

BASQUE GOVERNMENT

Sustainable Bond 2020

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MINISTRY OF FINANCE AND ECONOMY

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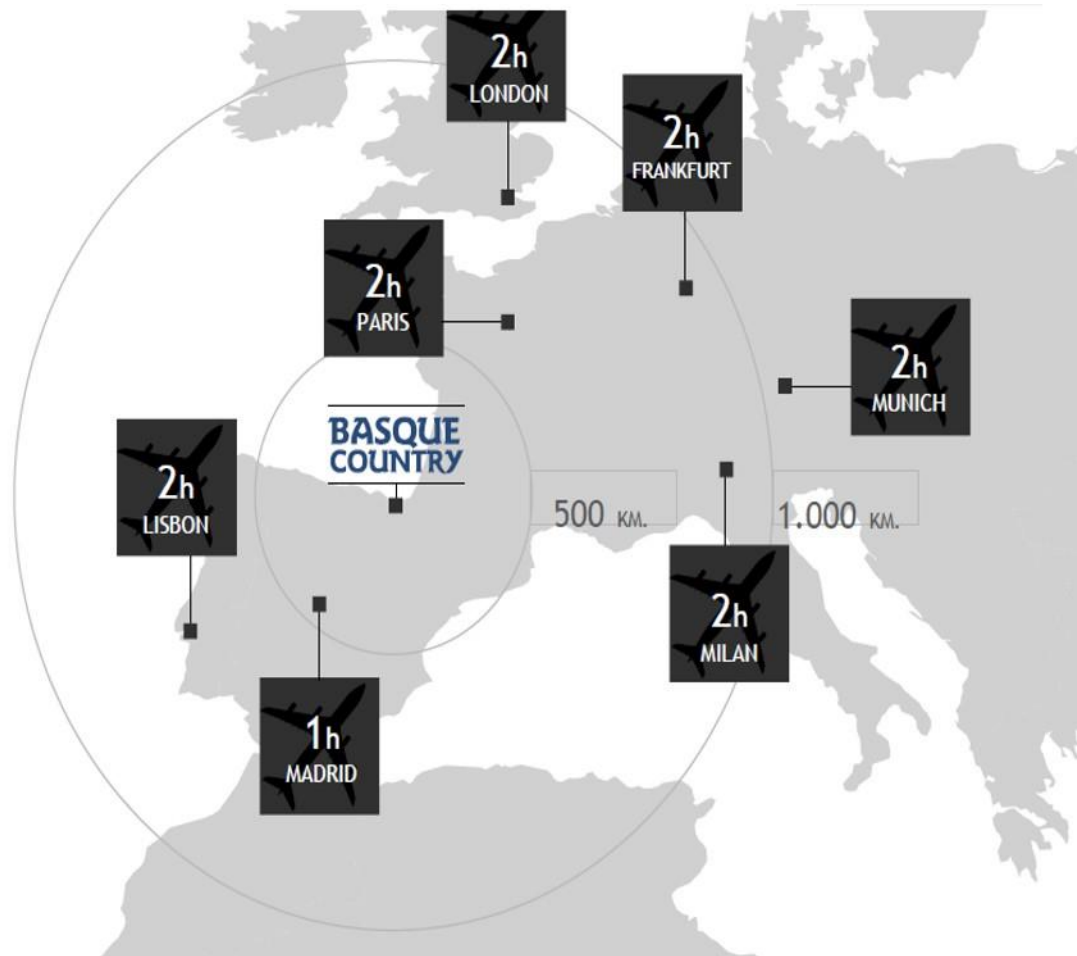


Surface area, Population and Market Access.

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

Population **2,173,210**

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

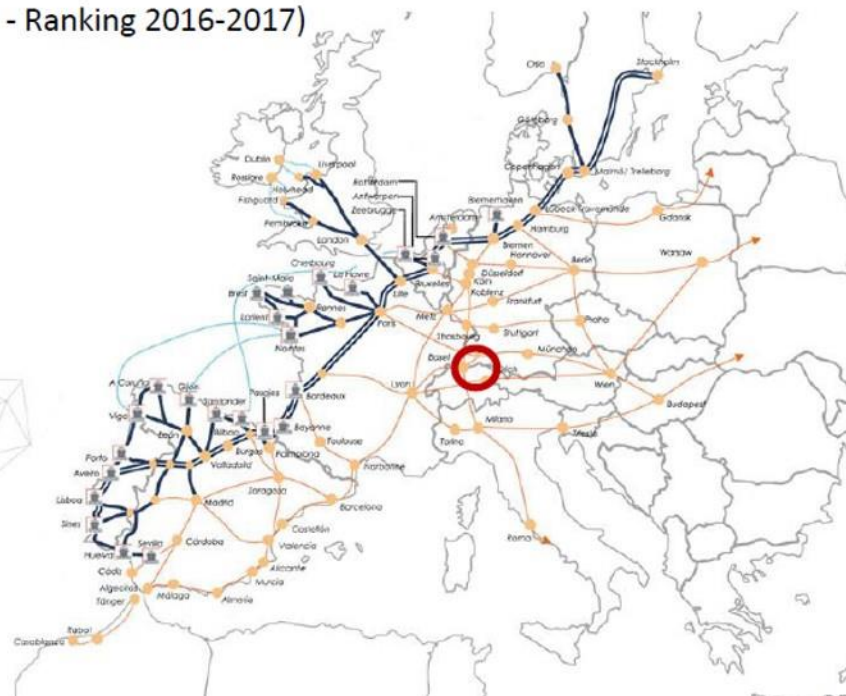


A Well-Connected Country

“Best European Medium-Sized Region in Connectivity”

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

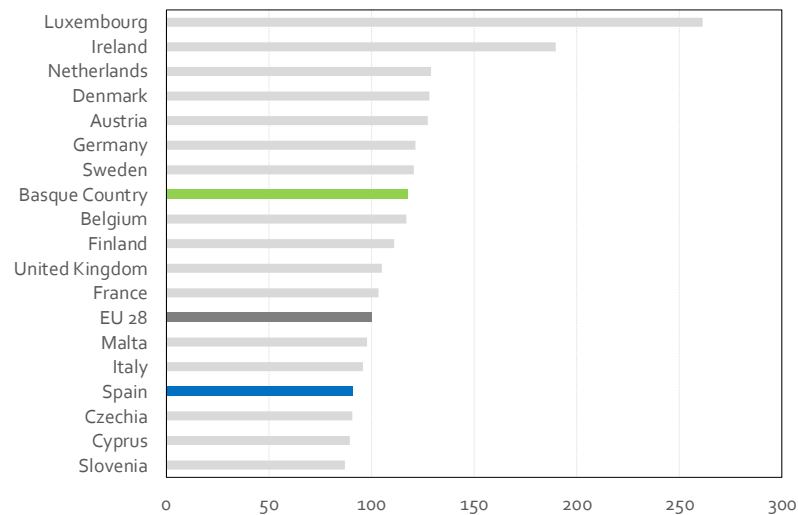
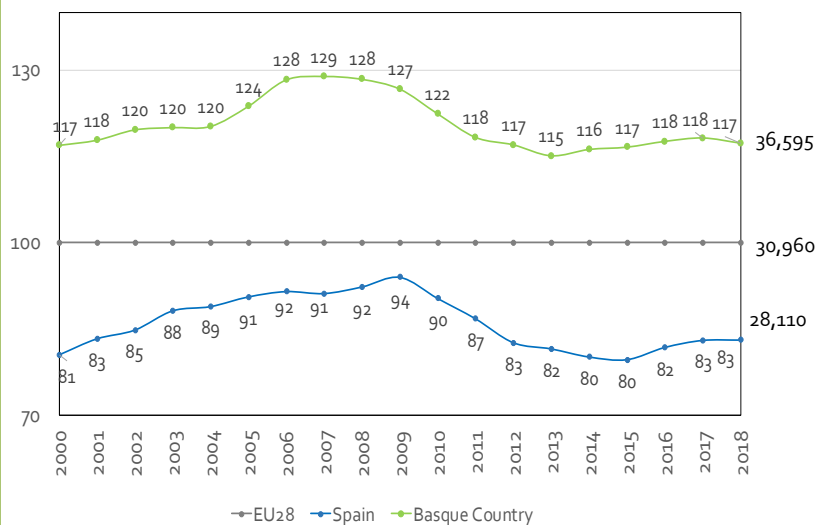
- ✓ Logistics
- ✓ International Airports
- ✓ Railway connections
- ✓ Motorways



A dynamic economy that stands out in Europe.

- In general, the Basque GDP per inhabitant, measured in PPP, is 20% higher than that of the European average and 30 points higher than the Spanish average.
- The Basque Country is ranked among the most advanced OECD economies.

GDP per capita in PPP in 2018 (EU28=100)



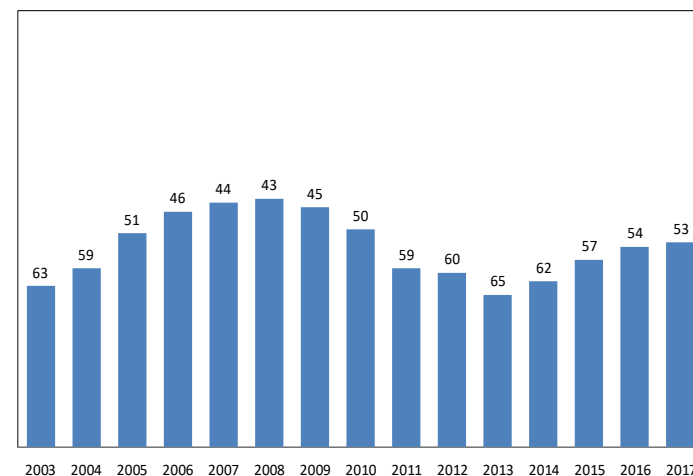
Source: Own preparation with Eurostat data.

Recovering positions in the European ranking

- In the ranking of 281 European regions (NUT II), the Basque Country was ranked 53rd in 2017.
- Before the crisis, we had reached the 43rd position, subsequently dropping to the 65th position. In recent years, we have risen several positions, an improvement which continued in 2018.

Ranking of European regions (GDP in PPP)

2000		2008		2017	
1	Inner London-West	1	Inner London-West	1	Inner London-West
2	Luxemburg	2	Luxemburg	2	Luxemburg
3	Hamburg	3	Brussels	3	Southern
4	Inner Londo-East	4	Hamburg	4	Hamburg
5	Vienna	5	Groninger	5	Brussels
6	Stockholm	6	Praga	6	Eastern & Midland
↓	↓	↓	↓	↓	↓
60	Basque Country	43	Basque Country	53	Basque Country
↓	↓	↓	↓	↓	↓
266	Mayotte (FR)	276	Mayotte (FR)	281	Severozapaden



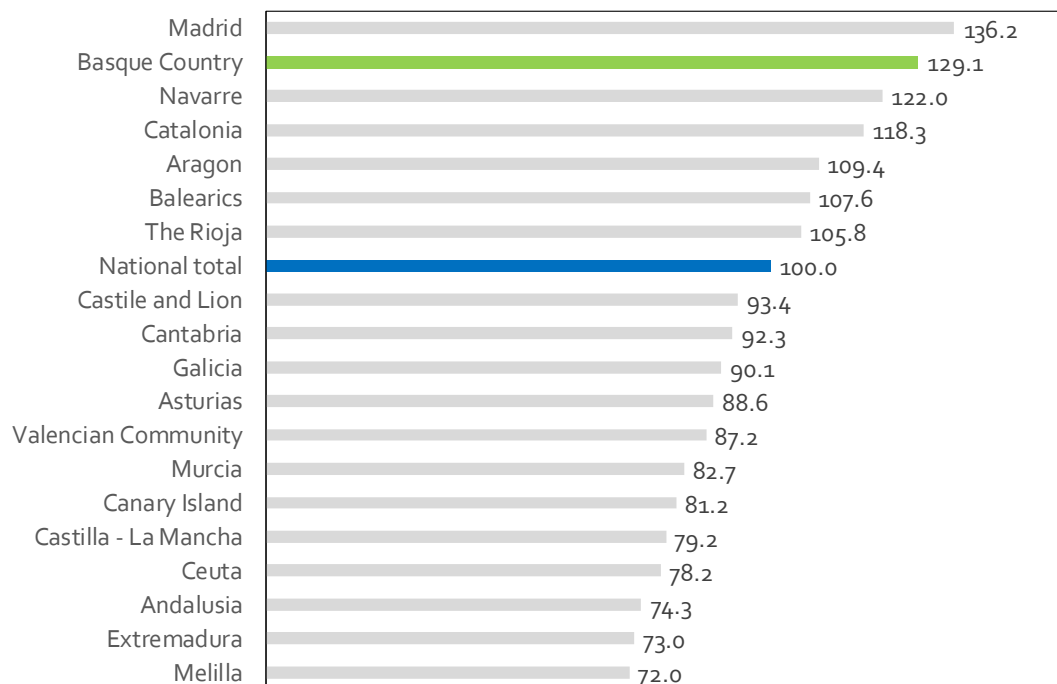
Source: Eurostat. SEC-2010.



The Basque Country is the second most advanced autonomous community

- The data for 2018, the latest published by the INE, clearly shows that we stand in the second position as far as GDP per capita is concerned, behind Madrid.
- European state capitals usually have a number of advantages over the rest.

