



# Autonomous Community of Navarra

Presentation to investors - 2024

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Gobierno de Navarra  Nafarroako Gobernua



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# 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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### The Economy of Navarra

Current socio-economic situation and prospects for 2024

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01

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# The Economy of Navarra



# Quality of life



## FIRST PLACE

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



## 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



## 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



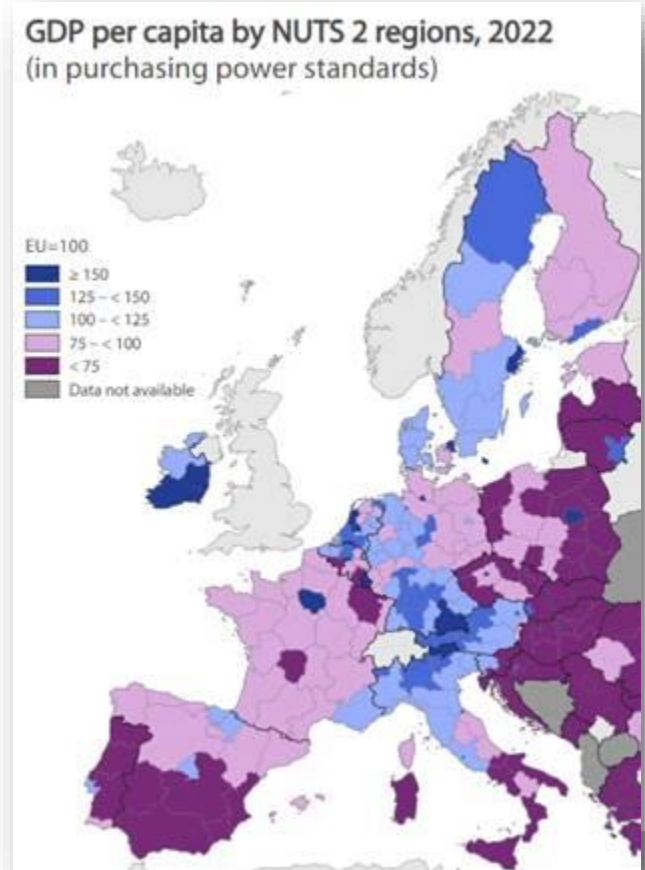
## MORE PROSPERITY

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

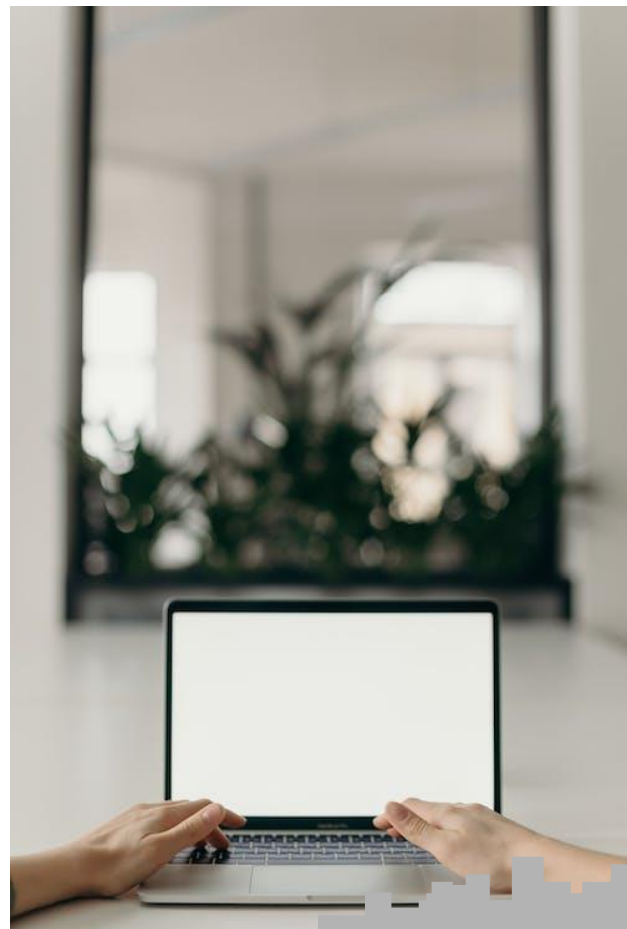
# Productivity

**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

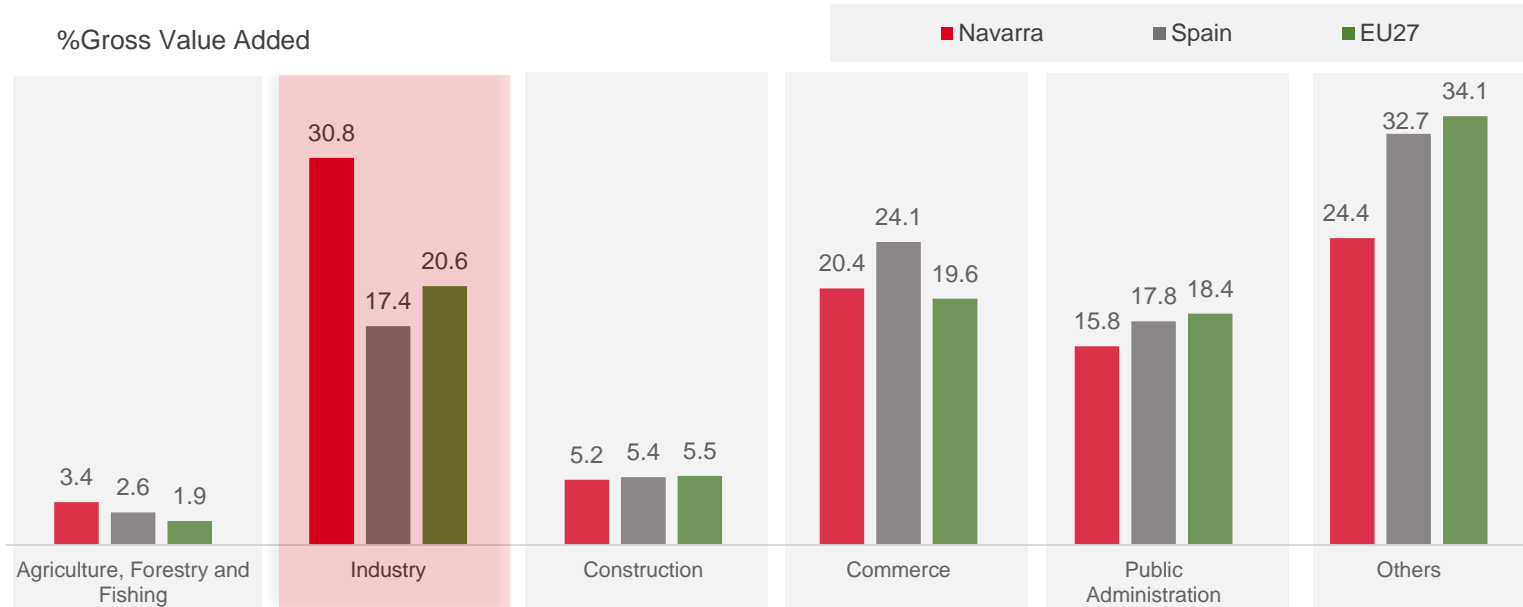
**Navarra**, one of the top four most competitive Spanish regions at the European level, with outstanding levels of innovation

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



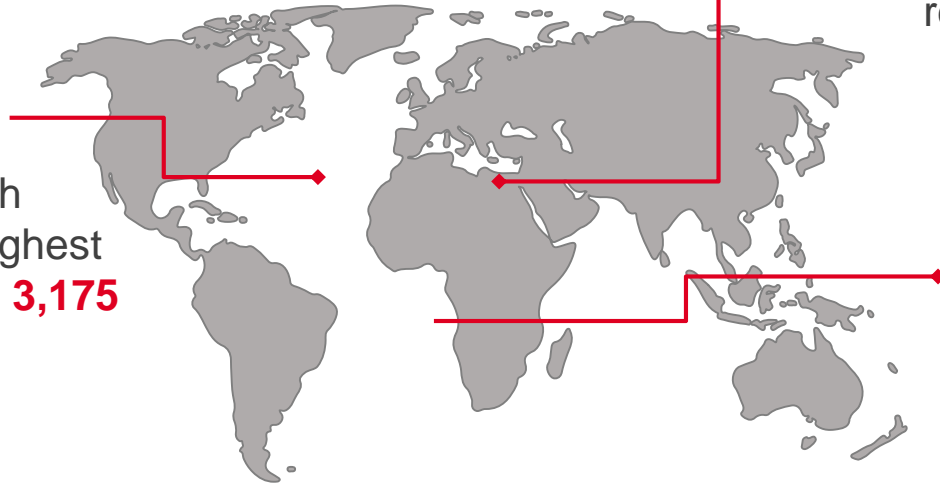
**Navarra** has recorded an increase in **energy efficiency** of **16.3%** in ten years

