

BASQUE GOVERNMENT

Investors Presentation 2021

MINISTRY OF ECONOMY AND FINANCE

April 2021



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SAILA

DEPARTAMENTO DE ECONOMÍA
Y HACIENDA

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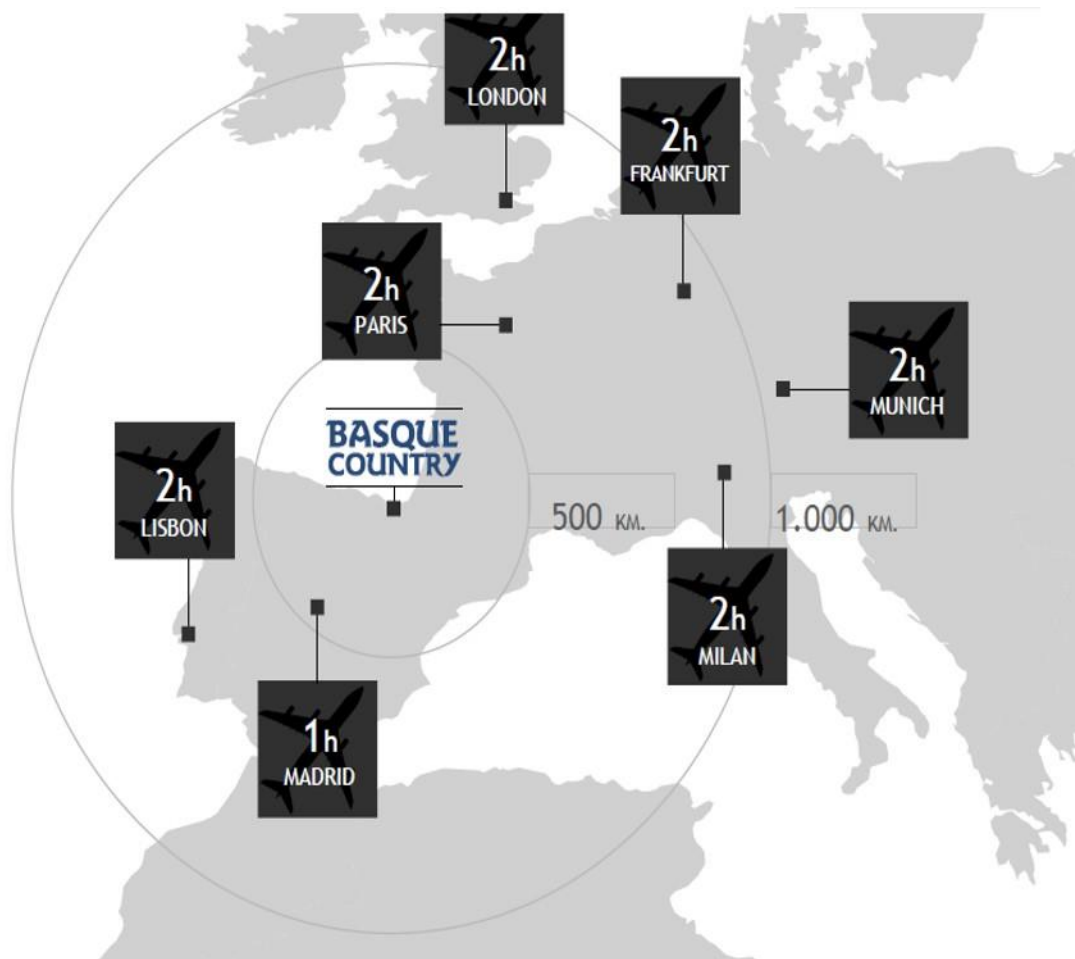
1. **Features of the Basque economy**
2. Current situation of the economy and forecasts
3. Sustainability mandate
4. Financing system, budget, deficit and debt

Surface area, Population and Market Access.

Surface Area **7,234 sq. km.**

Population **2,173,210**

Market access within a radius of 1,000 km
507,416,607 inhabs.



A Well-Connected Country

“Best European Medium-Sized Region in Connectivity”

(fDi - European Cities and Regions of the Future - Ranking 2016-2017)

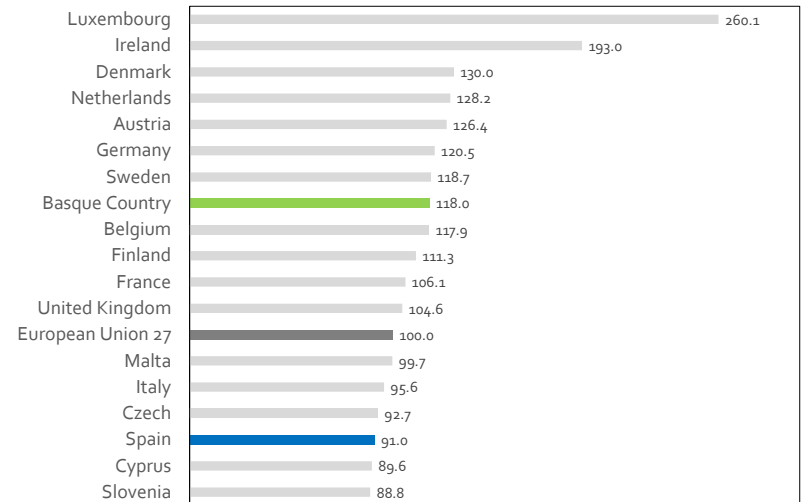
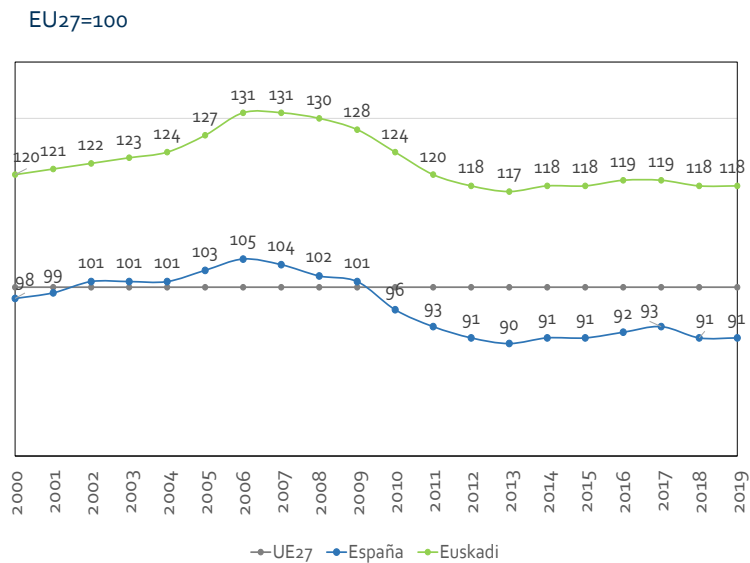
- ✓ Logistics
- ✓ International Airports
- ✓ Railway connections
- ✓ Motorways



A dynamic economy that stands out in Europe.

- In general, the Basque GDP per capita, measured in PPP, is 18% higher than the European average and is about 25 points above the Spanish average.
- The Basque Country is ranked among the most advanced OECD economies.

GDP per capita in PPP in 2019 (EU27=100)



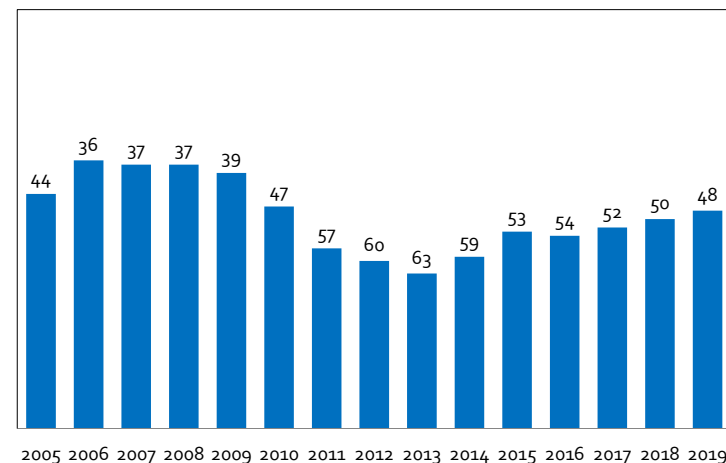
Source: Own preparation with Eurostat data.

Recovering positions in the European ranking

- In the ranking of 241 European regions (NUT II), the Basque Country was ranked 48rd in 2019.
- Before the European debt crisis, we reached 36rd position and subsequently went down to 63th position. In recent years, we have gone up several positions.

Ranking of European regions (GDP in PPP)

2000		2009		2019	
1	Région Bruxelles-Capitale	1	Luxembourg	1	Luxembourg
2	Luxembourg	2	Région Bruxelles-Capitale	2	Southern
3	Hamburg	3	Hamburg	3	Praha
4	Stockholm	4	Praha	4	Région Bruxelles-Capitale
5	Utrecht	5	Stockholm	5	Eastern and Midland
6	Wien	6	Bratislavský kraj	6	Hamburg
↓	↓	↓	↓	↓	↓
62	Basque Country	39	Basque Country	48	Basque Country
↓	↓	↓	↓	↓	↓
241	Nord-Est	241	Mayotte (FR)	241	Mayotte (FR)

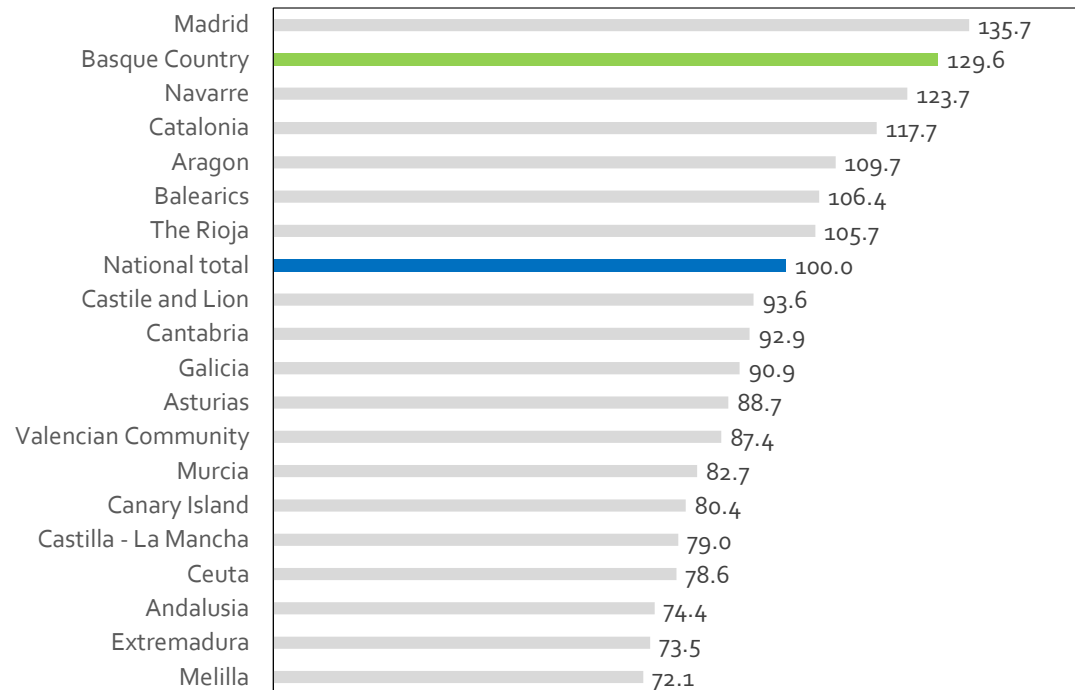


Source: Eurostat. SEC-2010.

The Basque Country is the second most advanced autonomous community

- The Basque Country ranks in second position after Madrid in terms of GDP per capita in 2019, as published latest INE report.
- The capitals of a European state usually have some advantages over the rest, thanks to the headquarters effect.

GDP per capita in 2019

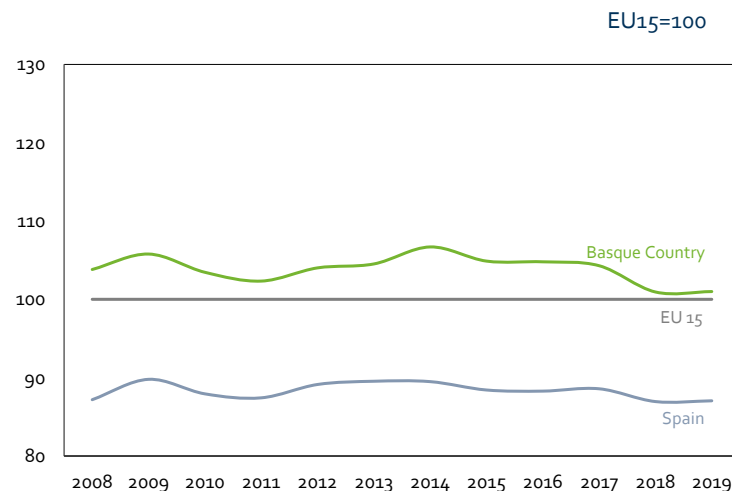
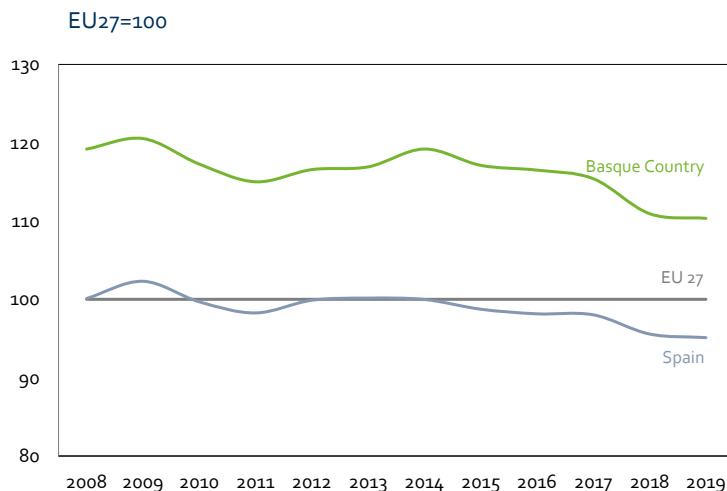


Source: INE. Regional Accounting September 2020.

The Key to Competitiveness: High Productivity

- High productivity leads Basque economy to a relative good position at the European level. Compared with the average of the European Union, the Basque is 15% higher. Even if compared with the average of the Eurozone, the leaders of Europe, Basque productivity is somewhat higher.

Productivity per hour worked



Source: Eurostat and INE.

High productivity

- Higher than EU-27 average productivity is not only concentrated in industrial activities, but also in the primary, construction and several parts of the services sectors.

Productivity per hour worked

UE27=100

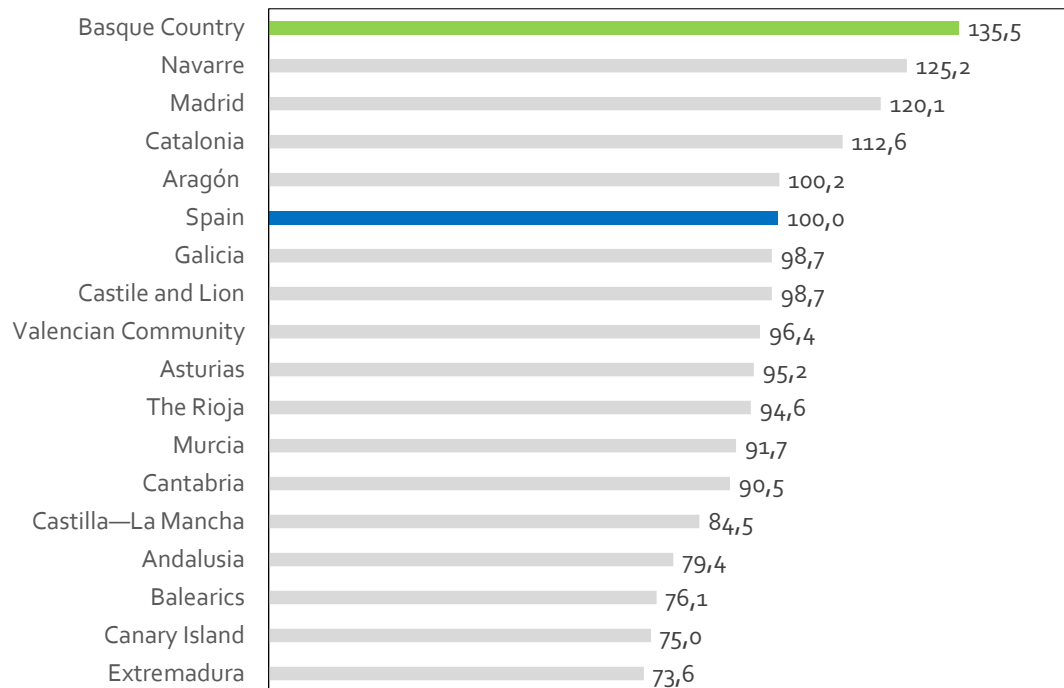
	Euros			PPP		
	2000	2008	2018	2000	2008	2018
Total	103.0	111.5	103.6	115.7	119.2	111.0
Primary	237.0	175.7	162.9	266.1	187.8	174.7
Industry	103.8	120.1	109.8	116.6	128.4	117.7
Manufacturing	103.0	120.9	110.1	115.6	129.2	118.0
Construction	133.6	161.7	153.8	150.0	172.9	164.8
Commerce and hotel and catering	120.4	123.3	110.0	135.2	131.8	117.9
Information and communications	100.1	90.1	73.6	112.4	96.3	78.9
Financial activities	111.4	149.2	123.6	125.0	159.5	132.5
Real Estate activities	82.7	168.0	258.7	92.9	179.5	277.3
Professional activities	72.6	77.5	79.2	81.5	82.8	84.9
Public Administration	115.9	118.4	103.8	130.1	126.5	111.3
Artistic activities	82.5	98.4	101.5	92.7	105.2	108.8

Source: Prepared by the Office of Economy and Planning with Eurostat data.

