

# BASQUE GOVERNMENT

## Investors Presentation 2022

MINISTRY OF ECONOMY AND FINANCE

April 2022



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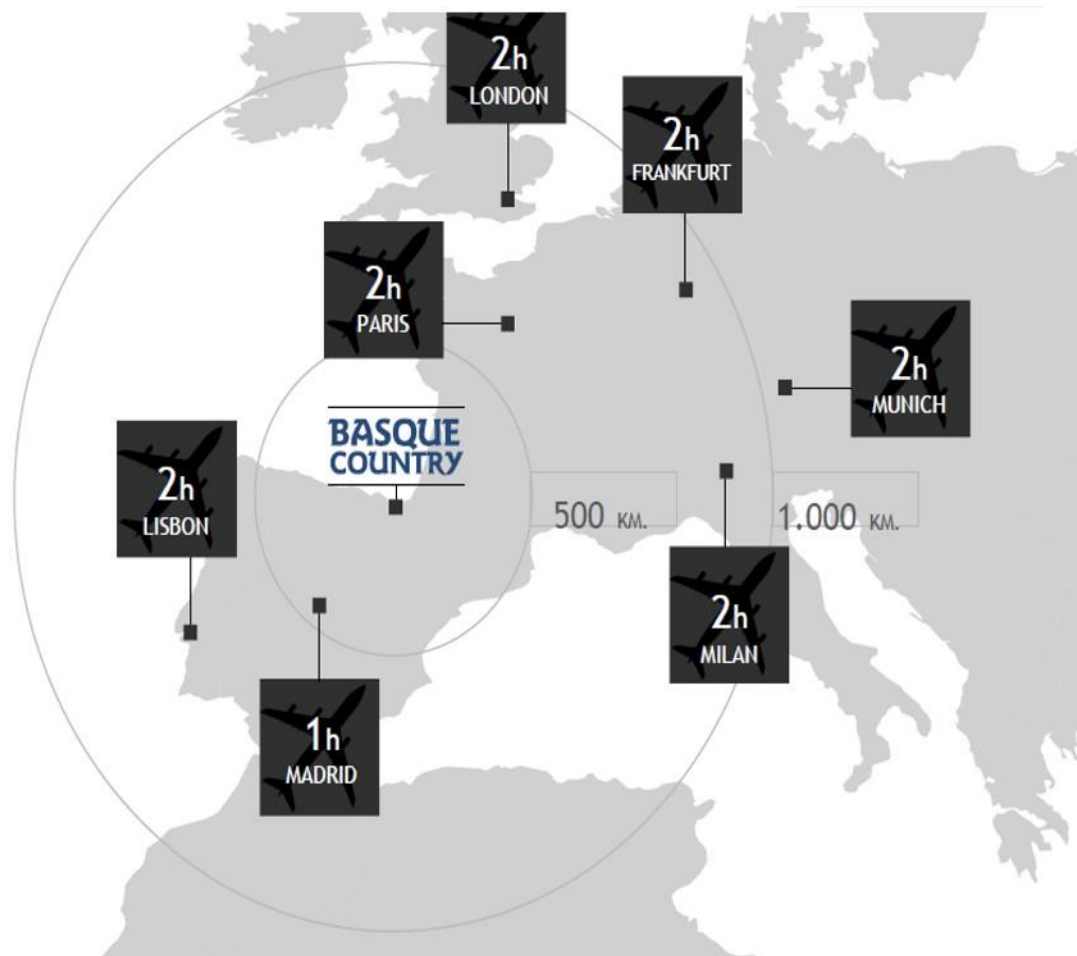
- 1. Features of the Basque economy and macroeconomic outlook** (page 3)
2. Financing system, budget, deficit and debt (page 34)
3. Sustainability mandate (page 49)

# Surface area, population and market access

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

Population **2,193,199**

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

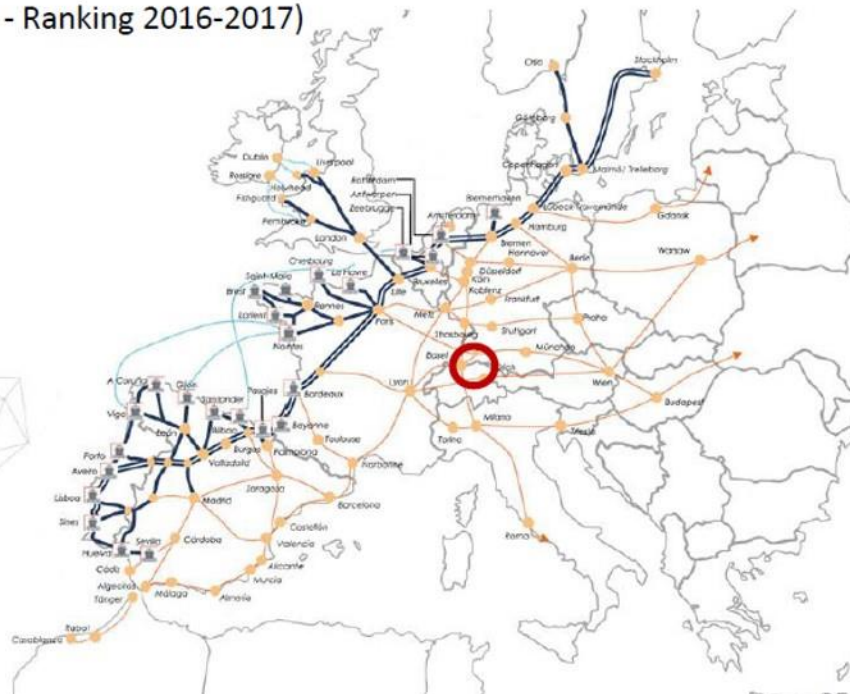


# A well-connected country

## “Best European Medium-Sized Region in Connectivity”

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

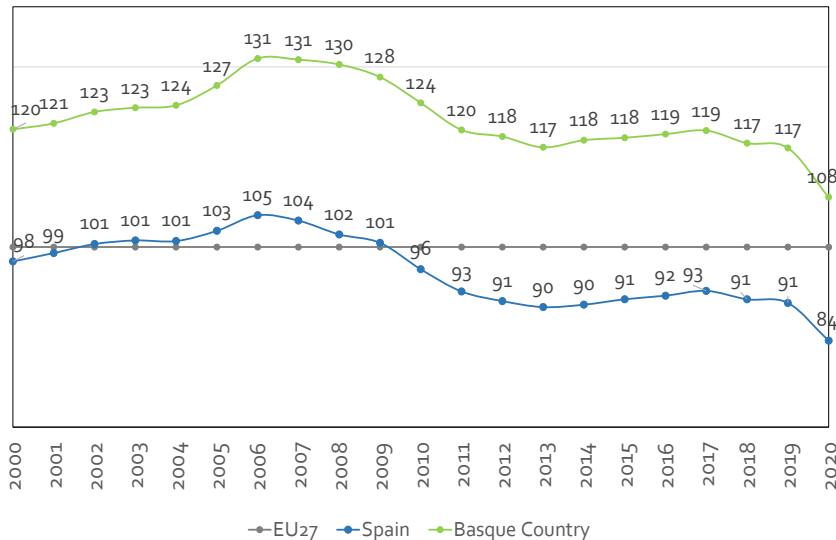
- ✓ Logistics
- ✓ International Airports
- ✓ Railway connections
- ✓ Motorways



# A dynamic economy that stands out in Europe

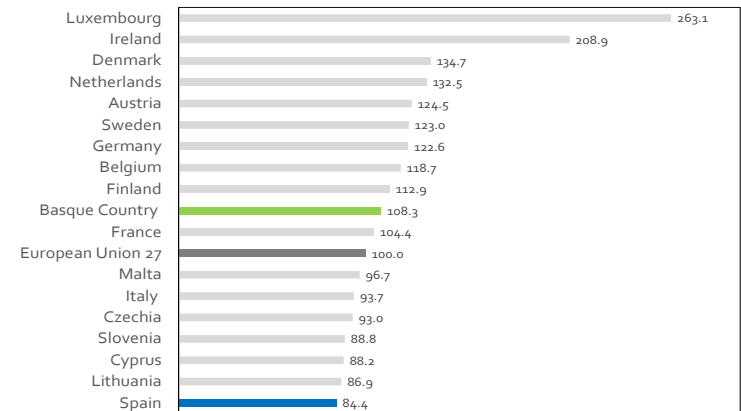
- Basque GDP per capita, measured in PPP, is 8 points higher than the European average and is 24 points above the Spanish average.
- The pandemic has deepened a downward path that began in 2008.

## GDP per capita in PPP



Source: Own preparation with Eurostat data.

## GDP per capita in PPP in 2020 EU27 = 100

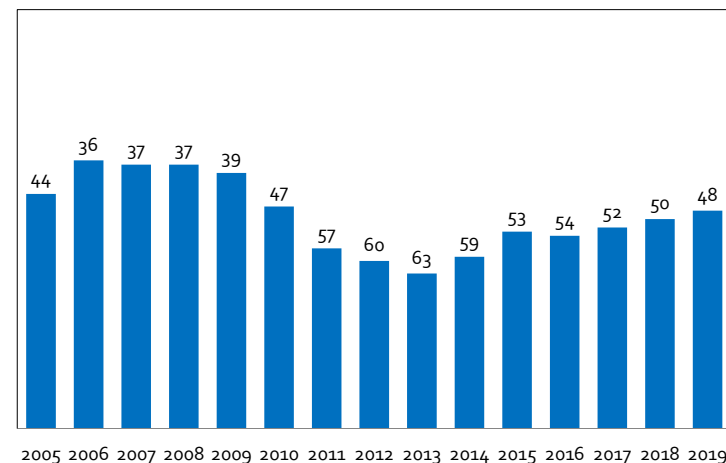


# Recovering positions in the European ranking

- In the ranking of 241 European regions (NUT II), the Basque Country was ranked 48<sup>th</sup> in 2019.
- Before the crisis, we reached 36<sup>th</sup> position and subsequently went down to 63<sup>rd</sup> position. In recent years, the Basque Country has climbed 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)

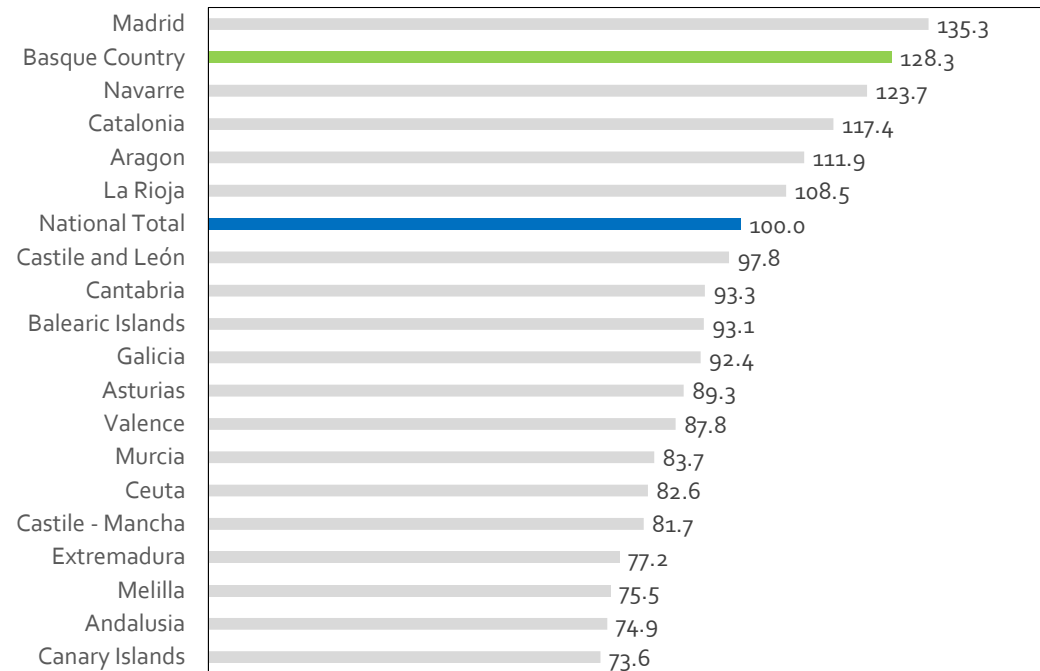


Source: Eurostat. SEC-2010.

# The Basque Country is the second most advanced autonomous community

- The 2020 data, the latest published by the INE, make it clear that the Basque Country is still in second position in GDP per capita.
- The capitals of European states usually have some advantages over other areas, as a consequence of the headquarters effect.

