Annual Report 2018

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CAJA RURAL DE NAVARRA

CAJA RURAL DE NAVARRA

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Identifying data

Name: Caja Rural de Navarra (S. Coop. de Crédito)
Registered offices: Plaza de los Fueros, 1. 31003 PAMPLONA
Telephone: 948 16 81 00
Telex: 37764 CUNA E
Fax: 948 24 45 57 / 948 24 08 67
Tax Identification No.: F / 31 - 021611
Qualified Cooperative Bank.
(legal status allowing the credit co-operative to administer government lending)
Registered with the Bank of Spain: No. 3008
Registered with the Labour Ministry,
General Register of Credit Co-operatives: No. 344 / s.º M. T. 2,163.
Registered with the Mercantile Registry of Navarra:
No. 6790, Volume 11, page 175, sheet NA183.
Included in the Credit Co-operatives Guarantee Deposit Fund:
Member of Banco Cooperativo Español.
Member of the Spanish Association of Credit Co-Operatives

Governing Bodies

Board of Directors

Chairman: D. Ignacio Terés Los Arcos
Vice-Chairman: D. José Ángel Ezcurra Ibarrola
Secretary: D. Marcelino Etayo Andueza
Board Members: D. Jesús Andrés Mauleón Arana
D. Jesús Andrés Mauleón Arana
D. Manuel García Díaz de Cerio
D. Pedro Jesús Irisarri Valencia
D. Roberto Zabaleta Ciriza
D. Pedro María Echarte Seviné
D. Gabriel Urrutia Aicega
D. Francisco Javier Artajo Carlos
D. Jesús María Del Castillo Torres
D. Alberto Arrondo Lahera
D. Carlos Sánchez Diestro
D. Fernando Olleta Gayarre

Executive Committee

Chairman: D. Ignacio Terés Los Arcos
Vice-Chairman: D. José Ángel Ezcurra Ibarrola
Secretary: D. Marcelino Etayo Andueza
Board Members: D. Pedro María Echarte Seviné
Board Members: D. Pedro Jesús Irisarri Valencia

Chief Executive Officer

D. Ignacio Arrieta del Valle

MANAGEMENT REPORT 2018

Throughout 2018 the tone of activity on global financial markets was heavily conditioned by a range of economic and geo-political uncertainties, ranging from US/China trade tensions to a potential Brexit deal in Europe. All these factors impacted capital markets which in turn hampered the global, European and Spanish economies, affecting both 2018 performances and 2019 forecasts. Prices of the vast majority of financial assets worldwide ended the year down. The modest slowdown in the world economy was complicated by some potentially highly destabilizing factors such as rising protectionism and trade disputes, the ascent of populist political parties, Brexit negotiations, falling commodity prices, violent bouts of monetary crisis in emerging markets such as Turkey and Argentina and swelling public and private debt worldwide.

Over the year, the main international bodies downgraded their annual estimates for global growth, most recently the OECD in November which trimmed 4 tenths of a point from its May forecast to 3.5%. The euro zone economy was one of the big disappointments, with growth dipping below 2% after unexpectedly weak performances by the German and Italian economies in H2. More than a decade on from the outbreak of the global financial crisis the monetary authorities for the world's leading economic zones are still very active although the divergence between Europe and the US continued in 2018. The Fed stuck to an openly restrictive tone and put through four 0.25 point rate hikes in the year, most recently in December to 2.50%. The European Central Bank (ECB) started to row back its expansionary policy and, although benchmark rates remain at zero, purchases of public and private debt have been gradually reduced since January to vanish by end-December. As from the beginning of 2019, the bank will only be reinvesting the proceeds of maturing debt. Expectations of an initial ECB rate hike were repeatedly pushed back until at end-2018 they were no longer expected before 2020.

In Spain, the economy entered a more mature phase of the cycle in 2018, as expected, reflecting the gradual diminution of favourable tailwinds and the impact of specific risk factors, notably the slowdown in the global and European economies and crisis in some emerging economies. Two drivers of the Spanish economy sputtered: consumption, undermined by the gradual erosion of pent-up demand and other factors, and exports, suffering knock-on effects from less dynamic European and emerging markets. On this point, the sharp decline in the oil price over the last two months is good news for the Spanish economy, cutting energy bills and making imports cheaper. As

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is the fact that the expected economic slowdown in Europe and instability around the euro zone's struggles with the finances of major member states like Italy, are extending the euro's slide and so structurally boosting the intense and dominant export business of the principal Spanish companies, most of which are listed. The Bank of Spain, European Commission and OECD have all reduced their estimates and by the end of 2018 were forecasting GDP growth of 2.6% in 2018 and 2.2% in 2019. By component, consumption and exports were downgraded but investment and construction estimates were raised as were those for capital goods and intangibles.

The world's leading stock market indices ended 2018 with substantial accumulated losses, oscillating between -9.1% and -10.7%, following sharp gains of near 20% in the prior year. The sharpest falls in stock prices were concentrated on December. European and Spanish stock markets lost more than the global average. The IBEX 35, Spain's leading index, fell 15% and the pan-European EuroStoxx50 14.3%.

In summary, Spain's macro-economic and corporate environment was mainly determined in 2018 by the following points:

- Cooling expectations for national and international growth with a switch in consensus opinion during Q4 towards a less positive short- and medium-term outlook.
- The US brought forward the timing of the change in monetary policy cycle. Europe is expecting the same in 2019 with weakened growth fundamentals.
- The euro slipped versus the dollar. Oil prices rose steadily year-long only to fall sharply by near 35% in the final quarter. Spain's risk premium rose 80% in the last 9 months.
- In Europe, weak public revenues and spending promises drove politicians to make near impossible and unwise commitments: the euro and welfare policies remain under pressure amid growing migratory pressures.
- After the Commission rejected the Italian budget, triggering a face-off between Rome and Europe, downgraded growth forecasts and political instability are also feeding through to Spain via the difficulties in getting the budget through.
- Listed companies defied the uncertainties with their earnings and improved financial strength.

These points will mostly continue to apply in 2019, which means that the macro uncertainty is unlikely to disappear, although forecasts seem to be moving increasingly toward a central scenario of economic slowdown without tipping into recession.

Financial Data

Financial Data

Financial Report of the Year

Consolidated balance sheet at 31/12/18 and 31/12/17

	31/12/2018	31/12/2017 (*)	CHANGE THOUSANDS OF EUROS	CHANGE %
CONSOLIDATED BALANCE SHEET				
Cash. cash balances at central banks and other demand deposits	**351,449**	**343,482**	**7,967**	**2.32%**
Financial assets held for trading	**7,730**	**7,483**	**247**	**3.30%**
Derivatives	2,643	3,564	-921	-25.83%
Equity instruments	3,726	3,919	-193	-4.91%
Debt securities	1,360	0	1,360	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**17,555**	**0**	**17,555**	**-**
Debt securities	7,171	0	7,171	-
Loans and advances	10,385	0	10,385	-
Customers	10,385	0	10,385	-
Financial assets designated at fair value through profit or loss	**0**	**0**	**0**	**-**
Financial assets at fair value through other comprehensive income	**746,490**	**2,811,308**	**2,064,818**	**-73.45%**
Equity instruments	202,113	166,506	35,607	21.38%
Debt securities	544,377	2,644,802	-2,100,425	-79.42%
Financial assets at amortized cost	**10,594,940**	**8,066,921**	**2,528,019**	**31.34%**
Debt securities	2,716,139	616,373	2,099,766	340.66%
Loans and advances	7,878,802	7,450,548	428,254	5.75%
Credit institutions	100,002	115,786	-15,784	-13.63%
Customers	7,778,800	7,334,762	444,038	6.05%
Memorandum items: lent or given in guarantee with right of sale or pledge	*65,020*	*0*	*65,020*	*-*
Derivatives – hedge accounting	**4,774**	**80**	**4,694**	**5867.20%**
Fair value changes to hedged items in portfolio hedges for interest rate risk	**0**	**0**	**0**	**-**
Investments in joint ventures and associates	**49,945**	**49,671**	**274**	**0.55%**
Associates	49,945	49,671	274	0.55%
Assets backed by insurance or reinsurance policies	**0**	**0**	**0**	**-**
Tangible assets	**217,557**	**209,482**	**8,075**	**3.85%**
Property and equipment	208,293	203,431	4,862	2.39%
For own use	208,122	203,260	4,862	2.39%
Assigned to welfare projects	171	171	0	-0.11%
Investment property	9,264	6,051	3,213	53.10%
Of which: assigned under operating leases	*584*	*627*	*-43*	*-6.84%*
Memorandum items: acquired under leases	*970*	*1,219*	*-249*	*-20.39%*
Intangible assets	**11,797**	**12,297**	**-500**	**-4.07%**
Goodwill	8,297	8,297	0	0.00%
Other intangible assets	3,500	4,000	-500	-12.50%
Tax assets	**43,637**	**48,106**	**-4,469**	**-9.29%**
Current tax assets	3,170	2,772	398	14.36%
Deferred tax assets	40,467	45,334	-4,867	-10.74%
Other assets	**108,779**	**110,413**	**-1,634**	**-1.48%**
Inventories	77,635	76,537	1,098	1.43%
Other	31,144	33,876	-2,732	-8.06%
Non-current assets and disposal groups held for sale	**48,212**	**66,995**	**-18,783**	**-28.04%**
TOTAL ASSETS	**12,202,865**	**11,726,238**	**476,627**	**4.06%**

(*) To facilitate comparison with 2018, 2017 figures have been adapted to the presentation formats required by Bank of Spain Circular 4/2017

Financial Data

	31/12/2018	31/12/2017 (*)	CHANGE THOUSANDS OF EUROS	CHANGE %
Financial liabilities held for trading	**769**	**1,116**	**-347**	**-31.10%**
Derivatives	769	1,116	-347	-31.10%
Financial liabilities designated at fair value through profit or loss	**0**	**0**	**0**	**-**
Financial liabilities at amortized cost	**10,877,827**	**10,398,133**	**479,694**	**4.61%**
Deposits	9,095,208	8,604,262	490,946	5.71%
Central banks	927,862	931,642	-3,780	-0.41%
Credit institutions	155,433	148,315	7,118	4.80%
Customers	8,011,914	7,524,305	487,609	6.48%
Debt securities issued	1,653,935	1,657,010	-3,075	-0.19%
Other financial liabilities	128,684	136,861	-8,177	-5.97%
Derivatives – hedge accounting	**251**	**0**	**251**	**-**
Fair value changes to hedged items in portfolio hedges for interest rate risk	**0**	**0**	**0**	**-**
Liabilities backed by insurance or reinsurance policies	**0**	**0**	**0**	**-**
Provisions	**93,111**	**93,511**	**-400**	**-0.43%**
Pensions and other defined-benefit post-employment obligations	1,020	1,001	19	1.85%
Commitments and guarantees given	8,195	9,919	-1,724	-17.38%
Other provisions	83,897	82,591	1,306	1.58%
Tax liabilities	**7,834**	**21,802**	**-13,968**	**-64.07%**
Current tax liabilities	2,002	1,667	335	20.11%
Deferred tax liabilities	5,832	20,135	-14,303	-71.03%
Share capital redeemable on demand	**0**	**0**	**0**	**-**
Other liabilities	**93,982**	**123,162**	**-29,180**	**-23.69%**
Of which: assigned to welfare projects	26,579	20,686	5,893	28.49%
Liabilities included in disposal groups held for sale	**0**	**0**	**0**	**-**
TOTAL LIABILITIES	**11,073,775**	**10,637,724**	**436,051**	**4.10%**
Shareholders' equity	**1,122,515**	**1,049,187**	**73,328**	**6.99%**
Share capital	167,380	168,272	-892	-0.53%
Called up paid capital	167,380	168,272	-892	-0.53%
Retained earnings	834,422	749,593	84,829	11.32%
Other reserves	28,796	42,030	-13,234	-31.49%
Accumulated reserves or losses from joint ventures and associates	4,971	7,032	-2,061	-29.31%
Other	23,825	34,998	-11,173	-31.92%
(-) Treasury shares	0	-1,158	1,158	-100.00%
Profit or (-) loss attributable to owners of the parent	93,502	92,413	1,089	1.18%
(-) Interim dividends	-1,585	-1,963	378	-19.26%
Accumulated other comprehensive income	**6,575**	**39,109**	**-32,534**	**-83.19%**
Items that will not be reclassified to profit or loss	8,928	0	8,928	-
Changes in fair value of equity instruments at fair value through other comprehensive income	8,928	0	8,928	-
Items that may be reclassified to profit or loss	-2,353	39,109	-41,462	-106.02%
Changes in fair value of debt instruments at fair value through other comprehensive income	-2,353	39,109	-41,462	-106.02%
Non-controlling interests	**0**	**218**	**-218**	**-100.00%**
Accumulated other comprehensive income	0	218	-218	-100.00%
TOTAL EQUITY	**1,129,090**	**1,088,514**	**40,576**	**3.73%**
TOTAL EQUITY AND LIABILITIES	**12,202,865**	**11,726,238**	**476,627**	**4.06%**
MEMORANDUM ITEMS: OFF-BALANCE SHEET EXPOSURES				
Contingent commitments given	**1,115,829**	**1,167,334**	**-51,505**	**-4.41%**
Financial guarantees given	**83,597**	**86,251**	**-2,654**	**-3.08%**
Other commitments given	**553,076**	**674,827**	**-121,751**	**-18.04%**

