

Building a green, Taxonomy aligned covered bond programme

The Caja Rural de Navarra Experience

EMF-ECBC Academy Training and Market Update
35th ECBC Plenary Meeting

Porto, 10th September 2024

Donostia-San Sebastián





Building a green, Taxonomy aligned covered bond programme

The Caja Rural de Navarra Experience

EMF-ECBC Academy Training and Market Update
35th ECBC Plenary Meeting

Porto, 10th September 2024

Donostia-San Sebastián

Index

1. The asset side
2. The liability side
3. Challenges ahead



1. The asset side – where the business strategy lies



1. The asset side

Where the business strategy lies



The Mission

Caja Rural de Navarra has defined its business purpose as a regional, cooperative and retail bank serving the long-term interests of its clients / members

The Strategy

Mortgages represent 55% of our loan book

The facts

Buildings represent 40% of the EU GHG emissions.

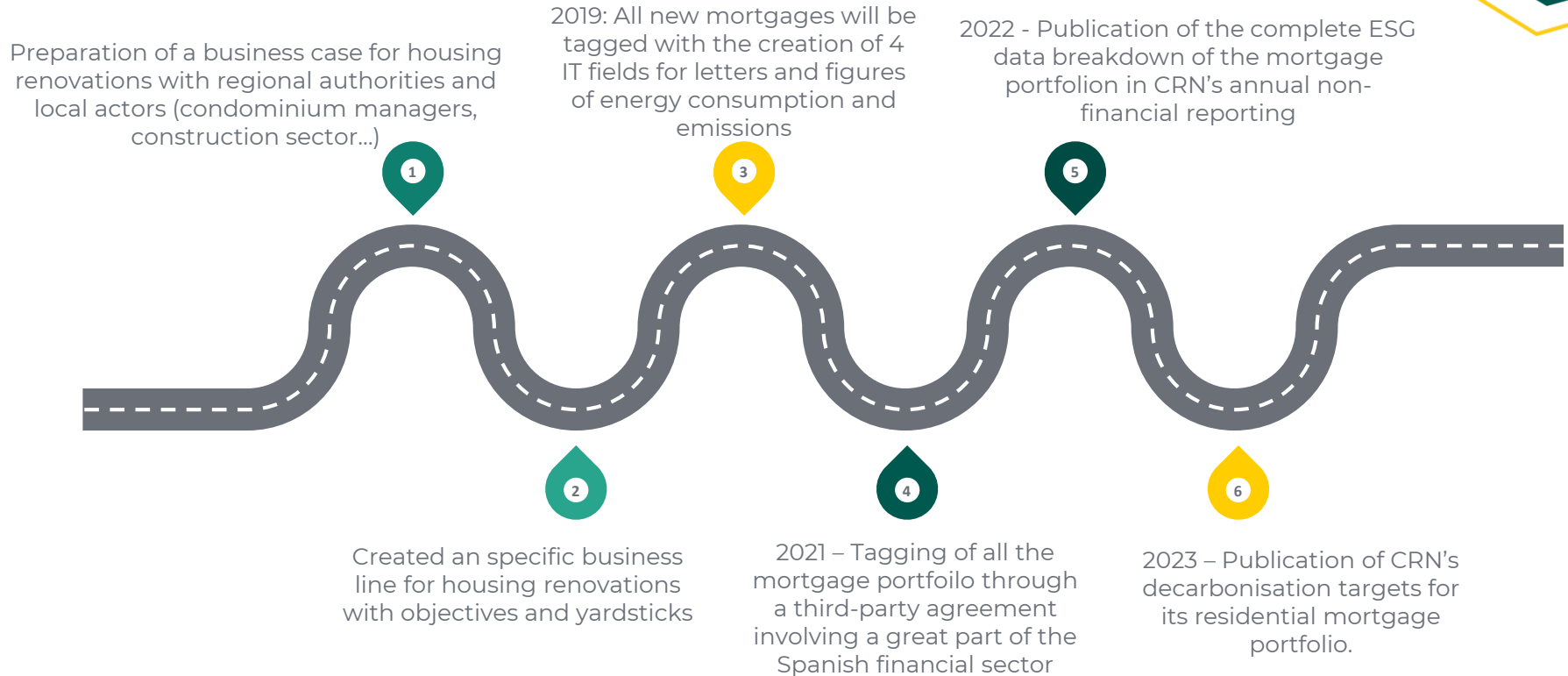


Where can we make a difference?