## GDP per capita in 2020

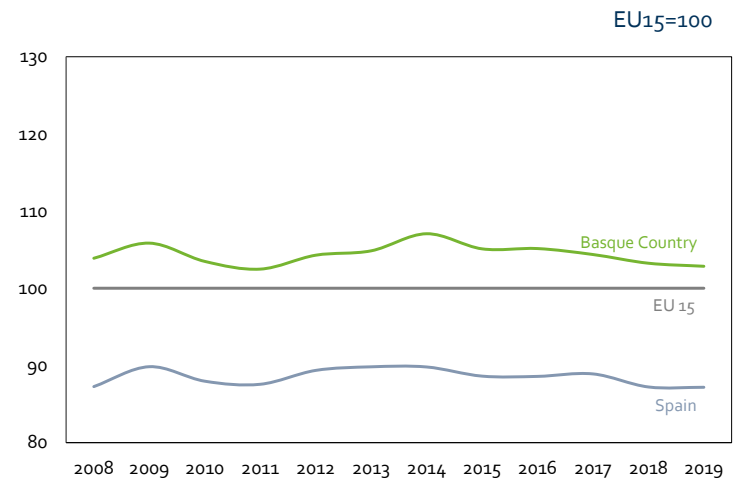
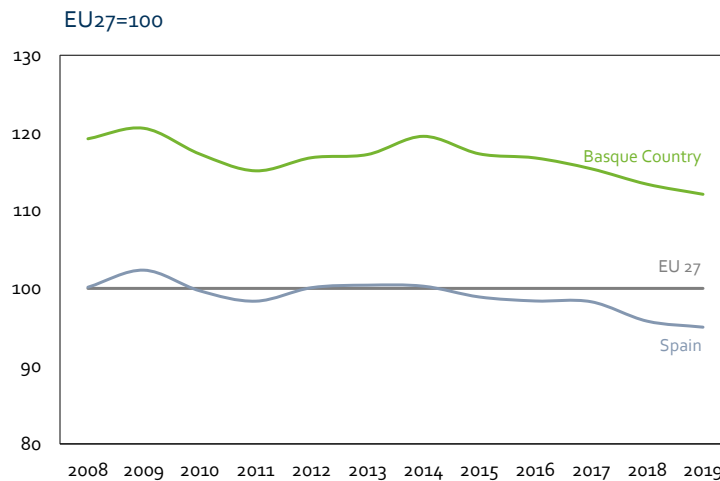


Source: INE: Spanish National Statistic Institute. Regional Accounting December 2021.

# Productivity above the European average

- The Basque economy owes its relatively good situation in Europe to its high productivity. Basque productivity is 15% higher than the European average and somewhat higher than the EUR15.

## Productivity per hour worked



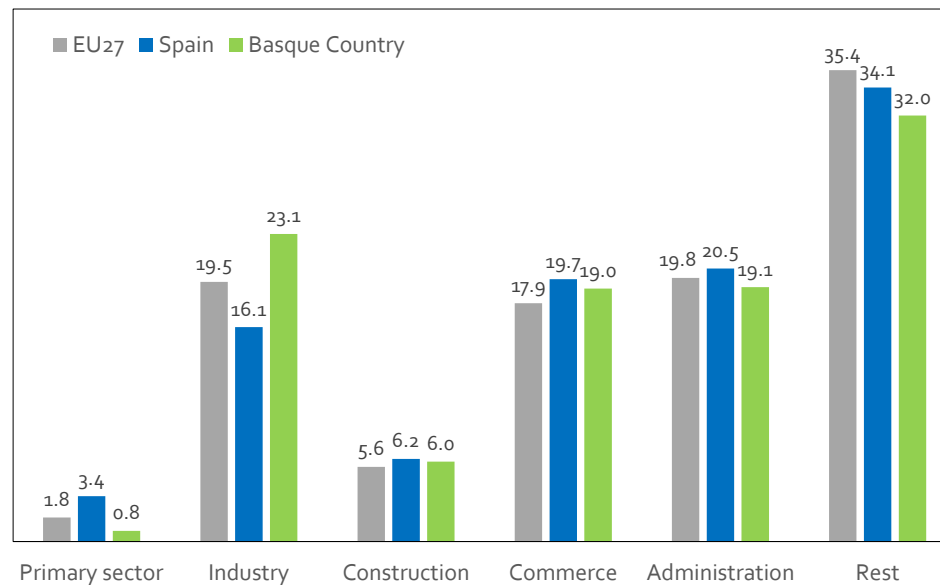
Source: Own elaboration with data from Eurostat and INE.



# Significant importance in the industrial sector

- It can be seen that the Basque Country has, in proportion, more industry than Spain and the European Union.
- On the contrary, the Basque Country has fewer services. Among these, the relatively low percentage of the public administration (education, health and social services, public and private) stands out.
- The variation in construction is striking, this sector came to weigh 10.3% of the value added in times of the bubble (2007) and which is now practically at the level of Europe.

## 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. Especially highlights 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	<b>Basque Country</b>	<b>0.937</b>
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.

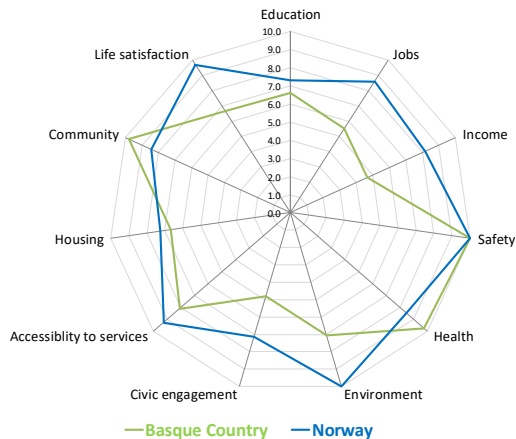
Data for 2019, obtained from the 2020 Human Development Report of the United Nations Development Program (UNDP).

The data for Basque Country is provisional

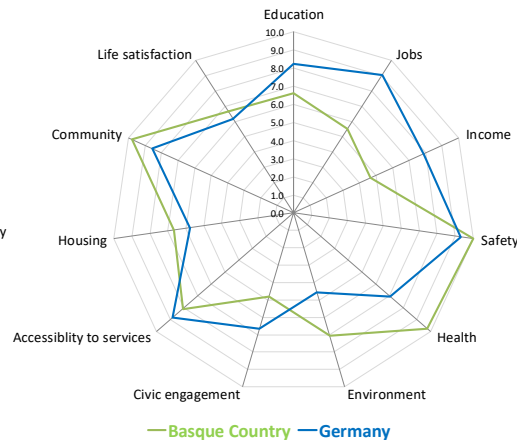
# Beyond the GDP: regional welfare index

- This indicator embraces in mind eleven different fields related to welfare. It is carried out by the OECD.
- In the Basque Country, the data is particularly good in terms of health and safety and community belonging.
- On the other hand, the results are relatively low in income (available income) and in civic commitment (participation in elections). In terms of employment, the result is somewhat modest.
- The two countries that stand out are Australia and Norway.

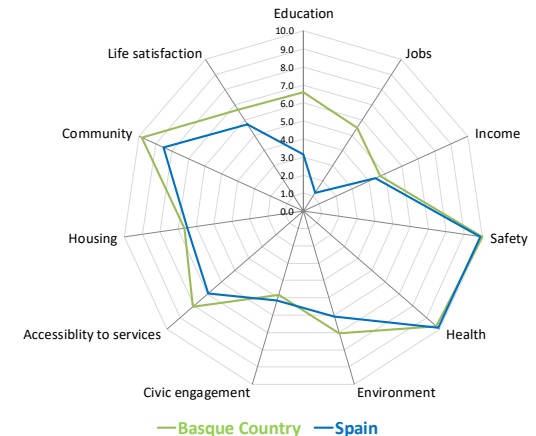
## Basque Country-Norway



## 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 has a prominent position within the State and with respect to European countries.

## EU-SPI Regional Social Progress Index

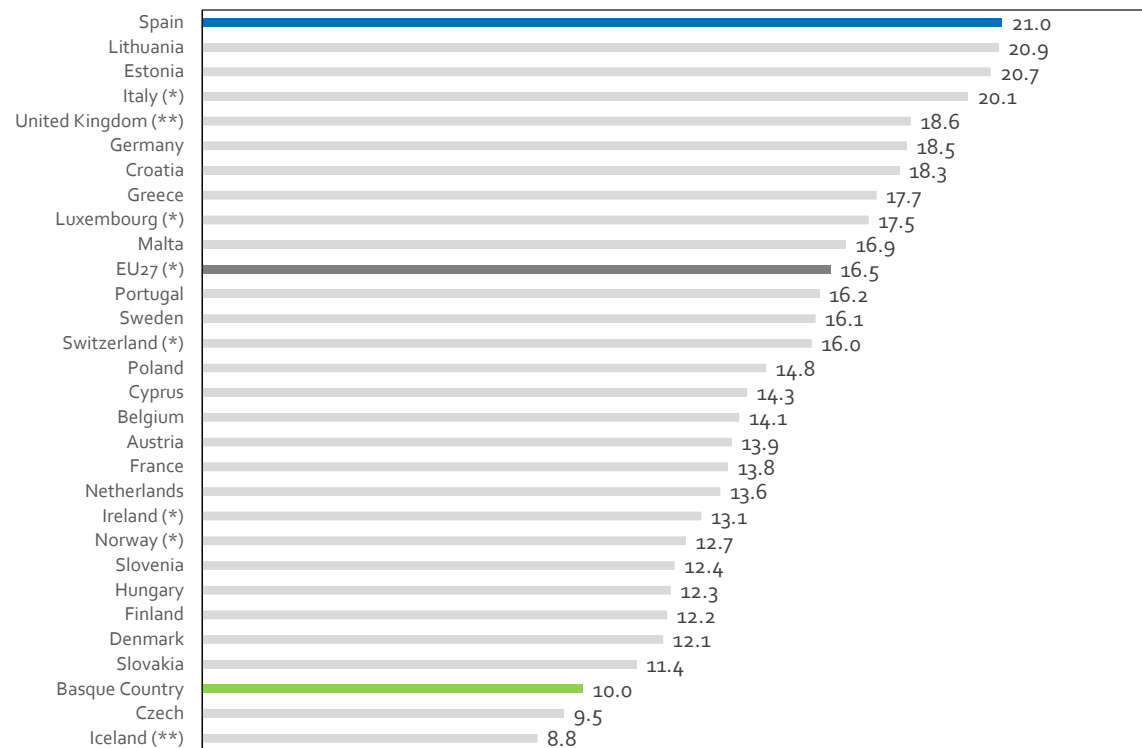
Position	Countries	%	Position	Autonomous Communities	%
1	Finland	82.8	<b>1</b>	<b>Basque Country</b>	<b>73.9</b>
2	Sweden	82.4	2	Navarre	73.6
3	Denmark	81.7	3	La Rioja	71.7
4	Holland	79.0	4	Aragon	70.8
5	Luxembourg	74.6	5	Cantabria	70.5
6	Austria	74.0	6	Madrid	69.7
<b>7</b>	<b>Basque Country</b>	<b>73.9</b>	7	Castile and León	68.8
8	France	72.0	8	Galicia	68.7
9	Germany	71.6	9	Asturias	68.5
10	Ireland	71.1	10	Valencian Community	67.8
11	Belgium	69.0	11	Canary Islands	67.4
12	Slovenia	68.7	12	Catalonia	67.1
13	Czechia	68.3	13	Murcia	65.2
14	Malta	67.2	14	Extremadura	64.3
15	Spain	67.0	15	Castile - La Mancha	63.4
16	Lithuania	64.7	16	Andalusia	61.8

Source: European Commission.

# Beyond the GDP: risk of poverty and social exclusion

- In the European case, after social assistance, the Basque Country is at the head of Europe, with the lowest risk of poverty, only surpassed by the Czech Republic and Iceland.

## Risk of poverty after receiving welfare. 2020

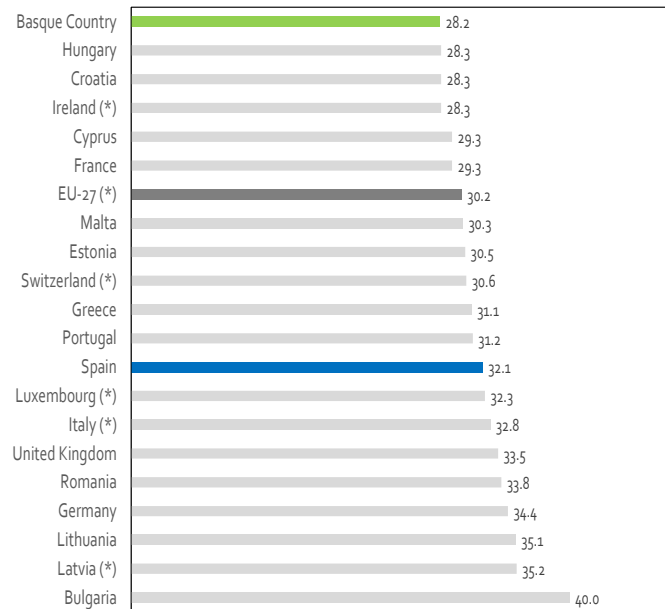


Income from the year prior to the interview.  
Source: Eurostat. (\*) Data 2019 (\*\*) Data 2018

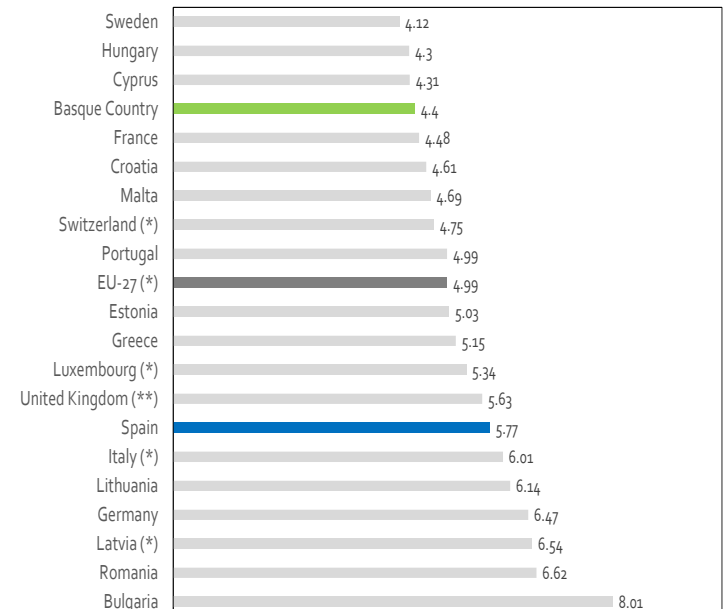
# Beyond the GDP: inequality indicators

- 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, the Basque Government also contrasts with the position of Spain, at the other end of the ranking.