High Competitiveness: Ceprede Regional Indicator

- The Ceprede Regional Indicator is composed by 18 partial indicators among 5 large categories: macro-economic aspects, job market, business development, infrastructures and innovation.
- According to this indicator, the Basque Country ranked top in four blocks and second in innovation, behind Navarre, in 2020.

Regional competitiveness indicator in Spain

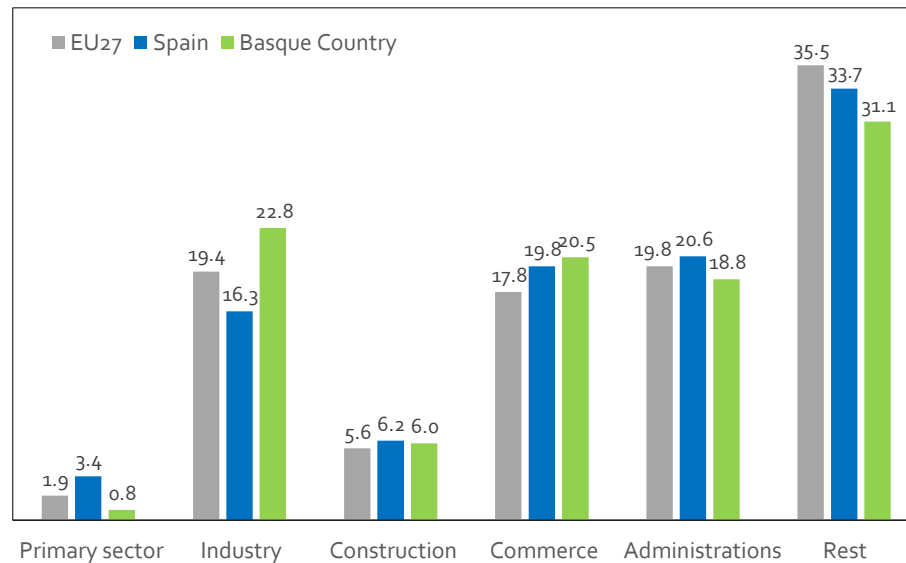


Source: CEPREDE. ISCRE 2020.

Significant importance in the industrial sector

- Industrial sector has a higher contribution in the Basque economy either than in the Spanish or the European Union ones, otherwise service sector weighs less.
- On the contrary, we have fewer services. It stands out that the public administration (including education, health and social services) has a relatively low weight.
- Construction contribution to the Basque GDP stands at European Union level, coming down from the highs reached before the 2008 crisis at 10,3%.

Sectoral structure over GVA. 2020



Source: Eurostat, INE and Eustat.

Main Clusters and Industrial Specialisation

ENERGY



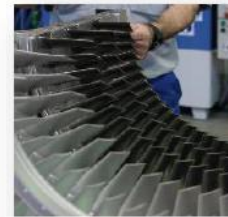
68,000 Jobs
€44,000 M

AUTOMOTIVE



36,583 Jobs
€15,004 M

AEROSPACE



12,546 Jobs
€1,755 M

RAILWAY



14,176 Jobs
€2,600 M

MARITIME



14,210 Jobs
€2,150 M.

MACHINERY



5,672 Jobs
€1,180 M

ELECTRONICS & ICT



10,840 Jobs
€2,840 M

ECOINDUSTRIES



20,000 Jobs
€4,000 M

BIOSCIENCES



2,700 Jobs
€376 M

Beyond the GDP: Human Development Index

- The human development index, prepared by the United Nations, takes into account, in addition to GDP, life expectancy, years of schooling and literacy rates.
- Basque Country is among the top 15 countries in the world in this indicator. Highlighting the high life expectancy at birth.

Very high human development index

Position		%	Position		%
1	Norway	0.957	11	Finland	0.938
2	Ireland	0.955	12	Singapore	0.938
3	Switzerland	0.955	13	Basque Country	0.937
4	Hong Kong, China (RAE)	0.949	14	United Kingdom	0.932
5	Iceland	0.949	15	Belgium	0.931
6	Germany	0.947	16	New Zealand	0.931
7	Sweden	0.945	17	Canada	0.929
8	Australia	0.944	18	United stated	0.926
9	Netherlands	0.944	19	Austria	0.922
10	Denmark	0.940	20	Israel	0.919

Source: Eustat Social indicators.

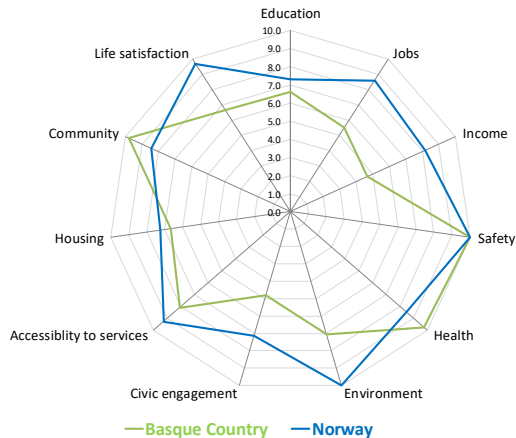
Data for 2019, obtained from the 2020 Human Development Report of the United Nations Development Program (UNDP).

The data for Basque Country is provisional

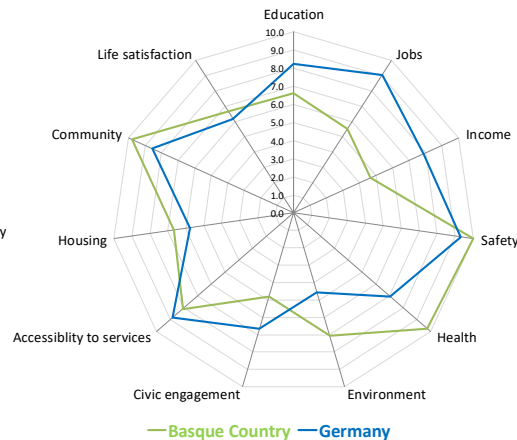
Beyond the GDP: Regional Welfare Index

- This indicator is based on eleven different fields related to welfare. It is produced by the OECD.
- Basque Country outstands in in terms of health, safety and sense of community belonging.
- Otherwise, the results are relatively low for income (available income), civic commitment (participation in elections) and to a lesser extent in employment.
- The two countries that stand out are Australia and Norway.

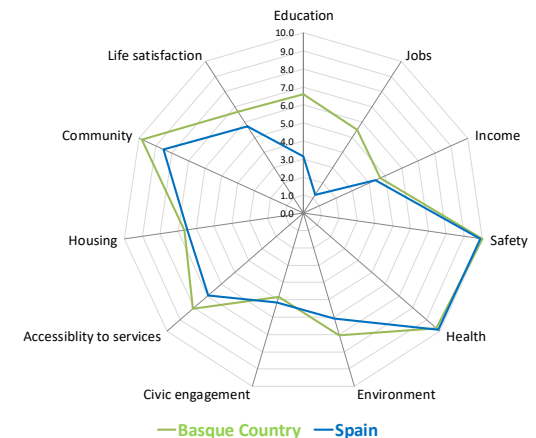
Basque Country-Norway



Basque Country-Germany



Basque Country-Spain



Source: OECD.

Beyond the GDP: Regional Social Progress Index

- This indicator was established in 2016 by the European Commission for the 272 European regions. The Basque Institute for Competitiveness participated in its compilation.
- It includes 50 variables grouped into twelve fields.
- The Basque Country holds a leading position in Spain and lags somewhat behind with respect to the European countries.

EU-SPI Regional Social Progress Index

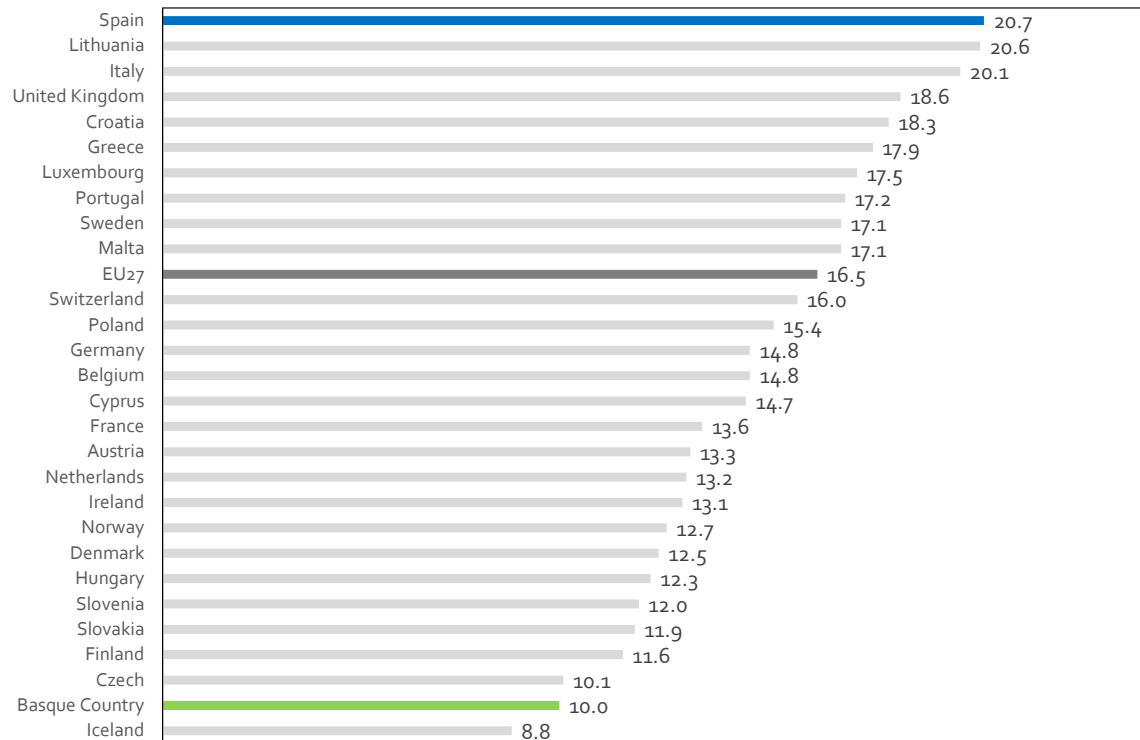
Position	Countries	%	Position	Autonomous Community	%
1	Denmark	79.53	1	Madrid	70.17
2	Finland	79.18	2	Basque Country	69.95
3	Sweden	78.14	3	Navarre	67.91
4	Holland	77.91	4	Cantabria	67.34
5	Luxemburg	71.45	5	Castile and Leon	66.92
6	Austria	71.15	6	Asturias	66.35
7	Ireland	71.09	7	Aragon	66.29
8	United Kingdom	70.82	8	The Rioja	66.15
9	Germany	70.65	9	Valencian Community	64.74
10	Basque Country	69.65	10	Galicia	64.44
11	Belgium	67.80	11	Murcia	63.78
12	France	67.33	12	Catalonia	63.67
13	Slovenia	66.03	13	Canary Islands	63.61
14	Spain	65.14	14	Extremadura	63.11
15	Estonia	62.98	15	Castilla la Mancha	62.68

Source: European Commission. Report February 2016.

Beyond the GDP: Risk of Poverty after Welfare

- The Basque Country outstand among the lowest in terms of risk of poverty, after taking into account social assistance.

Risk of poverty after receiving welfare. 2019

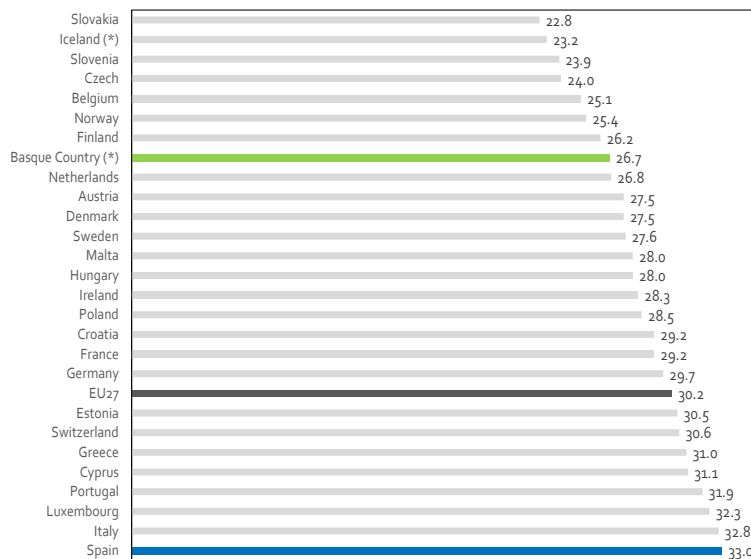


Income from the year prior to the interview.
Source : Eurostat.

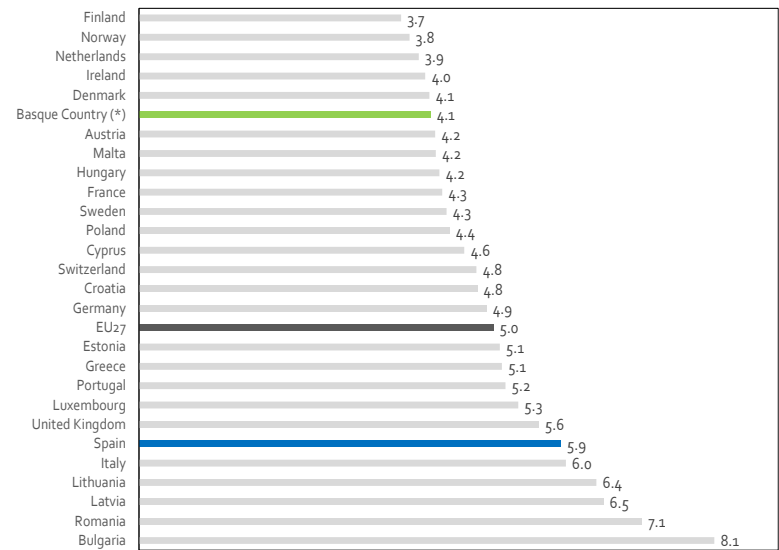
Beyond the GDP: Inequality Indicators

- The most used equality indicators, the Gini index and the S80 / S20 index, place the Basque Country among the most egalitarian territories in Europe.
- Here, too, it contrasts with the position of Spain, at the other end of the ranking.

Gini Index



S80/S20

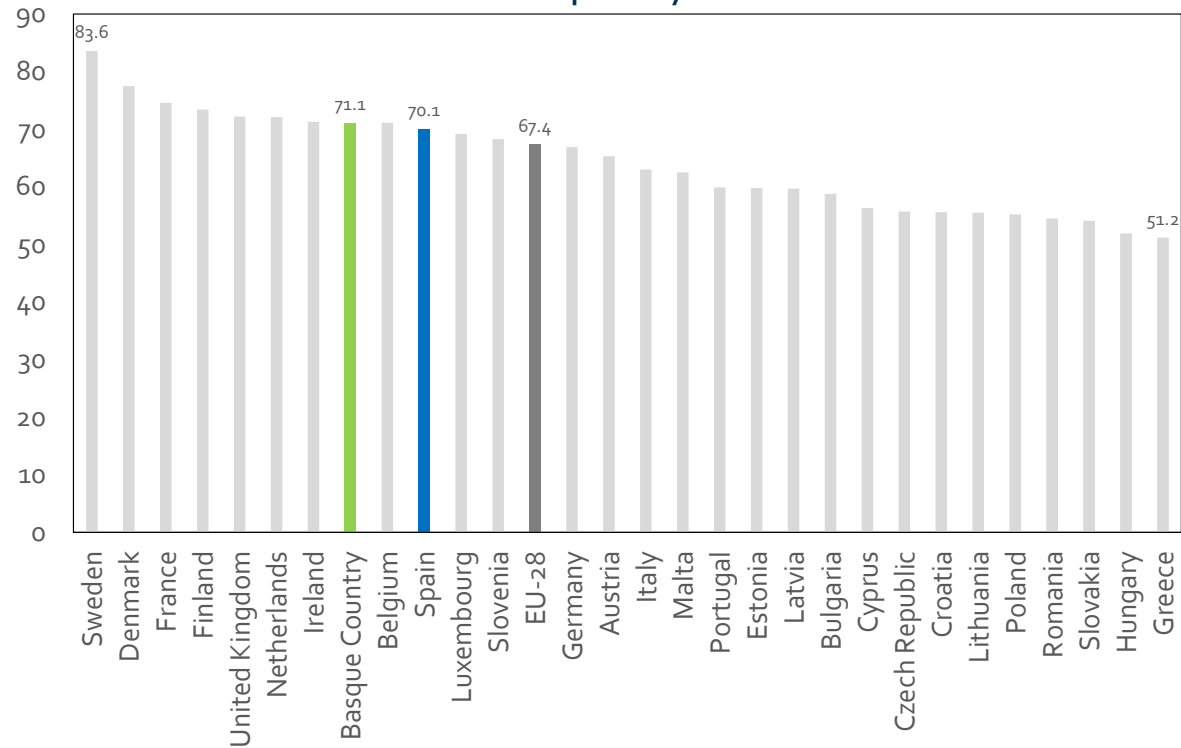


2019 data, except (*) corresponding to 2018.
Source: Eurostat-SILC and EPDS 2018.

Beyond the GDP: Gender equality index. 2017

- The Basque Country is in an advanced position within European countries in terms of gender equality.

