
Report on debt in Navarre



April, 2018

Regulation protects Debt payment

The Constitution states Art. 135:

“Payments on the interest and capital of the State’s Public Debt shall always be included in budget expenditure and may not be subject to amendment or modification as long as they conform to the terms of issues.”

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.”

In practice, the Spanish Government has provided financial support to regions that have experienced budgetary difficulties or access to the financial market.

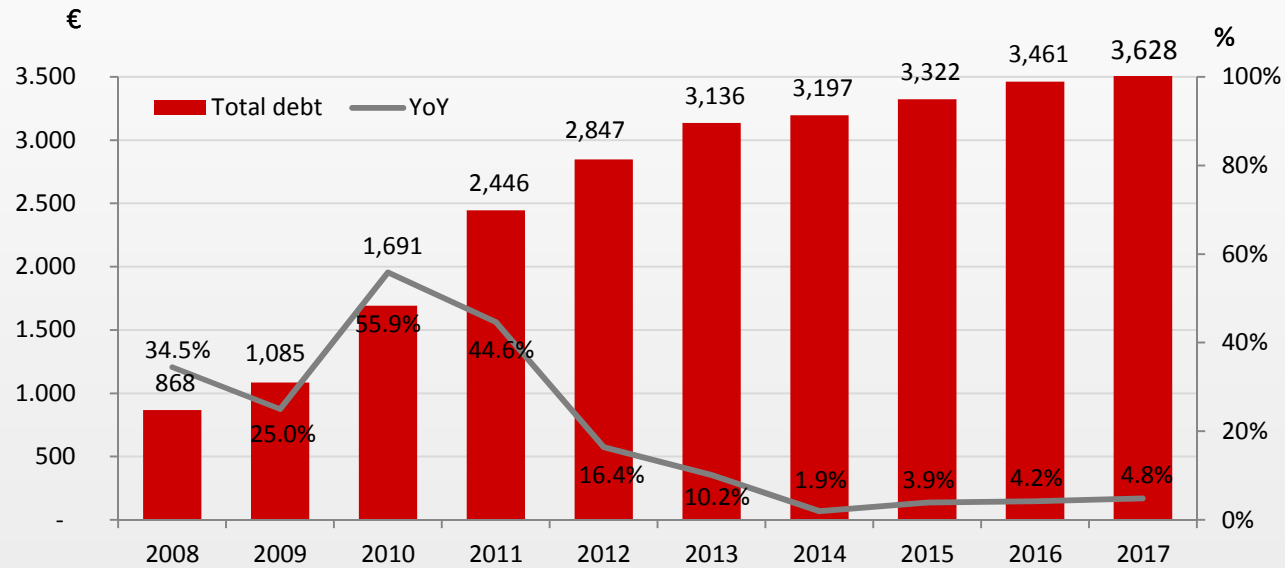
Since 2012 the Treasury has implemented mechanisms such as the FLA (Autonomous Liquidity Fund) and FFPP (Payment Provider Fund) to provide liquidity to the regional governments and local authorities to enable them to cope with their payment obligations (Royal Decree-Law 17/2014). The Government of Spain is the ultimate guarantor of debt amortization.

Navarre has never participated in this financial support. All our financial needs are obtained in the financial market with loans or issues.

Size of Navarre's debt

Navarre's total financial indebtedness reached €3,628 million at the end of 2017.

