

BONO SOSTENIBLE EUSKADI

Euskadi, auzolana

EUSKO JAURLARITZA



GOBIERNO VASCO

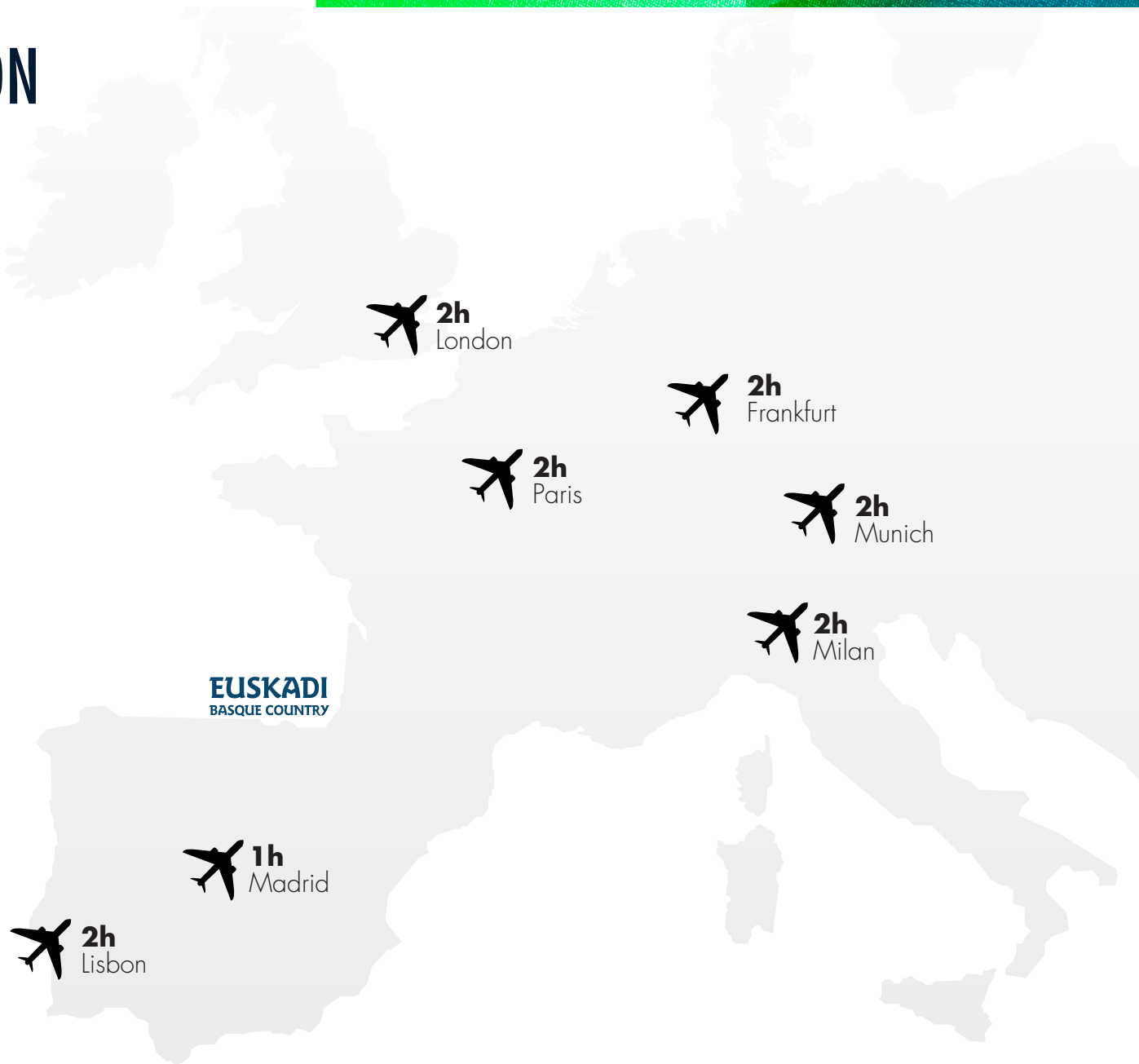


SURFACE AREA, POPULATION AND MARKET ACCESS

SURFACE AREA
7,234 KM²

POPULATION
2,173,210

**MARKET ACCES WITHIN
A RADIUS OF 1000KM**
507,416,607 INHBS.



A WELL-CONNECTED COUNTRY

**“Best european middle
size region
in connectivity”**

Fdi - European Cities And Regions Of The Future
- Ranking 2016 - 2017

**LOGISTICS
INTERNATIONAL AIRPORTS
RAILWAY CONNECTIONS
MOTORWAYS**

GROSS DOMESTIC PRODUCT (GDP)

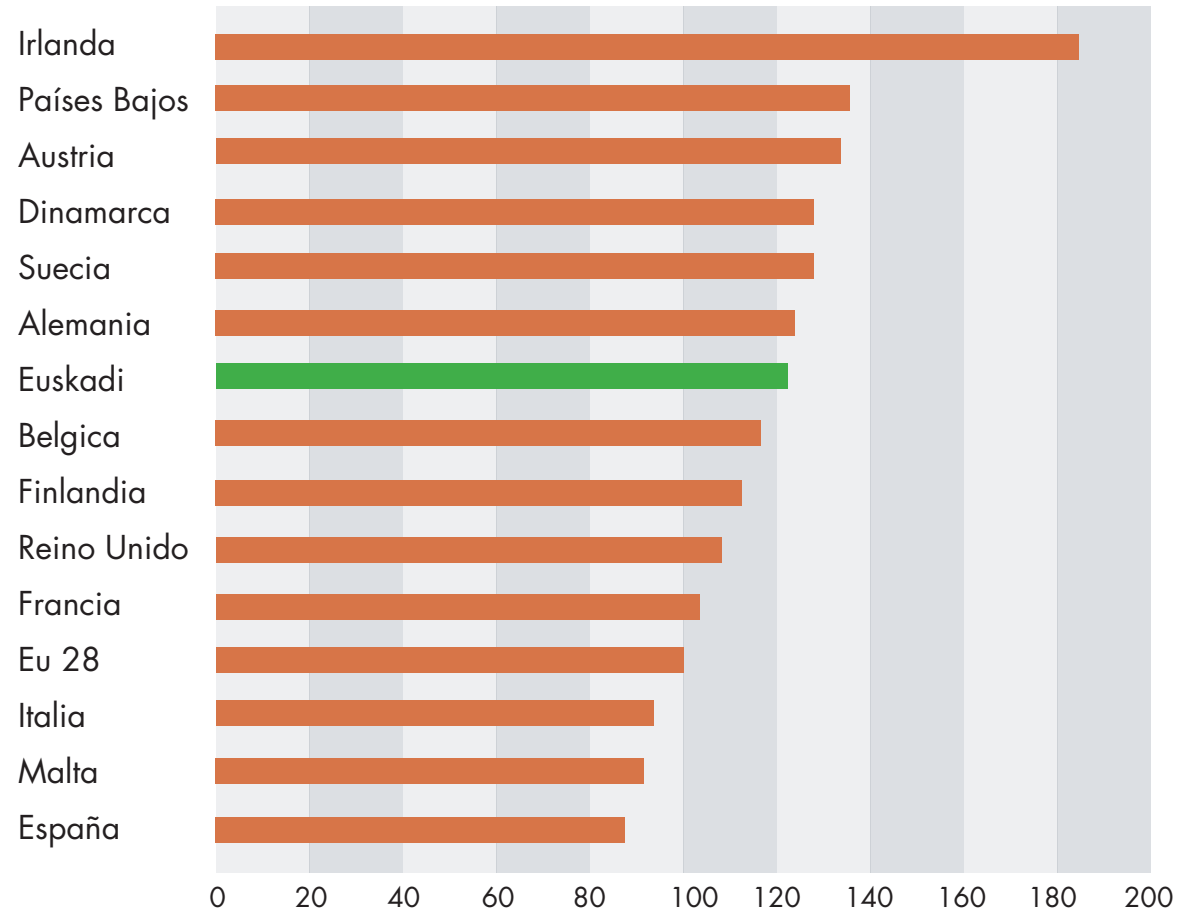
GDP 2017 (million €)

71.743 - This represents 6.2% of Spain's GDP, and is the 5th largest by Autonomous Community.

GDP per capita (€)

33.088 - This is above the European Union and eurozone average.

PIB PER CÁPITA (PPA)