Gender equality index

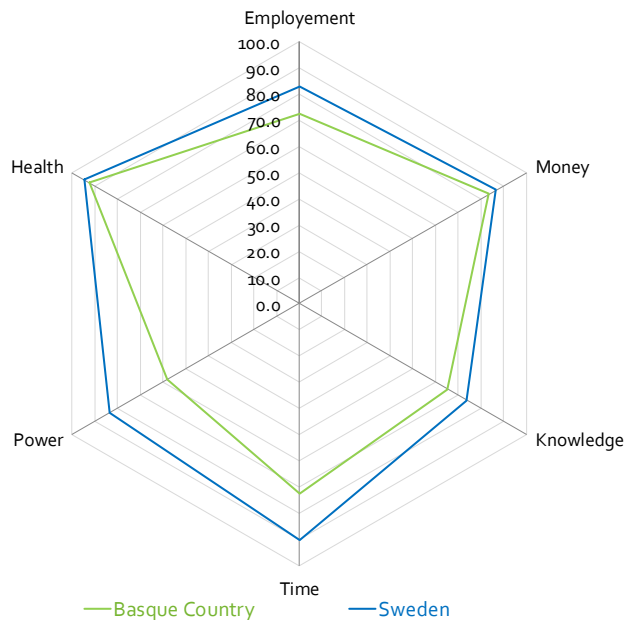


Source: Eustat Basque Statistical Office.

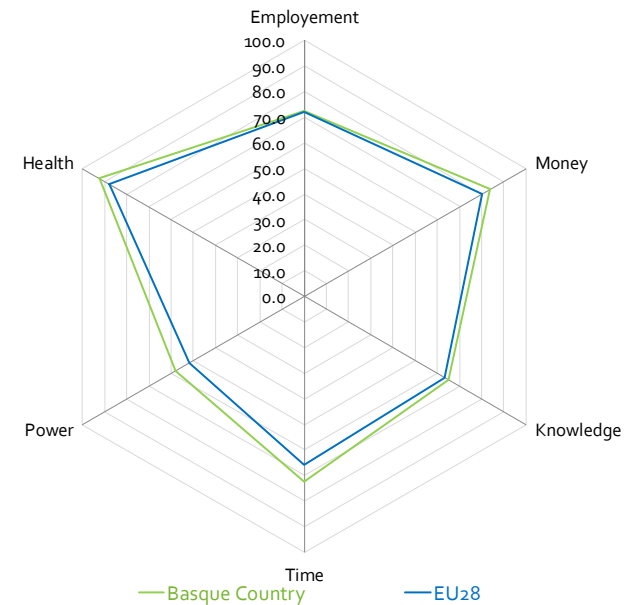
Beyond the GDP: Gender equality by dimensions. 2017

- In comparison with the EU-28, Basque Country fares well. However, the comparison with the leading country (Sweden) indicates that there are important differences in power and time.

Basque Country-Sweden



Basque Country-EU28



Source: Eustat Basque Statistical Office.

Europe 2020: Indicators for Europe 2020

- Compared to the European Union, four of the nine main indicators offer better values in the Basque Country: the population at risk of poverty or exclusion, the consumption of primary energy and the two education indicators.
- With respect to Spain, better figures are also recorded in these four indicators in addition to the occupancy rate.

SUBJECT	Indicator	Basque Country	Spain	EU 28
OCCUPATION	Occupation rate (20-64 years) (%) Total	72.6	68.0	73.9
	Women	68.5	62.1	68.2
	Men	76.7	74.0	79.6
R+D (*)	Gross domestic product in R+D (% GDP)	1.85	1,24 (*)	2,11 (*)
CLIMATE AND ENERGY (*)	Greenhouse gas emissions, base year 1990=100	91.1	119.7	76.8
	Quota of renewable energies in final gross energy consumption (%)	16.9	17.5	18.0
	Primary energy consumption, base year 2005=100	83.8	91.3	90.2
	Final energy consumption, base year 2005=100	91.7	88.5	94.2
EDUCATION	Early school leaving rate (18-24 years) (%) Total	8.8	17.3	10.3
	Women	8.0	13.0	8.6
	Men	9.6	21.4	11.6
	Level of higher education (30-34 years) (%) Total	48.0	44.7	41.6
	Women	53.0	50.8	46.7
	Men	42.9	38.5	36.6
POVERTY	Population at risk of poverty or exclusion (union of the following 3) (%)	20,7 (*)	25.3	21.4
	Population who live in homes with very low work intensity (%)	9,1 (*)	10.8	8.5
	Population at risk of poverty after social transfers (%)	17,7 (*)	20.7	16.8
	Population in a situation of grave material deprivation (%)	5,6 (*)	4.7	5.5

(*)2018 data

Source: EUSTAT. Structural indicators. Europe 2020

Competitiveness: Human Capital. 2019

- Practically half of the Basque population between the ages of 25 and 64 have tertiary studies. This ranks us in first position in Spain and among the most advanced European countries in this variable.
- In the age group of 30 to 34, which is one of the objectives of Europe 2020 (to reach 40%), the Basque population reaches 59.8%, with a leading position in Europe.

Percentage of the population between the ages of 25 and 64 who have successfully completed tertiary studies

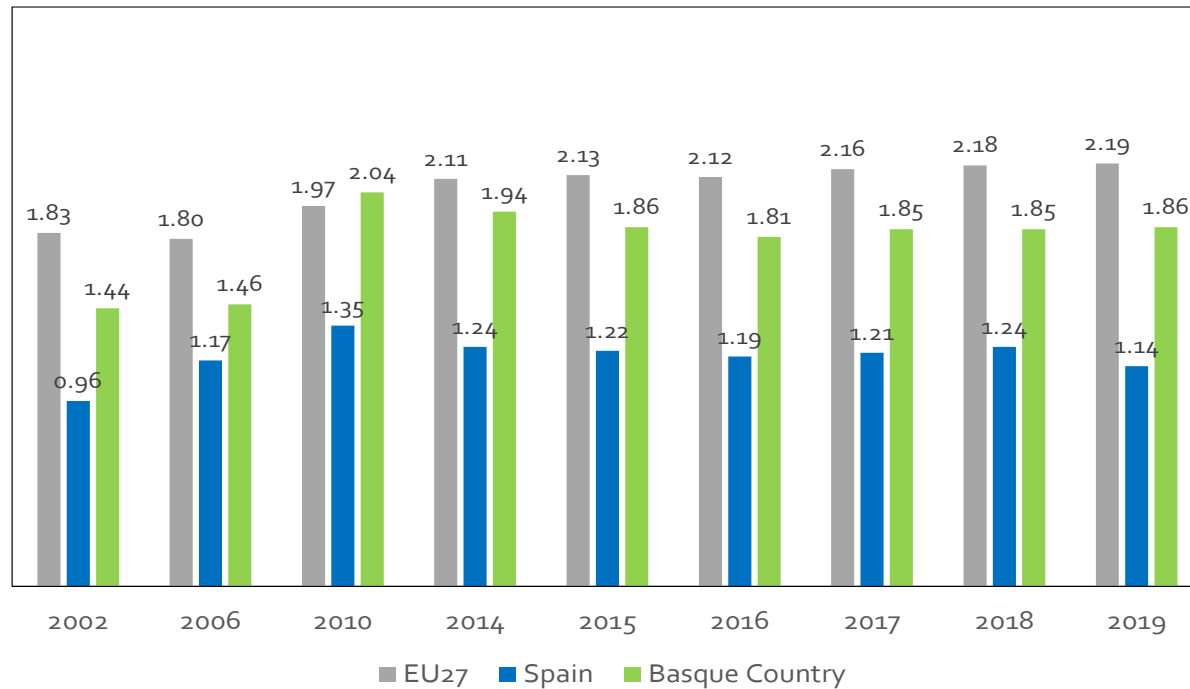
Position		%	Position		%
1	Inner London - West	72.8	11	Eastern Scotland	53.0
2	Inner London - East	63.8	12	Utrech	52.7
3	Outer London - West and Northwest	60.7	13	Hovedstaden	52.3
4	North-Eastern Scotland	55.8	14	Eastern and Midlan	51.5
5	Brabant Walloon	55.7	15	Surrey, East and West Susexx	51.4
6	Warszawski Stoleczny	55.5	16	Ile de France	51.2
7	Outer London - South	55.3	17	Basque Country	50.8
8	Helsinki	53.7	18	Vlaams-Brabant	49.2
9	Stockholm	53.0	19	Madrid	49.1
10	Berkshire, Buckinghamshire	53.0	20	Noord-Holland	48.5

Source: Eurostat.

Competitiveness: R&D Expenditure

- R&D spending has undergone a disappointing evolution in recent years. In 2010, it exceeded the European average, but since then, it has been falling. It remains for two consecutive year 30bps below the EU-27 average, at 1.85%.
- Spain is far from the European average, as well as the values registered in Basque Country.

R&D Expenditure (% of the GDP)



Source: Eurostat, Eustat and INE.

Innovation Indicators Panel (EIS)

- The Basque Country is among the countries with a high level of innovation (between 90% and 120% of the average). However, it is a long way off the leading countries in innovation (more than 120%), which is headed by Sweden and Finland.
- It strengthens the 2019 data (0.50).
- Spain is in the moderate innovation group (between 50% and 90% of the average).

Basque Country stood at the same level as countries with a high level of innovation

Position		%	Position		%
1	Sweden	0.713	11	EU-27	0.507
2	Finland	0.709	12	Basque Country	0.502
3	Denmark	0.682	13	Estonia	0.502
4	Netherlands	0.648	14	Portugal	0.490
5	Luxembourg	0.639	15	Cyprus	0.451
6	Belgium	0.615	16	Spain	0.432
7	Germany	0.608	17	Slovenia	0.431
8	Austria	0.596	18	Czech Republic	0.427
9	Ireland	0.568	19	Malta	0.426
10	France	0.530	20	Italy	0.420

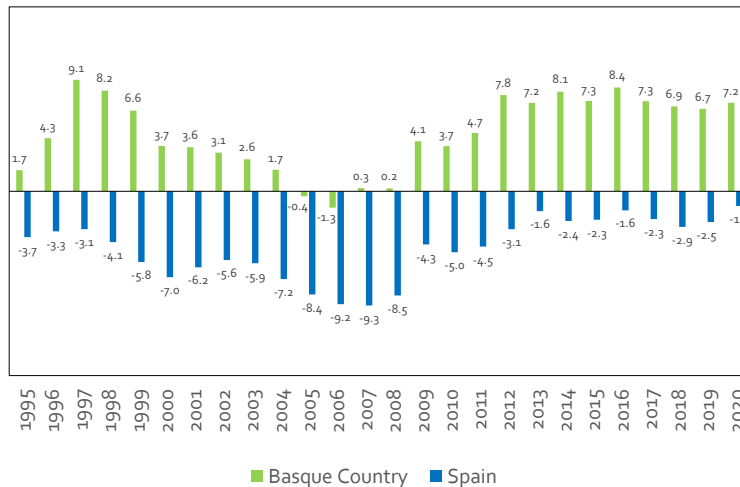
Source: Eustat. Innovation Indicators Panel (EIS 2020).

An economy that looks towards the exterior

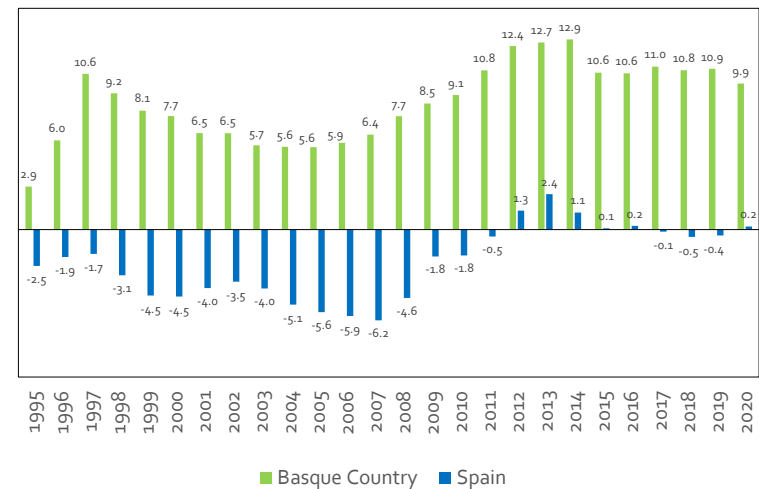
- Basque good exports worth close to 20.9 billion euros in 2020, 17.8% below the 2019 record. This sharp contraction was due to the general drop in sales of all headings, except for agricultural products.
- The severe health situation, as well as the restrictions derived to alleviate it, explain this important drop.
- However, both the total balance and the non-energy balance were high and positive, and well above those registered by the State.

Foreign Trade: Trade Balance / GDP

Total Balance



Non-energetic Balance



Source: Eustat and Ministry of Industry, Commerce and Tourism

Diversification of foreign markets

- The European countries are increasingly gaining weight in total exports, approaching two thirds of the total sold in 2020. The euro zone buys more than half of the total.
- France and Germany remain the main destinations for Basque exports.

Destination of Basque exports. Evolution 2008-2020

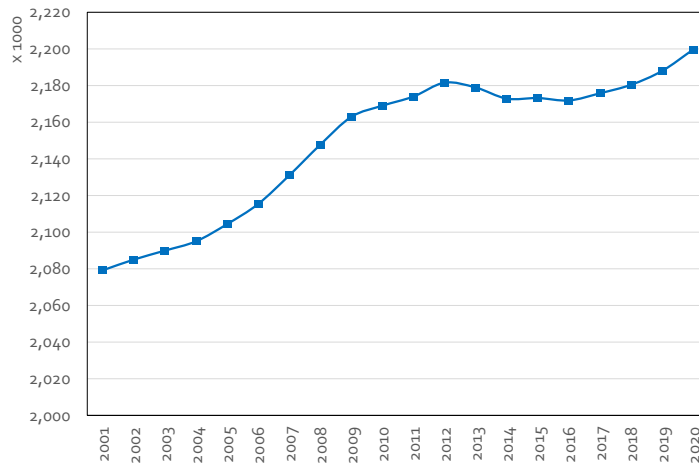
	2008	2010	2012	2014	2016	2018	2020(P)
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0
OCDE	79.0	73.5	76.4	77.1	81.5	82.4	83.8
Zona Euro	55.0	51.1	49.2	50.1	52.3	51.5	54.8
Unión Europea 27	55.2	56.3	54.9	56.7	59.7	58.8	62.9
Francia	17.7	17.2	17.1	15.5	16.6	15.3	15.5
Alemania	15.4	13.8	14.2	14.1	15.6	15.0	17.3
Italia	6.7	6.2	4.7	4.6	5.0	4.9	5.1
Reino Unido	5.4	5.5	6.5	6.0	6.0	6.8	6.4
Resto OCDE	17.1	16.4	20.1	20.3	22.7	23.7	21.7
EE.UU.	7.5	6.2	6.5	7.7	7.1	8.3	6.5
Japón	0.4	0.2	0.3	0.2	0.8	0.4	0.6
No OCDE	21.0	26.5	23.6	22.9	18.5	17.6	16.2
Rusia	1.1	0.9	0.9	0.9	0.9	1.0	1.4
China	2.0	2.3	2.1	2.9	2.5	1.8	2.1
Brasil	1.7	2.2	1.8	1.9	1.0	1.3	1.0
Resto del mundo	16.3	21.0	18.8	17.2	14.1	13.5	11.7

Provisional 2020 data.
Source: Eustat.

The population grows again thanks to immigration

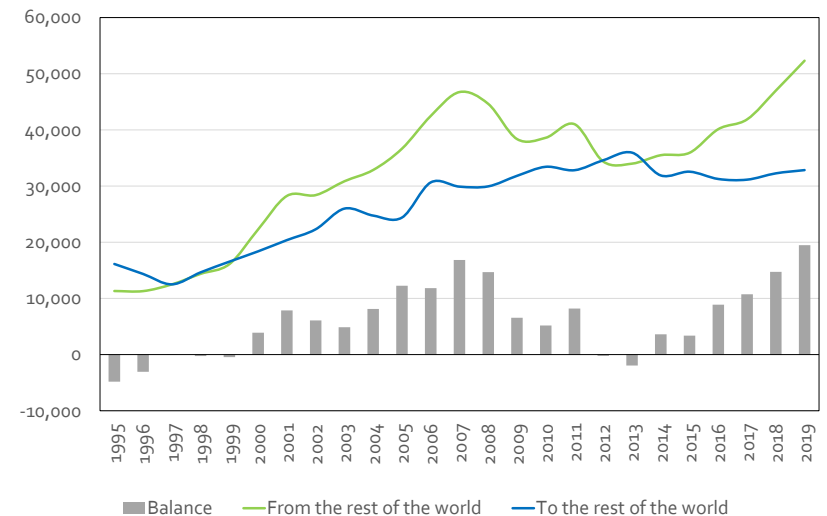
- The population reaches a historical record due to the strong recovery of migratory inflows.

Population evolution 2001-2020



Source: Eustat.

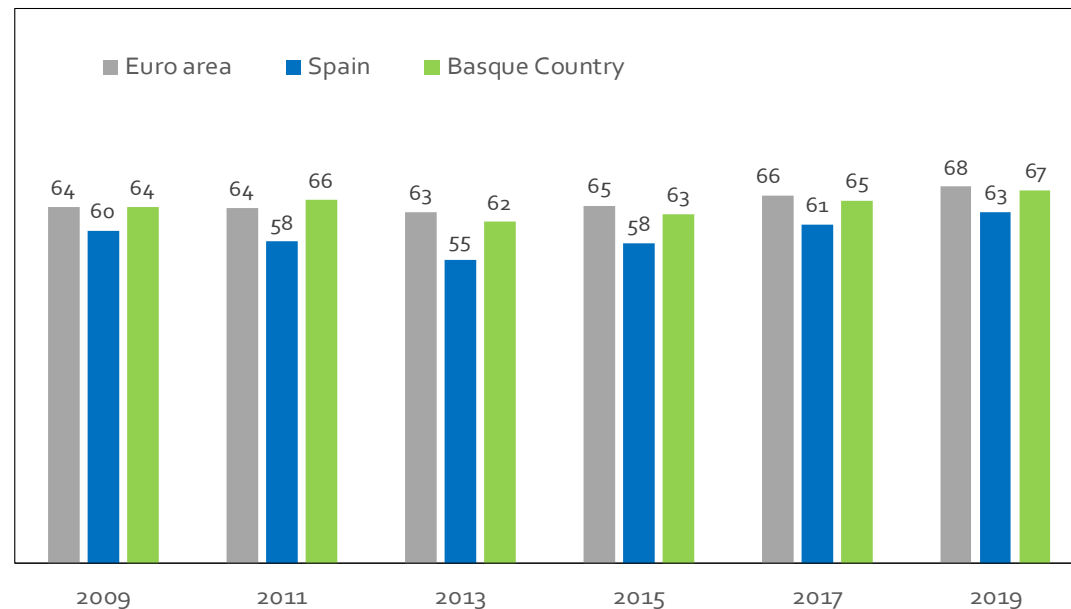
Migratory flows 1995-2019



The employment rate is at Euro Area levels

- The employment rate fell at the beginning of the previous crisis, going from 64% to 62%. This situation also occurred in the whole of the State and, to a lesser extent, in Europe.
- Since then, the employment rate has recovered substantially, reaching higher levels than in the previous expansive cycle.