## Gini Index



## S80/S20



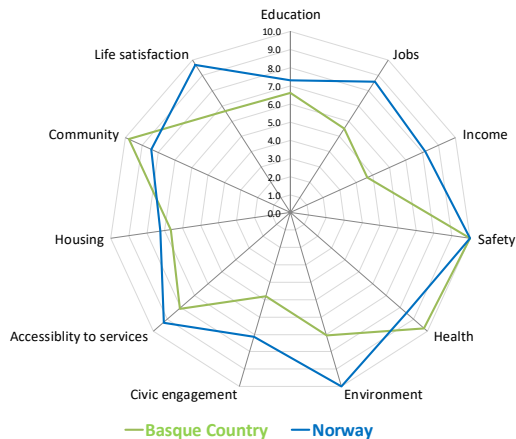
Data from 2020 except (\*) Data 2019 (\*\*) Data from 2018.

Source: Basque Government. Department of Equality, Justice and Social Policies. EPDS (2020) and Eurostat.

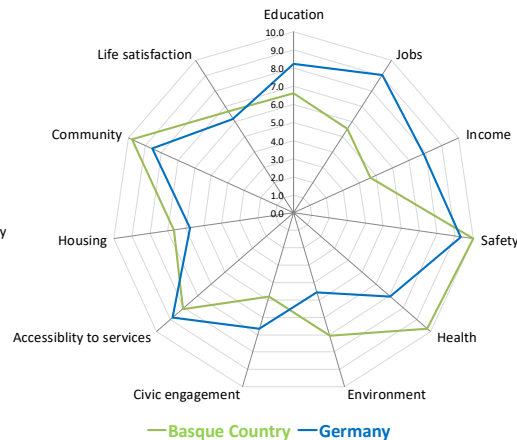
# Beyond GDP: regional welfare index

- This indicator includes eleven different fields related to welfare and it is carried out by the OECD.
- In the Basque Country, the data is particularly good in terms of health and safety and community belonging.
- On the other hand, the results are relatively low in income (disposable income) and in civic commitment (participation in elections). In terms of employment, the result is somewhat modest.
- The two countries that stand out are Australia and Norway.

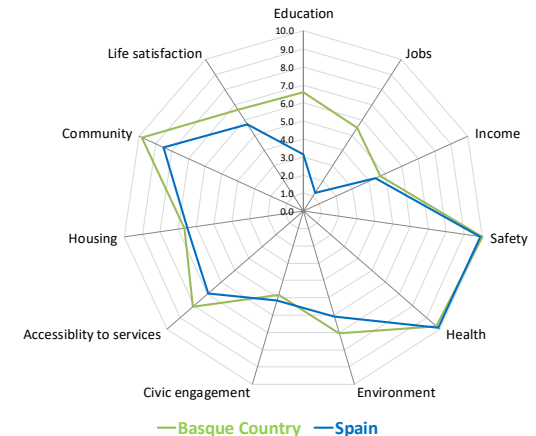
The Basque Country-Norway



The Basque Country-Germany



The Basque Country-Spain



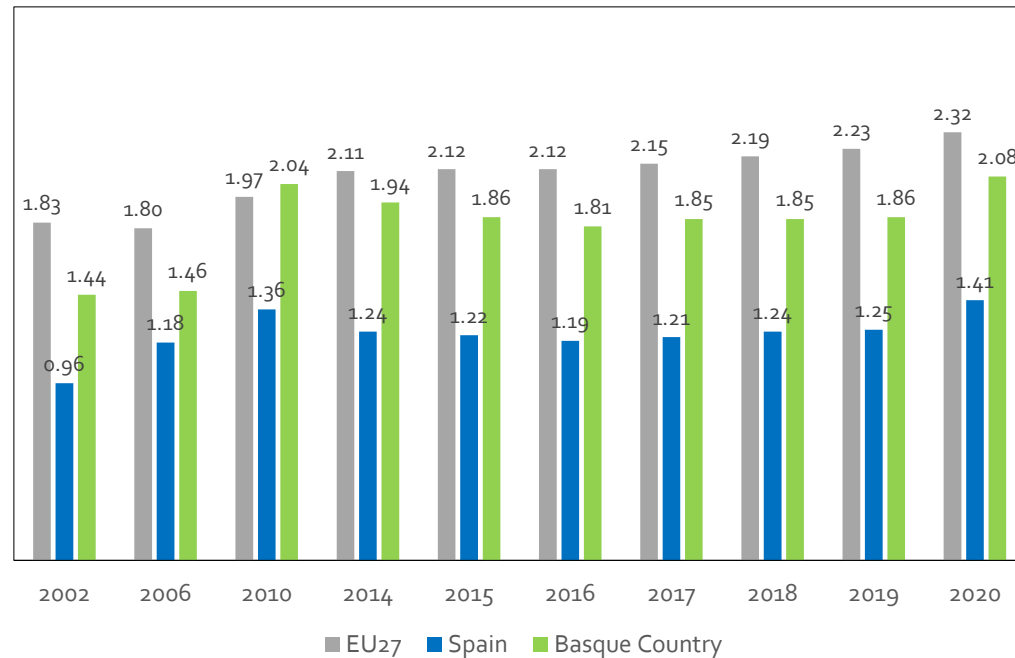
Source: OECD.



# Competitiveness: R&D&I expenditure (% of GDP)

- After six years of stagnation at around 1.85%, in 2020 R&D&I spending stood at 2.08% of GDP.
- The sharp decline in nominal GDP in 2020 in the face of R&D&I spending that was largely maintained boosted this growth.
- Spain is far from the European average, as are the values registered in the Basque Country.

## Expenditure on R&D&I



Source: Eurostat, Eustat and INE.

# Competitiveness: innovation

- The Basque Country is among the countries with high innovation (between 90% and 120% of the average). However, it is far from the leading countries in innovation (above 120%), which are led by Sweden and Finland.
- Spain is in the moderate innovation group (between 50% and 90% of the average).

## Innovation Indicators Panel (EIS)

Position		%	Position		%
1	Sweden	0.731	11	France	0.572
2	Finland	0.708	12	Ireland	0.567
3	Denmark	0.689	13	EU-27	0.526
4	Belgium	0.671	14	Italy	0.505
5	Netherlands	0.647	15	Cyprus	0.498
6	Germany	0.645	16	Malta	0.476
7	Luxembourg	0.638	17	Slovenia	0.470
8	Austria	0.625	18	Spain	0.449
9	Estonia	0.600	19	Czech Republic	0.441
<b>10</b>	<b>Basque Country</b>	<b>0.587</b>	20	Lithuania	0.430

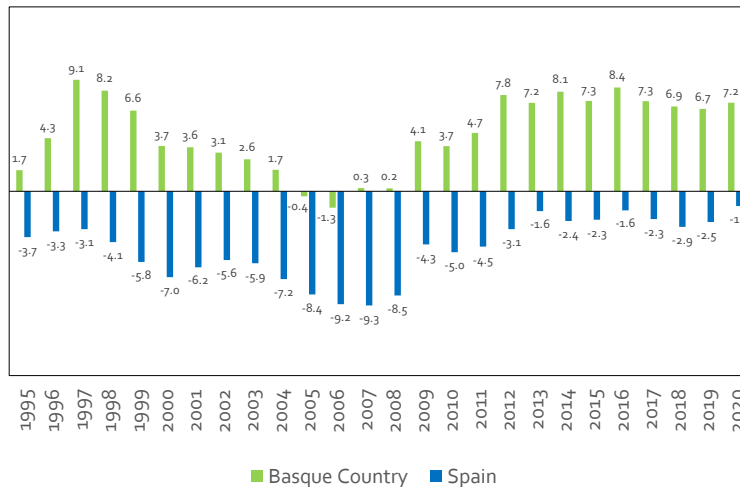
Source: Eustat. Innovation Indicators Panel (EIS 2021).

# Foreign trade: trade balance / GDP

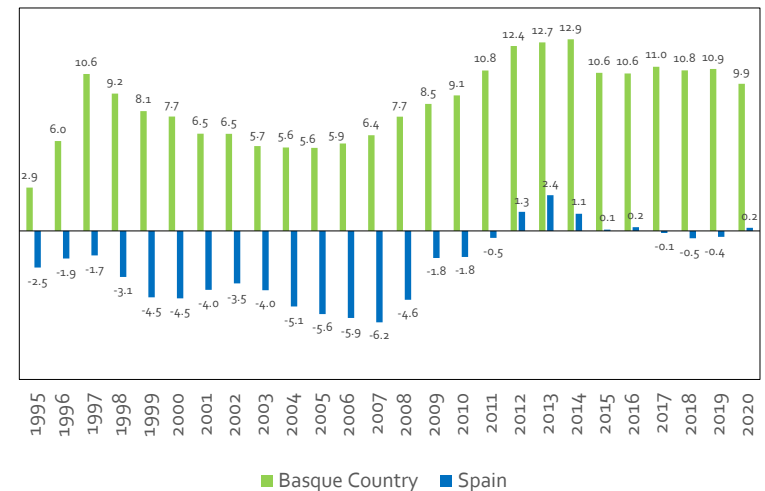
- The Basque economy exported products worth close to 20,900 million euros in 2020, 17.8% below the 2019 record. This sharp contraction was due to the general fall in the sale of all headings, with the exception of agricultural products.
- The delicate health situation, as well as the restrictions introduced to alleviate it, explain this important fall.
- However, both the total and non-energy balances were high and positive, and well above those registered by Spain.

## 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 continue as the main destinations for Basque exports.

## Destination of Basque exports. Evolution 2008-2020

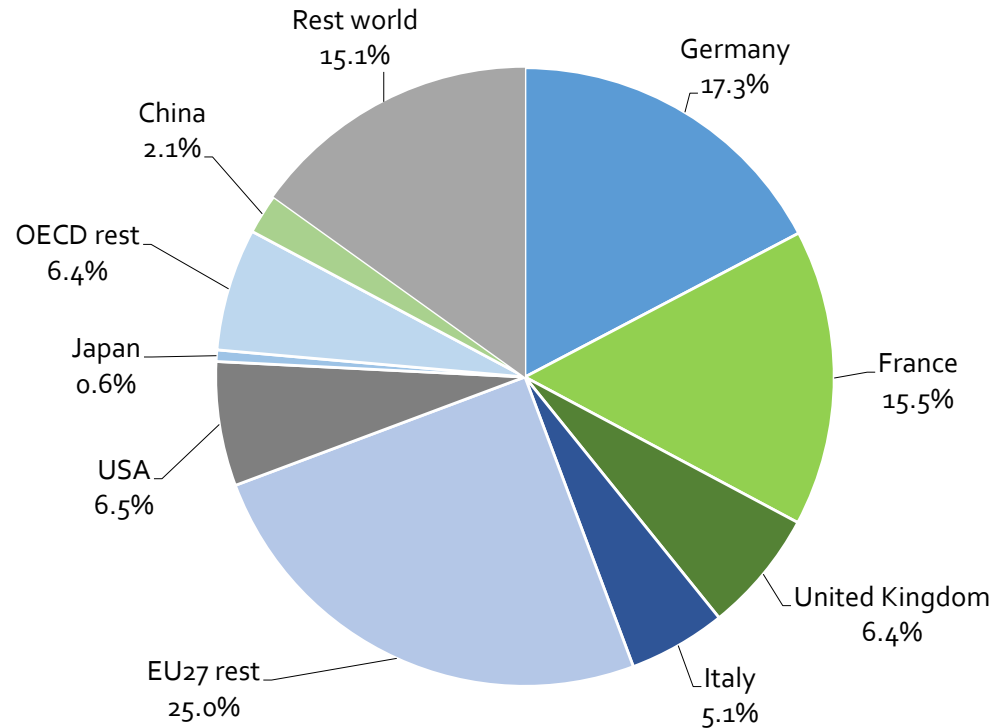
	2008	2010	2012	2014	2016	2018	2020(P)
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
OCDE	79.0	73.5	76.4	77.1	81.5	82.4	83.8
Zona Euro	55.0	51.1	49.2	50.1	52.3	51.5	54.8
Unión Europea 27	55.2	56.3	54.9	56.7	59.7	58.8	62.9
Francia	17.7	17.2	17.1	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.

# Economy open to the world

- European countries account for almost two thirds of Basque exports. In addition, the euro zone buys more than half of the total.
- France and Germany are the main destinations of these exports.