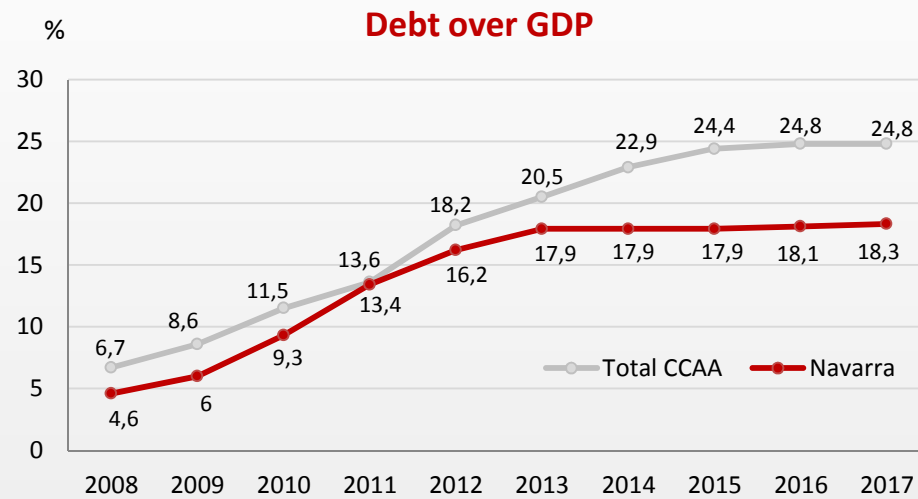
Debt amount standing evolution



Source: Bank of Spain. Data published by the Bank of Spain, in accordance with the Excessive Deficit Procedure (EDP)

Lower indebtedness than the autonomic average

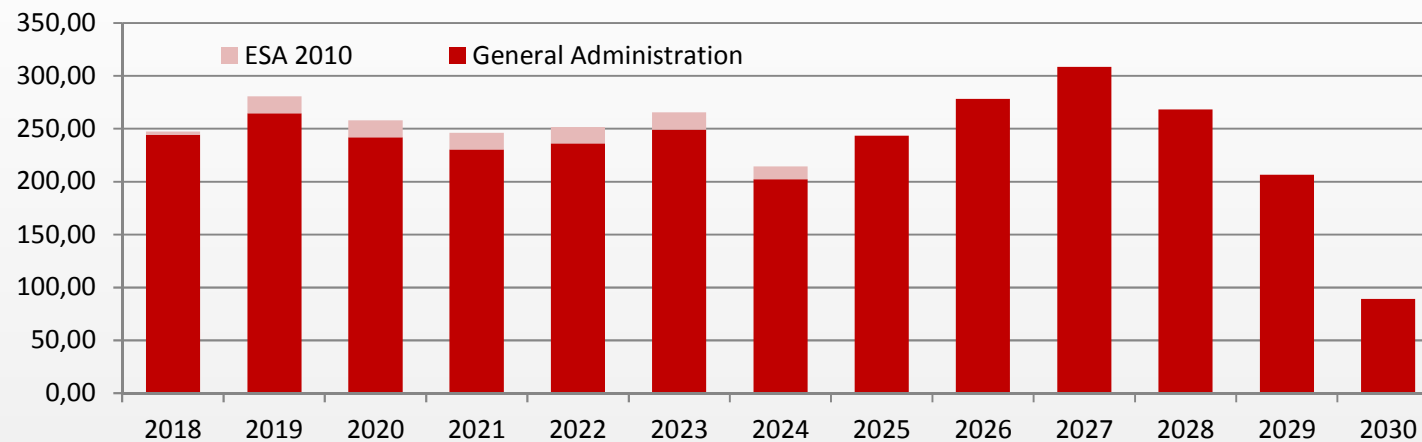
Indebtedness of 18.3% of the regional GDP, below the autonomic average in the end of 2017, 24.8%.



Source: Bank of Spain. Data published by the Bank of Spain, in accordance with the Excessive Deficit Procedure (EDP)

Direct indebtedness consolidated

Maturity schedule (31/03/2018)



