

EUSKADI BASQUE COUNTRY

Euskadi, auzolana

EUSKO JAURLARITZA



GOBIERNO VASCO

INVESTOR PRESENTATION

February 2024

MINISTRY OF ECONOMY AND FINANCE

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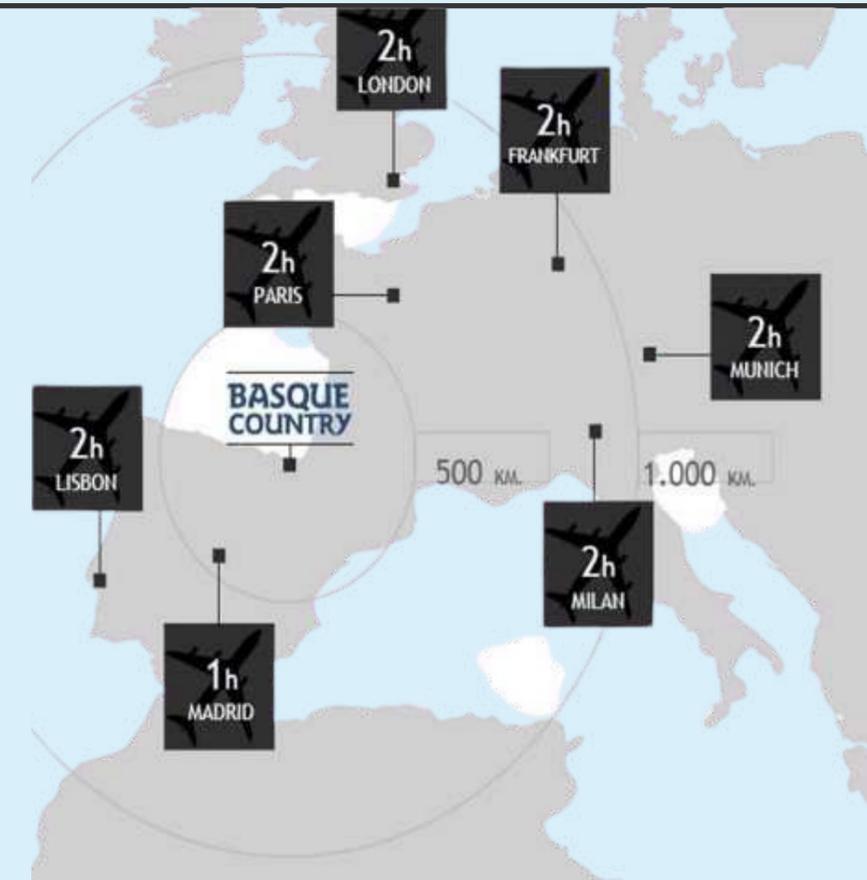
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Few key data about Basque Country

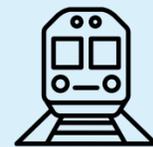
SURFACE AREA
7,234 SQ. KM.

POPULATION
2,196,745
INHABS

**MARKET ACCESS
WITHIN A RADIUS OF
1,000 KM**
507,416,607 INHABS.



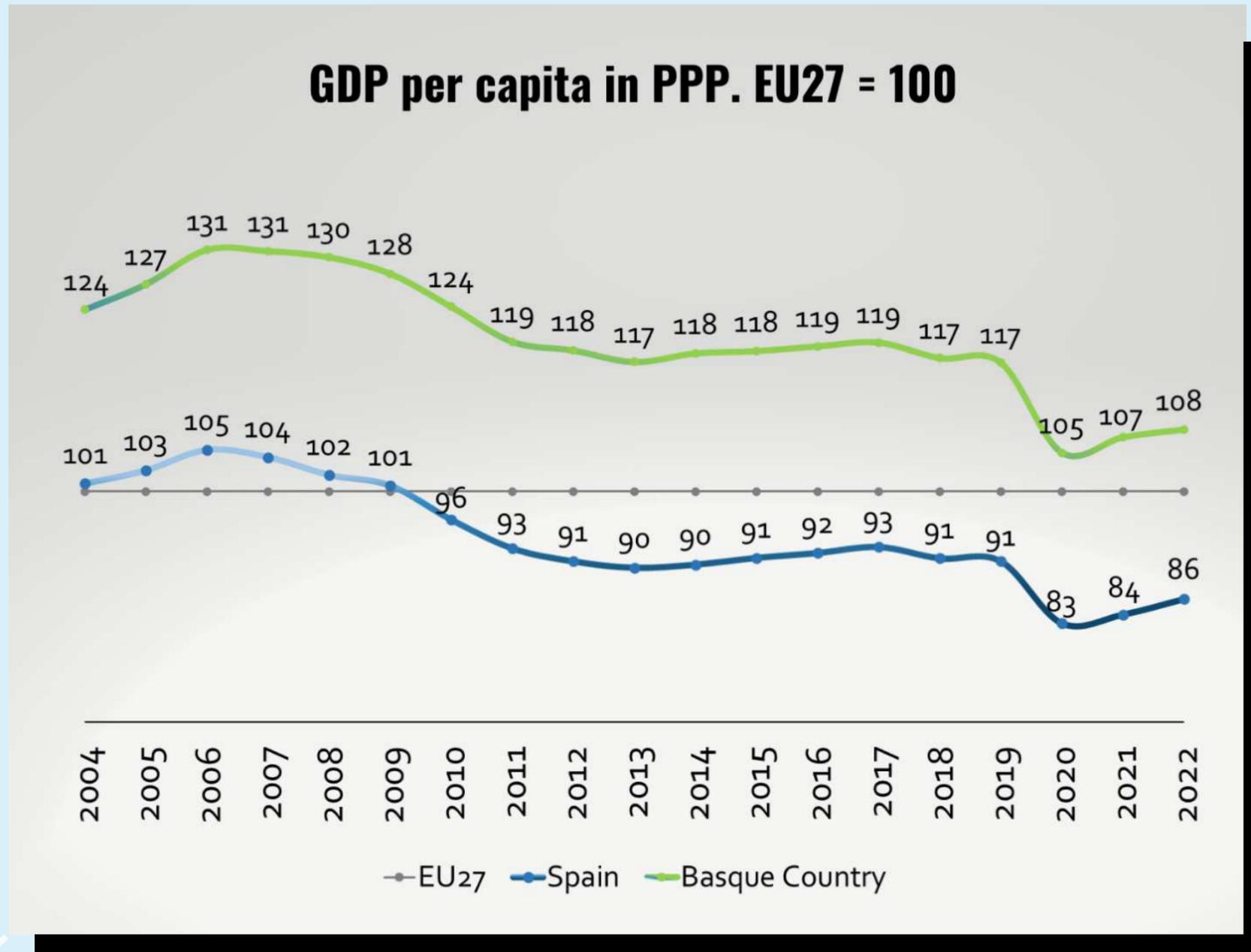
A well- connected country



**"Best European Medium-Sized
Region in Connectivity"**

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

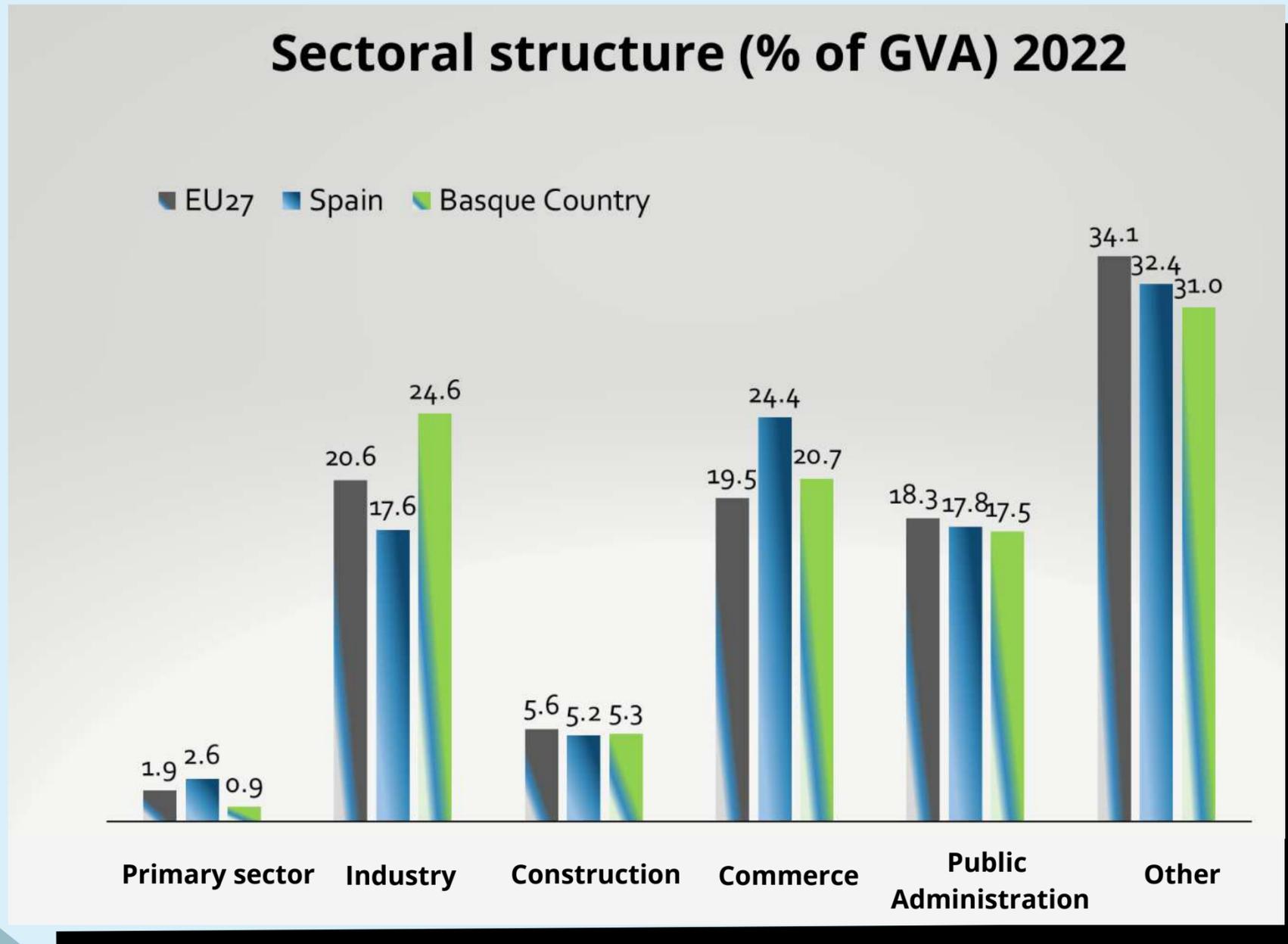
A dynamic economy that stands out in Europe



- Basque GDP per capita, measured in Purchasing Power Parity (PPP) terms, was 8% higher than the European average in 2022 and 22 points above the Spanish average.
- In 2020 the indicator bottomed out, and then began a gentle upward trend.

Source: Eurostat

Significant importance of the industrial sector



- It can be seen that the Basque Country has, in proportion, more industry than Spain and the European Union.
- On the contrary, we have fewer services. Among these, it stands out that public administration (including education, health and social services, public and private) has a relatively low percentage.
- The adjustment of construction is striking, which weighed 10.3% of the value added at the time of the financial bubble (2007) and is now practically at the level of Europe.

Source: Eustat, Eurostat and INE

Competitiveness: Human Capital. 2022

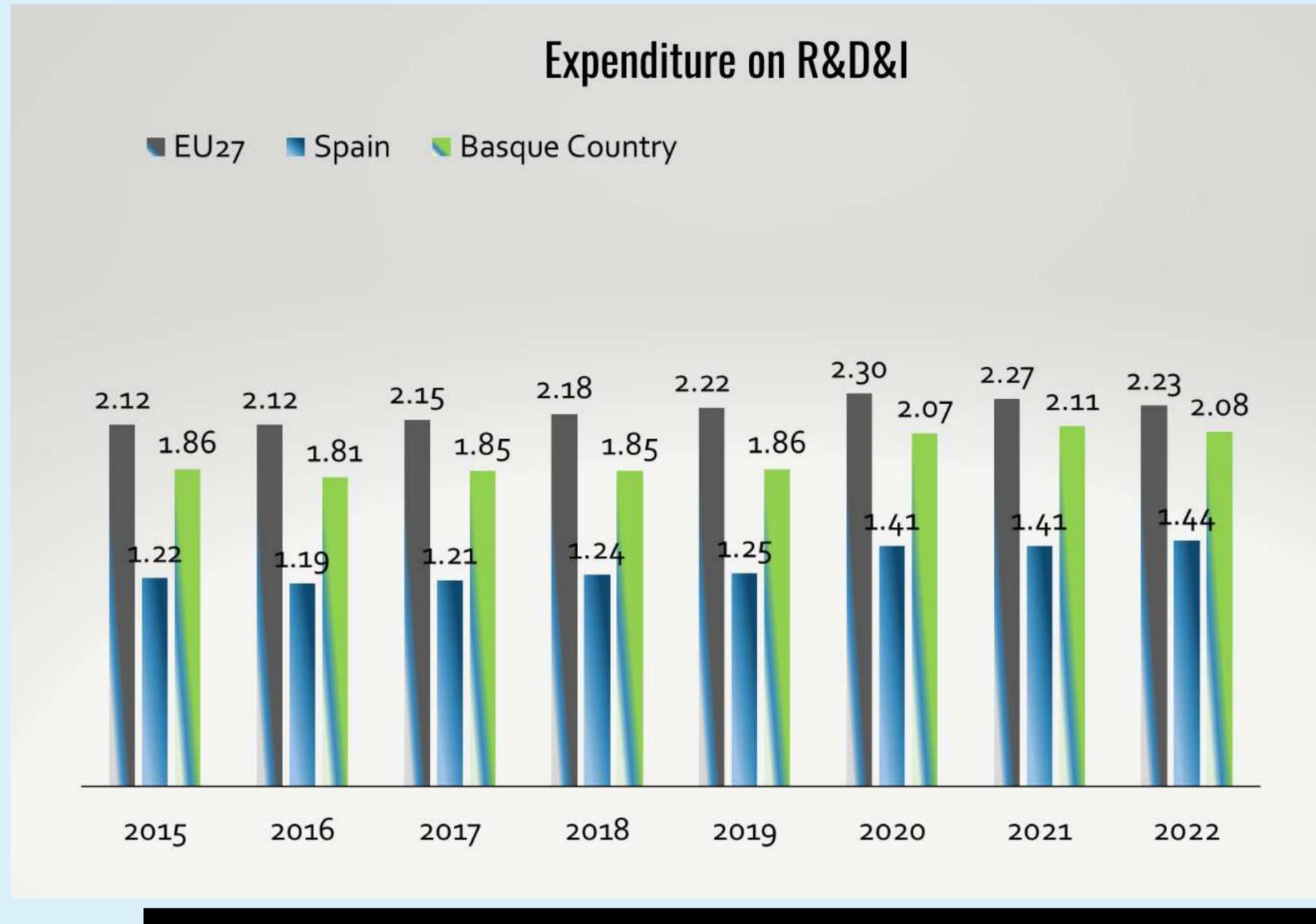
Percentage of population aged 25-64 with successful tertiary education

Position		%
1	Sostines regionas	62.1
2	Prov. Brabant wallon	60.7
3	Stockholm	57.5
4	Warszawski stoleczny	57.0
5	Eastern and Midland	56.9
6	Basque Country	56.4
7	Utrecht	56.1
8	Budapest	55.9
9	Zürich	55.5
10	Île de France	55.0

Position		%
11	Région de Bruxelles-Capitale	53.5
12	Hovedstaden	53.1
13	Luxembourg	52.3
14	Oslo og Viken	51.9
15	Prov. Vlaams-Brabant	51.6
16	Noord-Holland	51.6
17	Praha	51.5
18	Helsinki-Uusimaa	50.5
19	Community of Madrid	50.3
20	Southern	50.2

More than half of the Basque population between 25 and 64 years of age has completed tertiary studies. This ranks us in first position in Spain and among the most advanced European regions according to this ratio.

