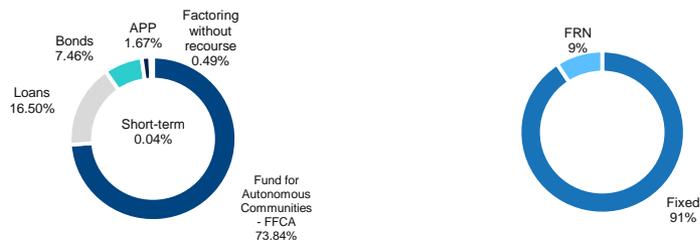


Balearic Islands – Economic Policy & Funding Programme

Debt composition and bonds outstanding

ISIN Code	Issuance Date	Nominal Amount	Coupon (%)	Maturity Date	Fixed/FRN
ES0001348103	23/02/2010	300,000,000.00	4.80%	04/03/2020	Fixed
ES0001348053	23/11/2005	150,000,000.00	3.87%	23/11/2020	Fixed
ES0001348202	20/05/2011	30,000,000.00	3.75% Inflation Linked	25/05/2023	FRN
ES0001348061	23/11/2005	170,000,000.00	4.06%	23/11/2035	Fixed



Debt Maturity Profile (EUR mn) and breakdown by type of financial instrument



Rating and Debt Ratios

Debt Ratios	CAIB					NATIONAL			
	2015	2016	2017	2018	2019 Forecast	2015	2016	2017	2T 2018
Debt-to-GDP (%)	30.4%	29.9%	29.4%	28.0%*	26.9%	24.40%	24.80%	24.80%	24.70%
Debt per-capita (euros)	7,542	7,742	7,887	7,409*	7,515	5,690	5,983	6,208	6,319
Average cost of debt (%)	2.22%	1.75%	1.50%	1.35%*	1.37%	3.12%	2.77%	2.55%	2.54%
Rating ¹	BBB-	BBB	BBB	BBB+	-				

*Note: figures for 2018 are provisional

¹Positive Outlook.

Indicative Termsheet

Issuer:	Govern Illes Balears (Balearic Islands Government)
Issuer Ratings:	BBB+ (Pos) S&P
Joint Bookrunners:	BBVA (B&D)/ BANKIA / CaixaBank/ HSBC
Principal Amount:	EUR Xxx,xxx,xxx
Trade Date:	XX February 2019
Settlement Date:	XX February 2019
Maturity Date:	XX November 2028
Format	Senior Unsecured
Distribution	Reg S only, Dematerialised Book-entry form, no sales into Canada
Day Count Fraction:	Act/Act, ICMA
Day Convention	Unadjusted, Modified Following
Business Days:	TARGET 2
Redemption:	100.00%
Listing:	AIAF
Target Markets:	Professionals & eligible counterparties (MIFID II)
Denominations:	EUR 1,000 + EUR 1,000
Law:	Spanish law, no disclosure document, no negative pledge, no events of default, no tax gross up, Spanish public debt tax regime.

Multi-Year Indebtedness Plan

The Autonomous Community of the Balearic Islands made the decision to gradually leave the State financing mechanisms (FFCA - Fund for Autonomous Communities) agreed by the Government in July 2018.

The Pluriannual Indebtedness Plan (PPE) of the Balearic Islands approved by the State contemplates financing in markets by 50% in 2019 and 2020 and 100% in 2021

Funding Programme Forecast (Mn €)	2019	2020	2021
Markets	517.00	751.24	1,197.48
Public Bond Transactions	300.00	500.00	750.00
Private Placements / Loans	217.00	251.24	447.48
Fund for Autonomous Communities (FFCA)	603.05	811.48	0.00
TOTAL	1,120.05	1,562.72	1,197.48

Funding Programme 2019 - Estimated Funding Needs and Funding Strategy

Funding needs 2019:

Redemptions SEC	1,074.45 millions
Deficit 0.1% Regional GDP 2019	32.92 millions
Negative liquidation D.A. ⁴ Law 22/2009	12.68 millions

Funding Strategy 2019

Fund for Autonomous Communities- FFCA:	603 millions
Markets	517 millions
Public Bond Transactions	300-400 millions
Private Placements / Loans	remainder

For more information:
<http://www.caib.es/sites/financespublices>
<http://www.caib.es>