Source: Government of Navarre

Debt ratios

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt (€ Mil.)	1,085.1	1,690.5	2,446.3	2,847.1	3,136.1	3,197.3	3,322.0	3,461.0	3,628.0
Debt over GDP (%)									
Navarra	6	9.3	13.4	16.2	17.9	17.9	18.0	18.1	18.3
Total CC.AA.	8.6	11.4	13.6	18.1	20.5	22.9	24.2	24.8	24.8
Debt over operating income									
Navarra	28.2%	45.1%	69.8%	90.3%	99.9%	102.9%	101.2%	102.3%	91.4%
Total CC.AA.	60.1%	90.4%	110.4%	144.4%	161.7%	179.4%	213.9%	209.9%	203.2%
Debt service over operating income									
Navarra	0.9%	3.9%	4.2%	6.4%	9.6%	13.7%	12.7%	15.4%	9.7%
Total CC.AA.	4.6%	6.6%	10.4%	16.0%	16.7%	24.5%	21.7%	20.1%	19.6%
Average life ⁽¹⁾ (years)	5.6	7.2	6.1	5,0	4.6	4.9	5.49	6.1	6.2
Average cost	4	3.38	3.77	3.68	3.73	3.48	2.9	2.45	2.2
Instrument									
Loans	39.1%	41.8%	45.0%	46.5%	8.46%	29.0%	37.3%	41.8%	47.6%
Issues	60.9%	58.2%	55.0%	53.5%	91.54%	71.0%	62.6%	58.2%	52.4%
Currency									
Euro	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Non-Euro currencies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Maturity									
Short term	0.1%	0.1%	5.4%	1.4%	3.7%	0.6%	0.6%	0%	0%
Long term	99.9%	99.9%	94.6%	98.6%	96.3%	99.4%	99.4%	100%	100%

Source: BdE, MINHAP

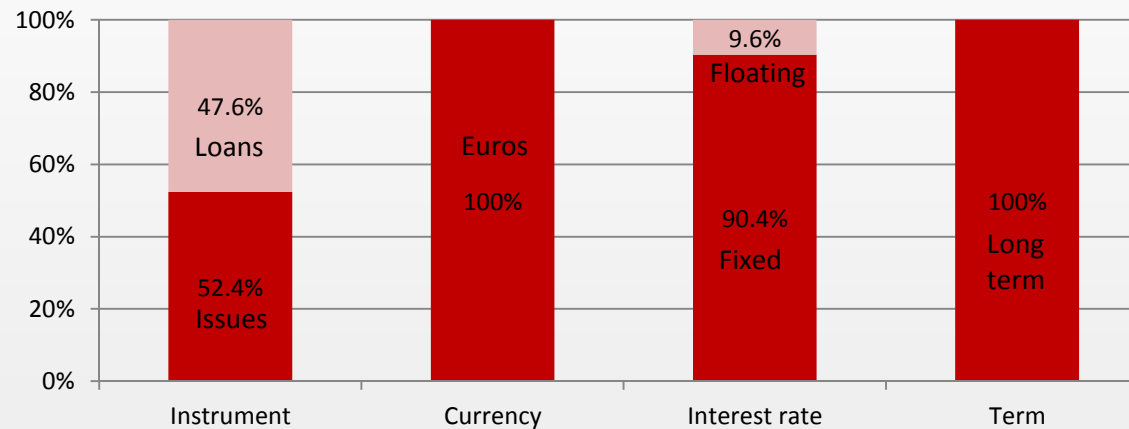
Consolidated final budget for all regions except Balears and Basque Country, that are non consolidated budget

(1) Non consolidated debt

Principal features of debt portfolio of General Administration

Bond issues are the main debt instrument of Navarre.
There is no financing in other currencies, so currency risk is non-existent.
Mainly fixed rates, reduce risk and volatility on payments.