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



- After six years stagnating at around 1.85%, in 2020 the percentage of spending on R+D+i increased.
- After increasing in 2021, in 2022 it has fallen back to 2020 levels.
- This lower dynamism has also extended to the European Union, which has allowed the spread to narrow.

Source: Eustat, Eurostat and INE

Competitiveness: innovation

Innovation Indicators Panel (EIS)

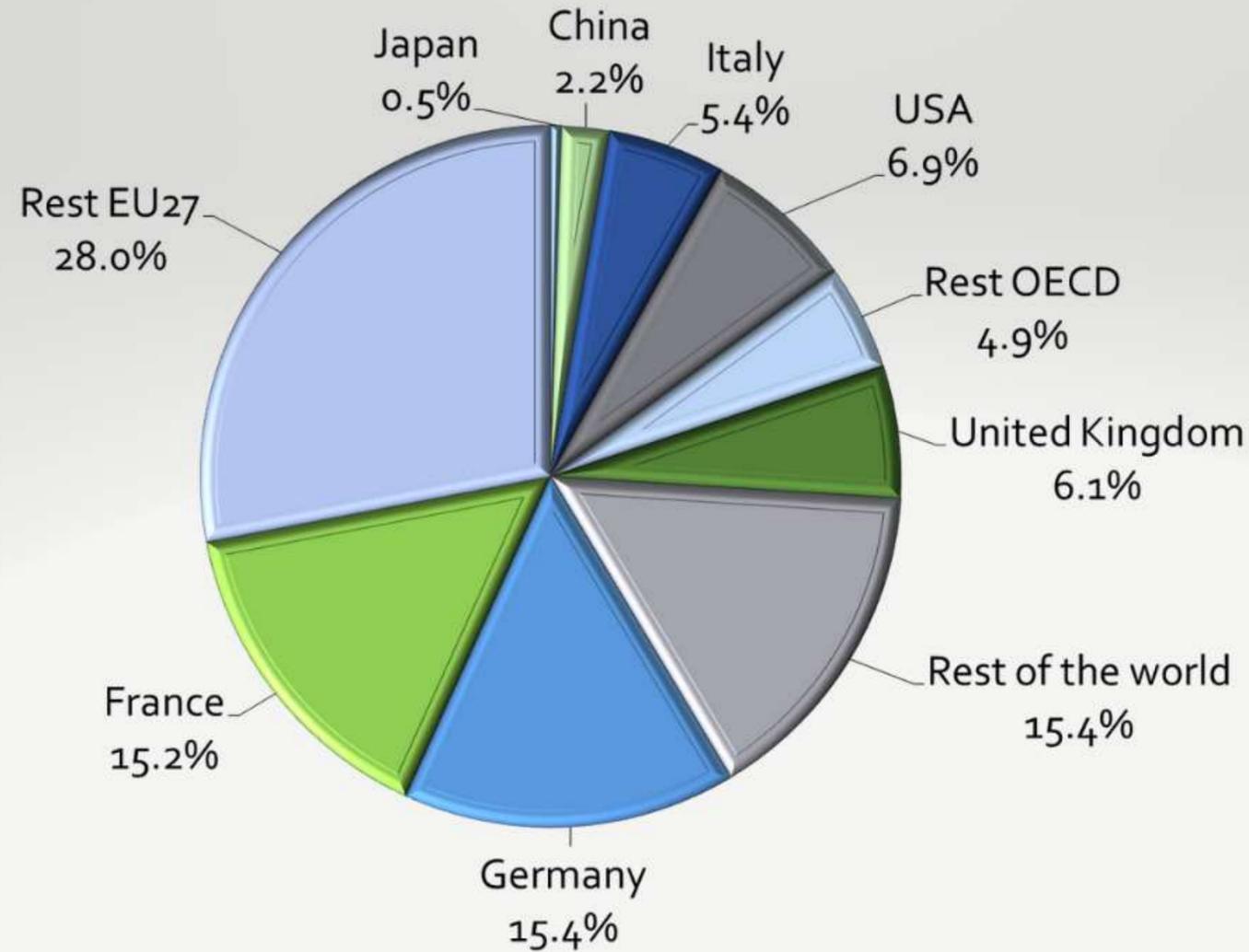
Position		%	Position		%
1	Denmark	0.753	11	Cyprus	0.577
2	Sweden	0.737	12	France	0.577
3	Finland	0.735	13	EU-27	0.548
4	Netherlands	0.705	14	Estonia	0.540
5	Belgium	0.689	15	Slovenia	0.521
6	Austria	0.656	16	Czechia	0.519
7	Germany	0.645	17	Italy	0.495
8	Luxembourg	0.642	18	Spain	0.489
9	Ireland	0.634	19	Malta	0.470
10	Basque Country	0.601	20	Portugal	0.469

- The Basque Country is among the countries with high innovation, compared to the average represented by the European Union (EU27).
- Spain, besides, is in the moderate innovation group, compared to the European Union 27.

Source: Eustat. InnovationScoreboard (EIS 2023).

A well-established open economy

Distribution of exports by countries



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

Data 2022. Provisional.
Source: Eustat.

International Environment: Growth of the GDP

Gross domestic product. Evolution

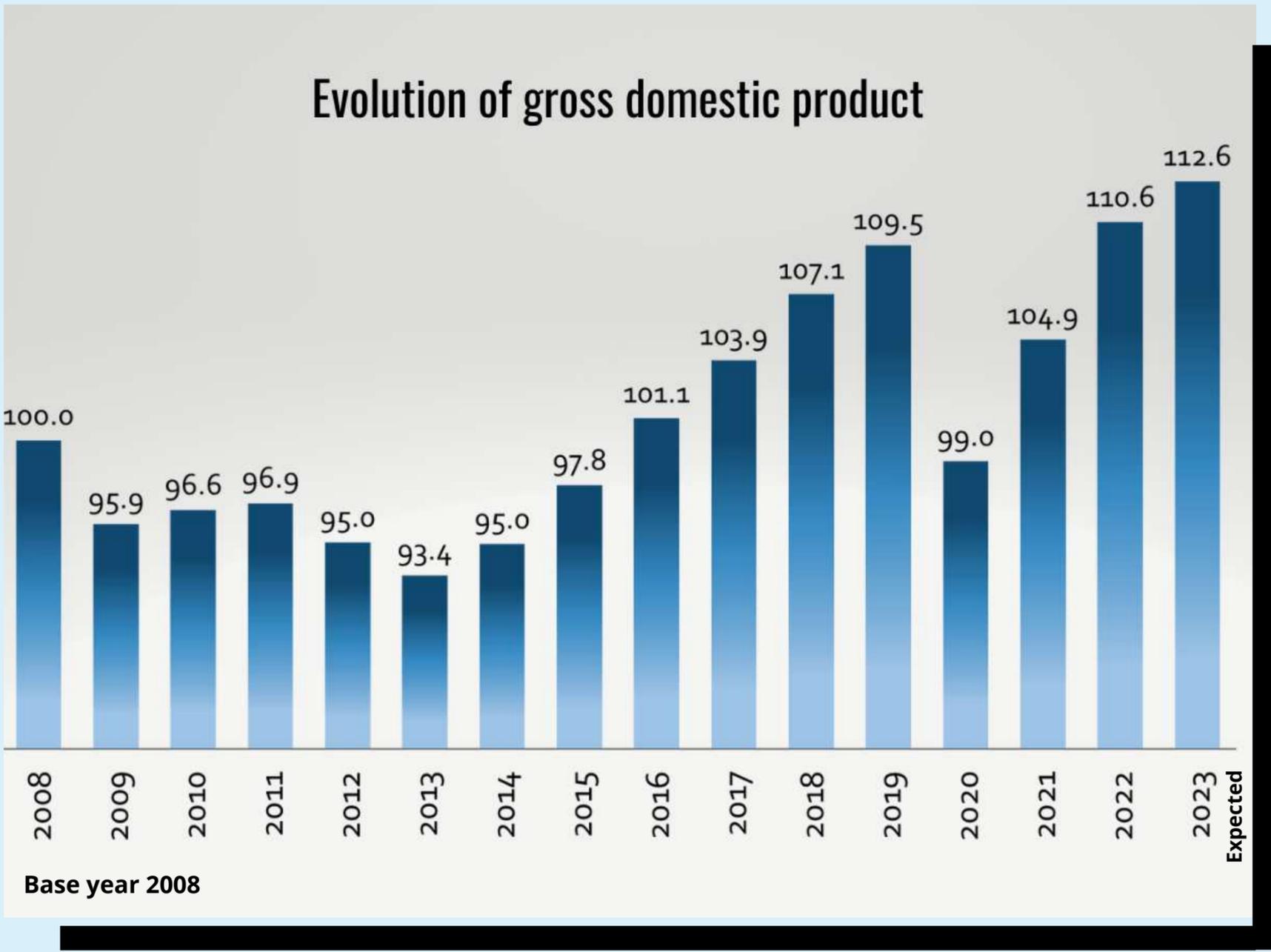
Interannual variation rate

	2022	2023	2023				
			IV	I	II	III	IV
Developed economies	2.9	--	1.4	1.6	1.6	1.6	--
European Union 27	3.4	0.5	1.7	1.1	0.5	0.0	0.2
- Basque Country	5.4	1.8	3.4	2.3	1.5	1.6	1.6
- Spain	5.8	2.5	3.8	4.1	2.0	1.9	2.0
- Germany	1.8	-0.3	0.8	-0.1	0.1	-0.3	-0.2
- France	2.5	0.9	0.8	0.9	1.2	0.6	0.7
- Italy	3.7	0.8	1.6	2.1	0.3	0.1	0.5
United Kingdom	4.3	--	0.6	0.4	0.3	0.3	--
United States	1.9	2.5	0.7	1.7	2.4	2.9	3.1
Japan	0.8	--	0.6	2.5	2.3	1.6	--
China	3.0	5.2	2.9	4.5	6.3	4.9	5.2
India	2.7	--	4.6	6.3	7.3	7.0	--
Brazil	3.0	--	3.2	3.7	3.4	2.5	--

- The economic situation affects economies unevenly.
- China is suffering the consequences of its property crisis, while the United States, thanks to the strength of the labor market and consumption, has defied all expectations.
- The European Union is the most affected by shocks and economic uncertainty.
- For the time being, the Basque Country has managed to stabilise its growth.

Source: Eustat, Eurostat and OECD.

GDP has recovered strongly

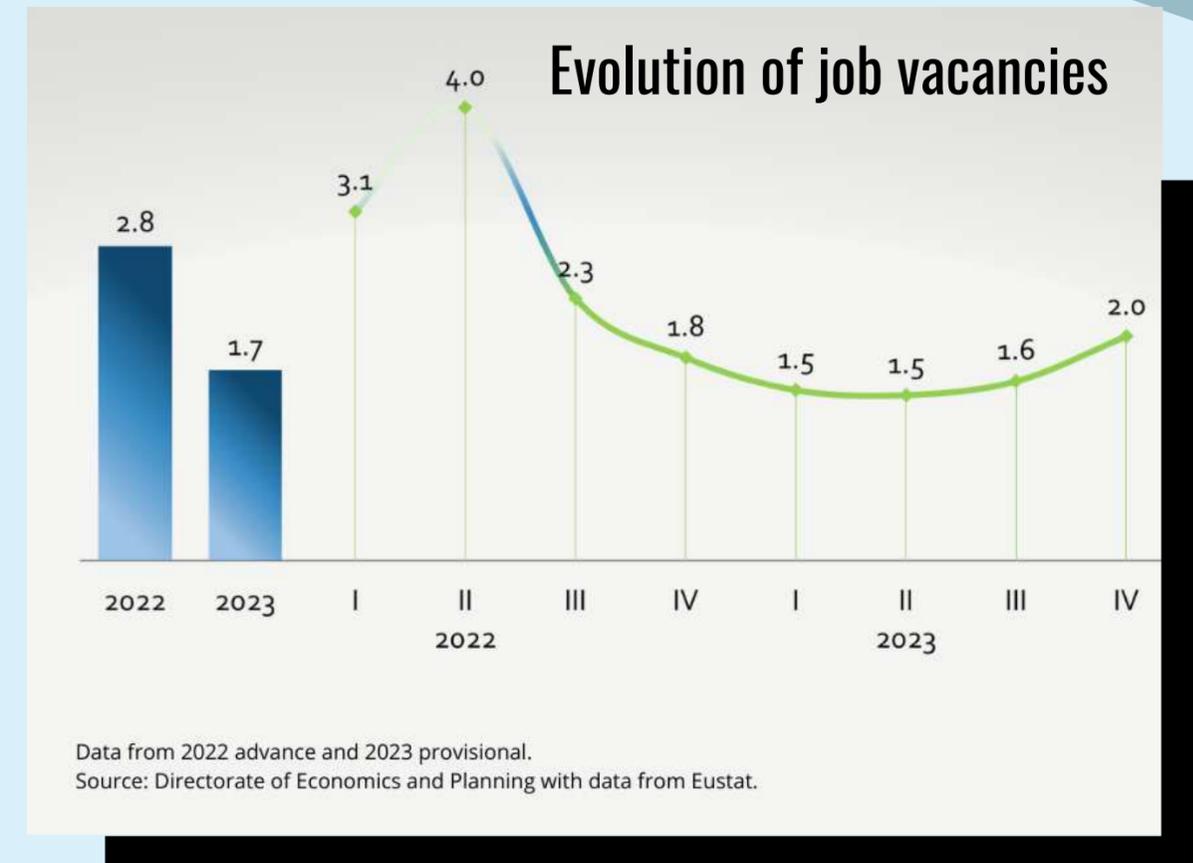
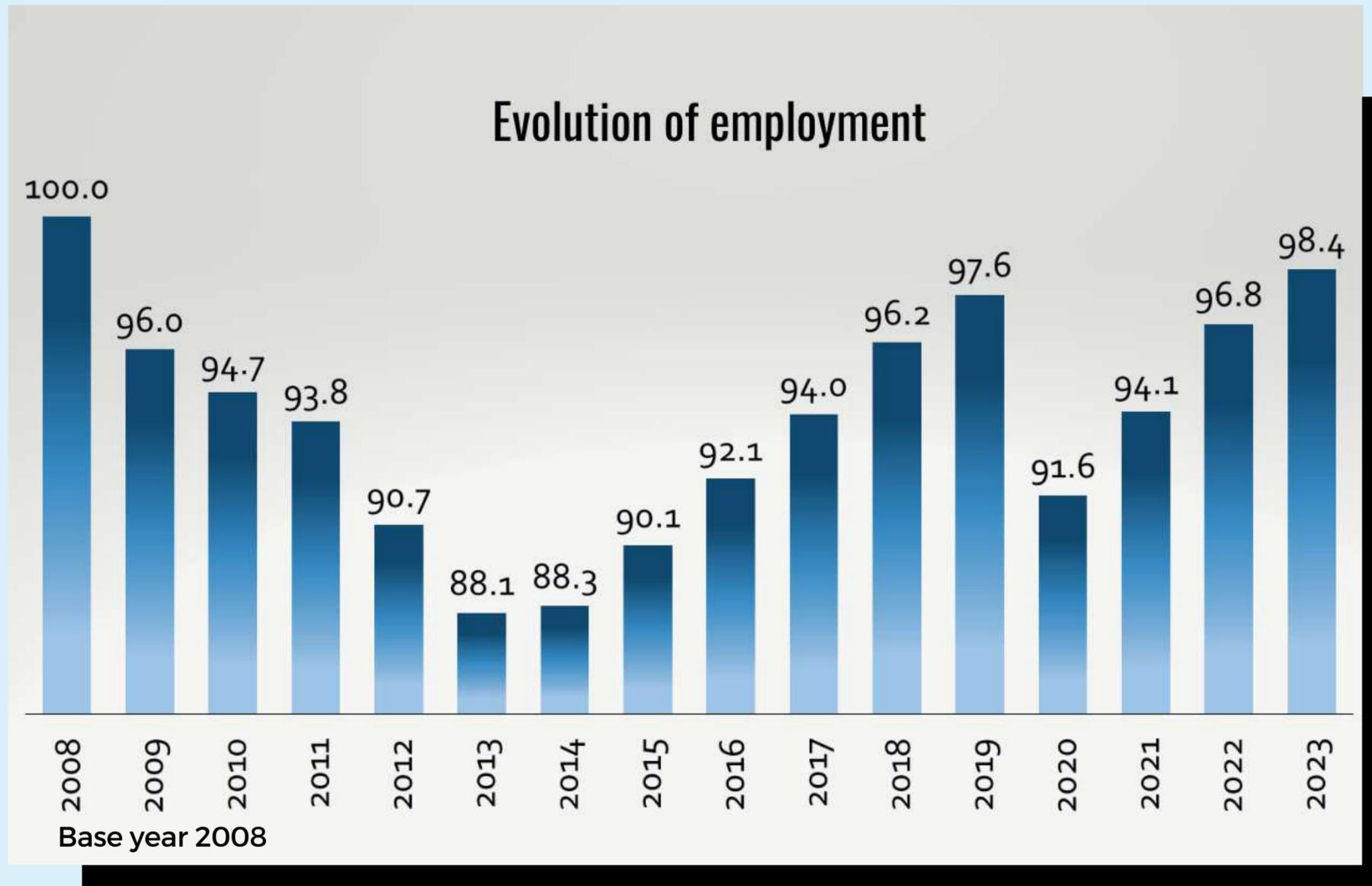


- Like the rest of the countries, the Basque Country suffered a severe blow in 2020, with a sharp deterioration in GDP, which put an end to a period of six years of growth.
- As expected, the Basque Country has experienced a V-shaped recovery, which has allowed it to grow by 6.0% in 2021 and 5.4% in 2022.
- In 2023, after the rebound effect, growth has moderated to 1.8%.