Employment rate of the population aged 15 to 64



Source: Eurostat.

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International Environment: Growth of the GDP

- The Covid-19 pandemic has generated an unprecedented global crisis. Overall, the world economy has suffered a very deep contraction, registering a negative growth rate of -4,2%, that is even more severe for developed economies up to -5,5%. In the developing world, China outstands having achieved a positive growth of 2,3% despite being the origin of the pandemic.
- European economies have contracted more abruptly than the United States. The declines in France, Italy and Spain stand out.
- In the Basque case, the annual decrease was also significant, 9.5%.

Gross Domestic Product. Evolution

	2019	2020	Interannual variation rate			
			2020			
			I	II	III	IV
Developed Economies	1.6	-5.5	-0.9	-11.6	-3.8	-3.4
European Union 27	1.6	-6.2	-2.7	-13.8	-4.1	-4.6
-Basque Country	2.2	-9.5	-3.2	-19.5	-7.5	-7.6
-Spain	2.0	-10.8	-4.3	-21.6	-8.6	-8.9
-Germany	0.6	-4.9	-2.2	-11.3	-4.0	-3.6
-France	1.5	-8.1	-5.6	-18.6	-3.7	-4.9
-Italy	0.3	-8.9	-5.8	-18.2	-5.2	-6.6
United Kingdom	1.3	-9.9	-2.2	-21.0	-8.7	-7.8
United States	2.2	-3.5	0.3	-9.0	-2.8	-2.4
Japan	0.7	-4.8	-2.1	-10.3	-5.8	-1.1
China	6.1	2.3	-6.8	3.2	4.9	6.5
India	4.2	-9.0	3.2	-24.1	-7.0	0.1
Russia	1.3	-4.3	-0.1	-5.6	-3.3	----
Brazil	1.1	-4.4	-1.4	-10.9	-3.9	-1.2

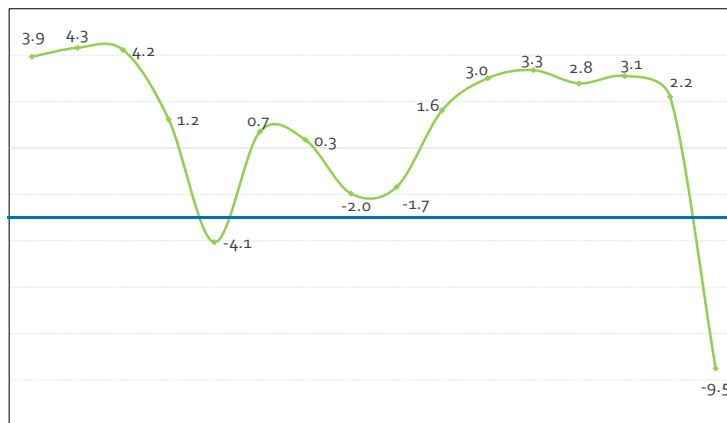
Source: Eurostat, OCDE and Eustat.

Sharp decline in GDP in 2020

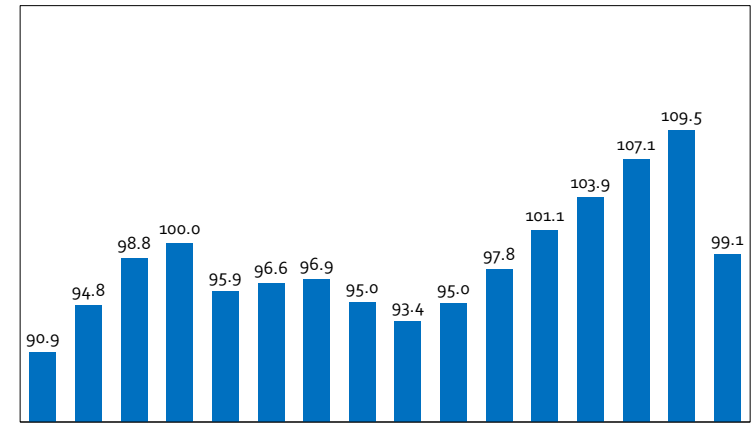
- Like the rest of the countries, the Basque Country has suffered a severe blow in 2020, with a sharp slump in GDP, which ends a six-year period of growth.
- The latest assessment of the Eustat Institute for 2020 growth, point to a contraction of 9,5%, the deepest fall in the historical series

Evolution of the Gross Domestic Product

Year-on-year variation rates



GDP 2008 = 100



Source: Prepared by the Economy and Planning Department with data from Eustat.

The expansion of the Covid-19 has changed everything

- The measures adopted to contain the pandemic have brought with them the collapse of economic activity. That affected the first quarter and much more the second.
- Industry was the sector that was hit the hardest at first, but trade and the hospitality also fell sharply.

Evolution of the GDP on the supply side

	Variation rates					
	2019	2020	2020			
			I	II	III	IV
GDP (p.m.)	2.2	-9.5	-3.2	-19.5	-7.5	-7.6
Primary Sector	3.2	-9.3	3.5	-6.1	-7.2	-26.3
Industry and Energy	1.3	-11.8	-3.6	-26.7	-9.5	-7.2
Construction	3.4	-9.5	-2.7	-17.9	-9.3	-8.2
Services	2.5	-8.5	-2.8	-17.5	-6.5	-7.1
Commerce, Hospitality and Transp.	2.6	-12.3	-4.2	-21.8	-10.2	-12.8
AA. PP., Education and Health	2.3	1.0	1.2	0.7	1.1	1.0
Rest of Services	2.5	-11.0	-4.0	-24.2	-8.1	-7.5
Gross Value Added	2.3	-9.3	-3.0	-19.6	-7.4	-7.4
Net Product Taxes	2.2	-10.4	-5.1	-18.4	-8.5	-9.6

Source: Eustat. Series adjusted for seasonal variation.

Collapse of internal demand

- On the demand side, both final consumption and investment recorded sharp contractions, as result of the lack of activity and uncertainty
- Only public consumption grew, due to the need to face the health and economic consequences of the pandemic.
- The lack of activity paralyzed foreign trade, both sales and purchases.

Evolution of the GDP with respect to demand

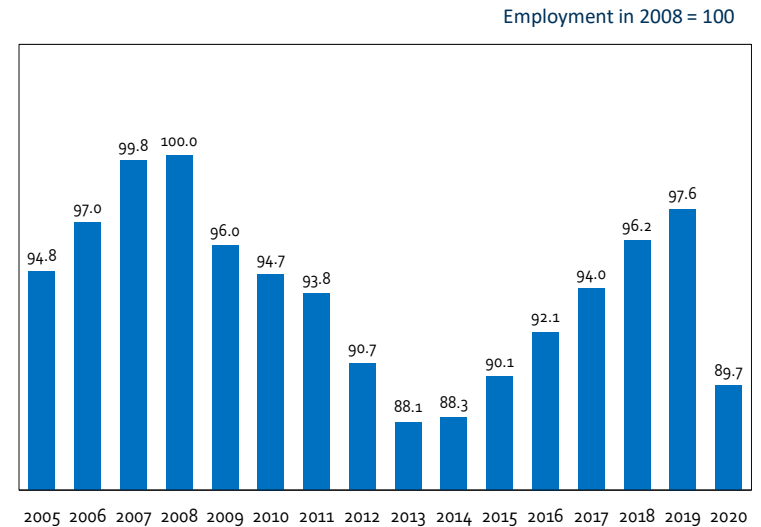
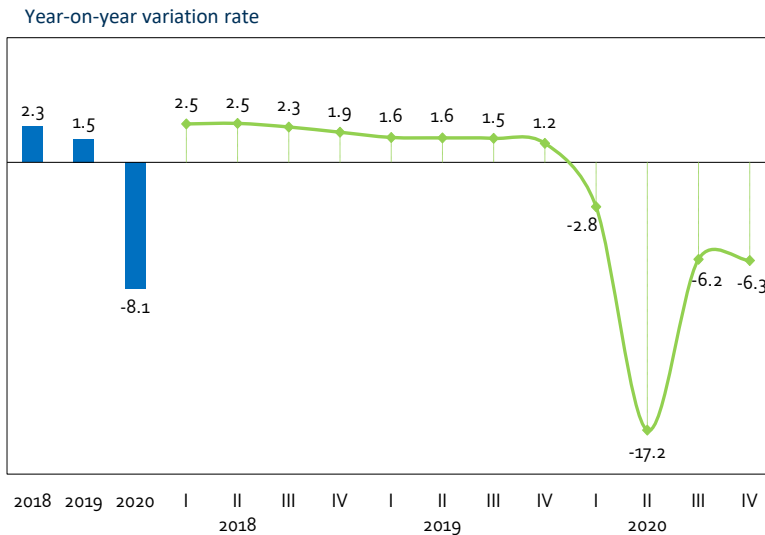
	Variation rates					
	2019	2020	2020			
			I	II	III	IV
GDP (p.m.)	2.2	-9.5	-3.2	-19.5	-7.5	-7.6
Final Consumption	1.9	-7.5	-3.0	-15.4	-5.9	-5.7
Private Consumption	1.8	-10.7	-4.8	-20.3	-8.5	-9.1
Public Consumption	2.2	4.5	4.1	3.0	3.6	7.2
Gross Capital Formation	3.3	-11.6	-3.6	-23.0	-11.4	-8.4
Equipment Goods	2.1	-13.3	-5.0	-30.1	-12.2	-5.9
Remaining Investment	4.0	-10.6	-2.8	-18.8	-10.9	-9.8
Internal Demand	2.2	-8.5	-3.1	-17.2	-7.2	-6.4
Exports	0.4	-17.1	-7.5	-30.1	-15.5	-14.8
Imports	0.4	-15.3	-7.2	-26.4	-14.8	-12.7

Source: Eustat. Series adjusted for seasonal variation.

Great decrease in the days worked

- The pandemic has affected labour market, hours worked collapsed in 2020 (-8.1%), but in less extent the number of people with employment (-2.4%).
- The difference between both rates is explained by the use of ERTes (furlough scheme), which keep people linked to their companies, even if they do not carry out all or part of their working day.

Evolution of Jobs



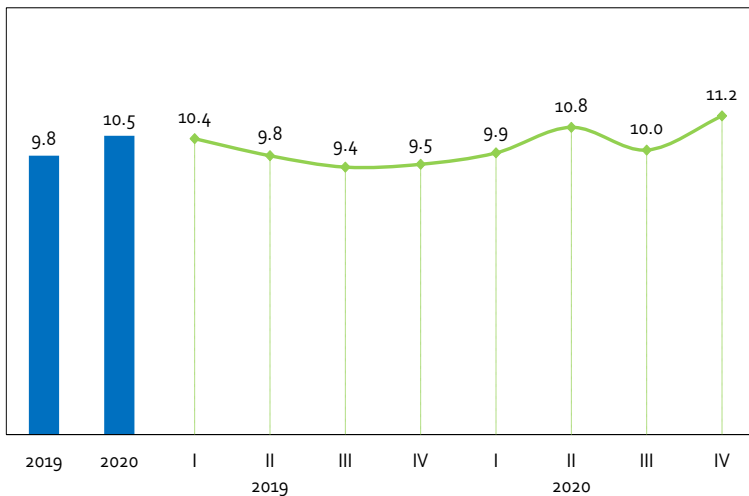
Source: Prepared by the Economy and Planning Department with data from Eustat.

The unemployment rate rises slightly

- The slump of activity has not translated into a significant increase in unemployment, thanks to the implementation of the ERTE, which have retained the workforce in the companies.
- For the time being, the new outbreaks have not had much impact on unemployment.

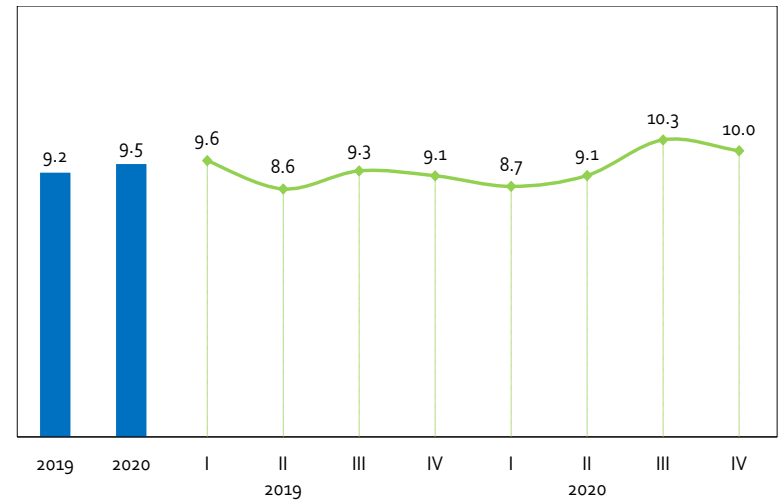
PRA (Eustat)

Year-on-year variation rate



EPA (INE)

Year-on-year variation rate



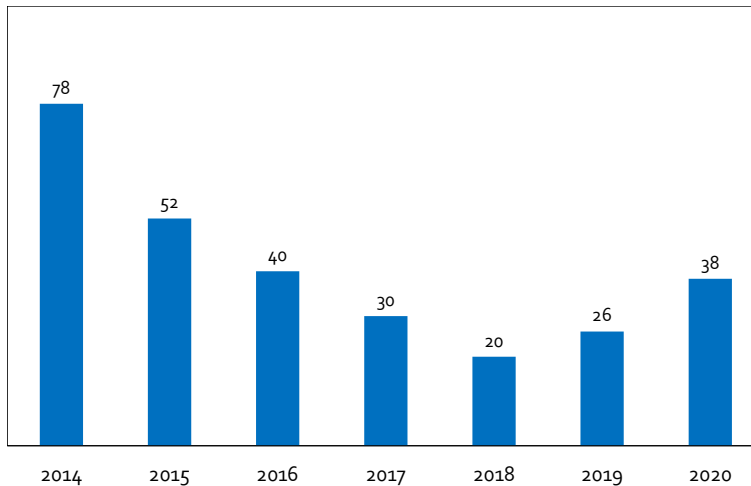
Source: Eustat and INE.

Job opportunities slow down

- Since 2019 the number of vacancies did not increase in relation to the total of unemployed people. In the Basque Country, the balance was higher than in 2018. In Spain it still improved a bit.
- Available information suggest the indicator will rebound in 2021, underpinned by both increasing unemployment and reducing vacancies.

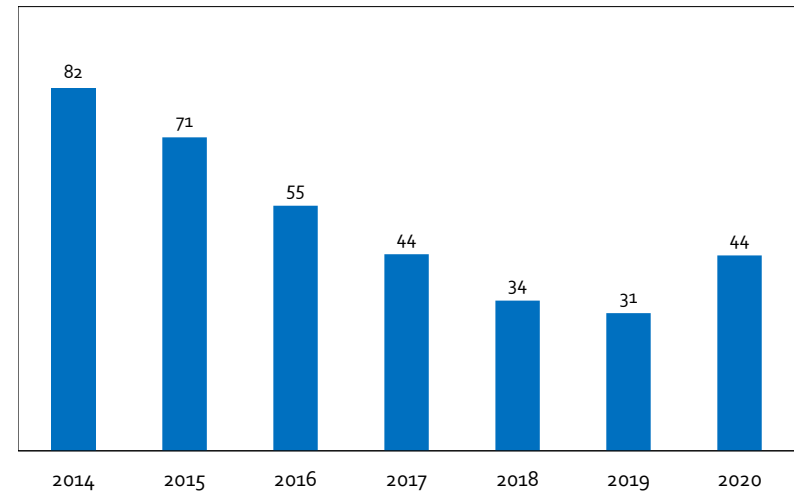
Basque Country

Unemployed people for each vacancy



Spain

Unemployed people for each vacancy



Source: Office of Economy and Planning with data from Lanbide and INE.

Risks and opportunities for the economy in 2021

- The **coronavirus** and its impact on the world economy are by far the biggest threat. Risks surrounding the outlook are skewed to the downside in the near term, relating to new potential mutations, vaccine effectiveness and the timing to reach herd immunity. Nevertheless, surprises on the upside could underpin recovery more than expected.
- The fiscal and monetary stimulus could be insufficient in size or being allocated in unproductive projects.
- A **deficit target** that requires too rapid a budget adjustment could prevent a full recovery
- Many companies with **liquidity problems** could become insolvent.
- The prolongation of the **conjuncture problems** could bring with it, through hysteresis, structural problems.
- **Climate change** and **aging population** continue being primary challenges.

World Economy Forecasts

- According to the IMF, global GDP is projected to growth +5,5% in 2021 and 4,2% in 2022.
- Eurozone is expected to grow less than the United States this year, but could outperform them next.

