Autonomous Community of Navarra

Presentation to investors - 2024



Gobierno de Navarra Nafarroako Gobernua

AGENDA 2030

Autonomous Community of Navarra

A single province region, in the north of the Iberian peninsula, home to 676,699 inhabitants

Located in a strategic position, at the crossroads of two logistics corridors, facilitating access to markets of over 100m consumers



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Current socio-economic situation and prospects for 2024

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01

The Economy of Navarra



Quality of life



FIRST PLACE

Since 2008 Navarra has been the Spanish region with the highest quality of life. INE



LESS POVERTY

Navarra is the region with the second lowest risk of poverty and social exclusion. AROPE rate 2023: 17.2% in Navarra vs. 26.5% in Spain



MORE EQUALITY

Navarra’s income distribution is more equal than that of the Spanish state. GINI index 2022: 30.0% vs. 32.0% in Spain



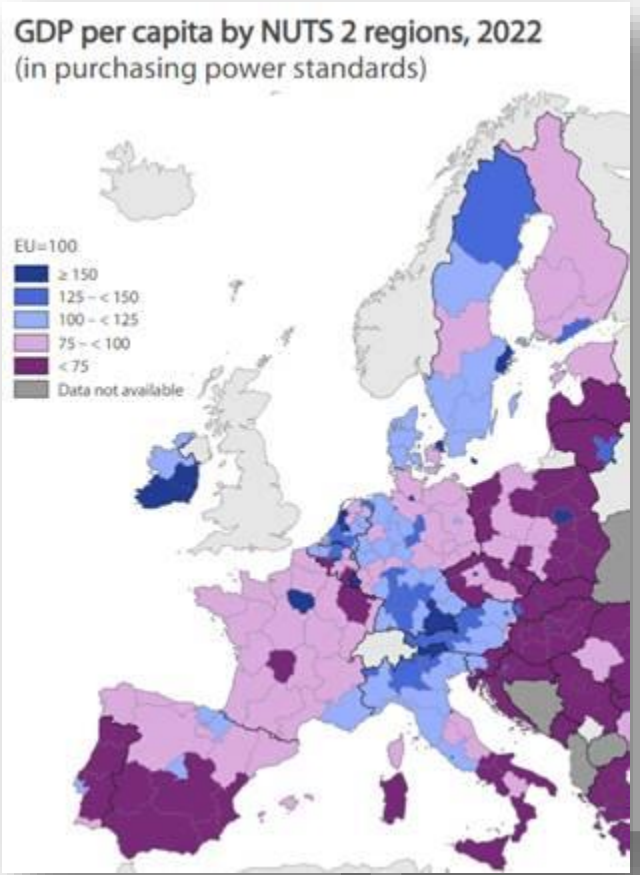
MORE PROSPERITY

Navarra is one of the most prosperous regions in Spain. In 2022, Navarra maintained its third position in terms of GDP per capita. CRE. INE

Quality of life

Navarra, one of three Spanish regions with a GDP per capita higher than the European average

GDP per capita, in purchasing power standards. Eurostat 2022



Quality of life



Navarra, among the EU regions with highest life expectancy both for men and women

(87.6 years in Navarra vs. 82.9 years in the EU)

Eurostat regional yearbook, 2023

Productivity

Navarra, 6.4% higher productivity than Europe and 12.4% higher than Spain in 2022

PRODUCTIVITY (€ PPA per employee)

	Value	SPAIN=100	EU27=100
NAVARRA	79,108	112.4	106.4

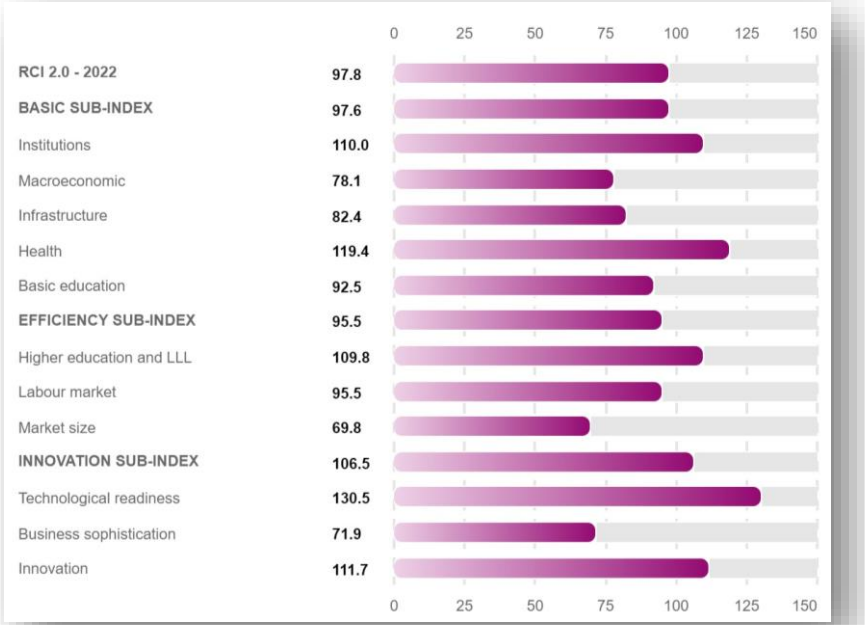
Consejo General de Economistas



Competitiveness

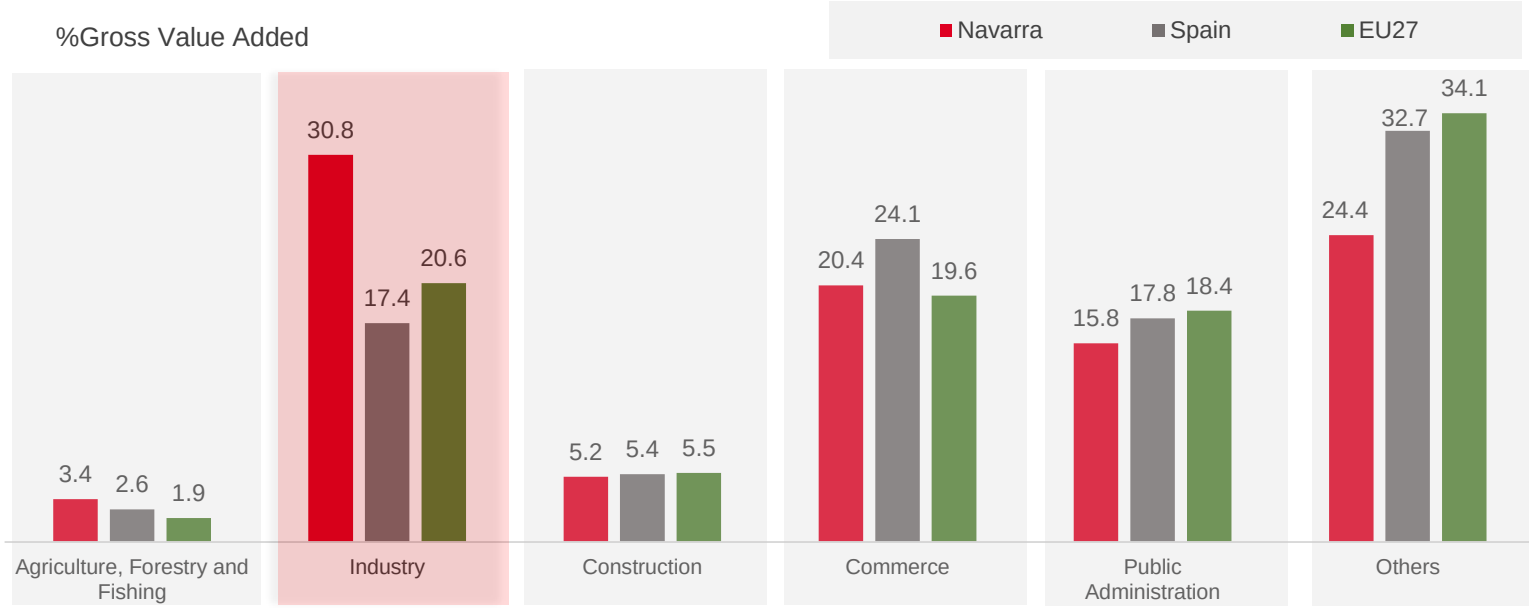
Navarra, one of the top four most competitive Spanish regions at the European level, with outstanding levels of innovation

EU Regional Competitiveness Index



Economy focused on Industry

Navarra is the most industrialised region of Spain



Source: INE, Eurostat. 2022.