\*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

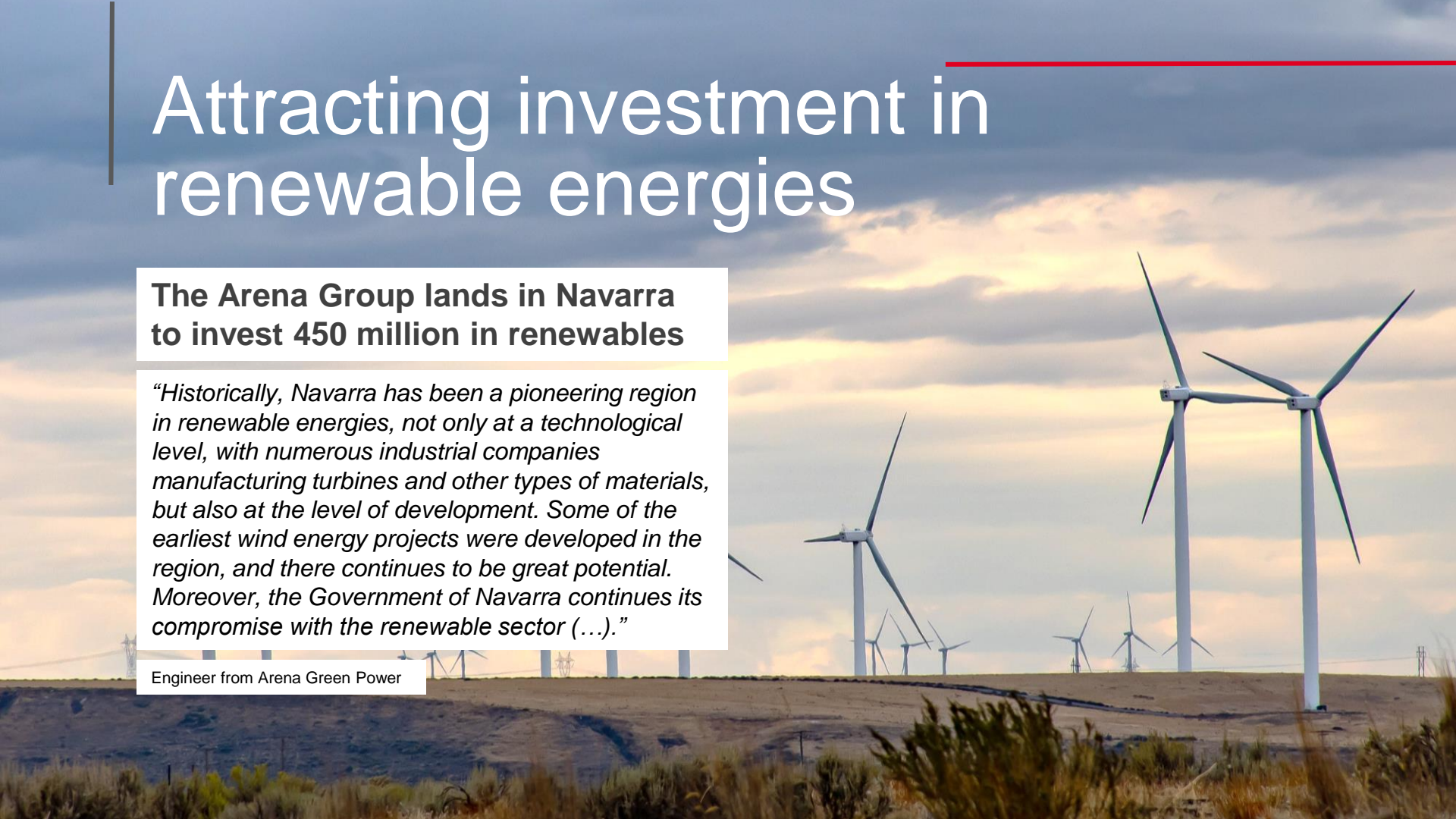
Source: INE, Banco Mundial.

# 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

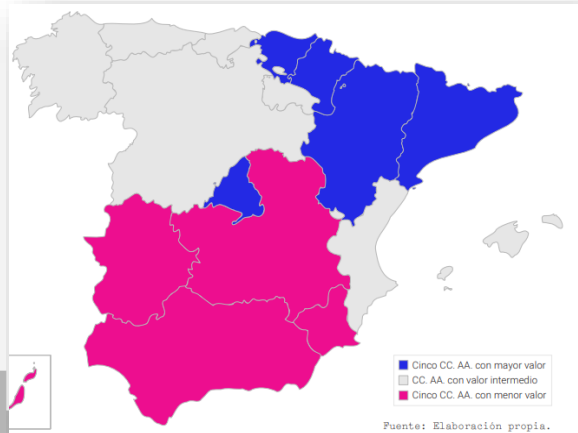
Fourth highest region in state spending on R&D per inhabitant. 610.1 euros/inhabitant vs. total national 402.2 euros/inhabitant  
Year 2022. INE

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)



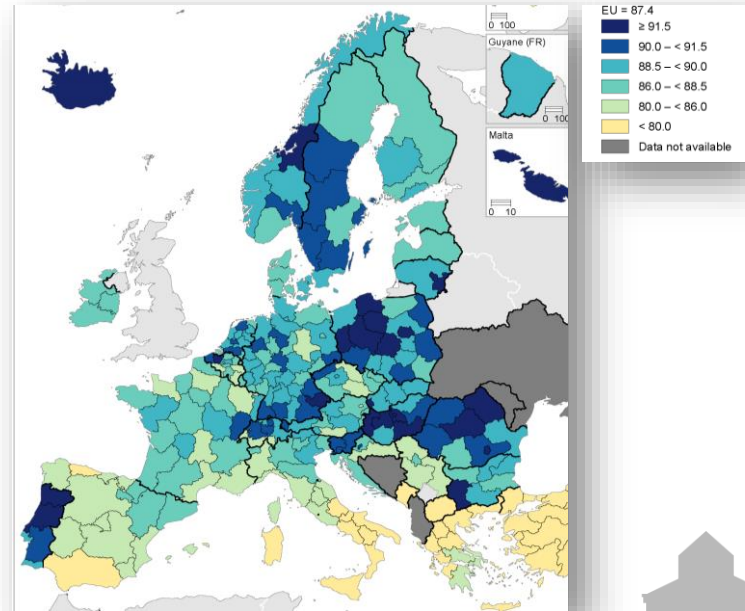
Spanish regions with the highest GDP per capita  
In euros. Year 2022. CRE, INE.



# Labour market and qualifications

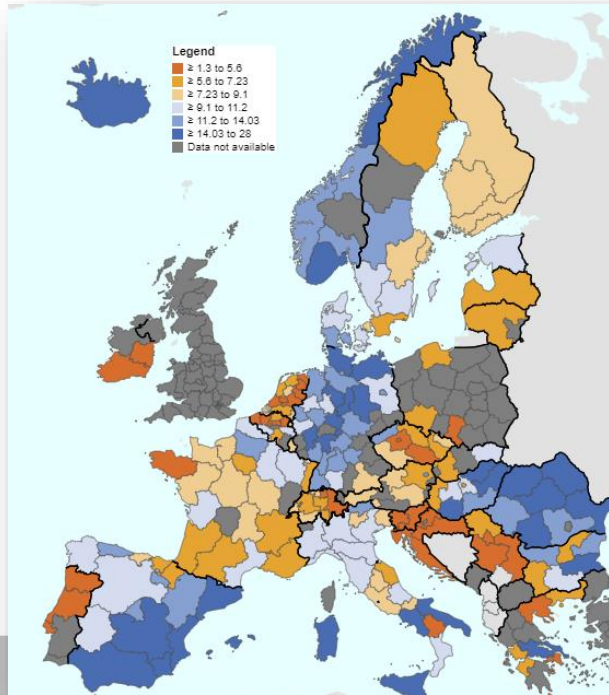
**Navarra** has well qualified human capital and stands among the Spanish regions with the highest levels of education

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.