World Economy Forecasts

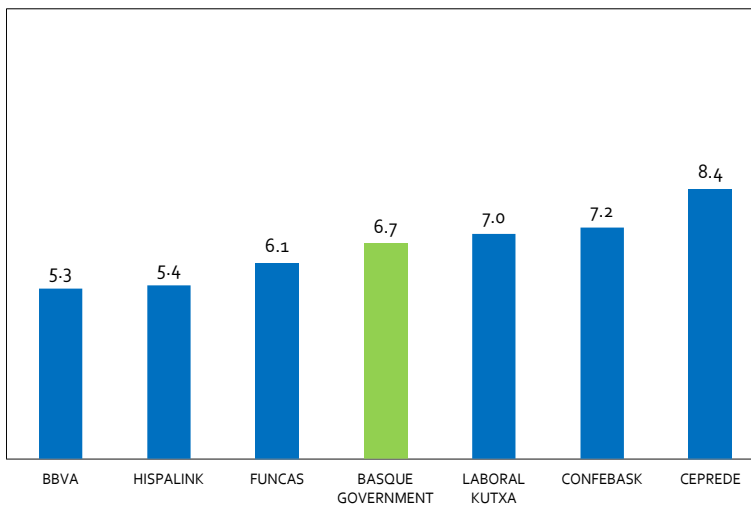
	Annual variation rates		
	2020	2021	2022
World Economy	-3.5	5.5	4.2
United States	-3.4	5.1	2.5
Japan	-5.1	3.1	2.4
Mexico	-8.5	4.3	2.5
United Kingdom	-10.0	4.5	5.0
Eurozone	-7.2	4.2	3.6
Germany	-5.4	3.5	3.1
France	-9.0	5.5	4.1
Italy	-9.2	3.0	3.6
Spain	-11.1	5.9	4.7
China	2.3	8.1	5.6
India	-8.0	11.5	6.8
Russia	-3.6	3.0	3.9
Brazil	-4.5	3.6	2.6

Source: IMF. January 2021.

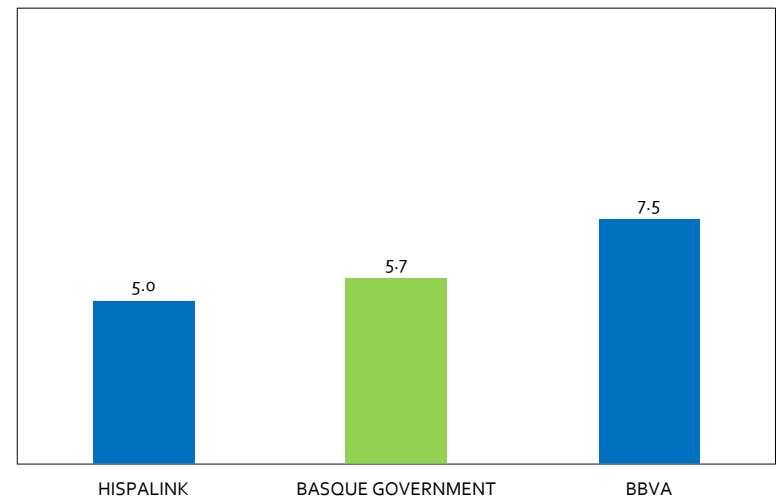
Basque Economy Forecasts

- The new economic perspectives of the Basque Government for 2021 and 2022 are located in the intermediate zone within the range of predictions published by other institutions for the Basque economy.
- Thus, for 2021, at the lower end is the growth forecast made by BBVA (5.3%) and at the upper end is the 8.4% predicted by Ceprede.
- For 2022, current expectations fluctuate between 5.0% for Hispalink and 7.5% for BBVA.

2021 year



2022 year



Source: Economy and Planning Department , CEPREDE , BBVA, AFI, Laboral kutxa, Funcas, Confebask and Hispalink .

Basque Government Forecasts: Demand Perspective

- The recovery of the Basque economy is expected to begin in the second quarter of the year. It is expected to experience very large growth rates due to base effect. From there onwards, growth rates are foreseen to smooth out somewhat.
- We will have to wait until 2022 for the foreign balance to contribute a few tenths to growth.

Evolution of the GDP with respect to demand

	Annual variation rates					
	2021				2021	2022
	I	II	III	IV		
GDP (p.m.)	-2.5	17.8	5.9	7.3	6.7	5.7
Household Final Consumption	-1.6	15.2	4.8	7.2	6.1	4.8
Household Consumption Spending	-3.3	19.1	5.3	8.6	6.9	5.8
Consumption Expense of AA. PP.	4.2	4.0	2.9	2.5	3.4	1.9
Gross Capital Formation	-2.9	23.1	9.3	7.0	8.4	6.4
Contribution of Domestic Demand	-2.0	18.1	6.0	7.3	6.8	5.4
Contribution of the External Balance	-0.5	-0.3	-0.2	0.0	-0.1	0.3

Source: Economy and Planning Department (March 2021).

Basque Government Forecasts: Supply Perspective

- Despite of being the most affected business activities by covid-19 related restrictions (hospitality and commerce), service sector is expected to rebound this year (8,2%).
- The forecast indicates that the industry will be the most dynamic sector this year.

Evolution of the GDP with respect to Supply

	2021				Annual variation rates	
	I	II	III	IV	2021	2022
GDP (p.m.)	-2.5	17.8	5.9	7.3	6.7	5.7
Primary sector	2.5	8.2	0.5	9.2	4.9	8.2
Industry	-2.1	27.2	5.1	7.0	8.3	5.3
Construction	-2.7	14.8	5.6	7.3	5.9	5.0
Services	-2.7	15.9	6.3	7.5	6.4	5.8
Gross Value Added	-2.5	18.2	5.9	7.3	6.8	5.7
Net taxes on products	-2.4	13.8	5.7	7.4	5.9	5.8

Source: Economy and Planning Direction (March 2021).

Basque Government Forecasts: Job Market

- Working hours are expected to have a very strong recovery in 2021 (+7,1%e), with a more subdued performance in terms of number of employed people, that is expected to rise a more modest 1,7%.
- The unemployment rate is expected to drop slightly and will stand at 10.1% in annual average, only two tenths below the 2020 figure.

Evolution of employment and the unemployment rate

	2021				Annual variation rates	
	I	II	III	IV	2021	2022
Employment	-2.5	14.3	3.4	4.4	4.9	3.2
Busy Persons (PRA)	-1.9	3.0	2.9	1.9	1.5	1.7
Unemployment rate	10.8	10.0	9.8	9.7	10.1	9.5

Source: Economy and Planning Department (March 2021).

Conclusions

- **The global economy has been hit hard by the COVID-19 pandemic.** This year the recovery will begin and the IMF forecasts that world GDP will increase by 5.5%, to register an increase in 2022 of 4.2%.
- Eurozone economy is expected to grow by 4.2% in 2021. Although, last **economic indicators point to delayed recovery.**
- **With this environment, the forecast for 2021 for the Basque economy is for a GDP rise of 6,7%.** The increase will be derived from domestic demand, coming both from consumption and investment. From the supply side, industry will outperform the rest of sectors.
- **Until the second quarter of 2022, positive year-on-year growth will not resume.** The explanation lies in the delay in recovery that derives from the new waves of infections.
- **Employment is expected to increase this year by 7,0%** in full-time equivalent jobs, although the number of people who will get a job will be much lower, since the ERTES have kept people linked to companies.
- **The unemployment rate is expected to drop slightly in 2021 to 9,8%** with small fluctuations throughout the year.




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1. Features of the Basque economy
2. Current situation of the economy and forecasts
- 3. Sustainability mandate**
4. Financing system, budget, deficit and debt

The Basque Government Sustainability mandate (1)

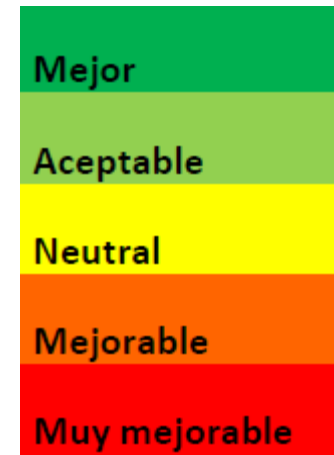
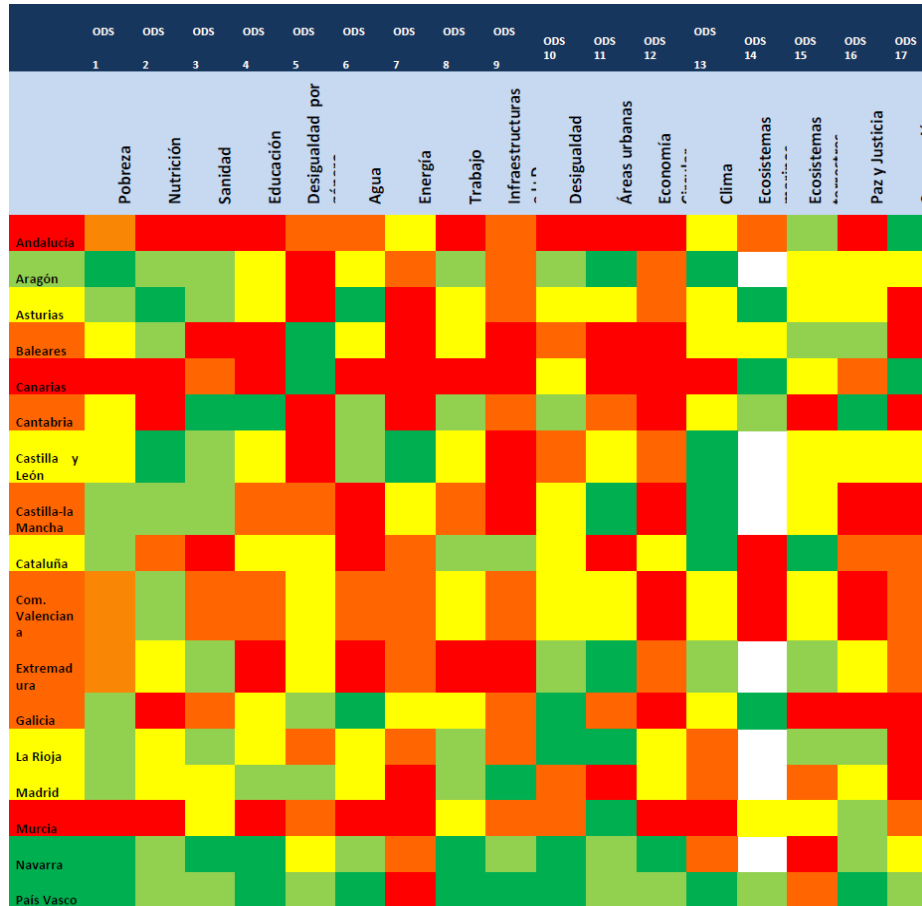
- The Agenda Euskadi Basque Country 2030, drawn up by the Basque Government, reflects the degree of alignment and contribution of the Government Programme to the 17 Sustainable Development Goals and 100 targets of the UN 2030 Agenda for Sustainable Development (Agenda 2030).
- We see Agenda 2030 as an opportunity for the Basque Country because it is fully in step with our priorities: human development guaranteeing essential services for all, and sustainable growth generating job opportunities with higher levels of quality. This is the Basque model of growth and social welfare, now strengthened by presentation of the Agenda Euskadi Basque Country 2030.
- This Agenda Euskadi Basque Country 2030 represents a decisive step in the determination of the Basque Executive to focus its public policies on the challenges identified in the UN Agenda 2030. It is the First Agenda Euskadi Basque Country 2030 for the period 2016-2020.
- The Agenda includes 93 of the 175 commitments acquired by the Basque Government in its Government Programme, 80 Planning Instruments, 19 Legislative Initiatives and 50 Indicators. An effort that will make it possible to effectively align public policies in Euskadi with this universal 2030 Agenda, lending visibility to the contribution of the Basque Country to implementation of the 2030 Agenda and to achieving the Sustainable Development Goals.

Sustainability mandate of the Basque Government (2)

UNITED NATIONS AGENDA 2030		PROGRAMA 2021-2024 GOBIERNO VASCO						
OBJETIVOS DESARROLLO SOSTENIBLE (ODS)	SPHERES OF IMPORTANCE	COUNTRY OBJECTIVES	COMMITMENTS	INITIATIVES	INDICATORS	STRATEGIC PLANS	SECTORAL PLANS	LAWS
17	5	15	175	650	100	15	54	28
1. No poverty 2. Zero hunger 3. Good health and well-being 4. Quality education 5. Gender equality	 PEOPLE	20% reduction in poverty Increased life expectancy Higher birth rate School dropout rate <8%. 75% of the population <25 years Basque-speaking Among the top 4 countries in terms of gender equality	65	225	33	Social Services Strategic Plan Health Plan 5th Professional Training Plan 4th University Plan 7th Equality Plan Strategic Agenda for the Basque language	18	10
6. Clean water and sanitation 7. Affordable and clean energy 8. Decent work and economic growth 9. Industry, innovation and infrastructure 10. Reduced inequalities	 PLANET	20% reduction in CO2 emissions	10	35	11	4th Environmental Framework Programme	11	3
11. Sustainable cities and communities 12. Responsible consumption and production 13. Climate action 14. Life below water 15. Life on land	 PROSPERITY	Unemployment < 10% 20,000 young people with job experience 125% of the EU's GDP 25% industrial GDP 100 strategic innovation projects Leader in terms of transparency indexes	64	278	51	Strategic Employment Plan Basque Industry 4.0 Industrialisation Plan Basque Science and Technology Plan 2017-2020 Tourism, Trade and Consumption Plan Governance and Public Innovation Plan	16	13
16. Peace, justice and strong institutions	 PEACE	Disarming and dissolving ETA	24	80	3	Co-habitation and Human Rights Plan Public Security Plan	6	2
17. Partnerships for the goals	 PARTNERSHIP	New political status	12	32	2	"Euskadi - Basque Country" Internationalisation Strategy	3	

Beyond the GDP: Sustainability indicators of the Spanish Autonomous Communities

- The Basque Country is the leading Spanish Autonomous Community relating to UN Sustainable Development Goals fulfilment.



Source: Observatorio de la Sostenibilidad 2019

Sustainability bond framework at a glance

- This Sustainability Bond Framework is aligned with the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines 2017. Bonds issued under this framework will promote the Sustainable Development Goals as set out in the UN 2030 Agenda.
- The net use of proceeds will be used to finance and/or refinance eligible categories and projects included in the Basque Government's General Budget and corresponding budgetary programmes and will always belong to the current budget of the fiscal year coinciding with the issuance date of each Sustainability bond.
- Eligible categories are: Affordable Housing, Access to essential services: Education and Healthcare, Socioeconomic advancement , Employment generation , Renewable Energy, Clean Transportation, Pollution prevention and control, Sustainable water and wastewater management, Terrestrial and aquatic biodiversity conservation, Energy Efficiency and Climate Change Adaptation
- A robust project evaluation and selection process will be undertaken by the Basque Government when reviewing the allocation process: the Basque Government Sustainability Bond Committee will compare their compliance with the defined relevant eligibility criteria.
- The Basque Government will report on the impact of each Sustainability Bond issued within 12 months of the settlement date.
- Supported by an external review: Sustainalytics provides a Second Party Opinion which will be available on the issuer's website as well as in the Sustainability Bond Framework.

Second Party Opinion- Sustainability

Second-Party Opinion Basque Government Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the Basque Government Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2018, Green Bond Principles 2018, Social Bond Principles 2020, and Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible eleven categories¹¹ for the use of proceeds are aligned with those recognized by both the Green Bond Principles, Social Bond Principles and Green Loan Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDG 3, 4, 6, 7, 8, 10, 11, 12, and 15.



PROJECT EVALUATION / SELECTION Basque Government's process for project evaluation and selection is managed by the Sustainable Financing Committee (SFC), which is comprised of representatives from the departments of Finance and Economy, Economic Development, Sustainability and Environment, Labor and Employment, Territorial Planning, Housing and Transportation, Education and Health Economic Development and Infrastructure. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Basque Government process for management of proceeds is overseen by the Financial and Economy Department. The Basque Government will monitor and track the allocation of proceeds through its internal accounting systems. The SFI proceeds will be directly allocated to eligible projects at the time of settlement or to budgetary programmes in the General Budget of the Basque Government, corresponding to the fiscal year of the Sustainable financing. Unallocated proceeds will be held in any form of cash or liquidity position or time deposits with banks. This is in line with market practice.



REPORTING Basque Government is committed to reporting on the allocation of proceeds via its website on an annual basis until allocation has been fully completed. In addition, Basque Government will, where feasible, report on relevant impact indicators. Sustainalytics views Basque Government's allocation and impact reporting as aligned with market practice.

Evaluation Date	March 24, 2021
Issuer Location	Vitoria-Gasteiz, Spain

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¹¹ Affordable Housing, Access to Essential Services - Education and Healthcare, Socio-Economic Advancement, Employment Generation, Renewable Energy, Clean Transportation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Terrestrial and Aquatic Biodiversity Conservation, and Energy Efficiency.

Sustainability bond framework: use of proceeds (1)

Eligible Categories	Framework	SDG
Affordable Housing	The proceeds will be used to promote and increase the availability and access to social housing in the Basque Country	
Access to essential services: Education & Healthcare	<p>Education: proceeds of the bond will be allocated to supporting public educational programmes for young people between the ages of 14 and 25 years and to supporting the successful integration of disadvantaged groups to the education system. Disadvantaged groups refer to young people in a situation of greater vulnerability due to not having completed their Compulsory Secondary Education (ESO).</p> <p>Healthcare: proceeds of the bond will be allocated to projects aimed to guarantee universal access to quality public healthcare for the citizens of the Basque Country (including, but not limited to, vulnerable groups).</p>	
Socioeconomic advancement	Proceeds of the bond will be allocated to projects which maintain and foster the Basque income guarantee model and promote social inclusion in the Basque Country	
Employment generation	Proceeds of the bond will be used to support the generation of employment in the different economic sectors and to finance programmes supporting unemployed people in education and training, in order to reduce the unemployment rate to below 10% by the end of the term.	
Renewable Energy	Proceeds of the bond will be allocated to projects and programmes aimed at promoting the increased use of renewable energy in the Basque Country. Proceeds will be used to finance the renewable energy priorities included in the Basque Energy Strategy 2030 ("Estrategia Energética de Euskadi 2030"); Wind, Biomass (waste to energy), Solar Photovoltaic, Geothermal and Marine renewable energy.	