Economy focused on Industry

Industry has a positive correlation with greater employment stability, higher wages and GDP per capita

High levels of employment in high and medium-high technology manufacturing:

% of Jobs in high and medium-high technology manufacturing 2022

Navarra	Spain	EU27
11.2	4.0	5.9

Eurostat

Energy Efficiency



Navarra has recorded an increase in **energy efficiency** of 16.3% in ten years

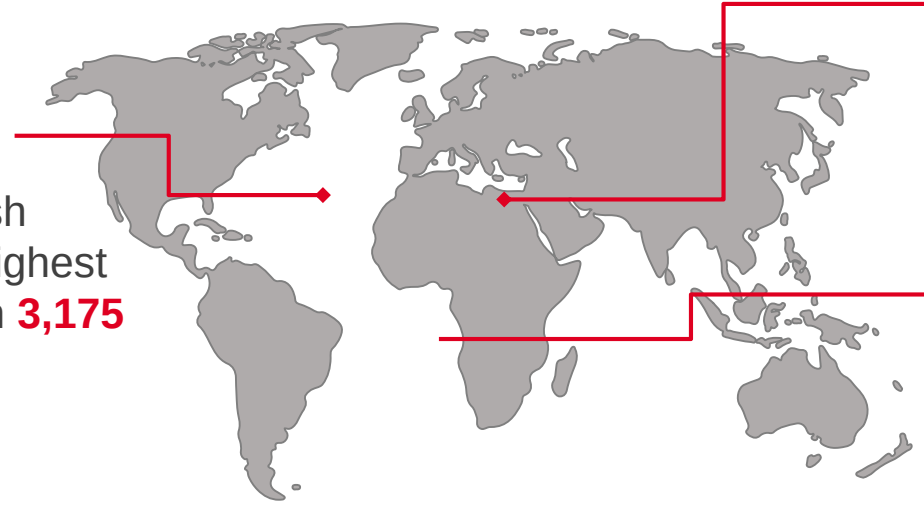
*Energy efficiency is measured in terms of the final energy necessary to produce one economic unit

Energy Balance, Navarra 2022

International openness 2023

Navarra,

among the Spanish regions with the highest trade surplus, with **3,175 millions of euros**



The highest Spanish regional export-import ratio: **145%**

1,000 businesses are regular exporters

Source: Datacomex.

Economic complexity

Navarra is the second ranked region in economic complexity
(COTEC 2022)

Economic complexity is related with economic development, measuring variations in economic growth, greenhouse gas emissions and inequality



Business Development

Navarra benefits from a solid business ecosystem, with a strong multinational presence, ease of business startup and extensive cooperation between agents



More than 125 multinationals

Among the regions with the lowest number of business closures



Third ranking region in ease of doing business in Spain



Cooperative environment between Government, Business, Universities and Technological Centres

Source: INE, Banco Mundial.

Attracting investment in renewable energies

The Arena Group lands in Navarra to invest 450 million in renewables

“Historically, Navarra has been a pioneering region in renewable energies, not only at a technological level, with numerous industrial companies manufacturing turbines and other types of materials, but also at the level of development. Some of the earliest wind energy projects were developed in the region, and there continues to be great potential. Moreover, the Government of Navarra continues its compromise with the renewable sector (…).”

Engineer from Arena Green Power

R+D+i



High number of scientific publications per million inhabitants. Specialisation in health and life sciences

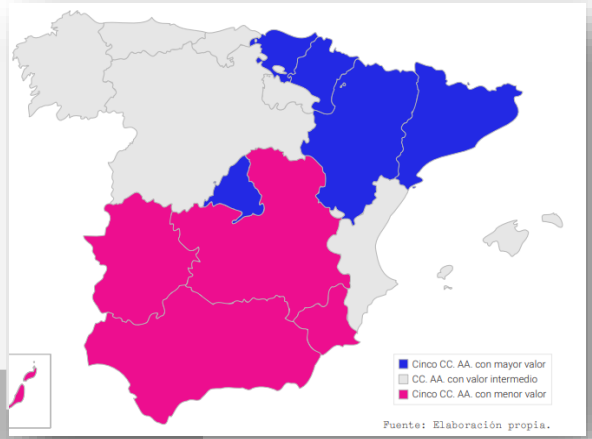
Fourth highest region in state spending on R&D per inhabitant.
610.1 euros/inhabitant vs. total national 402.2 euros/inhabitant
Year 2022. INE

One of the four “strongly innovative” Spanish regions according to the Regional Innovation Scoreboard of the EC in 2023

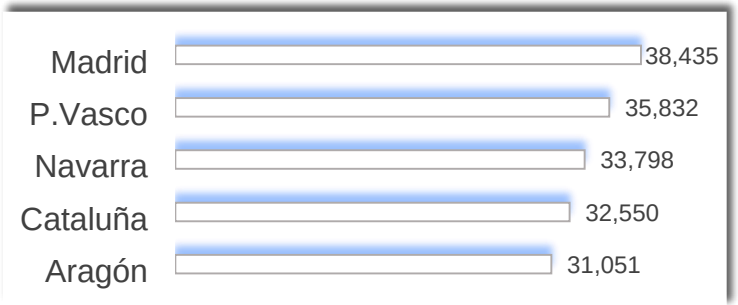
Labour market and qualifications

Navarra is among the regions with the highest capacity to attract and retain talent, with a positive relationship to GDP per capita

Global Competitivity Index for the Attraction and Retention of Talent 2019 (Fundación COTEC)



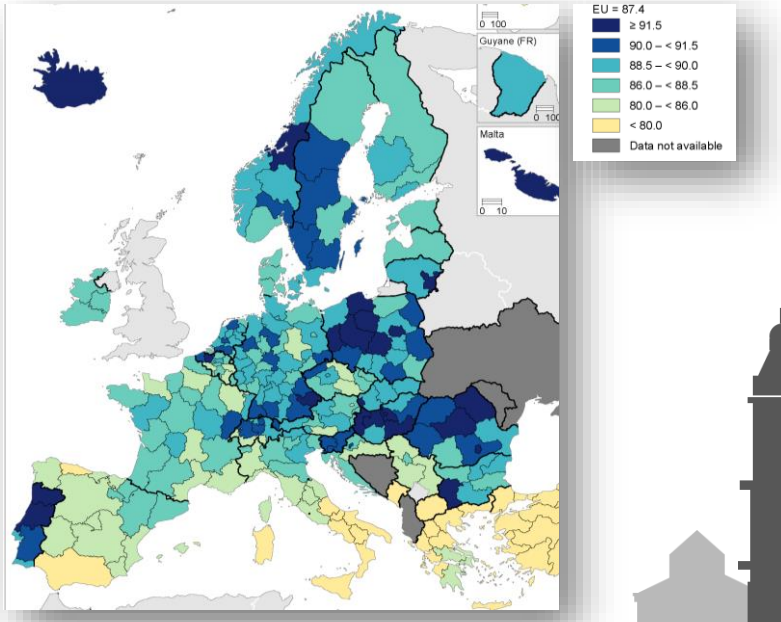
Spanish regions with the highest GDP per capita
In euros. Year 2022. CRE, INE.



Labour market and qualifications

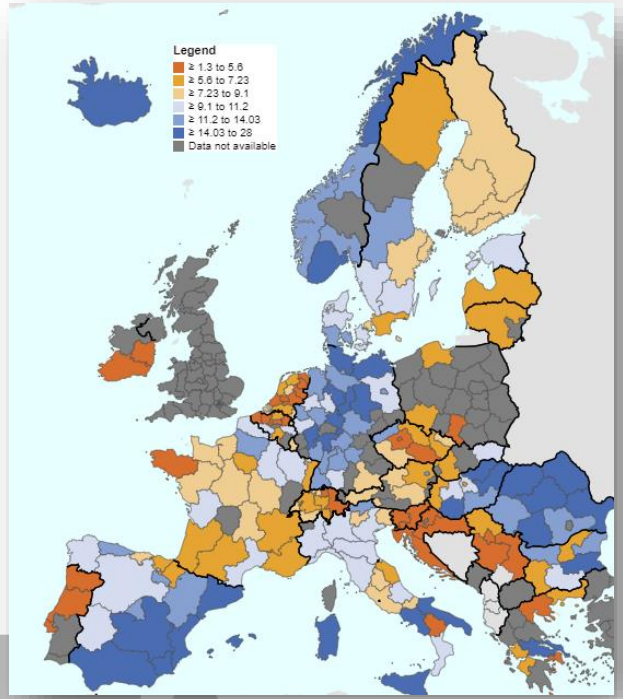
Navarra has well qualified human capital and stands among the Spanish regions with the highest levels of education

Employment Rate 25-64 years, with tertiary studies, 2022



Fuente: Eurostat.

Labour market and qualifications



Navarra, among the regions with the lowest school dropout rate at the national and European level

Early school and training leavers, 2022

% (18-24 years) not completing second stage secondary education and not involved in additional education or training

Source: Eurostat.

Navarra: Macro scenario 2024

1.3%

Real GDP growth

1.0%

Growth in employment

3.4%

Average inflation



Favourable context for 2024

In 2024 important elections will take place (USA among others) which traditionally are favourable to the economic cycle.

Inflation is reducing and the period of interest rate hikes is coming to an end.

Current military conflicts are having a reduced impact in economic terms.

Europe is experiencing a soft economic landing and progress from less to more is expected this year.
A light fiscal adjustment is forecast.
In 2024 the positive impact of the Next Generation EU funds is expected to continue.