1. The asset side

Where the business strategy lies



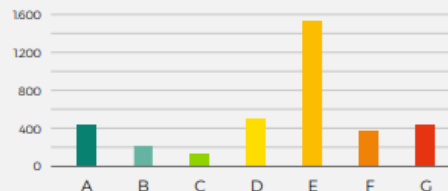
1. The asset side



The Bank has included energy efficiency data that applies these criteria in its system for all new mortgages since 2019. Also, Sociedad de Tasación conducted a general third-party review of the mortgage book in 2021 to 2022 which obtained additional data, such that 70% of the mortgage portfolio was labelled with energy efficiency data in 2022. In 2023 we continued working with Sociedad de Tasación to gather further energy efficiency data.

Energy Performance Certificate (EPC) ratings of the mortgage portfolio at 31 December 2023:

EPC - Residential portfolio



*Millions of euros
No information on energy efficiency ratings is available for 16% of mortgages.*

Our mortgage portfolio allocation and impact reporting

1. The asset side



04 / 12 CUSTOMERS

In 2023, Caja Rural de Navarra commissioned METROECONÓMICA to compile an expert report on the impact of emissions from the buildings underlying the Bank's mortgage book. The key conclusions were as follows:

"The total number of homes with Energy Performance Certificates in Caja Rural de Navarra's mortgage book emit 176,440,532 KgCO₂e annually, 45% of which comes from homes with level E energy ratings.

Geographically, 97% of total emissions (171,145,085 kgCO₂e) are in the Navarre, Basque Country and La Rioja Autonomous Regions. The type of housing also affects emissions. Single-family homes contribute 48.4% of total emissions with the remaining 51.6% corresponding to "block" type housing. Regarding energy consumption, these homes consume a total of 786,703,882 kWh annually.

E-rated homes consume the largest percentage, 47%, followed by those rated even lower, G (21%) and F (19%). As with emissions, the energy consumption of Caja Rural de Navarra's portfolio is concentrated in the Navarre, Basque Country and La Rioja Autonomous Regions (763,515,312 kWh/year). Type of building also makes a difference to energy consumption. Single-family homes are less efficient, as they cover just 36.5% of the portfolio's total floor space but consume a disproportionately high 46% of all energy.

Throughout the report, category A, B, C and D homes are described as the most efficient and hence associated with green mortgages. In Caja Rural de Navarra's loan book, homes in these categories emit a total of 25,952,281 kgCO₂e and 108,651,290 kWh/year, equivalent to 14% and 13% of the totals, respectively.

Comparing the impacts of Caja Rural de Navarra's mortgage book with those of all Spanish property, we find annual energy and emission savings of 8.7 kWh/m² and 3.4 kgCO₂e/m²,

respectively. However, these savings are much greater if we compare only the green mortgages granted by the Bank: an energy saving of 127.4 kWh/m²/year and emissions savings of 28.6 kgCO₂/m²/year. These figures equate to a total saving of 149,791,287 kWh/year and 33,681,663 kgCO₂/year.

The results show the strong potential of green mortgages to improve energy efficiency and that increasing their share of Caja Rural de Navarra's portfolio could result in high levels of savings."

The data above on emissions from Caja Rural de Navarra's mortgage book refer to all emissions from all buildings underlying the portfolio. In other words, figures are not weighted for the outstanding LTV of the buildings.