(*) To facilitate comparison with 2018, 2017 figures have been adapted to the presentation formats required by Bank of Spain Circular 4/2017

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	31/12/2018	31/12/2017 (*)	VARIACIONES MILES DE EUROS	VARIACIONES %
Interest income	**160,966**	**174,815**	**-13,849**	**-7.92%**
Financial assets at fair value through other comprehensive income	1,763	36,374	-34,611	-95.15%
Financial assets at amortized cost	152,480	132,244	20,236	15.30%
Other interest income	6,723	6,197	526	8.49%
(Interest expense)	**-25,009**	**-33,868**	**8,859**	**-26.16%**
(Expense on share capital redeemable on demand)	**0**	**0**	**0**	**-**
A) NET INTEREST INCOME	**135,957**	**140,947**	**-4,990**	**-3.54%**
Dividend income	**6,019**	**9,365**	**-3,346**	**-35.73%**
Profit (loss) of companies accounted for using the equity method	**3,159**	**2,414**	**745**	**30.86%**
Fee and commission income	**71,603**	**68,876**	**2,727**	**3.96%**
(Fee and commission expense)	**-4,784**	**-4,452**	**-332**	**7.47%**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. net	**2,140**	**48,200**	**-46,060**	**-95.56%**
Financial assets at amortized cost	1,743	145	1,598	1101.91%
Other financial assets and liabilities	398	48,055	-47,657	-99.17%
Gains or (-) losses on financial assets and liabilities held for trading. net	**-198**	**147**	**-345**	**-234.85%**
Other gains or (-) losses	-198	147	-345	-234.85%
Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss. net (287)	**-2,956**	**0**	**-2,956**	**-**
Other gains or (-) losses	-2,956		-2,956	-
Gains or (-) losses on financial assets or liabilities designated at fair value through profit or loss. net	**0**	**0**	**0**	**-**
Gains or (-) losses from hedge accounting. net	**100**	**197**	**-97**	**-49.01%**
Gains or (-) losses from translation differences. net	**929**	**743**	**186**	**25.03%**
Other operating income	**316,157**	**286,794**	**29,363**	**10.24%**
(Other operating expenses)	**-251,368**	**-274,512**	**23,144**	**-8.43%**
Of which: mandatory provisions assigned to welfare projects	-9,963	-9,425	-538	5.71%
Income from assets backed by insurance or reinsurance policies	**0**	**0**	**0**	**-**
(Expenses from liabilities backed by insurance or reinsurance policies)	**0**	**0**	**0**	**-**
B) GROSS INCOME	**276,758**	**278,719**	**-1,961**	**-0.70%**
(Administrative expenses)	**-150,334**	**-141,274**	**-9,060**	**6.41%**
(Personnel expenses)	-75,528	-71,919	-3,609	5.02%
(Other operating expenses)	-74,806	-69,355	-5,451	7.86%
(Depreciation and amortization)	**-15,364**	**-14,409**	**-955**	**6.63%**
(Provisions or (-) reversals)	**713**	**-19,662**	**20,375**	**-103.63%**
(Impairment or (-) reversal of impairment and gains or losses from cash flow modifications of financial assets not measured at fair value through profit or loss and net modification losses or (-) gains)	**-8,444**	**-14,070**	**5,626**	**-39.99%**
Financial assets at fair value through other comprehensive income	735	-495	1,230	-248.46%
Financial assets at amortized cost	-9,179	-13,575	4,396	-32.39%
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)	**-79**	**0**	**-79**	**-**
(Impairment or (-) reversal of impairment on financial assets)	**-154**	**-953**	**799**	**-83.85%**
(Tangible assets)	-36	-302	266	-87.96%
(Intangible assets)	0	0	0	-
(Other)	-118	-651	533	-81.95%
Gains or (-) losses on derecognition of non-financial assets. net	**1,350**	**-345**	**1,695**	**-491.35%**
Negative goodwill recognized in profit or loss	**0**	**0**	**0**	**-**
Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations	**1,634**	**3,444**	**-1,810**	**-52.54%**
C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**106,081**	**91,450**	**14,631**	**16.00%**
(Tax expense or (-) income on profit from continuing operations)	**-12,579**	**968**	**-13,547**	**-1399.46%**
D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**93,502**	**92,418**	**1,084**	**1.17%**
Profit or (-) loss after tax from discontinued operations	**0**	**0**	**0**	**-**
E) PROFIT FOR THE YEAR	**93,502**	**92,418**	**1,084**	**1.17%**
Attributable to non-controlling interests	**0**	**5**	**-5**	**-100.00%**
Attributable to owners of the parent	**93,502**	**92,413**	**1,089**	**1.18%**

(*) To facilitate comparison with 2018, 2017 figures have been adapted to the presentation formats required by Bank of Spain Circular 4/2017

CAJA RURAL DE NAVARRA

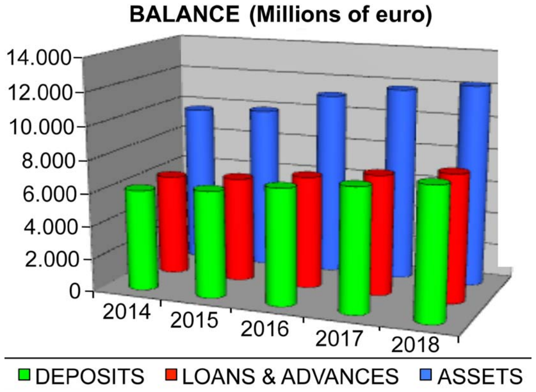
PROPOSED APPROPRIATION OF NET SURPLUS

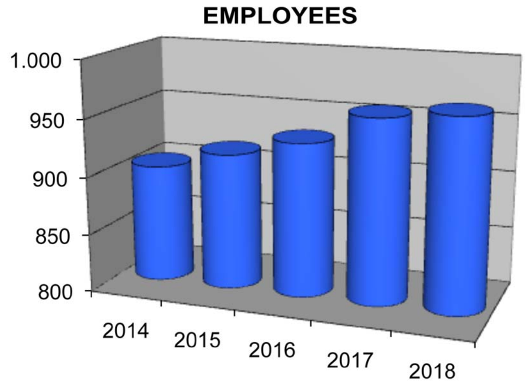
	Thousand euro
Profit (loss) before mandatory allocation to the Social Welfare Fund	101.213
Interest to be paid to members on capital contributions	1.585
TOTAL AVAILABLE FOR APPROPRIATION	**99.628**
APPROPRIATION OF SURPLUS	
Allocations to the Social Welfare Fund (1)	9.963
Allocations to the Mandatory Reserve Fund	89.665
TOTAL DISTRIBUTED	**99.628**

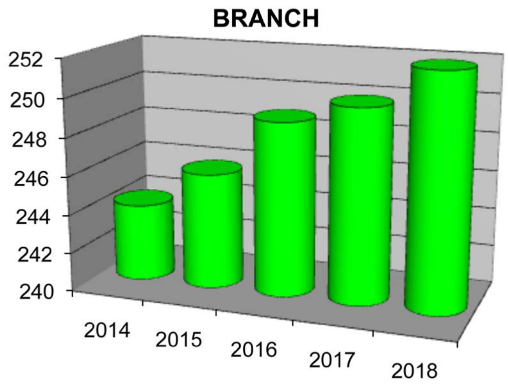
(1): Recognised in the income statement as a mandatory allocation

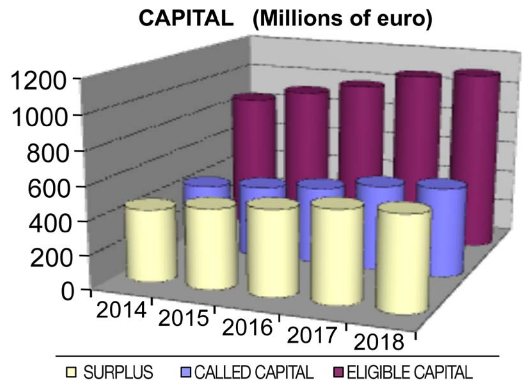
NOTE: The profits or losses of consolidated subsidiaries will be appropriated as agreed at their respective General Shareholders' Meetings.

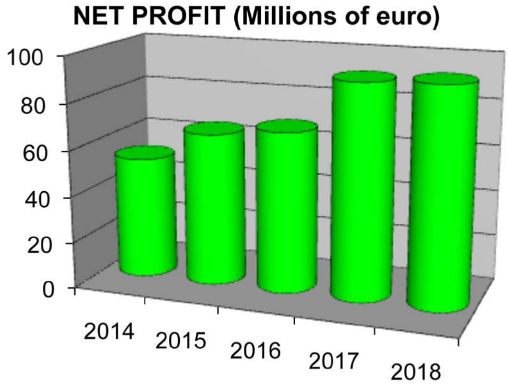
Comments to the Financial Statements











Legal Documentation

Legal Documentation

CAJA RURAL DE NAVARRA

Legal Documentation

Caja Rural de Navarra, Sociedad Cooperativa de Crédito y sociedades dependientes (Grupo Consolidado)

Informe de auditoría,
Cuentas anuales consolidadas al 31 de diciembre de 2018
e Informe de gestión consolidado del ejercicio 2018

pwc

Informe de auditoría de cuentas anuales consolidadas emitido por un auditor independiente

A los Socios de Caja Rural de Navarra, Sociedad Cooperativa de Crédito:

Informe sobre las cuentas anuales consolidadas

Opinión

Hemos auditado las cuentas anuales consolidadas de Caja Rural de Navarra, Sociedad Cooperativa de Crédito (la Entidad dominante) y sus sociedades dependientes (el Grupo), que comprenden el balance a 31 de diciembre de 2018, la cuenta de pérdidas y ganancias, el estado de ingresos y gastos reconocidos, el estado total de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2018, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España, según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales consolidadas del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

PricewaterhouseCoopers Auditores, S.L., Parque Tomás Caballero, 2, 6.ª planta, 31006 Pamplona, España, Tel.: +34 948 213 157 / +34 902 021 111, Fax: +34 948 228 770, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Caja Rural de Navarra, Sociedad Cooperativa de Crédito y sociedades dependientes (Grupo Consolidado)

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría

Correcciones de valor por deterioro de activos financieros, cartera crediticia

La determinación de las correcciones de valor por deterioro de la cartera crediticia constituye una de las estimaciones más complejas y de mayor relevancia en la preparación de las cuentas anuales consolidadas adjuntas.