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# Navarra: Macro scenario 2024

**1.3%**

Real GDP growth

**1.0%**

Growth in employment

**3.4%**

Average inflation



# Favourable context for 2024

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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.



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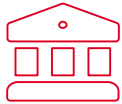
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# Financial *Autonomy*



# 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%

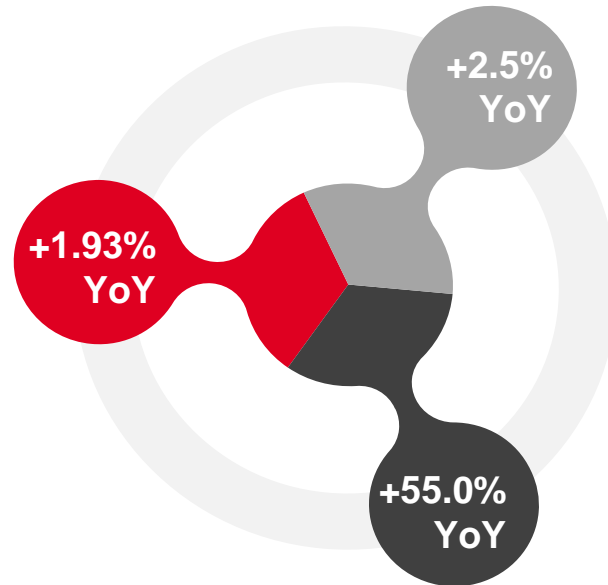
Navarra is a **SUPPORTIVE REGION** that contributes annually to the support of the State and the regions, with a rate of 1.6% of overall burden



# Tax collection 2023

Net tax collection continues to reach new maximums

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



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

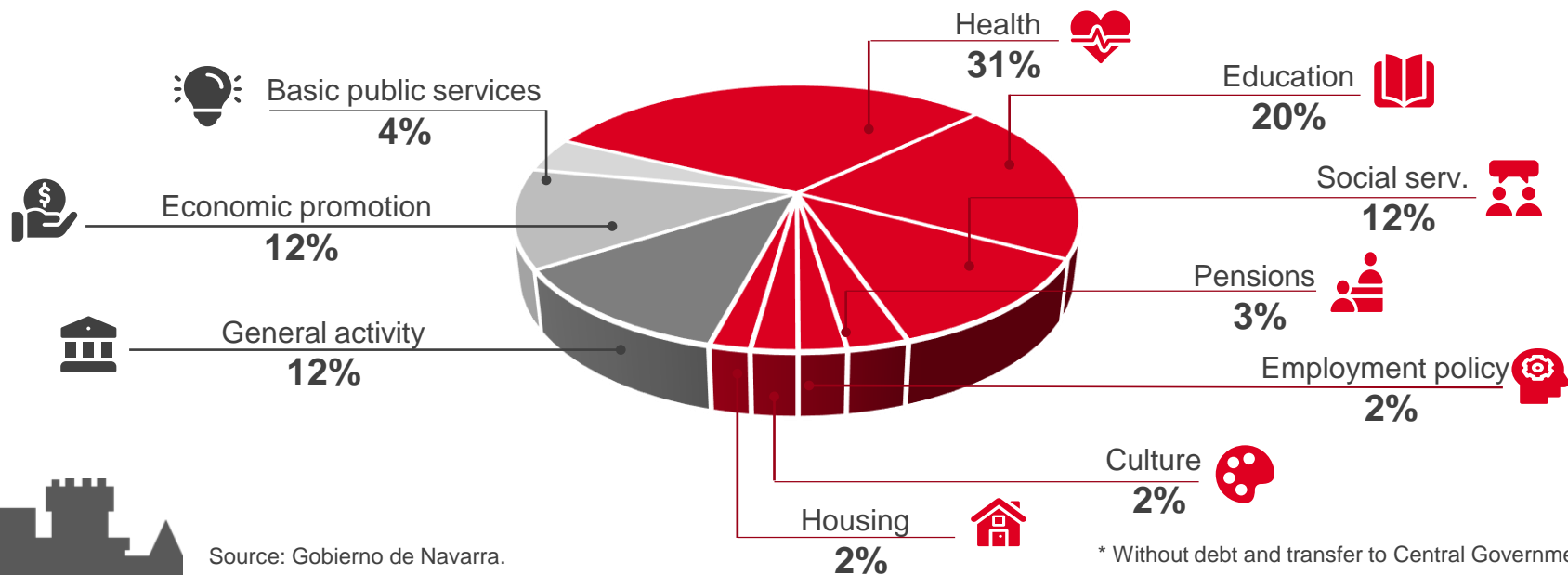
**FEES AND OTHER  
REVENUES**  
€44.1m

Source: Gobierno de Navarra.

# Expenditure structure 2023

**72% of spending is aimed at social goals**

mainly targeting health, education and social services



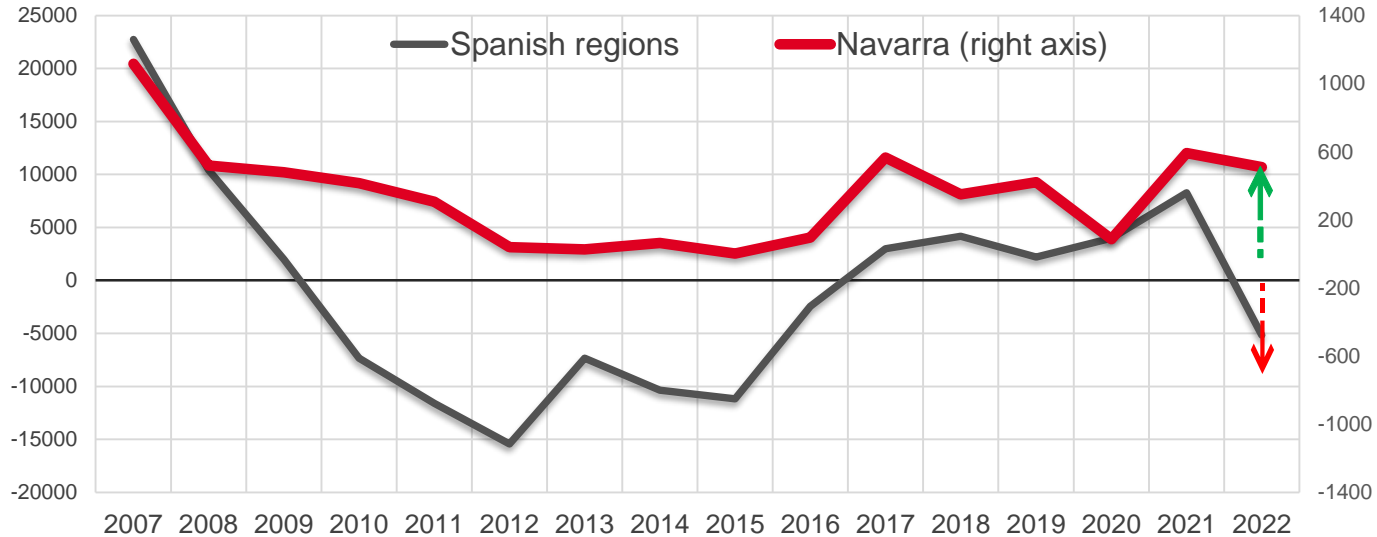
Source: Gobierno de Navarra.

\* Without debt and transfer to Central Government.

# Fiscal discipline

**Navarra**, positive gross savings every year

Millions of euros

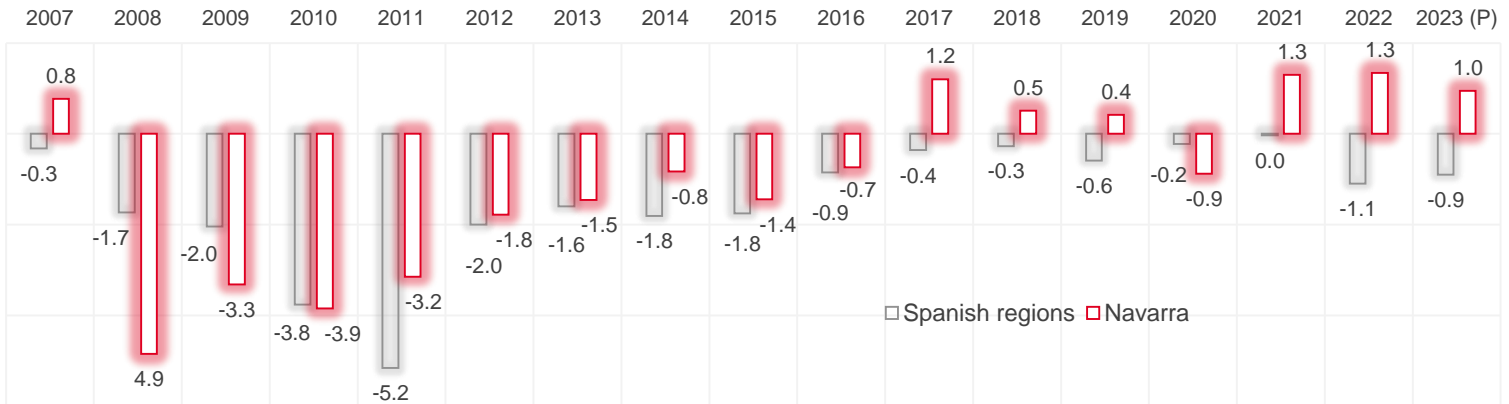


Source: AFI.