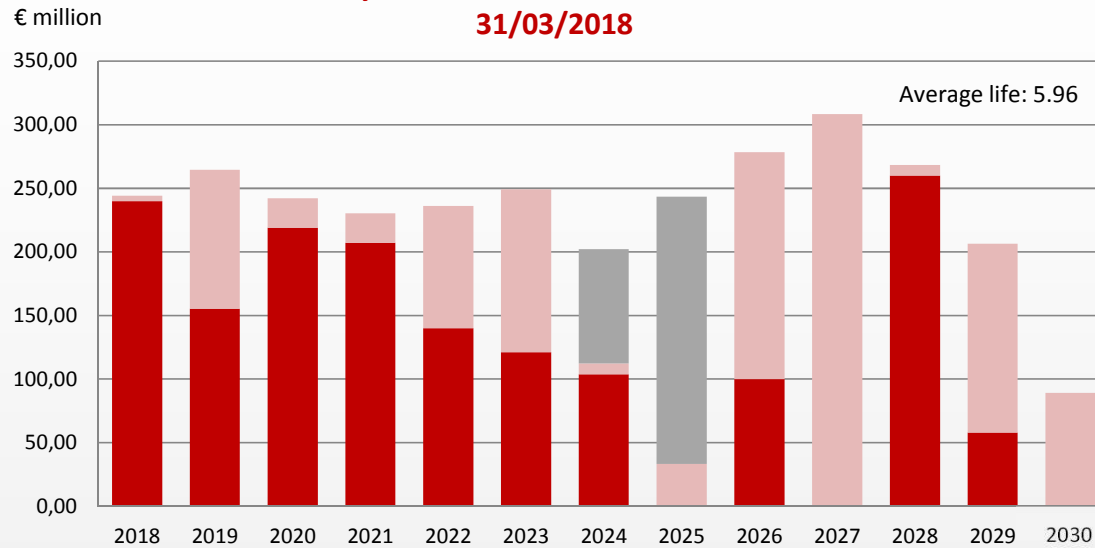
Features of debt portfolio
31/03/2018



Source: Government of Navarre

Well balanced maturity schedule reduces refinancing risk

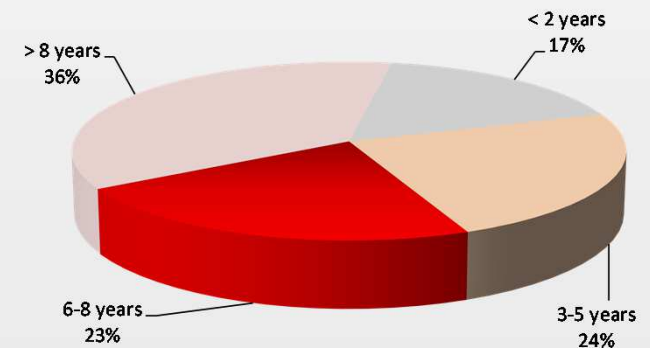
**Maturity schedule of General Administration
31/03/2018**



Source: Government of Navarre

The maturity profile extends out to 2030. The aim is no more than 325 million every year

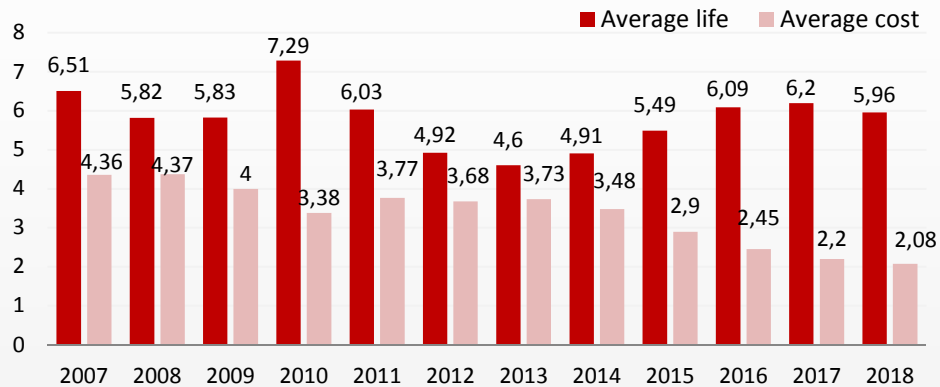
Distribution by maturity



Source: Government of Navarre

Increase of the average life and reduction average cost

Average life and average cost of portfolio 31/03/2018

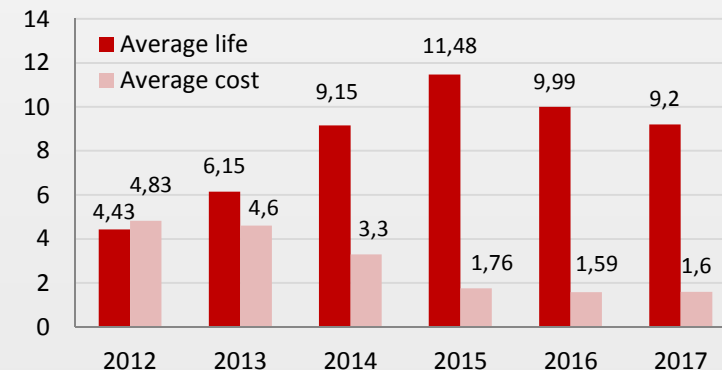


Source: Government of Navarre

Growing funding needs in the credit crunch scenario led to a reduction of the average life of the debt portfolio. However, since 2013 average life has increased 34.8%, meanwhile average cost has reduced 41.01% in the same period.