## Distribution of exports by countries

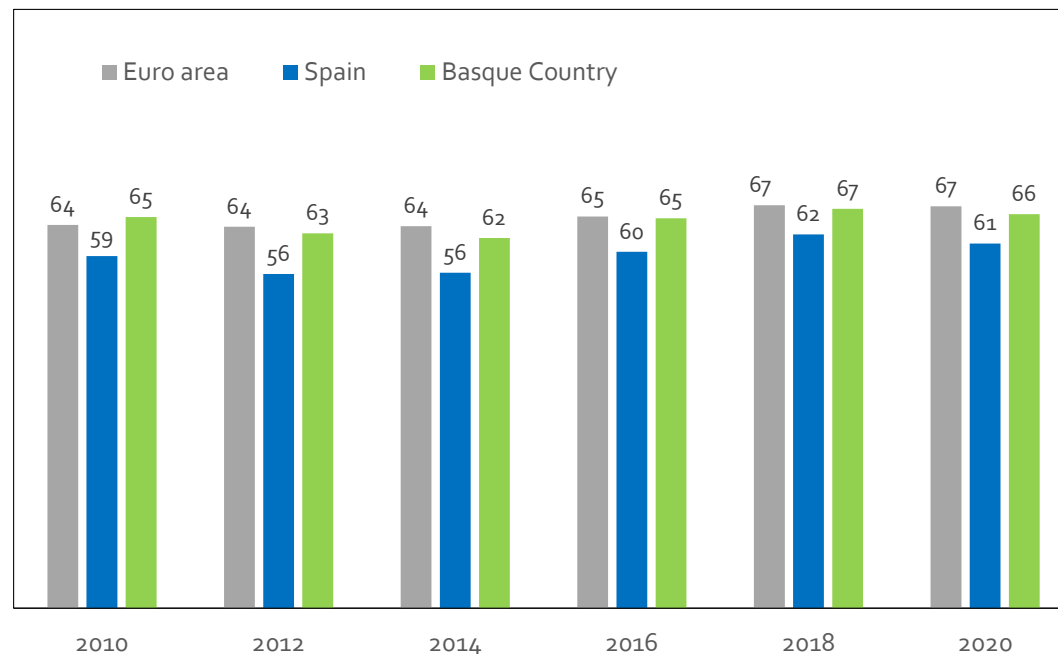


(\* ) Provisional 2020 data.  
Source: Eustat.

# The employment rate is similar to the European

- The employment rate fell at the beginning of the previous crisis, from 64% to 62%. This situation also occurred in the whole of Spain and, to a lesser extent, in Europe.
- Since then, this has been a recovery process and in 2018 the employment rate was already 67%, higher than that existing before the crisis.
- The 2020 pandemic has slightly affected this level.

## Employment rate of the population aged 15 to 64



Source: Eurostat.

# International situation: growth of the GDP

- The Covid-19 pandemic generated an unprecedented global crisis. Overall, the world economy reduced its GDP by 3.1% in 2020 and developed economies by 4.5%.
- The first quarter of 2021 was the turning point for almost every major economy.
- The Basque economy grew on average in 2021 by 5.5%, according to the first estimate published by Eustat.
- This growth is in line with that forecast by the main areas, which estimate an increase in world GDP of around 6.0%, for developed economies it is close to 5.2%, while for emerging countries an increase in activity of 6.8% is expected.

## Gross Domestic Product. Evolution

	2019	2020	2021	Interannual variation rate							
				2020				2021			
				I	II	III	IV	I	II	III	IV
Developed economies	1.7	-4.5	..	-0.7	-11.6	-3.7	-2.7	-0.3	13.2	4.6	..
European Union 27	1.8	-5.9	..	-2.5	-13.7	-3.9	-4.1	-1.1	13.8	4.1	..
- Basque Country	2.2	-9.9	5.5	-3.7	-19.9	-8.1	-8.1	-2.9	18.6	3.8	4.5
- Spain	2.1	-10.8	..	-4.3	-21.5	-8.7	-8.8	-4.3	17.7	3.4	..
- Germany	1.1	-4.6	..	-1.9	-11.3	-3.7	-2.9	-3.0	10.0	2.6	..
- France	1.8	-7.9	..	-5.4	-18.6	-3.6	-4.3	1.5	18.8	3.3	..
- Italy	0.4	-8.9	..	-5.9	-18.1	-5.4	-6.6	-0.6	17.1	3.9	..
United Kingdom	1.7	-9.7	..	-2.1	-21.2	-7.8	-6.4	-5.1	24.2	6.8	..
United States	2.3	-3.4	..	0.6	-9.1	-2.9	-2.3	0.5	12.2	4.9	..
Japan	0.3	-4.6	..	-1.8	-10.1	-5.4	-0.8	-1.8	7.3	1.1	..
China	6.1	2.3	8.8	-6.8	3.2	4.9	6.5	18.3	7.9	4.9	4.0
India	4.2	-6.9	..	2.6	-24.2	-6.8	0.8	1.0	19.5	8.5	..
Russia	2.0	-2.3	..	0.6	-6.0	-2.5	-1.3	-0.4	7.6	3.8	..
Brazil	1.1	-4.2	..	-1.4	-10.6	-3.7	-1.0	2.6	12.2	4.0	..

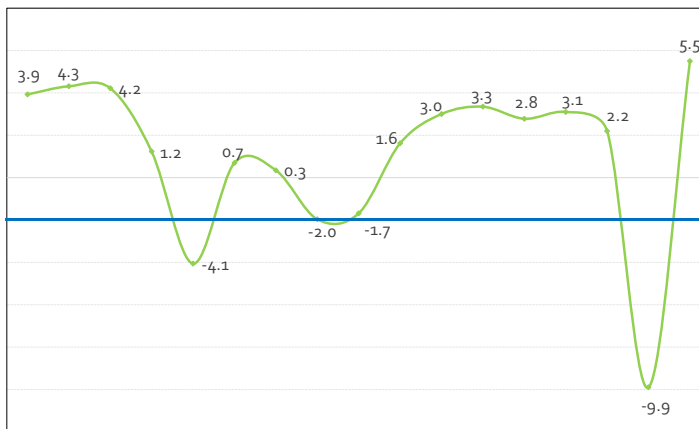
Source: Eurostat, OCDE and Eustat.

# GDP recovered strongly in 2021

- Like the rest of the countries, the Basque Country suffered a negative growth in 2020, with a sharp deterioration in GDP, which ended a six-year period of growth.
- As planned, the Basque Country has experienced a V-shaped recovery, which has allowed it to grow by 5.5% in 2021.
- However, the pre-crisis level has not yet been recovered.

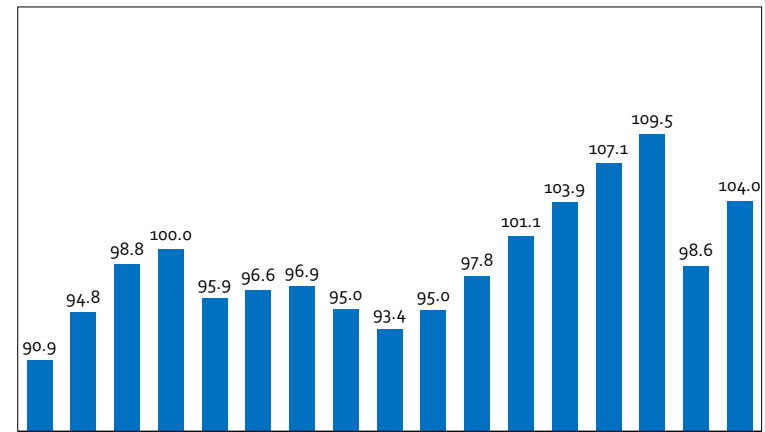
## Evolution of the Gross Domestic Product

Year-on-year variation rates



2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

GDP 2008 = 100



2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Provisional 2021 data.

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



# The recovery strengthens from the second quarter

- The Basque economy grew on average in 2021 by 5.5%, according to the first estimate published by Eustat.
- It follows that industry and the group that includes commerce, hospitality and transport have been the ones that have achieved the largest increases on average of the year.

## Evolution of the GDP on the supply side

Interannual variation rate

	2020	2021	2020				2021		
			II	III	IV	I	II	III	IV
<b>GDP (p.m.)</b>	<b>-9.9</b>	<b>5.5</b>	<b>-19.9</b>	<b>-8.1</b>	<b>-8.1</b>	<b>-2.9</b>	<b>18.6</b>	<b>3.8</b>	<b>4.5</b>
Primary sector	-15.0	--	-13.7	-13.0	-28.1	-7.1	7.8	4.6	--
Industry and energy	-11.2	--	-26.2	-8.9	-6.8	-1.1	30.2	5.5	--
Construction	-8.2	--	-16.7	-7.7	-6.5	-2.4	11.5	1.3	--
Services	-9.0	--	-17.8	-7.2	-7.7	-3.5	15.5	4.0	--
Commerce, Hospitality and Transp.	-18.1	--	-26.9	-16.0	-18.5	-5.5	26.1	6.1	--
AA. PP., Education and Health	1.6	--	1.3	1.6	1.3	1.6	3.1	2.6	--
Rest of Services	-8.6	--	-21.9	-6.1	-5.2	-5.0	17.3	3.5	--
Gross Value Added	-9.5	--	-19.7	-7.7	-7.6	-2.9	18.4	4.2	--
Net Product Taxes	-13.6	--	-21.3	-11.8	-12.8	-3.0	20.4	1.9	--

Source: Eustat. Series adjusted for seasonal variation.

# Revival of domestic demand

- During the hardest part of the pandemic, both final consumption and investment recorded very negative year-on-year variations, as a 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.
- From the second quarter, after the end of the period of restrictions, both consumption (driven by the savings market accumulated during the pandemic) and investment managed to leave behind the contractionary part and increased strongly.

## Evolution of the GDP with respect to demand

Variation rates

	2020	2021	2020				2021		
			II	III	IV	I	II	III	IV
<b>GDP (p.m.)</b>	<b>-9.9</b>	<b>5.5</b>	<b>-19.9</b>	<b>-8.1</b>	<b>-8.1</b>	<b>-2.9</b>	<b>18.6</b>	<b>3.8</b>	<b>4.5</b>
Final consumption	-8.9	--	-16.8	-7.6	-7.0	-2.5	18.1	2.4	--
Private consumption	-12.4	--	-21.9	-10.3	-10.6	-3.7	22.6	2.1	--
Public consumption	3.8	--	2.2	2.8	6.5	1.6	5.2	3.5	--
Gross capital formation	-11.7	--	-23.2	-11.5	-8.5	-1.3	21.4	3.7	--
Equipment Goods	-12.9	--	-29.9	-11.9	-5.6	1.9	41.3	7.6	--
Remaining Investment	-11.0	--	-19.2	-11.3	-10.2	-3.2	11.2	1.5	--
Internal Demand	-9.6	--	-18.3	-8.5	-7.4	-2.2	18.9	2.7	--
Exports	-16.1	--	-29.2	-14.3	-13.8	-2.4	30.1	12.5	--
Imports	-15.4	--	-26.6	-14.7	-12.5	-1.4	29.8	10.2	--

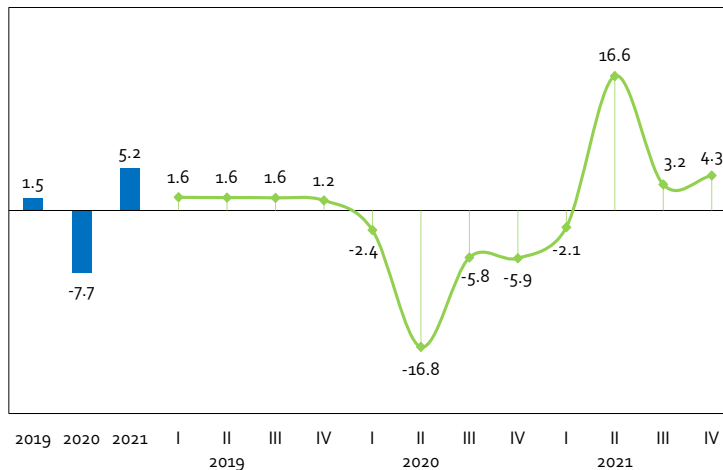
Source: Eustat. Series adjusted for seasonal variation.

# Significant recovery of lost employment

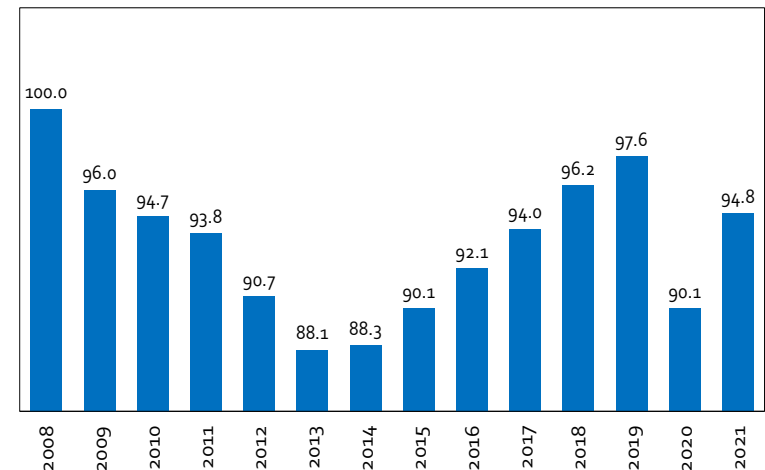
- The intense increase in GDP brought with it a recovery of much of the employment lost in the first months of the pandemic.
- Many of the theoretical jobs correspond to people with employment who a year ago were in a situation of furlough, but who have now returned to their company.