# Fiscal discipline

... and with surplus since 2017 (except in 2020)

Deficit/surplus over GDP (%)



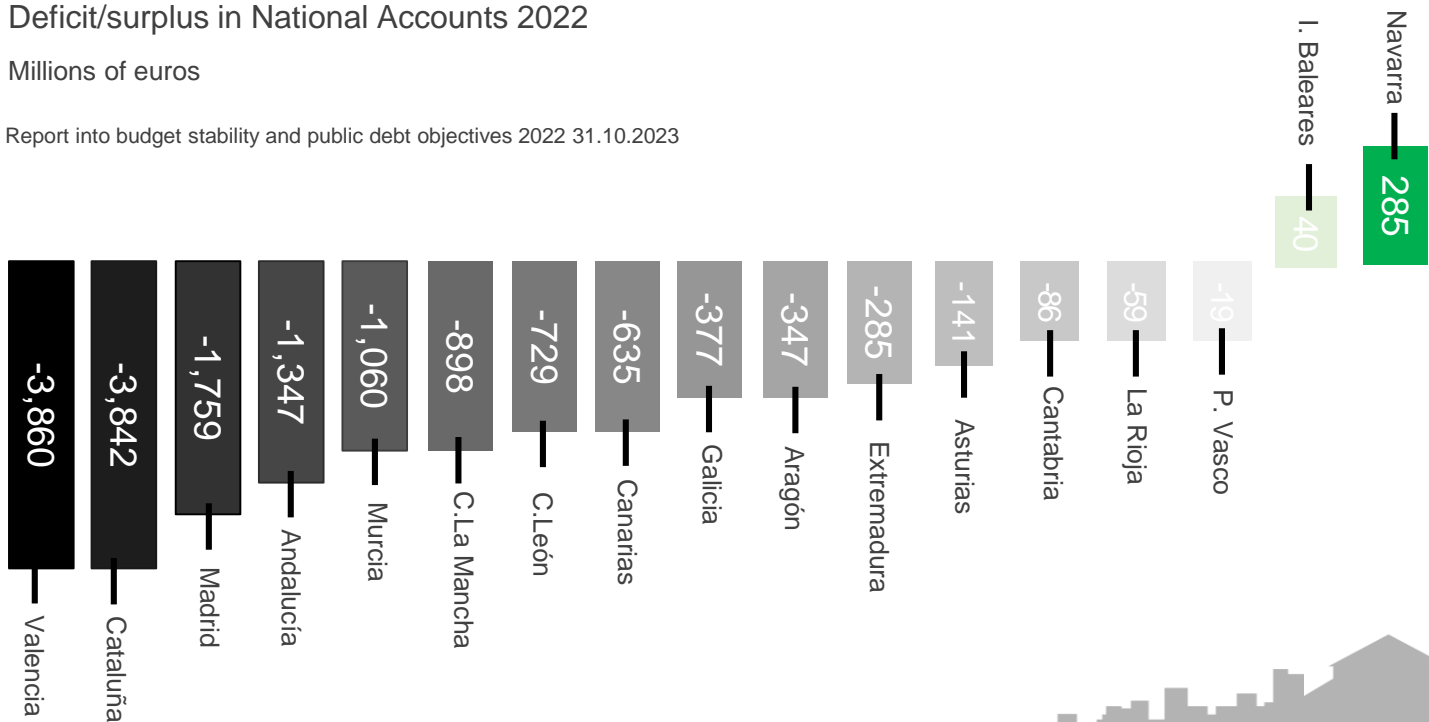
Source: AFI.

# Highest surplus in 2022

Deficit/surplus in National Accounts 2022

Millions of euros

Report into budget stability and public debt objectives 2022 31.10.2023

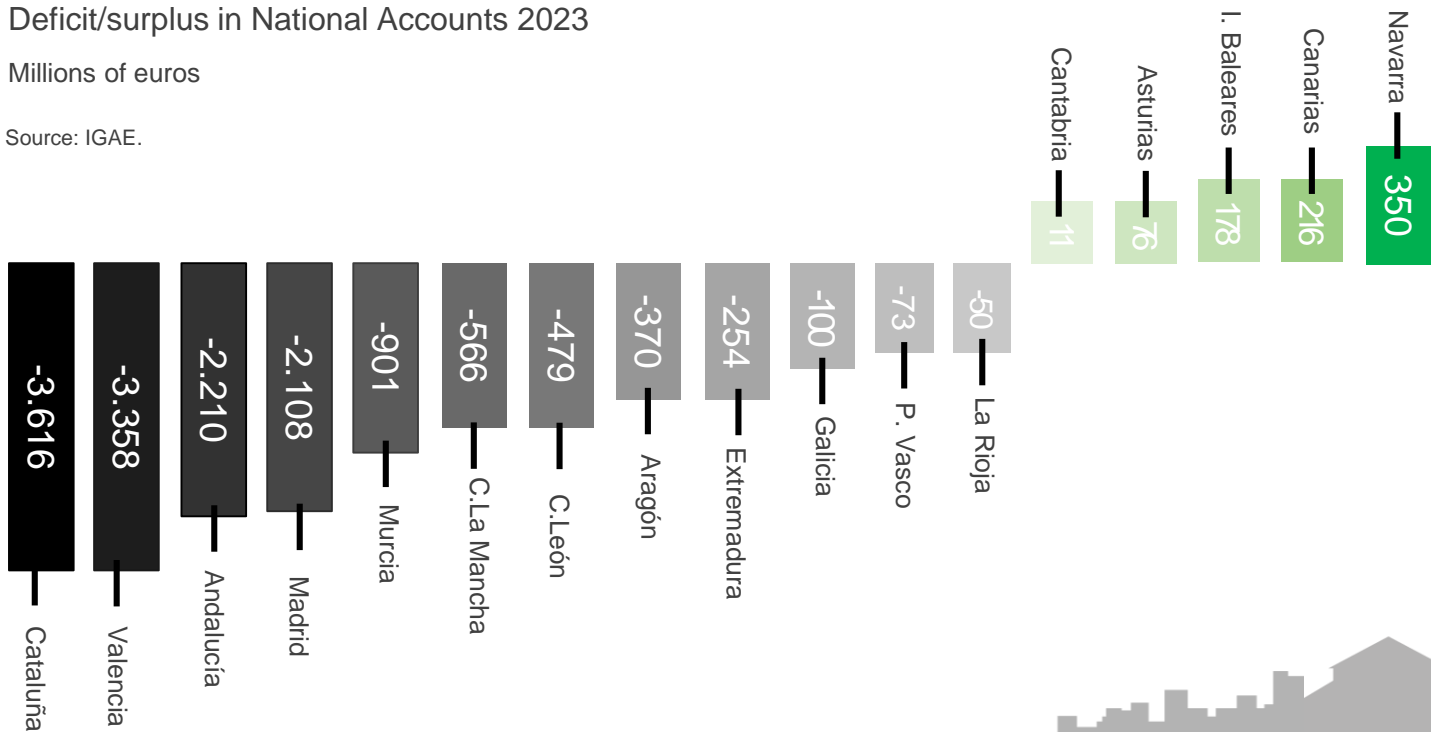


# Highest surplus in 2023

Deficit/surplus in National Accounts 2023

Millions of euros

Source: IGAE.