Every year since 2013, with more than nine years of maturity, the average cost of new debts has been reduced constantly.

Average life and average cost of new operations annually



Source: Government of Navarre

Transactions, 2017

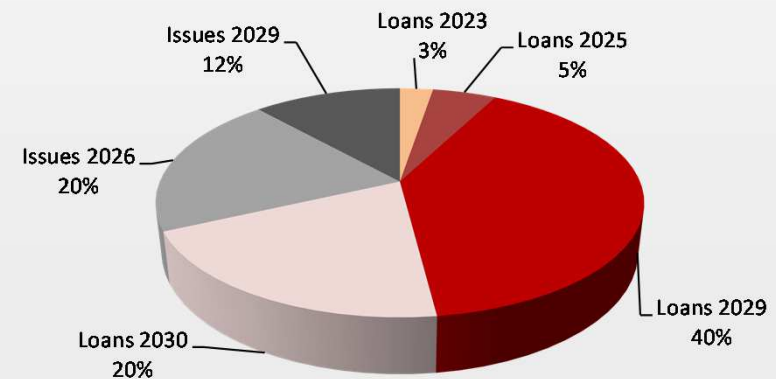
Transactions. 2017

Operation	Settlement date	Maturity date	Yield	€ mill
Issues	03/03/2017	03/03/2026	1.60%	100,0
Loan	03/03/2017	03/03/2029	1.73%	200,0
Loan	03/03/2017	03/03/2030	E6m+0,81 y E6m+0,77%	100,0
Loan	03/03/2017	03/03/2025	1.39%	25,0
Loan	03/03/2017	03/03/2023	0,598%	13,0
Issues	29/05/2017	29/05/2029	1,747	58,0
Total				496

Source: Government of Navarre

The average cost for 2017 transactions is 1.6% and the average maturity 9.2 years.
The average spread over SPGB is only 1.0 bp

Maturity of the latest issuances



Source: Government of Navarre

Transactions, 2016

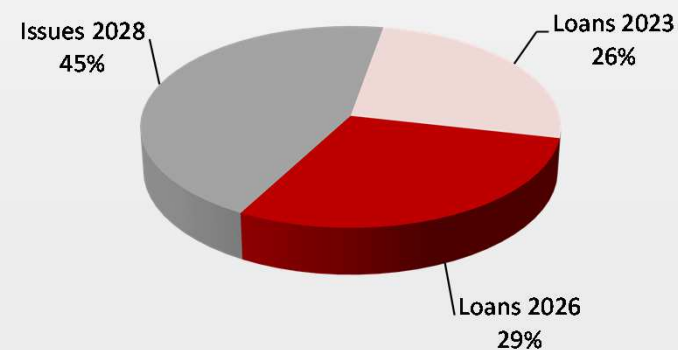
Transactions. 2016

Operation	Settlement date	Maturity date	Yield	€ mill
Issues	19/02/2016	19/02/2028	2.128%	175,0
Loan	19/02/2016	19/02/2026	1.891%	100,0
Loan	19/02/2016	19/02/2026	1.921%	25,0
Loan	19/02/2016	19/02/2023	1.283%	15,0
Loan	19/02/2016	19/02/2023	E6M+0.7%	75,0
Loan	19/02/2016	19/08/2023	E6M+0.87%	59,0
Loan	11/03/2016	11/03/2026	1.708%	45,0
Issues	21/11/2016	21/11/2028	1,592%	85,0
Total				579

Source: Government of Navarre

The average cost for 2016 transactions is 1.59% and the average maturity 9.9 years. The average spread over SPGB is only 1 bp