GDP per capita in 2018

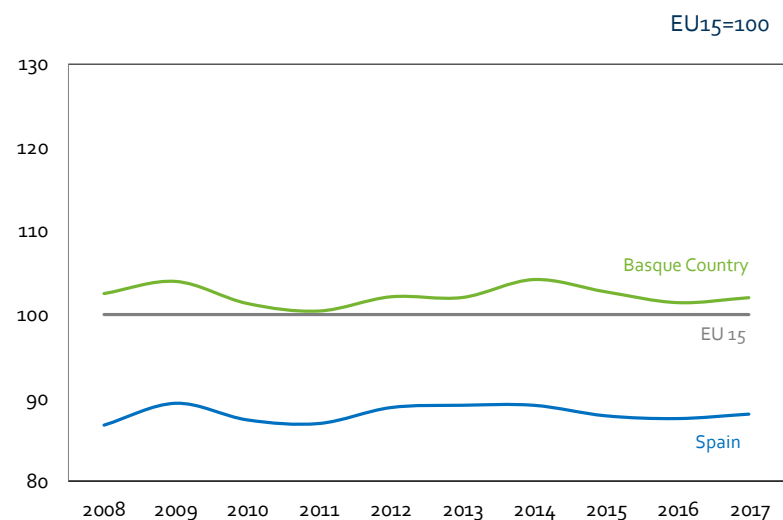
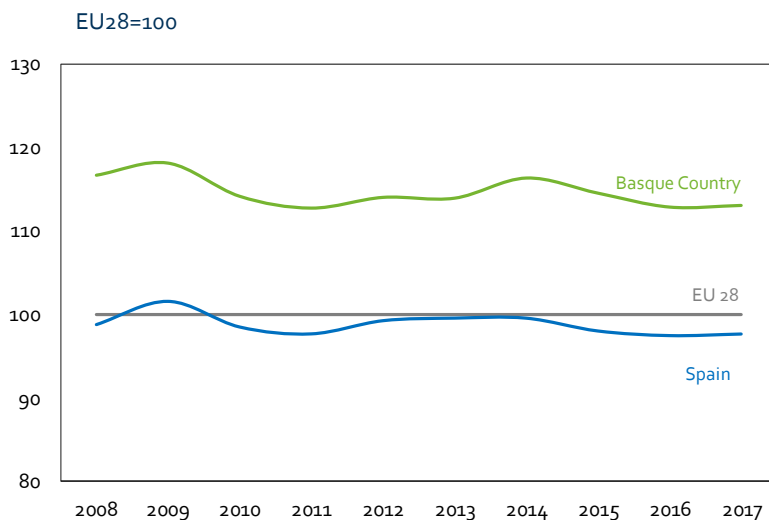


Source: INE. Regional Accounting December 2019.

The Key to Competitiveness: High Productivity

- Productivity per hour worked in Basque Country, also measured in PPP, is significantly higher than the Spanish and European average. If the comparison is made with the most cutting edge European States (EU-15), a slight loss can be appreciated due to the crisis and the subsequent recovery. We stand slightly above the average of the most advanced European countries.
- The greater importance of industry in our production structure partly explains this increased productivity as industry is precisely the most productive sector.

Productivity per hour worked



Source: Eurostat and INE.



High productivity beyond industry

- Greater productivity is not exclusive to industry but can also be appreciated in other sectors: construction, the primary sector, financial activities, real estate activities, etc.
- By contrast, Basque productivity is poorer in information and communications, professional activities and artistic activities.

Productivity per hour worked

	Euros			PPP		
	2000	2008	2017	2000	2008	2017
Total	95.5	107.2	102.7	113.1	116.7	113.1
Primary	203.1	179.5	189.4	240.6	195.4	208.5
Industry	96.6	117.1	112.4	114.5	127.5	123.8
Manufacturing	98.1	119.9	111.8	116.1	130.6	123.1
Construction	123.5	152.7	154.8	146.3	166.2	170.5
Commerce and hotel and catering	96.3	106.4	104.0	114.0	115.9	114.5
Information and communications	96.3	94.9	84.4	114.1	103.4	92.9
Financial activities	119.4	151.8	126.5	141.4	165.3	139.3
Real Estate activities	66.8	118.7	174.4	79.1	129.2	192.1
Professional activities	72.0	76.7	80.9	85.2	83.5	89.0
Public Administration	113.6	112.4	101.5	134.5	122.4	111.7
Artistic activities	75.5	85.4	78.4	89.5	93.0	86.4

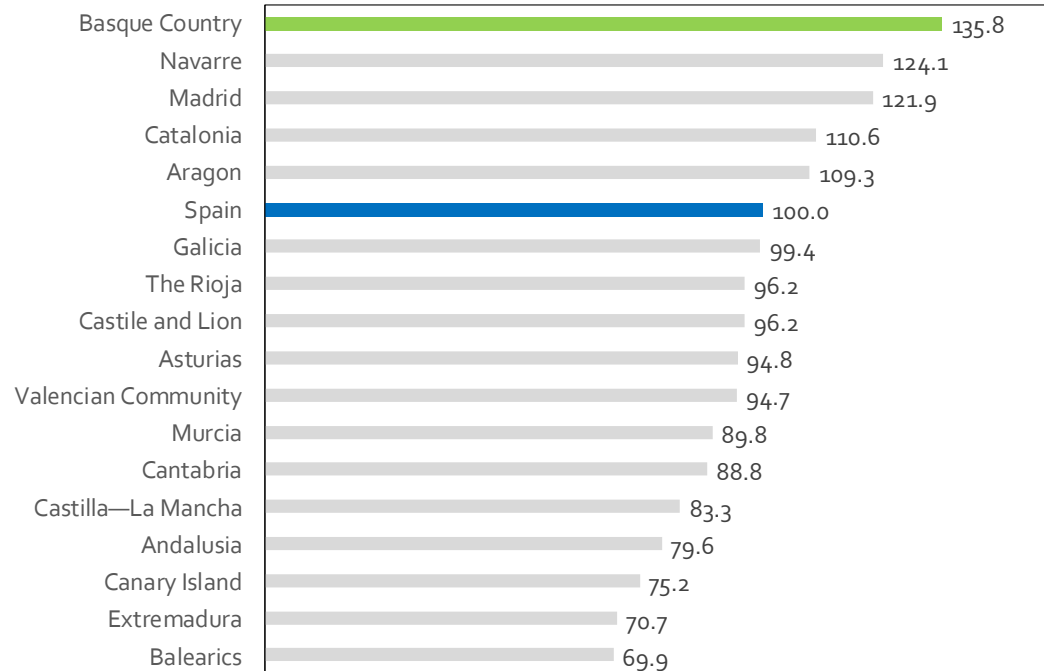
Source: Prepared by the Office of Economy and Planning with Eurostat data.



High Competitiveness: Ceprede Regional Indicator

- This is made up of 18 partial indicators classified into 5 large groups: 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 2019.

Regional competitiveness indicator in Spain

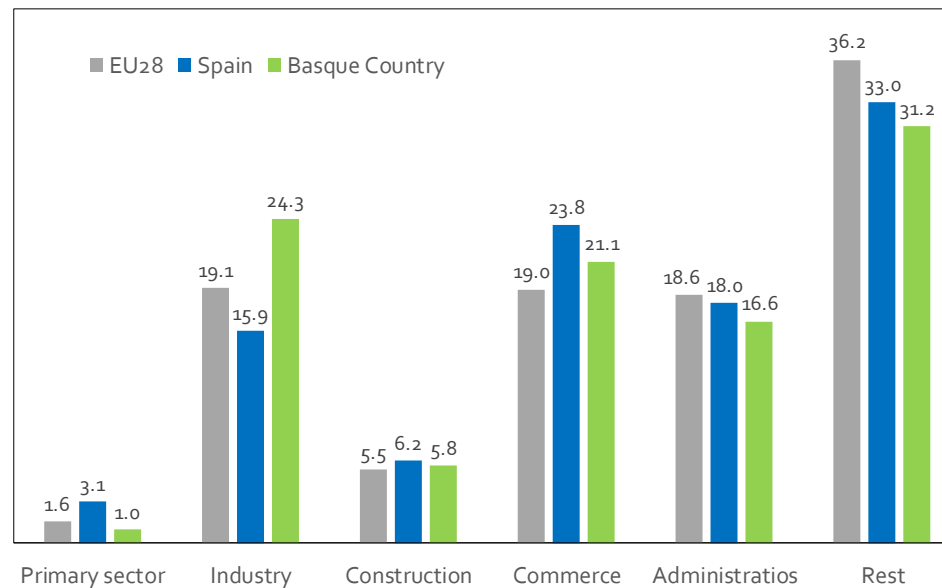


Source: CEPREDE. ISCRE 2019.

Significant importance in the industrial sector

- The Basque Country has, in proportion, more industry than Spain and the European Union.
- By contrast, we have fewer services. Among these, we can highlight the fact that the public administration (including public and private education, health and social services) has a relatively low percentage.
- The construction adjustment is surprising, reaching 10.3% of added value during the property bubble (2007) and now standing almost at the European level.

Sectoral structure over GVA. 2018



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 2018

- Given the criticism received by the GDP per capita for being a flawed measure of welfare, other indicators are being compiled. One of these is the United Nations Human Development Index.
- Said Index also takes into account the GDP, life expectancy, years of schooling and literacy rate.
- The indicator ranks the Basque Country among the top 15 countries in the world.

Very high human development index

Position		%	Position		%
1	Norway	0.954	11	Denmark	0.930
2	Switzerland	0.946	12	Basque Country	0.926
3	Ireland	0.942	13	Finland	0.925
4	Germany	0.939	14	Canada	0.922
5	Hong Kong, China (RAE)	0.939	15	New Zealand	0.921
6	Australia	0.938	16	United Kingdom	0.920
7	Iceland	0.938	17	U.S	0.920
8	Sweden	0.937	18	Belgium	0.919
9	Singapore	0.935	19	Liechtenstein	0.917
10	Netherlands	0.933	20	Japan	0.915

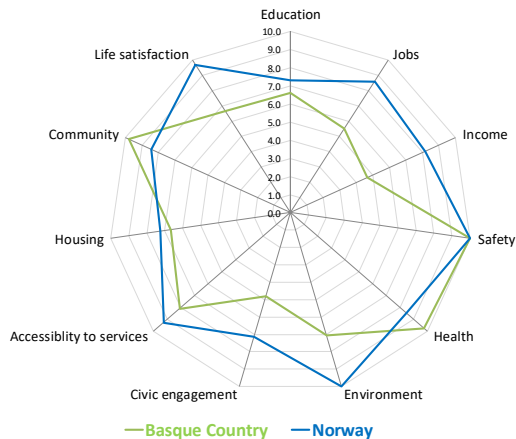
Source: Eustat Social indicators HDI, with data from the 2019 Human Development Report published by the United Nations Development Programme (UNDP). The data for Basque Country is provisional.



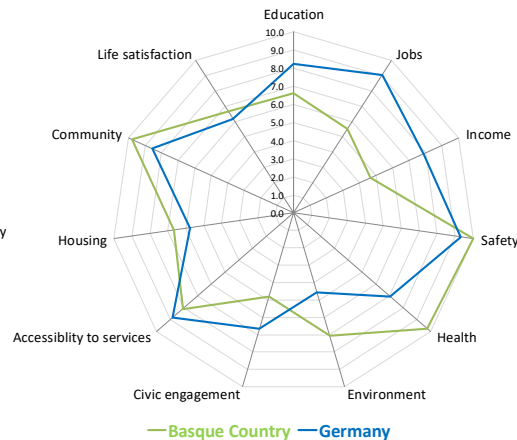
Beyond the GDP: Regional Welfare Index

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

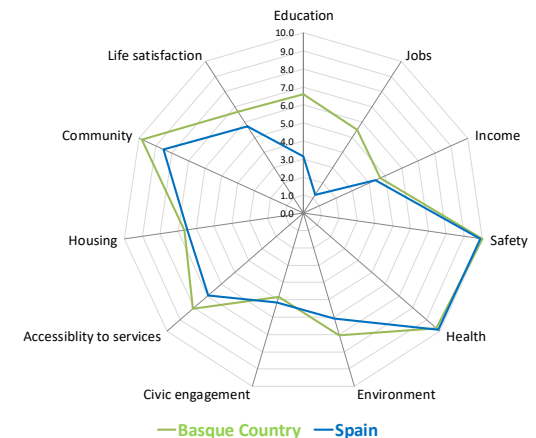
Basque Country-Norway



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 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

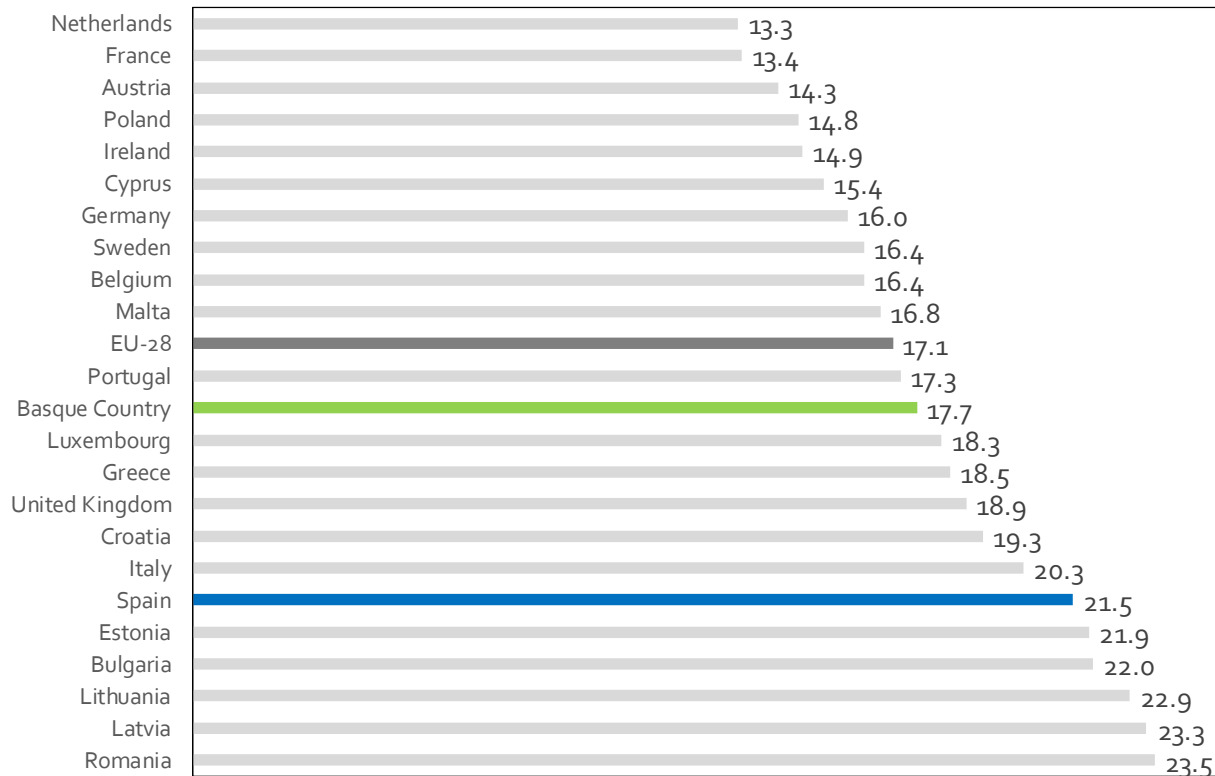
Source: European Commission. Report February 2016.