02

Financial Autonomy



Foral regime

The economic agreement



Regulates the **FINANCIAL AUTONOMY** of Navarra and harmonizes the tax and financial relations between Navarra and the State



With its **OWN TAX SYSTEM**: full authority to manage, levy and collect practically all taxes
Devolved taxes: all direct taxes, all indirect taxes, and others (Gaming taxes, setting of levies and public prices)

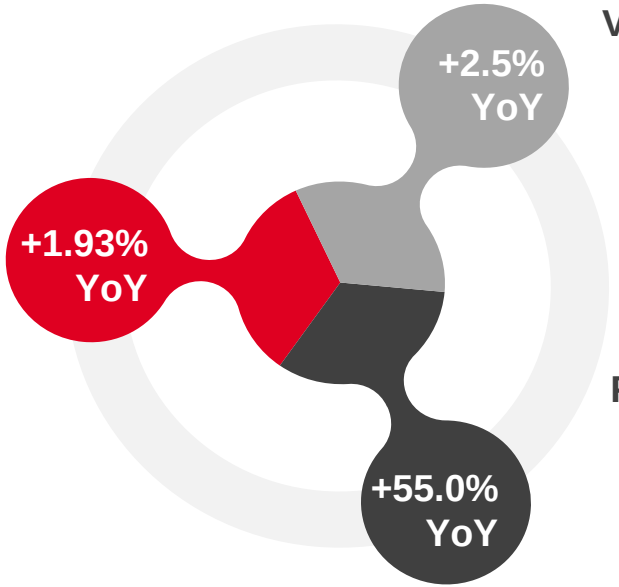
1,6%

Navarra is a **SUPPORTIVE REGION** that contributes annually to the support of the State and the regions, with a rate of 1.6% of overall burden

Tax collection 2023

Net tax collection continues to reach new maximums

INDIRECT TAXES
VAT, Excise taxes, transfer tax and stamp duty
€2,362.2m



DIRECT TAXES
Personal income tax
Corporation Tax,
Inheritance tax
€2,698.2m

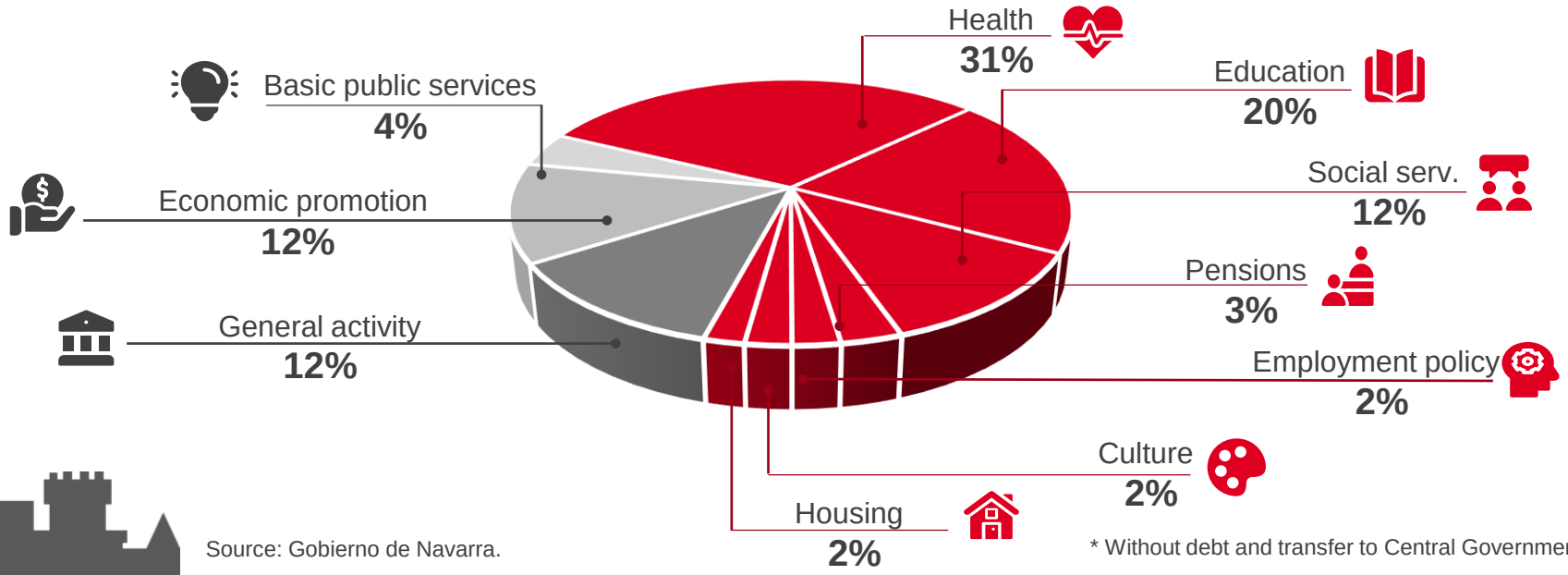
FEES AND OTHER REVENUES
€44.1m

Source: Gobierno de Navarra.

Expenditure structure 2023

72% of spending is aimed at social goals

mainly targeting health, education and social services



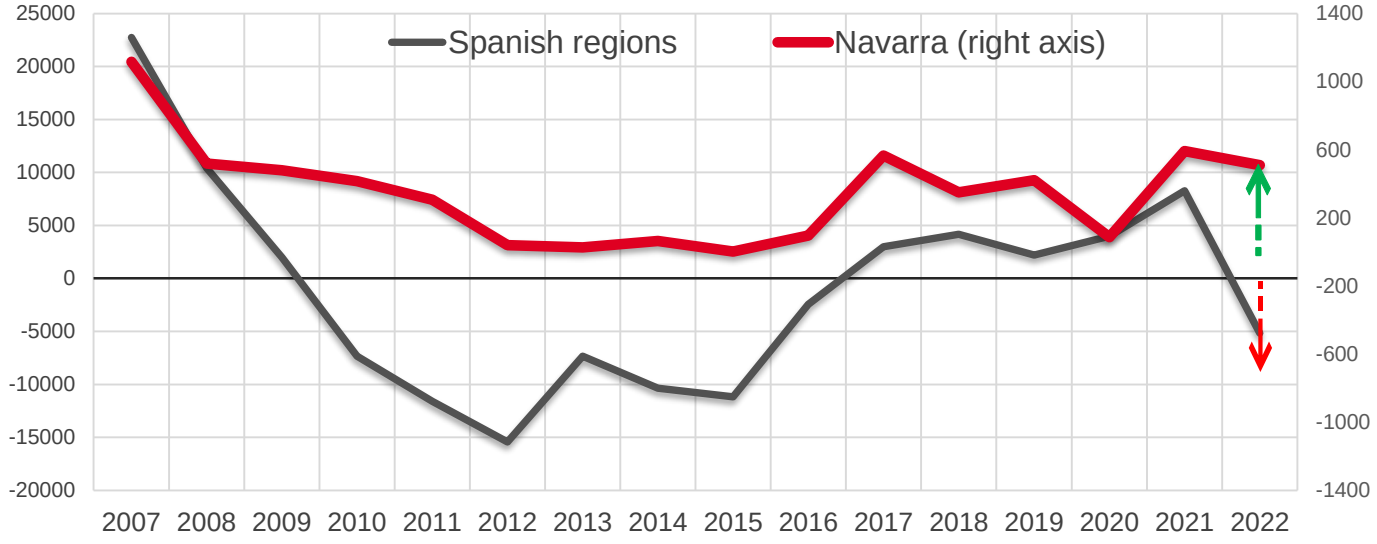
Source: Gobierno de Navarra.

* Without debt and transfer to Central Government.

Fiscal discipline

Navarra, positive gross savings every year

Millions of euros

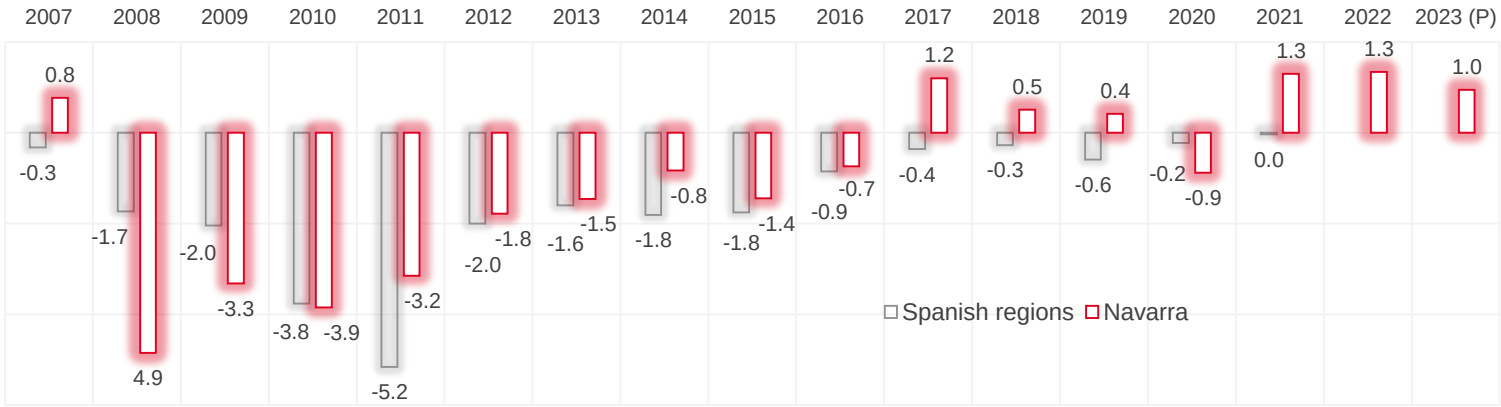


Source: AFI.