Maturity of the latest issuances



Source: Government of Navarre

Transactions, 2015

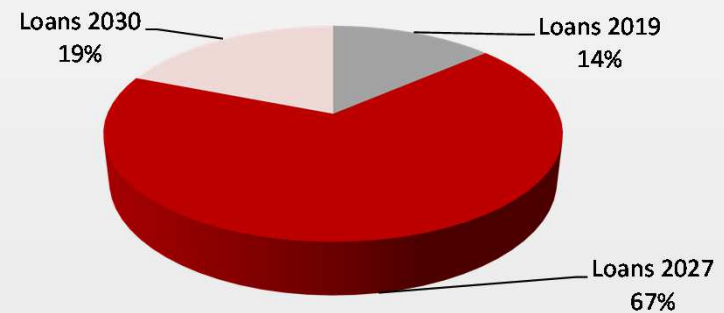
Transactions. 2015

Operation	Settlement date	Maturity date	Yield	€ mill
Loan	12/05/2015	12/05/2027	1.918%	300,0
Loan	12/05/2015	12/05/2030	2.2%	85,0
Loan	21/05/2015	21/05/2019	E6M+0.309%	61,0
Total				446

Source: Government of Navarre

The average cost for 2015 transactions is 1.76% and the average maturity 11.48 years.
Average spread over SPGB, 6.5 bps

Maturity of the latest issuances

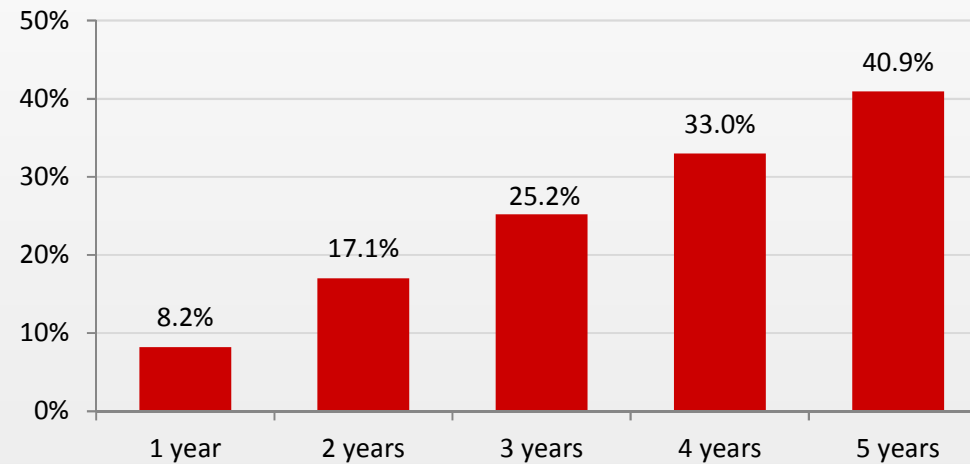


Source: Government of Navarre

Refinancing risk

The degree of concentration of the investment portfolio is reduced, because the payment obligations of the debt are distributed with relative linearity.

Refinancing risk



Source: Government of Navarre

Navarre's rating is higher than the Spanish Government's and the rest of the regions of the common regime

Navarre's financing cost is lower than the regions of the common regime.

	Regional of credit rating					
	Moddy's		S&P		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
NAVARRA			A+	Positive		
PAÍS VASCO	Baa1	Stable	A+	Positive	A-	Stable
ARAGÓN			BBB-	Positive		
CANTABRIA					BBB	Stable
MADRID	Baa2	Stable	BBB+	Stable	BBB	Stable
GALICIA	Baa2	Stable	A-	Stable		
CANARIAS			A-	Positive	BBB	Positive
ASTURIAS					WD	
EXTREMADURA	Baa3	Stable	BBB	Stable		
ANDALUCÍA	Baa3	Stable	BBB+	Stable	BBB-	Stable
CASTILLA-LEÓN	Baa2	Stable				
BALEARES			BBB	Stable		
CATALUÑA	Ba3	Negative	B+	Negative	BB	Negative
MURCIA	Ba2	Stable			BBB-	Stable
VALENCIA	Ba2	Stable	BB	Stable	BBB-	Stable
CASTILLA LA MANCHA	Ba2	Stable			BBB-	Stable
LA RIOJA					BBB	Stable
ESPAÑA	Baa2	Stable	A-	Positive	A-	Stable