El 1 de enero de 2018 ha entrado en vigor la Norma Internacional de Información Financiera 9 (NIIF 9) cuya modificación principal supone que los modelos de cálculo de deterioro pasen a considerar la pérdida esperada en lugar de pérdida incurrida.

La evaluación del deterioro por riesgo de crédito se basa en modelos que suponen un elevado componente de juicio para la determinación de las pérdidas por deterioro, considerando elementos como:

- La clasificación de las diferentes carteras crediticias en función de su perfil de riesgo de crédito.
- La identificación y clasificación de los activos en vigilancia especial o deteriorados.
- La utilización de hipótesis con efecto en las provisiones, así como de estimaciones sobre la consecución de un determinado nivel de flujos de efectivo por parte de los acreditados cuyo deterioro se estima individualmente, en base a la última información disponible.
- El valor realizable de las garantías reales asociadas a las operaciones crediticias concedidas.

En este contexto, el Grupo utiliza modelos que, teniendo como base su experiencia y la información que tiene del sector bancario donde opera, así como de las previsiones sobre condiciones futuras, le permiten estimar las provisiones colectivas por riesgo de crédito y las provisiones para riesgos estimadas de manera individualizada.

Ver notas 1, 2 y 10 de la memoria de las cuentas anuales consolidadas adjuntas.

Nuestro trabajo sobre la estimación del deterioro de la cartera crediticia se ha centrado en el análisis, evaluación y comprobación del marco general de control interno, la realización de pruebas de detalle sobre las provisiones estimadas tanto colectiva como individualmente, así como sobre los impactos por primera aplicación de la norma.

Respecto al sistema de control interno, entre otros, hemos realizado los siguientes procedimientos:

- Entendimiento y revisión de las metodologías de cálculo aplicadas.
- Verificación de la adecuación de las distintas políticas y procedimientos aprobados por los Órganos de Gobierno del Grupo a los requerimientos normativos aplicables.
- Comprobación de los principales aspectos relativos al entorno de seguridad de los sistemas de información que soportan el cálculo de provisiones.
- Revisión de la evaluación periódica de riesgos y alertas de seguimiento efectuada por el Grupo para la identificación de riesgos que pudieran considerarse en vigilancia especial o deteriorados.
- Evaluación de que el proceso de revisión periódica de expedientes de acreditados para el seguimiento de su clasificación contable y registro del deterioro, en los casos en los que aplica, se realiza de forma adecuada.

Adicionalmente, hemos realizado pruebas de detalle consistentes en:

- Comprobaciones selectivas de las bases de datos de cálculo de provisiones, contrastando los principales atributos con documentación soporte.
- Re-ejecución del cálculo de las provisiones colectivas por riesgo de crédito.
- Evaluación de la idoneidad de los modelos de descuento de flujos de efectivo para el cálculo de provisiones por análisis individualizado.

Caja Rural de Navarra, Sociedad Cooperativa de Crédito y sociedades dependientes (Grupo Consolidado)

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
	• Revisión de una selección de expedientes para evaluar su adecuada clasificación y registro y, en su caso, del correspondiente deterioro. Cualquier diferencia obtenida como resultado de nuestros procedimientos respecto a los cálculos de la Dirección se ha mantenido en un rango razonable en relación al importe incluido en las cuentas anuales consolidadas adjuntas.
Provisiones por litigios fiscales, legales y regulatorios El Grupo se encuentra inmerso en procedimientos administrativos, judiciales o de cualquier otra índole, relacionados con asuntos de naturaleza legal, fiscal y regulatoria, principalmente, resultantes del curso normal de su actividad. En este contexto, también existen situaciones que, aun no estando sujetas a proceso judicial, precisan del registro de provisiones, de acuerdo a la evaluación de la Dirección, como pueden ser las vinculadas a los posibles impactos de la devolución de las cantidades percibidas como consecuencia de la aplicación del Real Decreto-Ley 1/2017, de medidas de protección de consumidores en materia de cláusulas suelo. Generalmente, debido a la complejidad de estos procedimientos y al largo período de tiempo en que se desarrollan, tanto la determinación del resultado previsto de dichos procedimientos como la evaluación de su efecto económico son asuntos de especial complejidad e incertidumbre en cuanto a su posible desenlace y/o cuantía definitiva. En consecuencia, la estimación de las provisiones por litigios es una de las áreas que conlleva un mayor componente de estimación en cuanto a su posible impacto en las cuentas anuales consolidadas adjuntas.	Hemos analizado y documentado nuestro entendimiento del proceso implantado por el Grupo de identificación y evaluación de los litigios y procesos abiertos y del proceso de registro de provisiones por parte del Grupo, centrando nuestros procedimientos en aspectos como: • Comprensión de la política de calificación de las reclamaciones y litigios y asignación de provisión, en su caso. • Análisis de las principales tipologías de demandas, reclamaciones y litigios vigentes. • Obtención de cartas de confirmación de abogados y asesores que trabajan con el Grupo para contrastar su evaluación del resultado esperado de las reclamaciones o litigios, la totalidad de la información, el correcto registro de las provisiones, así como la identificación de potenciales pasivos omitidos. • Análisis del registro, estimación y movimiento de provisiones contables.

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Caja Rural de Navarra, Sociedad Cooperativa de Crédito y sociedades dependientes (Grupo Consolidado)

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
El Grupo registra una provisión por estos conceptos, estimando, por tanto, el desembolso asociado como probable en base a las estimaciones realizadas, aplicando procedimientos de cálculo consistentes con la experiencia de éxito, análisis legal y las condiciones de incertidumbre inherentes con las obligaciones que cubren. Ver notas 2 y 18 de la memoria de las cuentas anuales consolidadas adjuntas.	De forma específica para las provisiones destinadas a la compensación a clientes y cubrir los desenlaces de contingencias relacionadas con cláusulas suelo, nuestros procedimientos se centraron en: • Evaluación de la metodología e hipótesis empleadas por el Grupo, verificando que las mismas son consistentes con el marco contable de aplicación. • Comprobación de la utilización de datos históricos para la determinación de las provisiones a mantener. • Análisis de una selección de demandas y reclamaciones, verificando la correcta agrupación de casos por tipología para el cálculo de provisiones. • Análisis de una selección de operaciones con cláusulas suelo, verificando la trazabilidad de los principales atributos determinantes de la provisión con los cálculos del Grupo. • Confirmación de abogados internos con relación a la totalidad de los procesos abiertos. El resultado de nuestro trabajo pone de manifiesto que las provisiones por litigios fiscales, legales y regulatorios incluidas en las cuentas anuales consolidadas adjuntas se encuentran en un rango adecuado, derivado de la aplicación de juicios razonables en su proceso de evaluación y estimación, teniendo en cuenta las particularidades de las diversas reclamaciones, litigios y resto de contingencias identificadas y comunicadas por la Dirección del Grupo y/o los asesores legales y fiscales.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2018, cuya formulación es responsabilidad de los administradores de la Entidad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre la información contenida en el informe de gestión consolidado se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

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Caja Rural de Navarra, Sociedad Cooperativa de Crédito y
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a) Un nivel específico que resulta de aplicación al estado de la información no financiera, así como a determinada información incluida en el Informe Anual de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión, o en su caso, que se ha incorporado en éste la referencia correspondiente al informe separado sobre la información no financiera en la forma prevista en la normativa, y en caso contrario, a informar sobre ello.

b) Un nivel general aplicable al resto de la información incluida en el informe de gestión consolidado, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información no financiera mencionada en el apartado a) anterior se facilita en el informe de gestión consolidado y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2018 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la Comisión de Auditoría en relación con las cuentas anuales consolidadas

Los administradores de la Entidad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Entidad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los citados administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La Comisión de Auditoría de la Entidad dominante es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales consolidadas.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

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Caja Rural de Navarra, Sociedad Cooperativa de Crédito y
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Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.

- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.

- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Entidad dominante.

- Concluimos sobre si es adecuada la utilización, por los administradores de la Entidad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.

- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del Grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la Comisión de Auditoría de la Entidad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

Caja Rural de Navarra, Sociedad Cooperativa de Crédito y
sociedades dependientes (Grupo Consolidado)

También proporcionamos a la Comisión de Auditoría de la Entidad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la Comisión de Auditoría de la Entidad dominante, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Informe adicional para la Comisión de Auditoría de la Entidad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la Comisión de Auditoría de la Entidad dominante de fecha 2 de mayo de 2019.

Periodo de contratación

La Asamblea General de Socios de la Entidad Dominante celebrada el 4 de mayo de 2018 nos nombró como auditores por un período de 1 año, contado a partir del ejercicio finalizado el 31 de diciembre de 2017.

Con anterioridad, fuimos designados por acuerdo de la Asamblea General de Socios de la Entidad Dominante para un periodo inicial y hemos venido realizando el trabajo de auditoría de cuentas de forma ininterrumpida desde el ejercicio finalizado el 31 de diciembre de 2010.

Servicios prestados

Los servicios, distintos de la auditoría de cuentas, que han sido prestados al Grupo se desglosan en la nota 32 de la memoria de las cuentas anuales consolidadas adjuntas.

PricewaterhouseCoopers Auditores, S.L. (S0242)

José Antonio Simón Maestro (15886)

2 de mayo de 2019

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2019 Núm. 16/19/00505

SELLO CORPORATIVO: 96,00 EUR

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

2018 CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Legal Documentation

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated financial statements prepared by the Governing Board of
CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO
at its meeting held on 26 March 2019

Consolidated cash flow statement
CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO
AND SUBSIDIARIES

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of financial position at 31 December 2018

(Thousands of euro)

ASSETS (*)	Note	31,12,2018	31,12,2017 (**)
Cash. cash balances at central banks and other demand deposits(***)	7	**351,449**	**343,482**
Financial assets held for trading	8	**7,730**	**7,483**
Derivatives		2,643	3,564
Equity instruments		3,727	3,919
Debt securities		1,360	-
Memorandum items: lent or given in guarantee with right of sale or pledge		-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	11	**17,555**	
Debt securities		7,170	
Loans and advances		10,385	
Memorandum items: lent or given in guarantee with right of sale or pledge		-	
Financial assets designated at fair value through profit or loss		**-**	**-**
Memorandum items: lent or given in guarantee with right of sale or pledge		-	-
Financial assets at fair value through other comprehensive income	9	**746,490**	
Equity instruments		202,113	
Debt securities		544,377	
Memorandum items: lent or given in guarantee with right of sale or pledge			
Available-for-sale financial assets	9		**2,811,308**
Equity instruments			166,506
Debt securities			2,644,802
Memorandum items: lent or given in guarantee with right of sale or pledge			-
Financial assets at amortized cost	10	**10,594,941**	
Debt securities		2,716,139	
Loans and advances		7,878,802	
Memorandum items: lent or given in guarantee with right of sale or pledge		*65,020*	
Loans and receivables	10		**7,455,088**
Debt securities			4,540
Loans and advances			7,450,548
Credit institutions			115,786
Customers			7,334,762
Memorandum items: lent or given in guarantee with right of sale or pledge			-
Held-to-maturity investments	10		**611,833**
Memorandum items: lent or given in guarantee with right of sale or pledge			-
Derivatives – hedge accounting	12	**4,774**	**80**
Fair value changes to hedged items in portfolio hedges for interest rate risk		**-**	**-**
Investments in joint ventures and associates	14	**49,945**	**49,671**
Jointly-controlled entities		-	-
Associates		49,945	49,671
Tangible assets	15	**217,557**	**209,482**
Property and equipment		208,293	203,431
For own use		208,122	203,260
Assigned to social projects		171	171
Investment property		9,264	6,051
Of which: assigned under operating leases		*584*	*627*
Memorandum items: acquired under finance leases		*970*	*1,219*
Intangible assets	15	**11,797**	**12,297**
Goodwill		8,297	8,297
Other intangible assets		3,500	4,000
Tax assets	22	**43,637**	**48,106**
Current tax assets		3,170	2,772
Deferred tax assets		40,467	45,334
Other assets	16	**108,778**	**110,413**
Inventories		77,634	76,537
Other		31,144	33,876
Non-current assets and disposal groups held for sale	13	**48,212**	**66,995**
TOTAL ASSETS		**12,202,865**	**11,726,238**