Data from 2022 advance and 2023 provisional.
 Source: Directorate of Economy and Planning with data from Eustat.

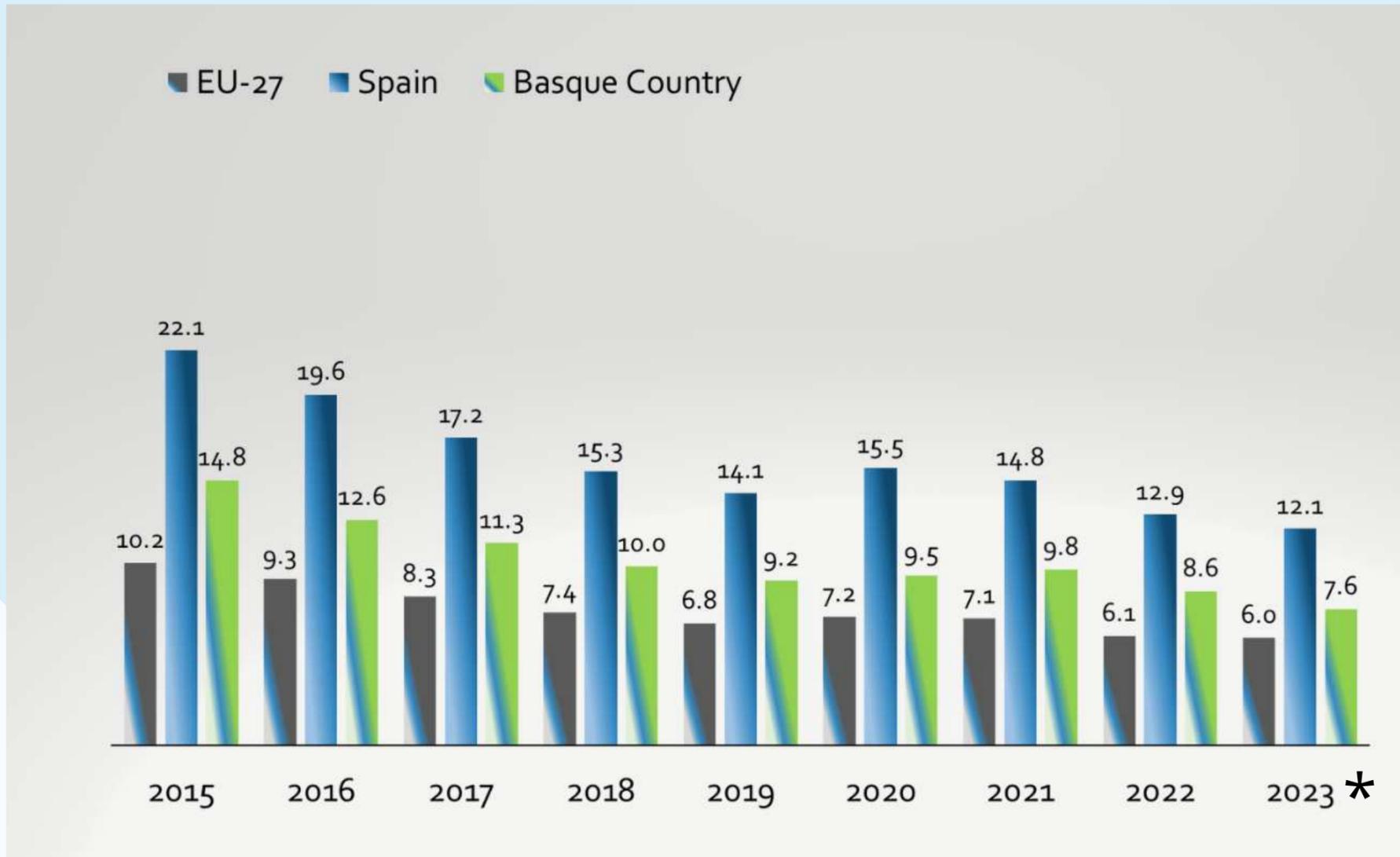
Significant recovery of lost employment

- The increase in GDP has not only brought with it the recovery of employment lost during the first months of the pandemic, but in the second quarter of 2023 it has allowed it to recover the levels of 2008.
- The Basque economy is approaching one million full-time equivalent jobs.



Data from 2022 advance and 2023 provisional.
 Source: Directorate of Economics and Planning with data from Eustat.

The unemployment rate fell in 2022 & 2023



The comparison with the Spanish average indicates that the unemployment rate in Euskadi continues to be well below the Spanish rate.

(*) The EU-27 data for 2023 correspond to the average between January and November.

Source: INE for Basque Country and Spain, Eurostat for EU-27.

Risks for the economy in 2024

- **The entrenchment of the war between Russia and Ukraine** will continue to hinder international trade relations and generate disruptions in markets, especially in energy and raw materials.
- **Expanding conflict in the Middle East**, which could impact energy markets, causing shocks in oil prices, which in turn could increase the risk of recession for vulnerable economies.
- **Resurgence of inflation.** Inflation has fallen sharply from its 2022 highs in both Europe and the US, but upside risks remain.
- **The tightening of monetary policy** has made the cost of borrowing more expensive and may discourage purchases and projects. It also affects global capital flows, harming developing countries.
- **China's secular growth slump.** The crisis in the real estate sector coupled with the weak environment could stagnate the Chinese economy, increasing the risk of recession for its trading partners.
- The emergence of **some other virus (avian influenza) or new variants** that are more resistant to vaccines should not be ruled out.
- The **climate emergency** means a high probability of major natural disasters.

Basque Government Forecasts: Demand Perspective

Evolution of GDP with respect to demand (*)

Interannual variation rate

	2023	2023	2024				2024
	IV		I	II	III	IV	
GDP (p.m.)	1.4	1.7	1.5	1.7	2.3	2.9	2.1
Household Final Consumption	1.4	1.8	1.6	0.9	1.7	2.4	1.7
Household Consumption Spending	1.5	1.8	1.6	0.6	1.9	2.7	1.7
Consumption Expense of AA. PP.	1.0	1.6	1.6	1.9	1.0	1.7	1.5
Gross Capital Formation	2.2	2.7	1.8	3.8	5.5	5.9	4.2
Contribution of Domestic Demand	1.3	2.1	1.3	1.5	3.0	3.7	2.4
Contribution of the External Balance	0.1	-0.3	0.2	0.1	-0.7	-0.9	-0.3

(*) Expected

A slowdown is expected during the first half of this year. In the second half of that year, the scenario foresees higher growth, as a result of price stabilization, a less restrictive monetary policy and the reactivation of domestic demand.

Private consumption will be hurt by high inflation, which reduces purchasing power. Therefore, this year will also grow significantly less than the economy as a whole.

Investment will be the driving force that will lift domestic demand above GDP growth.

The external balance will drain three tenths of the increase in GDP both this year and in 2024.

Source: Directorate of Economy and Planning (September 2023).

Basque Government Forecasts: Supply Perspective

Evolution of GDP with respect to Supply (*)

Interannual variation rate

	2023	2023	2024				2024
	IV		I	II	III	IV	
GDP (p.m.)	1.4	1.7	1.5	1.7	2.3	2.9	2.1
Primary sector	5.6	-2.2	6.3	7.8	5.3	5.9	6.3
Industry	1.5	1.2	1.5	1.6	2.2	0.7	1.5
Construction	0.0	1.5	0.9	2.0	2.7	3.1	2.2
Services	1.3	2.0	1.3	1.6	2.4	3.5	2.2
Gross Value Added	1.3	1.7	1.4	1.6	2.4	2.9	2.1
Net taxes on products	2.6	1.8	2.3	1.7	1.5	2.9	2.1

(*) Expected

- The industrial sector will rebound in the second half of the year, leaving behind the weakness experienced in the first.
- Construction, on the other hand, will experience a downward end of the year, conditioned by the increase in the Euribor.
- Finally, services will lead growth from a sectoral point of view, with an upward trend throughout 2024.

Source: Directorate of Economy and Planning (September 2023)

Basque Government Forecasts: Job Market

Evolution of employment and unemployment rate (*)

Interannual variation rate

	2023		2024				2024
	IV	2023	I	II	III	IV	
Employment	1.2	1.3	1.3	1.1	1.8	2.1	1.6
Busy Persons (PRA)	0.5	0.7	0.8	0.4	0.8	1.2	0.8
Unemployment rate	7.7	7.7	7.8	7.1	6.5	6.8	7.0

(*) Expected

- The increase in employment was very significant in 2022, especially in terms of working hours, which relate to full-time equivalent jobs.
- In 2023, job creation has moderated, as GDP, but the expectation is to grow to 1.6% by 2024.
- The unemployment rate fell to 7.7% in 2023, and the expectation is 7 in 2024.

Source: Directorate of Economy and Planning (September 2023).

Conclusions

- Russia's invasion of Ukraine has had a strong impact on the world economy. We are in a moment of uncertainty in which revisions are taking place, now upward, in most economies.
- After the growth of the world economy of 2.9% in 2022, now Consensus Forecasts leaves a GDP increase at 2.4% for 2023 and 2.1% for 2024.
- Basque Government's forecast is a GDP growth of the region at 2.1% in 2024.
- These forecasts are subject to a wide variety of factors: the conflict in Ukraine, inflation, monetary policy and uncertainty are the most visible, but the emergence of new factors.
- Employment will increase this year by 1.6% in full-time equivalent jobs, although the number of people who will get a job will be lower (0.8%), due to variations in the average working day.
- The unemployment rate has fallen in 2022 to 8.5% on average annually. The expected rate will continue to fall in 2023, to 7.7%, and in 2024, to 7.0%.
- Inflation is expected to gradually correct downwards. Even so, the average price increase in 2023 will be above the target set by the European Central Bank.

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Some characteristics of our financial system

- The financing system of the Basque Country, under a foral regime, is different from the financing system of most of the autonomous communities of Spain.
- Tax and financial relations between the Basque Country and the Spanish State are governed by the Economic Agreement system.
- The Basque Country has the capacity to manage and collect practically all taxes and has regulatory capacity over a relevant proportion of its collection.
- The Basque Country finances via quota the functions or competences of the State that it has not assumed.
- The Basque Country debt is subject to the same regulation as the State debt.

Tax collection 2022 and forecast 2023*

Millions of euros

	2022	2023
DIRECT TAXES	8,309.3	8,307.6
Personal income tax	6,497.6	6,592.3
Corporation income tax	1,351.2	1,248.3
Wealth tax	169.7	183.0
Inheritance and gift tax	152.7	163.1
Other direct taxes	137.9	120.9
INDIRECT TAXES	8,758.3	9,664.6
Value Added Tax	6,921.3	7,613.0
Excise duties	1,367.1	1,592.0
Property conveyance tax	178.4	196.4
Document duty	45.3	49.3
Other indirect taxes	273.0	213.8
FEEES AND OTHER REVENUE	35.9	100.6
TOTAL AGREED TAXES	17,130.7	18,072.9

- The 2022 collection registered a substantial increase of 7.3%.
- The increase in direct taxation was lighter (7.4%) than that of indirect taxation (8.0%), thanks to the evolution of value added tax, which registered a increase of 10.6%.

(*) 2023 data are expectation as collection information is not definitive yet.

Source: Department of Economy and Finance

Deficit/surplus as % of GDP

Years	Deficit/Surplus
2012	-1.50%
2013	-1.27%
2014	-1.09%
2015	-0.75%
2016	-0.69%
2017 (*)	1.55%
2018	0.76%
2019	0.46%
2020	-0.75%
2021	1.02%
2022	-0.02%

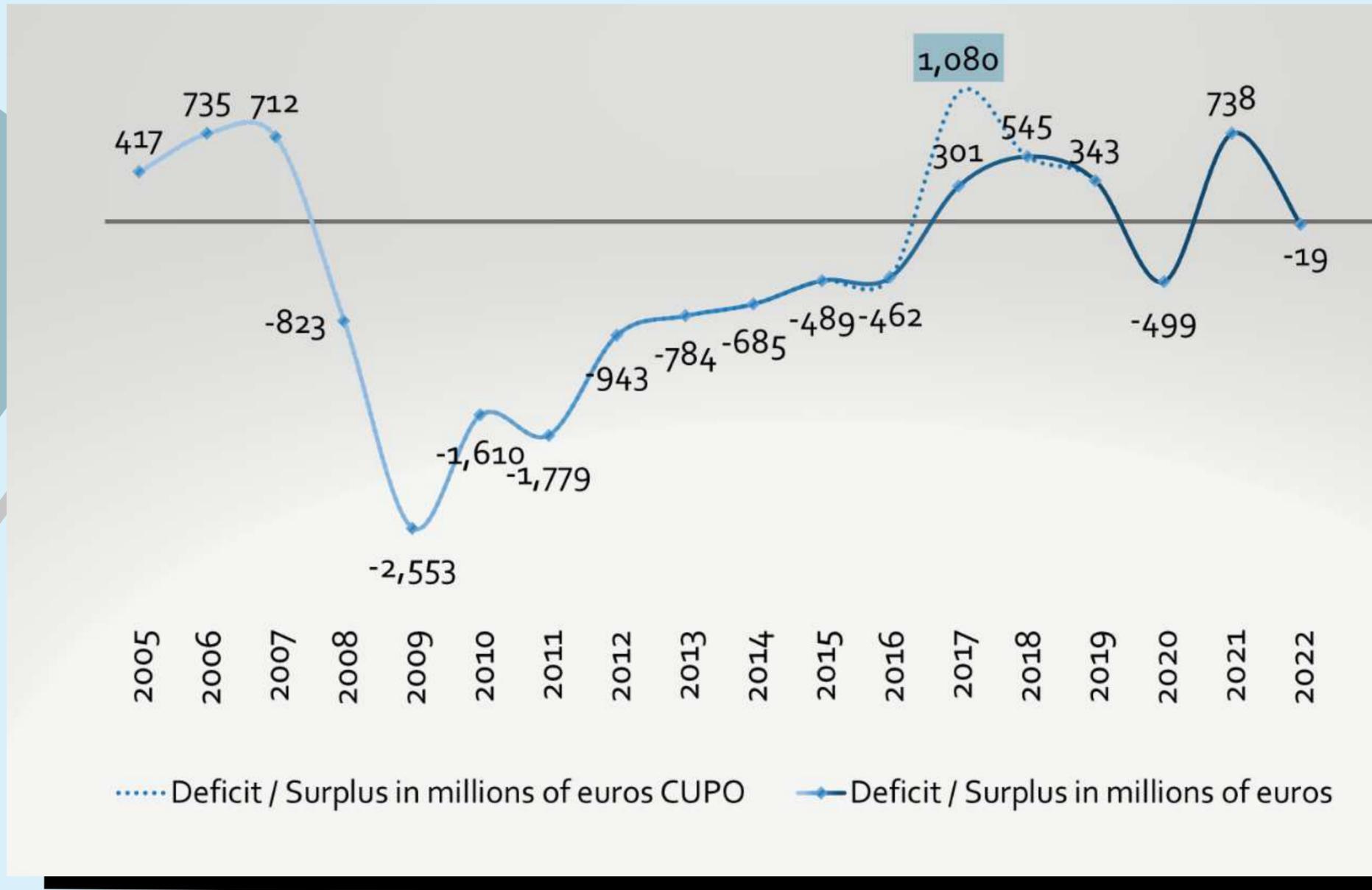
(*) Includes Agreement over the "Concierto Económico"

Deficit/surplus

- The Basque Country has demonstrated strict fiscal discipline, meeting all the established deficit targets. From 2017 it has recorded a surplus that has been extended until 2019.
- In 2020, the pandemic and the resources allocated to alleviate its devastating effects, both economic and social, led to a new deficit, which was reversed in the last quarter of 2021.
- In 2022, considering the good results of a few months the year has ended in economic balance.
- For 2023, we expect to have a moderate deficit.