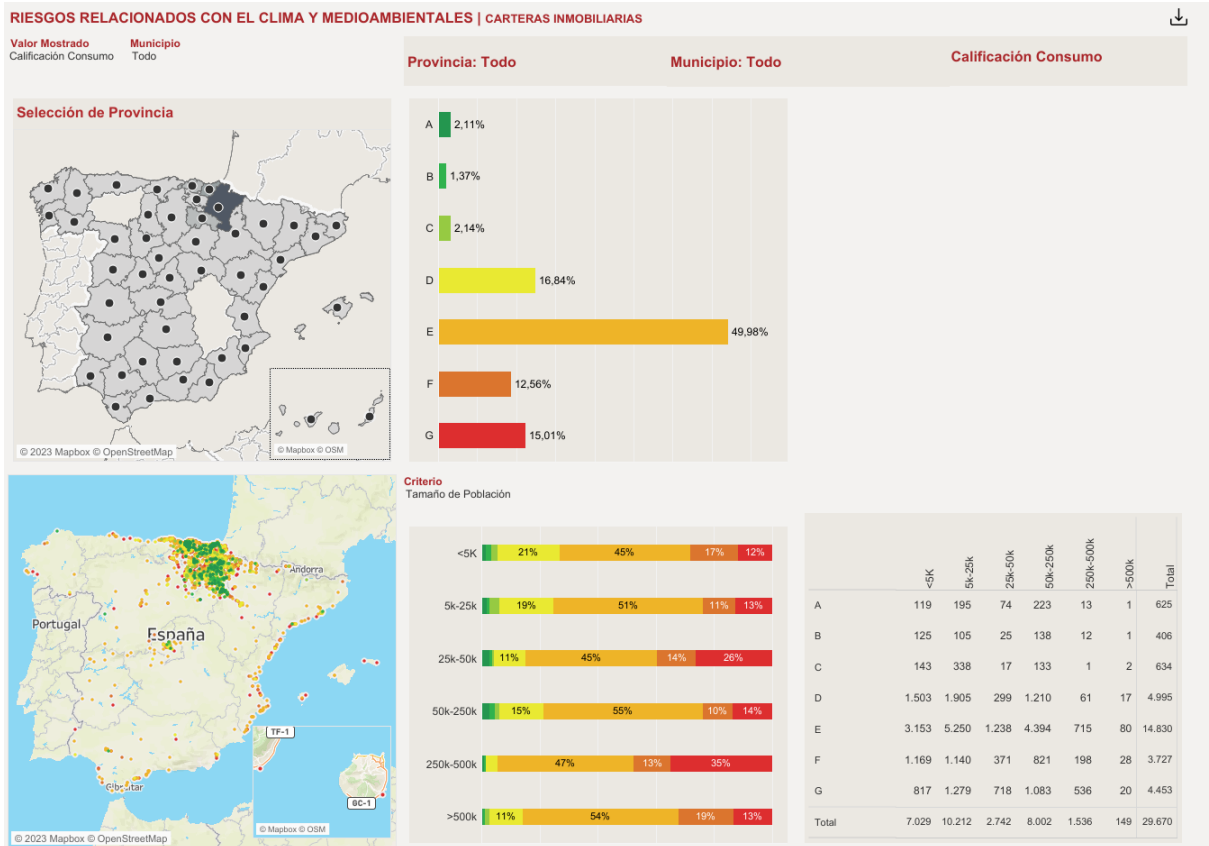
Our mortgage portfolio allocation and impact reporting

1. The asset side



TRANSITION RISKS

EPCs (Primary Energy Demand) – General Breakdown



Transition risk Data Platform (EPCs on Primary Energy Demand)

1. The asset side

TRANSITION RISKS

EPCs (Carbon Emissions) – General Breakdown



ST Sociedad de Tasación | ST Tools

Calificación Energética (Caja Rural de Navarra)

Overview **Distribución geográfica** Código Edificación y Tamaño Población Buscador Tabla

CALIFICACIÓN ENERGÉTICA (CAJA RURAL DE NAVARRA) / DISTRIBUCIÓN GEOGRÁFICA

RIESGOS RELACIONADOS CON EL CLIMA Y MEDIOAMBIENTALES | CARTERAS INMOBILIARIAS

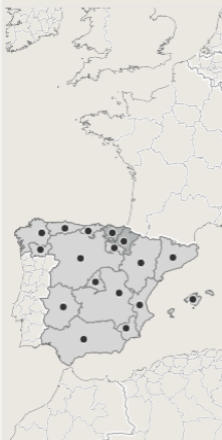
Valor Mostrado

Calificación Emisiones

Calificación Emisiones

	A	B	C	D	E	F	G	Todo
Total Cartera	18%	54%	11%	11%				
	614	452	772	5.271	15.929	3.278	3.354	29.870