Fiscal discipline

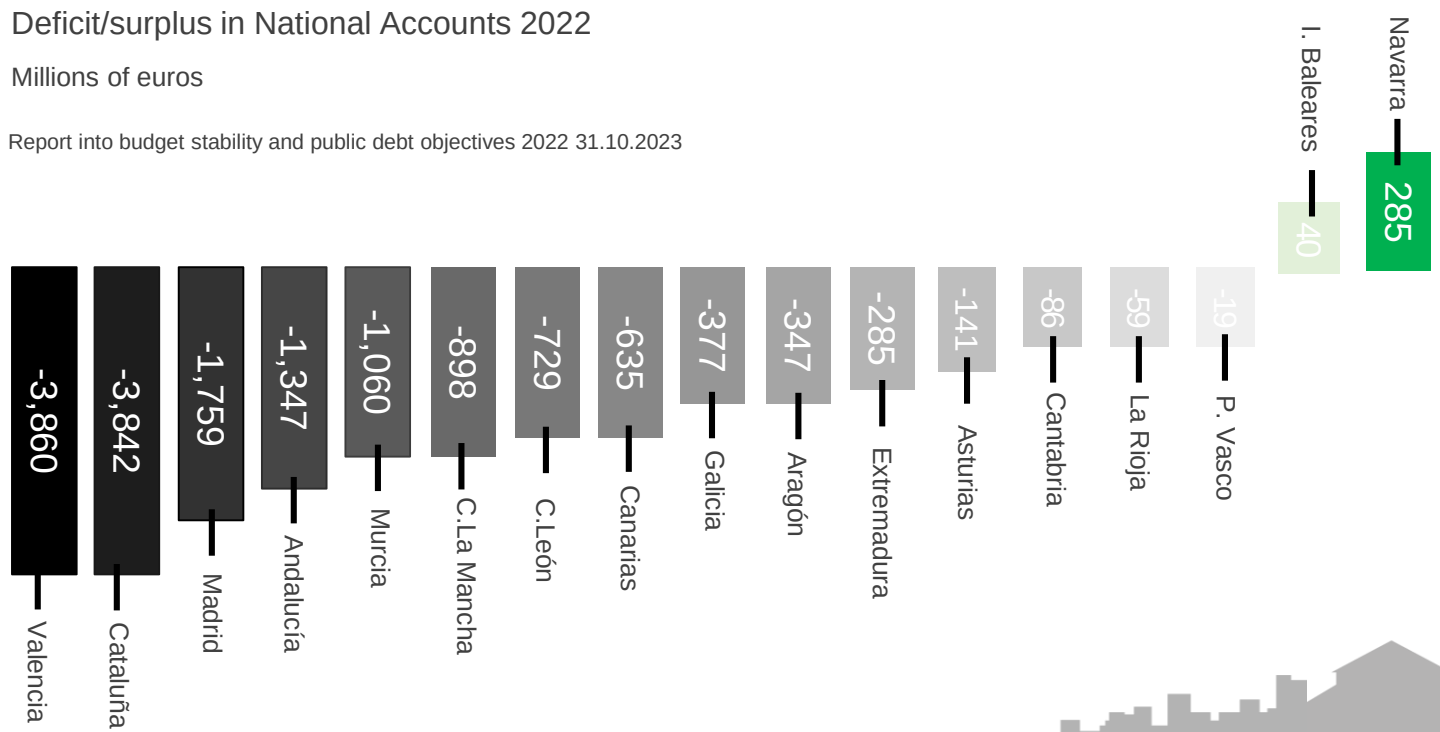
… and with surplus since 2017 (except in 2020)

Deficit/surplus over GDP (%)



Source: AFI.

Highest surplus in 2022



03

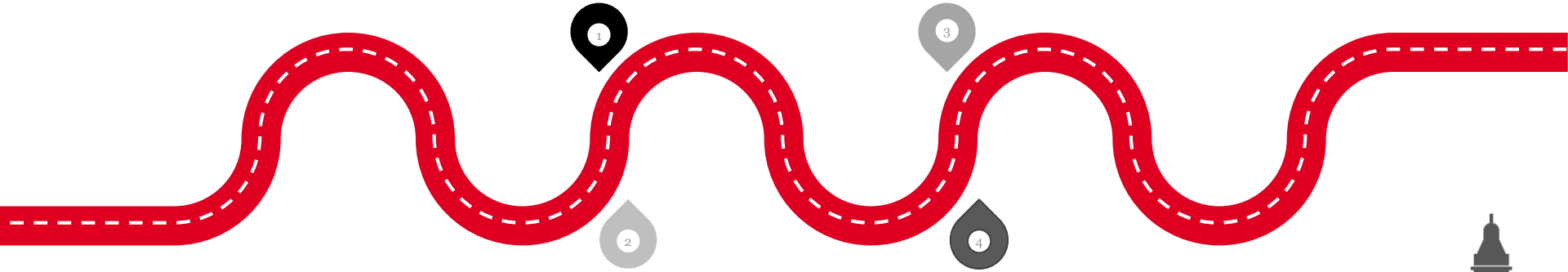
Indebtedness



Coordination and supervision of regional debt

Budgetary stability and debt objectives agreed in the Coordinating Commission
The Coordinating Commission between General Administration of Spain and Navarra, agrees on the stability objectives (Art. 67 Economic Agreement)

Authorisation from Government of Navarra to formalize debt operations
It is the responsibility of the Government of Navarra to approve debt operations, provided that they have been authorized by a Foral law



Authorisation from Council of Ministers to formalize debt and operations outside the UE
If there is non-compliance with the objectives, all debt operations will require authorization from the Council of Ministers

Monthly information supply requirements envisaged in the law
Before the fifteenth day of each month, autonomous communities send to the Ministry of Finance details of the obligations towards third parties and debt forecasts

Key aspects of our indebtedness



REGIONAL FINANCE FUND

No need for regional financial support



REGULATION

Subject to the same basic regulation as the state debt

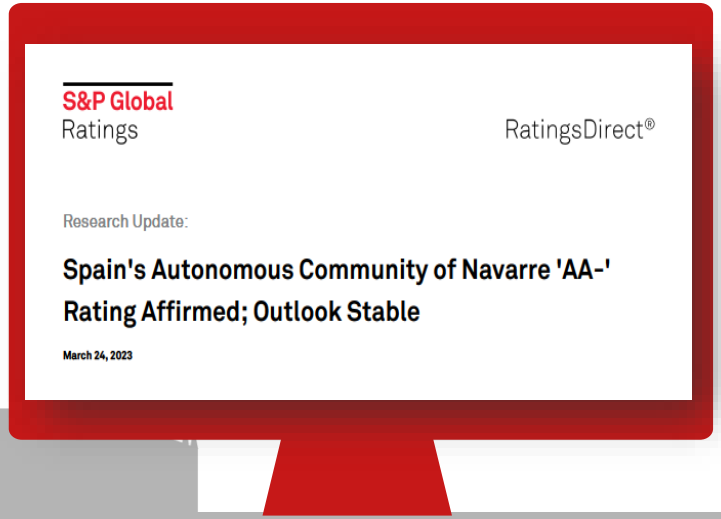


RISK

0% minimum risk applicable in accordance with European Prudential Regulations

Rating S&P

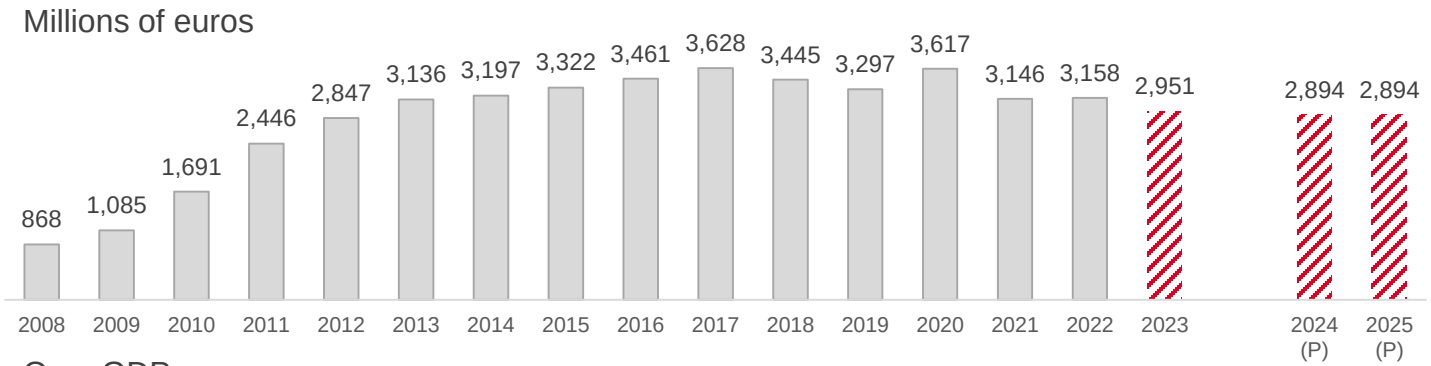
S&P assesses Navarra two notches over Spain, which makes it **one of only two EU regions assessed by S&P with a rating above the sovereign**



In their most recent report, the agency highlights:

1. Fiscal autonomy in Navarra
2. Wealthy, open and competitive economy
3. The solid experience of the management team

Indebtedness evolution EDP*

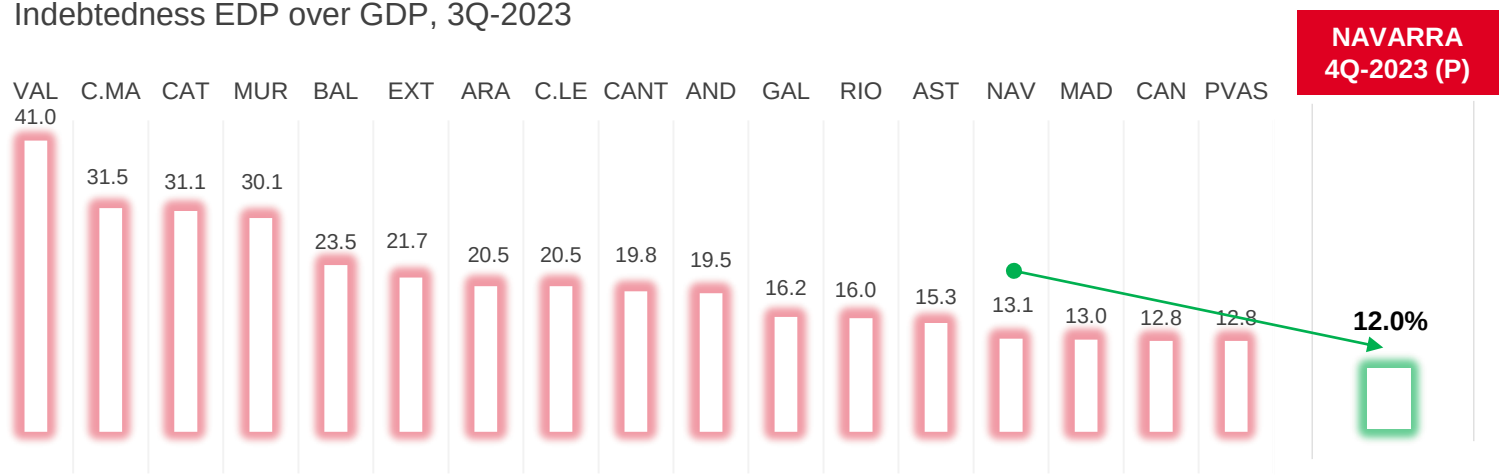


*Excessive Deficit Procedure.

Source: Banco de España y Gobierno de Navarra.

Among the Spanish regions with the lowest indebtedness

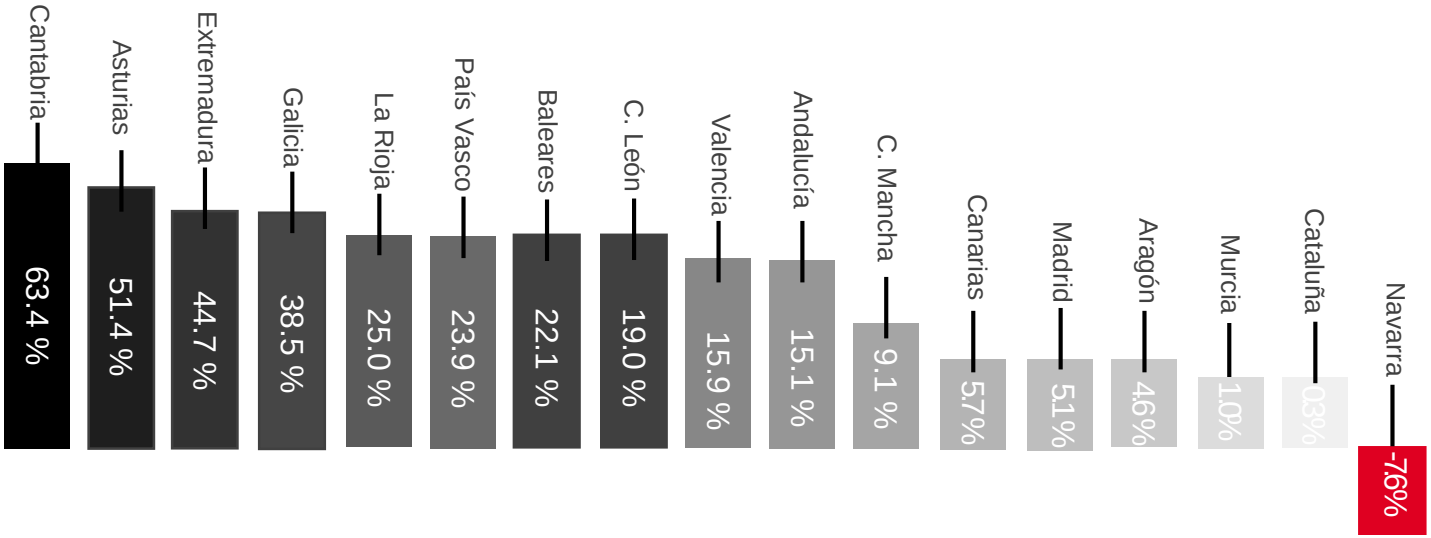
Indebtedness EDP over GDP, 3Q-2023



Source: Banco de España.

The only region to reduce interest payments in 2022

Interest expenses. Variation rate 2022/2021, %



Source: Report into budget stability and public debt objectives 2022 31.10.2023.

Characteristics

2,664.3

Millions of euros of direct indebtedness, 100% denominated in euros and long-term maturity

95.3%

Almost all the indebtedness is tied to fixed interest rates, reducing uncertainty in interest payments

60.1%

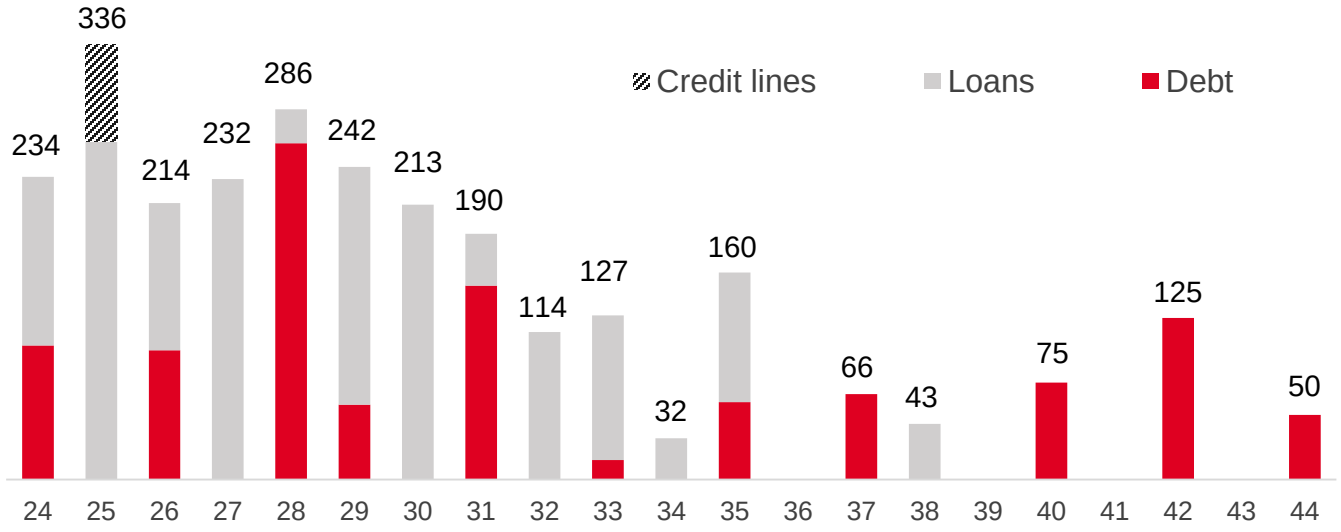
Loans are the main debt instrument in the portfolio. The Deuda de Navarra represents 39.9% of indebtedness

47.6%

of the portfolio will be refinanced over the next five years. Refinancing risk is limited