(*) See reconciliation between IAS 39 reporting at 31 December 2017 and IFRS 9 reporting at 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.
(***) See consolidated cash flow statement for details.
Notes 1 to 43 form an integral part of the consolidated statement of financial position at 31 December 2018.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of financial position at 31 December 2018

(Thousands of euro)

LIABILITIES (*)	Note	31,12,2018	31,12,2017 (**)
Financial liabilities held for trading	**8**	**769**	**1,116**
Derivatives		769	1,116
Financial liabilities designated at fair value through profit or loss		**-**	**-**
Memorandum items: subordinated liabilities		-	-
Financial liabilities at amortized cost	**17**	**10,877,828**	**10,398,133**
Deposits		9,095,209	8,604,262
Central banks		927,862	931,642
Credit institutions		155,434	148,315
Customers		8,011,913	7,524,305
Debt securities issued		1,653,935	1,657,010
Other financial liabilities		128,684	136,861
Memorandum items: subordinated liabilities		-	-
Derivatives – hedge accounting	**12**	**251**	**-**
Fair value changes to hedged items in portfolio hedges for interest rate risk		**-**	**-**
Provisions	**18**	**93,111**	**93,511**
Pensions and other defined-benefit post-employment obligations	2,t	1,019	1,001
Commitments and guarantees given		8,195	9,919
Other provisions		83,897	82,591
Tax liabilities	**22**	**7,834**	**21,802**
Current tax liabilities		2,002	1,667
Deferred tax liabilities		5,832	20,135
Share capital redeemable on demand		**-**	**-**
Other liabilities	**16**	**93,982**	**123,162**
Of which: mandatory contributions to Social Welfare Fund		*26,579*	*20,686*
Liabilities included in disposal groups held for sale		**-**	**-**
TOTAL LIABILITIES		**11,073,775**	**10,637,724**

(*) See reconciliation between IAS 39 reporting at 31 December 2017 and IFRS 9 reporting at 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated statement of financial position at 31 December 2018.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of financial position at 31 December 2018

(Thousands of euro)

EQUITY (*)			
Shareholders' equity		**1,122,515**	**1,049,187**
Share capital	**20**	167,380	168,272
Called up paid capital		167,380	168,272
Memorandum items: uncalled capital		-	-
Retained earnings	**21**	834,422	749,593
Other reserves	**21**	28,796	42,030
Accumulated reserves or losses from joint ventures and associates		4,971	7,032
Other		23,825	34,998
(Treasury shares)		-	(1,158)
Profit or (-) loss attributable to owners of the parent		93,502	92,413
(Interim dividends)		(1,585)	(1,963)
Accumulated other comprehensive income	**19**	**6,575**	**39,109**
Items that will not be reclassified to profit or loss		8,928	**-**
Items that may be reclassified to profit or loss		(2,353)	39,109
Accumulated other comprehensive income		-	218
TOTAL EQUITY		**1,129,090**	**1,088,514**
TOTAL LIABILITIES AND EQUITY		**12,202,865**	**11,726,238**
Memorandum items: off-balance sheet exposures			
Contingent commitments given	**23**	**1,115,829**	**1,170,068**
Financial guarantees given	**23**	**83,597**	**86,251**
Other commitments given	**23**	**553,076**	**678,613**

(*) See reconciliation between IAS 39 reporting at 31 December 2017 and IFRS 9 reporting at 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated statement of financial position at 31 December 2018.

Legal Documentation

Consolidated Income Statement
CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated Income Statement for the year ended 31 December 2018 (*)

(Thousands of euro)

	Note	2018	2017 (**)
Interest income	25	160,966	174,815
(Interest expense)	26	(25,009)	(33,868)
(Expense on share capital redeemable on demand)		-	-
NET INTEREST INCOME		135,957	140,947
Dividend income	27	6,019	9,365
Profit (loss) of companies accounted for using the equity method	14	3,159	2,414
Fee and commission income	28	71,603	68,876
(Fee and commission expense)	29	(4,784)	(4,452)
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss. net	30	2,140	48,200
Gains or (-) losses on financial assets and liabilities held for trading. net	30	(198)	147
Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss. net		(2,956)	
Gains or (-) losses on financial assets or liabilities designated at fair value through profit or loss. net		-	-
Gains or (-) losses from hedge accounting. net	12	100	197
Gains or (-) losses from translation differences. net		929	743
Other operating income		316,157	286,794
(Other operating expenses)		(251,368)	(274,512)
Of which: mandatory contributions to Social Welfare Fund		*(9,963)*	*(9,425)*
GROSS INCOME		276,758	278,719
(Administrative expenses)		(150,334)	(141,274)
(Personnel expenses)	31	(75,528)	(71,919)
(Other operating expenses)	32	(74,806)	(69,355)
(Depreciation and amortization)	15	(15,364)	(14,409)
(Provisions or (-) reversals)	33	713	(19,662)
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	34	(8,444)	(14,070)
(Financial assets at fair value through other comprehensive income)		735	
(Financial assets at amortized cost)		(9,179)	
(Available-for-sale financial assets)			(495)
(Loans and receivables)			(13,628)
(Held-to-maturity investments)			53
INCOME FROM OPERATING ACTIVITIES		103,329	89,304
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)		(79)	-
(Impairment or (-) reversal of impairment on financial assets)	35	(154)	(953)
(Tangible assets)		(36)	(302)
(Intangible assets)		-	-
(Other)		(118)	(651)
Gains or (-) losses on derecognition of non-financial assets and investments. net		1,350	(345)
Of which: investments in subsidiaries. joint ventures and associates		-	-
Negative goodwill recognized in profit or loss		-	-
Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations	35	1,635	3,444
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		106,081	91,450
(Tax expense or (-) income on profit from continuing operations)	22	(12,579)	968
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		93,502	92,418
Profit or (-) loss after tax from discontinued operations		-	-
PROFIT FOR THE YEAR		93,502	92,418
Attributable to owners of the parent		93,502	92,413
Attributable to non-controlling interests		-	5

(*) See details on the impacts of adopting IFRS 9 on 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated income statement for the year ended 31 December 2018.

Legal Documentation

Consolidated Income Statement
CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of recognized income and expense for the year ended 31 December 2018 (*)

(Thousands of euro)

	Note	2018	2017 (**)
PROFIT FOR THE YEAR		**93,502**	**92,418**
OTHER COMPREHENSIVE INCOME		**8,896**	**(52,064)**
Items that will not be reclassified to profit or loss		**11,506**	**-**
Actuarial gains or (-) losses on defined benefit pension plans		-	-
Changes in fair value of equity instruments at fair value through other comprehensive income. net	19	11,264	
Gains or losses from hedge accounting for equity instruments at fair value through other comprehensive income. net		-	
Non-current assets and disposal groups held for sale		-	-
Changes in fair value of financial liabilities at fair value with changes in income attributable to changes in credit risk		-	
Other valuation adjustments		242	-
Income tax on items that will not be reclassified to profit or loss		-	-
Items that may be reclassified to profit or loss	19	**(2,610)**	**(52,064)**
Hedges of net investments in foreign operations (effective portion)		**-**	**-**
Valuation gains or (-) losses recognized in equity		-	-
Reclassified to profit or loss		-	-
Other reclassifications		-	-
Currency translation		**-**	**-**
Gains or (-) losses on currency translation recognized in equity		-	-
Reclassified to profit or loss		-	-
Other reclassifications		-	-
Cash flow hedges (effective portion)		**-**	**-**
Valuation gains or (-) losses recognized in equity		-	-
Reclassified to profit or loss		-	-
Reclassified to initial carrying amount of hedged items		-	-
Other reclassifications		-	-
Available-for-sale financial assets	19		**(57,145)**
Valuation gains or (-) losses recognized in equity			(9,241)
Reclassified to profit or loss			(47,904)
Other reclassifications			-
Hedging instruments (undesignated)		**-**	
Valuation gains or (-) losses recognized in equity		-	
Reclassified to profit or loss		-	
Other reclassifications		-	
Debt instruments at fair value through other comprehensive income		**(3,719)**	
Valuation gains or (-) losses recognized in equity		(4,117)	
Reclassified to profit or loss		398	
Other reclassifications		-	
Non-current assets and disposal groups held for sale		**-**	**-**
Valuation gains or (-) losses recognized in equity		-	-
Reclassified to profit or loss		-	-
Other reclassifications		-	-
Income tax on items that may be reclassified to profit or loss	19	**1,109**	**5,081**
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE YEAR		**102,398**	**40,354**
Attributable to non-controlling interests		-	5
Attributable to owners of the parent		102,398	40,349

(*) See details on the impacts of adopting IFRS 9 on 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated statement of recognized income and expense for the year ended 31 December 2018.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated comprehensive statement of changes in equity for the year ended 31 December 2018 (*)

(Thousands of euro)

At 31 December 2018 (*)

Source of change in equity (*)	Share capital	Retained earnings	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interests	Total
Balance at 1 January 2018	**168,272**	**749,593**	**42,030**	**(1,158)**	**92,413**	**(1,963)**	**39,109**	**218**	**1,088,514**
Adjustments due to error correction	-	-		-	-	-	-	-	-
Adjustments due to changes in accounting policies	**-**	**-**	**(17,718)**	**-**	**-**	**-**	**(41,430)**	**-**	**(59,148)**
Balance at 1 January 2018 (**)	**168,272**	**749,593**	**24,312**	**(1,158)**	**92,413**	**(1,963)**	**(2,321)**	**218**	**1,029,366**
Total recognized income and expenses for the year	-	-	-	**-**	**93,502**	**-**	**8,896**	**-**	**102,398**
Other changes to equity	**(892)**	**84,829**	**4,484**	**1,158**	**(92,413)**	**378**	**-**	**(218)**	**(2,674)**
Ordinary shares issued	2,594	-	-	-	-	-	-	-	2,594
Preference shares issued	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-
Debt/equity conversion	-		-	-	-	-	-	-	-
Capital reduction	(3,486)	-	-	-	-	-	-	-	(3,486)
Dividends (or payments to members)	-	-	-	-	-	(1,585)	-	-	(1,585)
Buyback of treasury shares	-	-	-	(2,329)	-	-	-	-	(2,329)
Sale or cancellation of treasury shares	-	-	-	3,487	-	-	-	-	3,487
Transfers of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-
Transfers of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	84,829	5,621	-	(92,413)	1,963	-	-	-
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Other increases (-) decreases in equity	-	-	(1,137)	-	-	-	-	(218)	(1,355)
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-	-
Balance at 31 December 2018	**167,380**	**834,422**	**28,796**	**-**	**93,502**	**(1,585)**	**6,575**	**-**	**1,129,090**