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# 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



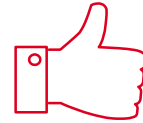
## REGIONAL FINANCE FUND

No need for regional financial support



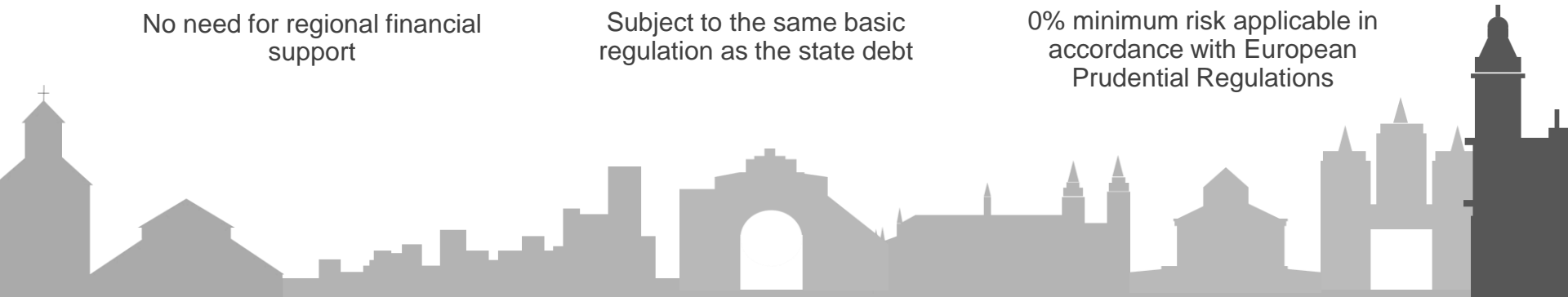
## REGULATION

Subject to the same basic regulation as the state debt



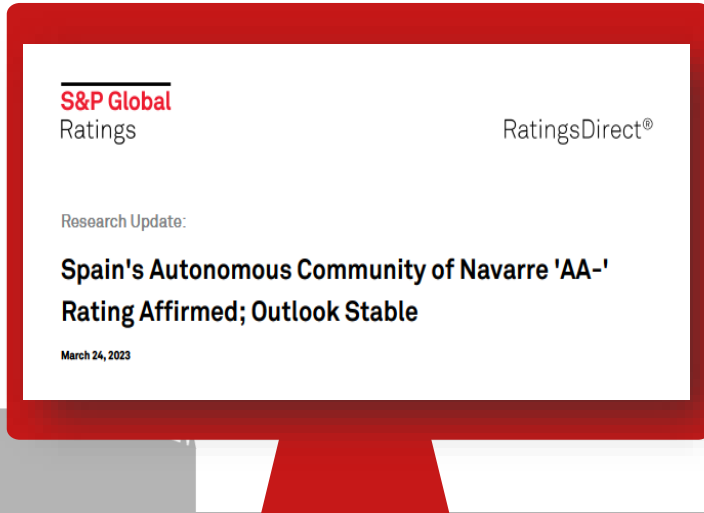
## RISK

0% minimum risk applicable in accordance with European Prudential Regulations



# Rating S&P AA-

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**

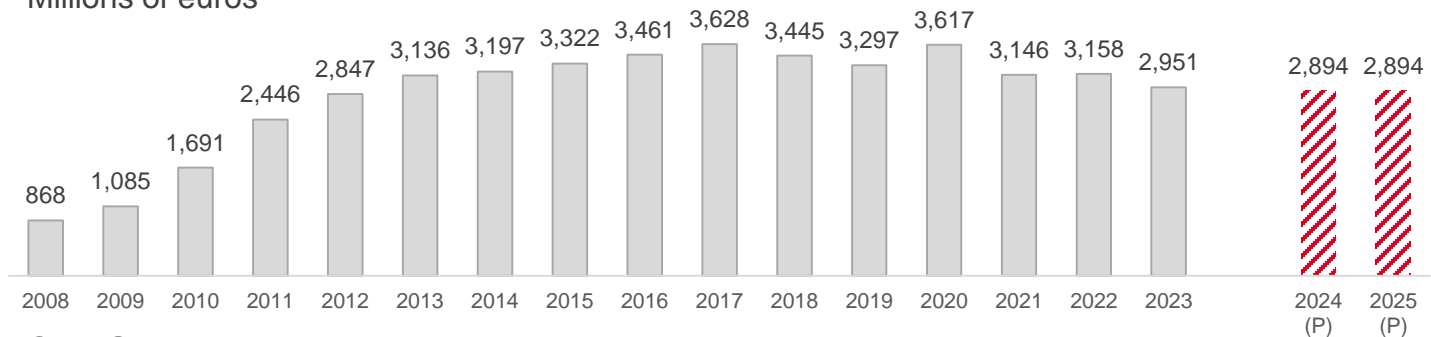


In their most recent report, the agency highlights:

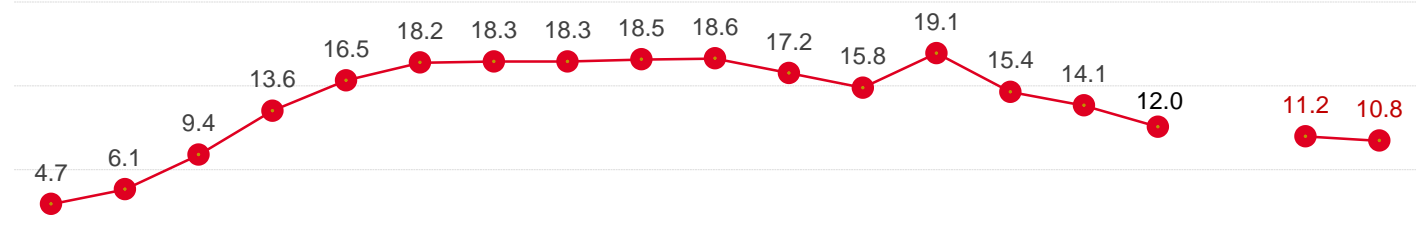
1. Fiscal autonomy in Navarra
2. Wealthy, open and competitive economy
3. The solid experience of the management team

# Indebtedness evolution EDP\*

Millions of euros



Over GDP

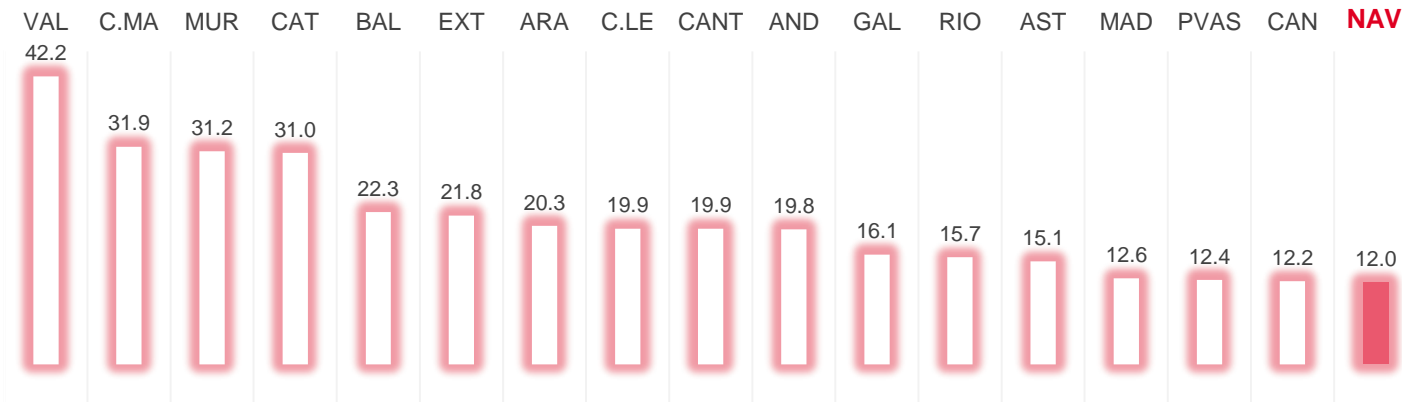


\*Excessive Deficit Procedure.

Source: Banco de España y Gobierno de Navarra.