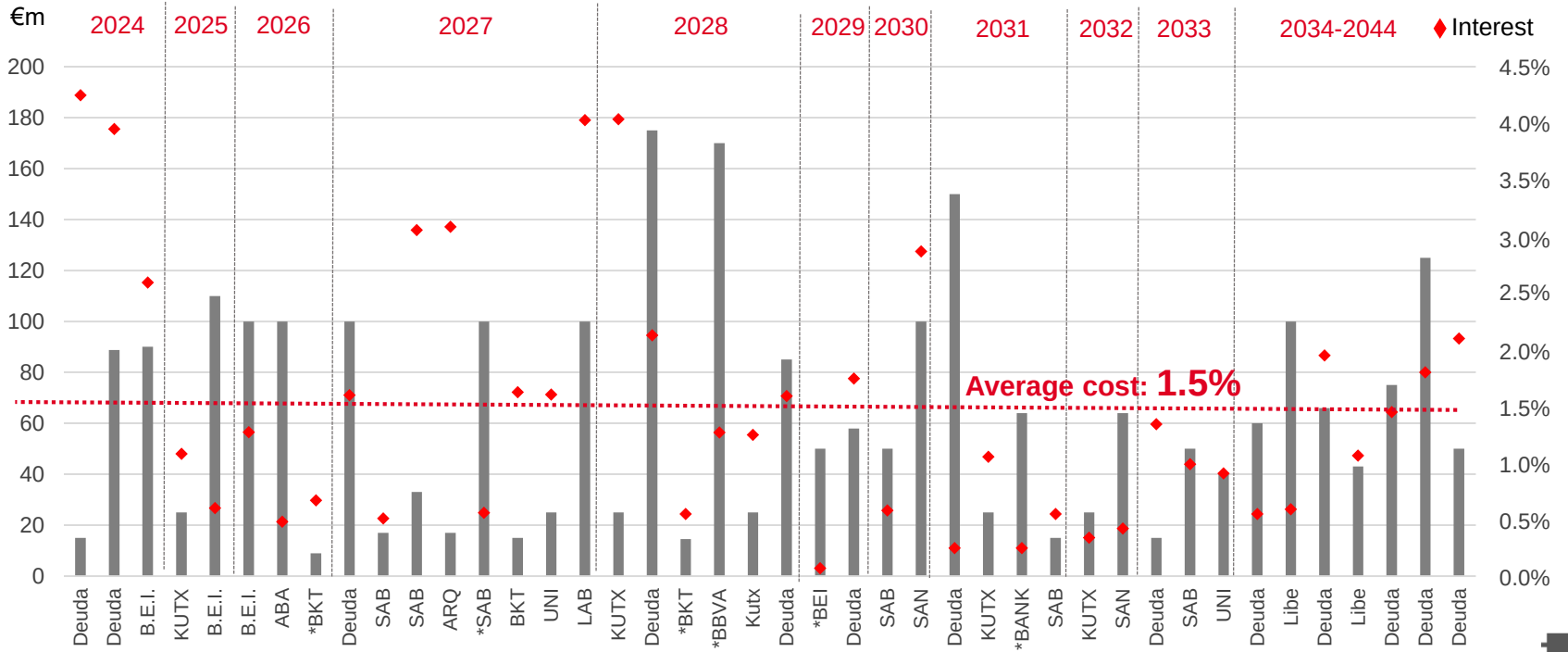
Maturity profile

Millions of euros



Source: Gobierno de Navarra.

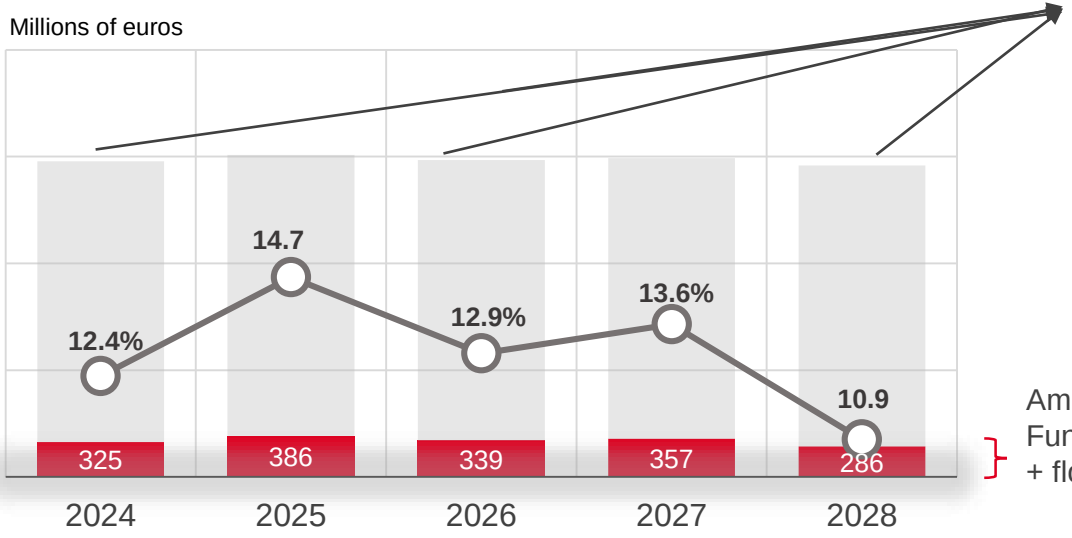
Portfolio 31.12.2023



* No Bullet Loans. Adjusted by average life.

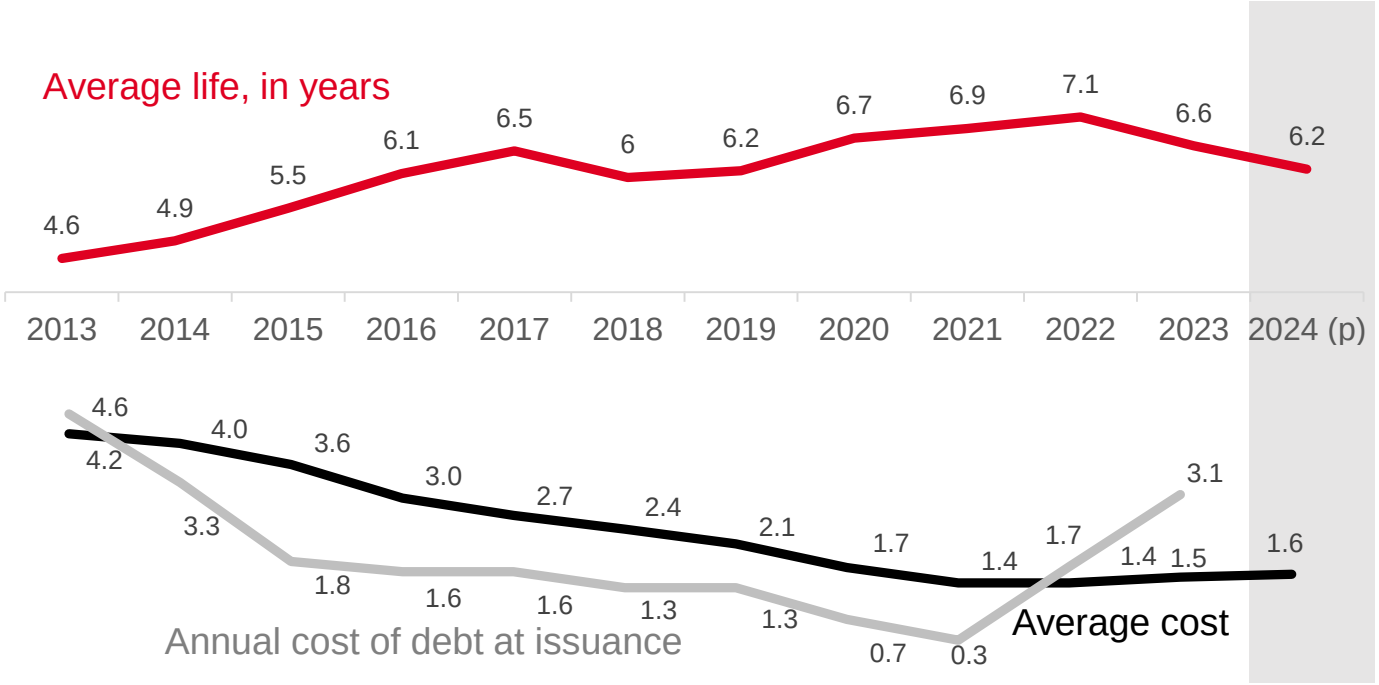
Reduced risk of refixing

Refixing risk as a % – Navarra starts out from a very favourable position to defend itself against interest rate increases



Source: Gobierno de Navarra.

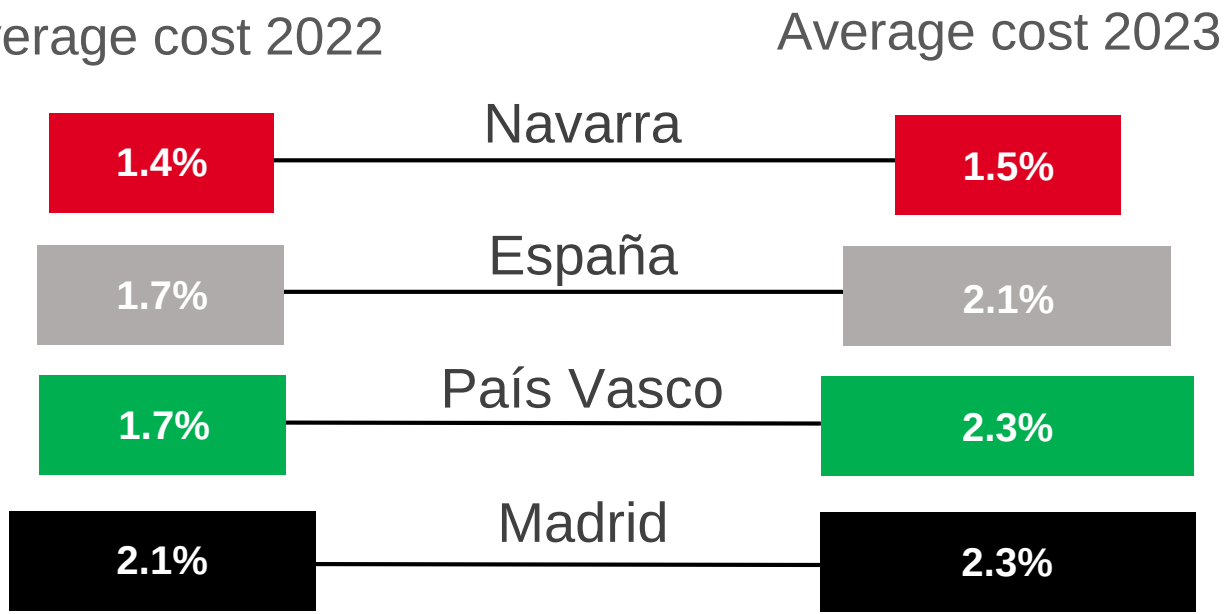
Average life and average cost



Despite interest rate increases, the average cost will remain practically stable in 2024