(*) See reconciliation between IAS 39 reporting at 31 December 2017 and IFRS 9 reporting at 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated comprehensive statement of changes in equity for the year ended 31 December 2018

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated comprehensive statement of changes in equity for the year ended 31 December 2017 (*)

(Thousands of euro)

At 31 December 2017 (*)

Source of change in equity (*)	Share capital	Retained earnings	Other reserves	(-) Treasury shares	Profit or (-) loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income	Non-controlling interests	Total
Balance at 1 January 2017	**167,249**	**685,188**	**36,737**	**-**	**69,501**	**(2,055)**	**91,173**	**212**	**1,048,005**
Adjustments due to error correction	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-
Balance at 1 January 2017 (*)	**167,249**	**685,188**	**36,737**	**-**	**69,501**	**(2,055)**	**91,173**	**212**	**1,048,005**
Total recognized income and expenses for the year	-	-	-	**-**	**92,413**	**-**	**(52,064)**	**5**	**40,354**
Other changes to equity	**1,023**	**64,405**	**5,293**	**(1,158)**	**(69,501)**	**92**	**-**	**1**	**155**
Ordinary shares issued	2,422	-	-	-	-	-	-	-	2,422
Preference shares issued	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-
Debt/equity conversion	-	-	-	-	-	-	-	-	-
Capital reduction	(1,399)	-	-	-	-	-	-	-	(1,399)
Dividends (or payments to members)	-	-	-	-	-	(1,963)	-	-	(1,963)
Buyback of treasury shares	-	-	-	(1,158)	-	-	-	-	(1,158)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-	-
Transfers of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-	-
Transfers of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	64,405	3,041	-	(69,501)	2,055	-	-	-
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Other increases (-) decreases in equity	-	-	2,252	-	-	-	-	1	2,253
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017 (*)	**168,272**	**749,593**	**42,030**	**(1,158)**	**92,413**	**(1,963)**	**39,109**	**218**	**1,088,514**

(*) Presented for comparison purposes only.

Consolidated cash flow statement
CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO
AND SUBSIDIARIES

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated cash flow statement for the year ended 31 December 2018 (*)

(Thousands of euro)

	Note	2018	2017 (**)
A) CASH FLOWS FROM OPERATING ACTIVITIES		**4,880**	**69,873**
Profit for the year		**93,502**	**92,418**
Adjustments to obtain cash flows from operating activities		**42,887**	**63,911**
Depreciation and amortization	**15 and 16**	15,364	14,903
Other adjustments		27,523	49,008
Net (increase) decrease in operating assets		**(474,057)**	**(631,111)**
Financial assets held for trading		(247)	965
Financial assets not held for trading mandatorily measured at fair value through profit or loss		(17,555)	
Financial assets designated at fair value through profit or loss			-
Financial assets at fair value through other comprehensive income		2,064,083	
Available-for-sale financial assets			(116,782)
Financial assets at amortized cost		(2,518,841)	
Loans and receivables			(531,694)
Other operating expenses		(1,497)	16,400
Net (increase) decrease in operating liabilities		**341,672**	**543,952**
Financial liabilities held for trading		(347)	(85)
Financial liabilities at amortized cost		479,695	579,619
Other operating expenses		(137,676)	(35,582)
Company income tax receipts (payments)		**876**	**703**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**4,406**	**15,420**
Payments		**(49,281)**	**(44,064)**
Tangible assets	**15**	(16,038)	(17,402)
Investments in subsidiaries, joint ventures and associates	**14**	(1,490)	(536)
Non-current assets and liabilities held for sale		(31,753)	(12,421)
Held-to-maturity investments			(13,705)
Other payments related to investing activities		-	-
Receipts		**53,687**	**59,484**
Tangible assets	**15**	1,044	7,562
Investments in subsidiaries, joint ventures and associates	**14**	4,375	-
Non-current assets and liabilities held for sale		48,268	17,790
Held-to-maturity investments			34,132
Other receipts related to investing activities		-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		**(1,319)**	**(2,097)**
Payments		**(7,400)**	**(4,520)**
Dividends	**20**	(1,585)	(1,963)
Subordinated liabilities		-	-
Cancellation of own equity instruments	**20**	(3,486)	(1,399)
Acquisition of own equity instruments		(2,329)	(1,158)
Other payments related to financing activities		-	-
Receipts		**6,081**	**2,423**
Subordinated liabilities		-	-
Issue of own equity instruments	**20**	2,594	2,423
Disposal of own equity instruments		3,487	-
Other receipts relating to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**-**	**-**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**7,967**	**83,196**
F) CASH AND CASH EQUIVALENTS AT START OF YEAR		**343,482**	**260,286**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR		**351,449**	**343,482**
MEMORANDUM ITEMS			
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash		46,194	45,164
Cash equivalents in central banks		-	-
Other demand deposits		305,255	298,318
Other financial assets		-	-
Less: Bank overdrafts repayable on demand		-	-

(*) See details on the impacts of adopting IFRS 9 on 1 January 2018 (Note 1.c).
(**) Presented for comparison purposes only.

NOTES TO THE FINANCIAL STATEMENTS

1. Introduction, basis of presentation, consolidation principles and other information

a) Introduction

Caja Rural de Navarra, Sociedad Cooperativa de Crédito (hereinafter Caja Rural de Navarra, the Bank or the Parent Company) is a cooperative credit institution whose principal activity, pursuant to its articles of association, is to collect funds from the general public through deposits, loans, financial assets sold under repurchase agreements, and other similar transactions involving a repayment obligation, and to use the funds thus obtained to offer, on its own account, loans, credit facilities and other similar transactions that meet the financial needs of members and third parties.

Its articles of association were approved by the General Directorate for the Treasury and Financial Policy of the Ministry for the Economy and Finance on 24 January 1994.

The Bank began operating on 23 January 1946. Its activities are governed by Act 13/1989, of 26 May, on Cooperative Credit Institutions, the Cooperative Credit Institution Regulations set out in Royal Decree 84/1993, of 22 January, and Act 27/1999, of 16 July, on Cooperatives.

The Bank may engage in all kinds of lending, deposit and service activities in which other credit institutions are permitted to engage, prioritising the financial needs of its members in the exercise of such activities.

As established in its articles of association, the Bank operates on a nationwide basis. At 31 December 2018, it had a network of 252 branches (two more than at 31 December 2017), 139 of them located in Navarre and the rest in neighbouring regions. Through this network it is able to perform all types of operation typical of and/or specific to institutions of its kind.

As a cooperative credit institution, the Bank is subject to certain legal regulations that establish, inter alia, the following requirements:

- That a minimum percentage of capital is deposited with the Bank of Spain so as to ensure coverage of the minimum reserve requirement, which at 31 December 2018 and 2017 was 1% of eligible liabilities (see Note 7).
- That appropriations to the Mandatory Reserve Fund and to the Social Welfare Fund are made when distributing the net surplus for the year (Notes 21 and 22).
- That a minimum level of capital and reserves must be maintained (Notes 1.i).

- That annual contributions are made to the Deposit Guarantee Fund for Credit Institutions and the Spanish National Resolution Fund to provide creditors with a further guarantee in addition to that provided by the Bank's equity (Note 1.j).
- That at least 50% of the Bank's total capital and reserves is used to extend credit (loans, credit lines, discounts) to members of the Bank and/or members of associated cooperative credit institutions.

The Bank is the Parent Company of a group of companies whose activities it controls either directly or indirectly and that are engaged in various different activities and, together with the Parent Company, make up the Caja Rural de Navarra Group (hereinafter the Group). Consequently, in addition to its own separate annual financial statements, Caja Rural de Navarra is required to prepare consolidated annual financial statements for the Group.

The separate financial statements of the Group's Parent Company, Caja Rural de Navarra, Sociedad Cooperativa de Crédito, are prepared according to Spanish GAAP as defined in Bank of Spain Circular 4/2017 and other financial reporting regulations applicable to the Bank. The Parent Company recognizes its investments in subsidiaries, associates and joint ventures at cost as prescribed by Circular 4/2017 and permitted by IAS 27. The financial statements of Caja Rural de Navarra, Sociedad Cooperativa de Crédito at 31 December 2018 and 2017 are shown in Annex I.

At 31 December 2018, the assets, equity and profit for the year of the Parent Company made up 98%, 97% and 98%, respectively, of the equivalent Group items (compared to 99%, 97% and 94% at 31 December 2017).

b) Basis of presentation of the annual financial statements

Under Regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002, all companies subject to the law of an EU member state with shares listed on a regulated market of any EU member state, must present consolidated financial statements for years beginning on or after 1 January 2005 in accordance with International Financial Reporting Standards (IFRS) as previously adopted by the EU (hereinafter, IFRS-EU). To adapt financial reporting by Spanish banks to the new standards, the Bank of Spain issued its Circular 4/2004, of 22 December, on Public and Reserved Financial Reporting Standards and Model Financial Statements, subsequently replaced on 1 January 2018 by Circular 4/2017, of 27 November 2017.

These Group consolidated financial statements are presented in accordance with IFRS-EU at 31 December 2018 taking into consideration Bank of Spain Circular 4/2017, of 22 November, replacing its Circular 4/2004, of 22 December, as amended. The Circular develops and adapts IFRS-EU to the Spanish banking sector.

The consolidated financial statements have been prepared in accordance with all accounting standards, principles and mandatory valuation criteria with a material impact on these statements, so as to give a true and fair view of the Group's consolidated assets, liabilities and financial position at 31 December 2018 and of the consolidated profits from its operations, net change in equity and cash flows in the year then ended.

Note 2 summarises the accounting principles and policies and significant valuation criteria applied in preparing the Group's 2018 consolidated financial statements.

The information in these consolidated financial statements is the responsibility of the Members of the Board of the Group's Parent Company.

The consolidated financial statements have been prepared on the basis of the accounting records maintained by the Parent Company and by the other companies making up the Group. However, since the accounting policies and measurement criteria applied in the preparation of the Group's consolidated annual financial statements for 2018 may differ from those used by certain entities included in the Group, the adjustments and reclassifications necessary to harmonize these principles and criteria across the Group and to bring them in line with IFRS-EU have been made in the process of consolidation.

The consolidated financial statements are presented in thousands of euro, except where otherwise stated.

These consolidated annual financial statements have been prepared by the Governing Board of Caja Rural de Navarra and are pending approval by its members, who have the power to make amendments hereto, at the forthcoming Annual General Meeting. However, the Bank's directors believe that the financial statements will be approved without material amendment.

The consolidated annual financial statements for 2017 were approved at the Bank's Annual General Meeting held on 4 May 2018.

c) First-time application of IFRS 9 – Financial Instruments

IFRS 9 "Financial instruments", as adopted by the European Union, came into force on 1 January 2018. This new standard makes a number of changes to the way financial assets and liabilities are classified, measured and recognized.

Its adoption has a material impact, which is why we have also applied some of the elements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the new standard's own transitional provisions.

The main issues raised by the new standard are:

- IFRS 9 maintains but simplifies the mixed measurement model and defines three main categories for the way financial assets can be measured: amortized cost, fair value through profit and loss and fair value through other comprehensive income. Instruments are classified in one or other category based on the business model of the entity and the characteristics of the contractual cash flows arising from the financial asset. Investments in equity instruments are measured at fair value through profit and loss with an irrevocable option on initial recognition to recognize fair value changes in OCI without recycling, if the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value must be recognized in profit or loss.