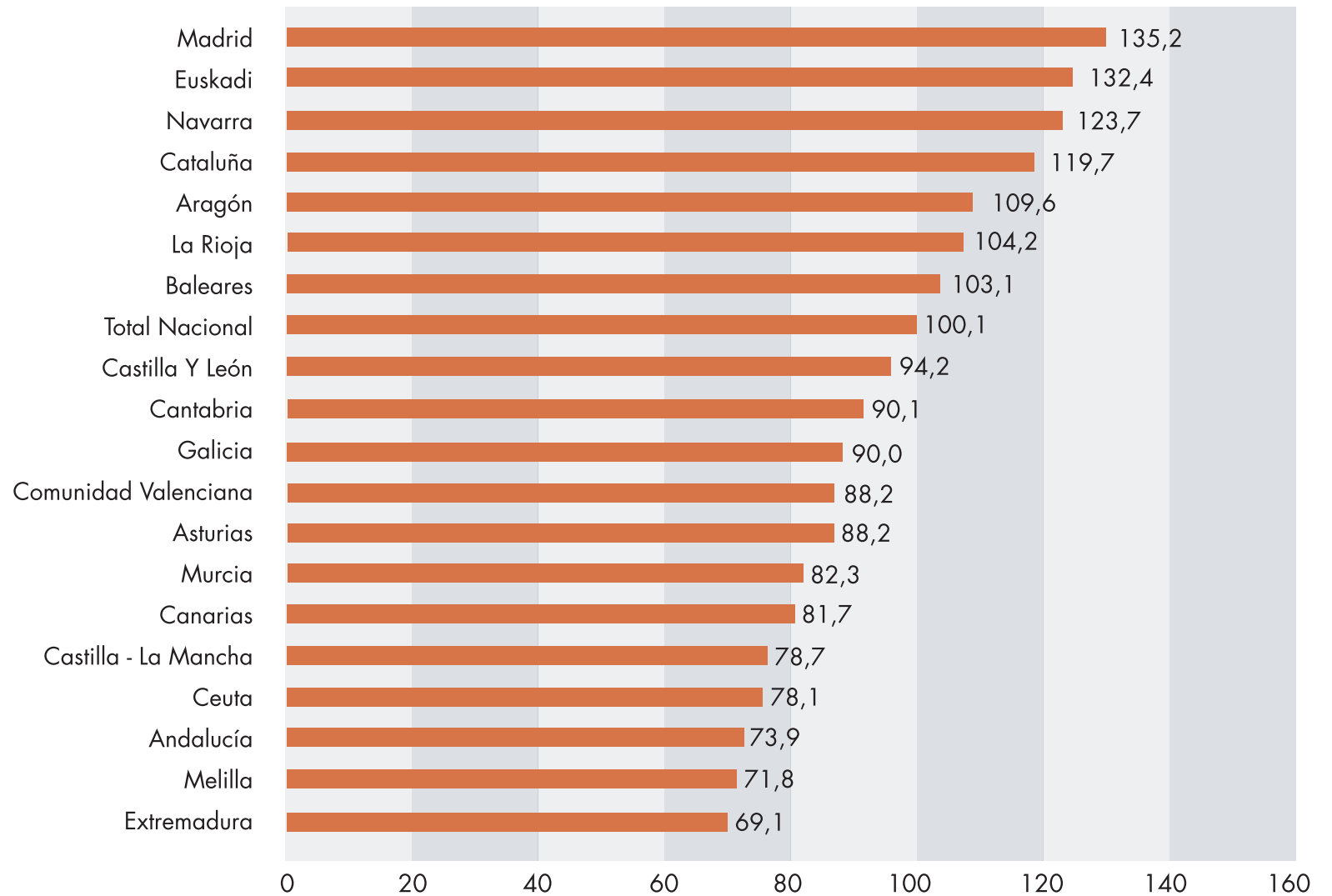


Source: Dirección de Economía con datos del Eurostat y del INE.

PIB PER CÁPITA (I)

GDP PER CAPITA RANKING OF AUTONOMOUS COMMUNITIES 2017

- The GDP per person is 32.4% higher than the Spanish average.
- It is second only to Madrid, which benefits from the effects of large companies basing their headquarters there.



Source: INE. Base 2010



PIB PER CÁPITA (II)

- In general, the Basque GDP per person, measured in PPP, is 20% higher than the European average, and is around 30 points above the Spanish average.
- In the ranking of the 276 European regions (NUTS II), in 2016 we were in 50th place.
- The provisional data for 2017 show that we have improved.

GDP per capita in PPP (EU28=100)

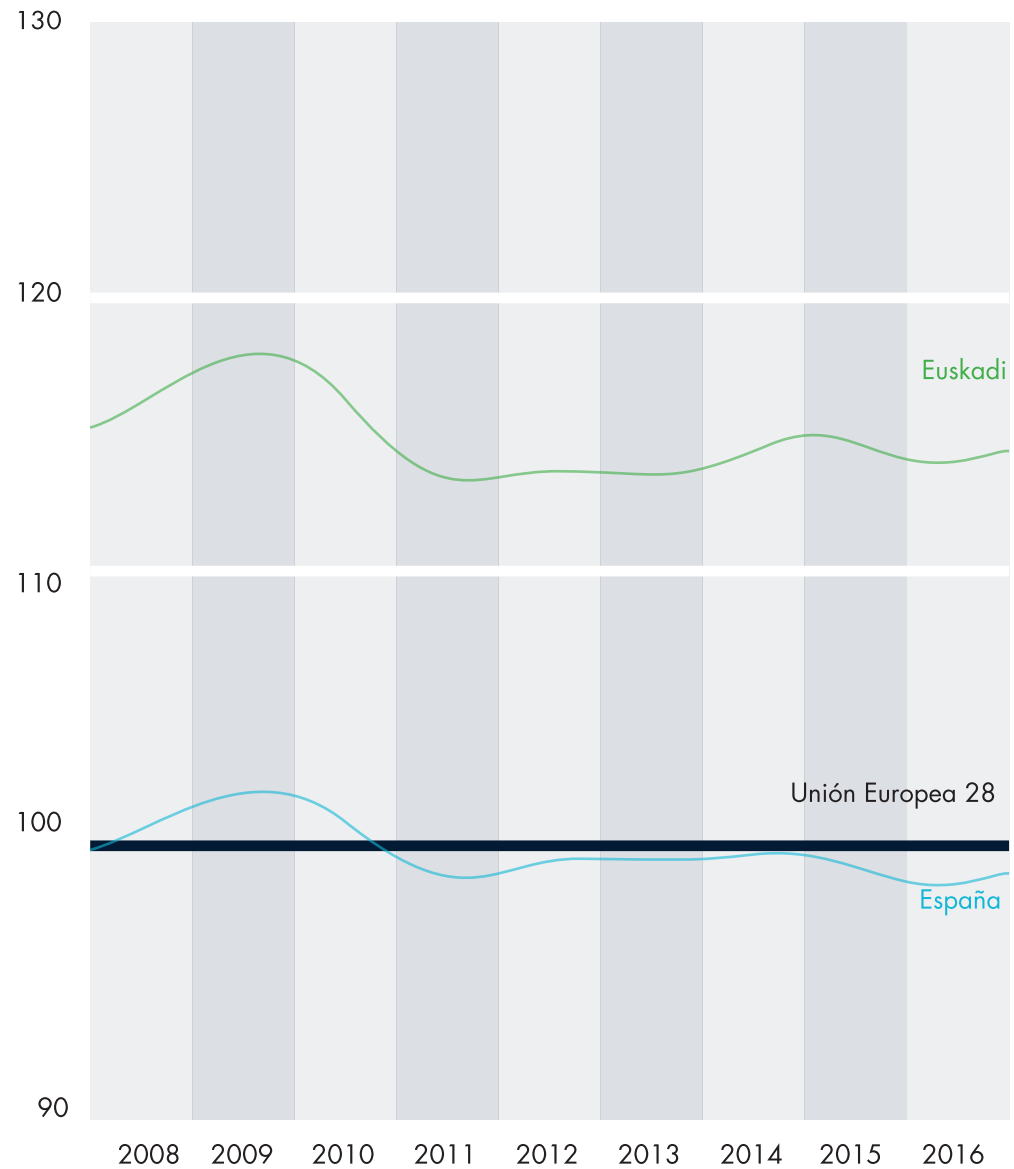


Source: Eurostat and INE and the Basque data planning and economy office 2017.

COMPETITIVENESS: PRODUCTIVITY

- The Basque Country improves on the average European and Spanish productivity levels by 15.7%

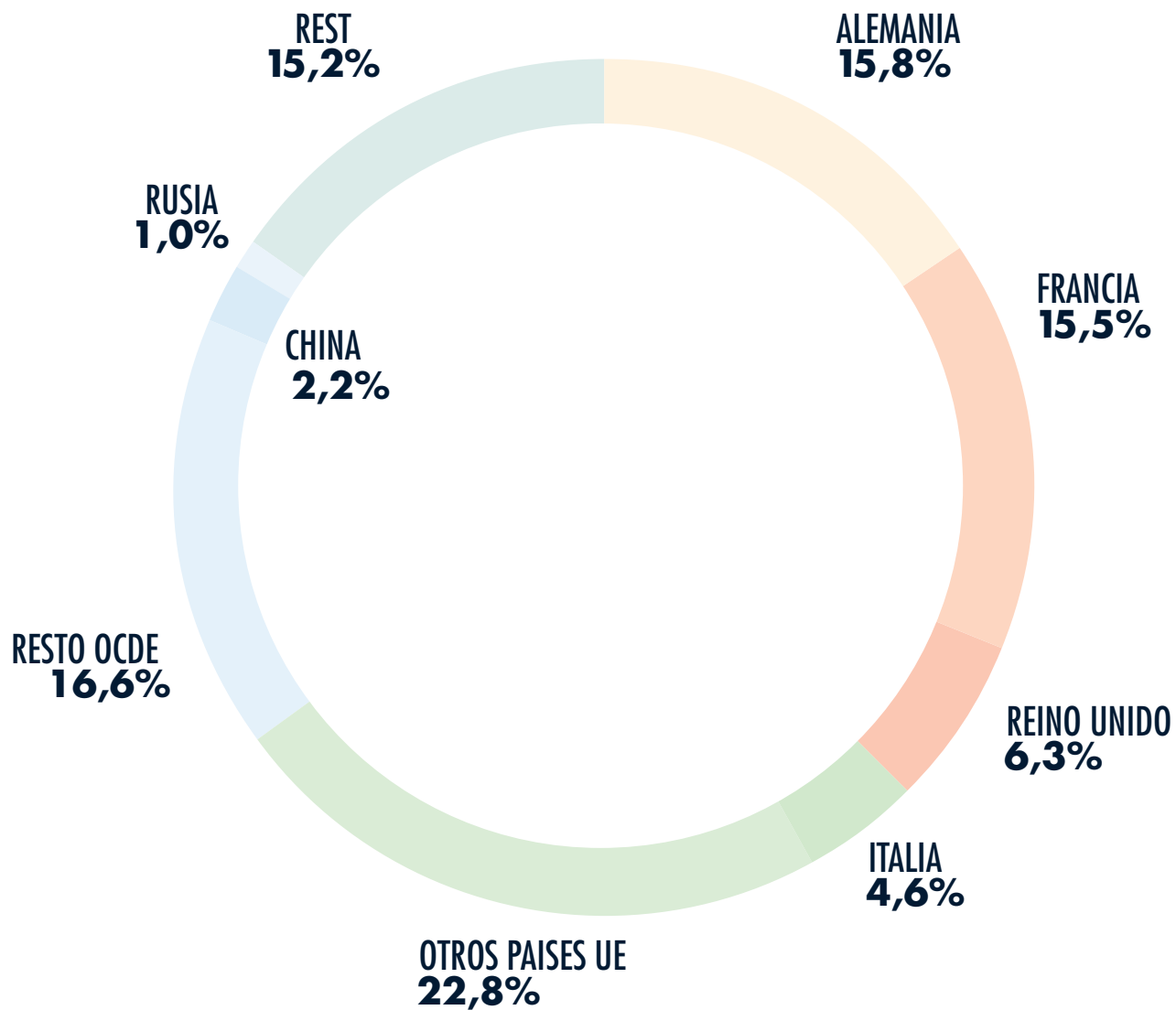
Productivity per hour worked (EU=100)



Source: Eurostat e INE.

LOOKING OUTWARDS

- The main clients are in developed countries.
- 65% of all exports abroad are concentrated in Europe.

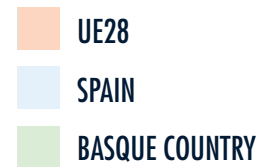


Distribution of exports by country

Source: Eustat.

