntadeandalucia.es/organismos/haciendayfinanciacioneuropea/areas/presupuestos/fondo-presupuesto-verde.html>

Budget committed to gender equality*

- The budget of Autonomous Community of Andalusia is committed to equal opportunities between men and women.
- All budgetary programs are rated on a scale that determines their importance in the strategy. The G and G + programs account for 89.6% of the Andalusian budget.
- Budgetary programs rated as relevant must mandatorily define objectives, actions and indicators aimed at reducing the observed gender gaps.
- The budget is accompanied by a Gender Impact Assessment Report where the reference statistical indicators, the situation of the staff of Junta de Andalucía and the budgetary resources available each year are analyzed. **
- The Andalusian Chamber of Accounts analyzes the work carried out by Junta de Andalucía in this matter in its annual audit report on the General Account.
- The Autonomous Community has annual audit plans to determine to what extent the programs adequately include the gender perspective in budget execution.



*All the information available: <https://juntadeandalucia.es/organismos/haciendayfinanciacioneuropea/areas/presupuestos/genero.html>

** https://juntadeandalucia.es/export/drupaljda/ResEj2020-english_web.pdf

Fundamentals of Sustainable Financing

- ▶ Autonomous Community of Andalusia dedicates a significant proportion of its budget to social and environmental expenditures.
- ▶ The purpose of issuing sustainable debt is to finance social and environmental policies.
- ▶ It is a way of matching the financing strategy with the budget strategy and the sustainability strategy.



Natural Park of Cazorla (Jaén)

- ▶ The sustainability strategy is also aligned with and contributes to the achievement of the Sustainable Development Goals (SDGs).
- ▶ Junta de Andalucía also strives to diversify its investor base while contributing to the development of sustainable finance market.

Sustainable Financing Framework

- Junta de Andalucía has developed a Sustainable Finance Framework to establish the criteria for issuing Sustainable Financing instruments.
- This framework is valid for Sustainable Finance instruments, including green bonds, social bonds, sustainable bonds, loans, and any other financial instrument to which eligible projects are assigned.
- The proceeds raised through Sustainable Finance instruments of Junta de Andalucía will be used exclusively for environmental projects and social projects.
- This Sustainable Finance Framework is inspired by and follows the ICMA's Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020, Sustainability Bond Guidelines (SBG) 2018 and the Green Loan Principles (GLP) 2021 of the LMA in order to facilitate transparency, disclosure, integrity and quality in Sustainable Financing of Junta de Andalucía.



Governance of the Sustainable Framework

► **USE OF PROCEEDS**

Revenues collected through Sustainable Finance instruments of Junta de Andalucía will be used exclusively for environmental and social projects.

► **PROJECT SELECTION AND EVALUATION PROCESS**

A Sustainability Financing Committee will select the projects in line with the eligibility and exclusion criteria prior to issuance. The Committee will be composed by: the General Secretariat of Finance, the General Directorate of Financial Policy and Treasury and the General Directorate of Budgets.

► **PROCEEDS MANAGEMENT**

The Proceeds from the Sustainable Finance Instrument will be allocated to the budgetary programs of the General Budgets of Junta de Andalucía, corresponding to the exercise of the Sustainable Finance Instrument. Junta de Andalucía has internal systems to monitor the proceeds and the execution of the selected projects.

► **REPORTING**

Junta de Andalucía will provide allocation and impact reports. The allocation reports will be available on the website of Junta de Andalucía.

► **EXTERNAL REVIEW**

Junta de Andalucía has contracted Sustainalytics to provide a Second-Party Opinion (SPO) on the Sustainable Finance Framework of Junta de Andalucía. The SPO will be available on the website of Junta de Andalucía.

Second-Party Opinion

- ▶ *“Sustainalytics believes that the Sustainable Financing Framework of Junta de Andalucía is credible and impressive and is aligned with the Sustainability Bond Guidelines (SBG) 2018, Green Bond Principles (GBP) 2018, Social Bond Principles (SBP) 2020, and the Green Loan Principles (GLP) 2021”*



▶ REVENUES ALLOCATION

“The categories eligible for the use of the proceeds are aligned with those recognized by both the Green Bond Principles, the Social Bond Principles and the Green Loan Principles. Sustainalytics believes that the eligible categories will generate positive environmental or social impacts in Andalusia and will advance towards the Sustainable Development Goals of the United Nations.”