Selección de Comunidad Autónoma



Distribución por Comunidad Autónoma

Comunidad Autónoma	A	B	C	D	E	F	G	Todo
Andalucía	8%	62%	12%	18%				50
Aragón	10%	61%	10%	18%				183
Asturias	8%	50%	8%	33%				12
Baleares		43%	50%	67%				7
Canarias			100%					2
Cantabria	9%	68%	6%	13%				208
Castilla la Mancha	14%		86%					7
Castilla y León	6%	57%	8%	23%				145
Cataluña	6%	13%	63%	11%				70
Comunidad Valenciana		77%	6%	13%				83
Extremadura			91%	9%				11
Galicia	11%	56%	11%	22%				9
La Rioja	21%		57%	8%	7%			3.135
Madrid	10%		71%	7%	6%			97
Murcia			100%					1
Navarra	24%		52%	8%	9%			12.729
Orense		50%		50%				2
País Vasco	11%	54%	15%	14%				12.939

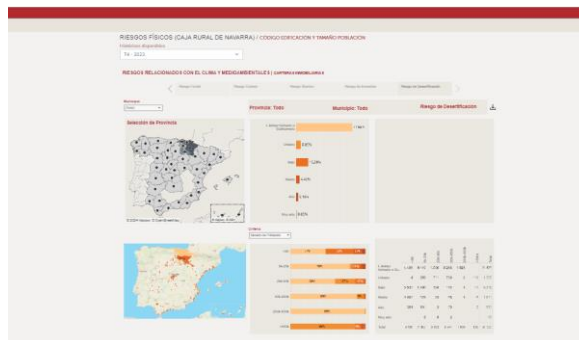
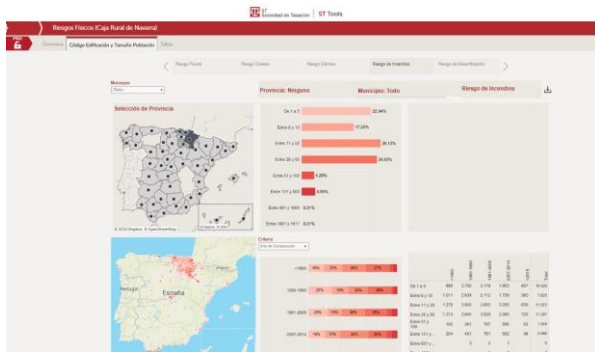
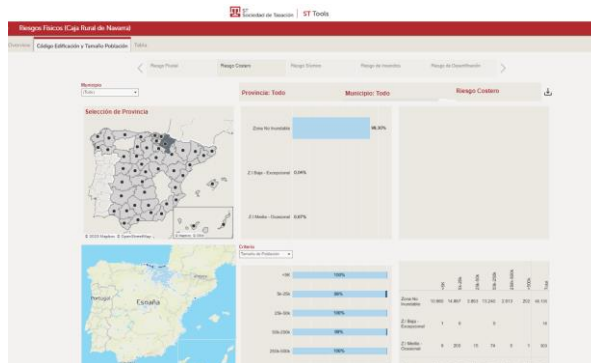
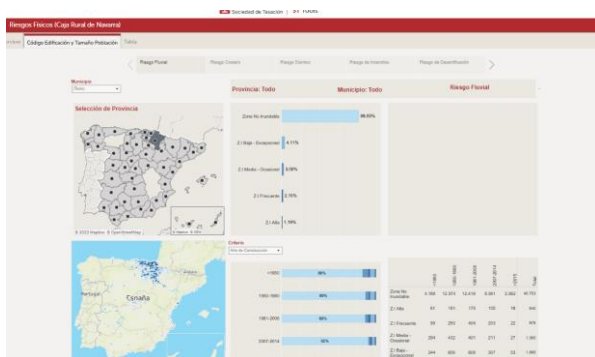
Distribución por Provincia

Transition risk Data Platform (EPCs on Carbon Emissions)

1. The asset side



PHYSICAL RISKS



Physical risk Data Platform (Floods in rivers and coastline, desertification, fire and earthquakes,)

1. The asset side

Some suggestions



Team work

Involve your business colleagues. Critical areas are:

- Commercial department and branch network
- Credit risk department
- IT dept.
- Compliance

Structured and traceable

Involve your Sustainability committee and ensure decisions are well documented and milestones kept in the strategic and annual plans, not just for Treasury and Capital Markets, but for all involved areas.