ECONOMIC STRUCTURE

- High industrial component, significantly above the European average.
- On the other hand, we have fewer services. Among these, it is noticeable that public administration (including education, health and social services, both public and private) has a relatively low percentage.
- The adjustment in construction is interesting, as it reached 10.3% of the added value at the time of the building bubble (2007) and now it is almost at the same level as Europe.

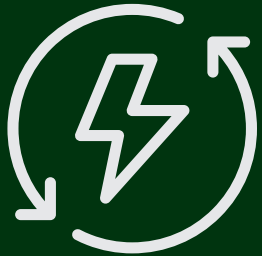


Sectoral structure in 2017 (% over GVA)



Source: Eurostat e INE. SEC 2010

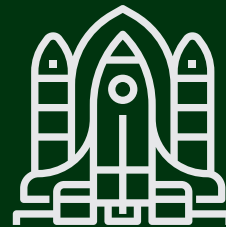
COMPETITIVENESS POLE AND SPECIALISATION



ENERGY
68.000 JOBS
€44.000M



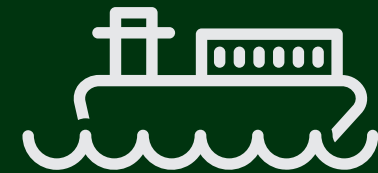
**AUTO
MOTIVE**
36.583 JOBS
€15.004M



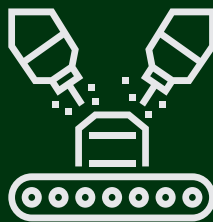
**AERO
SPACE**
12.546 JOBS
€1.755M



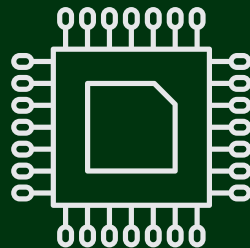
RAILWAYS
14.176 JOBS
€2.600M



MARITIME
14.210 JOBS
€2.150M



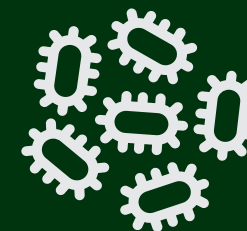
MACHINERY
5.672 JOBS
€1.180M



**ELECTRONICS
AND ICT.**
10.840 JOBS
€2.840M



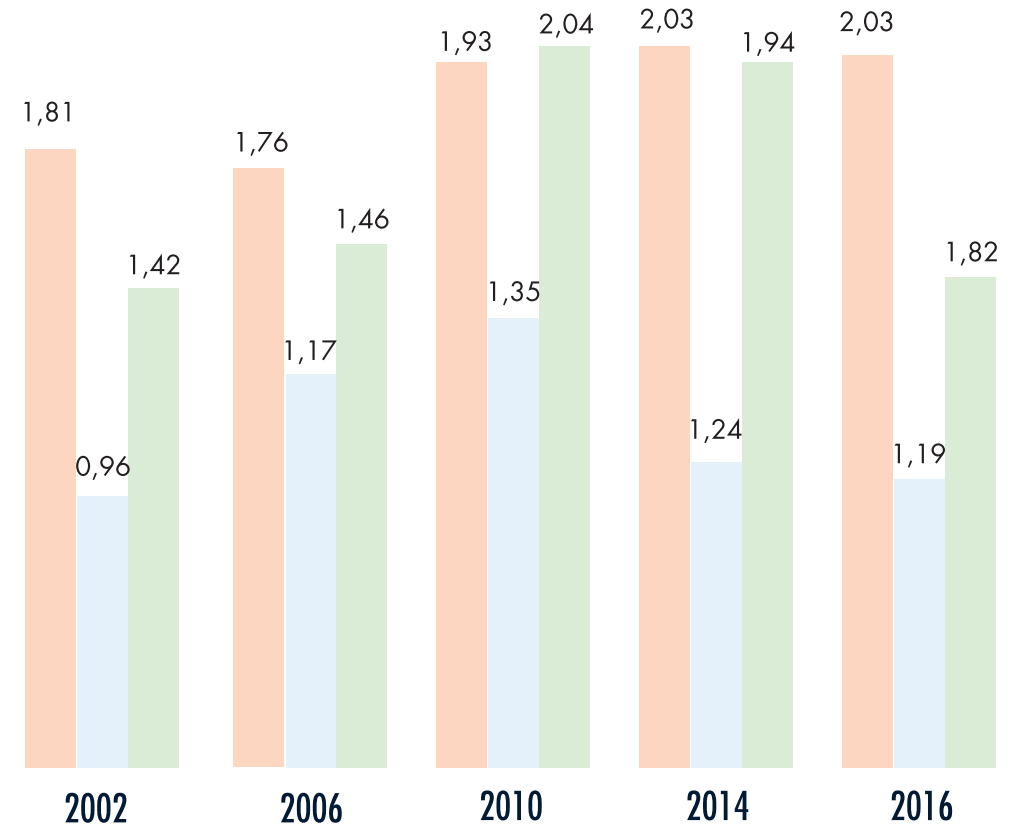
ECOINDUSTRIES
20.000 JOBS
€4.000M



BIOSCIENCES
2.700 JOBS
€376M

COMPETITIVENESS: R+D

- Huge efforts in R+D, to reach the European average values.
- In recent years, approximately 2.0% of the GDP has been spent on R+D, well above the Spanish average.



Expenditure on R+D (% of GDP)

Source: Eurostat y Eustat.

COMPETITIVENESS: INNOVATION

- The Basque Country is classed as a high innovation territory, according to the methodology used by Eurostat.

PUESTO	PAÍS	%
1	Suecia	0,71
2	Dinamarca	0,67
3	Finlandia	0,65
4	Países Bajos	0,64
5	Reino Unido	0,62
6	Alemania	0,61
7	Austria	0,60
8	Luxemburgo	0,60
9	Bélgica	0,60
10	Irlanda	0,57

PUESTO	PAÍS	%
11	Francia	0,54
12	Ue-28	0,50
13	Eslovenia	0,48
14	Euskadi	0,48
15	República Checa	0,42
16	Portugal	0,41
17	Estonia	0,39
18	Lituania	0,39
19	España	0,39
20	Malta	0,38

Innovation indicators 2017

Source: Eurostat and Eustat. Innovation union scoreboard (IUS).

COMPETITIVENESS: HUMAN CAPITAL

- Tenth place in the ranking of the 276 European regions.

PUESTO	PAÍS	%	PUESTO	PAÍS	%
1	Inner London	74,8	11	Prov. Vlaams-Brabant	47,3
2	Outer London	55,1	12	Ile France	47,3
3	Brabante Valón	52,2	13	utrecht	46,8
4	Helsinki	51,6	14	cheshire	46,8
5	Berkshire, Buckinghamshire	51,5	15	surrey, east and west sussex	46,8
6	Este De Escocia	50,5	16	madrid	46,6
7	Estocolmo	50,4	17	suerste escocia	46,1
8	Hovedstaten	49,8	18	Gloucestershire and bristol	45,8
9	Noreste De Escocia	50,4	19	Bedfordshire and Hertfordshire	44,9
10	Euskadi	48,6	20	Navarra	44,5

Percentage of the population between the ages of 25 and 64 who have successfully completed tertiary education 2016

Fuente: Eustat

ECONOMIC ENVIRONMENT

- In 2017, the global economy grew 3.7% (3.2% depending on the exchange rate).
- Developed countries improved, as a whole, by six tenths, and emerging countries by three. China went up by one tenth, and both Russia and Brazil left their recession behind.
- The European Union improved its result considerably (2.4%).
- The Basque Country (2.9%) relaxed its pace by two tenths, but it is still above the European average.

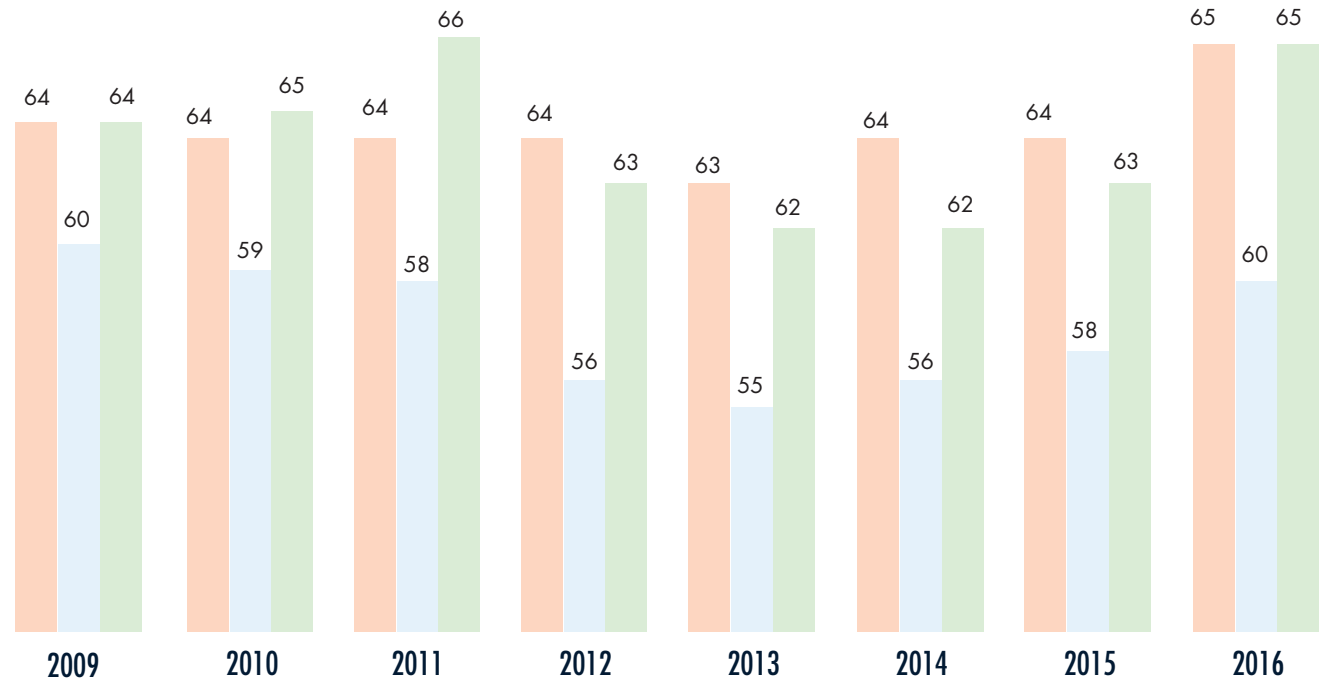
	2015	2017	2017			
			I	II	III	IV
Economía Mundial	3,2	3,7	3,5	3,7	3,9	3,9
Economías Desarrolladas	1,7	2,3	2,1	2,2	2,5	2,5
Unión Europea	2,0	2,4	2,2	2,5	2,7	2,6
- Euskadi	3,1	2,9	2,8	2,9	3,0	3,0
- España	3,3	3,1	3,0	3,1	3,1	3,1
- Alemania	1,9	2,2	2,1	2,3	2,7	2,9
- Francia	1,2	1,8	1,2	1,9	2,3	2,9
- Italia	0,9	1,5	1,3	1,6	1,8	1,6
- Reino Unido	1,9	1,8	2,1	1,9	1,8	1,4
Estados Unidos	1,5	2,3	2,0	2,2	2,3	2,6
Japón	0,9	1,7	1,3	1,6	1,9	2,1
Economías En Desarrollo	4,4	4,7	4,5	4,6	4,8	4,9
China	6,7	6,8	6,9	6,9	6,8	6,8
India	7,5	6,4	5,1	6,1	6,4	6,8
Rusia	-0,2	2,0	1,2	2,5	2,7	1,5
Brasil	-3,5	1,1	-0,5	0,8	1,5	2,2

Evolución del PIB

Fuente: FMI, La Caixa, Eurostat, OCDE y Eustat.