Source: IGAE.

Deficit / Surplus (million euros)



After the pandemic, the surplus trend resumed, which did not extend into 2022 when the year ended in economic balance.

Source: IGAE.

Debt of the Basque Country (Excessive Deficit Protocol)

Debt of the Basque Country



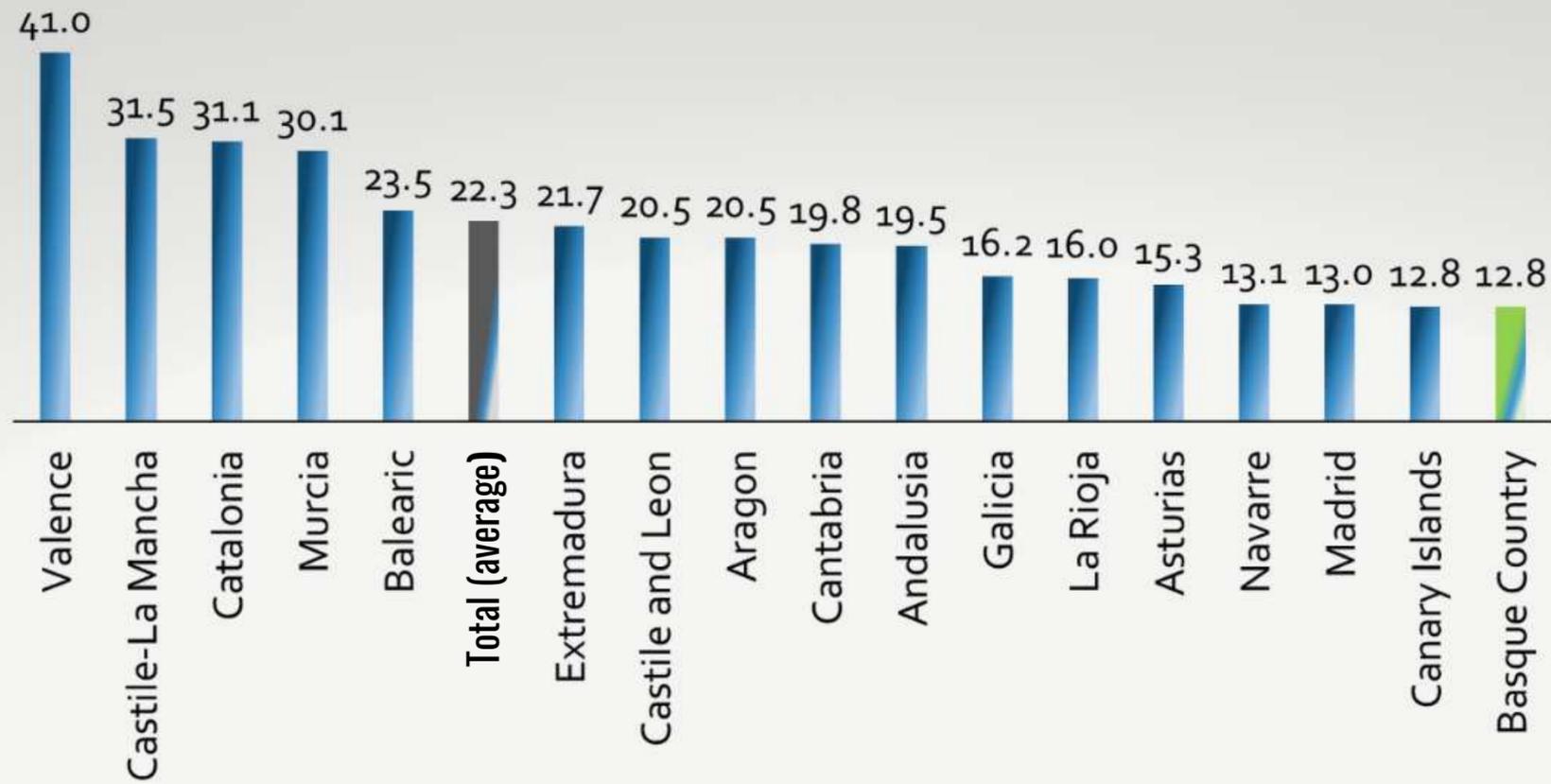
- The pandemic suffered in 2020 put an end to the downward trend that began in 2016 and lasted until 2019.
- Specifically, debt increased in 2020 to 16.2%.
- Subsequently, the level of debt has been gradually reduced.
- The estimate data up to December 2023 (12.6%) confirms this downward trend.

(e): Expected

Source: Bank of Spain.

Debt to GDP ratio

Debt in % of GDP. Accumulated to September 2023

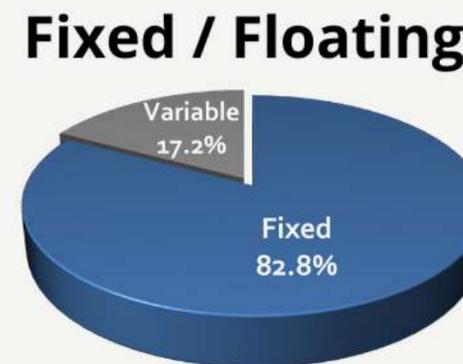
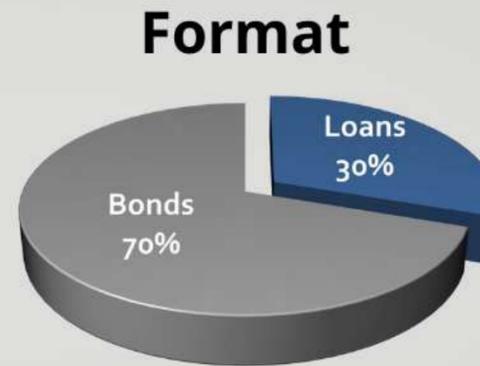


The debt, according to the excessive deficit protocol, was equivalent to 12.8% of Basque GDP, the lowest among the autonomous communities and almost 10 points below the average.

Source: Bank of Spain.

Main characteristics of the debt

Debt as of 31/12/2023 (Thousands €)	
Loans	3,109,938
Bonds	7,160,793
Government debt	10,270,731
Financing needs 2024 (Million €)	
Gross issues	837
Net issues	205
AVERAGE COST (%)	AVERAGE LIFE (years)
2.25%	8.79

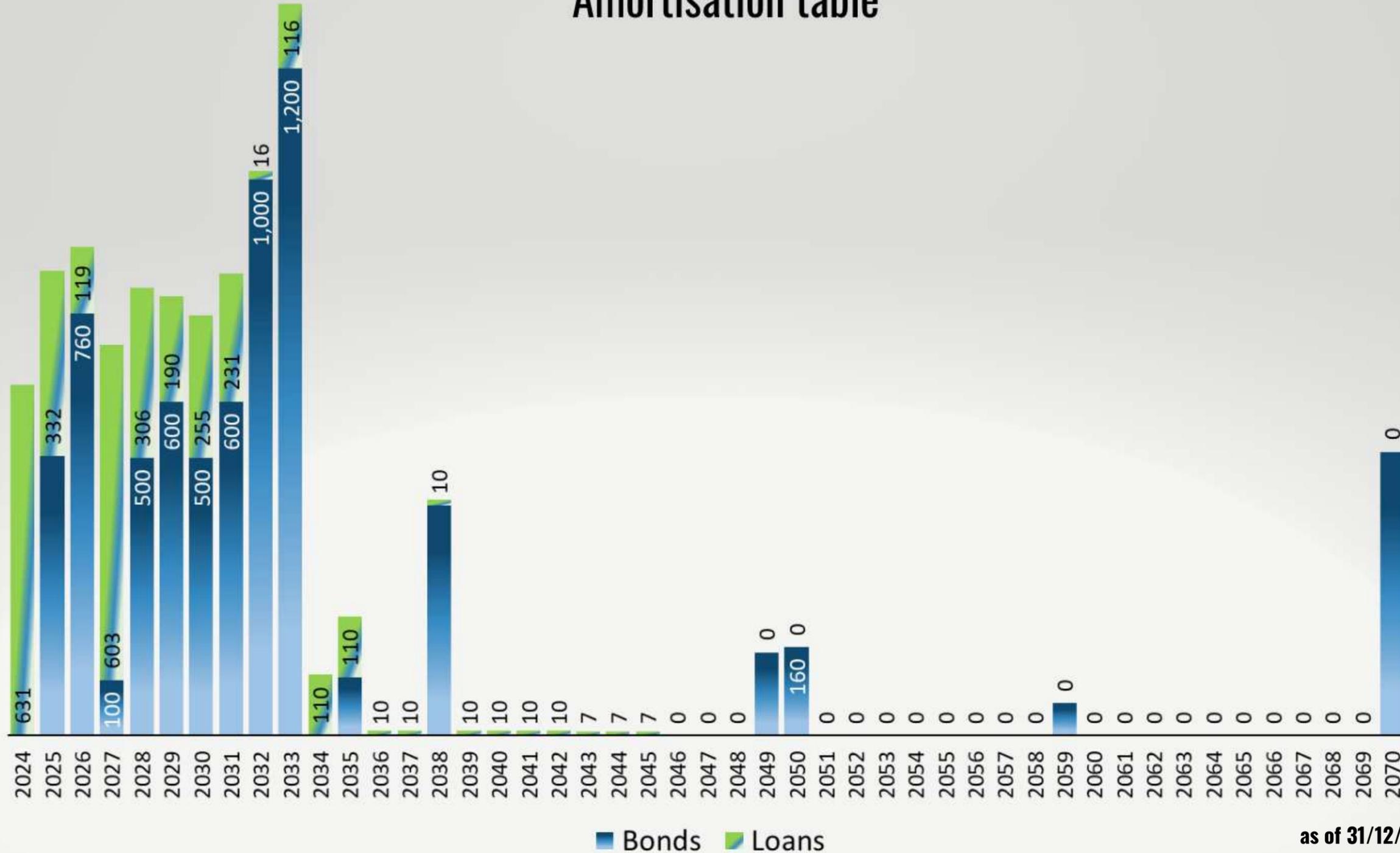


- Total debt in December 2023 amounted to €10,270.7 million.
- Its average cost was 2.25% and its average life was almost nine years.

Source: Basque Government.

Debt maturity profile

Amortisation table



as of 31/12/2023

Average life and cost of the debt

Average life and Average cost



- In 2023, the average cost of debt increased again (2.25%), consolidating the upward trend that began in 2022.
- The average life, on the other hand, maintained the opposite trend, falling below 9 years.

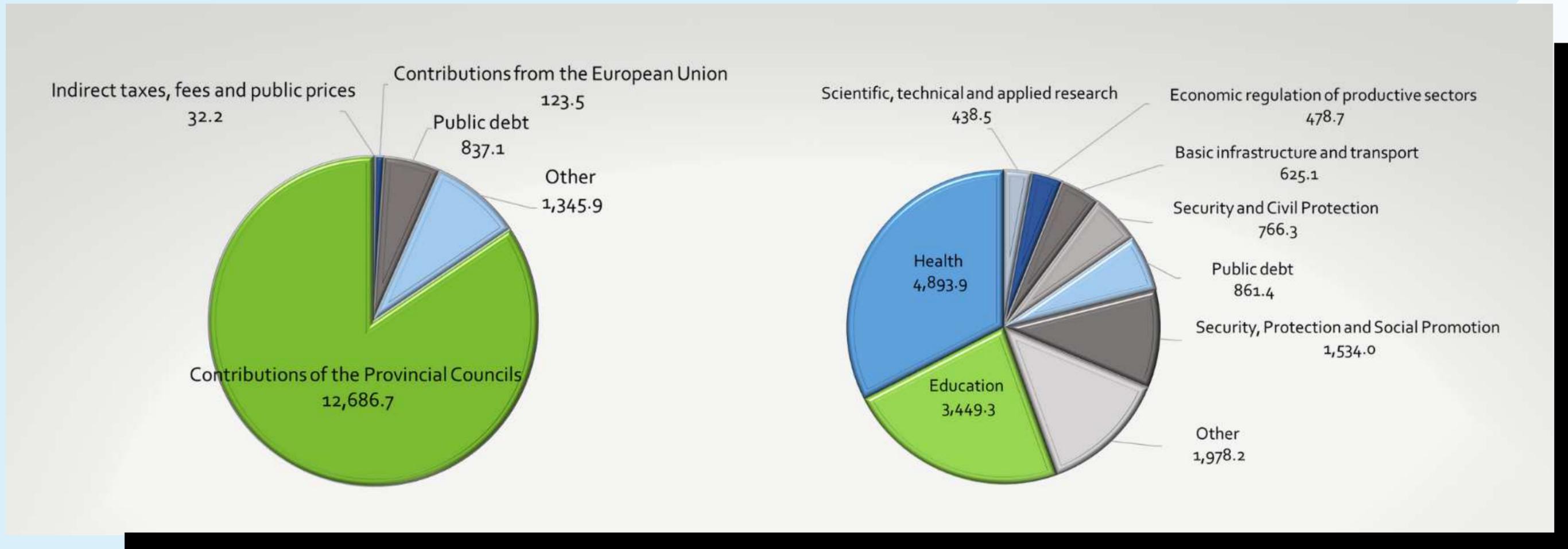
(e): Expected

Source: Ministry of Economy and Finance

Basque Government Budget for 2024

Revenue (€ Million) 15,025.4

Expenditure (€ Million) 15,025.4



Source: Basque Government.

Rating: above the sovereign rating

Current rating

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

The rating agencies highly value their policy of governance and fiscal autonomy, as well as a diversified economic base and deep-rooted industrial culture.

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

Financial strategy for 2024

For the current year (2024), the evolution of economic activity and thus tax collection will continue demanding the financing of the corresponding maturities.

Although the gross needs would be of 837 million (maturities and deficit), it is expected just to cover the maturities (631 million).

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

- One public sustainable bond issuance with maturity of 10 years.
- Privately placed bonds with social characteristics maturities exceeding 30 years if needed.
- Bilateral loans with maturity below 10 years if needed.

This will also allow us to keep anual debt payments at current levels for the next five years.

The public issuance will be sustainable following the commitment of the Basque Country with ESG investors of issuing at least once per year.

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

3 Diversification of funding by combining bond issuances and loans, and looking to keep less than 20% of debt at floating rates.

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The Basque Government sustainability mandate (1)

- ✓ The Euskadi Basque Country 2030 Agenda, 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 the 2030 Agenda as an opportunity for the Basque Country because it is fully aligned with our priorities: human development guaranteeing essential services for all, and sustainable growth generating job opportunities with higher levels of quality. This is the Basque model of growth and social welfare, now strengthened by the Euskadi Basque Country 2030 Agenda,
- ✓ The Euskadi Basque Country 2030 Agenda represents a decisive step in the determination of the Basque Executive to focus its public policies on the challenges identified in the UN Agenda 2030.
- ✓ The Agenda includes 93 of the 175 commitments acquired by the Basque Government in its Government Programme, 80 Planning Instruments, 19 Legislative Initiatives and 50 Indicators. An effort that will make it possible to effectively align public policies in Euskadi with this universal 2030 Agenda, providing visibility to the contribution of the Basque Country to the implementation of the 2030 Agenda and to achieve the Sustainable Development Goals.