Beyond the GDP: Risk of Poverty after Welfare

- The Basque Country stands in a medium position with respect to the risk of poverty after receiving welfare.

Risk of poverty after receiving welfare. 2018



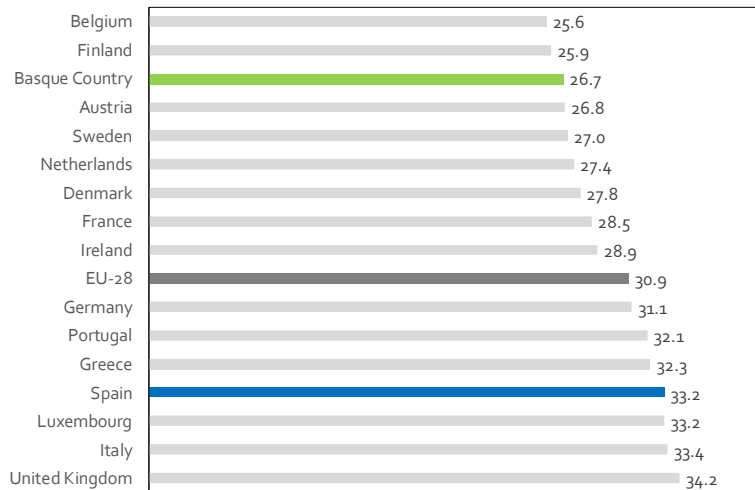
Europe Strategy 2020.

Source : Eurostat and EPDS 2018.

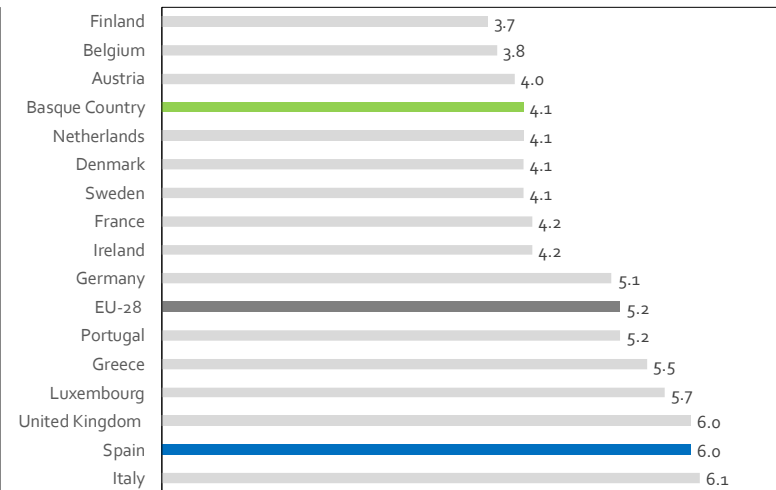
Beyond the GDP: Inequality Indicators. 2016

- The most recent information available places the Basque Country among the most egalitarian regions in Europe, coming immediately behind Belgium and Finland (Gini Index) and behind the same two countries, Belgium and the Netherlands (Index S80/S20).
- The position of Spain at the opposite end of the ranking can also be appreciated here.

Gini Index



S80/S20

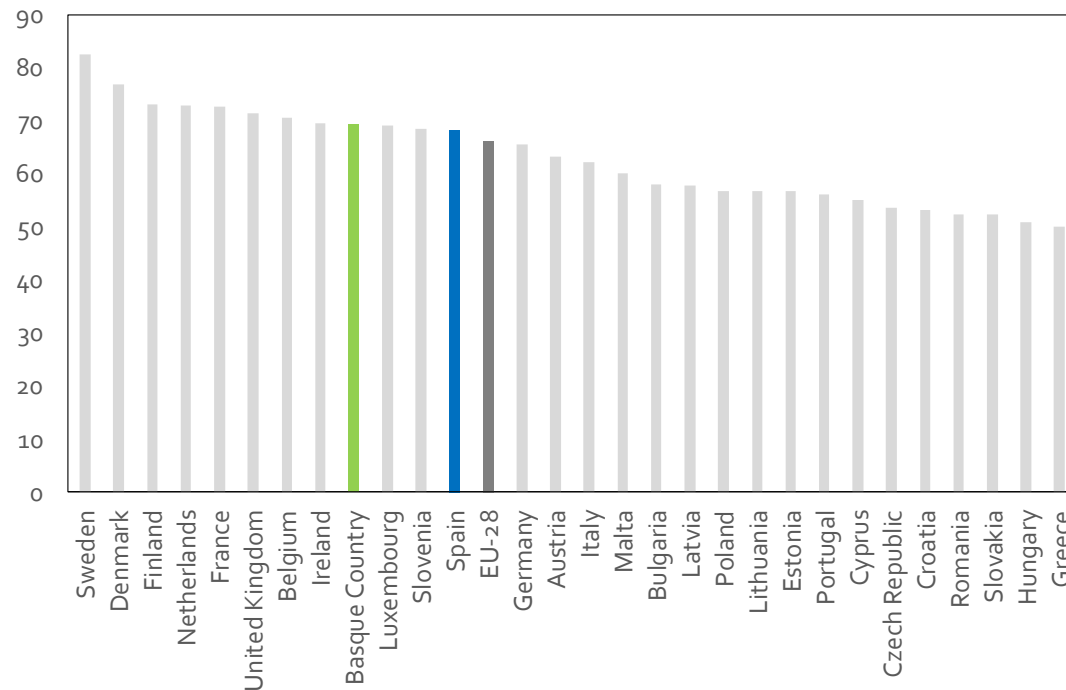


Source: Eurostat-SILC and EPDS 2018.

Beyond the GDP: Gender equality index. 2015

- Ranks among the top European Countries

Gender equality index

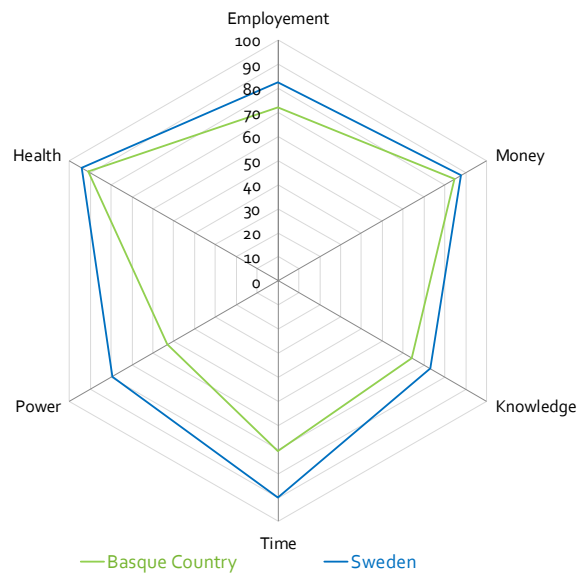


Source: Eustat Basque Statistical Office.

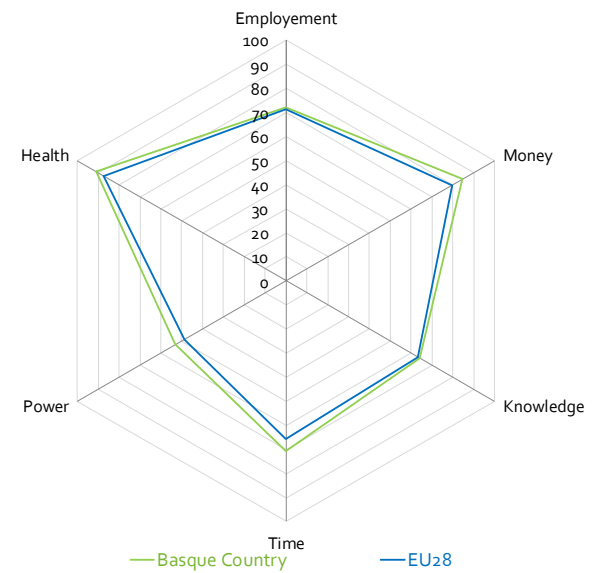
Beyond the GDP: Gender equality by dimensions. 2015

- Above the European average, while Power, Time and Knowledge are the main weaknesses compared to the leader, Sweden.

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, primary energy consumption and the two education indicators.

SUBJECT	Indicator	Basque Country	Spain	EU 28
OCCUPATION	Occupation rate (20-64 years) (%) Total	71.8	67.0	73.2
	Women	67.4	61.0	67.4
	Men	76.2	73.1	79.0
R+D (*)	Gross domestic product in R+D (% GDP)	1.85	1.2	2.06
CLIMATE AND ENERGY (*)	Greenhouse gas emissions, base year 1990=100	96.3	121.8	78.3
	Quota of renewable energies in final gross energy consumption (%)	13.3	17.5	17.5
	Primary energy consumption, base year 2005=100	83.7	92.0	90.8
	Final energy consumption, base year 2005=100	95.9	86.0	94.1
EDUCATION	Early school leaving rate (18-24 years) (%) Total	8.8	17.9	10.6
	Women	7.5	14.0	8.9
	Men	10.0	21.7	12.2
	Level of higher education (30-34 years) (%) Total	49.8	42.4	40.7
	Women	56.4	48.6	45.8
	Men	42.4	36.1	35.7
POVERTY	Population at risk of poverty or exclusion (union of the following 3) (%)	20.7	26.1	21.7
	Population who live in homes with very low work intensity (%)	9.1	10.7	9.0
	Population at risk of poverty after social transfers (%)	17.7	21.5	16.9
	Population in a situation of grave material deprivation (%)	5.6	5.4	5.8

(*)2017 data

Source: EUSTAT. Structural indicators. Europe 2020



Competitiveness: Human Capital. 2018

- 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 stands at 55%, 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	71.5	11	Eastern and Midlan	51.7
2	Inner London - East	62.6	12	Hovedstaden	51.5
3	Brabant Walloon	58.4	13	Utrecht	51.2
4	Warszawski Stoleczny	27.4	14	Surrey, East and West Susexx	50.4
5	Outer London - West and Northwest	55.9	15	Basque Country	49.6
6	Berkshire, Buckinghamshire	53.0	16	Ile de France	49.4
7	Outer London - South	52.7	17	Vlaams-Brabant	48.7
8	Eastern Scotland	52.3	18	North Yorkshire	47.7
9	Helsinki	52.0	19	Brussels Capital	47.5
10	Stockholm	52.0	20	Madrid	47.2

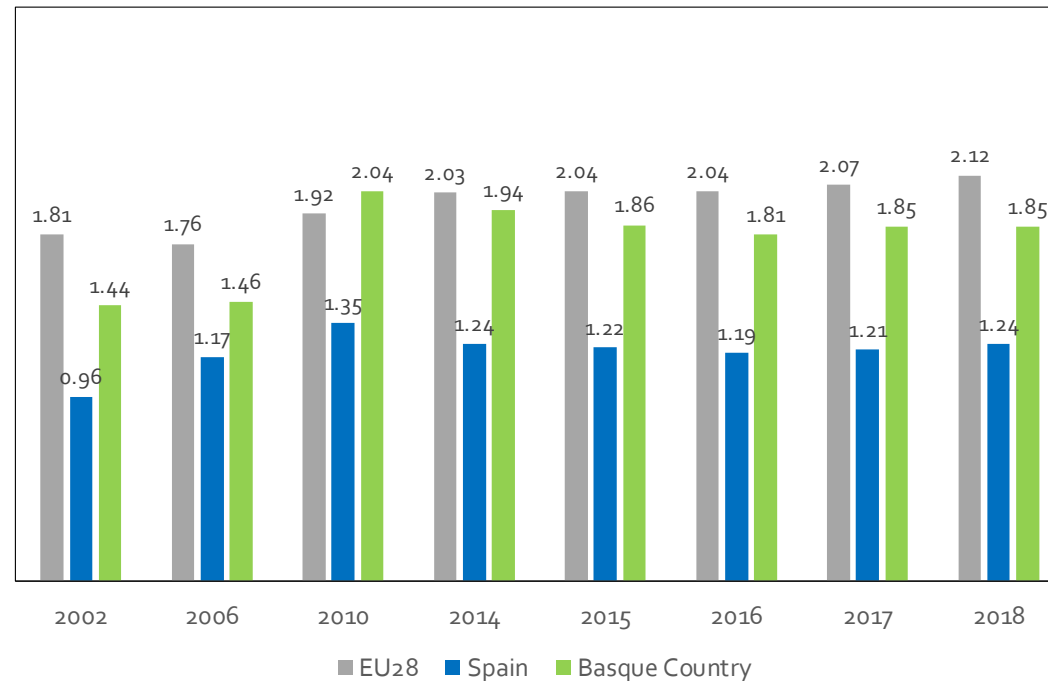
Source: Eurostat.