2019 Funding needs:
€1,120Mn

Balearic Islands– Economic Policy & Funding Programme

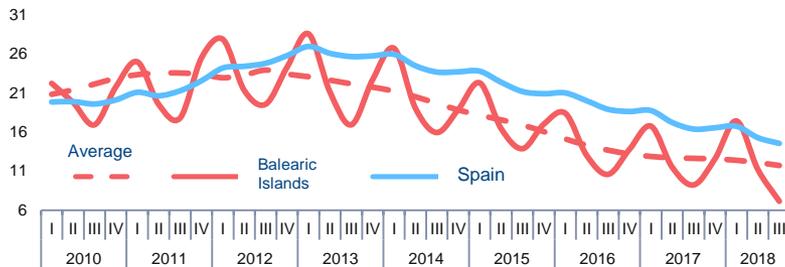
Balearic Islands- Recent Developments in the region’s economy

Labor Market: Unemployment

- Unemployment in Balearic Islands fell by 19.6% in the third quarter of 2018 compared to the previous year, according to the EPA. Since the second quarter of 2014 the unemployment rate of the Islands is below the State average (except for the 1st quarter of 2018). The rate for the 3rd quarter of 2018 was 7.2% in Balearic Islands, the lowest since the 3rd quarter of 2007

Unemployment Rate

Source: EPA

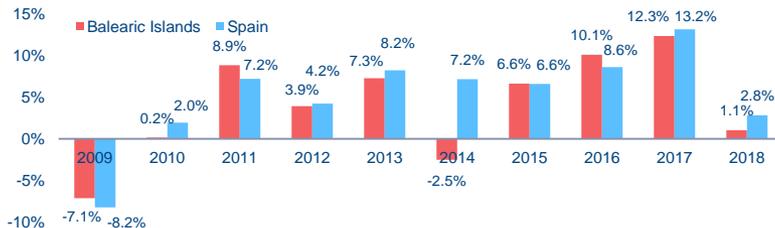


Tourist Expenditure

- Between January and November the expenditure made by international tourists (EGATUR) grows moderately and in 11 months reaches a figure of €14,367 M, 1.1% more than the same months of 2017.
- If you add the tourist spending of Spanish tourists, the total figure reaches €16,140M, the highest accumulated figure in the historical series, up to 1.6%.
- The average daily cost per tourist increases (8.2% in the accumulated from January to November 2018).

Year on Year Foreign Touristic Expense Change

January-November. Source: EGATUR



Construction: A sector in takeoff

- The GVA of construction continues with high growth rates, close to 3.5 points
- The construction indicators show that the good progress of the sector continues in 2018, reaching an increase of 6.4% year-on-year in November and a reduction of unemployment registered in December of -6.6%.

Macroeconomic Scenario: GDP Breakdown

Annual Change Gross Value Added

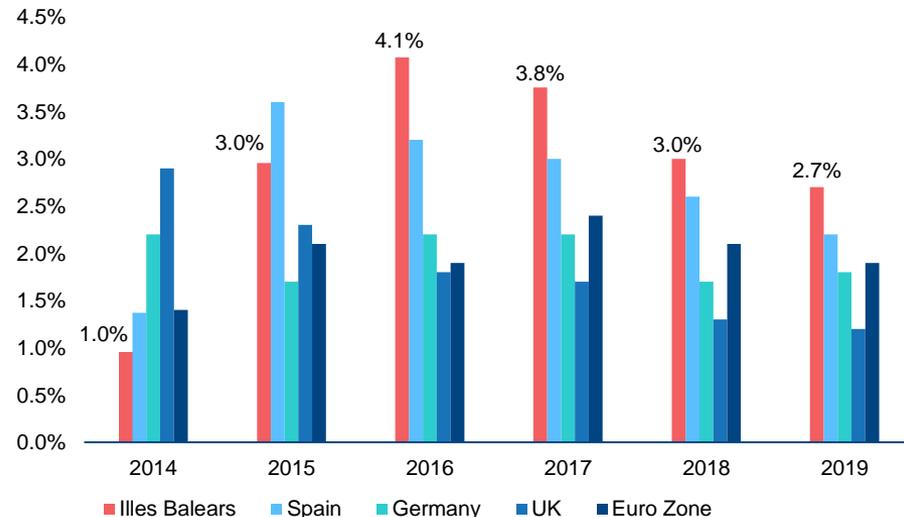
Source: DGOE

	2012	2013	2014	2015	2016	2017	2018*	2019*
Agriculture	-0.5%	1.0%	0.2%	0.0%	2.3%	1.7%	2.0%	2.0%
Industry	-0.8%	-1.1%	-1.0%	1.9%	2.6%	2.1%	1.5%	1.8%
Construction	-5.5%	-5.4%	-2.6%	2.9%	3.5%	3.6%	3.4%	2.9%
Services	0.6%	1.0%	1.4%	3.1%	4.3%	3.9%	3.0%	2.7%
Total Balearic Islands	0.0%	0.3%	1.0%	3.0%	4.1%	3.8%	3.0%	2.7%