For financial liabilities, IFRS 9 makes no changes to the rules on classification and measurement, except that changes in own credit risk attaching to liabilities designated at fair value through profit or loss are recognized in other comprehensive income.

- IFRS 9 also introduces a new "expected loss" model to replace IAS 39's "incurred loss" model. This means that losses are recognized earlier than they would have been under the old system.

Under this methodology, after initial recognition, transactions are classified as "Phase 1", in which the firm recognizes the expected loss over the next 12 months. If risk of default subsequently increases significantly they are reclassified as "Phase 2" and expected loss is recognized for the residual term to maturity of the transaction, taking into account any extension options. Finally, if transactions are found to be impaired – i.e., part of the investment is unlikely to be recovered allowing for the time value of money – they are classified as "Phase 3" and the firm recognizes the expected loss to residual maturity. Impaired transactions also recognize interest on their carrying amount net of provisions instead of gross of provisions as previously.

- IFRS 9 also changes the requirements for a hedge to be effective requiring that there is an economic relationship between the hedged item and the hedging instrument and that the hedge ratio is the same as that actually used in the entity's risk management. Under the previous standard a hedge is highly effective both prospectively and retrospectively.

The Group implemented an adaptation project overseen by the Management of the Parent Company that addressed the following areas of the standard's first-time application as of 1 January 2018:

a) Classification and measurement of financial instruments

The Group assessed and identified all its existing business models and classified instruments accordingly, applying the principle of "solely payments of principal and interest".

The main qualitative impacts on the Group are:

- No significant change to classification and measurement of financial assets in the "Loans and receivables" portfolio as this follows a business model based on contractual cash-flows from the underlying financial assets in the different loan books. The analysis identified no portfolios with special features that breached the IFRS 9 contractual cash flow criterion for measurement at amortized cost.
- The Management and Assets and Liabilities Committee of the Parent Company mapped the old sub-portfolios – "Available-for-sale financial assets" and "Held-to-maturity investments" – onto the appropriate business model as at 1 January 2018, in light of factors such as frequency, schedule and volume of past disposals, reasons for such disposals, interest rate sensitivity and projected future disposals. This resulted in substantial reclassifications of debt portfolios from fair value to amortized cost. Also, assets that failed to meet the contractual cash-flow criterion in IFRS 9 were reclassified from amortized cost to at fair value through profit or loss.
- Certain unlisted capital instruments that were carried at cost have been restated to fair value.
- "Financial assets held for trading" were unchanged, reported at fair value through profit or loss.
- No change to the Bank's financial liabilities as it carries no liabilities at fair value through profit or loss.

b) Measuring significant increase in credit risk of financial instruments

The new impairment model based on expected loss has resulted in increased provisions on the loan book. The Group has applied impairment models based on collective and individual estimates of expected losses, classifying transactions in a way that means they can be assigned to the risk phases set out in the standard.

The impairment assessment process takes into account all credit exposures, whether debt instruments or off-balance sheet. The Group has applied the parameters and methodology of IFRSs in force using an expected loss methodology, and other local standards, based on data and statistical models that aggregate average behaviour across the whole Spanish banking sector and provides full compatibility with IFRS, to define the classification and measurement of impairment in the Group's on- and off-balance sheet exposures to its customers. The methodology considers, among other points, the credit risk segment of the transaction, real and effective personal guarantees received, the debtor's financial position and, where applicable, the age of amounts overdue.

c) Hedge accounting

The Group has opted to maintain IAS 39 hedge accounting so there have been no changes in this area.

Breakdowns in the notes only apply IFRS 9 changes to the current period figures. Comparative data still show the prior year breakdowns.

Below, we show the detailed impacts on the Group of adopting IFRS 9:

Classification and measurement of financial instruments

The table below shows a comparison between the treatment under IAS 39 at 31 December 2017 and IFRS 9 at 1 January 2018 for those instruments reclassified under IFRS 9 criteria for classification and measurement (not including impairment), and their book value:

	IAS 39 (31.12.2017)		IFRS 9 (01.01.2018)	
	Portfolio	Book value (Thousands of euros)	Portfolio	Book value (Thousands of euros)
Equity instruments	Available-for-sale financial assets including those carried at cost at December	166,506	Financial assets at fair value through other comprehensive income	166,506
Debt securities	Available-for-sale financial assets	2,644,802	Financial assets at fair value through other comprehensive income	227,155
			Financial assets not held for trading mandatorily measured at fair value through profit or loss	1,495
			Financial assets held for trading	2,928
			Financial assets at amortized cost	2,356,303
	Loans and receivables	4,540	Financial assets not held for trading mandatorily measured at fair value through profit or loss	2,214
			Financial assets at amortized cost	2,501
	Held-to-maturity investments	611,833	Financial assets not held for trading mandatorily measured at fair value through profit or loss	6,008
			Financial assets at amortized cost	605,825
Loans and advances	Loans and receivables	7,450,548	Financial assets not held for trading mandatorily measured at fair value through profit or loss	12,791
			Financial assets at amortized cost	7,415,764

Reconciliation of valuation adjustments for impairment under IAS 39 and IFRS 9

The table below shows a reconciliation between the treatment under IAS 39 at 31 December 2017 and IFRS 9 at 1 January 2018 of valuation adjustments for impairment to financial instruments under the new IFRS 9 criteria:

	Thousands of euros		
	IAS 39 31.12.2017	Impairment	IFRS 9 01.01.2018
Financial assets at amortized cost	**138,458**	**20,331**	**158,789**
Loans and advances	138,114	19,815	157,929
Debt securities	344	516	860
Financial assets at fair value through other comprehensive income	**894**	**557**	**1,451**
Debt securities	894	557	1,451
Commitments and guarantees given	**9,919**	**125**	**10,044**
	149,271	21,013	170,284

Reconciliation of consolidated statement of financial position under IAS 39 and IFRS 9

Below we show a detailed reconciliation of the consolidated statement of financial position under IAS 39 at 31 December 2017 and IFRS 9 at 1 January 2018, distinguishing the impact of changes due to classification and measurement from those due to impairment under IFRS 9:

	Thousands of euros				
ASSETS	IAS 39 31.12.2017	Change of terminology (*)	Impact due to classification and measurement	Impact due to impairment/ Other	IFRS 9 01.01.2018
Financial assets held for trading	**7,483**	**-**	**2,928**	**-**	**10,411**
Debt securities		-	2,928 (c)	-	2,928
Financial assets not held for trading mandatorily measured at fair value through profit or loss		**-**	**22,508**	**-**	**22,508**
Debt securities		-	9,717	-	9,717
Loans and advances		-	12,791 (a)	-	12,791
Financial assets at fair value through other comprehensive income		**394,218**	**-**	**(557)**	**393,661**
Equity instruments		166,506(c)	-	-	166,506
Debt securities		227,712(d)	- (b)	(557)	227,155
Available-for-sale financial assets	**2,811,308**	**(394,218)**	**(2,417,090)**	**-**	
Equity instruments	166,506	(166,506)(c)	-	-	
Debt securities	2,644,802	(227,712)(c)	(2,417,090)	-	
Financial assets at amortized cost		**8,043,905**	**2,356,819**	**(20,331)**	**10,380,393**
Debt securities		608,326(b)	2,356,819 (c)	(516)	2,964,629
Loans and advances		7,435,579(a)	-	(19,815)(e)	7,415,764
Loans and receivables	**7,455,088**	**(7,438,080)**	**(17,008)**	**-**	
Debt securities	4,540	(2,501)(d)	(2,039)	-	
Loans and advances	7,450,548	(7,435,579)(a)	(14,969)	-	
Held-to-maturity investments	**611,833**	**(605,825)**(b)	**(6,008)** (b)	**-**	
Tax assets	**48,106**	**-**	**-**	**5,976**(f)	**54,082**
Other assets	**792,420**	**-**	**-**	**-**	**792,420**
TOTAL ASSETS	**11,726,238**	**-**	**(57,851)**	**(14,912)**	**11,653,475**

(*) Due to first-time adoption of IFRS 9.

a) Amounts shown under "Loans and receivables" at 31 December 2017 have been reclassified to "Financial assets at amortized cost" as a result of the renaming of this portfolio following adoption of IFRS 9, with the exception of the finance granted to Gestión Arrendadora Social which did not pass the SPPI test and was therefore classified under "Financial assets not held for trading mandatorily measured at fair value through profit or loss".

b) Instruments booked as "Held-to-maturity investments" at 31 December 2017 have been reclassified to "Financial assets at amortized cost" as a result of the renaming of this portfolio following adoption of IFRS 9, with the exception of 6 securities which have been reclassified to "Financial assets not held for trading mandatorily measured at fair value through profit or loss".

c) Instruments booked under "Available-for-sale financial assets" at 31 December 2017 have been reclassified to "Financial assets at fair value through other comprehensive income" (following the renaming of items under IFRS 9), except for 144 securities which were reclassified to "Financial assets at amortized cost", 1 security which was reclassified under "Financial assets held for trading" and 3 securities that failed the SPPI test and were therefore reclassified as "Financial assets not held for trading mandatorily measured at fair value through profit or loss".

d) Instruments reported under "Loans and receivables" at 31 December 2017 have been reclassified to "Financial assets at fair value through other comprehensive income" (due to the renaming of this portfolio following adoption of IFRS 9), with the exception of 5 securities which did not pass the SPPI test and were therefore classified under "Financial assets not held for trading mandatorily measured at fair value through profit or loss".

e) This reflects increased impairment provisions against assets in "Financial assets at amortized cost" due to the change in accounting policy.

f) This reflects the tax effect of the increase in provisions.

LIABILITIES	Thousands of euros IAS 39 31.12.2017	Renaming (*)	Impact due to classification and measurement	Impact due to impairment	IFRS 9 01.01.2018
Provisions– Commitments and guarantees given	9,919	-	-	125	10,044
Tax liabilities	21,802	-	-	(13,740)	8,062
Other liabilities	10,606,003	-	-	-	10,606,003
TOTAL LIABILITIES	10,637,724	-	-	(13,615)	10,624,109

(*) Due to first-time adoption of IFRS 9.

a) This reflects the tax effect of unrealized gains generated by the reclassifications of portfolios at 1 January 2018 discussed above.

EQUITY	Thousands of euros IAS 39 31.12.2017	Renaming (*)	Impact due to classification and measurement	Impact due to impairment/ Other	IFRS 9 01.01.2018
CAPITAL AND RESERVES	**1,049,187**	**-**	**-**	**(17,718)**	**1,031,469**
Other reserves	749,593	-	-	(17,718) (c)	731,875
				-	-
Accumulated other comprehensive income	**39,109**	**-**	**(41,430)**	**-**	**(2,321)**
Items that will not be reclassified to profit or loss	**-**	**(2,577)**	**-**	**-**	**(2,577)**
Changes in fair value of equity instruments at fair value through other comprehensive income		(2,577) (a)	-	-	(2,577)
Items that may be reclassified to profit or loss	**39,109**	**2,577**	**(41,430)**	**-**	**256**
Changes in fair value of debt instruments at fair value through other comprehensive income		41,686 (a)	(41,430) (b)	-	256
Available-for-sale financial assets	39,109	(39,109) (a)	-	-	
Debt instruments	*41,686*	*(41,686)*	-	-	
Equity instruments	*(2,577)*	*2,577*	-	-	
Non-controlling interests	**218**	**-**	**-**	**-**	**218**
EQUITY	**1,088,514**	**-**	**(41,430)**	**(17,718)**	**1,029,366**
TOTAL LIABILITIES AND EQUITY	**11,726,238**	**-**	**(41,430)**	**(31,333)**	**11,653,475**

(*) Due to first-time adoption of IFRS 9.

a) Amounts classified under "Items that may be reclassified to profit or loss – Available-for-sale financial assets" at 31 December 2017 have been reclassified to "Items that may be reclassified to profit or loss – Changes in fair value of debt instruments at fair value through other comprehensive income", due to the adoption of IFRS 9, except for equity instruments which cannot be recycled through profit or loss and were therefore reclassified under "Items that will not be reclassified to profit or loss – Changes in fair value of debt instruments at fair value through other comprehensive income".

b) Impact of measuring at amortized cost debt instruments reported under "Available-for-sale financial assets" at 31 December 2017 and reclassified to "Financial assets at amortized cost".

c) This reflects the increase in impairment provisions and the transfer of net gains on assets at fair value through equity at 31 December 2017 to at fair value through profit or loss at 1 January 2018.