LABOUR MARKET: EMPLOYMENT RATE

- The percentage of people of working age who are actually working is similar in the Basque Country and the eurozone.
- In 2014, we started to regain positions.

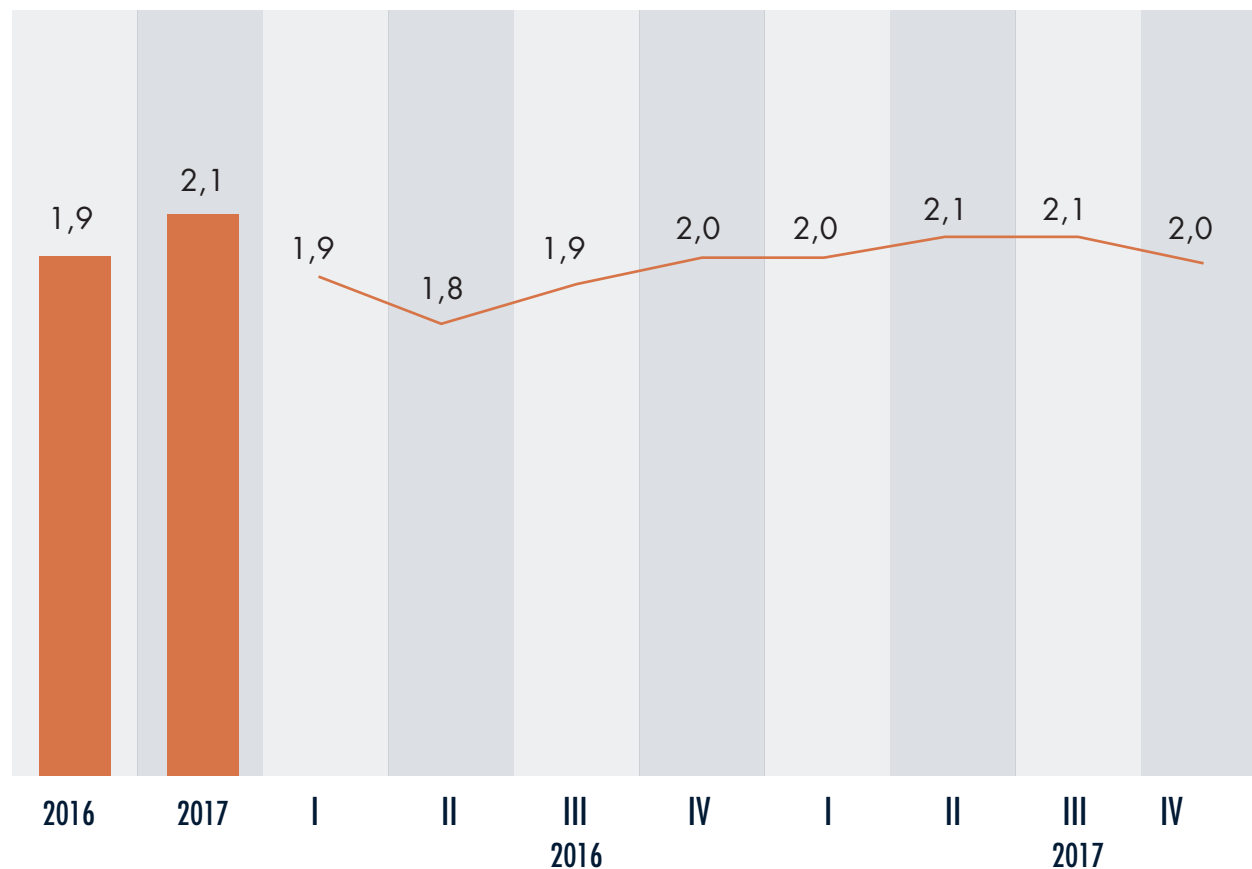


Employment rate of the population aged between 15 and 64 (%)

Fuente: Eustat

EXPANSIONARY PHASE: EMPLOYMENT

- Stable increase in employment in the area of 2.0% throughout 2017.
- That year, 18,800 jobs equivalent to full time were achieved.



Evolution of employment / Year-on-year fluctuation rate

Fuente: Eustat. Cuentas económicas

LABOUR MARKET: UNEMPLOYMENT RATE

- The unemployment rate is always below the Spanish average.
- The difference with regard to the European average is getting increasingly smaller.

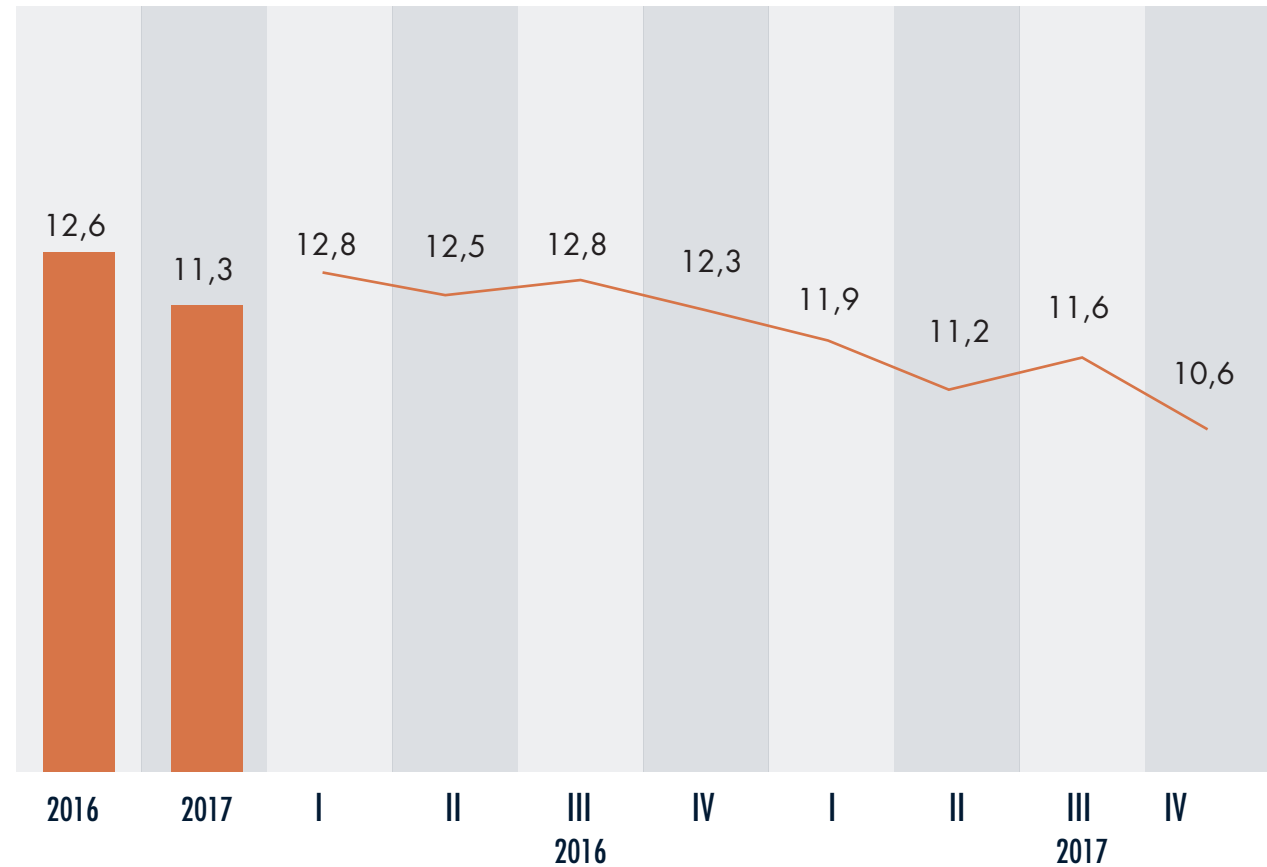


Fuente: Eustat.e INE.

EXPANSIONARY PHASE: UNEMPLOYMENT RATE

- Reduction in the unemployment rate by over two points in just one year.
- At the end of 2017, the differential with the eurozone was less than two points.

Unemployment Rate



Fuente: INE.

BASQUE ECONOMY: FORECASTS

- The expected growth model will continue to be based on the strength of domestic demand, with an external balance that will only take one tenth off growth, as was the case in 2017.
- Private consumption will temper its pace by half a point, and it will not exceed the increase in GDP.
- Investment will continue to be strong, boosted by the recovery in the construction industry.

	2017				2018	2019
	I	II	III	IV		
Pib (P.m.)	3,0	2,7	2,5	2,4	2,6	2,2
Consumo Final	2,7	2,5	2,2	2,2	2,4	1,9
- Consumo Privado	2,8	2,6	2,3	2,3	2,5	2,0
- Consumo Público	2,0	1,8	1,6	1,6	1,8	1,6
Formación Bruta De Capital	3,5	3,3	3,5	3,5	3,4	2,8
Aportación Demanda Interna	3,0	2,8	2,6	2,6	2,7	2,3
Aportación Del Saldo Exterior	0,0	-0,1	-0,1	-0,2	-0,1	-0,1

Evolution of the GDP on the side of demand

Fuente: Dirección de Economía y Planificación (marzo 2018).

QUALITY OF LIFE (I)

- The life expectancy of the Basque population is higher than the European average.
- It is worth noting the equality in income distribution is considerably greater than the Spanish level and the European average.