- For 2019 the forecast is 2.7%, half a percentage point more than Spain and better than the forecasts of the main countries of the European Union

Growth forecasts

Source: European Commission, Government Illes Balears



■ Illes Balears ■ Spain ■ Germany ■ UK ■ Euro Zone

For more information:

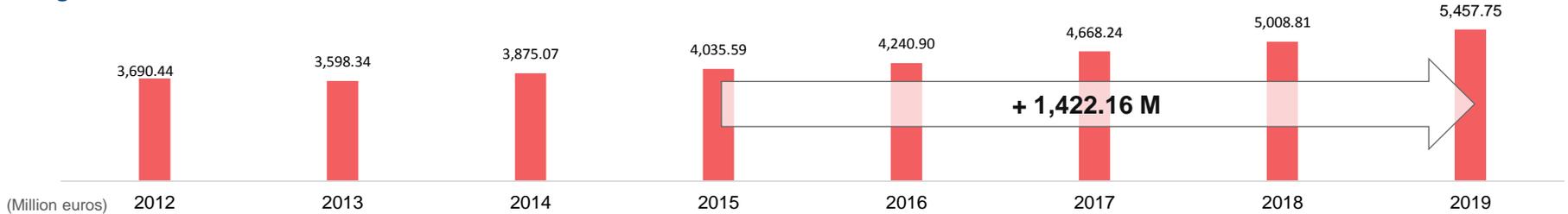
<http://www.caib.es/sites/financespublices>

<http://www.caib.es>

Balearic Islands– Economic Policy & Funding Programme

Balearic Islands– Budget and Strategical plan

Budget Evolution



Budget Stability and Financial Sustainability Plan

	2018	2019	2020	2021
Budget Deficit	-0.40%	-0.10%	0.00%	0.00%
Public Debt	29.10%	28.10%	27.00%	27.00%
Expenses Ruling	2.40%	2.70%	2.80%	2.80%

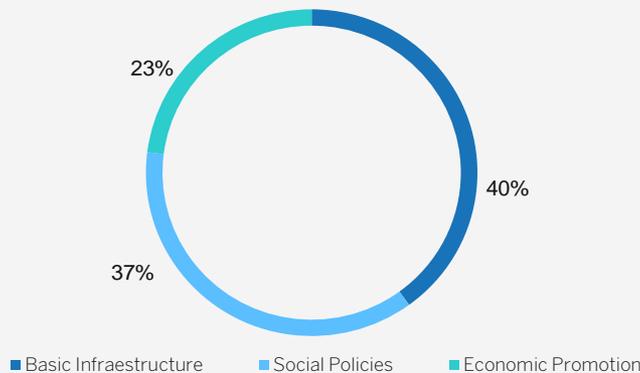
Region	Compliance with deficit target	Compliance with debt target	Compliance with stability & debt targets	Compliance with expenditure rule limit	Economic-Financial Plan needed
Balearic Islands	Yes	Yes	Yes	Yes	No

Source: Ministry of Finance and AIREF

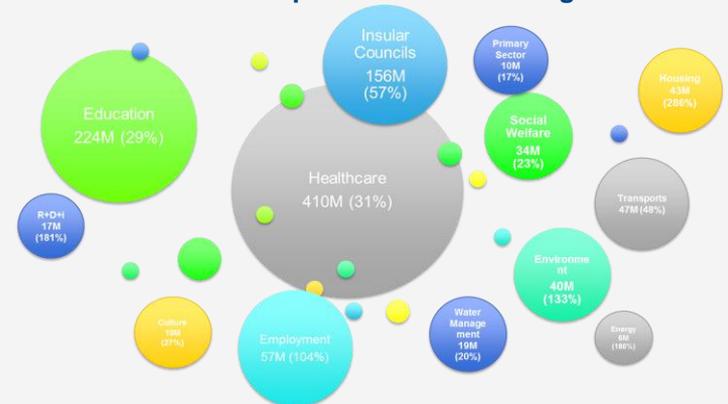
Expenditures:

The infrastructure investment regarding social matters increases by more than €50M and goes from representing 26% to 37%

Main increases of Expenses Policies during 2015-19



Main increases of Expenses Policies during 2015-19



Strategic guidelines of “Dictamen” H2030 (study on the economic, social and environmental perspective of the Balearic Islands with the horizon 2030)

- Make tourism activity in the Balearic Islands, a model of competitiveness and sustainability of international reference.
- Make the Balearic Islands an attractive region for the attraction of talent and for the deployment of new economic activities based on knowledge and competitive internationally.
- Make the Balearic Islands a model of social cohesion, quality of work, territorial balance and environmental sustainability

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