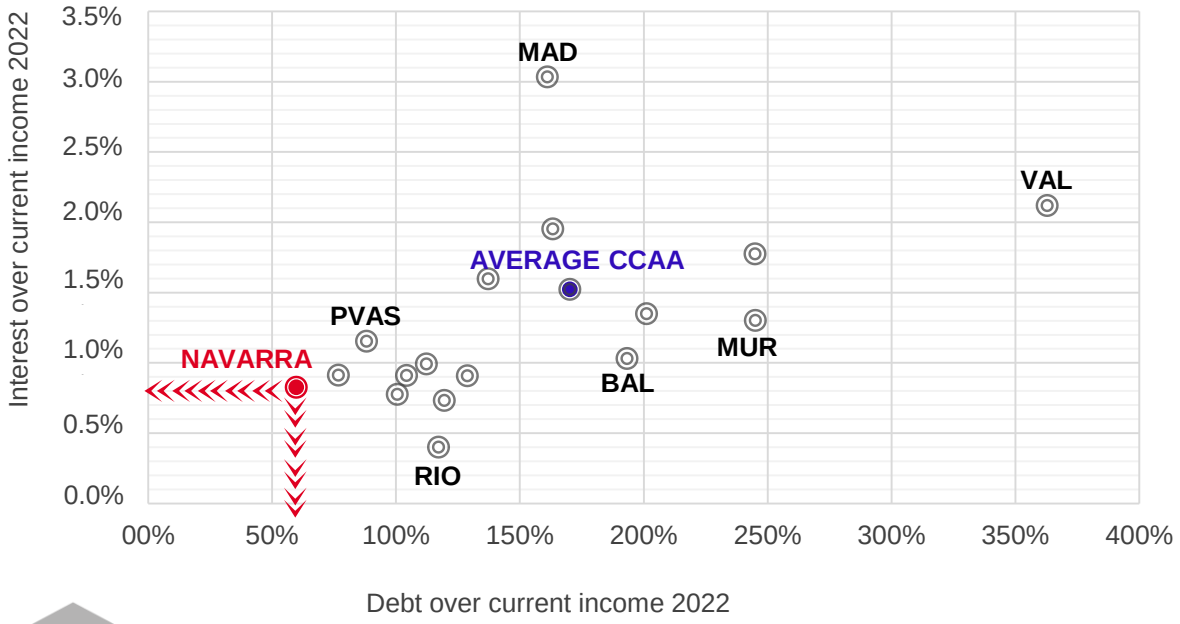
Source: Gobierno de Navarra.

Average cost of debt



Source: Gobierno de Navarra

Debt burden

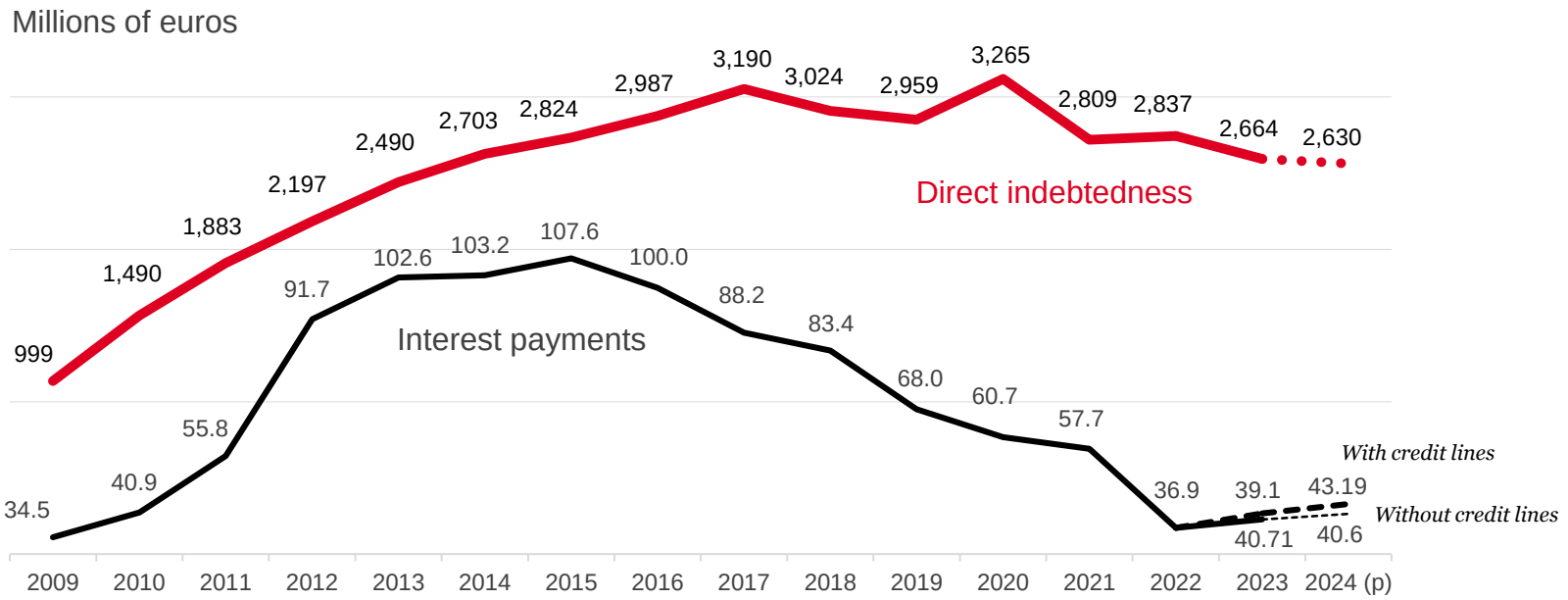


Navarra,

The region with the lowest levels of interest and debt over current income

Source: AFI.

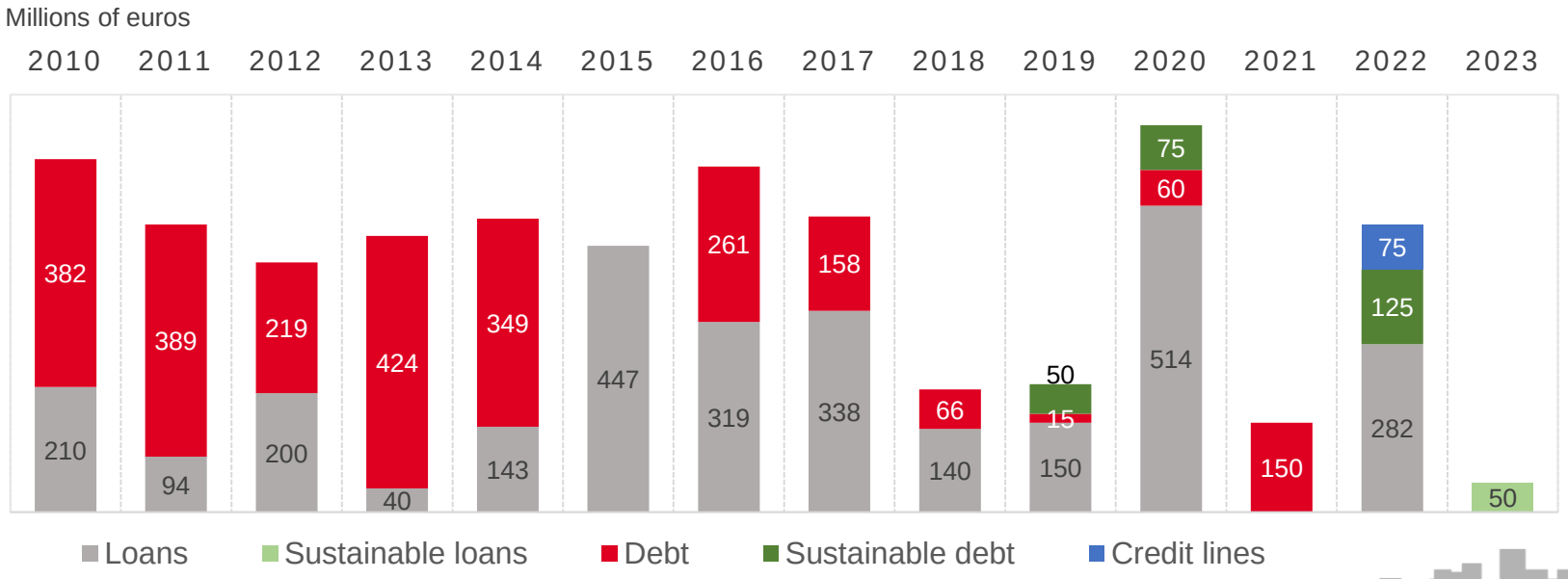
Debt interest payments vs indebtedness



Source: Banco de España y Gobierno de Navarra.

Funding Activity

Navarra's financing mix has diversified in recent years, extending the investor base and providing access to more financial instruments



Source: Gobierno de Navarra.