The effects of implementing IFRS 9 are currently being audited, but we present below the aggregate impacts on the financial statements.

	Millions of euros
Net impact on statement of financial position	(59.1)
Increase in valuation adjustments for impairment of the loan book	(21.0)
Change to fair value of transactions reported under "Financial assets not held for trading mandatorily measured at fair value through profit or loss"	(2.6)
Reclassifications of portfolios from "Available-for-sale financial assets" to "at amortized cost".	(55.2)
Deferred tax assets generated	19.7
Equity impact (decrease)	(59.1)
Impact on valuation adjustments (decrease)	(41.4)
Impact on reserves (decrease)	(17.7)

The reclassification of a number of sub-portfolios from "available-for-sale" to "at amortized cost" resulted in a substantial fall in valuation adjustments.

Application of IFRS 9 negatively impacted the Bank's fully loaded CET1 ratio by around 79 basis points.

First-time application of IFRS 16, Leases

IFRS 16 (applicable from 1 January 2019 with an early adoption option that the Group has exercised) sets out the principles governing recognition, measurement, presentation and disclosure of leases. Its aim is to guarantee that lessees and lessors report the right information to give a true and fair view of these transactions.

The big change made by IFRS 16 is the single model for lessees to report their leases. Lessees must now recognize the assets and liabilities of all leases with a term of over 12 months unless the underlying asset has a low value or is intangible. The main change is the obligation for the lessee to recognize a right-of-use asset representing its right to use the underlying lease asset, and a lease liability, representing the present value of its obligation to make the lease payments. The asset is amortised over the lifetime of the agreement, the liability generates a financial expense.

The main type of leases identified by the Bank that require it to estimate a right-of-use asset and lease liability, are leases on the office buildings for its own use.

The results of the project to implement IFRS 16 are currently under review. Application would result in an equal-sized asset and liability of approximately EUR 6.6 million, with no impact on Equity.

d) Accounting principles and measurement bases

These consolidated annual financial statements have been prepared in accordance with the generally accepted accounting principles described in Note 2 "Accounting principles, policies and measurement bases". All mandatory accounting principles and measurement bases with a significant effect on the consolidated financial statements were applied.

e) Consolidation principles

The Group is defined in accordance with IFRS-EU. All subsidiaries, joint ventures and associates are investees.

I . Subsidiaries

Investees are considered to be "subsidiaries" when the Group exercises control over them, defined as when it has exposure, or rights, to variable returns from its involvement with the investee and can use its power over the investee to affect its returns.

Control is deemed to exist only when the following all apply:

- Power: An investor has power over an investee when it has existing rights that give it the ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.
- Returns: An investor is exposed, or has rights to, variable returns from its involvement in the investee when the returns it derives from its involvement have the potential to vary as a result of the investee's performance. The returns can be positive, negative or both.
- Relationship between power and returns: To control an investee an investor must not only have power over the investee and exposure or rights to variable returns from its involvement with the investee but must also have the ability to use this power to affect its returns from its involvement with the investee.

When assessing control, the Group also takes into consideration any relevant facts or circumstances, such as those described in the implementation guidance for the standards (e.g., whether the Group directly or indirectly owns more than 50% of the voting rights).

The financial statements of subsidiaries are fully consolidated with those of the Bank. Accordingly, all material balances deriving from transactions between fully consolidated companies have been eliminated on consolidation. Third-party interests in:

- The Group's capital are recognized as "Non-controlling interests" in the consolidated statement of financial position.

- Profit for the year are recognized under "Attributable to non-controlling interests" in the consolidated income statement.

The results of subsidiaries acquired by the Group in the course of the year are included in the consolidated income statement from the date of acquisition to the year-end only. Likewise, the results of subsidiaries disposed of by the Group in the course of the year are included in the consolidated income statement from the start of the year to the date of disposal only.

Inter-company transactions – the balances, income and expenses arising from transactions between Group entities are eliminated on consolidation. Also eliminated are gains or losses generated by intragroup transactions which are recognized as assets. The accounting policies applied by subsidiaries have been amended where necessary to ensure uniform policies are applied Group-wide.

Business combinations are booked according to the acquisition method. The consideration transferred to acquire a subsidiary is measured as the fair value of the assets transferred, any liabilities assumed to the prior owners of the acquiree and any equity interests in the acquiree issued by the Group. Consideration also includes the fair value of any assets or liabilities resulting from any contingent consideration agreement. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. In each business combination, the Group can choose to measure any non-controlling interest in the acquiree either at fair value or at its proportionate share of the identifiable net assets of the acquiree.

Acquisition costs are recognized as expenses for the year they are incurred.

If the business combination takes place in stages, at the final acquisition date the Group remeasures any previously held interest in the acquiree's net assets at fair value through profit or loss.

Any contingent consideration to be transferred by the Group is measured at fair value at the acquisition date. Subsequent changes to the fair value of a contingent consideration treated as an asset or liability are recognized in accordance with IFRS 9 in income for the period.

Goodwill is initially measured as the total consideration paid plus the fair value of the non-controlling interests less the net amount of identifiable assets acquired and liabilities assumed. If this consideration turns out to be less than the fair value of net assets of the subsidiary acquired, the difference is recognized in income.

The details of fully consolidated subsidiaries at 31 December 2018 and 2017 were as follows:

Legal Documentation

Subsidiaries	% ownership interest		Thousands of euros Acquisition cost	
	2018	2017	2018	2017
Informes y Gestiones Navarra, S.A.	100.00%	100.00%	1,860	1,860
Harivasa 2000, S.A.	100.00%	100.00%	2,366	2,366
Harinera de Tardienta, S.A.	100.00%	100.00%	11,780	11,780
Harantico, S.L.	100.00%	100.00%	6,763	6,763
Harinera del Mar Siglo XXI, S.L.	100.00%	100.00%	21,989	21,989
Promoción Estable del Norte, S.A.	100.00%	100.00%	103,921	96,811
Haribericas XXI, S.L.	100.00%	100.00%	12,725	12,725
Harivenasa, S.A.	100.00%	-	3,500	-
Industrial Tonelera Navarra, S.A.	100.00%	100.00%	1,820	1,820
Tonnellerie de l'Adour, SAS	100.00%	90.00%	1,896	1,710
Seresgerna, S.A. (*)	100.00%	100.00%	-	-
Residencia Torre de Monreal, S.L. (*)	100.00%	100.00%	-	-
Solera Asistencial, S.L.	100.00%	100.00%	7,760	7,760
Bouquet Brands, S.A.	100.00%	100.00%	3,350	3,350
Preventia Sport, S.L.	100.00%	100.00%	443	443
The Spanish Food & Drinks Company GMBH	-	100.00%	-	25

(*) Indirect ownership interest via Solera Asistencial, S.L.

The activities and registered offices of Group companies included in the scope of consolidation at 31 December 2018 are listed below:

Company	Head office	Line of business
Informes y Gestiones Navarra, S.A.	Pamplona	Document preparation and processing
Harivasa 2000, S.A.	Noain (Navarre)	Manufacture and sale of flour
Harinera de Tardienta, S.A.	Tardienta (Huesca)	Manufacture and sale of flour
Harantico, S.L.	Pontevedra	Manufacture and sale of flour
Harinera del Mar Siglo XXI, S.L.	Valencia	Manufacture and sale of flour
Promoción Estable del Norte, S.A.	Pamplona	Real estate development
Haribericas XXI, S.L.	Seville	Manufacture and sale of flour
Harivenasa, S.A.	Noain (Navarre)	Manufacture and sale of flour
Industrial Tonelera Navarra, S.A.	Monteagudo (Navarre)	Manufacture and sale of barrels and casks
Tonnellerie de l'Adour, SAS	France	Manufacture and sale of barrels and casks
Seresgerna, S.A.	Pamplona	Development and operation of senior care centres
Residencia Torre de Monreal, S.L.	Tudela (Navarre)	Development and operation of senior care centres
Solera Asistencial, S.L.	Pamplona	Development and operation of senior care centres
Bouquet Brands, S.A.	Pamplona	Distribution of agri-foodstuffs
Preventia Sport, S.L.	Pamplona	Medical sports services

II. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are treated as equity transactions, i.e. transactions between owners of the company acting as such. The difference between the fair value of consideration paid and the proportional amount acquired of the carrying amount of the subsidiary's net assets is recognized in equity. Gains or losses on disposal of non-controlling interests are also recognized in equity.

III. Disposal of subsidiaries

When the Group ceases to control a subsidiary any remaining equity interest is remeasured at fair value at the date that control was lost and any change is recognized as a change in the carrying amount through profit or loss. This fair value is the initial carrying amount used thereafter to recognize the remaining equity interest as an associate, joint venture or financial asset. In addition, any "Accumulated other comprehensive income" previously recognized in respect of the subsidiary's equity is treated as though the Group had directly sold the assets or liabilities concerned. This can mean that amounts previously recognized in equity are reclassified to consolidated profit or loss.

IV. Joint ventures (Jointly controlled entities)

A joint venture is a contractual arrangement whereby two or more entities ("venturers") undertake an economic activity that is subject to their joint control, joint control being defined as the contractually agreed sharing of the power to direct the financial or operating activities of an entity, or other economic activity, so as to obtain benefits from its operations, where decisions about the relevant activities require the unanimous consent of the venturers.

Also classified as "Joint ventures" are equity interests in entities that are not subsidiaries but are jointly controlled by two or more entities unrelated to each other, one of these being the Group.

At 31 December 2018 and 2017 there were no equity interests classified as "Joint ventures".

V. Associates

Associates are investee companies over which the Group has the capacity to exercise significant influence. Significant influence usually, but not always, takes the form of an equity interest, held either directly or indirectly through one or more other investees, which gives the Group 20% or more of the votes in the investee company.

In consolidating associates the Group followed the equity method as defined in IAS 28. Accordingly, investments in associates were measured at the proportional amount of the Group's interest in their capital adjusted for dividends paid and other eliminations. Profit or loss from transactions with an associate are eliminated in proportion to the Group's interest. If losses made by an associate result in it having negative equity it is carried in the Group's consolidated statement of financial position at zero value unless the Group has an obligation to support it financially.

For information on associates at 31 December 2018 and 2017 see Note 14.

The accounting principles and standards and measurement criteria used to prepare the Group's 2018 and 2017 financial statements may differ from those used by certain subsidiaries, jointly controlled entities and associates that fall within its scope. However, any such discrepancies have been eliminated by making the material adjustments and reclassifications required in the process of consolidation.

f) Changes in scope of consolidation

We explain below the changes in the Caja Rural de Navarra Group's consolidation scope during 2018:

- On 23 May 2018, the Parent Company acquired 100% of the share capital of Harivenasa, S.A., for a value of EUR 3,500 thousand, of which it holds 24.90% indirectly via Harivasa 2000, S.A.. Following this business combination the company is now fully consolidated by the Group.