Be gradual

Add layers of complexity one by one, maintaining coherence and ensuring that previous steps are well founded.

2. The liability side

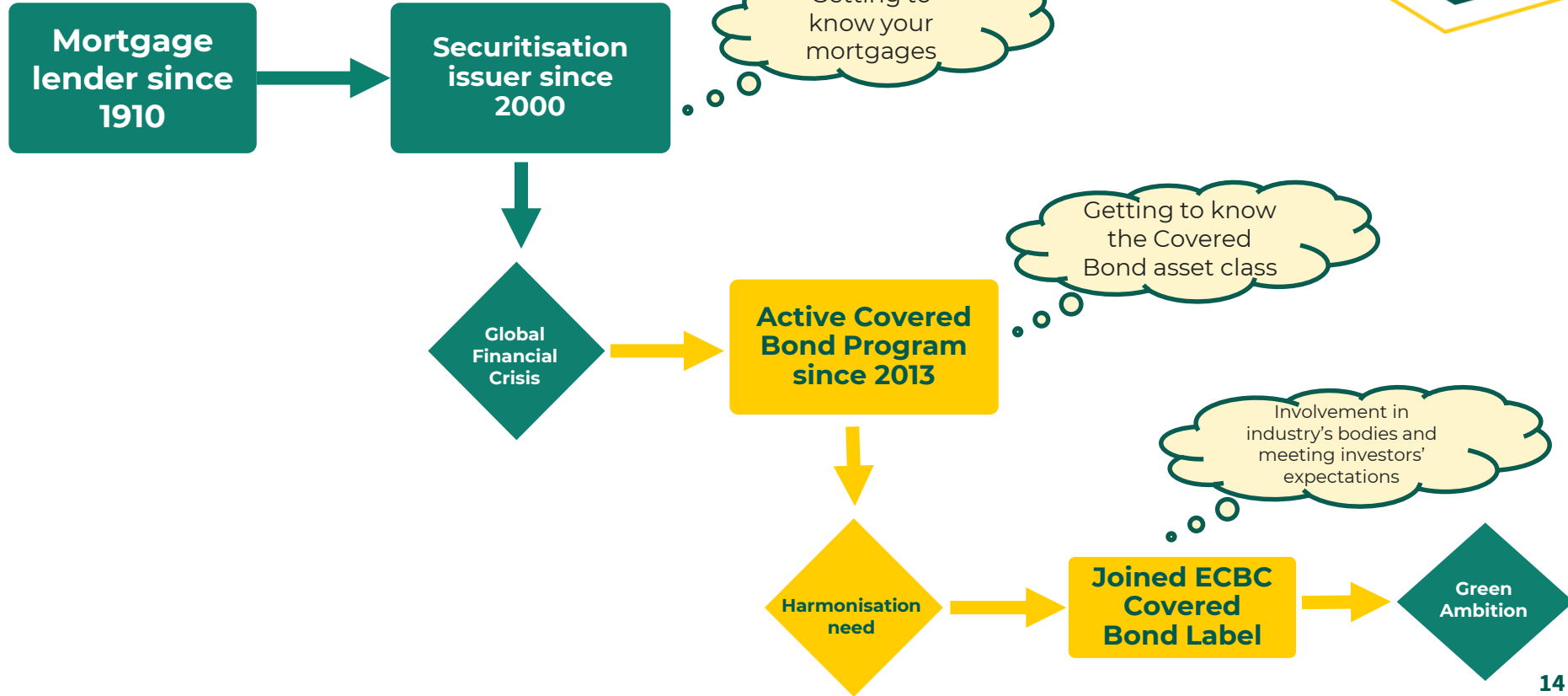
– using external visibility
and investors expectations
as a lever for internal
change