# The Spanish region with the lowest indebtedness

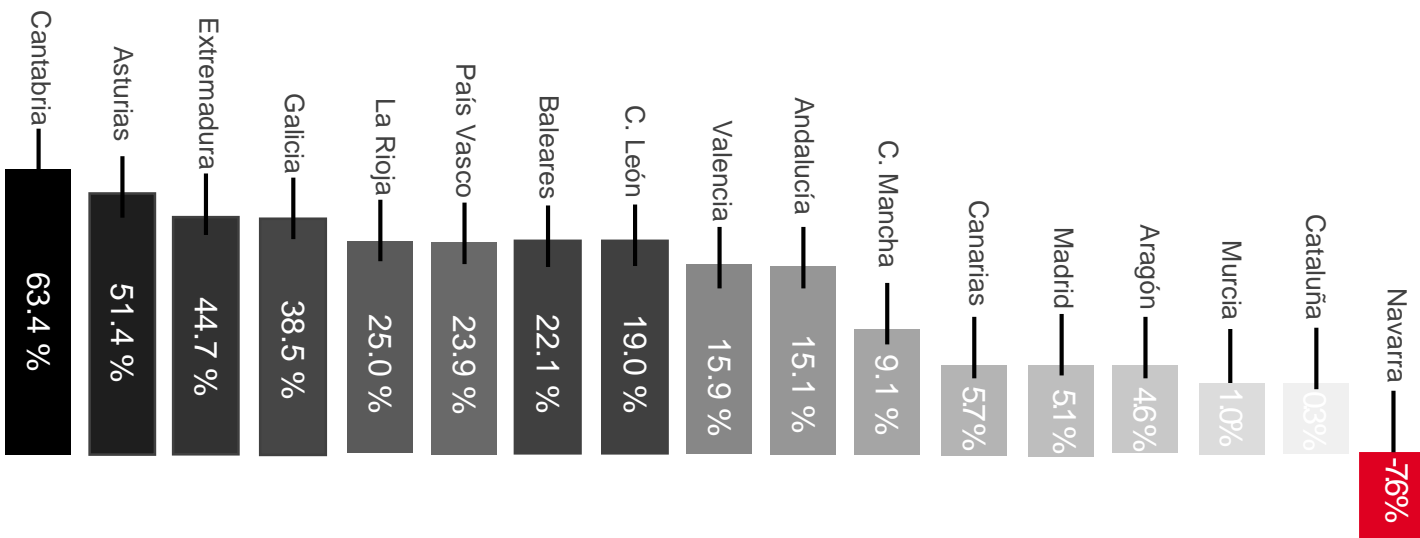
Indebtedness EDP over GDP, 4Q-2023



Source: Banco de España.

# The only region to reduce interest payments in 2022

Interest expenses. Variation rate 2022/2021, %



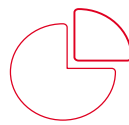
Source: Report into budget stability and public debt objectives 2022 31.10.2023.

# 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

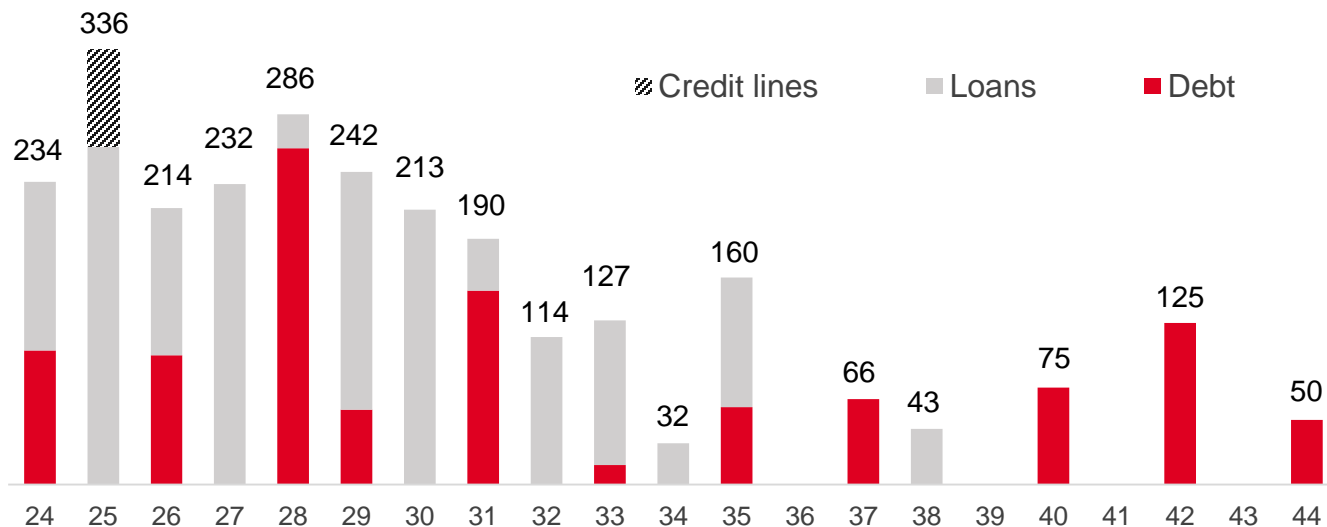


**47.6%**

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

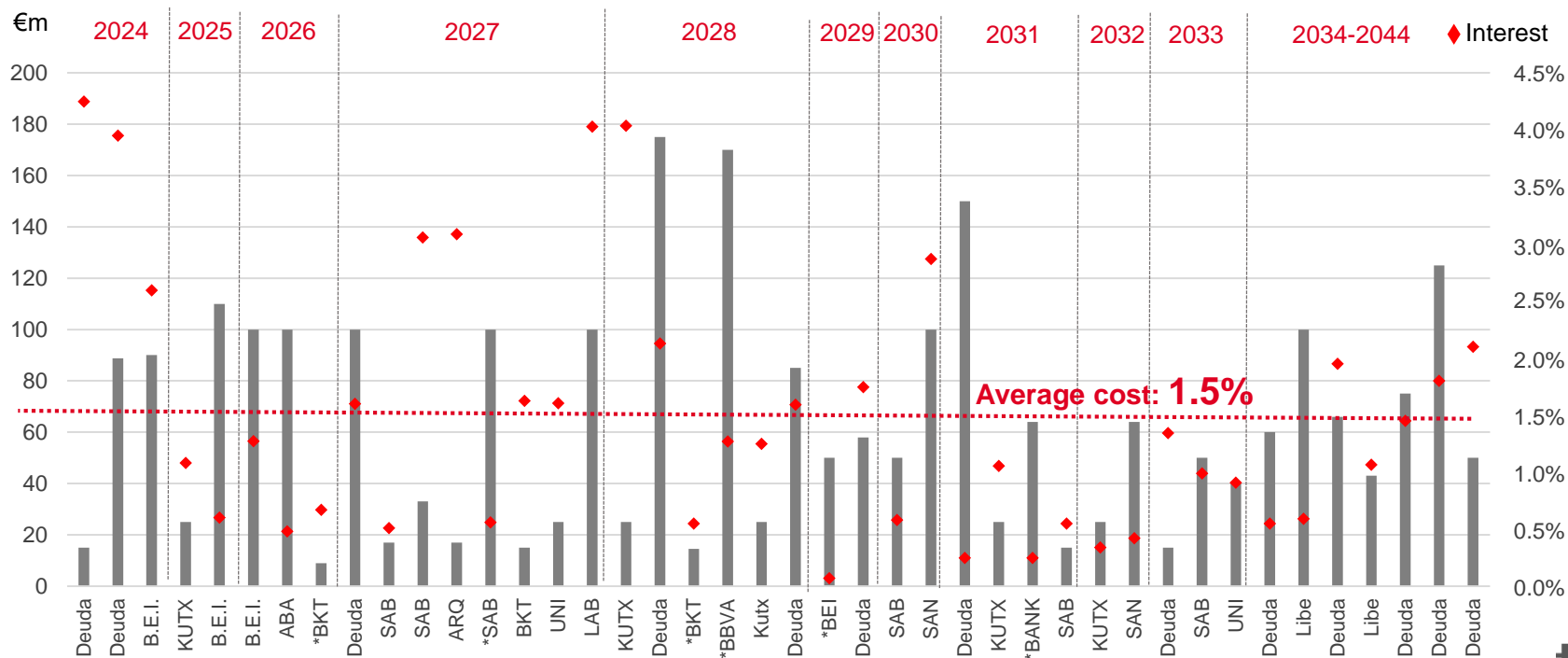
# Maturity profile

Millions of euros

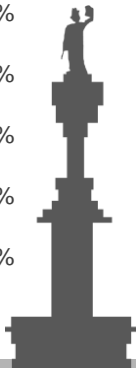


Source: Gobierno de Navarra.