The Basque Government sustainability mandate (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	

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

Second party opinion- sustainalytics

Second-Party Opinion Basque Government Sustainable Financing Framework



Evaluation Summary

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



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



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



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



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

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

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

Sustainability bond framework: use of proceeds (1)

Eligible Categories Framework

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

Education: proceeds of the bond will be allocated to supporting public educational programmes for young people between the ages of 14 and 25 years and support the successful integration of disadvantaged groups to the education system. Disadvantaged groups refer to young people in a situation of greater vulnerability due to not having completed their Compulsory Secondary Education (ESO).

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).

Socioeconomic advancement

Proceeds of the bond will be allocated to projects which maintain and foster the Basque income guarantee model and promote social inclusion in the Basque Country.

Employment generation

Proceeds of the bond will be used to support the job creation in the different economic sectors and to finance programmes supporting unemployed people in education and training, in order to reduce the unemployment rate to below 10% by the end of the term.

Renewable Energy

Proceeds of the bond will be allocated to projects and programmes aimed at promoting the increased use of renewable energy in the Basque Country. Proceeds will be used to finance the renewable energy priorities included in the Basque Energy Strategy 2030 (“Estrategia Energética de Euskadi 2030”); Wind, Biomass (waste to energy), Solar Photovoltaic, Geothermal and Marine renewable energy.

SDG



Sustainability bond framework: use of proceeds (2)

Eligible Categories Framework

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.

SDG



Sustainability 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 à 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 framework: reporting

Allocation Reporting

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

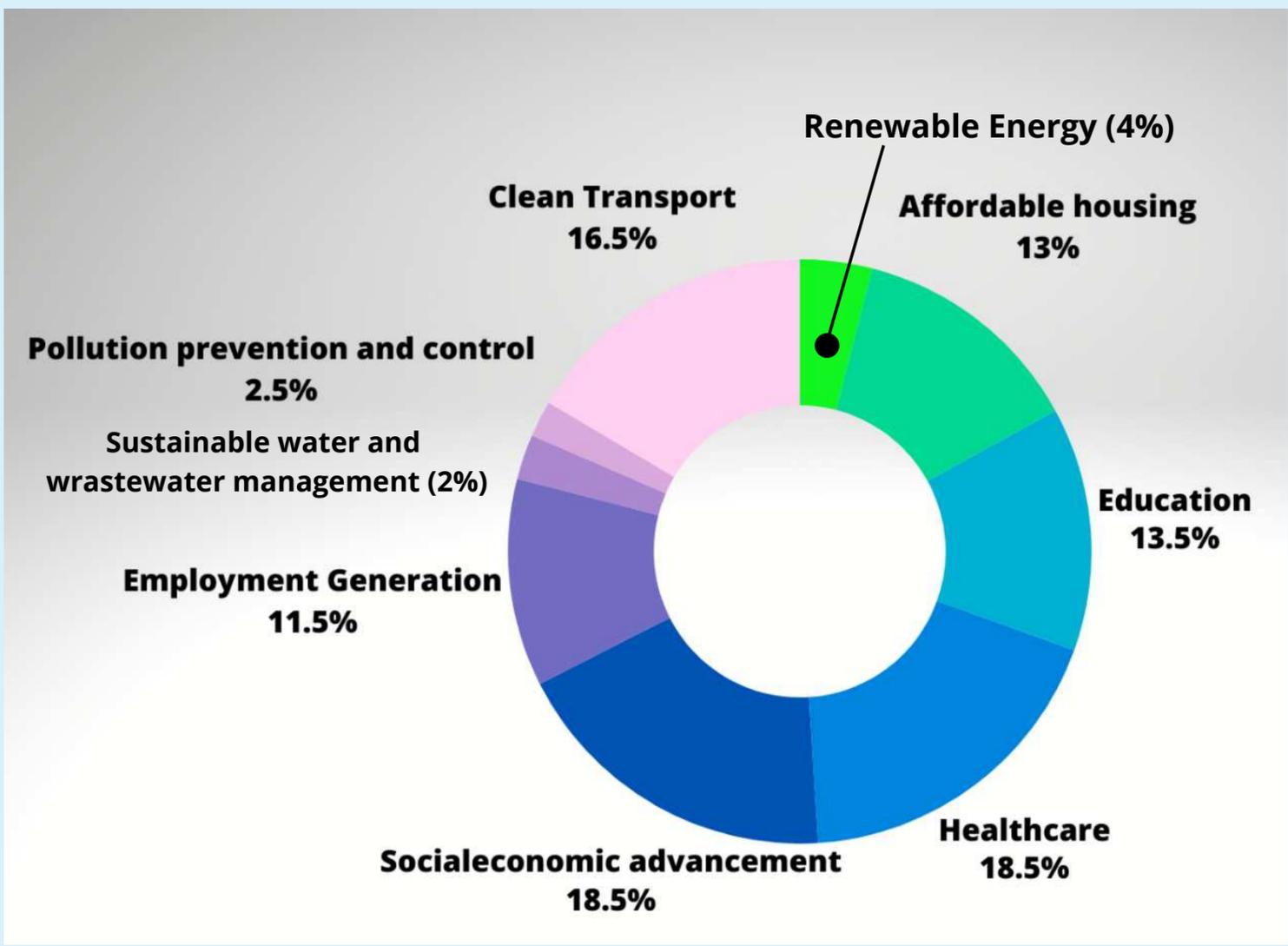
Impact Reporting

- Impact indicators are developed for each eligibility category.
- The Basque Government will provide a dedicated Sustainability Bond impact report for investors within one year from the issuance date and annually until the bond proceeds have been fully allocated, with estimates of the main environmental or social impacts or outputs of the eligible programs, where feasible.
- Impact indicators will include avoided 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.

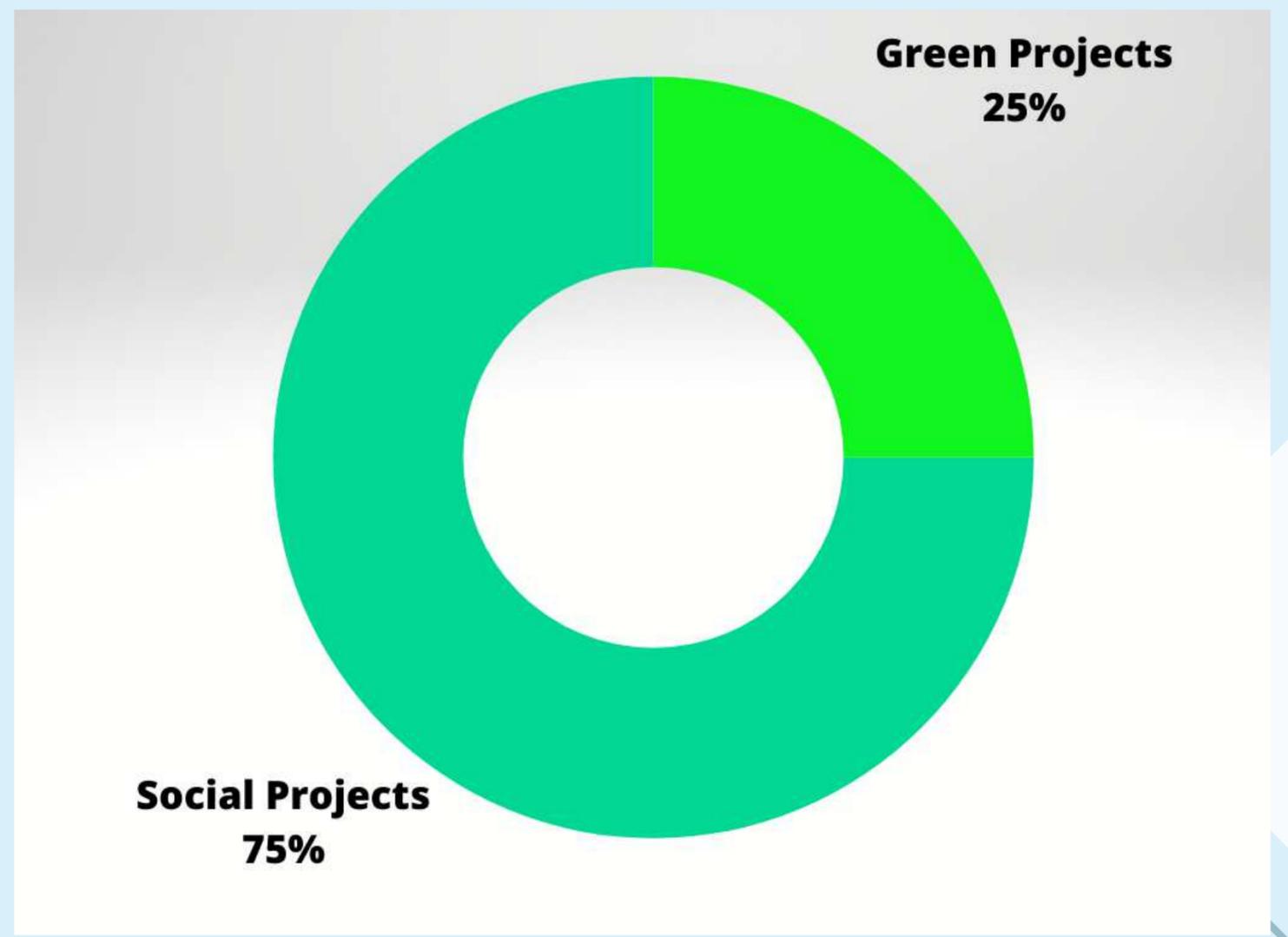
Links to the previous years' allocation and impact reportings: [2022 \(just in spanish\)](#), [2021](#), [2020](#), [2019](#), [2018](#).

Selected Eligible Projects for 2024 Sustainable Bond

By Project



By Project Category



Eligible Assets 2024: Social Projects (1)

(Figures in euros)

Affordable housing 130,000,000



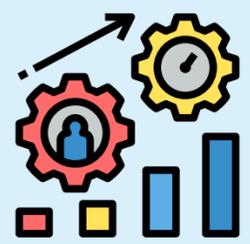
Financing of supplementary housing benefit (PCV) and housing benefit (PEV)	40,000,000
Financing of Bizigune program	30,000,000
Building of homes to rent	20,000,000
Aid to refurbish and/or renovate homes and buildings	10,000,000
Gaztelagun program (under 36 years old)	10,000,000
Emantzipa program (between 25 and 29 years old)	20,000,000

Education 135,000,000



Building and equipping nurseries and primary schools	15,000,000
Building and equipping secondary and vocational training schools	25,000,000
Financing of contract-program and investment University of the Basque Country	20,000,000
Non-university scholarships	55,000,000
University scholarships	20,000,000

Socio-economic advancement 185,000,000



Financing of social emergency assistance programs	25,000,000
Financing of family support benefits	60,000,000
Financing of income security allowance	100,000,000

Eligible Assets 2024: Social Projects (2)

(Figures in euros)

Job creation

115,000,000



Local employment support and development projects – county employment plans	23,000,000
Financing of labour market integration – career guidance for disadvantaged collectives, qualified young people	8,000,000
Financing of Lehen aukera program	4,000,000
Financing of programs to promote employment – jobs supporting people with disabilities, recruitment of over-35s, special job centres	45,000,000
Financing of training programs for young people, training for unemployed people	25,000,000
Financing SME and autonomous with liquidity	10,000,000

Health

185,000,000



Financing hospital and non-hospital pharmacy expenses	125,000,000
Healthcare investments – expansion of existing hospitals, health centres, equipment	60,000,000

SUMMARY SOCIAL PROJECTS

Affordable housing	130,000,000
Socio-economic advancement	185,000,000
Education	135,000,000
Job creation	115,000,000
Health	185,000,000
TOTAL SOCIAL€	750,000,000

Eligible Assets 2024: Green Projects

(Figures in euros)

Clean transport

165,000,000

Financed by programme 5131

Construction of new infrastructure – doubling tracks, station renovation, Donostia-San Sebastian train line [popularly known as “Topo”]

100,000,000

Financing investment in ETS [Basque train network]

Financing railway operators

65,000,000

Financing of running costs in ETS, ET and CTB [Biscay transport consortium]

Pollution control and prevention

Sustainable management of water and waste water

Conservation of terrestrial and aquatic biodiversity

85,000,000

Financed by the 4421, 5121 and 7311 programmes

Energy efficiency

Climate change adaptation

Renewable energy

SUMMARY GREEN PROJECT	
Environmental protection	25,000,000
Hydraulic administration and planning	20,000,000
Rail transport management and infrastructure	165,000,000
Energy (EVE group without SHESA)	40,000,000
TOTAL GREEN €	250,000,000

INDEX



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Features of the Basque economy
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2

Financing system, budget, deficit
and debt
(page 20)



3

Sustainability mandate
(page 33)



4

Appendix

- 1- Issues in circulation
- 2- Sustainable Bonds: Deal Reviews
- 3- Beyond the GDP:
 - Human Development Index
 - Risk of poverty
 - Inequality Indicators
 - Gender equality Index. 2019
(page 46)

Issue data				
ISIN code	Date	Issue volume	Coupon (%)	Maturity
	Issue			
ES0000106445	7-1-2010	502,800,000	4.600	7-1-2025
ES0000106551	16-3-2016	569,726,000	1.750	16-3-2026
ES0000106577	30-12-2016	190,000,000	1.466	30-12-2026
ES0000106585	16-3-2017	100,000,000	1.703	30-4-2027
ES0000106619	15-6-2018	500,000,000	1.450	30-4-2028
ES0000106635	25-4-2019	600,000,000	1.125	30-4-2029
ES0000106643	6-4-2020	500,000,000	0.850	30-4-2030
ES0000106684	19-11-2020	600,000,000	0.250	30-4-2031
ES0000106726	16-4-2021	1,000,000,000	0.450	30-4-2032
ES0000106742	17-2-2023	700,000,000	3.500	30-4-2033
ES0000106734	29-4-2022	500,000,000	1.875	30-7-2033
ES0000106668	30-4-2020	105,000,000	1.300	30-4-2035
ES0000106601	28-2-2018	414,767,000	2.500	28-2-2038
ES0000106627	11-4-2019	150,000,000	2.350	11-4-2049
ES0000106650	22-4-2020	81,500,000	1.750	22-4-2050
ES0000106692	25-11-2020	78,000,000	1.000	31-10-2050
ES0000106676	30-4-2020	59,000,000	2.000	30-4-2059
ES0000106700	24-11-2020	510,000,000	1.375	31-10-2070