Sustainability bond framework: use of proceeds (2)

Eligible Categories	Framework	SDG
Clean Transport	Proceeds of the bond will be used to reduce dependence on fossil fuel transport in accordance with the lines of action included in the Basque Sustainable Transport Master Plan 2030.	
Pollution prevention and control	Proceeds of the bond will be used to improve the quality of water, air and soil, managing environmental risks and reducing human diseases related to environmental determinants, in accordance with the lines of action set out in the Environmental Framework Program 2020 and the Biodiversity Strategy of the Basque Country 2030.	
Sustainable water and Wastewater Management	Proceeds of the bond will be allocated to projects and programmes supporting the protection and improvement of the ecological state of water masses; projects and programmes supporting not only the improvement of water quality and its supply, but also sanitation and urban sewage treatment. Additionally, proceeds of the bond will be allocated to resolving water scarcity, minimizing water consumption, or recycling to alleviate the generation of sewage water.	
Terrestrial and aquatic biodiversity conservation	Proceeds of the bond will be allocated to projects and programmes aimed at promoting protection and restoration of ecosystems in the Basque Country as included in the Biodiversity Strategy of the Basque Country 2030.	 
Energy Efficiency	Proceeds of the bond will be used to build a low carbon energy model and anticipate the risks of climate change according to the guidelines and lines of action anticipated in the 2030 Basque Energy Strategy and the Basque Climate Change Strategy 2050 (Klima 2050).	
Climate Change Adaptation	Financing of plans of action and activities to reduce the impacts of extreme climate events on vulnerable areas, such as preventing floods, landslides, impacts on coastal areas, etc .	

Sustainability Bond Framework: Process for Project Evaluation and selection & Management Proceeds

Process for Project Evaluation and Selection

- The process to select and to evaluate potential eligible projects and programmes from the General Budget is performed by the Basque Government Sustainability Bond Committee
- This Committee comprises four representatives of the Ministry of Treasury and Economy, and a representative of each of the following departments: Environment, Territorial Planning and Housing; Employment and Social Policies, Health and Education, Economic Development and Infrastructure
- Each Department carries out an ex - ante evaluation of the impact indicators of the projects, in addition to the environmental impact assessment, and other actions foreseen in the regulation

Management of Proceeds

- The Basque Government has internal systems in place to track proceeds of its bonds, and to account for all eligible programs → the Committee will monitor and prevent any such double allocation of proceeds
- The proceeds of the Sustainability Bond will be allocated to eligible budgetary programs in the General Budget of the Basque Government, corresponding to the fiscal year of the Sustainability Bond issuance
- The total expenditures required for the eligible programs will equal or exceed the net Sustainability bond proceeds
- The proceeds from the Sustainability bond issuance will be directly allocated to the eligible projects on their settlement. If all the whole proceeds cannot be allocated, the Basque Government will temporarily keep the unallocated funds in any form of cash or liquidity position or time deposits with banks. This event would be monitored by the Financial Department of the Basque Government's Office of Financial Policy and reviewed by the Sustainability Bond Committee.

Sustainability Bond Framework: Reporting

Allocation Reporting

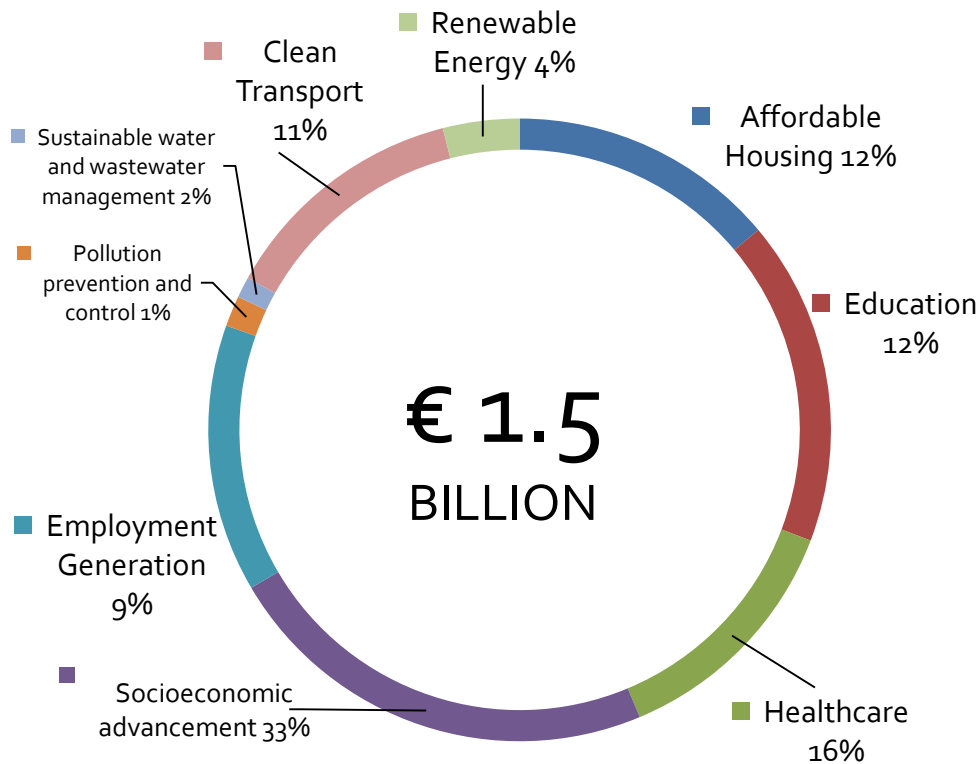
- The Basque Government is **committed to annually reporting** on the allocation of the bond's proceeds, including the total amount allocated and per eligibility category until the proceeds have been fully allocated
- Allocation reporting will be available to investors **within one year from the date of the Sustainability Bond issuance** and annually until the bond proceeds have been fully allocated. The reporting will produce insights into the total amount provided to the various eligible budgetary programmes and the total of each eligibility category. The allocation reporting will be made available on the Basque Government's website .

Impact Reporting

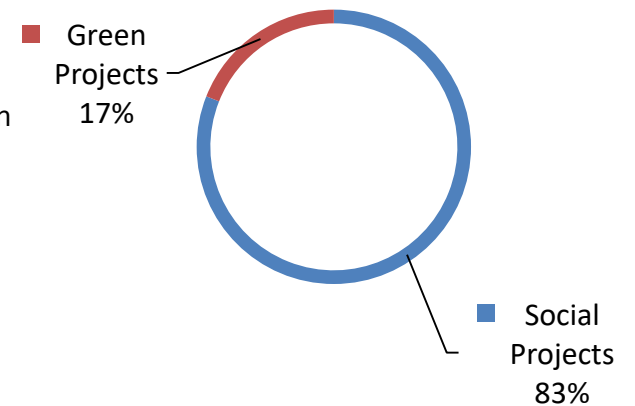
- Impact **indicators** are developed for each eligibility category
- The Basque Government will provide a dedicated Sustainability Bond impact report for investors within one year from the issuance date and annually until the bond proceeds have been fully allocated, with estimates of the main **environmental or social impacts** or outputs of the eligible programs, where feasible
- Impact indicators will include avoided CO₂, renewable energy and energy savings as well as poverty rate and school enrolment rate, among others
- Some case studies of projects may be provided to illustrate the positive impact

Selected Eligible Assets for 2021 Sustainability Bond

By Project



By Project Category



Eligible Assets 2021: Social Projects (1)

Affordable housing	173,500,000	Socio-economic advancement	500,100,000
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	84,500,000	Financing of social emergency assistance programs	27,500,000
Financing of Bizigune program	33,000,000	Increase of Financing of social emergency assistance programs. COVID-19	15,000,000
Building of homes to rent	18,500,000	Financing of family support benefits	69,000,000
Aid to refurbish and/or renovate homes and buildings	30,600,000	Financing of income security allowance	380,000,000
Gaztelagun program	6,900,000	COVID-19 exclusion scope fund	8,600,000
Education	181,900,000	Job creation	141,000,000
	21,000,000	Local employment support and development projects – county employment plans	36,000,000
Building and equipping nurseries and primary schools		Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	7,500,000
Building and equipping secondary and vocational training schools	37,000,000	Financing of Lehen aukera program	4,000,000
Financing of contract-program and investment University of the Basque Country	34,500,000	Financing of programs to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	60,000,000
Non-university scholarships	59,900,000	Financing of training programs – sandwich courses for young people, training for unemployed people	33,500,000
University scholarships	29,500,000		

Eligible Assets 2021: Social Projects (2)

Health	242,000,000
Financing hospital and non-hospital pharmacy expenses	112,500,000
Additional expenditures of pharmacy expenses and supplies. COVID 19	60,000,000
Healthcare investments – expansion of existing hospitals, health centres, equipment	69,500,000

SUMMARY SOCIAL PROJECTS

Affordable housing	173,500,000
Socio-economic advancement	500,100,000
Education	181,900,000
Job creation	141,000,000
Health	242,000,000
TOTAL SOCIAL€	1,238,500,000

Eligible Assets 2021: Green Projects

Clean transport	160,000,000	Financed by programme 5131	
Eusko Tren investments	14,200,000		
Construction of new infrastructure – doubling tracks, new trams in Vitoria-Gasteiz, Donostia-San Sebastian train line [popularly known as “Topo”]	81,800,000	Financing investment in ETS [Basque train network]	
Financing railway operators	64,000,000	Financing 30 m of running costs in ETS and 20 m in contributions to the CTB [Biscay transport consortium] and 14 m in ET	
Pollution control and prevention	101,500,000	Financed by the 4421, 5121 and 7311 programmes	
Sustainable management of water and waste water			
Conservation of terrestrial and aquatic biodiversity			
Energy efficiency			
Climate change adaptation			
Renewable energy			
	Budget programmes	Total	Elegible
4421	Environmental protection	29,000,000	15,500,000
5121	Hydraulic administration and planning	45,000,000	33,000,000
5131	Rail transport management and infrastructure	173,559,391	160,000,000
7311	Energy (EVE group without SHESA)	53,477,000	53,000,000
		301,036,391	261,500,000
TOTAL GREEN €			261,500,000

Contents 4

1. Features of the Basque economy
2. Current situation of the economy and forecasts
3. Sustainability mandate
4. **Financing system, budget, deficit and debt**

Financing System

- **The Basque Country's financing system is different** to the other autonomous communities in Spain, and it has its own tax system.
- Full authority to **manage, levy and collect practically all taxes.**
- Relations between the Basque Country and the Spanish State are governed by the **Economic Agreement.**
- **The Basque Country collects and contributes** with the relevant quota to the services that the Spanish State continues to provide in this area.

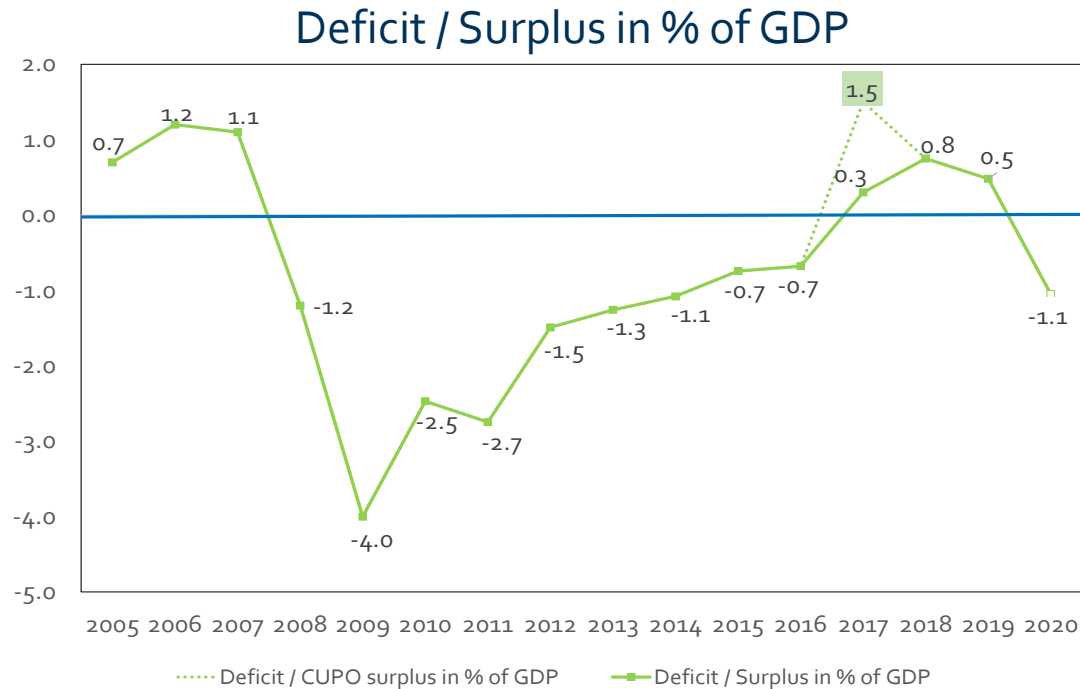
Tax Collection 2020 and forecast 2021

- The 2020 collection registered a substantial drop of 9.8%. However, after a recovery in the final stretch of the year, this decline improved the latest forecasts for October, which indicated that up to 13.6% of tax collection could be lost.
- The decrease in direct taxation was much lighter (-4.1%) than that of indirect taxation (-14.8%), thanks to the evolution of personal income tax, which registered a record of -1.1%

	Millions of euros	
	2020	2021 Forecast
DIRECT TAXES		
Personal income tax	5.650,2	5.684,9
Corporation tax	1.042,5	843,8
Inheritance and gift tax	122,2	117,3
Wealth tax	177,2	160,8
Other direct taxes	108,2	112,5
Total Direct Taxes	<u>7.100,3</u>	<u>6.919,3</u>
INDIRECT TAXES		
Value Added Tax	5.163,8	5.511,9
Excise duties	1.327,0	1.454,8
Hydrocarbons		
Manufactured tobacco products		
Alcohol, fermentes beverages and intermediate products		
Beer		
Electricity		
Property conveyance tax	140,5	136,4
Document duty	35,8	38,6
Other indirect taxes	105,4	107,8
Total Indirect Taxes	<u>6.772,5</u>	<u>7.249,5</u>
Fees and other revenue	<u>76,5</u>	<u>81,3</u>
TOTAL AGREED TAXES	<u>13.949,3</u>	<u>14.250,1</u>

Deficit / Surplus in % of GDP

- After reaching a surplus equivalent to 0.75% of GDP in 2018, and to 0,5% in 2019, the effects of the COVID-19 pandemic have led to a deficit of -1.1% in 2020.



Source: IGAE. SEC 2010. Base 2010. National accounts. Non-financial operations of the Regional Administration subsector (S.1312) and detail by community

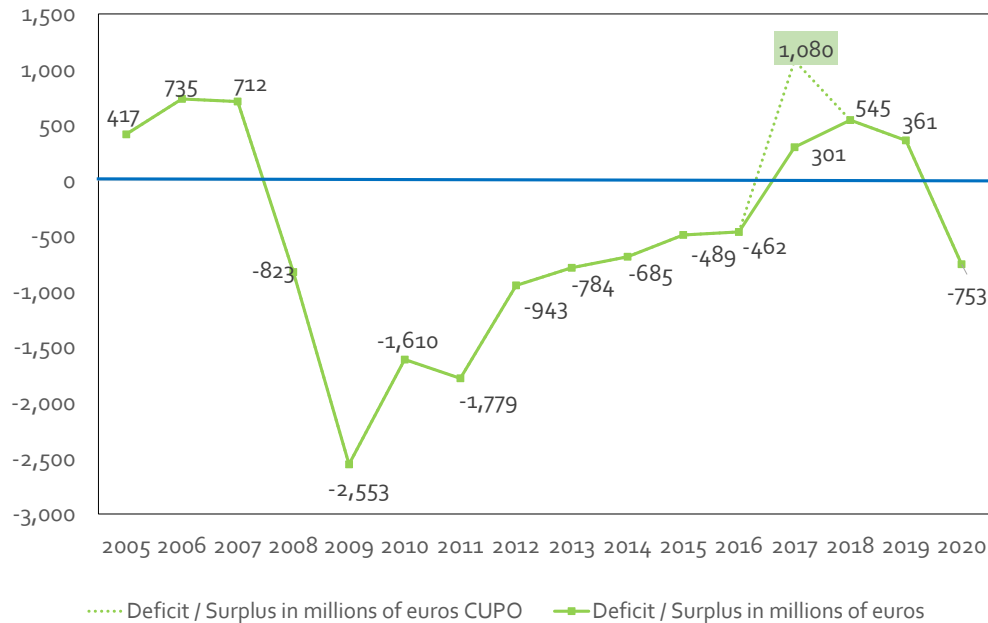
Note: The INE has not published the regional distribution of the new series of national GDP presented on September 16, 2019. The regional distribution has been made by the IGAE, applying to the new GDPs the annual percentage structure of each region in GDP from the previous series.

(*) 2020: Estimate data

Deficit / Surplus in millions of euros

- The estimate for 2019 shows a surplus of 361 million euros, significantly lower than the 545 million achieved in 2018.
- The pandemic has led to a deficit of 753 million euros.