Formalized debt operations

2023	Formalization date	Maturity date	Average life	Spread	Interest rate	€ Millions
Sustainable loan	18/05/2023	18/05/2027	4	15 bp	3.058%	33
Sustainable loan	18/05/2023	18/05/2027	4	15 bp	3.087%	17
						50



Formalized debt operations

2022	Formalization date	Maturity date	Average life	Spread	Interest rate	€ Millions
Sustainable debt	25/03/2022	25/03/2042	20	9 bp	1.80%	125
Loan	01/04/2022	01/04/2027	5	-18.9 bp	0.51%	17
Loan	20/07/2022	20/07/2027	5	9 bp	1.626%	15
Loan	28/07/2022	28/07/2027	5	9 bp	1.606%	25
Loan	12/08/2022	12/08/2027	5	35 bp	EUR6M+0.1%	100
Loan	12/08/2022	12/08/2027	5	35 bp	EUR6M+0.1%	25
Loan	28/11/2022	28/11/2030	8	10 bp	2.869%	100
Credit line	29/12/2022	29/03/2025	2.25	40 bp	3.111%	25
Credit line	29/12/2022	29/03/2025	2.25	8 bp	2.791%	25
Credit line	29/12/2022	29/03/2025	2.25	36.7 bp	EUR3M-0.1%	25
						482

Formalized debt operations

2021	Formalization date	Maturiry date	Average life	Spread	Interest rate	€ Millions
Debt	31/03/2021	31/03/2031	10	2.5 bp	0.25%	150



Financial strategy 2024

FUNDING NEEDS



Our funding needs for 2024 are estimated to be €200m, once our ordinary maturities, deficit forecasts and compensations for the previous year's surplus are considered

TERM AND INTEREST RATE



Preference for placing new issuances with a maturity between 3 and 10 years, depending on the slope of the yield curve at the time of issue and our maturity profile

FORMAT



Preference for sustainable format issue and credit lines

CALENDAR



Depending on market conditions, an issue of €50m was planned for the first half of the year and €150m for the second.

04

Sustainable mandate



Navarra is aligned with 2030 SDGs



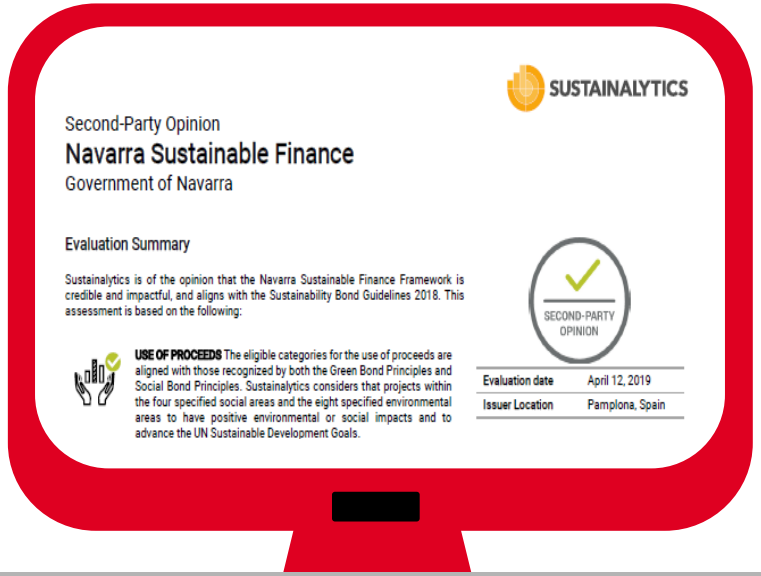
In 2015, the Government of Navarra approved its adherence to the 2030 Agenda

An interdepartmental commission works on revision and follow-up on internal policies and their alignment with the SDG objectives

In 2019 the Government of Navarra linked financial policy to Agenda 2030, opting for sustainable financing and developing a verified Sustainable Financial Framework

Second opinion

Sustainalytics has reviewed the Sustainable Finance Framework and its alignment with the four pillars of the **Green Bond Principles, Social Bond Principles, the Sustainability Bond Guidelines 2018 and the Green Loan Principles**


SUSTAINALYTICS

Second-Party Opinion

Navarra Sustainable Finance

Government of Navarra

Evaluation Summary

Sustainalytics is of the opinion that the Navarra Sustainable Finance Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines 2018. This assessment is based on the following:

USE OF PROCEEDS The eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and Social Bond Principles. Sustainalytics considers that projects within the four specified social areas and the eight specified environmental areas to have positive environmental or social impacts and to advance the UN Sustainable Development Goals.

SECOND-PARTY OPINION

Evaluation date	April 12, 2019
Issuer Location	Pamplona, Spain

Financing framework:

Eligible categories



- Affordable Housing
- Access to essential services: education and healthcare
- Socioeconomic advancement
- Employment generation
- Renewable energy
- Clean transportation

- Pollution prevention and control
- Sustainable water and waste water management
- Environmentally sustainable management of living natural resources and land use
- Energy efficiency
- Climate adaptation
- Terrestrial and aquatic biodiversity conservation



Process for the evaluation and selection of projects

INTERDEPARTMENTAL COMMISSION

This committee is composed of a General Director of each of the government departments who select projects and programs aligned with the framework

ELIGIBLE PROGRAMS

Selection of environmental and social projects with positive impact within the eligible categories

IMPACT AND ALLOCATION REPORTING

Will be available to investors within one year from the date of any sustainable finance instrument

Leading commitment to sustainability

Navarra

is the region of Spain that achieves most top three positions in SDG regional rankings

Regional Sustainability Report, Spain 2022



Sustainable issues

€50,000,000
ISIN: ES0001353442
Issue: 30 April 2019
Maturity: 30 April 2044
Coupon: 2.1%

€75,000,000
ISIN: ES0001353467
Issue: 8 May 2020
Maturity: 8 May 2040
Coupon: 1.45%

€125,000,000
ISIN: ES0001353491
Issue: 25 March 2022
Maturity: 25 March 2042
Coupon: 1.8%



€17,000,000
Loan Arquia Bank
Disbursement: 18 May 2023
Maturity: 18 May 2027
Interest: 3.087%

€33,000,000
Loan Banco Sabadell
Disbursement : 18 May 2023
Maturity: 18 May 2027
Interest: 3.058%

Allocation and Impact Report

Sustainable Bond 2022

€601,000,000

Eligible projects

€125,000,000

Selected projects

23.4%

Green categories

Allocation and Impact Report

Sustainable Bond 2022



1. AFFORDABLE HOUSING

€17,576,977.2

Rehabilitation of
housing and buildings
Aid for the acquisition of protected housing



2. HEALTH

€11,346,488.4

New construction and primary
care centres extensions



3. SOCIO-ECONOMIC PROGRESS

€32,711,002.0

Guaranteed income
Services y resources for
dependency



4. ENVIRONMENTALLY SUSTAINABLE MANAGEMENT

€7,013,765.6

Land restoration
Improvement of forest and forest infrastructure
Investments in forest products
agri-environmental measures

Allocation and Impact Report

Sustainable Bond 2022



5. ENERGY EFFICIENCY

€11,721,911.9

Housing rehabilitation with energy efficiency criteria



6. EDUCATION

€16,959,918.6

Construction and rehabilitation of state sector schools
Free textbooks for students
Digital equipment in the classrooms



7. CLEAN TRANSPORTATION

€4,748,598.7

Aids to R+D projects
Cycling infrastructures



8. CONSERVATION OF TERRESTRIAL AND AQUATIC BIODIVERSITY

€661,205.6

River ecosystems: restoration and protection

Allocation and Impact Report

Sustainable Bond 2022



9. EMPLOYMENT GENERATION

€17,116,863.9

Aids to special employment centres
Aids to R+D projects



10. RENEWABLE ENERGY

€4,472,283.1

Energy Plan for Navarra



11. ADAPTATION TO CLIMATE CHANGE

€655,130.9

Document digitalisation
Aids to R+D projects



12. POLLUTION PREVENTION AND CONTROL

€15,854.0

Aids to R+D projects

Allocation and Impact Report

Sustainable Bond 2022

The **impact** on the regional economy goes beyond the €125m invested

€184,100,000
Increase in production

€108,600,000
Increase in revenue

1,680
Full-Time Equivalent Jobs (FTE)

05

Conclusions





Economic activity will recover this year, driven by **reductions in interest rates,** in a context of moderate inflation



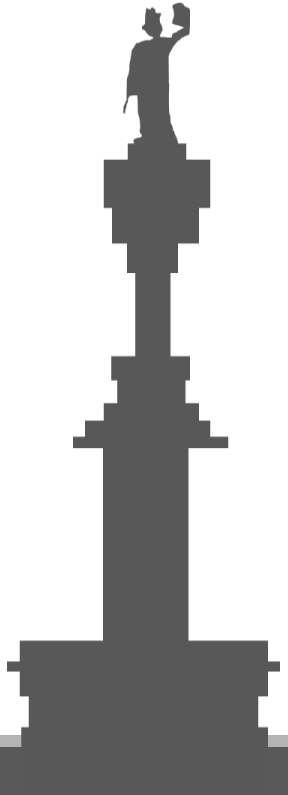
With continuous surplus since 2017 (excepting 2020), Navarra has notably improved its financial fundamentals, situating itself **among the regions with lower debt and lower average debt cost**



Funding needs will be smaller. The formalization of a **sustainable bond** is forecast, given our commitment to **issue regularly in this format**

Anex

Our procedure. Issues and loans



Authorizations required

Authorization from the Government of Navarre.
Authorization from the Central Government (only in case of issues and non-EU credits if Navarre has 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 Wednesday-Thursday
In line with our financial strategy, we decide on the same day the offers selected

Pricing

On the same day, the pricing time is fixed with the financial institutions
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

Only for issues:
-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 before the settlement.
The settlement usually takes place on Friday next week.
Contract must be signed before settlement