Competitiveness: R&D Expenditure. 2018

- R&D expenditure has not experienced a particularly positive evolution in recent years. In 2010, it exceeded the European average, but since then it has stagnated and is now two decimal points behind Europe.
- Spain is therefore a long way off the European average, as is the result for the 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%), headed by Finland and Sweden.
- It has improved the previous figure by two hundredths of a decimal.
- 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 in 2019

Position	Country	%	Position	Country	%
1	Sweden	0.71	11	France	0.54
2	Finland	0.70	12	EU-28	0.52
3	Denmark	0.68	13	Estonia	0.50
4	Netherlands	0.65	14	Basque Country	0.50
5	Luxembourg	0.62	15	Portugal	0.47
6	United Kingdom	0.62	16	Czech Republic	0.43
7	Germany	0.61	17	Slovenia	0.42
8	Belgium	0.61	18	Cyprus	0.42
9	Austria	0.60	19	Italy	0.41
10	Ireland	0.57	20	Spain	0.41

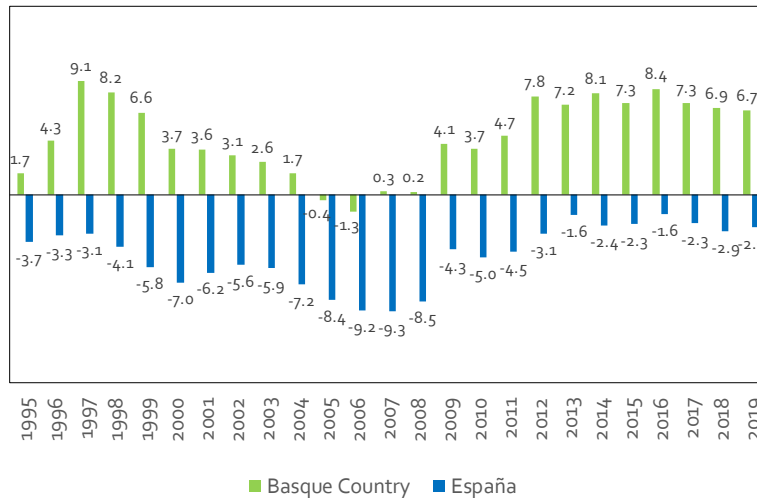
Source: Eustat. Innovation Indicators Panel (EIS 2019).

An economy that looks towards the exterior

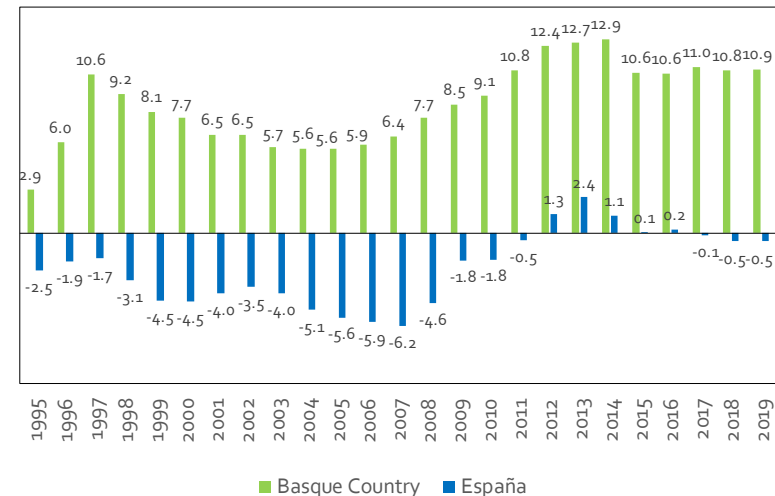
- The Basque economy exported in 2019 products with a value close to 25.4 billion euros, 0.4% below the 2018 record. This contraction was due to the lower sale of energy products.
- In fact, non-energy exports registered a new record of over 23.3 billion euros.
- The GDP percentage remains very high, compared with the national deficit.

Foreign Trade: Trade Balance / GDP

Total Balance



Non-energy Balance



Source: Eustat and Ministry of Industry, Trade and Tourism

Proximity to foreign markets

- European countries concentrate almost two thirds of their exports abroad. Furthermore, the Euro-Zone buys more than half of the total.
- France and Germany are the next main destinations for Basque exports.

Destination of Basque exports. Evolution 2009-2019

	2009	2011	2013	2015	2017	2019 (P)
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
OECD	76.2	77.3	77.6	79.3	81.8	82.5
Euro-Zone	50.0	52.3	49.6	50.9	51.8	51.6
European Union	60.8	64.1	61.3	64.0	65.4	68.3
France	16.7	16.9	16.8	16.6	15.6	15.4
Germany	13.7	14.8	14.4	14.7	15.7	15.1
United Kingdom	5.4	6.0	5.9	6.5	6.3	9.2
Italy	5.6	5.9	4.5	5.3	4.6	4.6
Rest of OECD	20.2	18.3	21.7	21.8	23.4	21.1
USA	6.5	6.4	7.2	7.9	7.5	7.0
Japan	0.2	0.2	0.4	0.3	0.5	0.5
Non-OECD	23.8	22.7	22.4	20.7	18.2	17.5
Russia	0.7	1.0	1.0	0.8	1.0	1.1
China	1.7	2.3	2.4	2.0	2.2	2.0
Brazil	1.7	3.0	2.2	1.5	1.2	1.0
Rest of the World	19.6	16.4	16.8	16.4	13.8	13.5

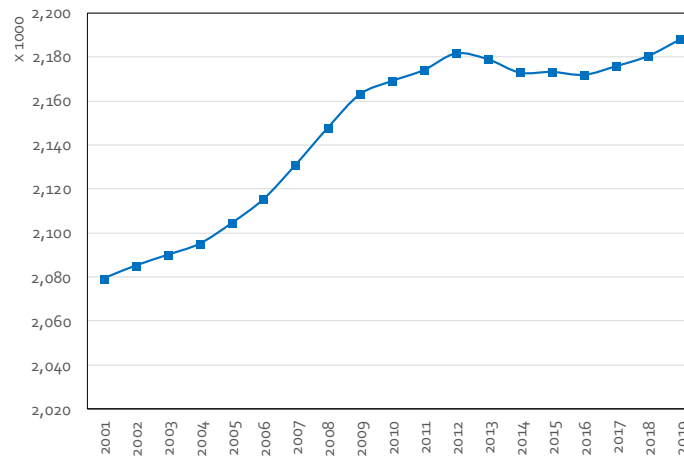
Provisional 2019 data.
Source: Eustat.



The population grows again thanks to immigration

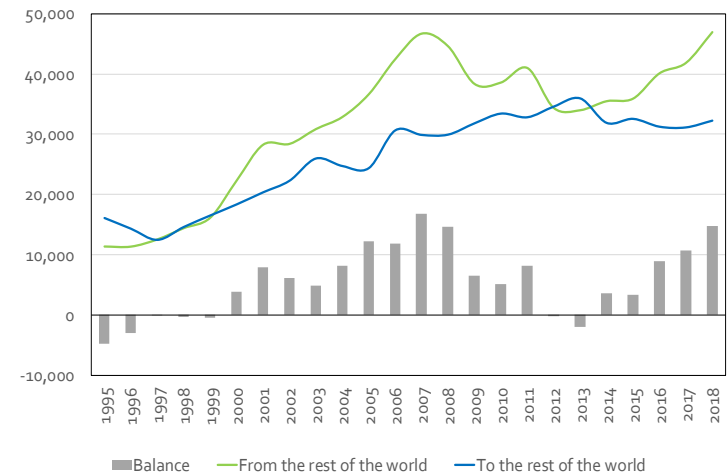
- The population reaches a historical record due to the strong recovery of migratory flows from abroad.

Population evolution 2001-2019



Source: Eustat.

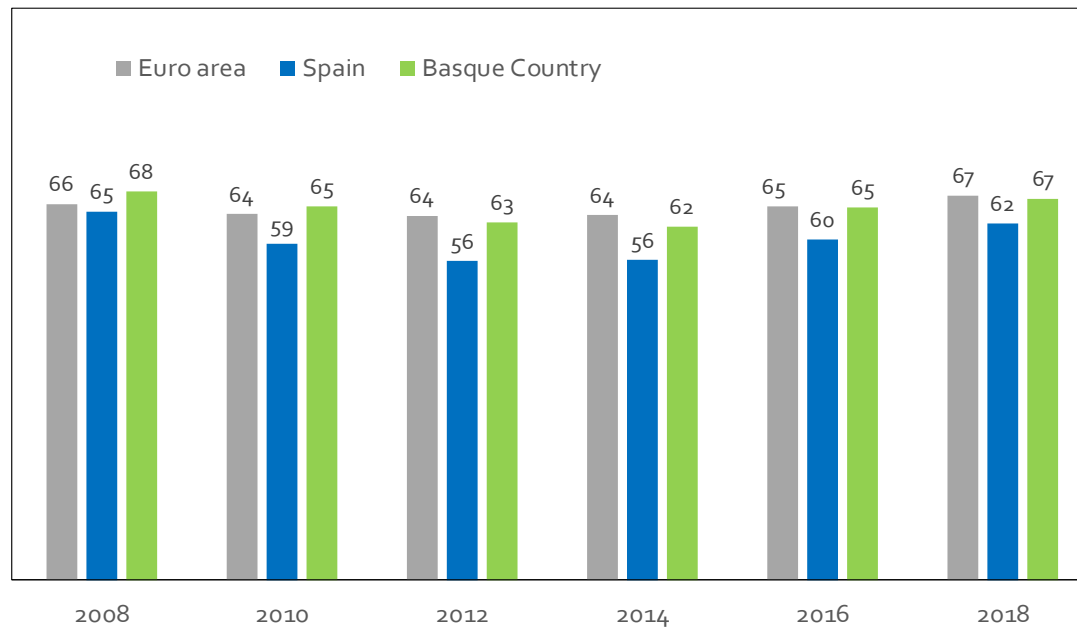
Migratory flows 1995-2018



Employment rate is slowly recovering

- The employment rate experienced a significant fall at the beginning of the crisis, dropping from 68% to 62%. This situation was repeated throughout Spain and to a lesser degree in Europe.
- Since then, a recovery process has been underway, bringing percentages close to their pre-crisis level.

Employment rate of the population aged 15 to 64



Source: Eurostat.



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International Environment: Growth of the GDP

- For the world economy, 2018 was a year somewhat worse than 2017.
- Both developed and emerging economies saw their growth moderated by two or three tenths. The Basque Country improved by two tenths
- The quarterly evolution offers a relatively stable profile in Europe, similar to that of the Basque economy.

Gross Domestic Product. Evolution

	Interannual variation rate									
	2018	2019	2018				2019			
			I	II	III	IV	I	II	III	IV
Developed Economies	2.2	1.7	2.8	2.7	2.2	1.6	1.7	1.6	1.7	1.6
European Union	2,0	1.4	2.5	2.2	1.8	1.5	1.7	1.4	1.4	1.1
Basque Country	3,0	2.2	3.2	3.2	3,0	2.6	2.2	2.2	2.1	2.2
Spain	2.4	2,0	2.8	2.3	2.2	2.1	2.2	2,0	1.9	1.8
Germany	1.5	0.6	2.3	2.1	1.1	0.6	1,0	0.3	0.6	0.5
France	1.7	1.2	2.4	1.9	1.5	1.2	1.3	1.5	1.4	0.8
Italy	0.8	0.2	1.4	0.9	0.4	-0.1	0.1	0.2	0.5	0,0
United Kingdom	1.3	1.4	1.1	1.3	1.6	1.4	2,0	1.3	1.2	1.1
United States	2.9	2.3	2.9	3.2	3.1	2.5	2.7	2.3	2.1	2.3
Japan	0.8	0.8	0.9	1,0	-0.4	-0.3	0.8	0.8	1.8	-0.4
China	6.6	6.1	6.9	6.9	6.7	6.5	6.4	6.2	6,0	6,0
India	7.3	---	7.8	7.9	7.2	6.5	5.8	5,0	4.7	---
Russia	2.2	---	2,0	2,0	1.9	2.7	0.8	0.9	1.6	---
Brazil	1.1	---	1.4	1,0	1.5	1.3	0.6	1.1	1.2	---

Source: Eurostat, OCDE and Eustat.

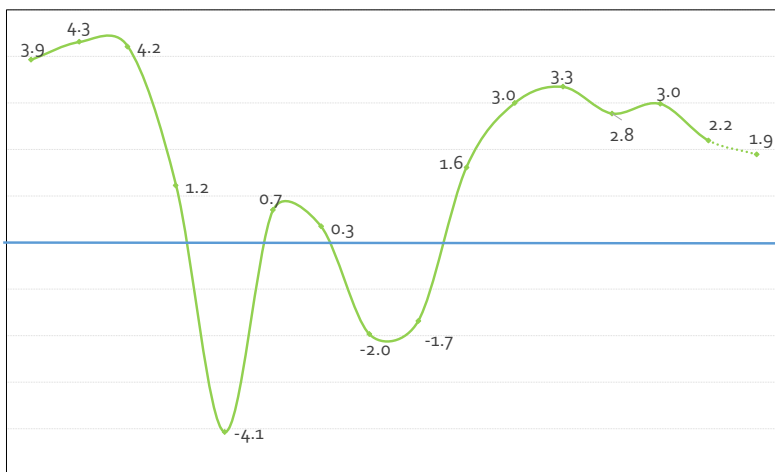


Very slight slowdown of the economy

- Basque Country has completed six years of recovery and its GDP far exceeds what was achieved before the crisis. Specifically, that of 2019 was 9.3% above that of 2008.
- Although the pace of 2019 (2.2%) is the lowest in the last five years, it is still above potential growth (close to 1.8%).