Deficit / Surplus in millions of euros



Source: IGAE. SEC 2010. Base 2010. National accounts. Non-financial operations of the Regional Administration subsector (S.1312) and detail by community

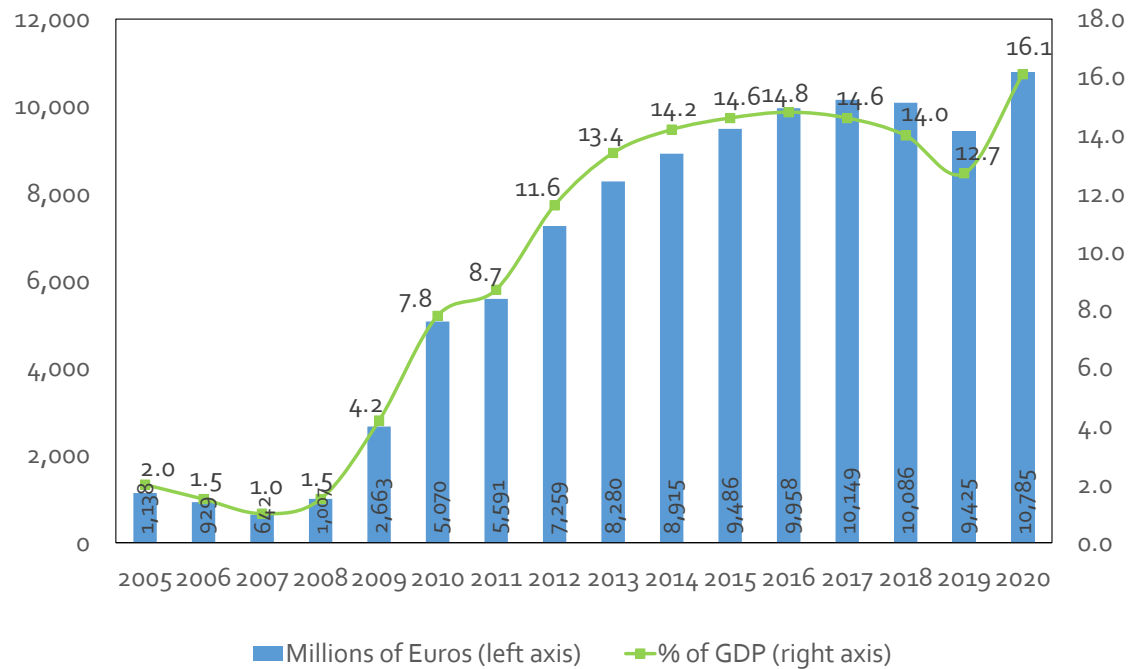
Note: The INE has not published the regional distribution of the new series of national GDP presented on September 16, 2019. The regional distribution has been made by the IGAE, applying to the new GDPs the annual percentage structure of each region in GDP from the previous series.

2020: Estimate data.

Debt: evolution 2005-2020

- The pandemic suffered in 2020 ended the downward path that began in 2016 and lasted until 2019.
- Specifically, according to the Excessive Deficit Protocol calculated by the Bank of Spain, the debt increased in 2020 to 16.1%. His highest level of at least the last 15 years.

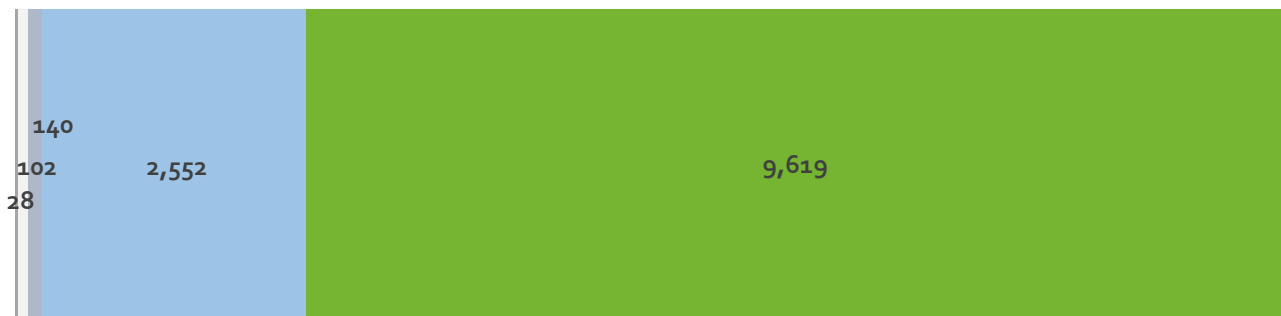
SEC debt



Source: Bank of Spain and Ministry of Economy and Finance.

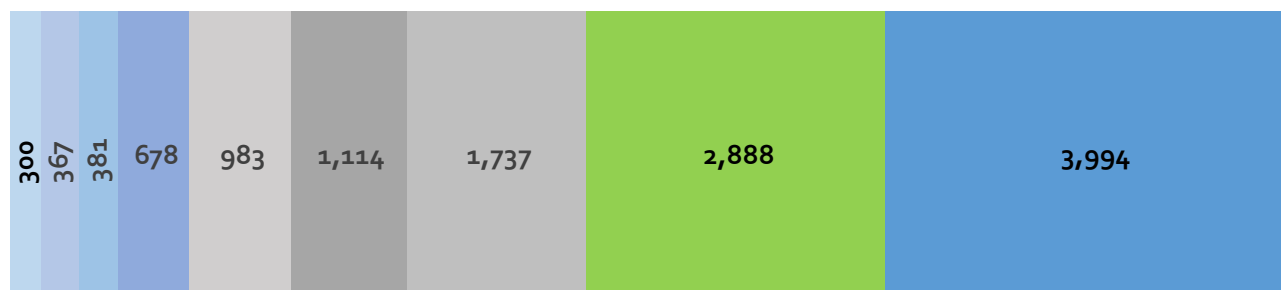
Basque Government 2021 Budget

Revenue (Mill. €) 12,442



- Indirect taxes, fees and public prices
- Contributions Provincial Councils
- Other
- Contributions from the European Union
- Public Debt

Expenditure (Mill. €) 12,442



- Economic regulation of productive sectors
- Basic infrastructures and transport
- Public Debt
- Other
- Health
- Scientific, technical and applied research
- Civil Security and Protection
- Security, Protection and Social Promotion
- Education

Source: Basque Government.

Government debt

- Total debt at the end of 2020 was 10,062 million euros. Its average cost was 1.48% and its average life was about eight years

Debt as of 31/12/2020
(Miles €)

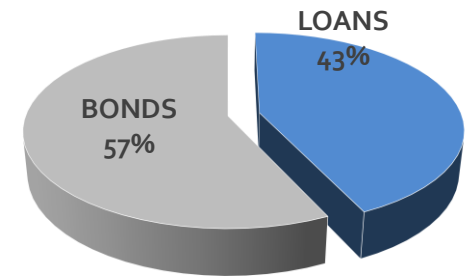
LOANS	4,336,971
BONDS	5,725,056
Government debt	10,062,027

Financing needs 2021
(Millions €)

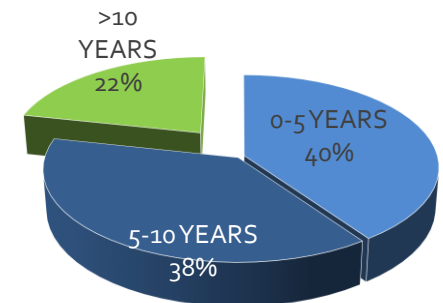
Gross issues	2,385
Net issues	1,618

AVERAGE COST (%)	AVERAGE LIFE (years)
1.48%	7.65

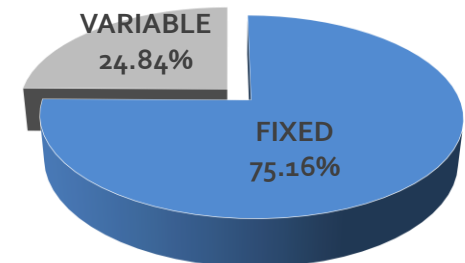
Type of debt



Type according to payment terms



Cost of financing



Source: Basque Government.

Financial Strategy

For the current year (2021), as well as the upcoming ones, the shrinkage of economic activity and thus tax collection due to the Covid-19 pandemic will demand the financing of annual budget deficits, in addition to the corresponding maturities.

1. The following distribution is proposed for the total annual funding needs:

- 50% - public sustainable bond issuance (maturities of 10-12 years)
- 30% - privately placed bonds with social characteristics (maturities exceeding 30 years)
- 20% - bilateral loans with maturities below 10 years

To further expand our investor base with Green, Social and Sustainable bonds, strengthen liquidity as well as distributing the impact of the Covid-19 pandemic among different generations. This will also allow us to keep annual debt payments at current levels for the next five years.

2. Extension of average debt maturities by issuing additional amounts at a longer term.

3. Diversification of funding by combining bond issuances and loans, and looking to keep 25% of debt at floating rates.

Basque Government 2018 €500m Inaugural 10yr Sustainable bond

1.45% due April 2028

On 5th June 2018, HSBC acted as Joint Bookrunner on the highly successful inaugural Sustainable 10y transaction for the Basque Govt

The deal represents the first transaction from a Southern European borrower in the aftermath of the Italian political crisis and the issuer's comeback to Benchmark Euro capital markets

The transaction was preceded by an extensive European Roadshow, which along with the SRI angle resulted in a outstanding international participation accounting for 66% of the total allocation

Strong demand of EUR 1.6bn allowed Basque Government to print at SPGB+15 bps, the tightest spread vs. Bonos achieved by a Spanish region in a public benchmark and -5 bps inside IPTs

The deal consolidates HSBC's #1 position in the Spanish Public Sector and Sustainable Capital Markets and it is a testament of strong perception of Basque Country among the international investor community

Summary Terms & Conditions

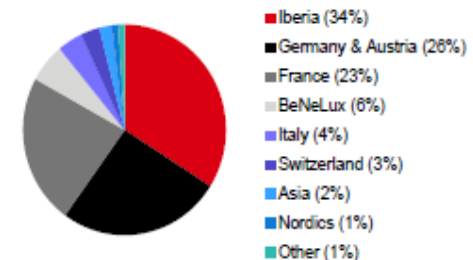
Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date:	5 th June 2018
Settlement:	15 th June 2018
Maturity:	30 th April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICMA
Reoffer spread:	SPGB 1.4% 04/2028 + 15 bps
Reoffer Price / Yield:	99.346% / 1.522%
Denominations:	EUR 1k + EUR1k
ISIN	ES0000106619
UoP:	Allocated to a mix of beneficial environmental and social projects according to the Basque Government Sustainable Framework ¹
HSBC Role:	Joint Bookrunner

Execution highlights

- On Tuesday, 5th June, Basque Government launched its inaugural EUR 500m 10-year Sustainable Bond at SPGB 1.4% 04/2028 +15 bps
- Basque Government announced the mandate on 16th May 2018 to meet investors across Paris, Frankfurt, Dusseldorf, Madrid and Bilbao, allowing the issuer to present its Sustainable Framework¹ along with its 2030 agenda which advances UN Sustainable Development Goals and UN 2030 Agenda for Sustainable Development
- Books were officially opened at 14:30h CET on Monday 4th June with IPTs of SPGB 1.4% 04/2028 +20 bps following a 2-day execution strategy
- Demand was strong from the outset, enabling the issuer to set price guidance at SPGB 1.4% 04/2028 + 19 bps with EUR 750m of bids
- With the book growing at a good pace throughout the morning, a sharp 5 bps move vs. IPTs was taken to land at +15 bps supported by EUR 1.6bn orderbook
- International distribution was extremely well diversified with German & Austrian accounts (26%) leading the way, followed by France (23%), BeNeLux (6%), Italy (4%), Switzerland (3%) and Asia (2%)
- Asset Managers and Insurance & PF dominated the allocation with 82% combined, complemented by Banks & PB (16%) and CB & Ols (2%)

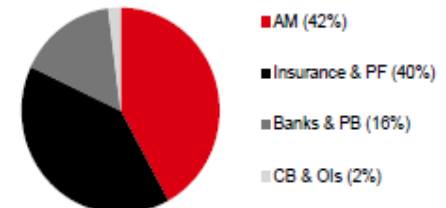
Distribution by Geography

% of allocation



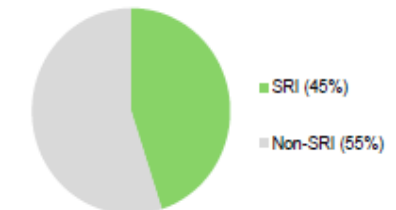
Distribution by Investor Type

% of allocation



Dedicated and committed SRI

% of allocation



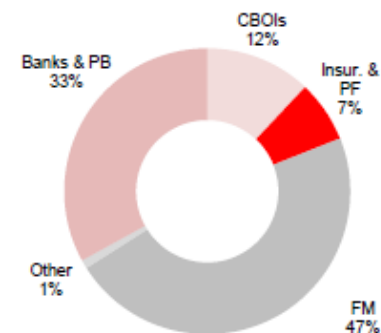
Basque Government 2019 €600m 10yr Sustainable bond



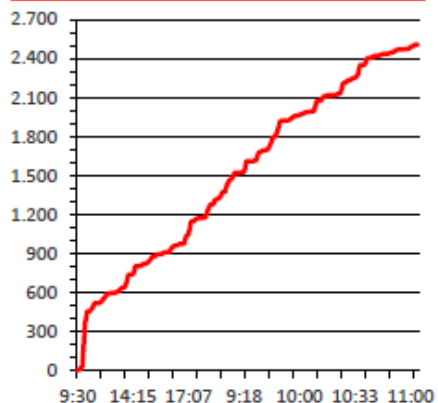
Terms & Conditions

Issuer	Basque Government
Ratings	A3 (st) / A+ (pos) / A- (st)
Pricing Date	9 April 2019
Maturity	30 April 2029
Amount	EUR 600mn
Format	Fixed Rate - Sustainable
Coupon	1.125%
Reoffer Price	99.455%
Reoffer Spread	SPGB 1.45% 04/29 + 10 bps
Listing	Bolsa de Bilbao

Breakdown by Investor Type*



Orderbook Evolution (CET, €m)



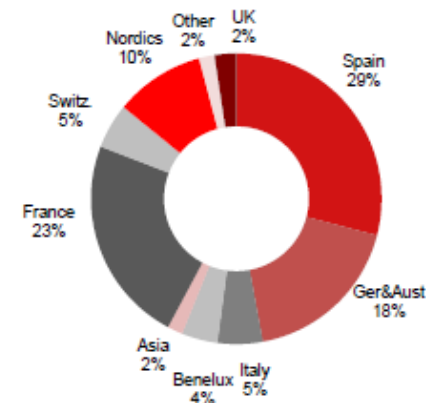
Orderbook Analysis

Orders	Book Size	Transaction size	Over-subscription
120+	>€2,5bn	€600mn	~4.18x

Transaction Highlights

- Basque Country successfully printed €600mn through a new 10-year benchmark, its second (and largest) Sustainable Bond transaction so far.
- Official mandate was announced on Friday 5th April at 12:15 CET, and bids were taken on Monday 8th 13:15 CET at a level of SPGB + 15 bps area. On the back of a very positive reaction during the afternoon and overnight, with interest in excess of €1.8bn, books were officially open on Tuesday 9th at 9:00, with a revised guidance spread of SPGB + 13 bps area.
- The momentum and traction continued with books subsequently rising to €2.3bn, which allowed to tight the spread to SPGB +11 bps (+/-1).
- Books were closed at 11:00 CET, with interest reaching €2.5bn and over 120 high quality investors involved (58% SRI), allowing the issuer to print its second Sustainable transaction at SPGB + 10 bps.
- Interest from international investors was substantial, with 71% of the transaction distributed to nondomestic accounts. France took 23%, Germany and Austria 18% and Nordics the 10%.
- In terms of investor type, demand was driven by real money accounts, which represented 67% of the allocation. Fund Managers accounted for 47%, while banks representing the 33%, Central Banks 12% and Insurance and Pension Funds represented the 7% of the allocation.