## Evolution of Jobs

Year-on-year variation rate



Employment in 2008 = 100



Provisional 2021 data

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

# The unemployment rate falls gradually

- The stoppage of activity has not translated into a significant increase in unemployment, thanks to the furlough schemes which has been retained the workforce in the companies.
- The unemployment rate, according to both Eustat and the INE, is around 10%.

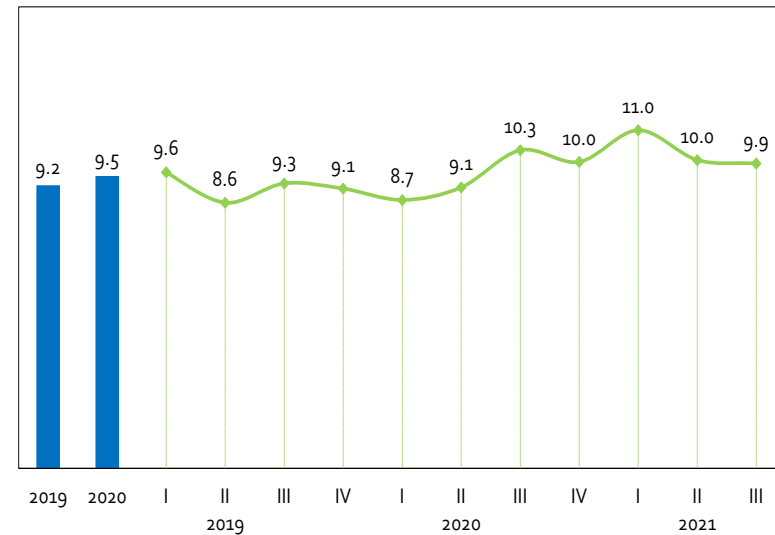
## PRA (Eustat)

Year-on-year variation rate



## EPA (INE)

Year-on-year variation rate



Source: Eustat and INE.

# World economy forecasts

- According to the IMF, a 5.9% recovery in world growth is expected in 2021, which will benefit almost all countries. For 2022 it anticipates an increase of 4.9%.
- Europe will grow less than the United States. Vaccination will be key in the process and intensity of recovery.

## World Economy Forecasts

	Annual variation rates		
	2020	2021	2022
World Economy	-3.1	5.9	4.9
United States	-3.4	6.0	5.2
Japan	-4.6	2.4	3.2
Mexico	-8.3	6.2	4.0
United Kingdom	-9.8	6.8	5.0
Eurozone	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
France	-8.0	6.3	3.9
Italy	-8.9	5.8	4.2
Spain	-10.8	5.7	6.4
China	2.3	8.0	5.6
India	-7.3	9.5	8.5
Russia	-3.0	4.7	2.9
Brazil	-4.1	5.2	1.5

Source: IMF. October 2021

# Basque Government forecasts: demand perspective

- Average GDP growth will stand at 6.7% in 2022.
- The engine of expansion of the Basque economy in 2022 will continue to be domestic demand with a contribution to growth of 6.3 points, respectively.
- Household consumption will be favoured by the pent-up demand effect and by the expected increase in disposable income in real terms. Business investment will be the most dynamic aggregate of domestic demand thanks to the expected support of European funds.
- The contribution of the foreign sector will be four positive tenths.

## Evolution of the GDP with respect to demand

Annual variation rates

	2022				2022
	I	II	III	IV	
<b>GDP (p.m.)</b>	<b>6.2</b>	<b>6.4</b>	<b>7.1</b>	<b>6.8</b>	<b>6.7</b>
Household Final Consumption	5.5	5.4	6.0	6.0	5.7
Household Consumption Spending	6.2	6.2	7.1	6.9	6.6
Consumption Expense of AA. PP.	3.1	2.9	2.5	2.9	2.8
Gross Capital Formation	6.0	6.9	7.3	6.7	6.7
Contribution of Domestic Demand	5.8	6.1	6.6	6.4	6.3
Contribution of the External Balance	0.4	0.3	0.4	0.4	0.4

Source: Economy and Planning Department (December 2021).

# Basque Government forecasts: supply perspective

- All productive sectors will register positive rates by 2022.
- The forecast indicates that services will be the most dynamic sector this year (6.7%), although the industry will grow at very similar levels (6.6%). This forecast is based on the fact that the bottlenecks that have occurred in the production chains due to the mismatches between supply and demand throughout 2021 will be solved during the first half of the year.

## Evolution of the GDP with respect to Supply

Annual variation rates

	2022				2022
	I	II	III	IV	
<b>GDP (p.m.)</b>	<b>6.2</b>	<b>6.4</b>	<b>7.1</b>	<b>6.8</b>	<b>6.7</b>
Primary sector	7.8	-0.2	8.5	9.8	6.2
Industry	6.1	6.3	7.2	6.6	6.6
Construction	3.2	5.1	6.9	5.9	5.2
Services	6.4	6.6	7.0	6.9	6.7
Gross Value Added	6.1	6.4	7.1	6.8	6.6
Net taxes on products	6.5	6.5	7.1	7.0	6.8

Source: Economy and Planning Department (December 2021).

# Basque Government forecasts: job market

- Employment growth, measured in full-time jobs, is estimated at 3.4% by 2022. This rate translates into an increase in hours worked equivalent to 32,000 jobs.
- The unemployment rate will stand at 9.2% annual average in 2022.

## Evolution of employment and the unemployment rate

	2022				Annual variation rates
	I	II	III	IV	2022
Employment	3.7	3.1	3.2	3.5	3.4
Busy Persons (PRA)	2.2	1.2	0.7	0.7	1.2
Unemployment rate	9.5	9.4	9.0	8.9	9.2

Source: Economy and Planning Department (December 2021).



1. Features of the Basque economy and macroeconomic outlook
2. **Financing system, budget, deficit and debt**
3. Sustainability mandate

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

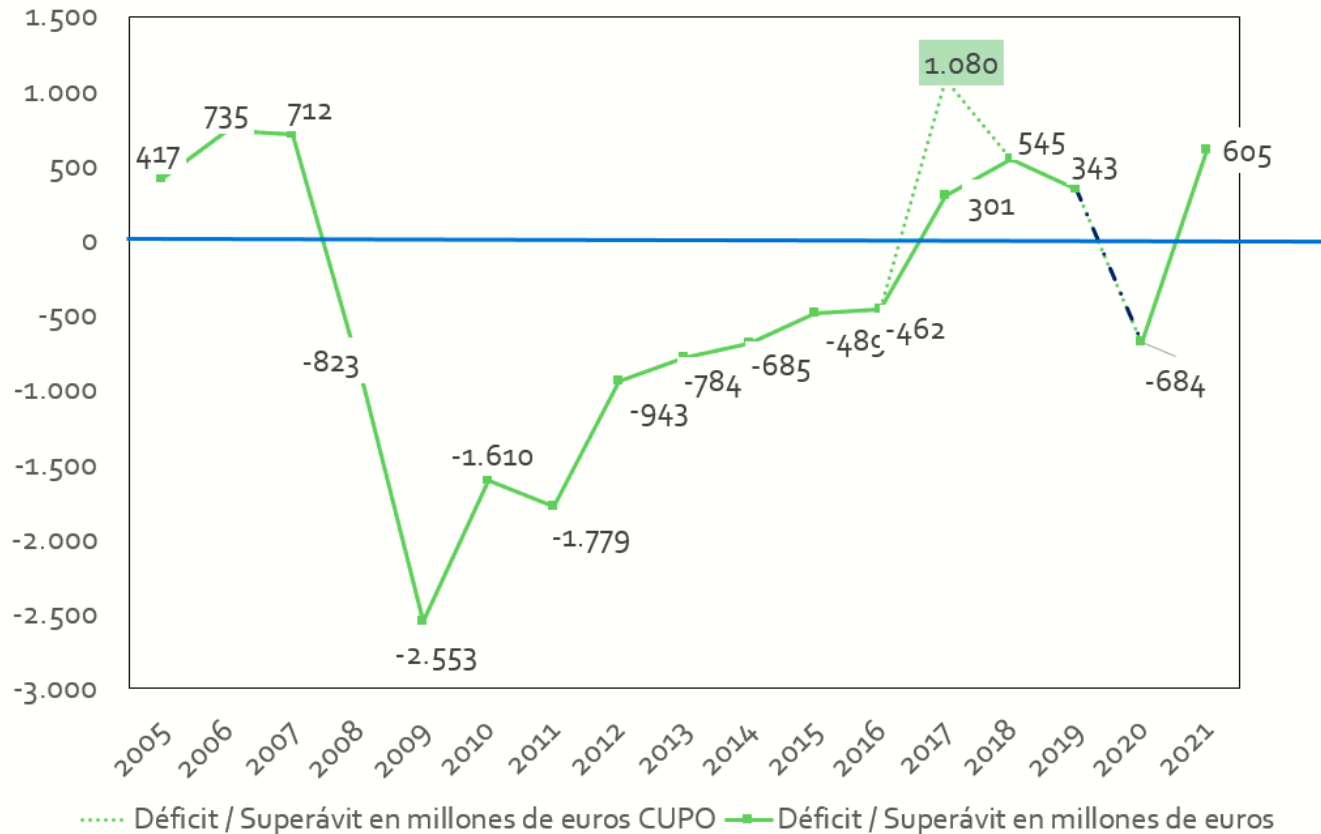
# Tax Collection 2021 and forecast 2022

- The 2021 collection registered a substantial increase of 14.4%.
- The increase in direct taxation was much lighter (8.9%) than that of indirect taxation (20.1%), thanks to the evolution of value added tax, which registered a record of 21.2%

	millions of euros	
	2021	2022
<b>DIRECT TAXES</b>		
Personal income tax	6.114,4	6.322,3
Corporation tax	1.155,2	1.086,6
Inheritance and gift tax	179,9	153,5
Wealth tax	171,5	172,8
Other direct taxes	114,4	114,4
<b>Total Direct Taxes</b>	<b><u>7.735</u></b>	<b><u>7.850</u></b>
<b>INDIRECT TAXES</b>		
Value Added Tax	6.256,9	6.206,0
Excise duties	1.521,4	1.572,1
Hydrocarbons		
Manufactured tobacco products		
Alcohol, fermented beverages and intermediate products		
Beer		
Electricity		
Property conveyance tax	182,4	195,3
Document duty	40,9	42,2
Other indirect taxes	134,6	315,8
<b>Total Indirect Taxes</b>	<b><u>8.136</u></b>	<b><u>8.331</u></b>
<b>Fees and other revenue</b>	<b><u>91,5</u></b>	<b><u>91,5</u></b>
<b>TOTAL AGREED TAXES</b>	<b><u>15.963,2</u></b>	<b><u>16.272,5</u></b>

# Deficit / surplus in millions of euros

## Deficit / Surplus in millions of euros



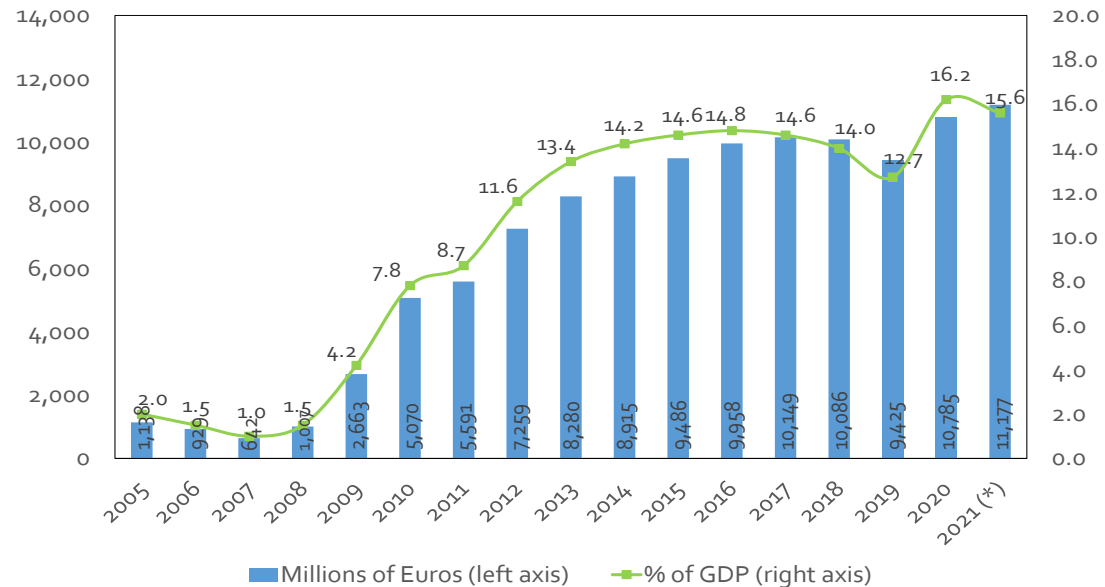
Source: IGAE. SEC 2010. Base 2010. National accounts. Non-financial operations of the Regional Administration subsector (S.1312) and detail by community

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.