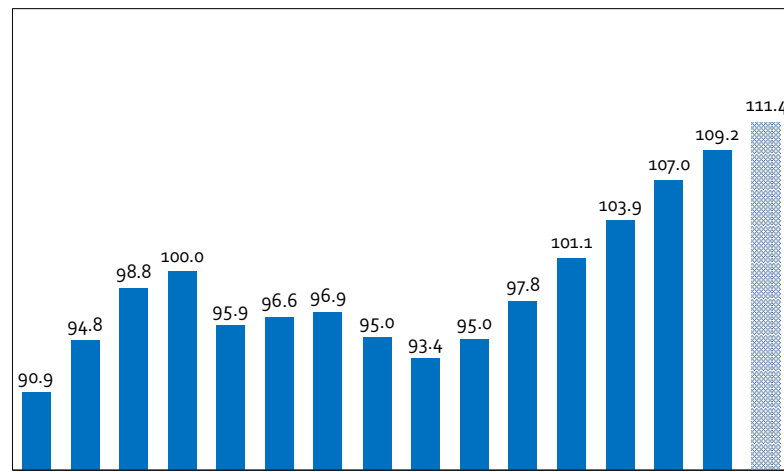
Evolution of the Gross Domestic Product

Year-on-year variation rates



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

GDP 2008 = 100



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

The 2019 data is advance and the 2020 data are forecasts.
Source: Prepared by the Economy and Planning Department with data from Eustat.

Construction gains in strength while industry slows

- Much of the slowdown compared to 2018 is due to the lower dynamism of the industry, related to uncertainty, the brake on world trade and the difficulties of European automotive.
- Fortunately, the services have kept the tone for almost the entire year. Construction, meanwhile, was losing strength throughout the year.

Evolution of the GDP on the supply side

	Variation rates									
	2018	2019	2018				2019			
			I	II	III	IV	I	II	III	IV
GDP (p.m.)	3.0	2.2	3.2	3.2	3.0	2.6	2.2	2.2	2.1	2.2
Primary Sector	7.9	0.6	3.0	8.1	4.8	15.9	1.7	-0.1	0.2	0.4
Industry and Energy	2.5	1.1	3.5	3.5	2.5	0.3	0.4	1.0	0.8	2.3
Construction	4.1	3.1	1.2	3.7	5.4	6.2	4.6	3.2	2.9	1.9
Services	2.7	2.5	3.0	2.6	2.5	2.7	2.6	2.5	2.5	2.2
Commerce, Hospitality and Transp.	4.0	2.4	4.2	4.1	3.9	3.6	2.9	2.5	2.3	2.1
AA. PP., Education and Health	2.1	2.2	2.2	1.9	2.0	2.1	2.3	2.3	2.4	1.9
Rest of Services	2.2	2.6	2.5	2.0	2.0	2.4	2.7	2.6	2.7	2.4
Gross Value Added	2.8	2.2	3.0	3.0	2.7	2.4	2.2	2.2	2.1	2.2
Net Product Taxes	4.9	2.1	5.0	5.8	5.1	3.8	2.2	2.1	1.8	2.3

Source: Eustat. Series adjusted for seasonal variation.

Growth driven by internal demand

- Gross capital formation finally reduced its dynamism throughout 2019, especially for capital goods.
- Private consumption has continued to soften its pace of progress to approach the increase in employment.
- Although the external balance was neutral in 2018, it subtracted various tenths from growth in 2019.

Evolution of the GDP with respect to demand

	Variation rates									
	2018	2019	2018				2019			
			I	II	III	IV	I	II	III	IV
GDP (p.m.)	3.0	2.2	3.2	3.2	3.0	2.6	2.2	2.2	2.1	2.2
Final Consumption	2.5	1.9	2.8	2.6	2.4	2.2	2.1	1.9	1.9	1.7
Private Consumption	2.7	1.9	3.1	2.8	2.6	2.5	2.2	1.9	1.8	1.5
Public Consumption	1.6	2.1	1.8	1.6	1.7	1.3	1.9	2.1	2.2	2.2
Gross Capital Formation	4.7	2.8	4.3	4.9	4.8	4.6	4.0	2.5	2.2	2.4
Equipment Goods	3.7	2.3	4.5	4.9	3.4	2.3	3.3	2.2	0.8	2.9
Remaining Investment	5.2	3.0	4.3	4.9	5.6	6.0	4.4	2.6	2.9	2.1
Internal Demand	3.0	2.1	3.2	3.1	3.0	2.8	2.6	2.0	2.0	1.9
Exports	3.0	0.4	6.2	3.0	2.1	0.7	-1.4	2.8	-0.9	1.3
Imports	3.0	0.4	6.0	2.8	2.2	1.1	-0.8	2.6	-0.9	0.9

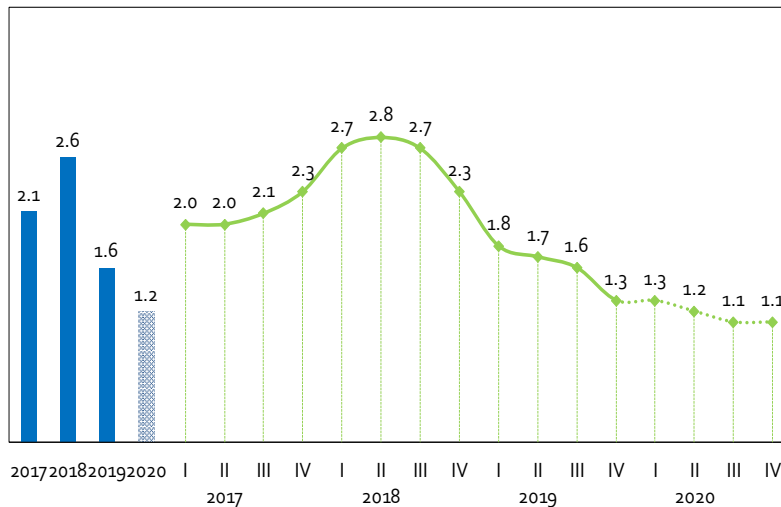
Source: Eustat. Series adjusted for seasonal variation.

Employment generation at a slower but significant rate

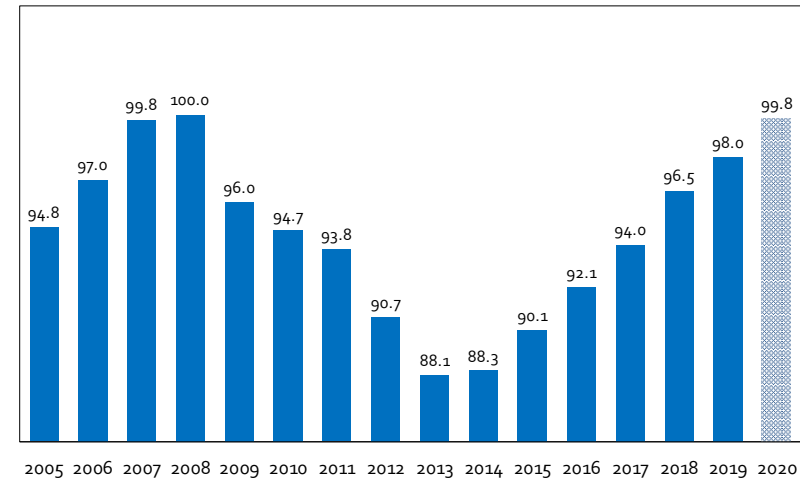
- The slowdown in job creation began in mid-2018 and has lasted throughout 2019. On an annual average, employment increased by 1.6% and about 15,400 net jobs were created.
- There is still 2% of the employment that existed in 2008 to be recovered. That is, about 20,000 full-time equivalent jobs.

Evolution of Jobs

Year-on-year variation rate



Employment in 2008 = 100



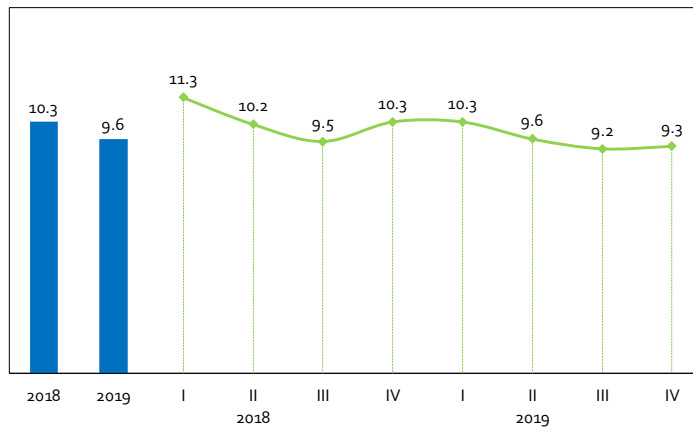
The 2019 data is advance and the 2020 data are forecasts.
Source: Prepared by the Economy and Planning Department with data from Eustat.

The unemployment rate continues to decline

- The unemployment rate is already nearing 9%.
- The Basque Government's objective of reducing the unemployment rate to below 10.0% in the current legislature has been fulfilled.

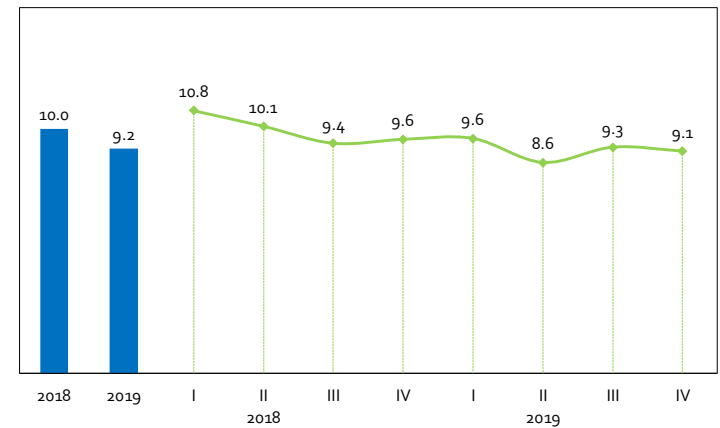
PRA (Eustat)

Year-on-year variation rate



EPA (INE)

Year-on-year variation rate



Source: Eustat and INE.

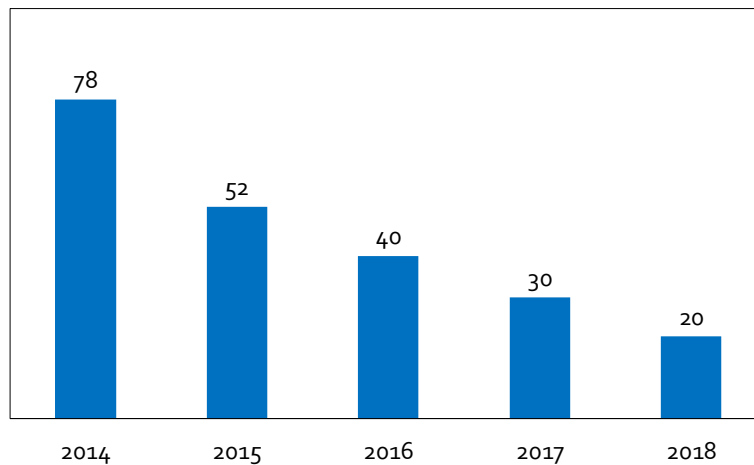


Increased Employment Opportunities

- On the one hand, the number of unemployed people has been reduced. On the other, the number of unfilled vacancies is increasing.
- The ratio of unemployed people available for each vacancy is therefore rapidly decreasing. In 2018 as a whole, said ratio stood at 20 unemployed people per vacancy.
- The same ratio for Spain stood at 34 people per vacancy.

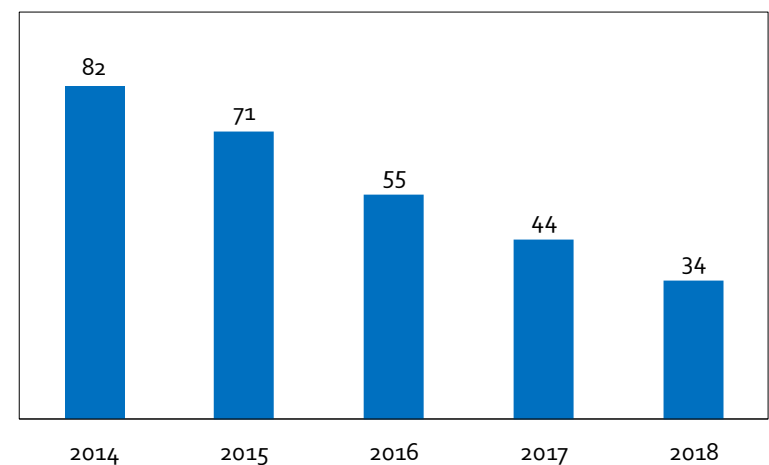
Basque Country

Unemployed people for each vacancy



Spain

Unemployed people for each vacancy



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

Risks for the Economy in 2020

- The powerful impact of Covid-19 on growth due to disruption in value chains and weakening demand.
- An abrupt **slowdown in China**.
- The **trade war**, particularly between the United States and China.
- European policy's inability to stabilize and reduce the tension caused by Brexit.
- **Volatility** in the raw materials markets, such as oil.
- Standardisation of **monetary policy** in the United States and Europe.



World Economy Forecasts

- In 2020, global growth will recover thanks to the push of emerging economies.
- Advanced economies will maintain their growth rate and the euro zone will improve slightly.