Breakdown by Geography*



* Bv Allocation

BASQUE GOVERNMENT €500m 0.85% 10-YEAR SUSTAINABLE BOND 2020

Mar 26th 2020



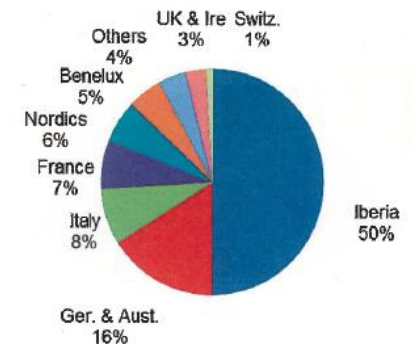
EUR 500,000,000
10 years, 0.85%
Joint-Bookrunner

Issuer: Basque Government
Issue Ratings: Moody's: A3 / Fitch: A-
Subordination: Senior Unsecured – Sustainable Bond
Coupon: 0.85%
Tenor: 10 year
Maturity Date: 30 April 2030
Size: €500,000,000
Re-offer spread: SPGB 04/30 + 25bps
Re-offer yield: 0.876%
Re-offer price: 99.750%
ISIN : ES0000106643

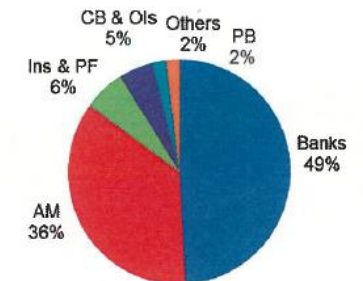
Transaction Overview

- The Basque Government successfully launched its third Sustainable Bond after the ones in May 2018 and April 2019
 - This transaction is the first one in 2020, **€500 million, 10 years**, at Basque Government lowest coupon ever. This is a success given the difficult market conditions seen in the past weeks due to the impact of the COVID-19 outbreak
- After some days of improvement on the market sentiment driven by the coordinated measures of the different Governments and Central Banks, on Thursday March 26th, the issuer took advantage of the market window to announce the mandate and execute the transaction on the very same day
- At 9:20 CET guidance was announced at **SPGB + 35 bps area for a €500m (“will not grow”) transaction**
- Given the high quality of the name and the strength of the market, the book grew nicely reaching €2.0bn of demand so an update was sent to the market at 10:20 CET with a **revised Guidance of SPGB + 30 bps area**. This update was well received by investor and only half an hour later, at 10:50, final terms were released at **SPGB + 25bps** for a €500m issuance **with books above €3bn (pre-rec)**. Books were closed at 11.00 CET with a total demand above €3.3bn
- Around 110 investors** took part in the transaction (**35% Green Investors**). The deal gathered significant interest from **international accounts**, which represented **50%** with Germany & Austria (16%), Italy (8%) France (7%) and Nordics (6%) being the most relevant jurisdictions
- Real money investors represented 98%** of the total, led by Banks (49%), Fund Managers (36%), Insurance & Pensions (6%) and Central Banks & Official Institutions (5%)
- The book benefited from a very **high granularity and limited price sensitivity**, with the allocation process reducing dramatically the average size from €29,9 to €5,5m
- Secondary performance was positive** with the new issue tightening -2 bps the morning after

Breakdown by Geography



Breakdown by Investor Type



Private & Confidential

Basque Government – EUR600m Long 10yr Second Sustainable Bond 2020

On November 10th, The Basque Government returned to the market with its 4th Sustainable Bond issuance – HSBC acted as Joint Bookrunner

Basque Government opted for a 2-days execution strategy announcing IPTs on Monday 10th of November while marketing efforts were focused on investor calls carried out on November 9th to provide an update on the Sustainable angle and credit fundamentals

Following a strong bookbuilding from the outset, the deal ultimately priced at a record spread of SPGB+9 bps – the tightest ever achieved by an Autonomous Community over the Bono curve in benchmark format

The international sponsorship to the deal was reflected on the allocations, with 72% of the bonds placed into foreign investors led by France (20%) and Germany & Austria (20%)

The Sustainable label and the established name within the ESG community of the Basque Country also helped to underpin demand and ultimately tighten pricing by -5bps from IPTs – 65% of the allocations taken by ESG investors

HSBC acted as joint bookrunner on another demonstration of leadership in the Public Sector and ESG Capital Markets

Execution Summary

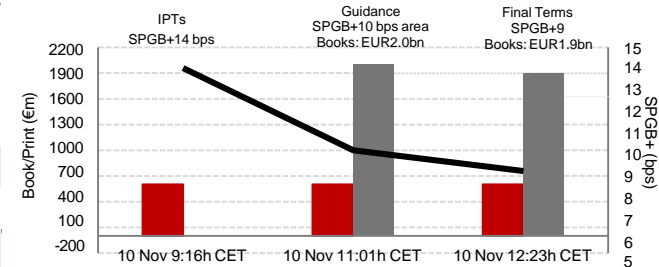
Transaction rationale and milestones	<ul style="list-style-type: none"> • Second Sustainable benchmark transaction from The Basque Country in 2020 • Fourth sustainable bond issued by Basque Government • Lowest differential ever achieved vs SPGB by an Autonomous Community • Over 120 accounts involved 		
	Announce Date	9 th November 2020	
Pricing Date	10 th November 2020		
Pricing (MS+)	IPTs	Guidance	Final Terms
	SPGB+14	SPGB+10 bps area	SPGB+9 bps
Orderbook		EUR2.0bn	EUR1.9bn
Final Orderbook	EUR1.9bn & >120 accounts		

Summary Terms & Conditions

Issuer	Basque Government
Issuer Rating	A3/AA-/A- (Moody's / S&P / Fitch)
Description	Sustainable bond
Size	EUR 600m
Pricing Date	10 th November 2020
Settlement Date	19 th November 2020
Maturity Date	30 th April 2031
Coupon / Yield	0.25% / 0.294%
Re-offer Spread	SPGB+9bps
Listing	Bilbao Stock Exchange
Law	Spanish
HSBC's Role	Joint Bookrunner

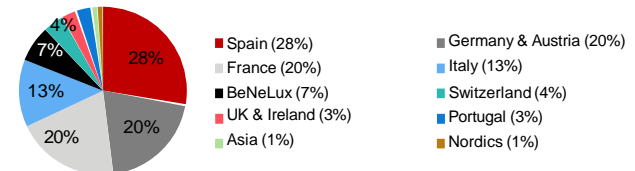
Transaction Timeline

10th November 2020

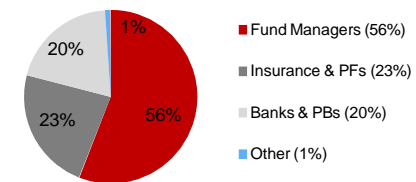


Allocations Distribution

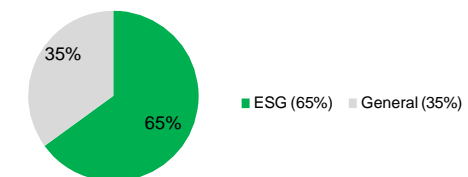
Geography Distribution (% Allocation)



Investor Type Distribution (% Allocation)



Sustainable Distribution (% Allocation)



Rating: Above the Sovereign rating by S&P and Moody's

- The rating agencies place a very positive value on their government management policies and fiscal autonomy, as well as on their diversified economic base and long-standing industrial cultures.

Current rating

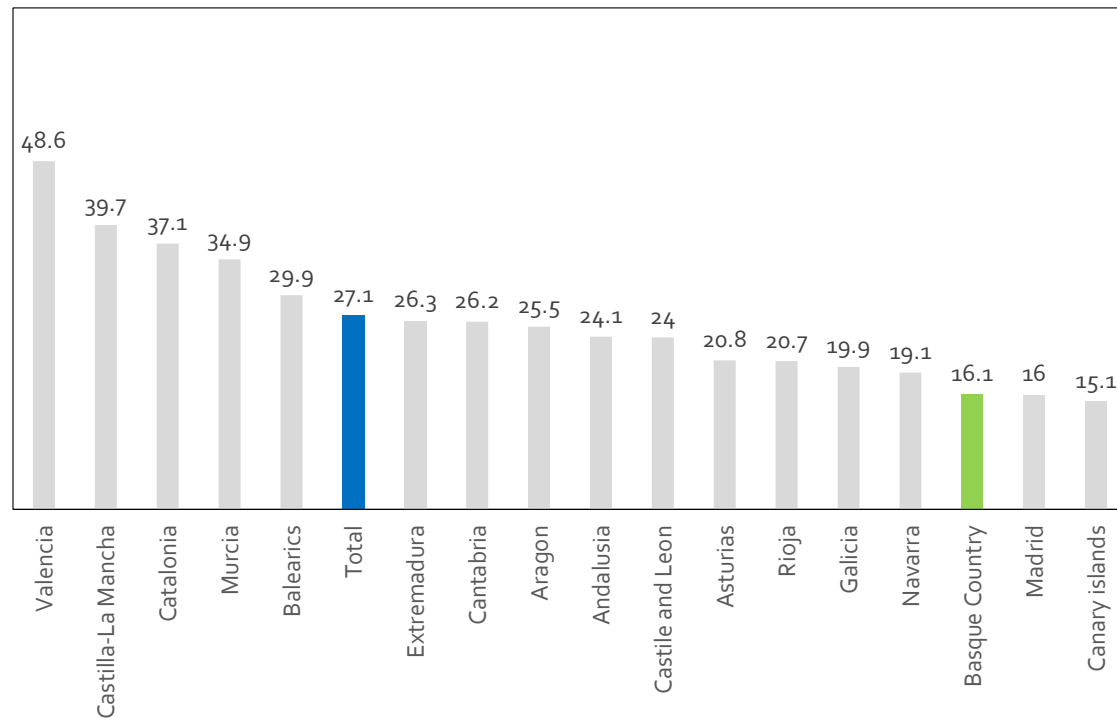
Agency	Basque Country	Spain
Moody's	A3 (stable outlook)	Baa 1 (stable outlook)
S&P	AA- (negative outlook)	A (negative outlook)
Fitch	A- (stable outlook)	A- (stable outlook)

Source: S&P, Moody's and Fitch.

Debt in percentage of GDP according to excessive deficit protocol

- The debt, according to the excessive deficit protocol, was equivalent to 16.1% of Basque GDP. This figure is the third lowest among the autonomous communities and is more than 10 points below the average.

Debt in% of GDP. 2020

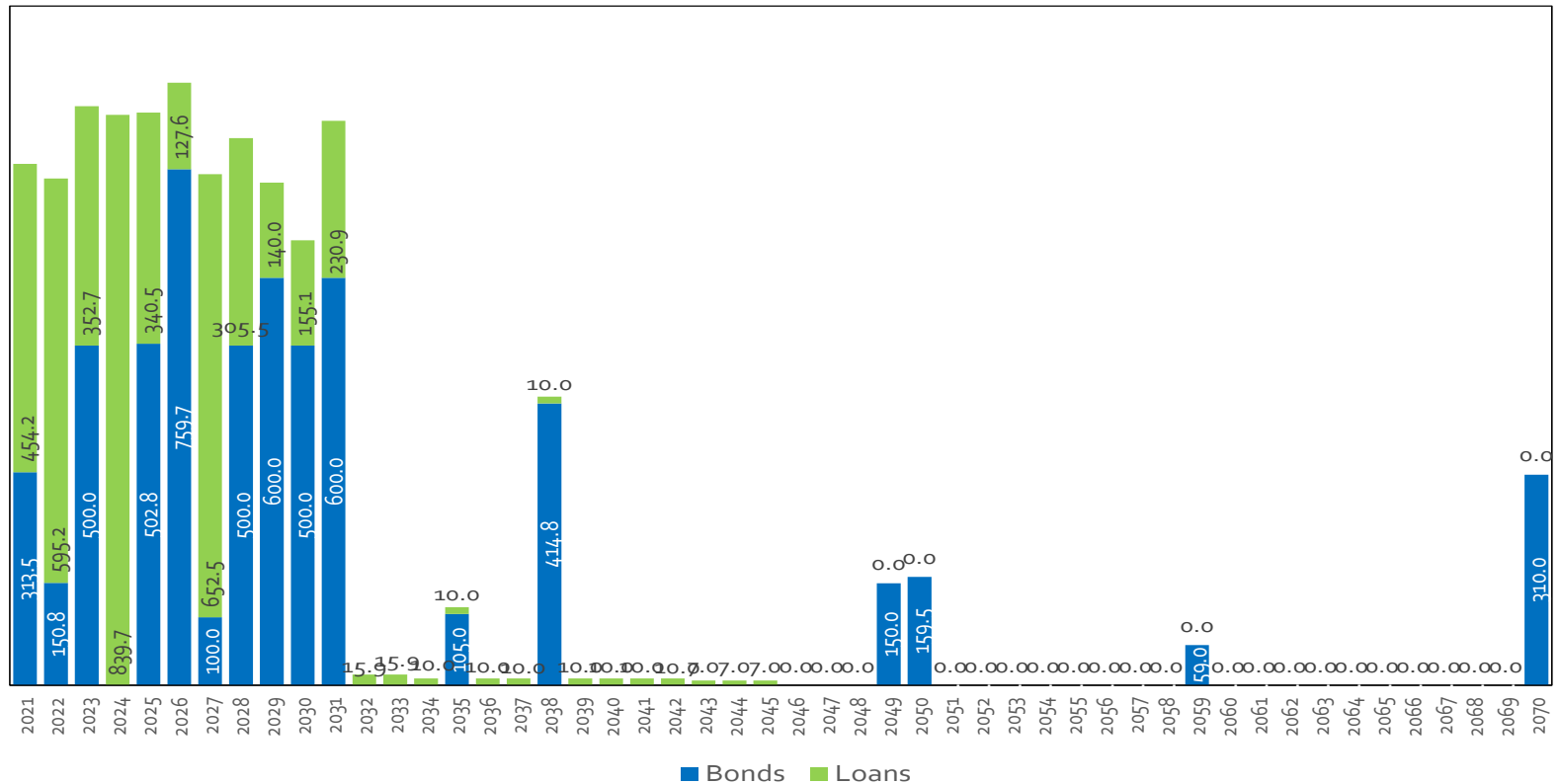


Source: Bank of Spain.

Maturity profile as of 31/12/2020

- Debt amortization has an increasing profile for the next five years, with a peak in 2026 (887.3 million). Thereafter the amounts will be lower.

Maturity profile as of 31/12/2020

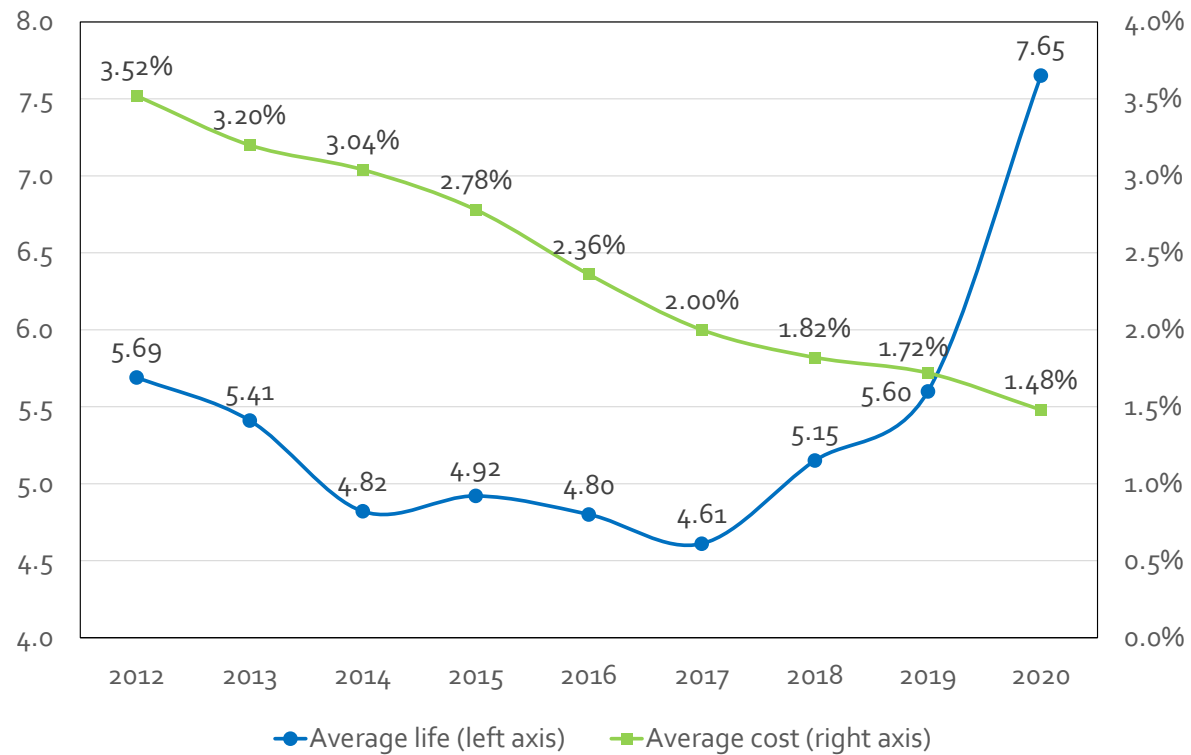


Source: Department of Economy and Finance.

Average life and Average cost

- In 2020, the cost of debt fell again, while its average life continued on its gentle upward path, currently around eight years.

Average life and Average cost



Source: Ministry of Economy and Finance.

Public Debt in the Basque Country

- Issues in circulation on 31/12/2020

Issue data				
ISIN code	Date Issue	Issue volume	Coupon (%)	Maturity
ES0000106510	20/04/2011	313,500,000	6.375	20/04/2021
ES0000106593	18/04/2017	150,763,000	0.600	30/04/2022
ES0000106544	13/04/2015	500,000,000	1.250	13/04/2023
ES0000106445	07/01/2010	502,800,000	4.600	07/01/2025
ES0000106551	16/03/2016	569,726,000	1.750	16/03/2026
ES0000106577	30/12/2016	190,000,000	1.466	30/12/2026
ES0000106585	16/03/2017	100,000,000	1.703	30/04/2027
ES0000106619	15/06/2018	500,000,000	1.450	30/04/2028
ES0000106635	25/04/2019	600,000,000	1.125	30/04/2029
ES0000106643	06/04/2020	500,000,000	0.850	30/04/2030
ES0000106684	19/11/2020	600,000,000	0.250	30/04/2031
ES0000106668	30/04/2020	105,000,000	1.300	30/04/2035
ES0000106601	28/02/2018	414,767,000	2.500	28/02/2038
ES0000106627	11/04/2019	150,000,000	2.350	11/04/2049
ES0000106650	22/04/2020	81,500,000	1.750	22/04/2050
ES0000106692	25/11/2020	78,000,000	1.000	31/10/2050
ES0000106676	30/04/2020	59,000,000	2.000	30/04/2059
ES0000106700	24/11/2020	310,000,000	1.375	31/10/2070

Source: Ministry of Economy and Finance.

The debt of the Basque Country is subject to the same regulation as the State debt

Article 135 of the Constitution states ... " Loans to meet payment on the interest and capital of the State's Public Debt shall always be deemed to be included in budget expenditure and may not be subject to amendment or modification as long as they conform to the terms of issue."

In terms of Organic Law Article 14.5 of the Law on Financing of the Autonomous Communities states: "The public debt of the autonomous communities and the securities of an equivalent nature issued by them shall be subject, to the same rules and shall enjoy the same benefits and conditions as the Public Debt of the State".

Article 14 of the Organic Law 2/2012 of 27 April on Budgetary Stability and Financial Sustainability provides: "The payment of interest and principal on the debt of public administrations shall have absolute priority over any other expenses".

Contents

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Thank you for your attention

EUSKO JAURLARITZA



GOBIERNO VASCO

EKONOMIA ETA OGASUN
SAILA

DEPARTAMENTO DE ECONOMÍA
Y HACIENDA