# Portfolio 31.12.2023



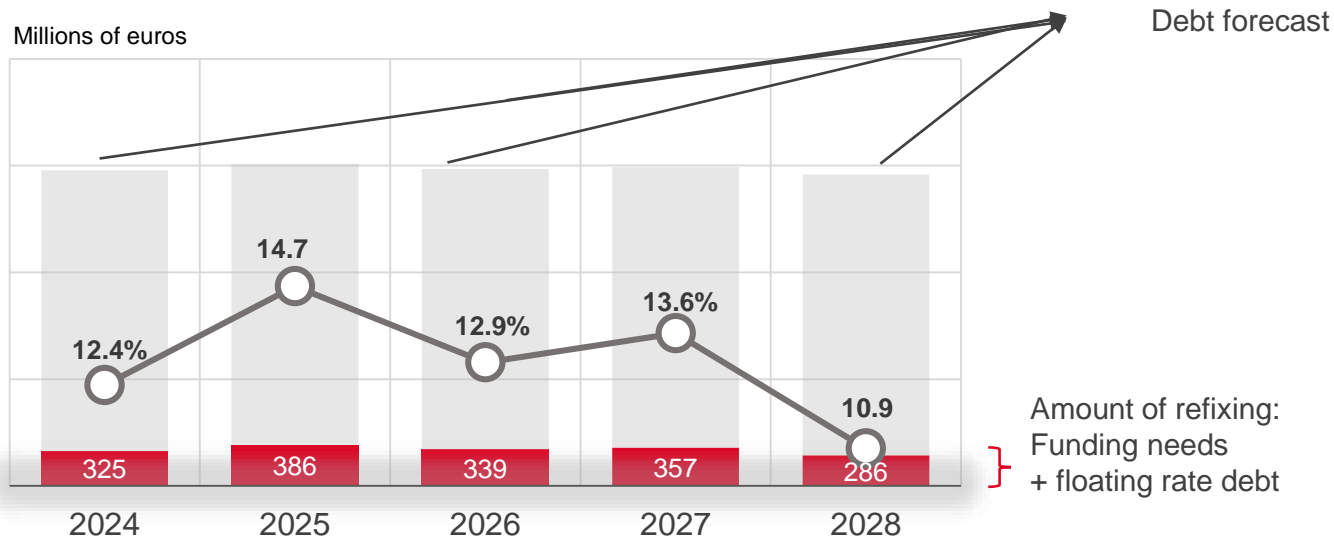
\* No Bullet Loans. Adjusted by average life.