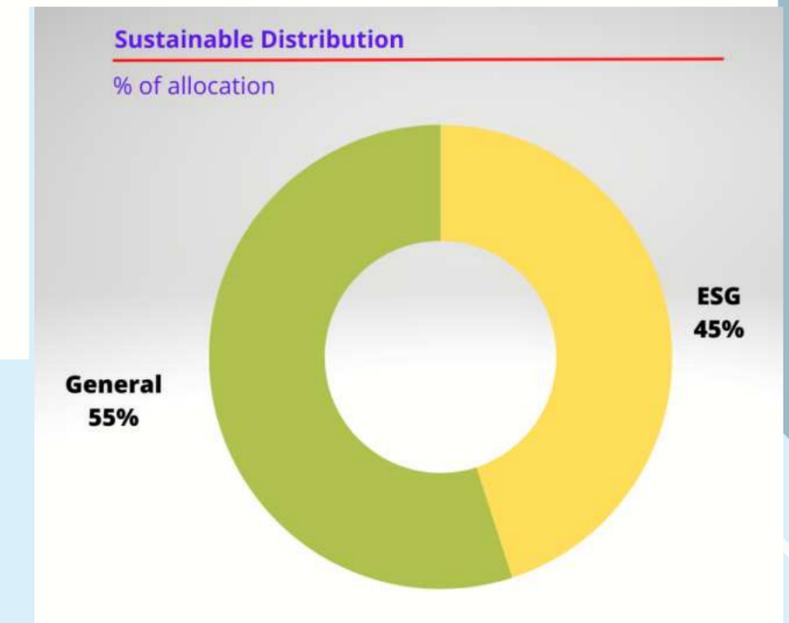
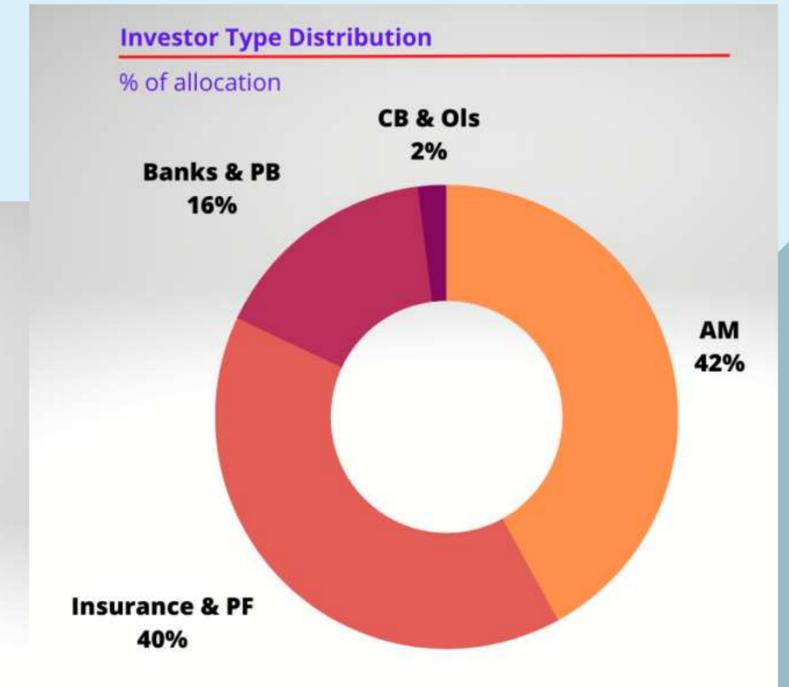
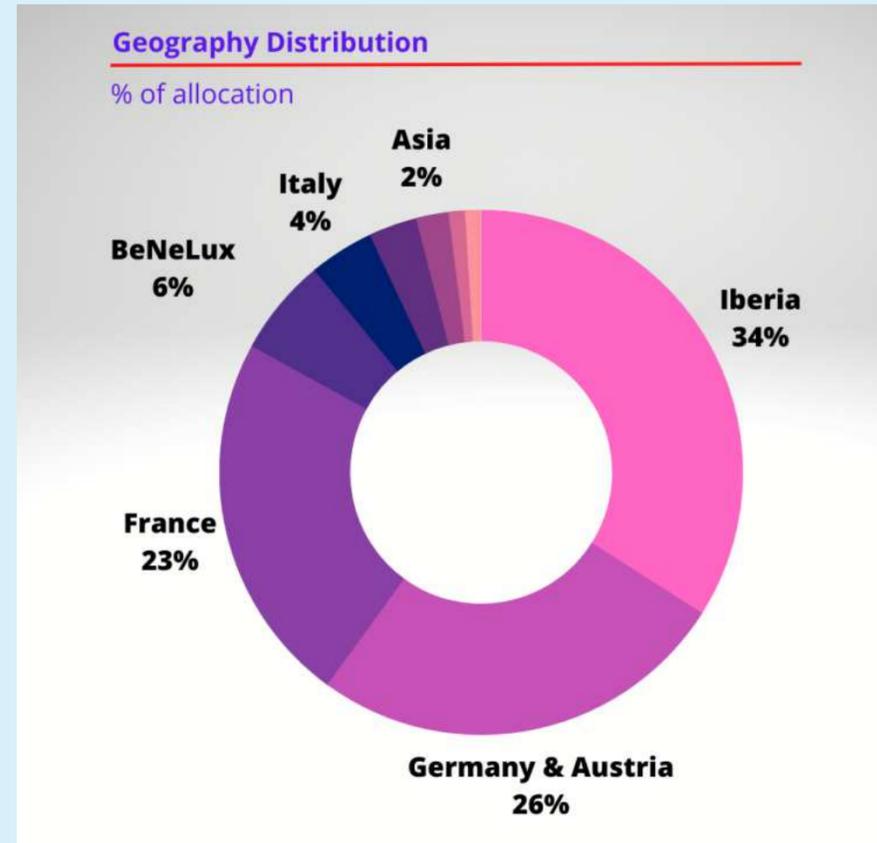
Public debt in the Basque Country

● Issues in circulation on 31/12/2023

Basque Government 2018 €500m inaugural 10yr sustainable bond

Terms & Conditions

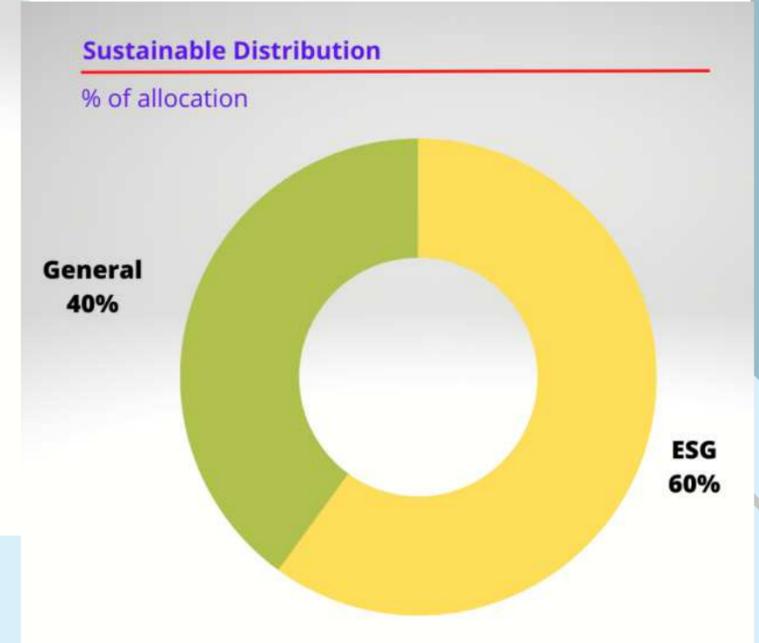
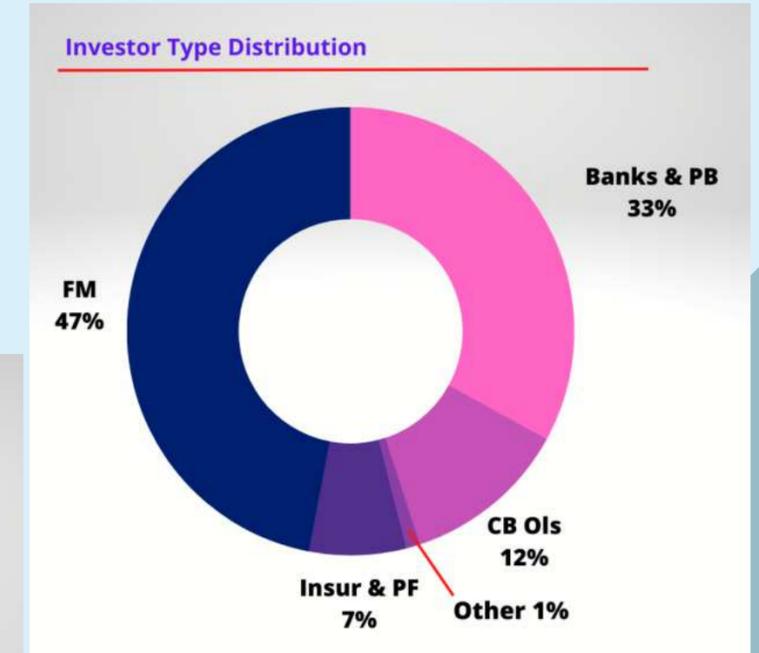
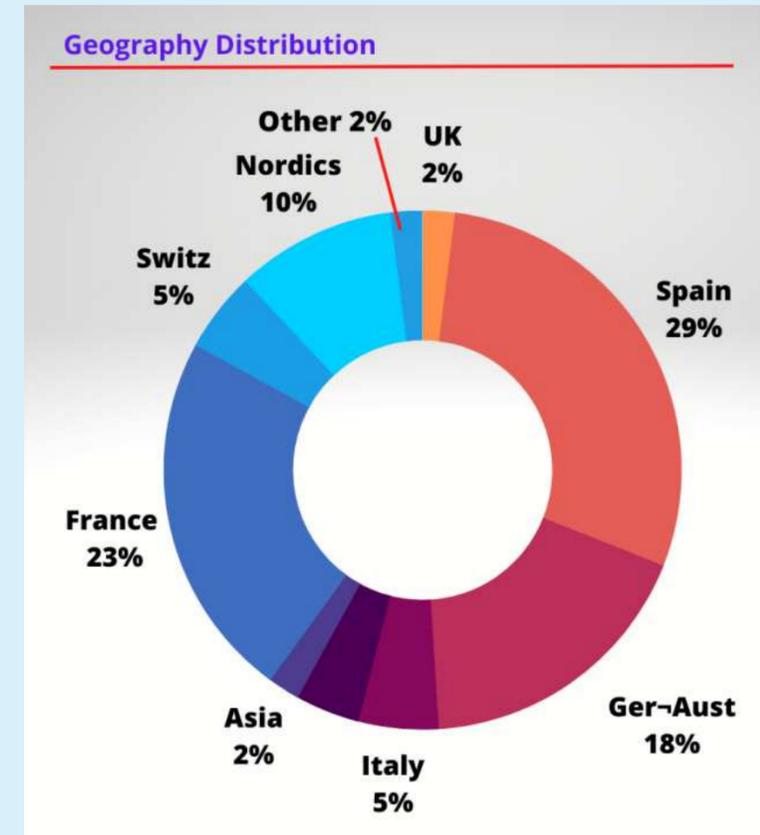
Issuer:	Basque Government
Ratings:	A3 / A+ / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date:	5 June 2018
Settlement:	15 June 2018
Maturity:	20 April 2028
Size:	EUR 500m
Coupon:	1.45%, annual, Act/Act ICME
Reoffer spread:	SPGB 1.4% 04/2028 + 15 bps
Reoffer Price /Yield:	99.346% / 1.522%
ISIN:	ES0000106619



Basque Government 2019 €600m 10yr sustainable bond

Terms & Conditions

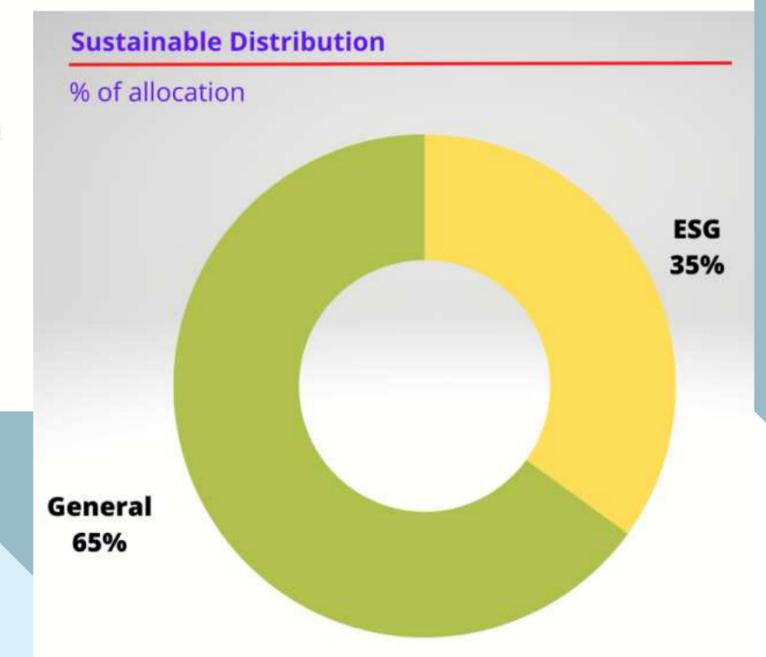
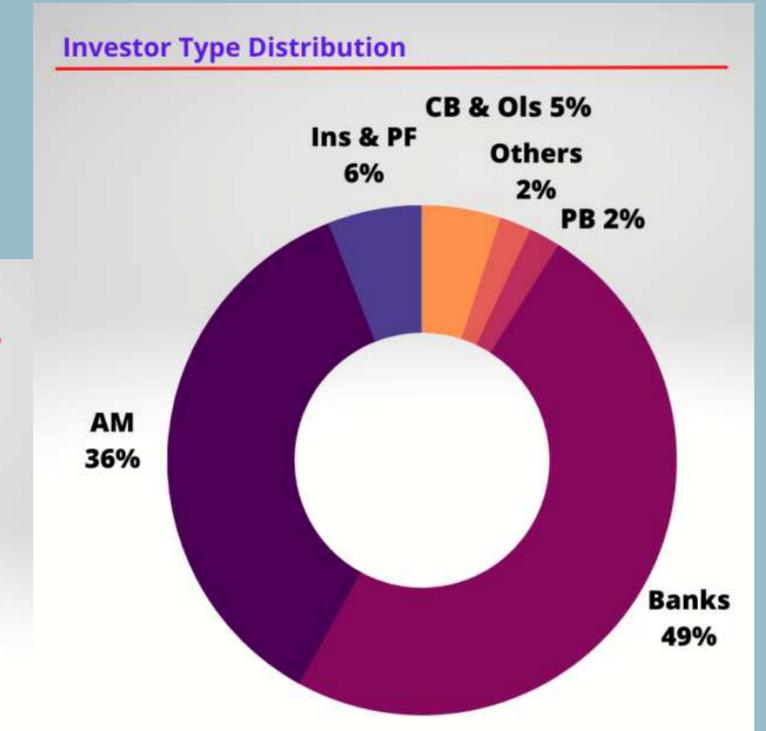
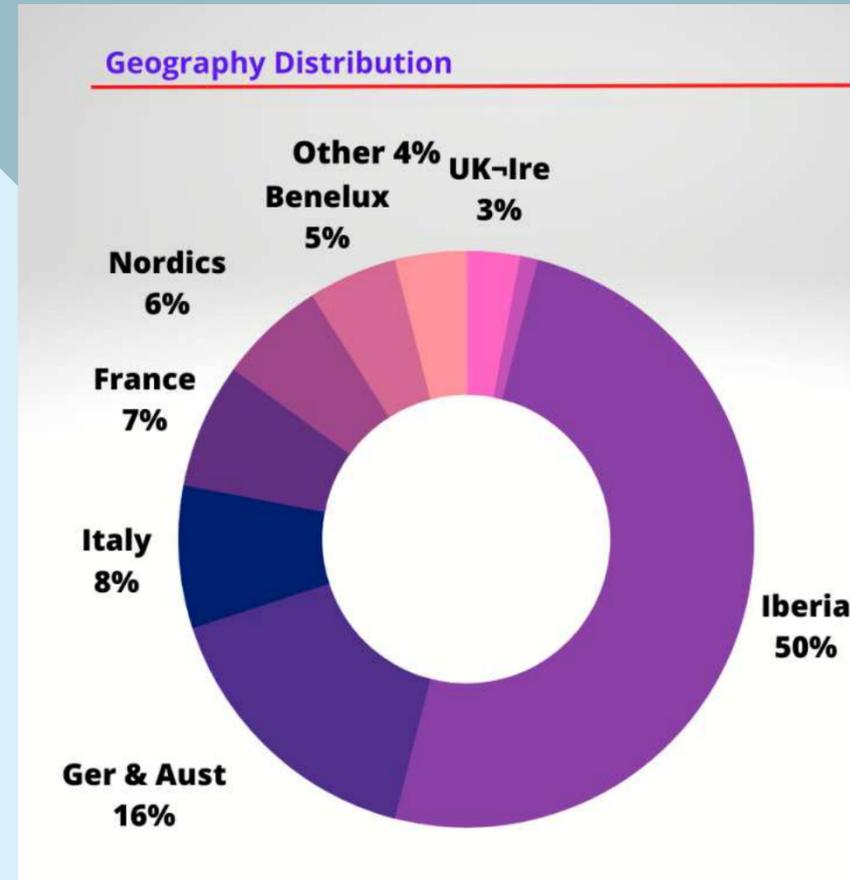
Issuer:	Basque Government
Ratings:	A3 (st) /A+ (pos)/A- (st)
Format:	Sustainable Bond
Pricing Date:	9 April 2019
Settlement:	25 April 2019
Maturity:	30 April 2029
Size:	EUR 600m
Coupon:	1.125%
Reoffer spread:	SPGB 1.45% 04/2029 + 10 bps
Reoffer Price/Yield	99.455%
ISIN:	ES0000106635