World Economy Forecasts

	Annual variation rates		
	2018	2019	2020
World Economy	3.6	2.9	3.3
Advanced Economies	2.2	1.7	1.6
United States	2.9	2.3	2.0
Japan	0.3	1.0	0.7
United Kingdom	1.3	1.3	1.4
Eurozone	1.9	1.2	1.3
Germany	1.5	0.5	1.1
France	1.7	1.3	1.3
Basque Country	3.0	2.2	1.9
Italy	0.8	0.2	0.5
Spain	2.4	2.0	1.6
Emerging Countries	4.5	3.7	4.4
China	6.6	6.1	6.0
India	6.8	4.8	5.8
Russia	2.3	1.1	1.9
Brazil	1.3	1.2	2.2

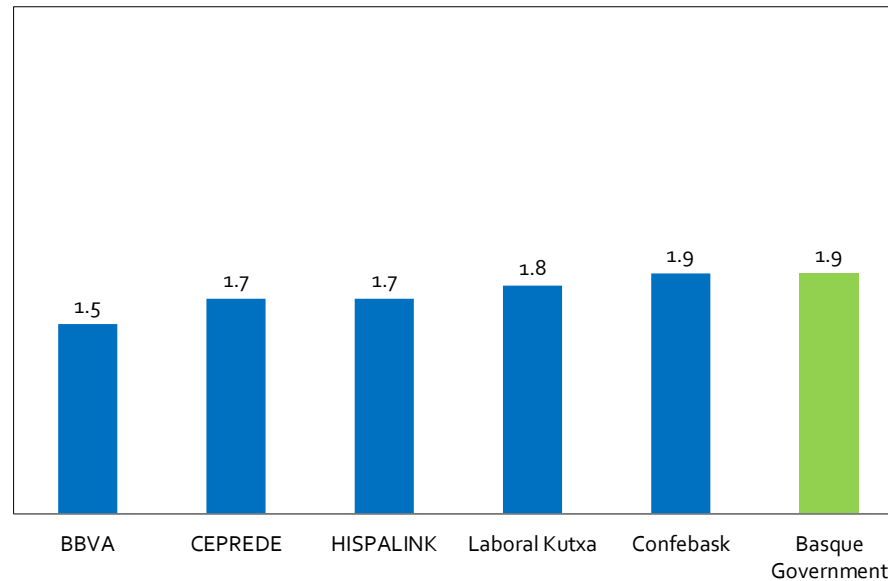
Source: IMF and Office of Economy and Planning.



Forecasts by other bodies for 2020

- The forecast of the Office of Economy and Planning for 2020 is very similar to that of other sources in the range of 1.6 to 2%.
- In the case of BBVA, the estimate is 1.7%.

2020 year



Source: Office of Economy and Planning (December 2019), CEPREDE (January 2020), BBVA (January 2020), Confebask (December 2019), Laboral kutxa (December 2019), Funcas (June 2019) and Hispalink (January 2020).

Basque Government Forecasts: Demand Perspective

- The forecasts point towards continuity on the path of a gentle slowdown, due to lower momentum in consumption and investment.
- The external balance will barely subtract two decimal points in the whole year.

Evolution of the GDP with respect to demand

	2020	Annual variation rates			
		2020			
		I	II	III	IV
GDP (p.m.)	1.9	2.0	1.9	1.8	1.8
Household Final Consumption	1.8	1.9	1.8	1.7	1.7
Household Consumption Spending	1.8	1.9	1.8	1.7	1.7
Consumption Expense of AA. PP.	1.9	2.0	1.8	1.8	1.9
Gross Capital Formation	2.7	2.5	2.5	2.8	2.9
Contribution of Domestic Demand	2.0	2.0	2.0	2.0	2.0
Contribution of the External Balance	-0.2	-0.1	-0.2	-0.2	-0.3

Source: Office of Economy and Planning (December 2019).



Basque Government Forecasts: Supply Perspective

- Construction and services point towards a weak slowdown.
- Industry will recover throughout 2020.

Evolution of the GDP with respect to Supply

Annual variation rates

	2020	2020			
		I	II	III	IV
GDP (p.m.)	1.9	2.0	1.9	1.8	1.8
Primary sector	-3.6	-2.0	-4.2	-3.4	-4.7
Industry	1.1	0.7	0.9	1.3	1.5
Construction	2.5	2.8	2.6	2.4	2.4
Services	2.3	2.5	2.3	2.1	2.1
Gross Value Added	1.9	2.1	1.9	1.8	1.9
Net taxes on products	1.7	1.7	1.8	1.7	1.7

Source: Office of Economy and Planning (December 2019).



Basque Government Forecasts: Job Market

- Employment will reduce its high growth rate in recent years, but will stay above 1%, allowing for a significant increase in productivity.
- Unemployment rate forecasts should be revised downwards given that they were already exceeded in the last quarter of 2019.

Evolution of employment and the unemployment rate

		Annual variation rates			
	2020	2020			
		I	II	III	IV
Employment	1.2	1.3	1.2	1.1	1.1
Unemployment rate	9.6	9.7	9.7	9.5	9.5

Source: Office of Economy and Planning (December 2019).

Conclusions

- 2019 remained a good year from the point of view of GDP and employment growth, with the GDP growing by 2.2% and employment by 1.6%. All this within a trend of deceleration from levels close to 3% in previous years.
- These records of Basque GDP growth are clearly above European values, since growth within the euro zone was somewhat lower.
- Demand remains the main source of growth, while the external balance is starting to subtract several tenths from GDP expansion.
- Services and construction experienced a slowdown while industry has shown a moderate recovery from the 2018 decline.
- The main risks for the world economy in 2020 are: Covid-19, trade war, political tensions, energy and ecological transition, monetary policy normalization, oil volatility and doubts regarding China.
- In a scenario where European economies grow less, in 2020 the Basque economy will increase its GDP by 1.9%. This forecast depends on the outcome of the risks described.
- Employment will increase by 1.2%, which will continue to reduce the unemployment rate.
- The unemployment rate will be close to 9% at the end of the year once the forecasts have been revised.



Contents 3


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.

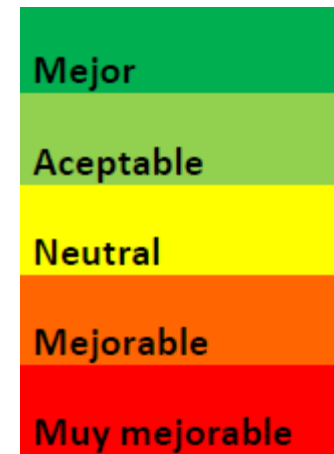
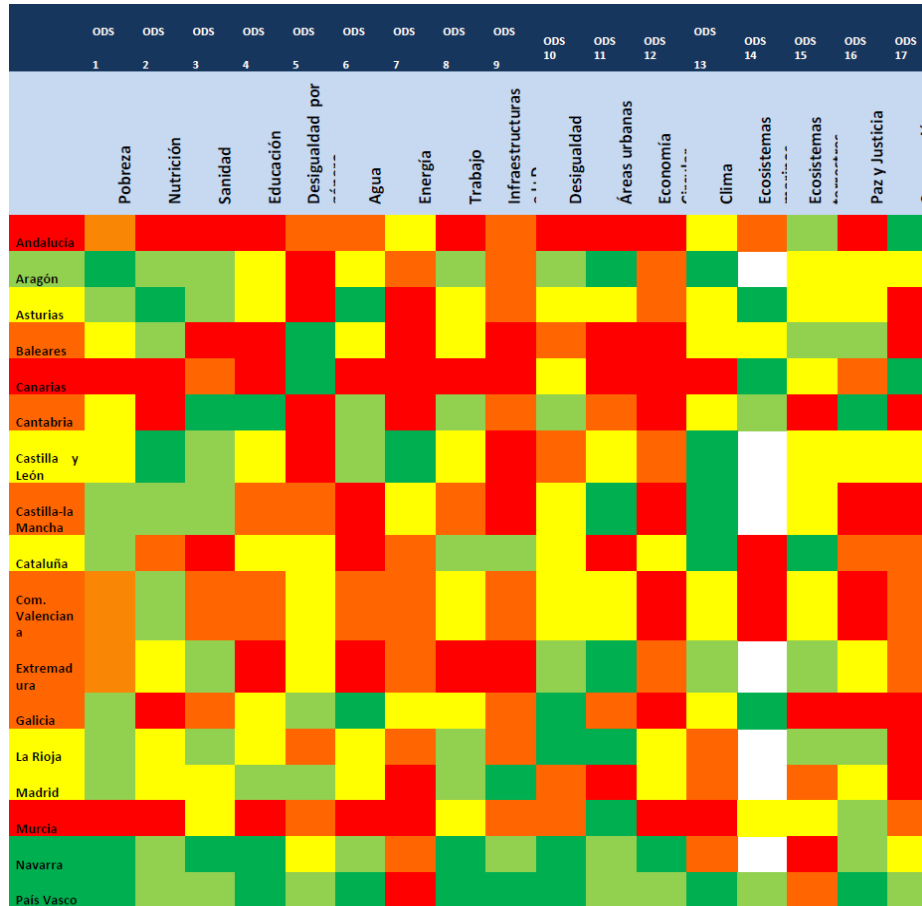
Sustainability mandate of the Basque Government (2)

UNITED NATIONS AGENDA 2030		PROGRAMA 2017-2020 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 with respect to fulfilment of the UN Sustainable Development Goals








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.



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

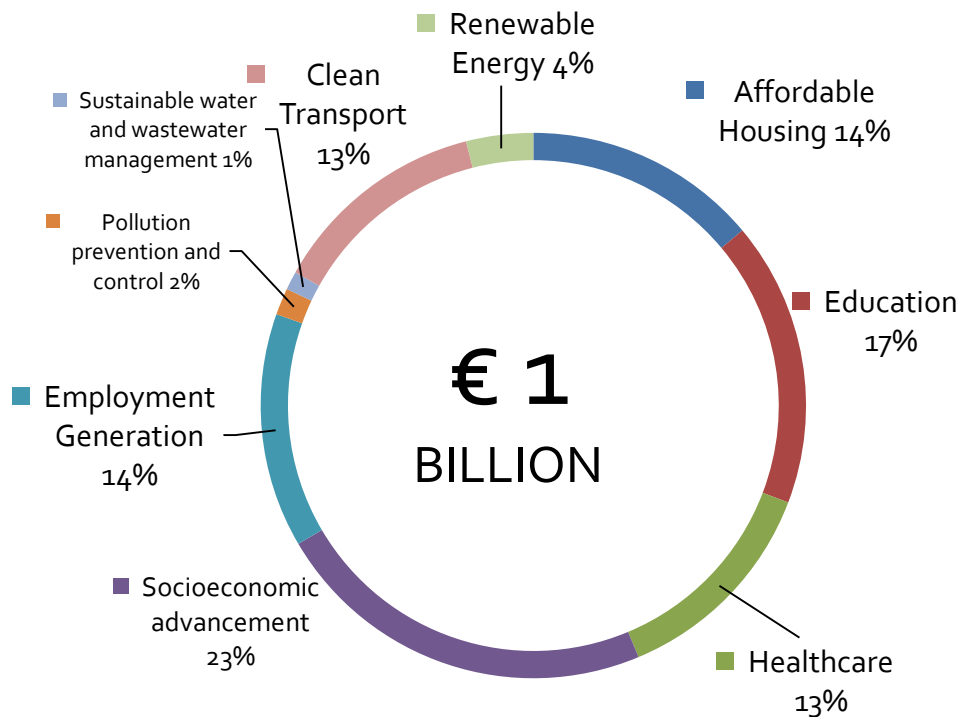
- The Basque Government is **committed to annually reporting** on the allocation of the bond's proceeds, including the total amount allocated and per eligibility category until the proceeds have been fully allocated
- Allocation reporting will be available to investors **within one year from the date 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

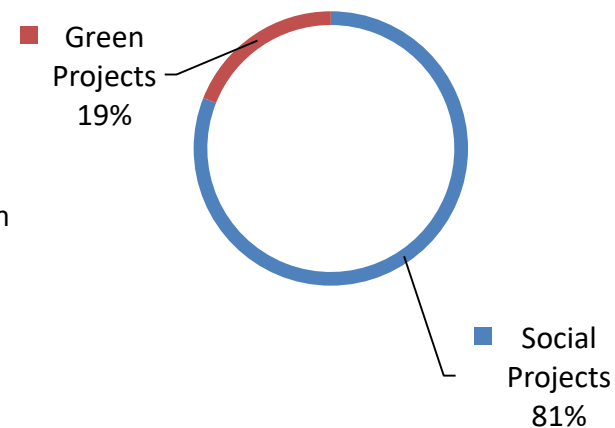
- Impact **indicators** are developed for each eligibility category
- The Basque Government will provide a dedicated Sustainability Bond impact report for investors within one year from the issuance date and annually until the bond proceeds have been fully allocated, with estimates of the main **environmental 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 Eeligible Assets for 2020 Sustainability Bond

By Project



By Project Category



Eligible Assets 2020: Social Projects

Affordable housing	143,500,000	Socio-economic advancement	225,000,000
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	68,000,000	Financing of social emergency assistance programs	27,500,000
Financing of Bizigune program	30,000,000	Financing of family support benefits	40,000,000
Building of homes to rent	12,000,000	Financing of income security allowance	157,500,000
Aid to refurbish and/or renovate homes and buildings	22,500,000		
Gaztelagun program	7,500,000		
Education	169,500,000	Job creation	139,000,000
Building and equipping nurseries and primary schools	31,000,000	Local employment support and development projects – county employment plans	37,500,000
Building and equipping secondary and vocational training schools	41,000,000	Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	8,000,000
Financing of contract-program and investment University of the Basque Country	14,000,000	Financing of Lehen aukera program	3,000,000
Non-university scholarships	57,000,000	Financing of programs to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	55,000,000
University scholarships	26,500,000	Financing of training programs – sandwich courses for young people, training for unemployed people	35,500,000
Health	130,000,000		
Financing hospital and non-hospital pharmacy expenses	75,000,000		
Healthcare investments – expansion of existing hospitals, health centres, equipment	55,000,000		
		TOTAL €	807,000,000

Eligible Assets 2020: Green Projects

Clean transport	127,000,000	
Supply of new trams	7,000,000	
Construction of new infrastructure – doubling tracks, new trams in Vitoria-Gasteiz, Donostia-San Sebastian train line [popularly known as “Topo”]	70,000,000	Financing investment in ETS [Basque train network]
Financing railway operators	50,000,000	Financing 30 m of running costs in ETS and 20 in contributions to the CTB [Biscay transport consortium]
Pollution control and prevention		
Sustainable management of water and waste water		
Conservation of terrestrial and aquatic biodiversity		Financed by the 4421, 5121 and 7311 programmes, for a total of 42 m
Energy efficiency		
Climate change adaptation		
Renewable energy		

	<i>Budget programmes</i>	Total	Elegible
4421	Environmental protection	24,493,894	18,000,000
5121	Hydraulic administration and planning	17,040,748	13,000,000
5131	Rail transport management and infrastructure	182,066,829	127,000,000
7311	Energy (EVE group without SHESA)	57,619,000	35,000,000
		281,220,471	193,000,000



External Review

Sustainalytics

- The Basque Government has engaged the services of Sustainalytics to provide a review of the Basque Government Sustainability Bond Framework and a second-party opinion on alignment of the sustainability bond with the Green Bond Principles 2017 (the “GBP”), Social Bond Principles 2017 (the “SBP”) and Sustainability Bond Guidelines 2017, as administered by the International Capital Market Association (the “ICMA”), and the framework’s environmental and social credentials.
- Sustainalytics has held conversations with various members of the Basque Government team to understand the sustainability impact of their business processes and the planned use of proceeds, as well as management of proceeds and reporting aspects of the Basque Government’s sustainability bond. Sustainalytics has also reviewed relevant public documents and non-public information.
- **Sustainalytics conclusion**
 - The Basque Government intends to issue multiple bonds which finance projects and programmes addressing the region’s social and environmental challenges and overall contribution to the UN Sustainable Development Goals.
 - The eligible categories and target populations are aligned with the Green and Social Bond Principles and Sustainalytics considers the use of proceeds to be impactful given the overlap of the Basque Government’s focus on electric transportation, renewable energy and target populations that overlap with particularly vulnerable populations identified by EU strategies. In addition, the Basque Government project selection and evaluation, management of proceeds and reporting is aligned with market practices, including the integration of environmental and social criteria to the Basque procurement policies.
 - Based on the above points, Sustainalytics considers the Basque Government’s Sustainability bond to be robust, credible and transparent.