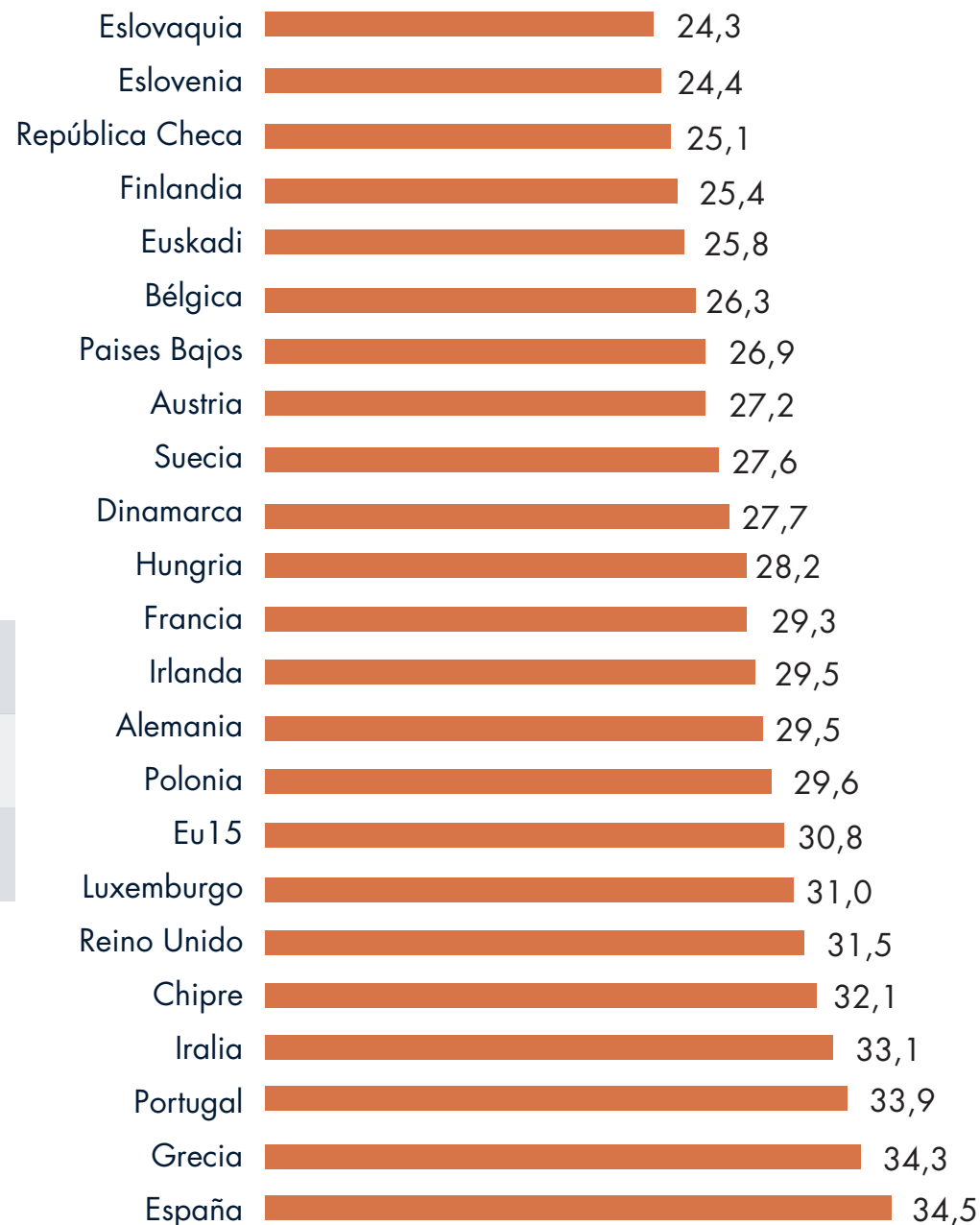
Life expectancy

	EUSKADI	UNIÓN EUROPEA
MUJERES	84,1	83,3
HOMBRES	80,4	77,9

Fuente: Eurostat y Eustat. Datos de 2015

Gini index (derecha)

Fuente: Eurostat-SILC y EPDS 2016. Datos de 2016,



QUALITY OF LIFE (II)

- Among the top economies in the world in the human development index.

	Índice de Desarrollo Humano	Esperanza de vida al nacer en Años	Años esperados de escolaridad (a) (b)	Años promedio de escolaridad (a)	Renta nacional bruta per cápita en PPP en US15 de 2011
Noruega	0,949	81,7	17,7	12,7	67.614
Australia	0,939	82,5	20,4	13,2	42.822
Suiza	0,939	83,1	16,0	13,4	56.364
Alemania	0,926	81,1	17,1	13,2	45.000
Dinamarca	0,925	80,4	19,2	12,7	44.519
Singapur	0,925	83,2	15,4	11,6	78.162
Países Bajos	0,924	81,7	18,1	11,9	46.326
Irlanda	0,923	81,1	18,6	12,3	43.798
Islandia	0,921	82,7	19,0	12,2	37.065
Canada	0,920	82,2	16,3	13,1	42.582
Estados Unidos	0,920	79,2	16,5	13,2	53.245
Hong Kong, China	0,917	84,2	15,7	11,6	54.265
Euskadi	0,916	83,0	18,6	10,8	44.252

Human development index 2015

Fuente: Eustat y Naciones Unidas.

EUROPE 2020

OCUPACIÓN

Tasa de ocupación (20-64 años)(%)

	UNIÓN EUROPEA 28	EUSKADI	ESPAÑA
- Total	71,1(3)	70,2(4)	63,9(3)
- Mujeres	65,3(3)	66,3(4)	58,1(3)
- Hombres	76,9(3)	74,3(4)	69,6(3)

I+D

- Gasto Interior bruto en I+D (%PIB)	2,03(3)	1,82(3)	1,19(3)
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CLIMA Y ENERGÍA

Emisiones de gases de efecto invernadero, año base 1990=100

	76,4(2)	90,6(3)	116,6(2)
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Cuota de energías renovables en el consumo final bruto energía (%)

	17,0(3)	14,3(3)	17,3(3)
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Consumo de energía primaria, año base 2005=100

	90,0(3)	81,2(3)	83,6(3)
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Consumo final de energía, año base 2005=100

	92,9(3)	90,0(3)	84,4(3)
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EDUCACIÓN

Tasa de abandono prematuro (18-24 años)(%)

- Total	11,1(1)	7,2(1)	21,9(1)
- Mujeres	9,5(1)	6,6(1)	18,1(1)
- Hombres	17,7(1)	7,7(1)	25,6(1)

Nivel de educación superior (30-34 años)(%)

- Total	37,9(1)	48,9(1)	42,3(1)
- Mujeres	42,3(1)	58,0(1)	47,8(1)
- Hombres	33,6(1)	40,3(1)	35,8(1)

POBREZA

- Total	37,9(1)	48,9(1)	42,3(1)
- Mujeres	42,3(1)	58,0(1)	47,8(1)
- Hombres	33,6(1)	40,3(1)	35,8(1)

POBREZA

- Total	37,9(1)	48,9(1)	42,3(1)
- Mujeres	42,3(1)	58,0(1)	47,8(1)
- Hombres	33,6(1)	40,3(1)	35,8(1)

Población en riesgo de pobreza o exclusión (unión de los 3 siguientes)

- Población que vive en hogares cn intensidad de trabajo muy baja	23,7(2)	20,6(3)	27,9(3)
- Población en riesgo de pobreza después de transferencias sociales	10,6(2)	10,2(3)	14,9(3)
- Población en situación de privación material grave	17,3(2)	16,4(3)	22,3(3)

- Población en situación de privación material grave	7,8(3)	6,4(3)	5,8(3)
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* (1)2014
(2)2015
(3)2016

**Indicators for
Europe 2020,
year 2016**

SUSTAINABILITY MANDATE OF THE BASQUE GOVERNMENT (I)






The Basque Government has an Agenda Euskadi Basque Country 2030 that reflects the degree of alignment and contribution of the Government Program with 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 to higher levels of quality. This is the Basque model of growth and social welfare, now strengthened by the presentation of 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 Agenda 2030 of United Nations. It is the First Agenda Euskadi Basque Country 2030 whose temporal scope covers the period 2016-2020.

It includes 93 of the 175 commitments acquired by the Basque Government in its Government Program, 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 Agenda 2030, and make visible the contribution of Euskadi to the implementation of the Agenda 2030 and the achievement of the Sustainable Development Goals.

SUSTAINABILITY MANDATE OF THE BASQUE GOVERNMENT (II)

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. An end to poverty 2. An end to hunger/food 3. Healthy lifestyle 4. Inclusive 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. Water and sanitation 7. Sustainable consumption and production 8. Climate change 9. Sea resources 10. Ecosystems	 PLANET	20% reduction in CO2 emissions	10	35	11	4th Environmental Framework Programme	11	3
11. Economic growth and employment 12. Infrastructures and innovation 13. Energy 14. Reducing inequality 15. Cities and urban settlements	 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 and justice	 PEACE	Disarming and dissolving ETA	24	80	3	Co-habitation and Human Rights Plan Public Security Plan	6	2
17. Partnerships / cooperation for development	 PARTNERSHIP	New political status	12	32	2	"Euskadi - Basque Country" Internationalisation Strategy	3	

INAUGURAL SUSTAINABILITY BOND BASQUE COUNTRY

Emisor	Gobierno Vasco
Rating Emisor	A3(st)/ A+ (Pos)/ A- (st) by Moody's/S&P/Fitch
Importe Nominal	EUR 500,000,000 esperado
Plazo	10Y
Cotización	Bolsa de Bilbao
Referencia	SPGB
Denominaciones	EUR1000
Ponderación De Riesgo	0%
Ley Aplicable Y Documentacion	Ley Española, exento del requisito de establecer un programa de emisión en España. Régimen fiscal de la deuda pública española. No hay eventos por impago. Sin resarcimiento por eventos fiscales.
Codigo ISIN	[ES.....]
Uso De Los Fondos	Según lo establecido en el Marco de Emisión de Bonos Sostenibles del Gobierno Vasco; este Bono Sostenible Inaugural financiará y re-financiará proyectos Verdes y Sociales.
Bookrunners	BBVA, Credit Agricole CIB, HSBC, Norbolsa, Santander
Mercado Objetivo	El mercado objetivo de los Bonos es profesionales y contrapartes elegibles (todos los canales de distribución), cada uno como se define en MIFID II.

BASQUE GOVERNMENT 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 UN Sustainable Development Goals Agenda 2030.