Basque Government 2020 (1) €500m 10yr sustainable bond

Terms & Conditions

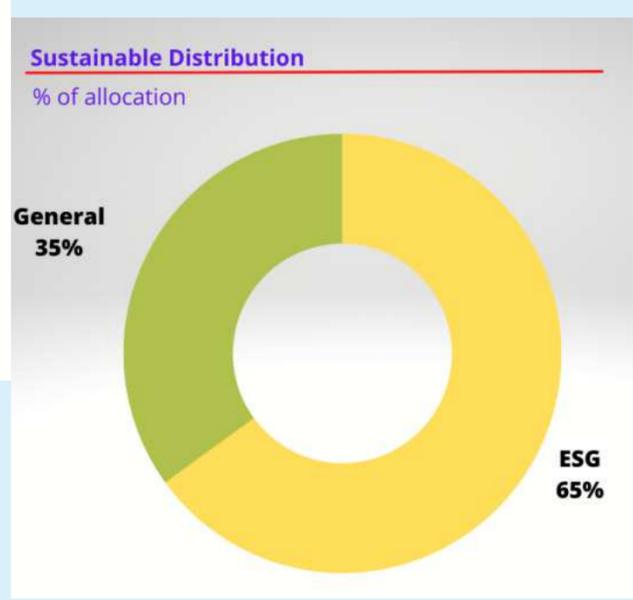
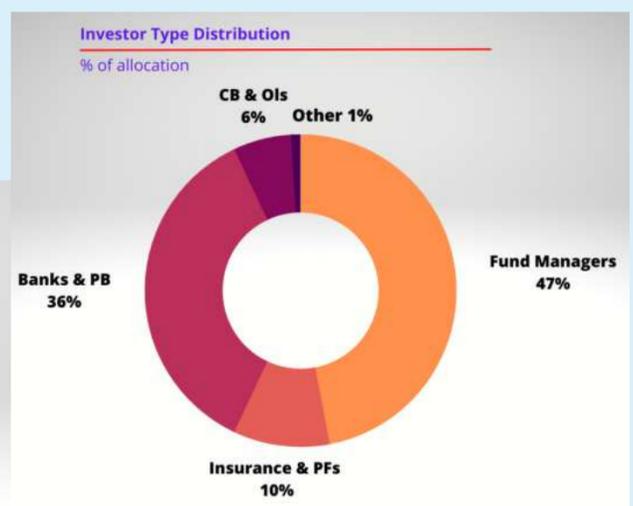
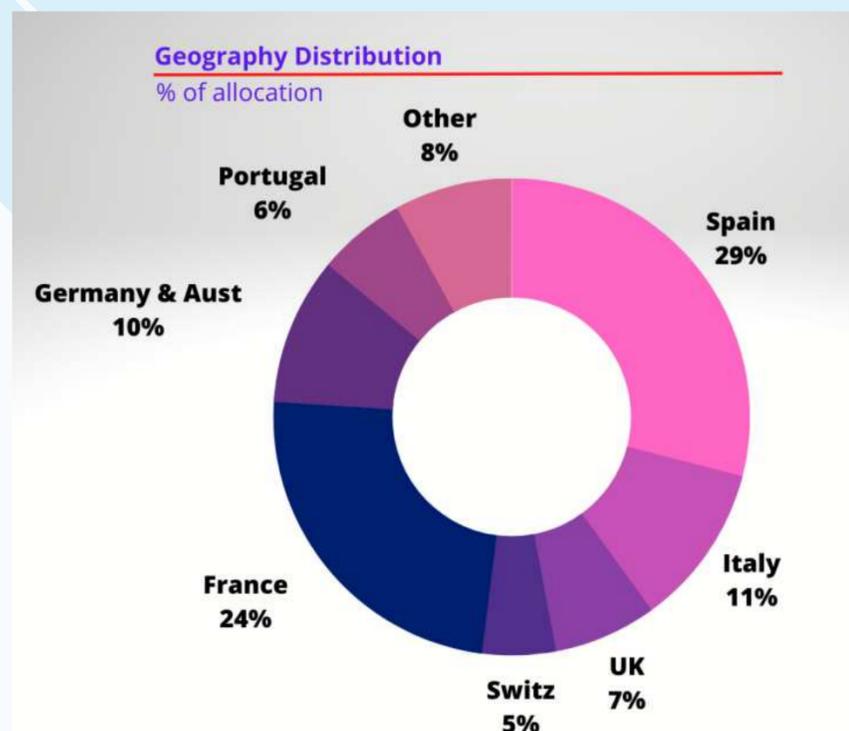
Issuer:	Basque Government
Ratings:	Moody's: A3 / Fitch: A-
Format:	Sustainable Bond
Princing Data:	26 March 2020
Settlement:	6 April 2020
Maturity:	30 April 2030
Size:	EUR 500m
Coupon:	0.85%
Reoffer spread:	SPGB 04/30 + 25bps
Reoffer Price/Yield:	0.876%
ISIN::	ES0000106643



Basque Government 2020 (2) €600m 10yr second sustainable bond

Terms & Conditions

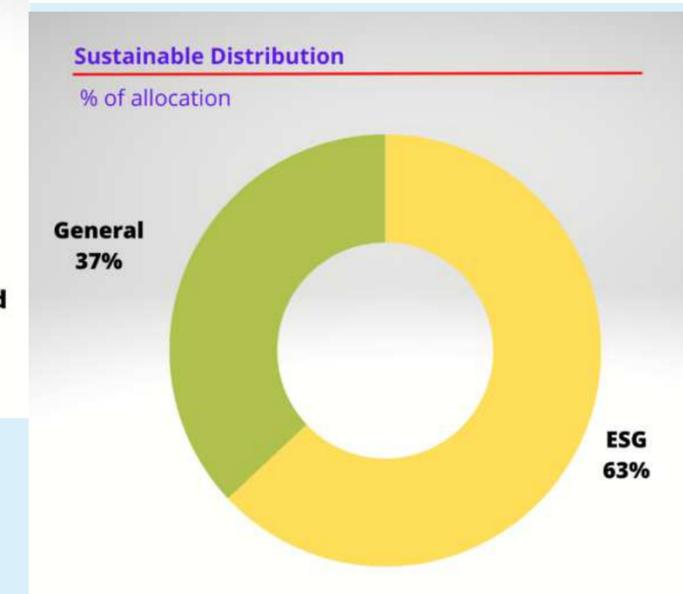
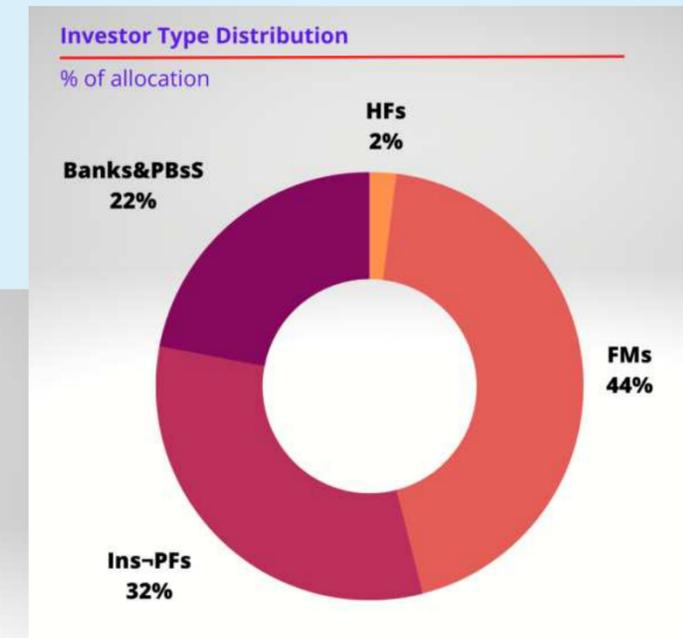
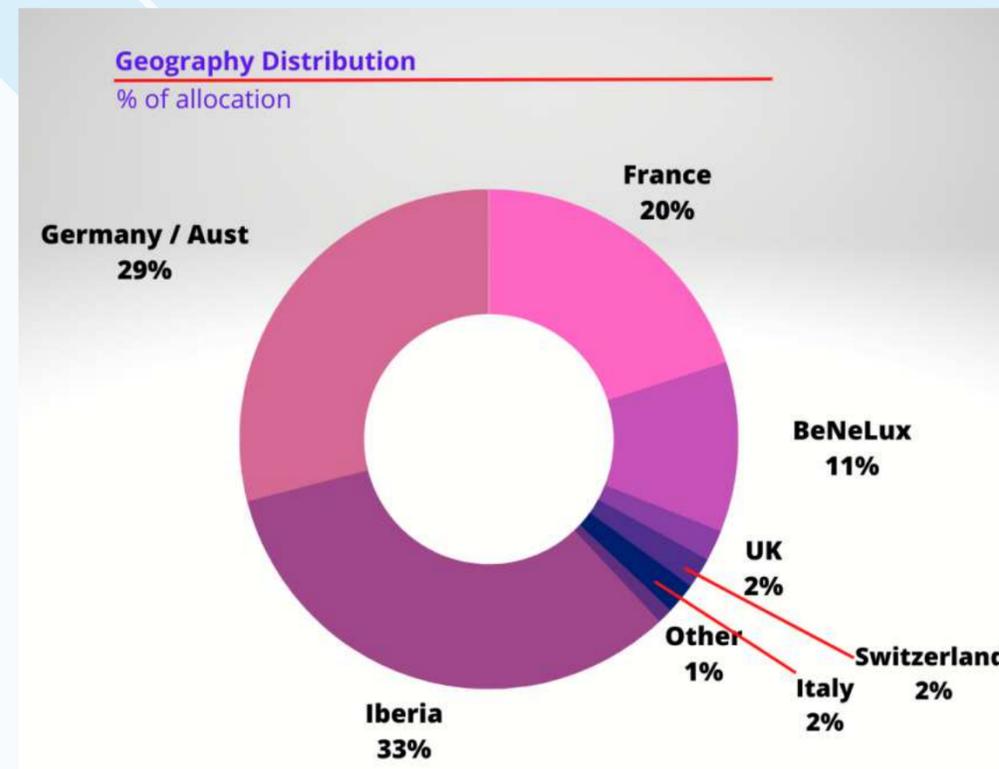
Issuer:	Basque Government
Ratings:	A3 / A- / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date::	10 November 2020
Settlement:	19 November 2020
Maturity Date:	30 April 2031
Size:	EUR 600m
Coupon:	0.25%
Reoffer Spread:	SPGB+9 bps
Yield:	0.294%
ISIN:	ES0000106684



Basque Government 2021 €1bn 11yr sustainable Bond

Terms & Conditions

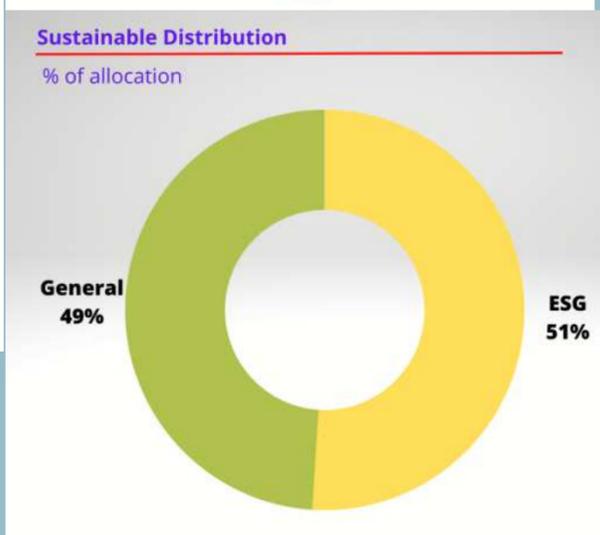
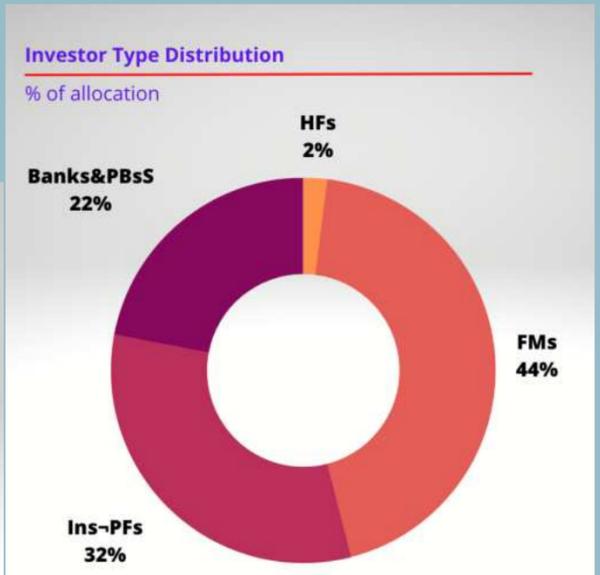
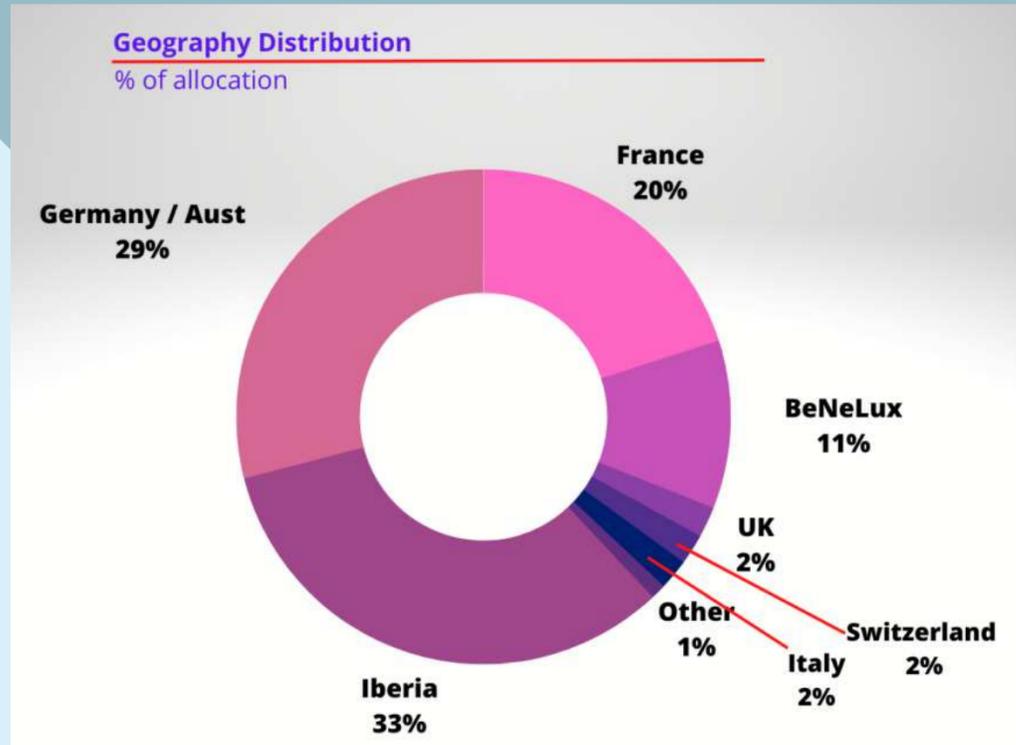
Issuer:	Basque Government
Ratings:	A3 / AA- / A- (Moody's / S&P / Fitch)
Format:	Sustainable Bond
Pricing Date::	7 April 2021
Settlement:	16 April 2021
Maturity:	30 April 2032
Size:	EUR 1bn
Coupon:	0.45%
Reoffer Spread:	SPGB+9 bps
Yield:	0.518%
ISIN:	ES0000106726