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1. Features of the Basque economy
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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.



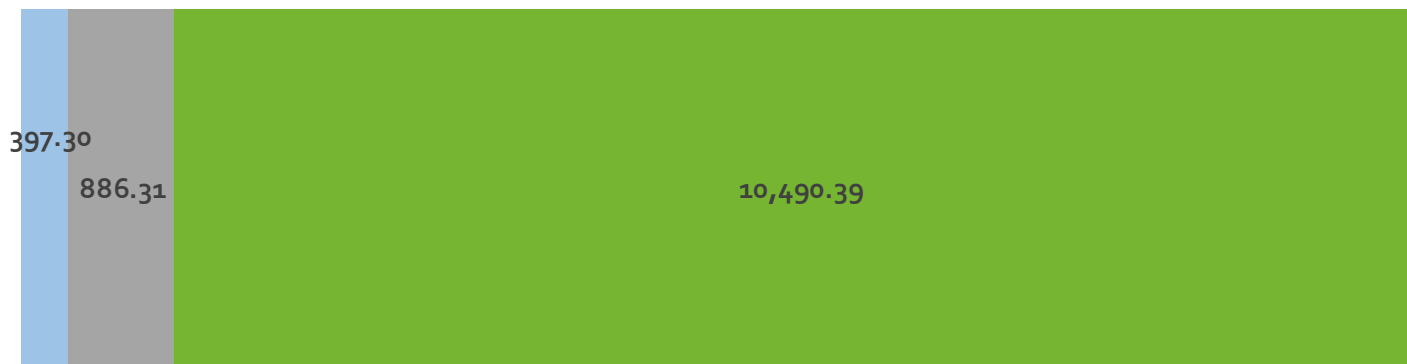
Collection 2019 and forecast 2020

	Million euros	
	2019	2020 Forecast
DIRECT TAXES	7,407.1	7,608.4
Personal income tax	5,713.7	5,905.7
Corporation tax	1,303.8	1,306.7
Wealth tax	167.6	168.7
Inheritance and gift tax	122.3	118.8
Other direct taxes	99.7	108.5
INDIRECT TAXES	7,952.8	8,040.8
Value Added Tax	6,028.6	6,055.8
Excise duties	1,600.4	1,644.6
Hydrocarbons	--	1,081.4
Manufactured tobacco products	--	399.5
Alcohol, fermented beverages and intermediate	--	75.5
Beer	--	19.8
Electricity	--	68.4
Property conveyance tax	162.8	171.1
Document duty	47.5	50.3
Other indirect taxes	113.5	119.0
FEES AND OTHER REVENUE	109.7	118.3
TOTAL AGREED TAXES	15,469.6	15,767.5

Source: Office of Economy and Planning.

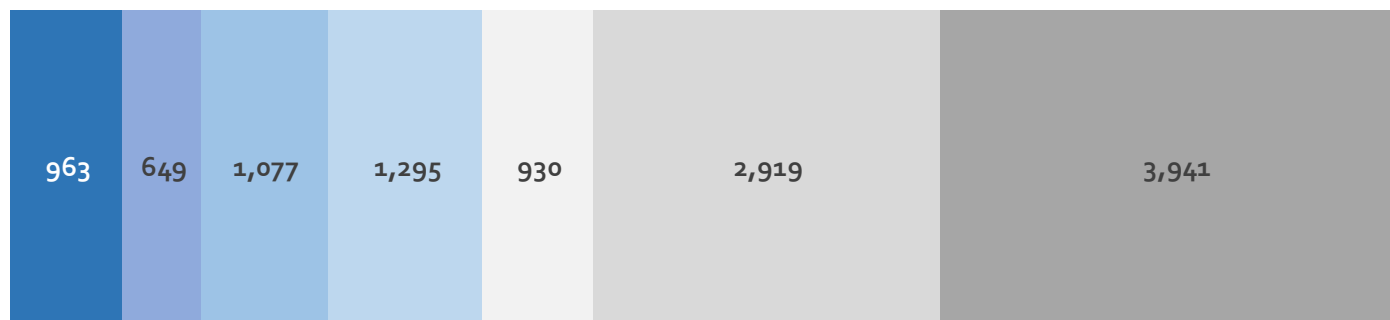
Basque Government 2020 Budget

Revenue (Mill. €) 11,774



■ Other ■ Debt ■ Own taxes and participation in other taxes

Expenditure (Mill. €) 11,774



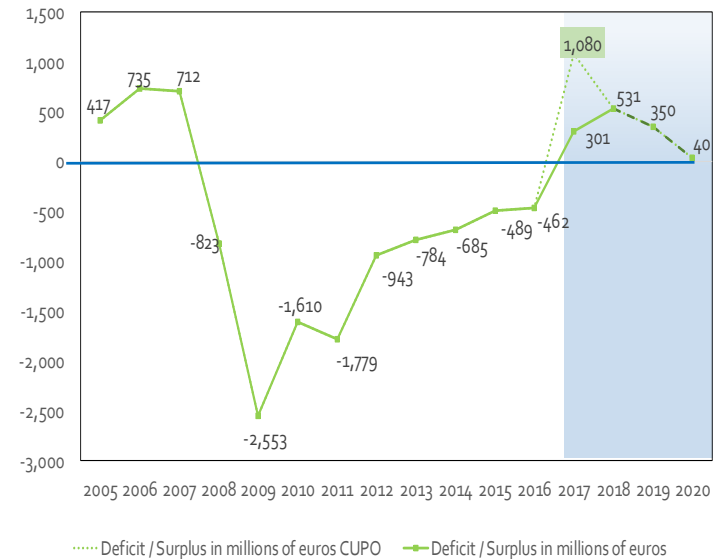
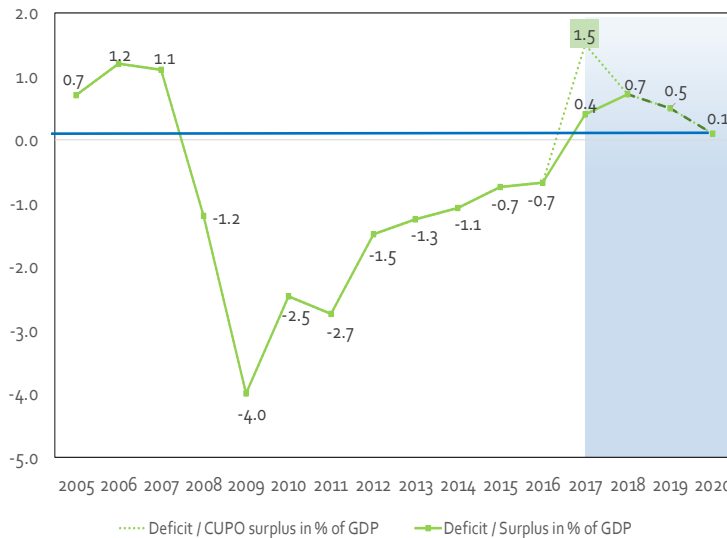
■ Economic development and infrastructure ■ Civil Protection and Citizen Security
 ■ Social Protection and Promotion ■ Other
 ■ Public Debt ■ Education
 ■ Health

Source: Basque Government.

From Deficit to surplus since 2017

- The Basque Country has shown strict fiscal discipline, meeting all the set deficit objectives.
- From 2017 onwards it has registered a surplus.

% of GDP and Million €



Source: IGAE SEC 2010. Base 2010. National accounting. Non-financial operations of the Regional Administration subsector (S.1312) and detail by community. Data accumulated at the end of the period.

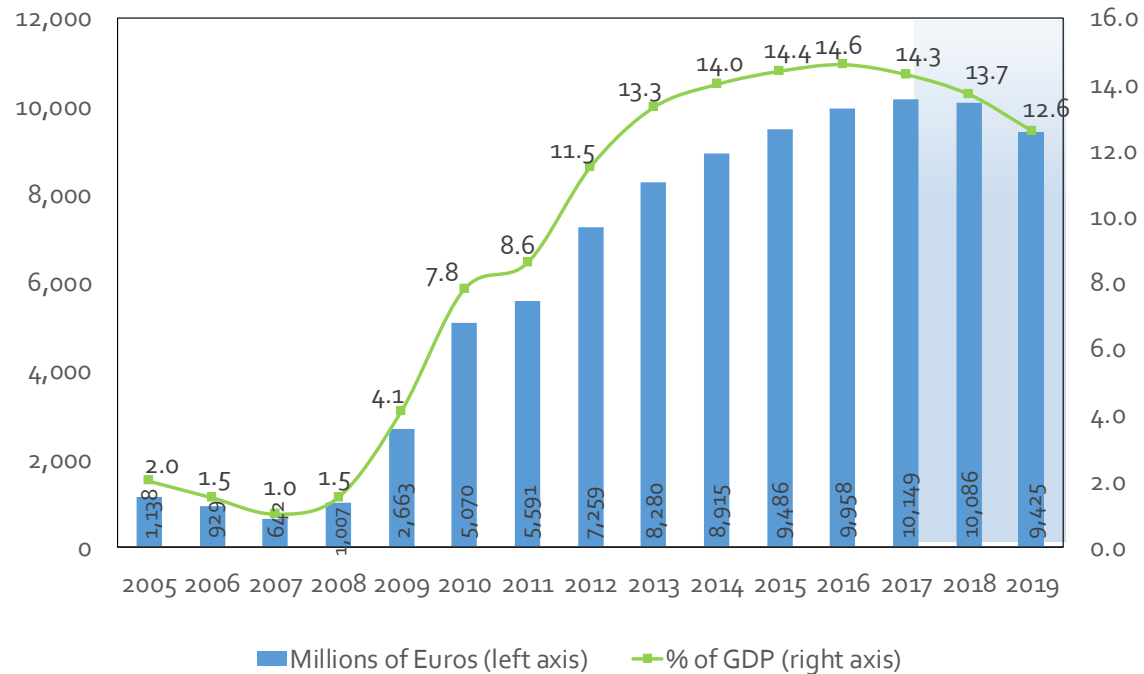
Note: The INE has not published the regional distribution of the new national GDP series presented on September 16, 2019. The regional distribution has been carried out by the IGAE, applying to the new GDPs the annual percentage structure of each region in the GDP from the previous series.

(***) Forecast 2019 and 2020.

Debt: evolution 2005-2019

- The debt that was almost testimonial before the crisis reached a maximum in 2016 but always at a contained level.
- Since then, a firm reduction process has been registered and is already below the limits of the stability legislation.

SEC debt



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

Government debt

- The strict government debt (without SEC entities) is distributed in a balanced fashion between loans and bonds.
- In the current year, the financing needs are limited to less than € 700M

Debt as of 31/12/2019
(Thousand €)

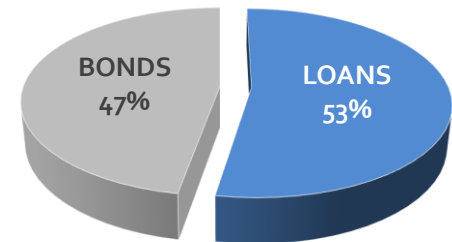
LOANS	4,571,930
BONDS	4,072,886
Government debt	8,644,816

Financing needs 2020
(Millions €)

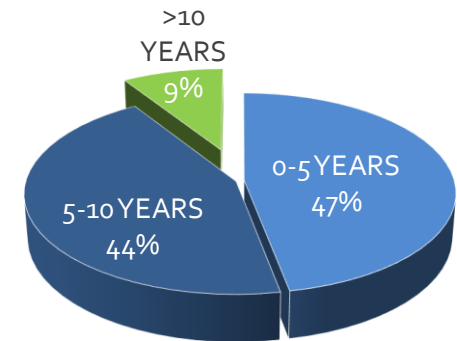
Gross issues	686
Net issues	-

AVERAGE COST (%)	AVERAGE LIFE (years)
1.72%	5.60

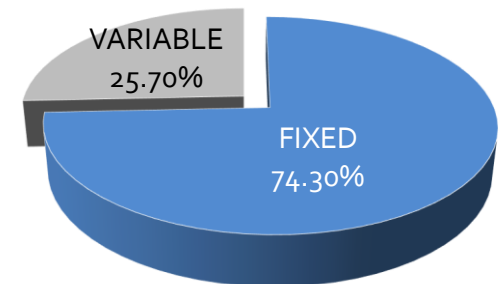
Type of debt



Type according to payment terms



Cost of financing



Source: Basque Government.