# Debt: evolution 2005-2021

- The pandemic suffered in 2020 ended the downward path that began in 2016 and lasted until 2019. After a increase in 2020, in 2021 the downward path has been recovered.
- Specifically, according to the Excessive Deficit Protocol calculated by the Bank of Spain, the debt decreased in 2021 to 15.6%.

## SEC debt



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

# Government debt

- Total debt in December 2021 amounted to €10,594.3 million. Its average cost was 1.26% and its average life was in the order of eight and a half years.

Debt as of 31/12/2021  
(Thousands €)

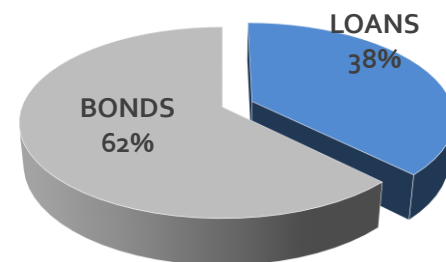
Loans	3,982,760
Bonds	6,611,556
Government Debt	10,594,316

Financing needs 2022  
(Millions €)

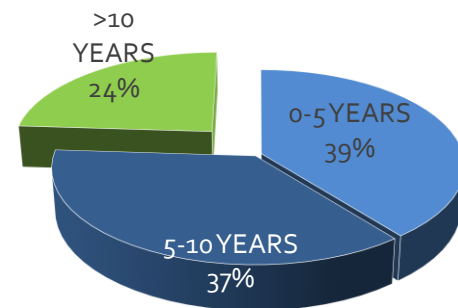
Gross issues	1,429
Net issues	683

AVERAGE COST (%)	AVERAGE LIFE (years)
1.26%	8.45

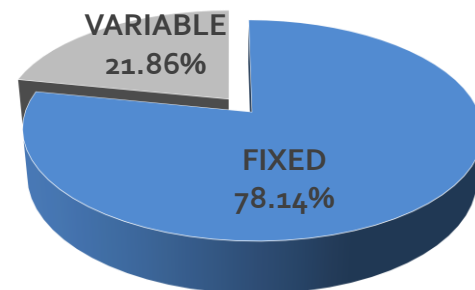
## Type of debt



## Type according to payment terms



## Cost of financing

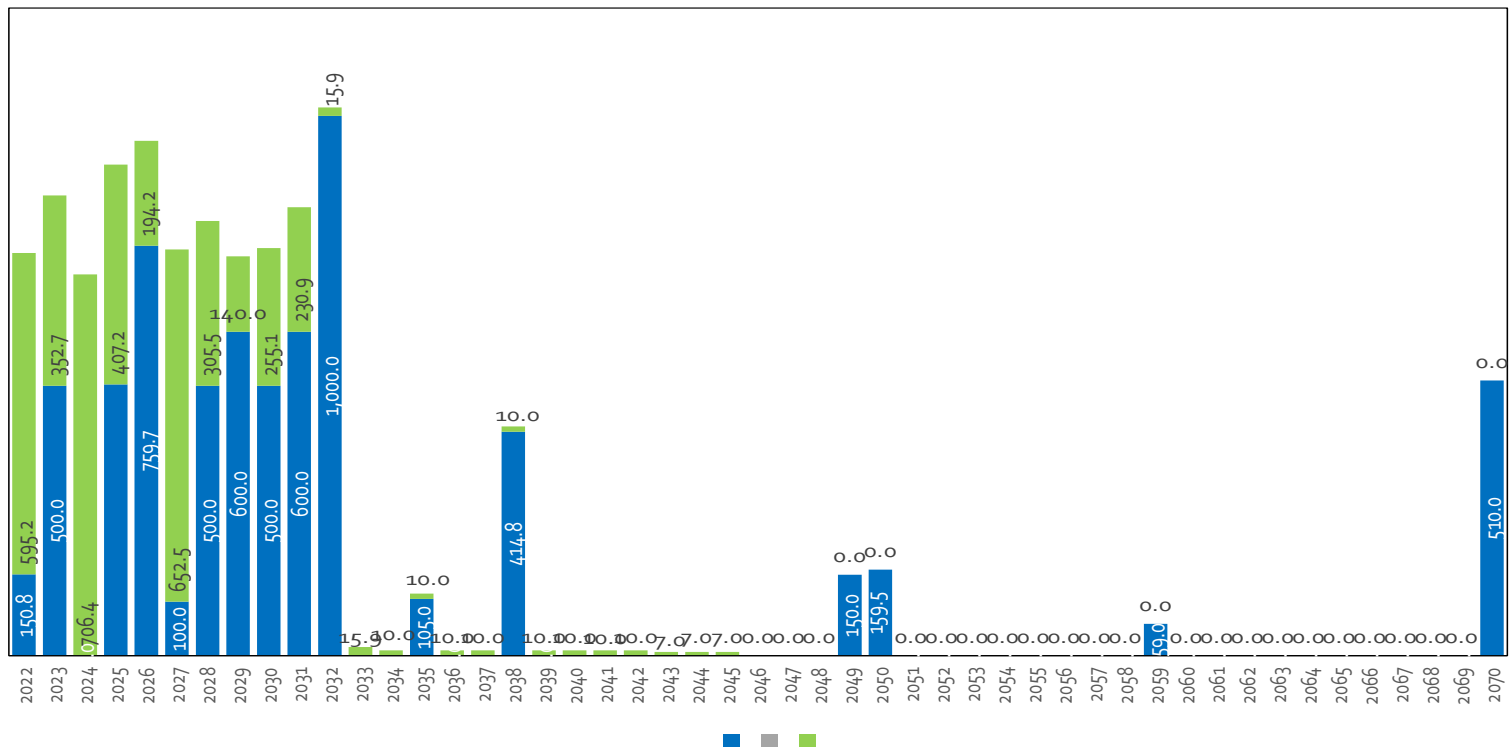


Source: Basque Government.

# Maturity profile as of 31/12/2021

- Debt amortization has an increasing profile for the next ten years, with a peak in 2026 and in 2032.

## Maturity profile as of 31/12/2021

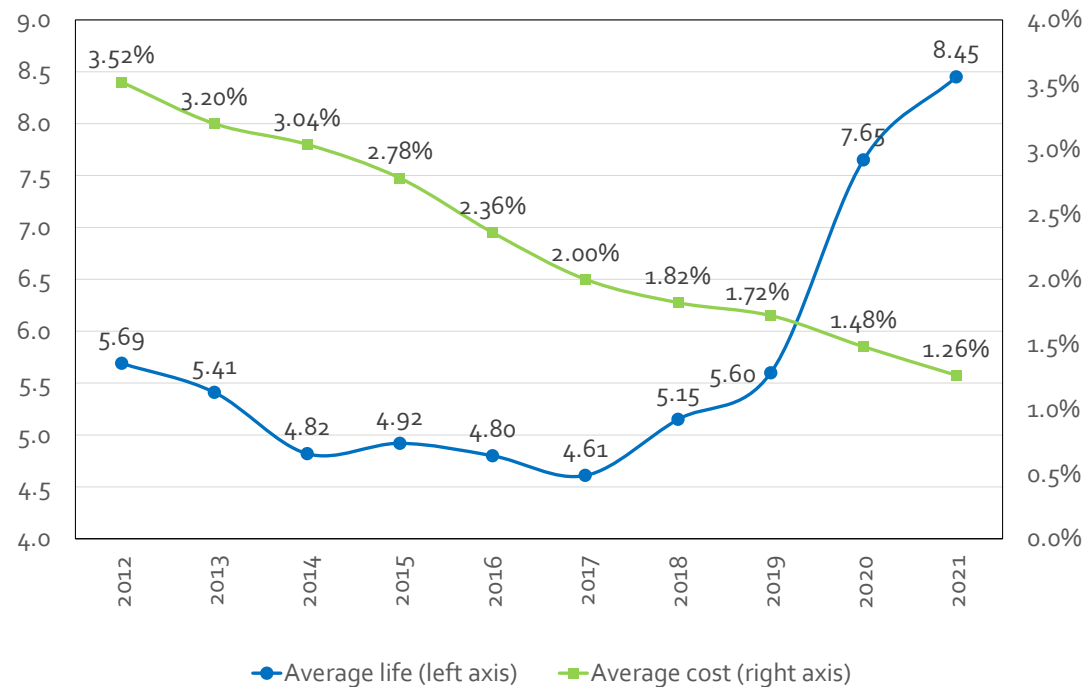


Source: Department of Economy and Finance.

# Average life and average cost

- In 2021, the cost of debt fell again, while its average life continued on its gentle upward path, currently over eight years.

## Average life and Average cost



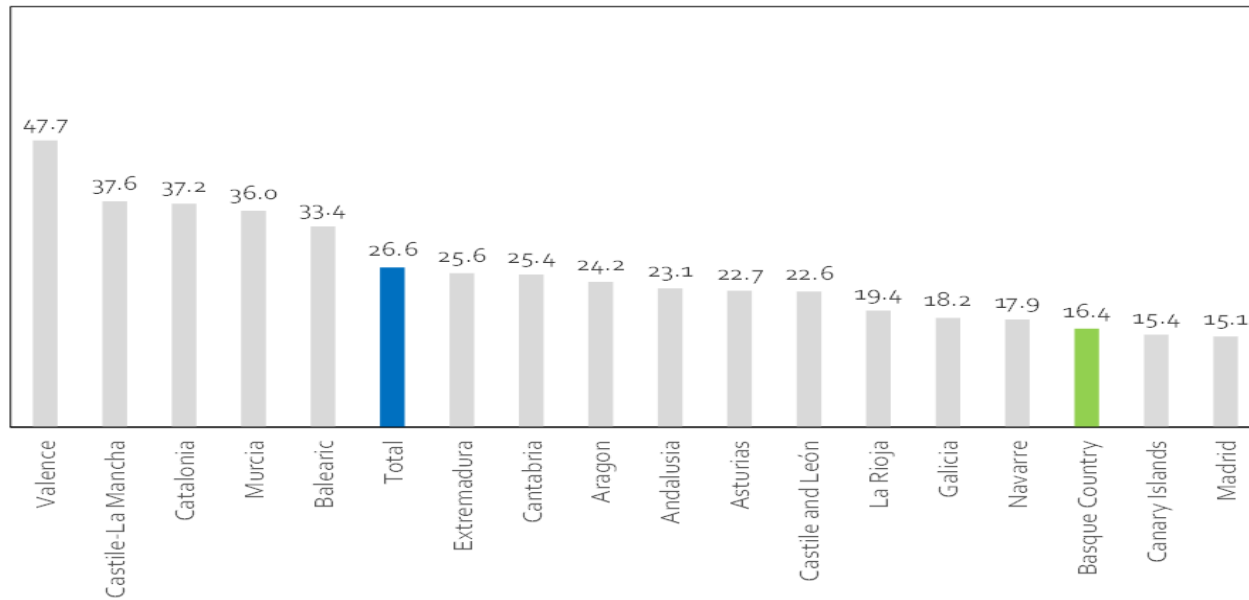
Source: Ministry of Economy and Finance.



# Debt in percentage of GDP according to excessive deficit protocol

- The debt, according to the excessive deficit protocol, is equivalent to 16.4% of Basque GDP. This figure is the third lowest among the autonomous communities and is more than 10 points below the average.

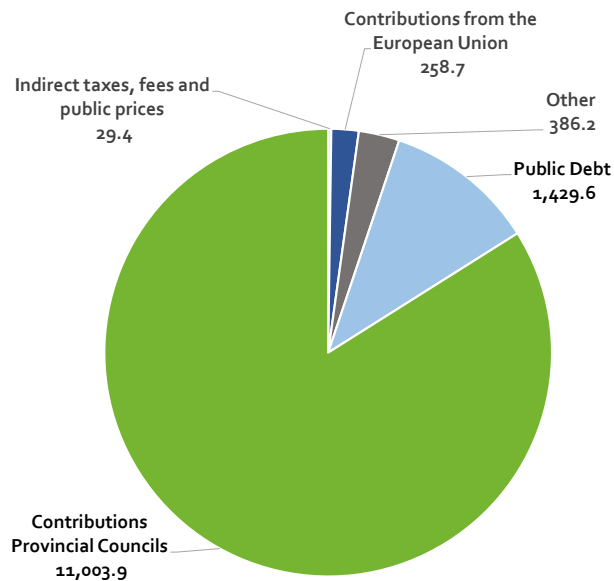
Debt as % of GDP. September 2021



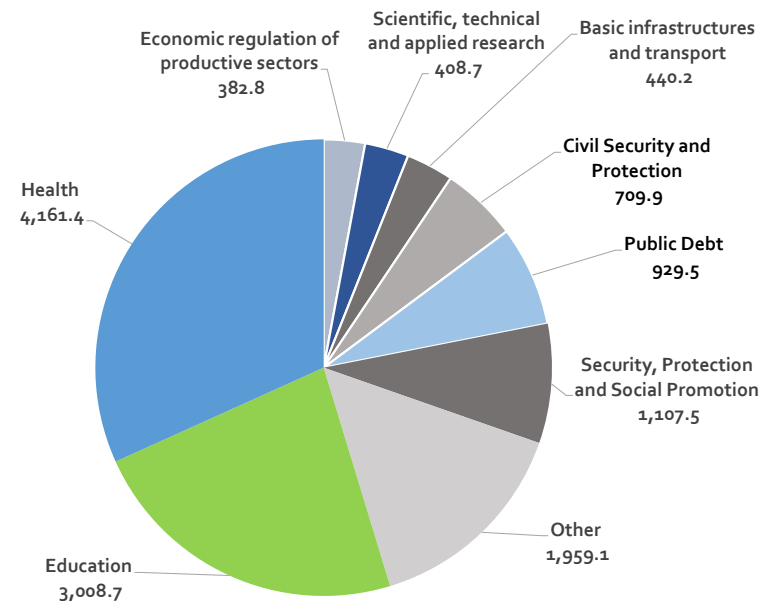
Source: Bank of Spain.