Basque Government 2022 EUR 500m 11yr sustainable bond

Terms & Conditions

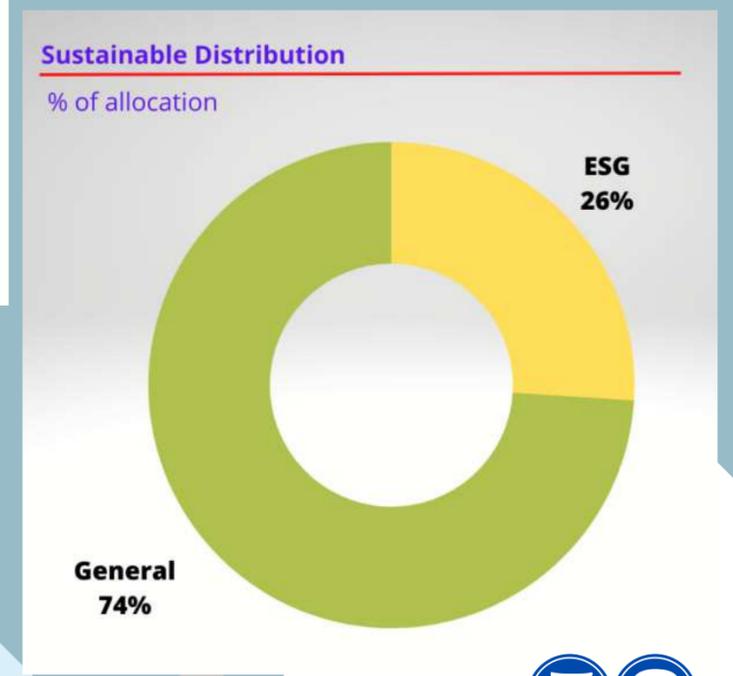
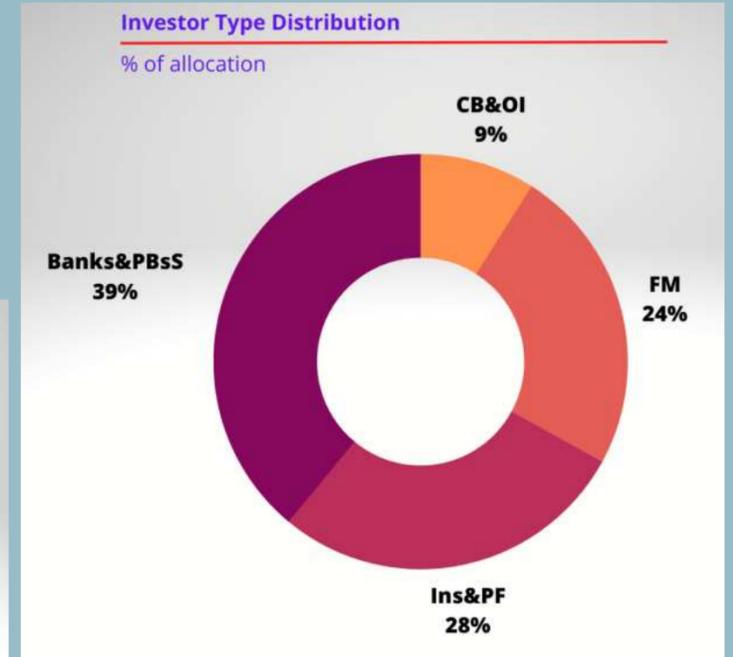
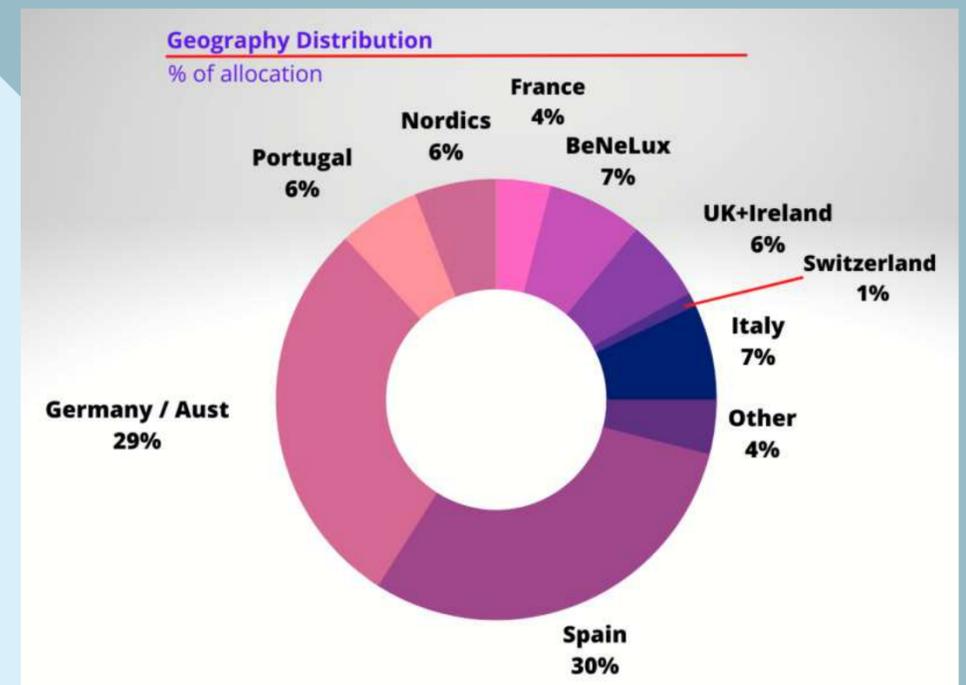
Issuer:	Basque Government
Ratings:	A3/AA-/A (Moody's/S&P)/Fitch)
Format:	Sustainable Bond
Pricing Date::	20 April 2022
Settlement:	29 April 2022 (T+7)
Maturity:	30 July 2033
Size:	EUR 500m
Coupon:	1.875% anual
Reoffer Spread:	SPGB + 14bps
Yield:	1.942%
ISIN:	ES0000106734



Basque Government 2023 EUR 700m 10yr sustainable bond

Terms & Conditions

Issuer:	Basque Government
Ratings:	A3/AA-/A (Moody's/S&P)/Fitch)
Format:	Sustainable Bond
Pricing Date::	8 February 2023
Settlement:	17 February 2023 (T+7)
Maturity:	30 April 2033
Size:	EUR 700m
Coupon:	3.50% anual
Reoffer Spread:	SPGB + 21bps
Yield:	3.593%
ISIN:	ES0000106742



Beyond the GDP: Human Development Index

Very high human development index

Position		%
1	Switzerland	0.962
2	Norway	0.961
3	Iceland	0.959
4	Hong Kong, China (SAR)	0.952
5	Australia	0.951
6	Denmark	0.948
7	Sweden	0.947
8	Ireland	0.945
9	Germany	0.942
10	Netherlands	0.941

Position		%
11	Finland	0.940
12	Singapore	0.939
13	Belgium	0.937
13	New Zealand	0.937
14	Basque Country	0.936
15	Canada	0.936
16	Liechtenstein	0.935
17	Luxembourg	0.930
18	United Kingdom	0.929
19	Japan	0.925

- The Human Development Index, prepared by the United Nations, takes into account, in addition to GDP, life expectancy, years of schooling and literacy rate.
- The Basque Country is among the top 14 countries in the world in this indicator. Especially noteworthy is the high life expectancy at birth.

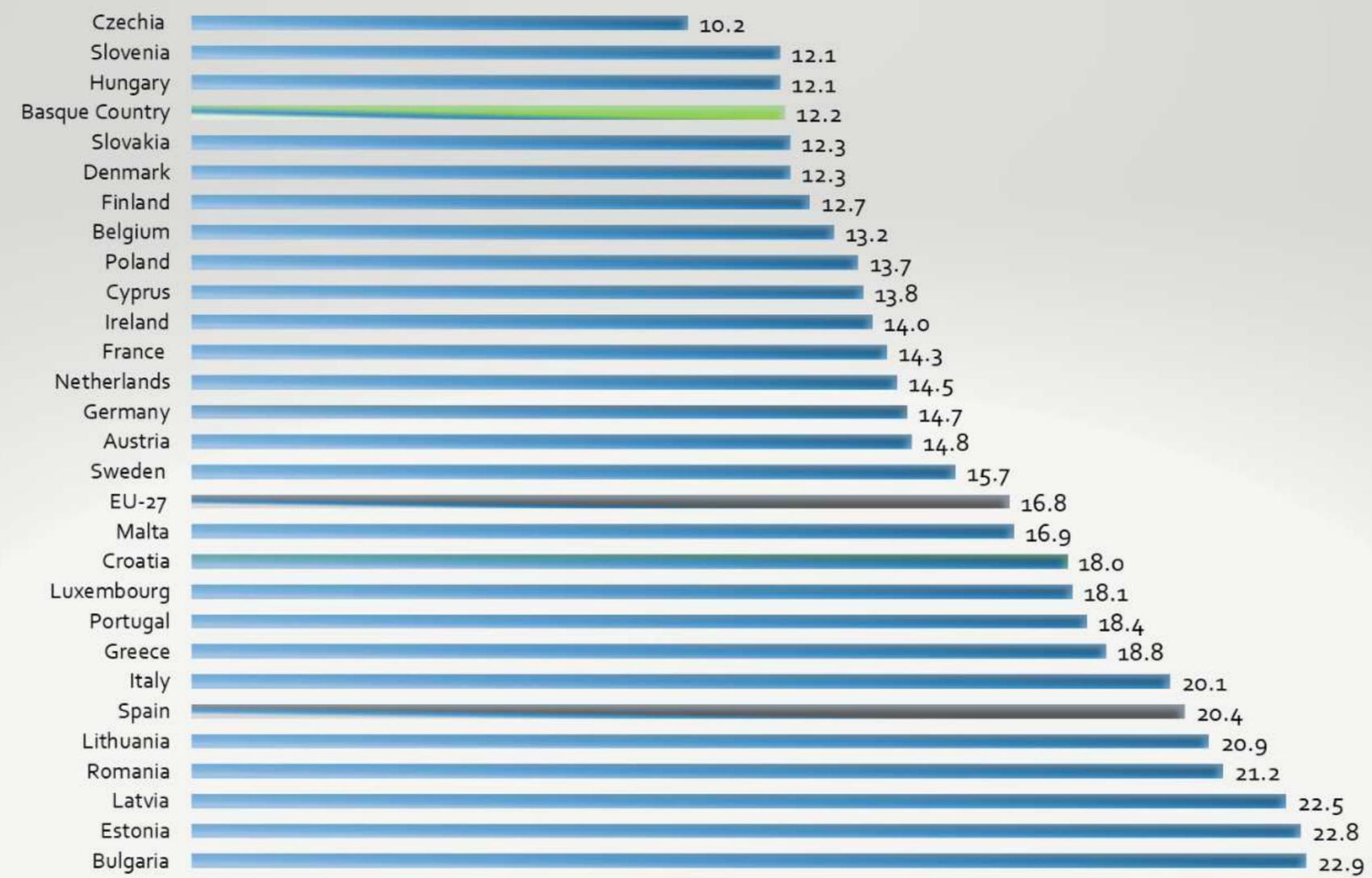
Source: Eustat. Social indicators.

2021 data, obtained from the Human Development Report 2022 of the United Nations Development Programme (UNDP).

The data for Basque Country is provisional.

Beyond the GDP: Risk of Poverty

Risk of poverty rate after receiving social assistance. 2022

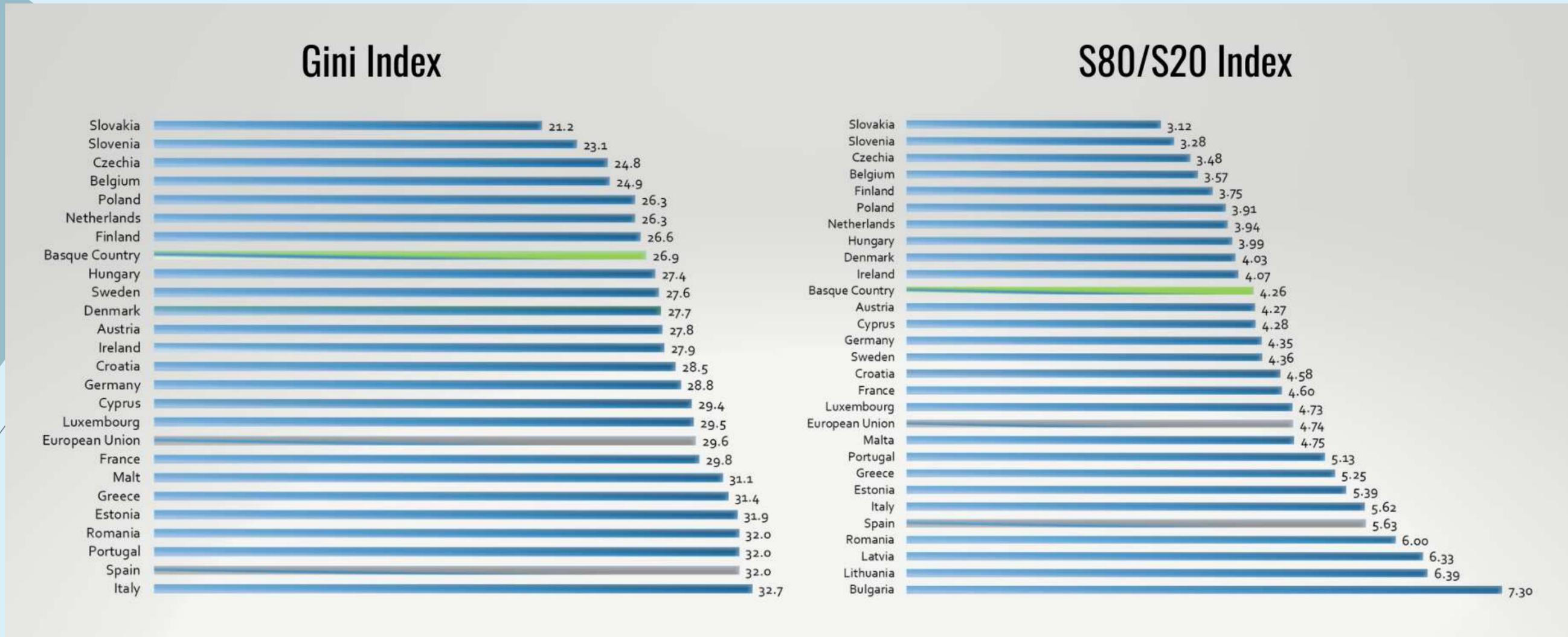


In the European case, after social assistance, the Basque Country is at the top of Europe after the Czech Republic, Slovenia and Hungary.

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

Beyond the GDP: Inequality Indicators

- The most widely used equality indicators, the Gini index and the S80/S20 index, place the Basque Country among the most egalitarian territories in Europe.
- it also contrasts with the position of Spain, far away from the top positions.



Data for 2022.
 Source: Basque Government. Department of Equality, Justice and Social Policies. EPDS (2022) and Eurostat.

Beyond the GDP: Gender equality index. 2019



- The Basque Country is in an advanced position within European countries in terms of gender equality.
- Between 2010 and 2019 it has gone from 68.9 points to 73.1 points in 2019.

Source: Eustat. Gender equality index.

Interannual variation rate

	2023	2024	2025
World Economy	2.6	2.2	2.5
United States	2.4	1.4	1.7
Japan	1.9	0.8	1.0
United Kingdom	0.4	0.2	1.0
Eurozone	0.5	0.5	1.3
- Germany	-0.3	0.3	1.2
- France	0.8	0.7	1.3
- Italy	0.7	0.5	1.0
- Spain	2.3	1.3	1.8
Pacific Asia	4.2	3.7	3.7
Latin America	2.2	1.6	2.4
Eastern Europe	2.3	2.4	2.6

World Economy Forecasts

- According to Consensus Forecasts, the moderation in the pace of global growth that began in 2022 will extend to 2024.
- The euro zone will have modest growth this year, conditioned mainly by the weakness of Germany.
- In 2025, dynamism is expected to recover in all areas, with more vigorous growth rates.

Source: Consensus Forecast (January 2024)

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