Financial Strategy

1. To regularly issue sustainability bonds in upcoming years of around 500-600 Million euros
 - To expand the investor base with sustainable bonds
 - To strengthen liquidity
2. To increase the average maturity of the debt by issuing lower amounts at a longer period
3. To diversify funding, by combining issues and loans



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

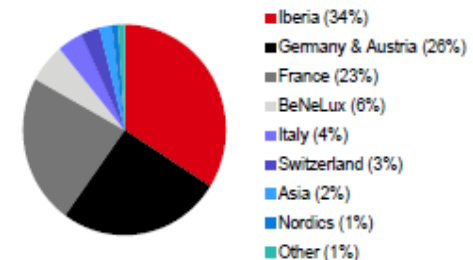
Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date:	5 th June 2018
Settlement:	15 th June 2018
Maturity:	30 th April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICMA
Reoffer spread:	SPGB 1.4% 04/2028 + 15 bps
Reoffer Price / Yield:	99.346% / 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%)

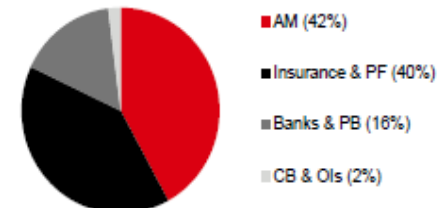
Distribution by Geography

% of allocation



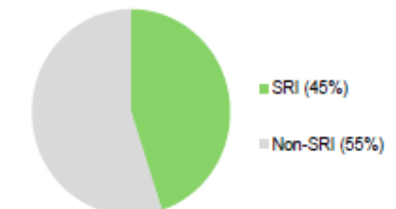
Distribution by Investor Type

% of allocation



Dedicated and committed SRI

% of allocation



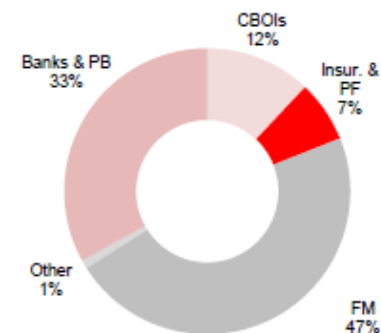
Basque Government 2019 €600m 10yr Sustainable bond



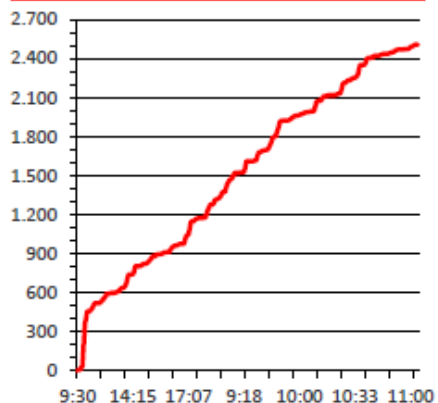
Terms & Conditions

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)



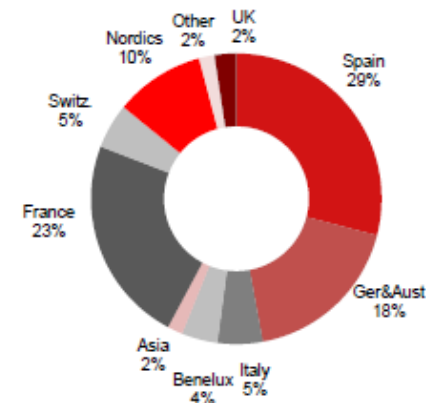
Orderbook Analysis

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

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- (positive outlook)	A- (positive outlook)
Fitch	A- (stable outlook)	A- (stable outlook)

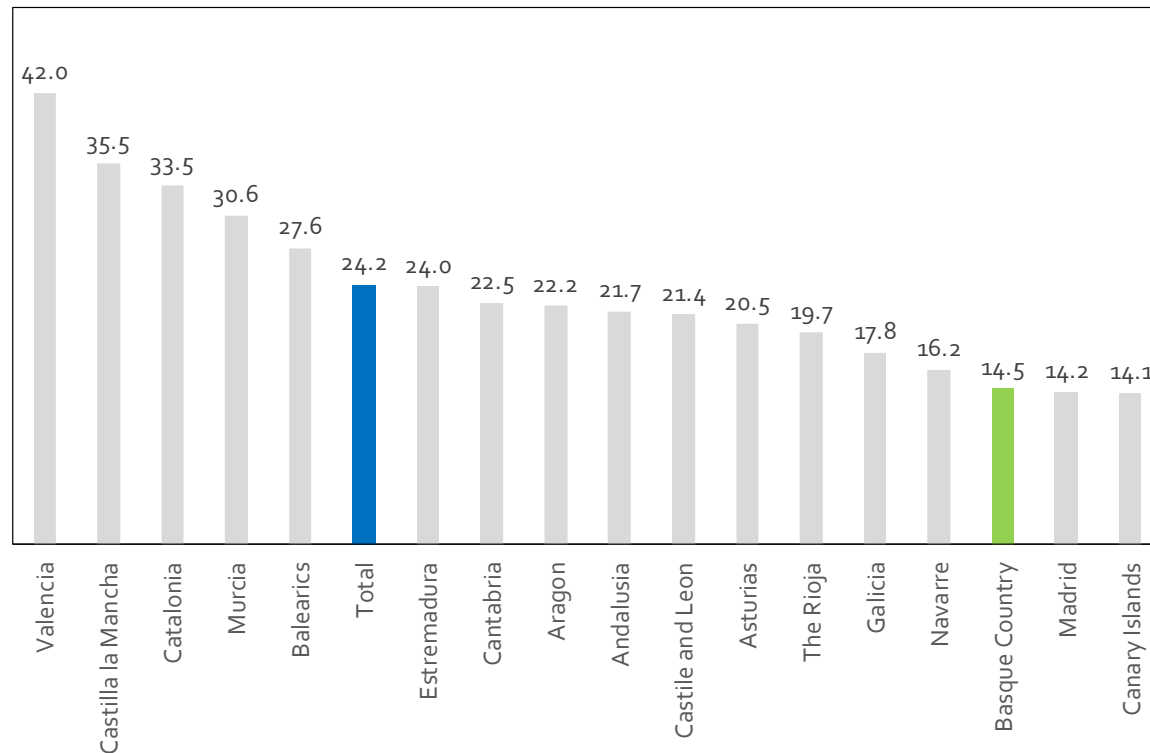
Source: S&P, Moody's and Fitch.



Debt in percentage of GDP according to excessive deficit protocol

- The debt, according to the excessive deficit protocol, was equivalent to 14.5% of the Basque GDP. This figure is the third lowest among the autonomous communities and is almost 10 points below the average.

Debt in % of GDP. Accumulated as of September 2019



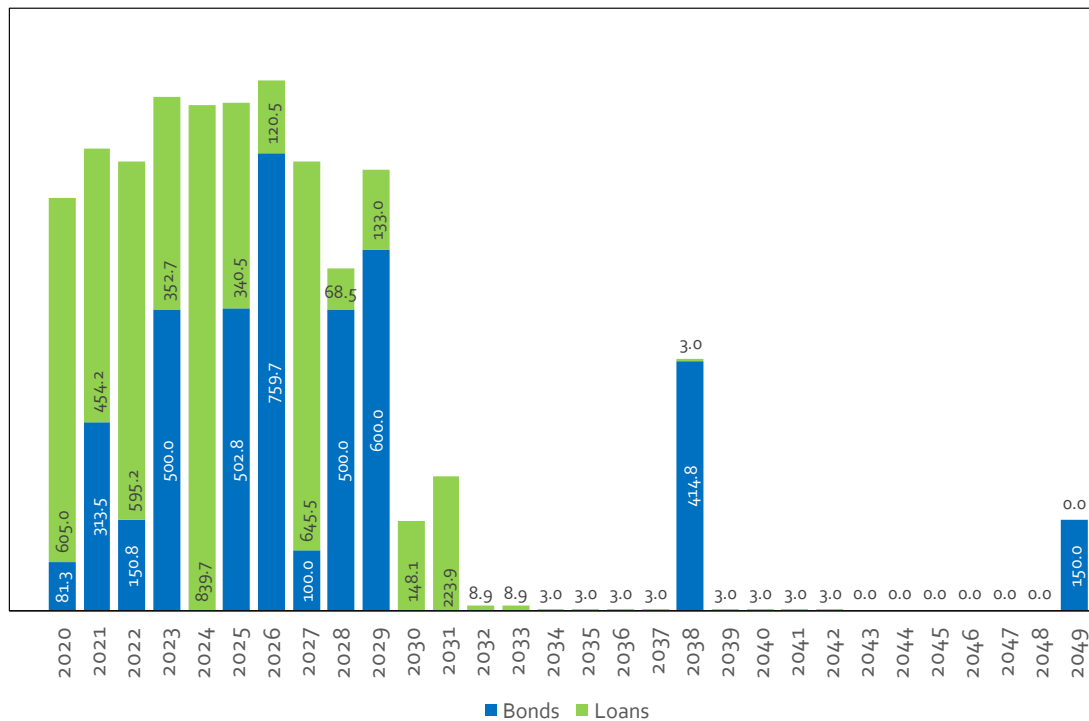
Source: Bank of Spain.



Maturity profile as of 31/01/2020

- Debt amortization shows a growing profile for the next five years.

Deficit / Surplus Million €

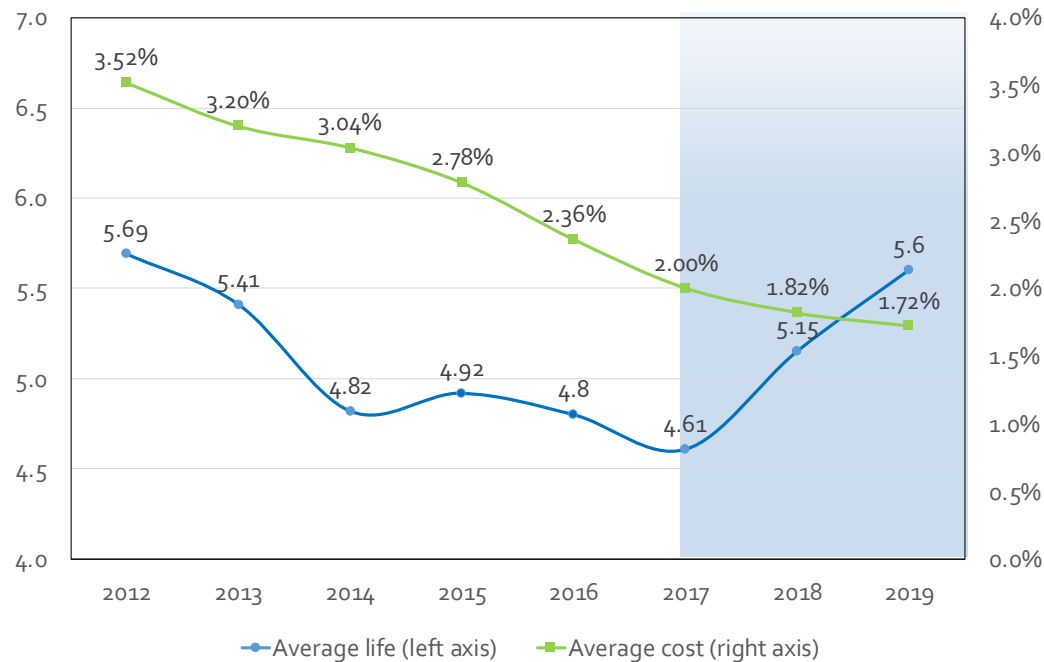


Source: Ministry of Treasury and Economy.

Average life and Average cost

- The forecast for 2019 shows a lower average cost amounting to 1.72%, while the average life will be 6.18 years.

Average life and Average cost



Source: Ministry of Treasury and Economy.

Public Debt in the Basque Country

- Issues in circulation on 31/12/2019

Issue data					
ISIN code	Date Issue	Issue volume	Coupon (%)	Maturity	Issue rate
ES0000106528	03/26/2013	81,330,000	4.9	03/26/2020	Fixed
ES0000106510	04/20/2011	313,500,000	6.375	04/20/2021	Fixed
ES0000106593	04/18/2017	150,763,000	0.6	04/30/2022	Fixed
ES0000106544	04/13/2015	500,000,000	1.25	04/13/2023	Fixed
ES0000106445	01/07/2010	502,800,000	4.6	01/07/2025	Fixed
ES0000106551	03/16/2016	569,726,000	1.75	03/16/2026	Fixed
ES0000106577	12/30/2016	190,000,000	1.466	12/30/2026	Fixed
ES0000106585	03/16/2017	100,000,000	1.703	04/30/2027	Fixed
ES0000106619	06/15/2018	500,000,000	1.45	04/30/2028	Fixed
ES0000106635	04/25/2019	600,000,000	1.125	04/30/2029	Fixed
ES0000106601	02/28/2018	414,767,000	2.5	02/28/2038	Fixed
ES0000106627	04/11/2019	150,000,000	2.4	04/11/2049	Fixed

Source: Ministry of Treasury and Economy.



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



The Basque Government

Mr Pedro María Azpiazu, Minister of Finance and Economy

Mr Alberto Alberdi, Deputy Minister of Economy, Finance and Budget

Mr Francisco Javier Arnaez, Director of Financial Policy

Mr Jordi Campás, Director of Economy and Planning

Mr Hernando Lacalle, Director of Budget Management

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Thank you for your attention

EUSKO JAURLARITZA



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OGASUN ETA EKONOMIA
SAILA

DEPARTMENT FOR FINANCE AND
THE ECONOMY