# Basque Government 2022 budget

Revenue (Mill. €) 13,107.8



Expenditure (Mill. €) 13,107.8



Source: Basque Government.

# Public debt in the Basque Country

- Issues in circulation on 31/12/2021

Issue data				
ISIN code	Date Issue	Issue volume	Coupon (%)	Maturity
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
ES0000106726	16/04/2021	1,000,000,000	0.450	30/04/2032
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	510,000,000	1.375	31/10/2070

Source: Ministry of Economy and Finance.

# Financial strategy

For the current year (2022), the evolution of economic activity and thus tax collection will continue demanding the financing of annual budget deficits, if needed, in addition to the corresponding maturities.

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

- Public sustainable bond issuance (maturities of 10-12 years)
- Privately placed bonds with social characteristics (maturities exceeding 30 years)
- 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.

The public sustainable issuance will be benchmark following the commitment of the Basque Country with the ESG investors of issuing at least once per year. The lower amount is explained by the lower necessities of the moment.

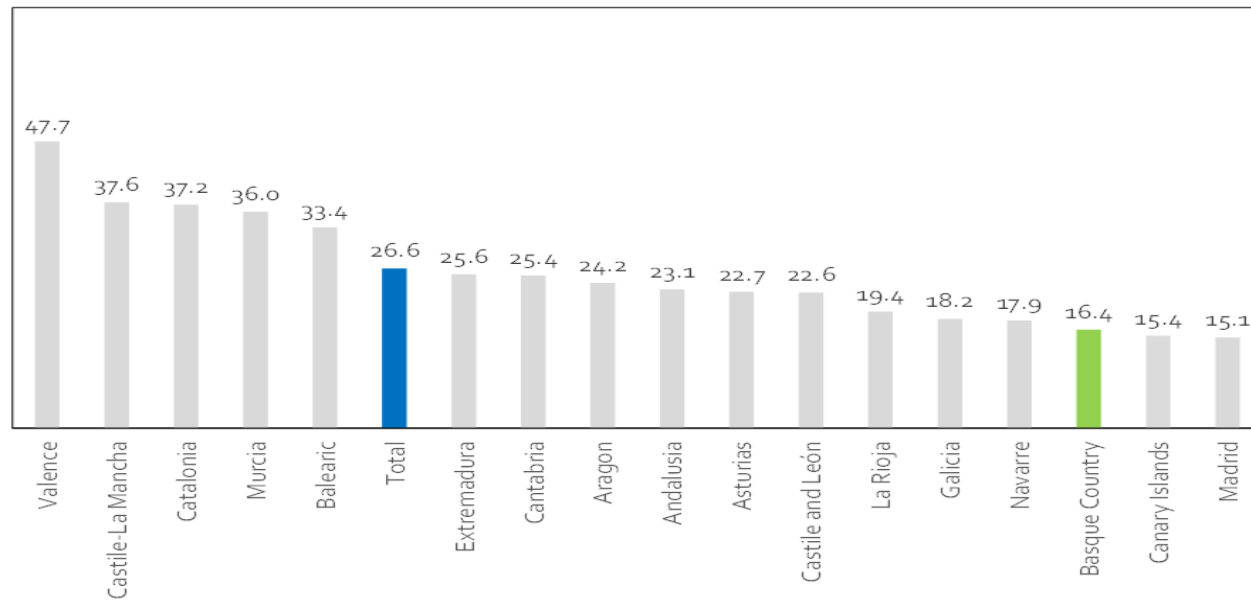
According to the low financing current necessities, this public sustainable issuance could probably suppose the unique bond issuance of the year for Basque.

- . 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.

# Debt in % of GDP according to excessive deficit protocol

- The debt, according to the excessive deficit protocol, is equivalent to 16.4% of Basque GDP. This figure is the third lowest among the autonomous communities and is more than 10 points below the average.

Debt as % of GDP. September 2021

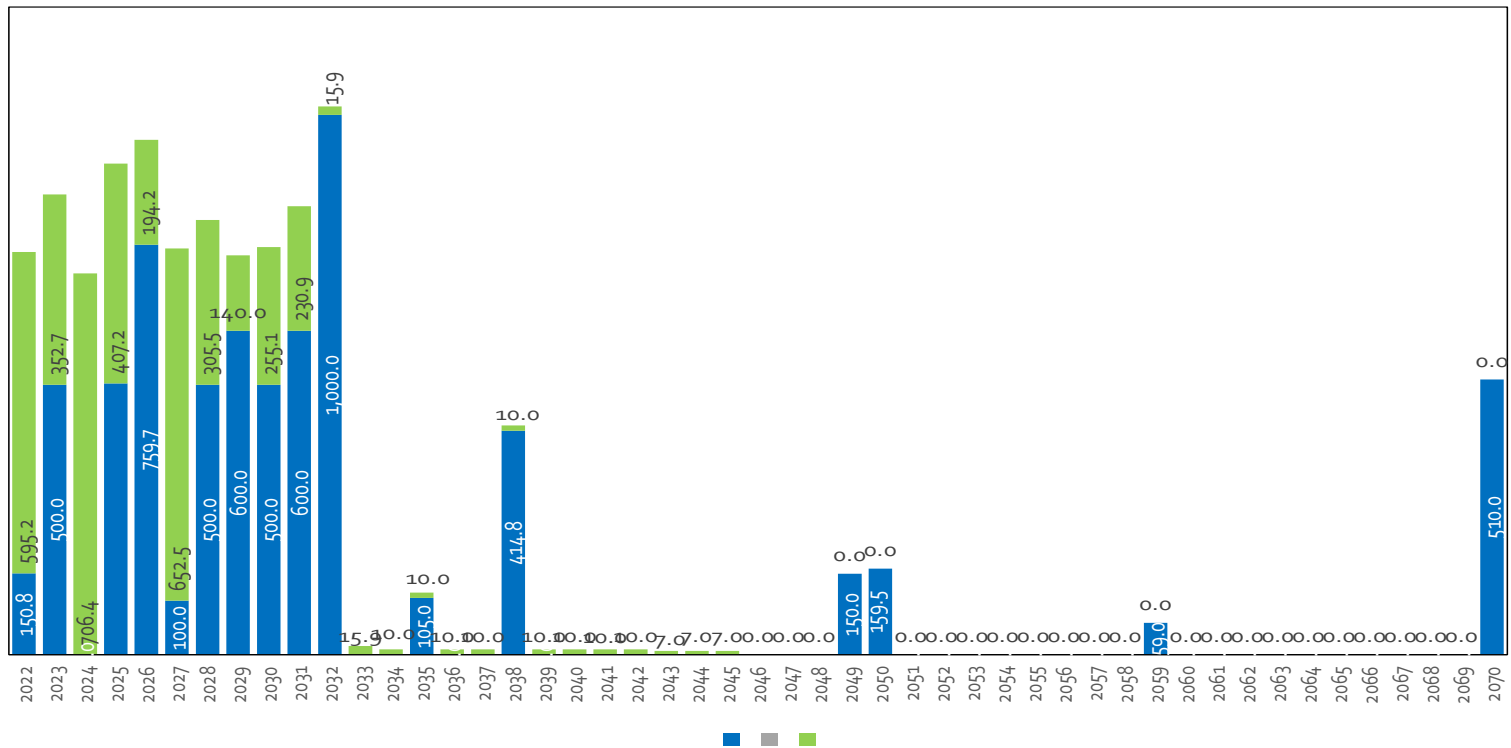


Source: Bank of Spain.

# Maturity profile as of 31/12/2021

- Debt amortization has an increasing profile for the next ten years, with a peak in 2026 and in 2032.

## Maturity profile as of 31/12/2021



Source: Department of Economy and Finance.

# 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)	Baa1 (stable outlook)
S&P	AA- (stable outlook)	A (stable outlook)
Fitch	A (stable outlook)	A- (stable outlook)

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

# Index

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1. Features of the Basque economy and macroeconomic outlook
2. Financing system, budget, deficit and debt
- 3. Sustainability mandate**



# 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 aligned 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 the Euskadi Basque Country Agenda 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.
- 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, providing visibility to the contribution of the Basque Country to the implementation of the 2030 Agenda and to achieve 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
<b>17</b>	<b>5</b>	<b>15</b>	<b>175</b>	<b>650</b>	<b>100</b>	<b>15</b>	<b>54</b>	<b>28</b>
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	

# 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 programs 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- sustainalytics

## 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 categories<sup>11</sup> 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

### Report Sections

Introduction.....	2
Sustainalytics' Opinion .....	3
Appendices.....	12

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<sup>11</sup> 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 support 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 job creation 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 report annually** 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 programs and the total of each eligibility category. The allocation reporting will be made available on the Basque Government's website .

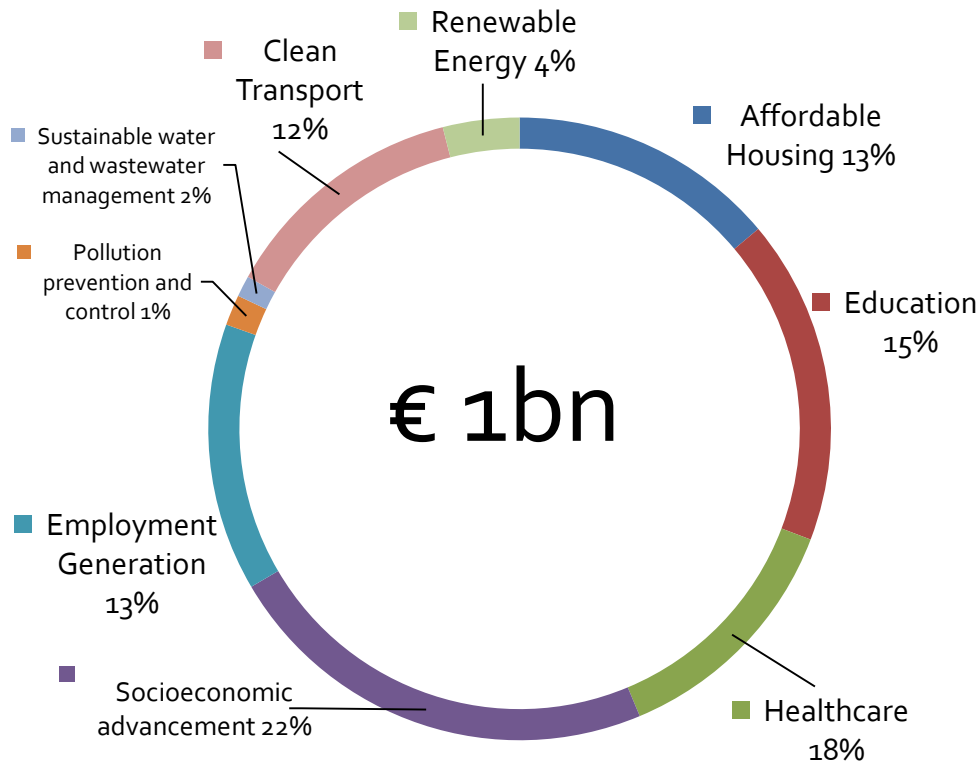
## Impact Reporting

- 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 CO<sub>2</sub>, 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

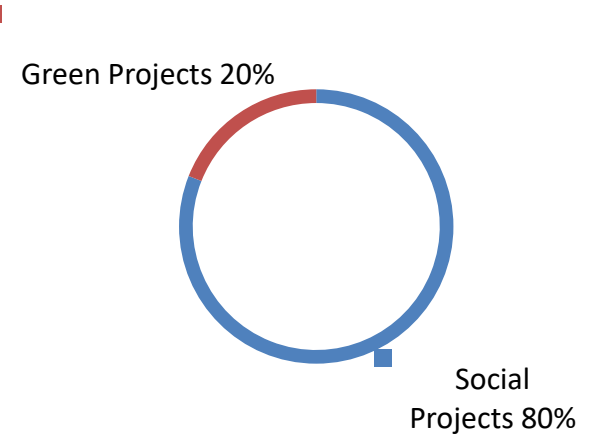


# Selected eligible assets for 2022 sustainability bond

## By Project



## By Project Category



# Eligible assets 2022: social projects (1)

<b>Affordable housing</b>	<b>130,000,000</b>
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	56,000,000
Financing of Bizigune program	34,000,000
Building of homes to rent	20,000,000
Aid to refurbish and/or renovate homes and buildings	12,000,000
Gaztelagun program	8,000,000
<b>Socio-economic advancement</b>	<b>215,000,000</b>
Financing of social emergency assistance programs	41,500,000
Financing of family support benefits	29,500,000
Financing of income security allowance	144,000,000
<b>Job creation</b>	<b>130,000,000</b>
Local employment support and development projects – county employment plans	24,500,000
Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	9,000,000
Financing of Lehen aukera program	4,000,000
Financing of programs to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	46,500,000
Financing of training programs – courses for young people, training for unemployed people	40,000,000
Financing SME and autonomous with liquidity	6,000