2. The liability side

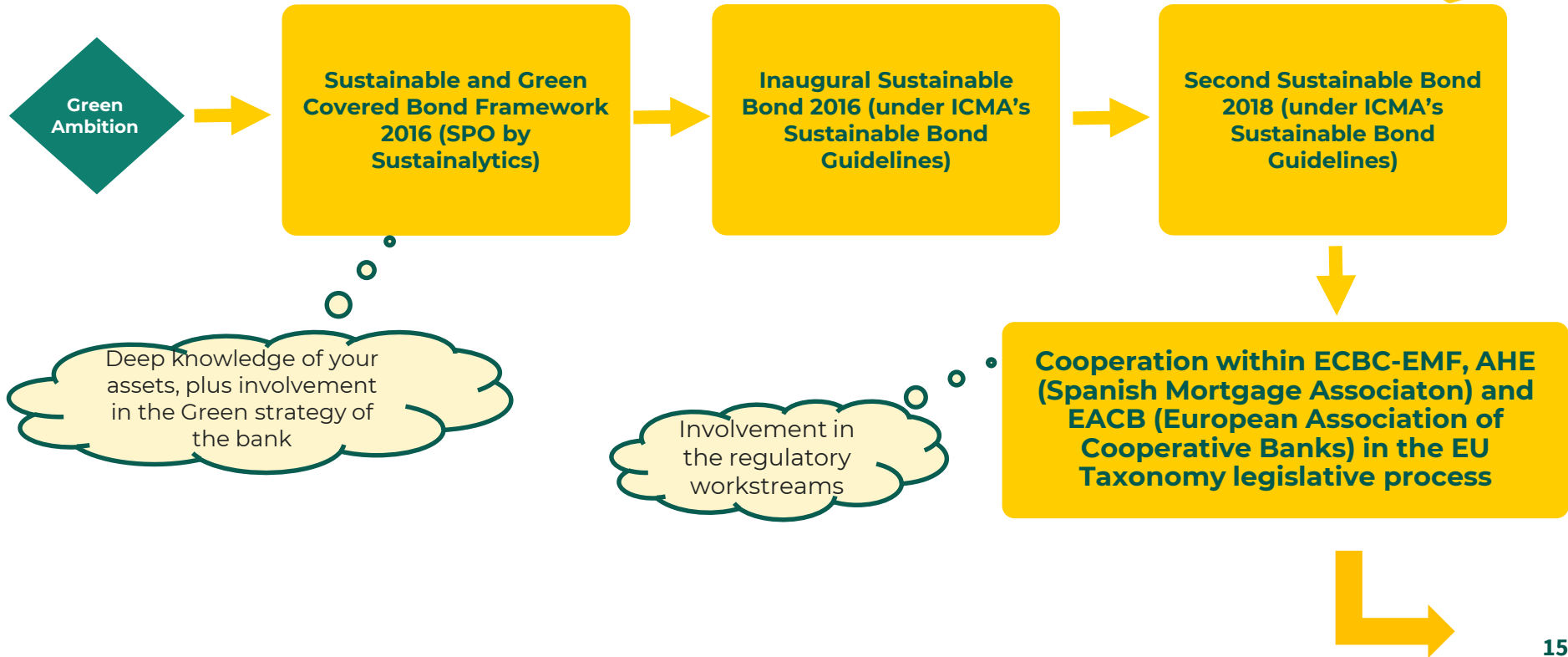
Own push and also external help





2. The liability side

Own push and also external help

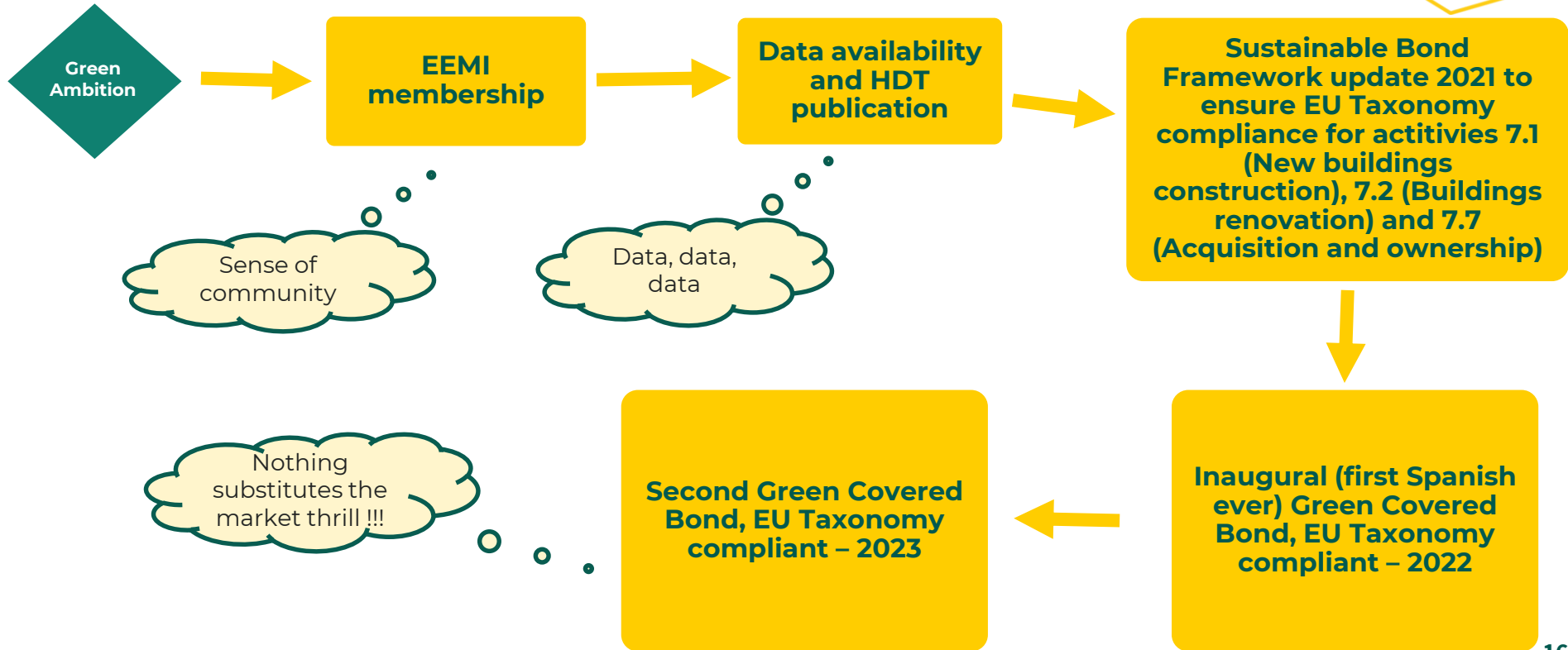


2. The liability side

Own push and also external help



Constant updates is Business as usual



3. Challenges ahead



3. Challenges ahead



Regulation is your friend

Though data availability is and will be a challenge, the “diagnosis phase” is almost finalized. Green Asset Ratio (GAR) already requires banks to publish mortgage portfolio environmental performance. The new EPC directive and the deployment of NGEU funds will be key developments that should help the green buildings market to further develop.

Put bank’s strategy above “opportunistic” Green issuance

Our stakeholders and regulators want and need us to advance to the “commitment phase” which requires an strategic approach. Liabilities are NOT the core of our business... but our assets, where we have the ability to foster change. It is what you do, not how you fund it. Impact reporting on top of pure allocation reporting is very helpful to make your case both externally and internally.

Become an internal influencer

Funding and Investor Relations teams need to understand the retail activity and the IT challenges of the bank, and influence its strategy. A silo approach to green bond issuance will never work, and savvy investors want you to have a 360° view on the Bank’s green strategy. It is not just the Cover Pool’s composition, it is not even only the Use of Proceeds of the bond. It is your green strategy and commitments that matter.

Thank you
very much

Muito obrigado



Muchas
gracias
Eskerrik asko







Contacts


Headquarters and Investor Relations

Headquarters

 Caja Rural de Navarra
Plaza de los Fueros,1
31003 Pamplona
Navarre (Spain)

 +34 948 168 100

 www.cajaruraldenavarra.com

 Investor Relations:
investor.relations@crnavarra.com

Miguel García de Eulate Martín-Moro

Head of Treasury and Capital Markets


 +34 948 168 198


 miguel.garciadeeulate@crnavarra.com



Beatriz Fernández de Arcaya Rotellar

Capital Markets - Investor Relations

 +34 948 168 281

 beatriz.fernandezdearcaya@crnavarra.com