The net use of proceeds will be used to finance and/or refinance eligible categories and projects are included in the General Budget and corresponding budgetary programmes of the Basque Government and will always be part of the current budget of the fiscal year of 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 evaluates their compliance with the defined relevant eligibility criteria







The Basque Government will report on impact on each Sustainability Bond issued within 12 months since settlement date

Supported by an external review: Sustainalytics has provided with a Second Party Opinion which will be available on the issuer's website as well as the Sustainability Bond Framework.

SUSTAINABILITY BOND FRAMEWORK: USE OF PROCEEDS (I)

CATEGORÍAS ELEGIBLES	MARCO DE EMISIÓN	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 support public educational programmes for young people between 14 and 25 years old and to support the successful integration of disadvantaged groups in the education system. Disadvantaged group refers to young people in a situation of greater vulnerability because they have not finished Compulsory Secondary Education (ESO).</p> <p>Healthcare: proceeds of the bond will be allocated to projects aimed to guarantee universal access to quality public health care 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 that 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 employment generation in the different economic sectors and to finance programmes that support unemployed people in education and training, in order to reduce the unemployment rate 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 increase of renewable energy in the Basque Country. Proceeds will be used to finance the renewable energy priorities included in the Euskadi 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 (II)

<p>CLEAN TRANSPORTATION</p>	<p>Proceeds of the bond will be used to reduce the dependence on fossil fuel transport in accordance with the lines of action included in the Master Plan for Sustainable Transport of Euskadi 2030.</p>	
<p>POLLUTION PREVENTION AND CONTROL</p>	<p>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 Programme 2020 and the Biodiversity Strategy of the Basque Country 2030.</p>	
<p>SUSTAINABLE WATER AND WASTEWATER MANAGEMENT</p>	<p>Proceeds of the bond will be allocated to projects and programmes that will support the protection and improvement of the ecological state of water masses; projects and programmes that will support not only the improvements of water quality and its supply, but also the sanitation and urban sewage treatment. Additionally, proceeds of the bond will be allocated to resolve water scarcity, waste minimization of water consumption, or recycling to alleviate sewage water generating.</p>	
<p>TERRESTRIAL AND AQUATIC BIODIVERSITY CONSERVATION</p>	<p>Proceeds of the bond will be allocated to projects and programmes aimed at promoting protection and restoration of ecosystems in the Basque Country as it is included in the Biodiversity Strategy of the Basque Country 2030.</p>	
<p>ENERGY EFFICIENCY</p>	<p>Proceeds of the bond will be used to build a low carbon energy model and anticipate the risks of climate change following the guidelines and lines of action foreseen in the 2030 Euskadi Energy Strategy and 2050 Climate Change Strategy Basque Country (Klima 2050).</p>	
<p>CLIMATE CHANGE ADAPTATION</p>	<p>Financing of plans of action and activities to reduce the impacts of extreme climatic events in vulnerable areas, such as flood prevention, landslide, impact in coastal areas, etc .</p>	

SUSTAINABILITY BOND FRAMEWORK: PROCESS FOR PROJECT EVALUATION AND SELECTION & MANAGEMENT OF 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 Department of Finance 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 programmes the Committee will monitor and prevent any such double allocation of proceeds

The proceeds of the Sustainability Bond will be allocated to eligible budgetary programmes 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 programmes will equal or exceed the net Sustainability bond proceeds

The proceeds from the Sustainability bond issuance will be directly allocated to the eligible projects at settlement. In the event 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 Financial Policy Department and reviewed by the Sustainability Bond Committee

SUSTAINABILITY BOND FRAMEWORK: REPORTING

ALLOCATION REPORTING

the Basque Government committed to report on an annual basis 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

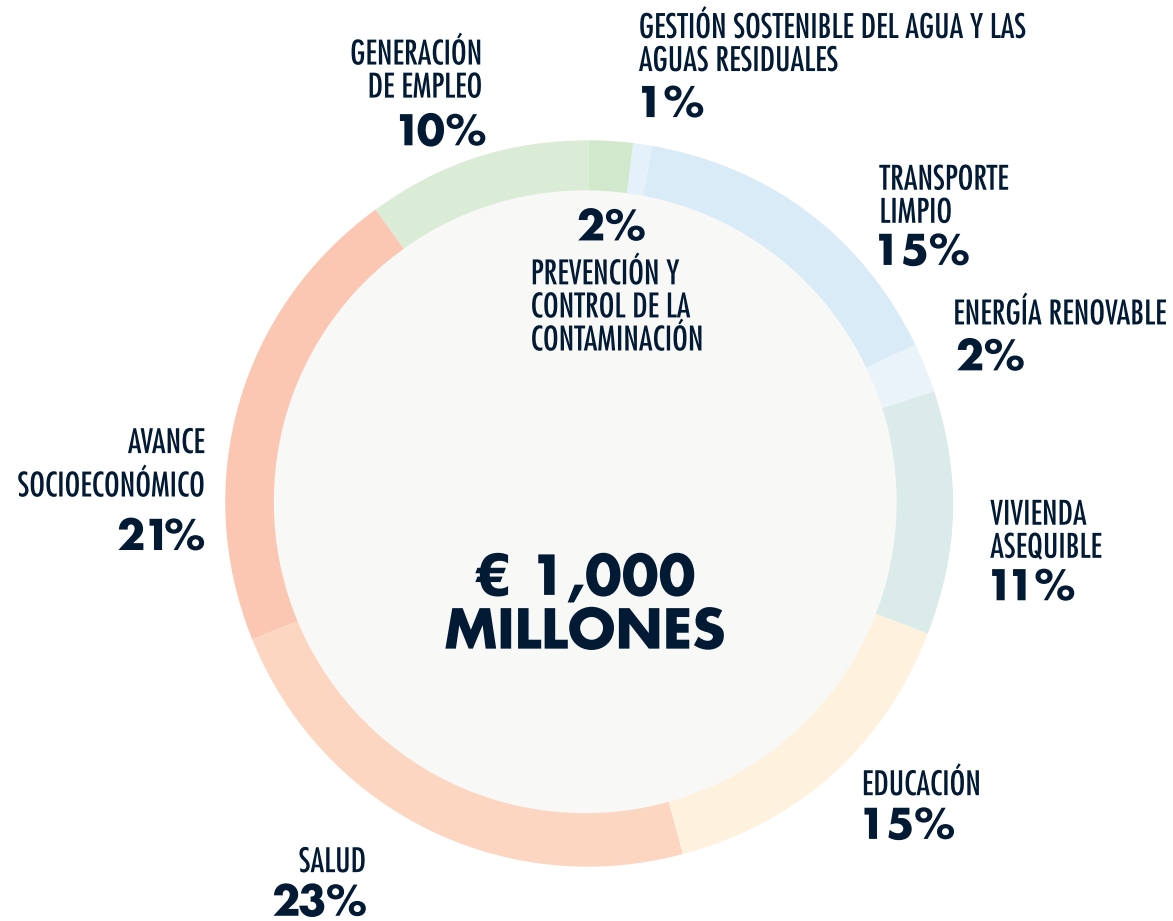
Impact indicators are developed for each eligibility category

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 programmes, where feasible

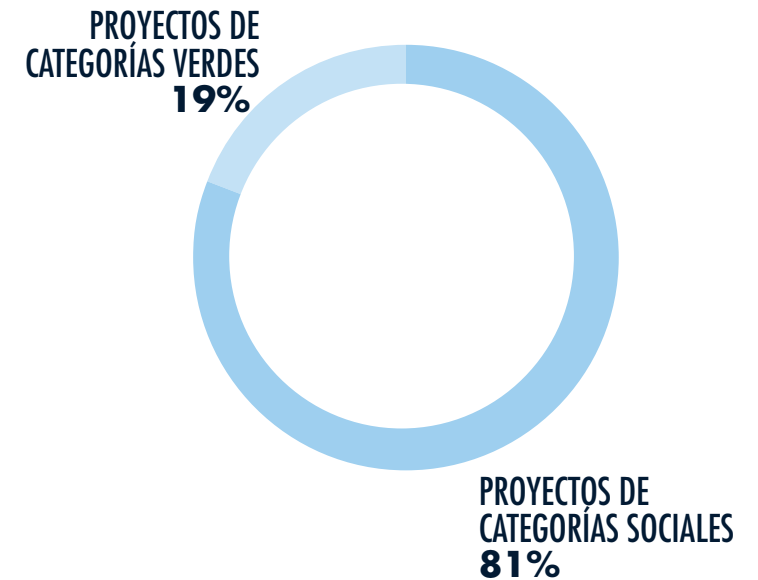
Impact indicators will include avoided CO₂, renewable energy and energy savings as well as poverty rate and school enrolment rate, among others

Some case studies of projects may be provided to illustrate the positive impact

SELECTED ELEGIBLE ASSETS FOR DEBUT SUSTAINABILITY BOND



Por categoría de proyectos



ELIGIBLE ASSETS: SOCIAL PROJECTS

AFFORDABLE HOUSING	110.000.000	SOCIO-ECONOMIC ADVANCEMENT	210.000.000
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	60.000.000	Financing of social emergency assistance programmes	25.000.000
Financing of Bizigune programme	20.000.000	Financing of family support benefits	40.000.000
Building of homes to rent	8.000.000	Financing of income security allowance	145.000.000
Aid to refurbish and/or renovate homes and buildings	22.000.000	JOB CREATION	104.000.000
EDUCATION	151.000.000	Local employment support and development projects - county employment plans	22.000.000
Building and equipping nurseries and primary schools	35.000.000	Financing of labour market integration - career guidance for disadvantaged collectives, qualified young people	8.000.000
Building and equipping secondary and vocational training schools	20.000.000	Financing of Lehen aukera programme	3.000.000
Financing of contract-programme and investment University of the Basque Country	9.000.000	Financing of programmes to promote employment - jobs supporting people with disabilities, recruitment of over-35s, special job centres	35.500.000
Non-university scholarships	58.000.000	Financing of training programmes - sandwich courses for young people, training for unemployed people	35.500.000
University scholarships	29.000.000		
HEALTH	235.000.000	HEALTH	
Financing of the expenses of running the Basque Health Service: Osakidetza	110.000.000	Healthcare investments - expansion of existing hospitals, health centres, equipment	50.000.000
Financing of hospital and non-hospital pharmacy expenses	75.000.000	TOTAL €	810.000.000

ELIGIBLE ASSETS: GREEN PROJECTS

CLEAN TRANSPORT		
	148.000.000	
Supply of new trains	26.000.000	
Construction of new infrastructure - doubling tracks, new trams in Vitoria-Gasteiz, Donostia-San Sebastian train line [popularly known as "Topo"]	67.000.000	Financing 55 m of investment in ETS [Basque train network] and 12 in the 5131 programme
Smart electric bus in Vitoria-Gasteiz	10.000.000	
Financing railway operators	45.000.000	Financing 29 m of running costs in ETS and 16 in contributions to the CTB [Biscay transport consortium]
CONTAMINATION CONTROL AND PREVENTION		
SUSTAINABLE MANAGEMENT OF WATER AND WASTE WATER		
CONSERVATION OF TERRESTRIAL AND AQUATIC BIODIVERSITY		
ENERGY EFFICIENCY		
CLIMATE CHANGE ADAPTATION		
RENEWABLE ENERGY		
		Financed by the 4421, 5121 and 7311 programmes, for a total of 42 m

	BUDGET PROGRAMMES	TOTAL	ELEGIBLE
4421	Environmental protection	21.831.960	16.000.000
5121	Hydraulic administration and planning	13.400.002	11.000.000
5131	Rail transport management and infrastructure	162.401.900	148.000.000
5141	Transport planning	4.968.249	
7311	Energy (EVE group without SHESA)	18.506.476	15.000.000
		221.108.587	190.000.000

EXTERNAL REVIEW

Sustainalytics

The Basque Government engaged Sustainalytics to provide a review of the Basque Government Sustainability Bond Framework and provide a second-party opinion on the 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 held conversations with various members of the Basque Government team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Basque Government's sustainability bond. Sustainalytics also reviewed relevant public documents and non-public information.