## Eligible assets 2022: social projects (2)

<b>Health</b>	<b>175,000,000</b>
Financing hospital pharmacy expenses	50,000,000
Financing non-hospital pharmacy expenses	50,000,000
Healthcare investments – expansion of existing hospitals, health centres, equipment	75,000,000
<b>Education</b>	<b>150,000,000</b>
Building and equipping nurseries and primary schools	20,000,000
Building and equipping secondary and vocational training schools	30,000,000
Financing of contract-program and investment University of the Basque Country	17,000,000
Non-university scholarships	57,000,000
University scholarships	26,000,000
<b>SUMMARY SOCIAL PROJECTS</b>	
<b>Affordable housing</b>	<b>130,000,000</b>
<b>Socio-economic advancement</b>	<b>215,000,000</b>
<b>Education</b>	<b>150,000,000</b>
<b>Job creation</b>	<b>130,000,000</b>
<b>Health</b>	<b>175,000,000</b>



# Eligible assets 2022: green projects

<b>Clean transport</b>	<b>115,000,000</b>
Eusko Tren investments	17,500,000
Financing railway operators	97,500,000
<b>SUMMARY GREEN PROJECTS</b>	<b>200,000,000</b>
Environmental protection	20,000,000
Hydraulic administration and planning	30,000,000
Rail transport management and infrastructure	115,000,000
Energy (EVE group without SHESA)	35,000,000



# Basque Government 2018 €500m inaugural 10yr sustainable bond

1.45% due April 2028

On 5<sup>th</sup> 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

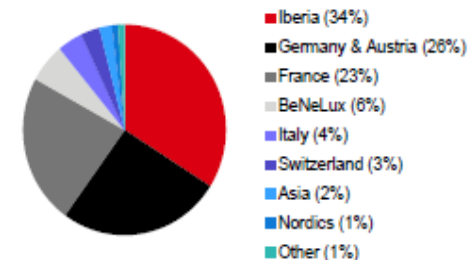
Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date:	5 <sup>th</sup> June 2018
Settlement:	15 <sup>th</sup> June 2018
Maturity:	30 <sup>th</sup> April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICMA
Reoffer spread:	SPGB 1.4% 04/2028 + 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 <sup>1</sup>
HSBC Role:	Joint Bookrunner

## Execution highlights

- On Tuesday, 5<sup>th</sup> 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 16<sup>th</sup> May 2018 to meet investors across Paris, Frankfurt, Dusseldorf, Madrid and Bilbao, allowing the issuer to present its Sustainable Framework<sup>1</sup> 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 4<sup>th</sup> 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%)

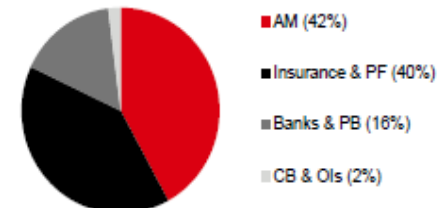
## Distribution by Geography

% of allocation



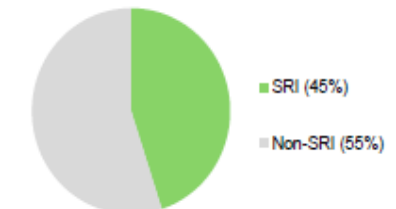
## Distribution by Investor Type

% of allocation



## Dedicated and committed SRI

% of allocation



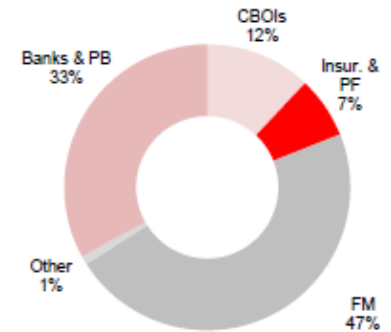
# Basque Government 2019 €600m 10yr sustainable bond



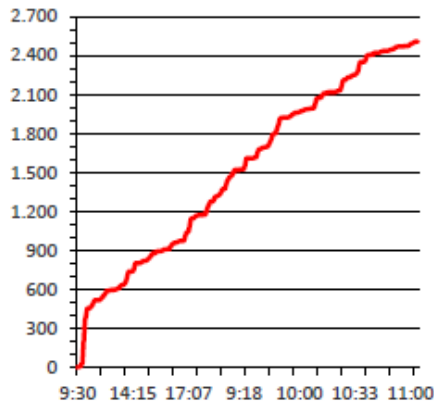
## Terms & Conditions

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)



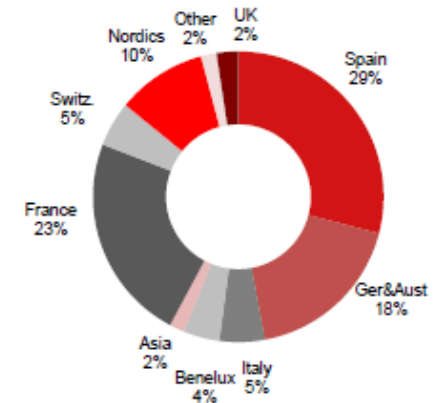
## Orderbook Analysis

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 5<sup>th</sup> April at 12:15 CET, and bids were taken on Monday 8<sup>th</sup> 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 9<sup>th</sup> 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 2020 €500m 10yr sustainable bond

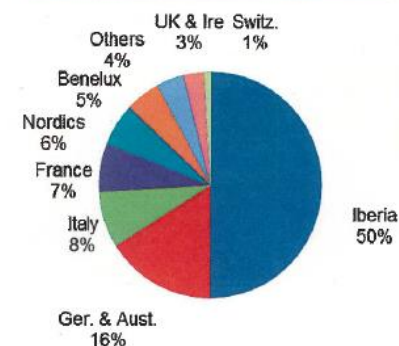


**Issuer:** Basque Government  
**Issue Ratings:** Moody's: A3 / Fitch: A-  
**Subordination:** Senior Unsecured – Sustainable Bond  
**Coupon:** 0.85%  
**Tenor:** 10 year  
**Maturity Date:** 30 April 2030  
**Size:** €500,000,000  
**Re-offer spread:** SPGB 04/30 + 25bps  
**Re-offer yield:** 0.876%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

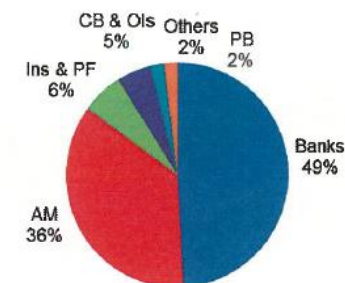
## Transaction Overview

- 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 26<sup>th</sup>, 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 2020 €600m 10yr second sustainable bond

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

Basque Government opted for a 2-days execution strategy announcing IPTs on Monday 10<sup>th</sup> of November while marketing efforts were focused on investor calls carried out on November 9<sup>th</sup> 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

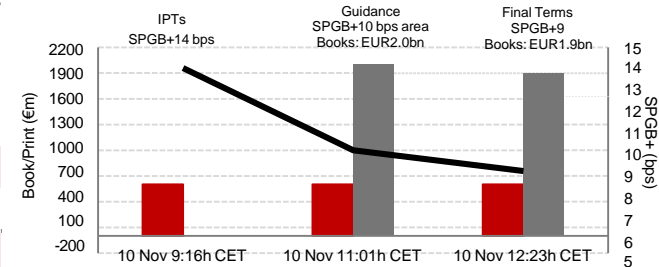
<b>Transaction rationale and milestones</b>	<ul style="list-style-type: none"> <li>• Second Sustainable benchmark transaction from The Basque Country in 2020</li> <li>• Fourth sustainable bond issued by Basque Government</li> <li>• Lowest differential ever achieved vs SPGB by an Autonomous Community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

## Summary Terms & Conditions

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

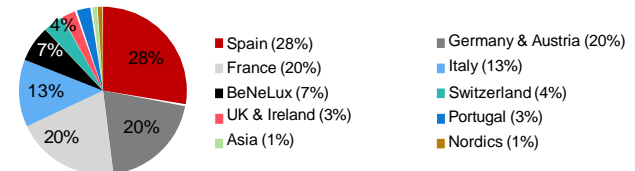
## Transaction Timeline

10<sup>th</sup> November 2020

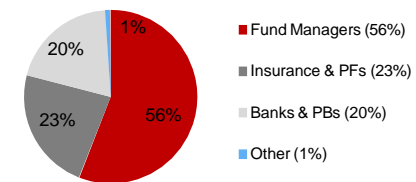


## Allocations Distribution

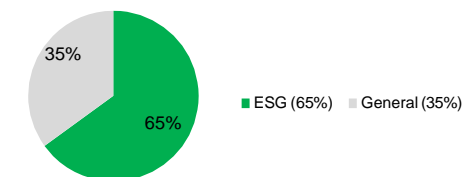
Geography Distribution (% Allocation)



Investor Type Distribution (% Allocation)



Sustainable Distribution (% Allocation)





# Basque Government 2021 €1bn 11yr sustainable Bond

On April 7th, HSBC acted as Joint Bookrunner for the Basque Government 11yr sustainable bond transaction in a highly successful comeback just after a short 4-month hiatus.

The transaction represents the largest public benchmark ever printed by Basque Government and the longest public benchmark deal by any Spanish Region since 2015.

The issuer announced the deal on Tuesday 6th of April in order to capture all investors' attention amid a series of frantic new deal announcements from Sovereign and Agencies issuers and to introduce the enhancement made to their Sustainable framework.

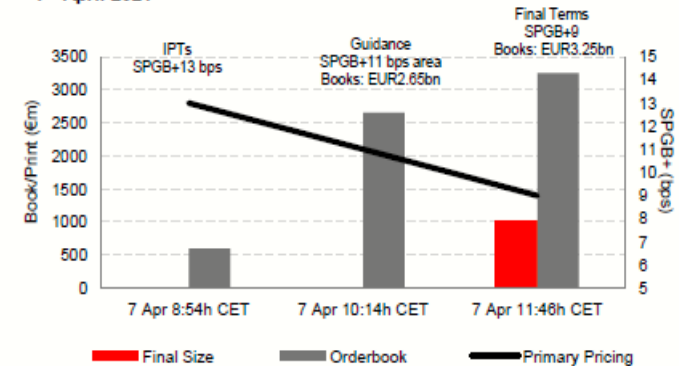
The strategy ensured a strong response from investors, with €2.65bn orders being collected within just one-hour of bookbuilding.

The loyal international sponsorship was once again reflected with 71% of the allocations, as well as the impressive 63% of the allocation taken by ESG investors showcasing the prestige of BonosSosteniblesEuskadi.

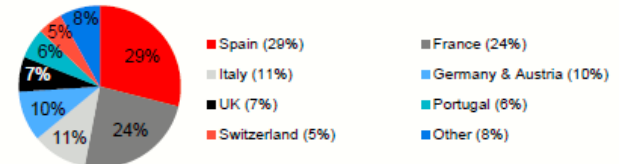
Transaction rationale and milestones	<ul style="list-style-type: none"> <li>Largest public issuance ever printed by Basque Country</li> <li>Longest benchmark transaction launched by Basque Country</li> <li>First debt capital markets foray in 2021</li> <li>Over 70% allocated to international investors and 63% to ESG accounts</li> </ul>		
Announce Date	7 <sup>th</sup> April 2021		
Pricing Date	8 <sup>th</sup> April 2021		
Pricing (MS+)	IPTs SPGB+13	Guidance SPGB+11 bps area	Final Terms SPGB+9 bps
Orderbook	~EUR 600m	EUR2.65bn	EUR3.25bn
Final Orderbook	EUR 3.1bn & >110 accounts		

Issuer	Basque Government
Issuer Rating	A3/AA-/A- (Moody's / S&P / Fitch)
Description	Sustainable bond
Size	EUR 1.0bn
Pricing Date	7 <sup>th</sup> April 2021
Settlement Date	16 <sup>th</sup> April 2021
Maturity Date	30 <sup>th</sup> April 2032
Coupon / Yield	0.45% / 0.518%
Re-offer Spread	SPGB+9bps
Listing	Bilbao Stock Exchange
Law	Spanish
HSBC's Role	Joint Bookrunner

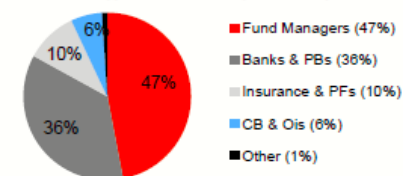
## 7<sup>th</sup> April 2021



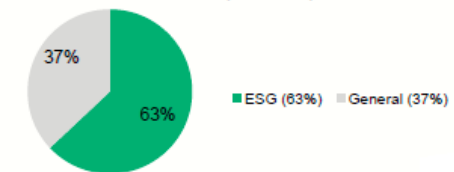
## Geography Distribution (% Allocation)



## Investor Type Distribution (% Allocation)



## Sustainable Distribution (% Allocation)



# Contents

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# Thank you for your attention

**EUSKO JAURLARITZA**



**GOBIERNO VASCO**

EKONOMIA ETA OGASUN  
SAILA

DEPARTAMENTO DE ECONOMÍA  
Y HACIENDA