Source: AFI

Reasons why S&P assets Navarre two notches higher than Spain

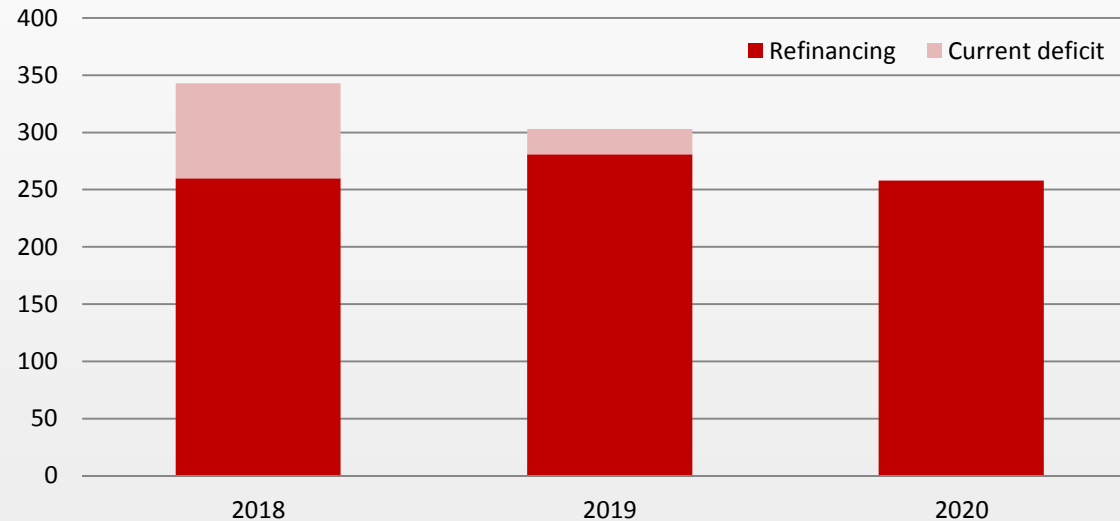
- The region's export-oriented and competitive industry, focused on internationally diverse markets, which partly mitigates its high concentration on Spain's economy.
- Its special constitutional status, which isolates the region from negative intervention by the sovereign.
- Its financing system, with high fiscal autonomy that does not rely on transfers from the central government to any meaningful degree.
- A track record of sound financial management that shows a strong payment culture.
- The much-awaited agreement made with the central government.
- Its lower financial needs supported by robust revenue growth that will contribute to the reduction trend of Navarre's debt while stabilizing Navarre's liquidity cushion.

S&P revise upward the assessment of Navarre's stand-alone credit profile (SACP) at 'aa-'. The SACP is a measure of the intrinsic creditworthiness before taking into account any constraints arising from the sovereign rating.

Funding needs 2017 / 2019

Commitment to budgetary stability and financial sustainability.
Deficit will not exceed 0.4% of GDP in 2018 and 0.1% in 2019.

Refinancing needs



Source: Government of Navarre

Our procedure

Issues and loans

Authorizations required

Authorization from the Government of Navarre.

Authorization from the Central Government only in case of issues. This is not needed for loans because last year Navarre complied with the target established by Central Government.

Financial institutions: National and International.

Regular contact is maintained with national and international banks.

Every time we need funds we send an email to all our contacts with our preferences: amount and maturity.

We admit and take into consideration offers with other characteristics.

Normally we send the email on Monday and offers must be sent on Thursday.

Taking into account our financial strategy we decide in the same day the offers selected.

Pricing

In the same day the pricing time is fixed with the financial institutions.

The contact is made by telephone, connected online with screens of Bloomberg. The transaction is priced in accordance with the offer based on the Treasury references, fixing the issue price and the coupon.

Documents

We apply for the ISIN code to the CNMV and for the admission of trading to the Bank of Spain.

The "Orden Foral" with the authorization must be published in BON (only for issues) before the settlement.

The settlement usually takes place on Friday next week.

Contract must be signed before settlement