Sustainalytics conclusion

The Basque Government intends to issue multiple bonds that finance projects and programmes that address the regions social and environmental challenges and overall contribute 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 into the Basque procurement policies. Based on the above points, Sustainalytics considers the Basque Government's Sustainability bond to be robust, credible and transparent.

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.

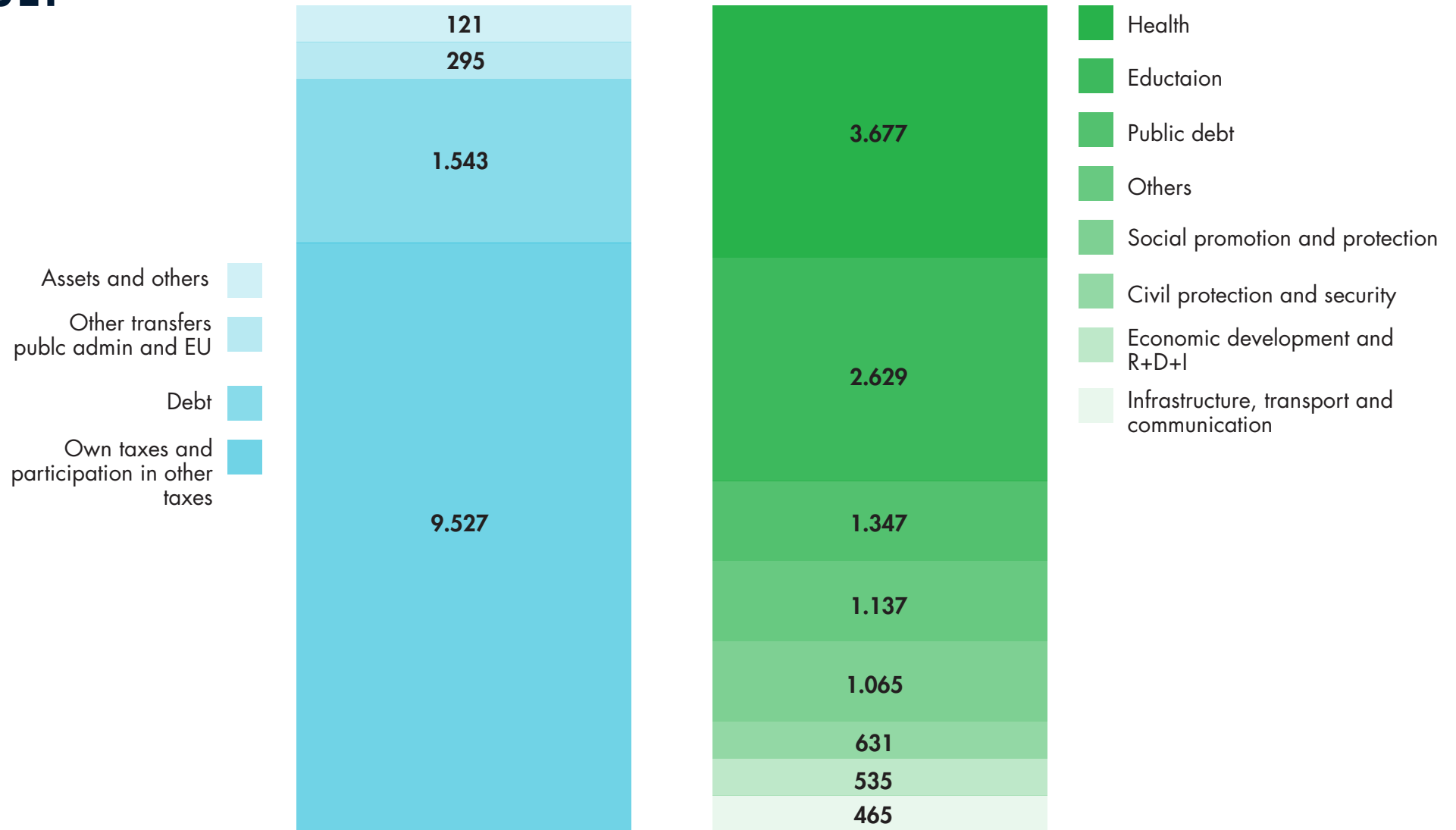
Relations between the Basque Country and the Spanish State are governed by the Economic Agreement.

The Basque Country collects and contributes with the relevant quota to the services that the Spanish State continues to provide in this area.

COLLECTION 2017 AND FORECAST 2018

DIRECT TAXES	2017	2018
Personal income tax	5.132.194	5.217.200
Corporation tax	1.111.661	1.161.900
Wealth tax	1.111.661	168.800
Inheritance and gift tax	117.912	123.875
Other direct taxes	90.903	69.775
TOTAL DIRECT TAXES	6.615.897	6.741.550
INDIRECT TAXES		
Value Added Tax	6.036.326	5.736.900
Excise duties	1.431.703	1.435.348
Hydrocarbons	928.687	970.100
Manufactured tobacco products	369.499	390.160
Alcohol, fermented beverages and intermediate products	48.295	54.315
Beer	20.387	20.773
Electricity	64.835	66.830
Property conveyance tax	144.420	145.100
Document duty	38.854	38.400
Other indirect taxes	99.930	168.955
TOTAL INDIRECT TAXES	7.751.233	7.524.703
FEES AND OTHER REVENUE	106.798	125.025
TOTAL AGREED TAXES	14.473.928	14.391.278

BASQUE GOVERNMENT 2018 BUDGET



DÉFICIT Y DEUDA

The Basque Country has shown strict fiscal discipline, meeting all the set deficit objectives.

The Basque Country is among the 11 autonomous communities that met their deficit objective in 2017.

The figure for 2017 has even occasionally meant a surplus.

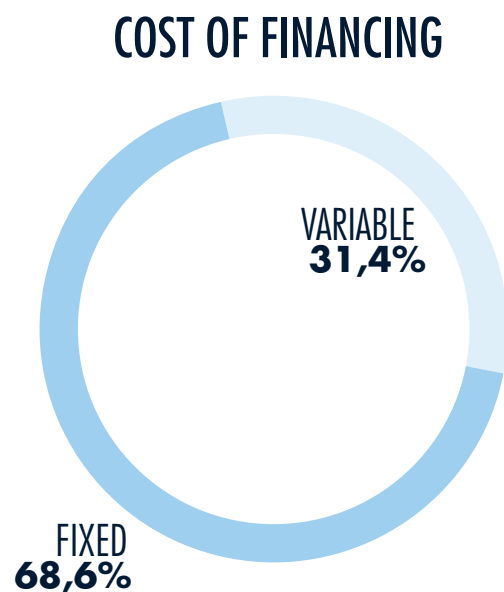
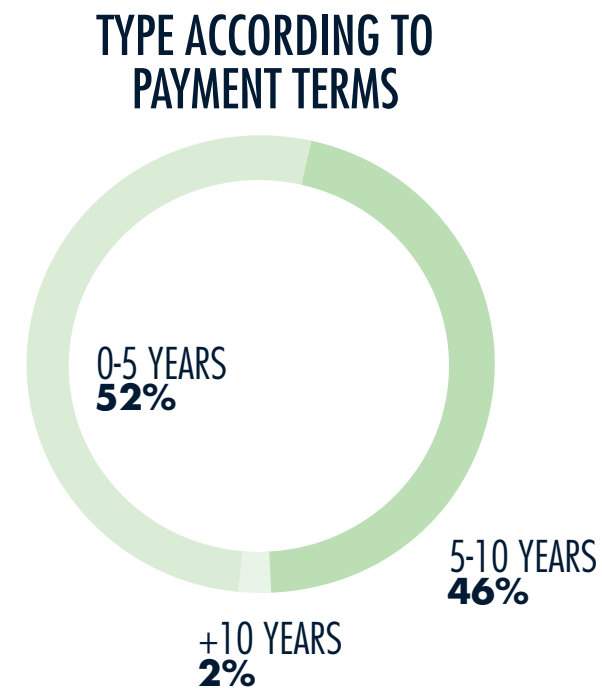
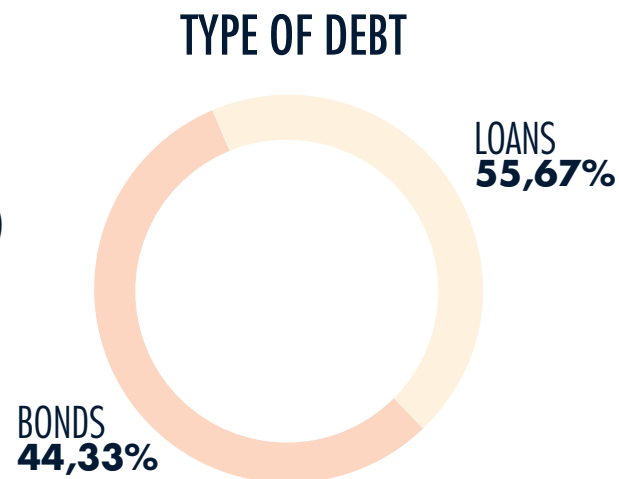
BASQUE COUNTRY PUBLIC DEFICIT OVER GDP

2012	2013	2014	2015	2016	2017	2018	2019
-1,46%	-1,15%	-1,01%	-0,68%	-0,62%	1,50%	-0,40%	-0,10%
					surplus		