▶ SELECTION AND ASSESSMENT OF PROJECTS:

“Sustainalytics considers that the mechanism for selection and assessment of projects is in line with the market practice”



▶ REVENUES MANAGEMENT:

“Sustainalytics considers that the revenues management is in line with the market practice”



▶ REPORTING:

“Sustainalytics considers that the allocation and impact information of the Junta de Andalucía are aligned with market practice.”

Eligible Categories: Social projects

ELIGIBLE CATEGORIES	ELIGIBLE CATEGORY DEFINITION	BUDGETARY PROGRAMS	2021 VOLUME (million euros)
ACCESS TO ESSENTIAL SERVICES: EDUCATION	Projects aimed at providing universal access to Andalusians to quality education at different levels of the educational system, guaranteeing the inclusion of disadvantaged groups in the educational system and reducing school failure.	31P, 42C, 42D, 42E, 42F, 42I, 42J	1,925.4
ACCESS TO ESSENTIAL SERVICES: HEALTH	Projects aimed at providing the Andalusian population with universal access to quality health services	31P, 31B, 41B, 41C, 41E, 41F, 41H, 41G	3,779.7
SOCIAL PROTECTION	Projects that aim to improve the well-being and social inclusion of vulnerable segments of the population (unprotected children, victims of gender violence, the elderly and dependents)	31E, 31G, 31R, 14B, 31T	1,688.6
AFFORDABLE HOUSING	Projects and programs aimed at facilitating access to housing for the most vulnerable population	43A	14.5
EMPLOYMENT SUPPORT TO SMES	Projects that promote the generation of stable employment, the reintegration of unemployed people in the labor market, the promotion of entrepreneurship, as well as the support for small and medium-sized enterprises, key to strengthening the labor market in Andalusia.	32D, 72C, 32L	220.5

Eligible Categories: Green projects

ELIGIBLE CATEGORIES	ELIGIBLE CATEGORY DEFINITION	BUDGETARY PROGRAMS	2021 VOLUME (million euros)
RENEWABLE ENERGY AND ENERGY EFFICIENCY	Projects and programs that aim to increase the use and production of renewable energy in Andalusia, promote a low-carbon economy, promote energy savings and improve the energy efficiency of buildings and public and private infrastructures	73A	115.1
CLEAN TRANSPORTATION	Programs that aim to reduce the dependence of public transport on fossil fuels, promoting the use of public transport, as well as the replacement of fossil fuel vehicles with others that use alternative fuels.	51B 73A	315.8
ENVIRONMENTAL PRESERVATION AND PROTECTION OF BIODIVERSITY	Programs aimed at guaranteeing and promoting the conservation of ecosystems and natural heritage and biodiversity.	44E	34.5
SUSTAINABLE MANAGEMENT OF WATER RESOURCES	Programs aimed at preserving water assets, improving the ecological status and quality of water, sanitation and wastewater treatment.	51D	11.3
POLLUTION PREVENTION AND CLIMATE CHANGE CONTROL AND MITIGATION	Programs aimed at improving air, water and soil quality, preventing environmental risks and damage, recycling waste and fighting against climate change and its mitigation.	44B 44F	10.5

Contribution of projects to the sustainable development goals



Access to essential services: Health



Access to essential services:
education



Social protection



Sustainable management of water
resources



Renewable energy and energy
efficiency



Employment support to SMEs



- Access to essential services: Health.
- Access to essential services: Education.
- Social protection.
- Affordable housing.



- Clean transportation
- Renewable energy and energy efficiency



- Environmental preservation and protection of biodiversity
- Renewable energy and energy efficiency
- Clean transportation



- Pollution prevention and climate change control and mitigation.
- Environmental preservation and protection of biodiversity



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