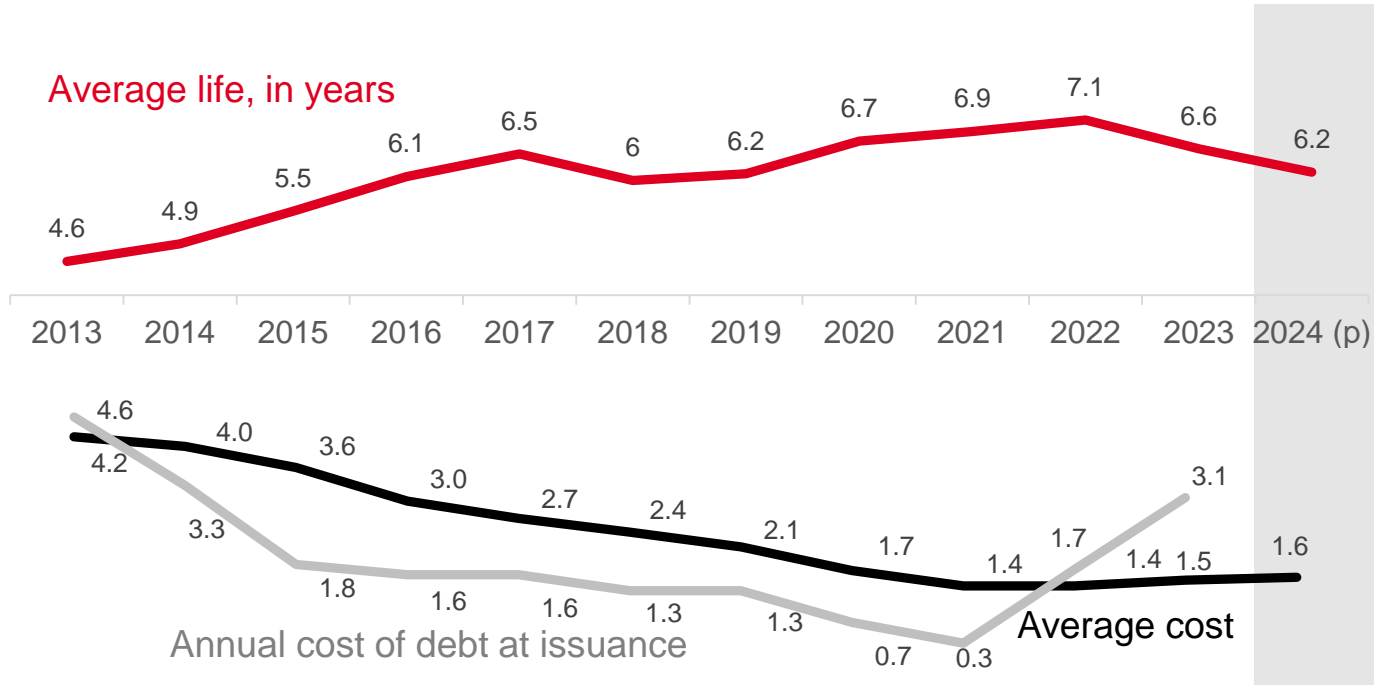
# Reduced risk of refixing

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

# Average cost of debt

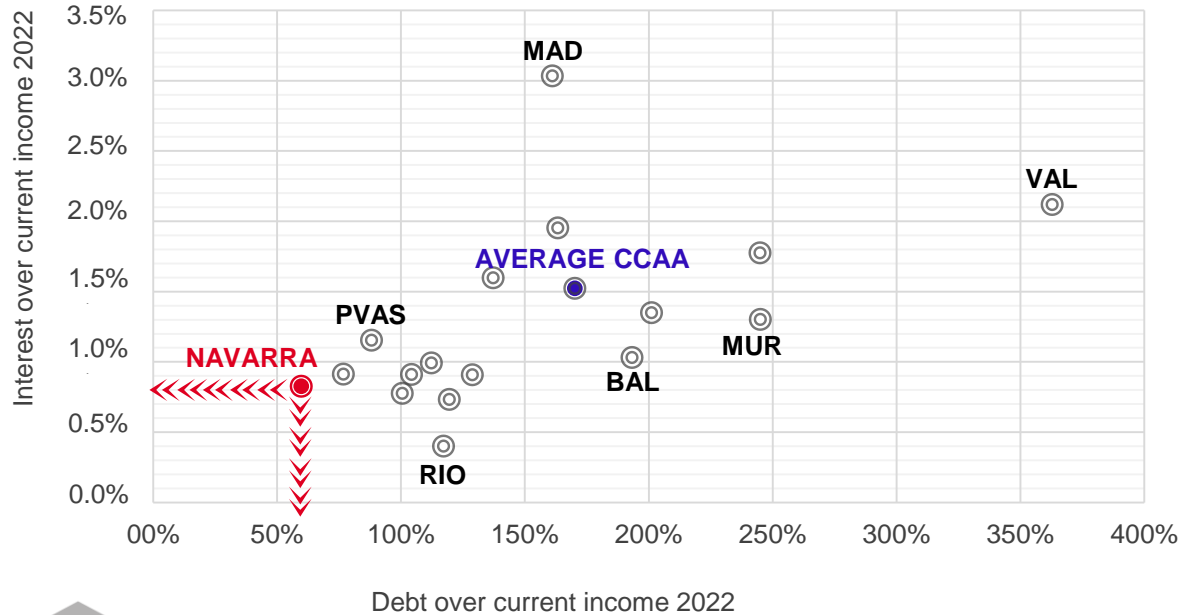
Average cost 2022

Average cost 2023



Source: Gobierno de Navarra

# Debt burden

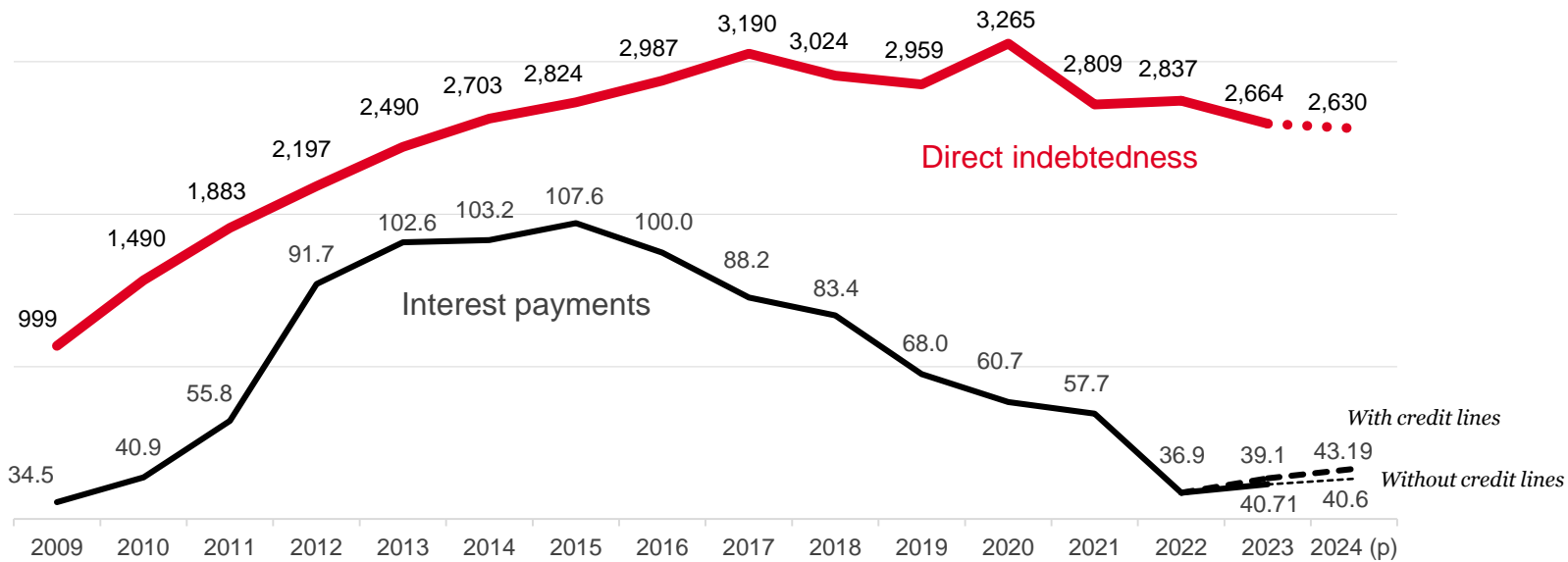


**Navarra,**  
The region with the lowest levels of interest and debt over current income

Source: AFI.

# Debt interest payments vs indebtedness

Millions of euros



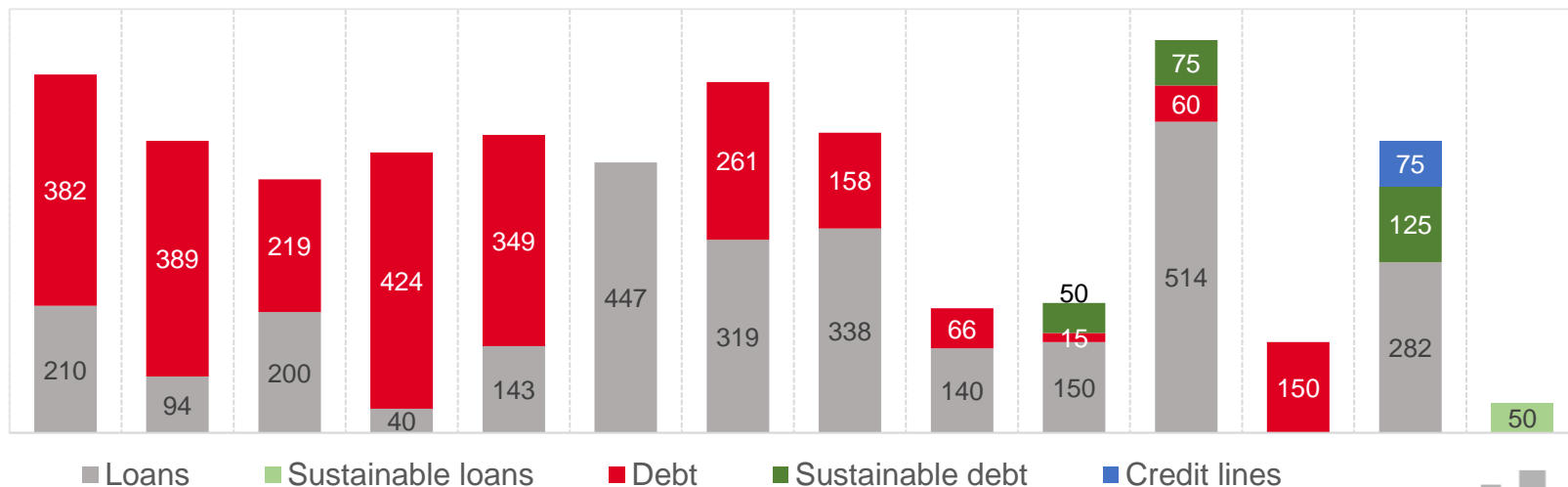
Source: Banco de España y Gobierno de Navarra.

# Funding Activity

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

Millions of euros

2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023



Source: Gobierno de Navarra.

# Formalized debt operations

<b>2023</b>	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
						<b>50</b>



# 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	Maturity 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.

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# Sustainable **mandate**



# Navarra is aligned with 2030 SDGs



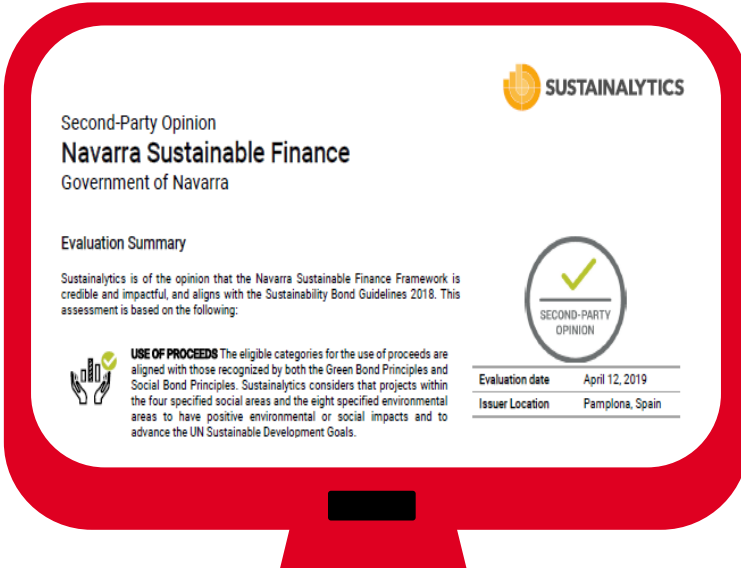
In 2015, the Government of Navarra approved its adherence to the 2030 Agenda

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.



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)

# Conclusions





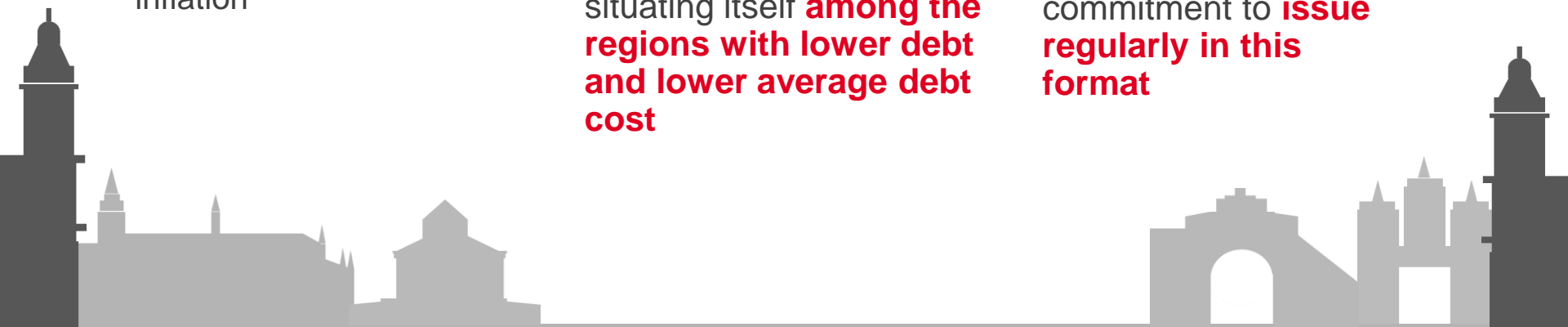
Economic activity will recover this year, driven by **reductions in interest rates**, in a context of moderate inflation



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

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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

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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

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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

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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