CURRENT DEBT

Debt as of 31/12/2017(Thousand €)

LOANS	5.055.893
BONDS	4.026.300
TOTAL DEBT	9.082.193
% GDP (FORECAST)	14,1%



AVERAGE COST (%)	AVERAGE LIFE (YEARS)
2,00%	4,6

Financing needs 2018 2018 (Mill. €)

GROSS ISSUES	1.248
NET ISSUES	300

FINANCIAL STRATEGY

To regularly issue sustainability bonds in upcoming years of around 500 M€

- To expand the investor base with sustainable bonds
- To strengthen liquidity

To increase the average maturity of the debt by issuing lower amounts at a longer period

To diversify funding, by combining issues and loans

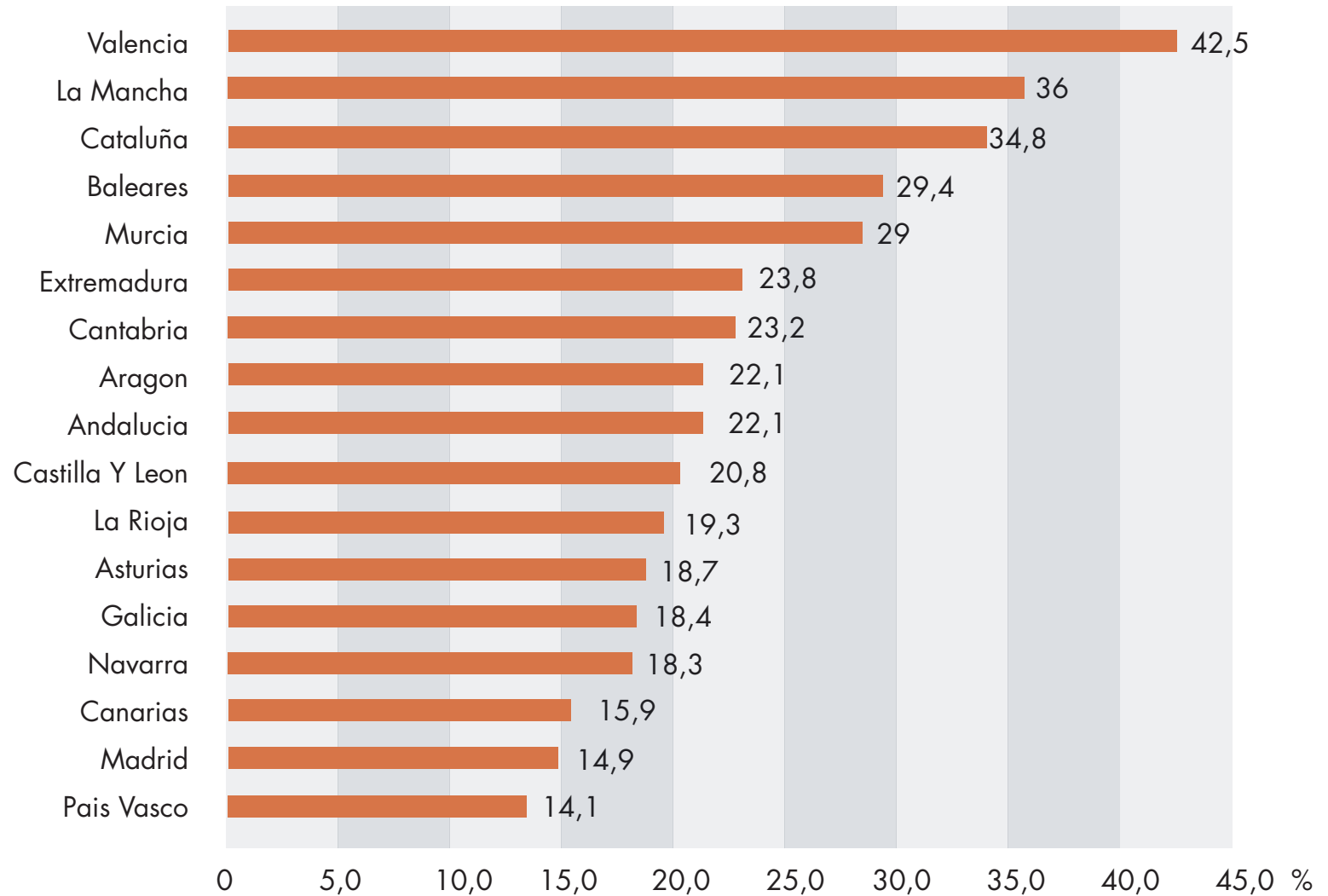
RATING

- Above the sovereign rating by S&P and Moody's.
- The rating agencies place a very positive value on its government management policies and fiscal autonomy, as well as its diversified economic base and long-standing industrial culture.

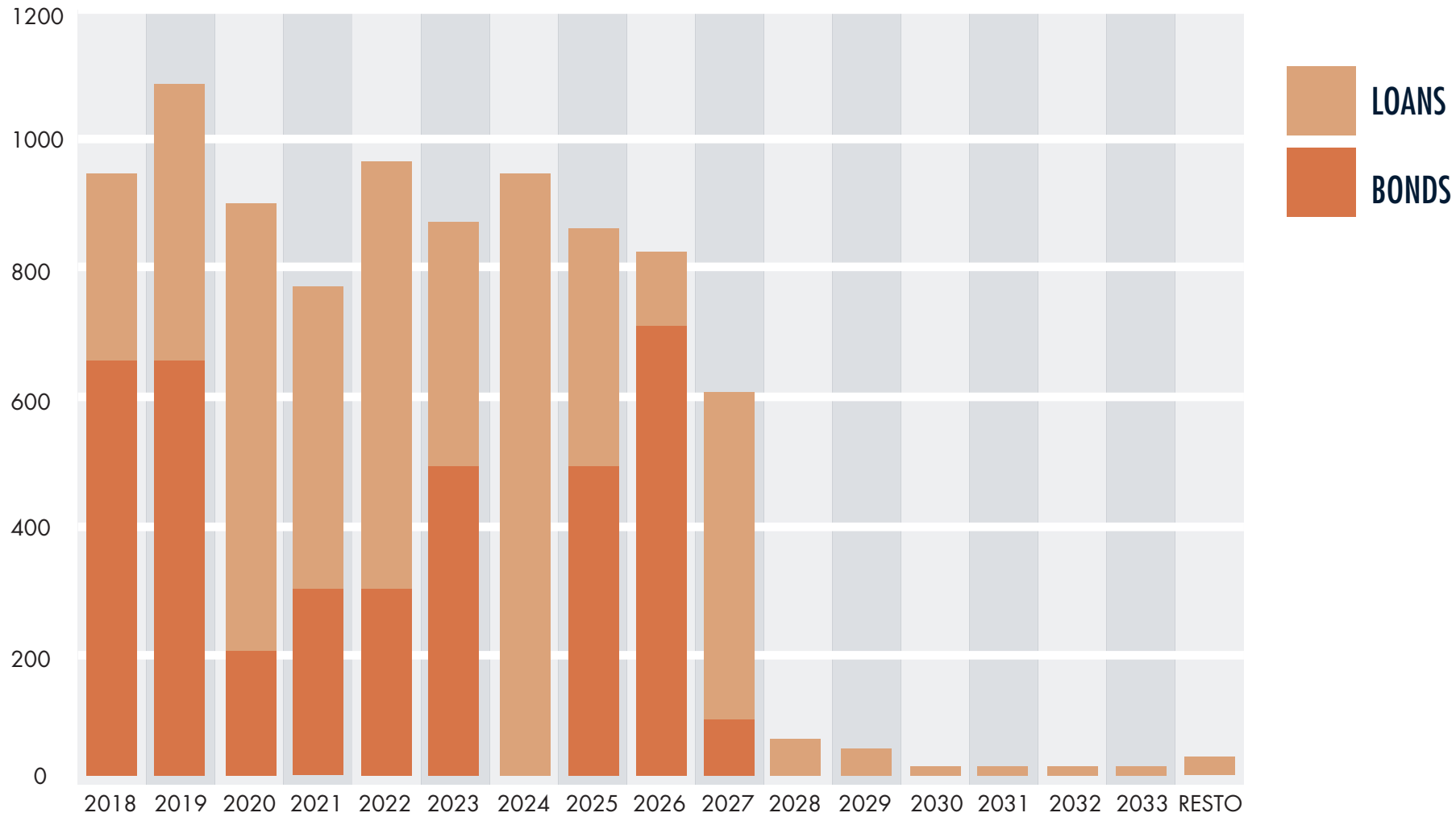
AGENCY	BASQUE COUNTRY	SPAIN
Moody's	A3 (stable outlook)	Baa1 (stable outlook)
S&P	A+ (positive outlook)	A- (positive outlook)
Fitch	A- (stable outlook)	A- (stable outlook)



COMPARISON BETWEEN AUTONOMOUS COMMUNITIES DEBT (EDP) / GDP



MATURITY PROFILE AS OF 31/12/2017



PUBLIC DEBT IN THE BASQUE COUNTRY

ISSUES IN CIRCULATION ON 30/04/2018

ISIN CODE	DATE ISSUE	ISSUE VOLUME	COUPON (%)	MATURITY	ISSUE RATE
ES0000106452	07/06/2010	400.000.000	1,650	15/06/2018	Floating
ES0000106536	18/03/2014	184.361.000	2,000	23/07/2018	Fixed
ES0000106569	16/11/2016	120.000.000	0,000	16/11/2018	Fixed
ES0000106437	28/10/2009	700.000.000	4,150	28/10/2019	Fixed
ES0000106528	26/03/2013	200.000.000	4,900	26/03/2020	Fixed
ES0000106510	20/04/2011	313.500.000	6,375	20/04/2021	Fixed
ES0000106593	18/04/2017	315.639.000	0,600	30/04/2022	Fixed
ES0000106544	13/04/ 2015	500.000.000	1,250	13/04/2023	Fixed
ES0000106445	07/01/2010	502.800.000	4,600	07/01/2025	Fixed
ES0000106551	16/03/2016	500.000.000	1,750	16/03/2026	Fixed
ES0000106577	30/12/2016	190.000.000	1,466	30/12/2026	Fixed
ES0000106585	16/03/2017	100.000.000	1,703	30/04/2027	Fixed
ES0000106601	28/02/2018	200.000.000	2,500	28/02/2038	Fixed

DISCLAIMER

The Basque Government

Mr. Pedro María Azpiazu, Minister of Finance and Economy
Mr. Alberto Alberdi, Deputy Minister of Finance, Economy 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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