We explain below the changes in the Caja Rural de Navarra Group's consolidation scope during 2017:

- In 2017, Eólica La Calera was dissolved and liquidated, which has had no significant impact on the consolidated financial statements at 31 December 2017.

g) Accounting estimates and assumptions used

In the preparation of the Group's 2018 consolidated financial statements, certain estimates were made by its senior executives, and subsequently ratified by its directors, in order to quantify certain of the assets, liabilities, revenues, expenses and commitments reported herein. These estimates related basically to the following:

• Impairment losses on certain financial instruments. (Notes 2.g, 9, 10 and 18)

- The actuarial assumptions used in calculating liabilities and commitments for post-employment benefits. (Note 2.t)
- The useful lives of tangible assets. (Note 2.i)
- The fair value of certain financial assets not listed on official secondary markets. (Note 6.d)
- The cost and expected change in provisions and contingent liabilities (Note 2.m)
- The assumptions used to calculate the fair value of "Loans and receivables" and "Financial liabilities at amortized cost" (Note 6.d)
- Estimation of Income Tax and recovery of deferred tax assets (Note 22)
- Measurement of goodwill and assignment of prices in business combinations (Note 15)

To determine the value of certain property assets at the year-end, the Group also used valuations made by independent appraisers. These valuations were based on estimates of future cash flows, expected returns and other variables, which should be taken into consideration when interpreting the accompanying consolidated financial statements.

These estimates were made using the best data available on the items concerned at 31 December 2018. But they may be revised up or down in light of future events in coming years. Any such change will be applied prospectively, with the changed estimates booked in the corresponding consolidated income statement.

h) Comparative information

In July 2014, the IASB published IFRS 9, which along with subsequent amendments, has been adopted by the Group as from 1 January 2018. As the standard permits, the Group has opted not to restate comparative financial statements. It has therefore not restated figures for the year ended 31 December 2017 and these are therefore not comparable. Instead, Note 1.c, includes a reconciliation of balances at 31 December 2017 under IAS 39 and those at 1 January 2018 under IFRS 9.

Similarly, to adapt the financial reporting of Spanish banks to the changes brought in by IFRS 15 and IFRS 9, on 6 December 2017 the Bank of Spain published Circular 4/2017, of 27 November, replacing Circular 4/2004, of 22 December and applying to years beginning on or after 1 January 2018. Adoption of this Circular has changed the way certain items are disclosed and presented in the financial statements, to adapt to IFRS 9. Data for the year ended 31 December 2017 has not been restated to reflect this Circular.

Comparative figures for 2017 are presented alongside the accounting information for the year ended 31 December 2018 according to IFRS-EU criteria. Figures for 2017 are presented for comparative purposes only and do not form part of the Group's 2018 consolidated financial statements.

i) Equity

The Basel Committee on Banking Supervision is leading the harmonization of international financial regulation. In 1988, the Committee issued the Basel I accords, creating an initial regulatory system for credit institutions which set a minimum capital ratio of 8% of all risk-weighted assets. Subsequently, in 2004, Basel II improved the sensitivity of the mechanisms for estimating risks and introduced two new pillars: self-assessment of capital and risks by each institution (Pillar II) and market discipline (Pillar III). In December 2010, the Committee approved a third set of regulations (Basel III) which tightened capital adequacy requirements, requiring capital to be made up of better-quality instruments, and sought to impose a consistent standardized approach between firms and across countries. The new capital accord improves the transparency and comparability of capital ratios. It also incorporates new prudential tools to monitor liquidity and leverage.

The European Union transposed the Basel III accords into its legal framework, allowing a phased-in adoption process which must be completed by 1 January 2019. The relevant measures are: Directive 2013/36/EU (the Capital Requirements Directive or CRD-IV) of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms; and Regulation (EU) No 575/2013 (the Capital Requirements Regulation or CRR) of the European Parliament and of the Council, of 26 June 2013, on prudential requirements for credit institutions and investment firms, effective from 1 January 2014.

Spanish law was adapted to incorporate the changes to international standards by Act 10/2014, of 26 June, for the management, supervision and solvency of credit institutions, continuing the transposition begun by Royal Decree 14/2013, of 29 November, and Bank of Spain Circular 2/2014 which set out the regulatory options for capital requirements during the transition period. The minimum capital requirements laid down by the current regulations (Pillar I) are based on the Bank's exposure to credit, exchange rate, investment, market and operational risks. The Bank must also observe limits on concentration risks.

Royal Decree 84/2015, of 13 February, completed the regulatory implementation of Act 10/2014, of 26 June, for the management, supervision and solvency of credit institutions, combining in a single revised text all the regulations governing management and discipline of credit institutions issued to date at the time of publication.

Also, during 2015-2018 new standards were published to complement the CRR, regulating matters such as equity, liquidity, Pillar I risks and capital requirements.

Notably, on 2 February 2016, the Bank of Spain issued Circular 2/2016, which basically completes, for credit institutions, the transposition of EU Directive 2013/36 into Spanish law. It also picks up one of the options left up to competent national authorities under Regulation (EU) No 575/2013, in addition to those already taken up by the Bank of Spain in Circular 2/2014.

The new circular also transposes certain provisions of Directive 2011/89/EU of the European Parliament and Council, of 16 November 2011, amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC, as regards supplementary oversight of financial entities in a financial conglomerate. Major provisions of this directive had already been transposed in amendments made by Act 10/2014 and Royal Decree 84/2015 to Act 5/2005, of 22 April, on oversight of financial conglomerates and amending other financial sector laws, as implemented by Royal Decree 1332/2005. The abovementioned circular came into force on the day following its publication in the Spanish State Bulletin:

Finally, in 2017 the Bank of Spain published Circular 3/2017, of 24 October, amending Circular 2/2014, of 31 January. The fundamental aim of the Circular is to adapt some aspects of Circular 2/2014, regarding smaller banks, to the latest provisions approved by the European Central Bank for significant banks (mainly, ECB Guideline (EU) 2017/697, of 4 April 2017, on the exercise of options and discretions available in Union law by national competent authorities in relation to less significant institutions). It also eliminated the rules on transitional options in force until 2017.

Under the requirements of the CRR, credit institutions must at all times comply with a total capital ratio of 8%. However, regulators have powers under the new regulatory system to require firms to hold additional capital over and above this.

On this point, in December 2018 the Bank received a communication from the Bank of Spain regarding its decision on minimum prudential requirements. This requires that Caja Rural de Navarra maintain, as from 1 January 2019, a Total Capital ratio of 11.38% and a Common Equity Tier 1 (CET1) capital of 7.88%, measured on phased-in regulatory capital. The requirements from 1 January 2018 to 31 December 2018 had been: Total Capital ratio of 10.755% and CET1 ratio of 7.255%, measured on phased-in regulatory capital. These requirements include both the Pillar 1 minimum and the Pillar 2 requirement, including the capital conservation buffer (CCB).

The Parent Company's approach to capital management complies in its definitions of concepts with the new solvency standards describe above (Note 21).

j) National Resolution Fund and Deposit Guarantee Fund

Single Resolution Fund

LAct 11/2015, of 18 June, and its implementing regulations in Royal Decree 1012/2015, of 6 November, transpose Directive 2014/59/EU, of 15 May, into Spanish law. The regulation establishes a new resolution framework for credit institutions and investment services companies and forms part of the new Single Resolution Mechanism created by EU Regulation No. 806/2014, of 15 July, which defines Europe-wide standards and procedures for the Single Resolution Mechanism and Fund.

As part of the implementation of these standards, on 1 January 2016 the Single Resolution Fund was born. It is a financing body that can be called in by the Single Resolution Board, the European authority responsible for all decisions on resolution, to apply whatever resolution measures are adopted. The Single Resolution Fund is financed from contributions by the credit institutions and investment services customers under its remit.

The Single Resolution Mechanism is backed by the Single Resolution Fund, which will be built up gradually from banks' contributions to a level of 1% of guaranteed deposits by 31 December 2024.

The contribution of each institution is determined by Regulation (EU) 2015/63 and based on its share of the total liabilities of member institutions net of its capital and the amount of the deposit guarantee which is then weighted to reflect the institution's risk profile. The obligation to contribute to the Single Resolution Fund accrues at 1 January each year.

In 2018, the cost of contributions to the fund was EUR 2,289 thousand (EUR 1,799 thousand in 2017), including fees, and was accounted for in a similar way to the cost of the Deposit Guarantee Fund as set out in IFRIC 21.

Deposit Guarantee Fund

The Parent Company is a member of the Credit Institution Deposit Guarantee Fund.

Royal Decree 2606/1996, of 20 December, as amended by Royal Decree 1012/2015, of 6 November, empowers the management committee of the Deposit Guarantee Fund to determine the annual contributions of institutions belonging to the Credit Institution Deposit Guarantee Fund. In 2018, the management committee set a contribution of 1.8 per thousand of guaranteed deposits at 30 June 2018. Each institution's contribution is calculated based on their guaranteed deposits and risk profile, allowing for indicators such as capital adequacy, asset quality and liquidity, as defined in the Bank of Spain's Circular 5/2016 of 27 May. Similarly, the contribution to the securities guarantee part of the fund was set at 2 per thousand of the guaranteed 5% of securities and other financial instruments at 31 December 2018.

The expense for the ordinary contributions described above accrues, in accordance with IFRIC 21, as soon as the payment obligation is triggered i.e. at 31 December each year.

On 30 July 2012, the management committee of the Deposit Guarantee Fund decided to levy a one-off supplementary contribution on fund members, to be paid by each institution in ten equal annual instalments. For the Parent Company, this amounted to EUR 12,276 thousand (ten annual instalments of EUR 1,228 thousand each). These instalments will be deducted from any ordinary annual contribution for which the Parent Company may be liable up to the total amount of the ordinary contribution. On 31 December 2018, the Parent Company recorded a commitment of EUR 4,708 thousand (compared to EUR 5,763 thousand at 31 December 2017), under "Financial assets at amortized cost – Loans and receivables – Customers – Other financial assets" on the asset side of the consolidated statement of financial position (Note 10) and under "Financial liabilities at amortized cost – Other financial liabilities" (Note 17) on the liabilities side.

In 2018, total expenses in respect of Fund contributions were EUR 3,115 thousand (EUR 8,008 thousand in 2017), recognized under "Other operating expenses" in the consolidated income statement.

k) Environmental impact

Because of the activities in which it is engaged, the Group has no liabilities, costs, assets, provisions or contingencies of an environmental nature that could be material relative to its equity, financial position and results. Accordingly, no specific breakdowns of environmental information have been included in these notes to the financial statements.

l) Subscription alongside other institutions of a Framework Agreement to create a Cooperative Institutional Protection Scheme

On 29 December 2017 the Rural Credit Cooperatives belonging to the Spanish Association of Cajas Rurales (the "Banks"), including the Parent Company, subscribed alongside the Association, Banco Cooperativo Español, S.A. (BCE) and Grucajrural Inversiones, S.L. ("Grucajrural") a Framework Agreement to create within the Caja Rural Group a "Cooperative Institutional Protection Scheme" (IPS) and a number of ancillary agreements. These agreements mainly address the following points:

- To modernize and strengthen the Association's statutory and contractual framework to replace the current solidarity mechanisms by an institutional protection scheme in accordance with Article 113.7 of Regulation (EU) 575/2013 (CRR), as prescribed in the Credit Cooperative Institutions Act. The IPS will be formed of the 29 current member Banks of the Association, Grucajrural and BCE (the "IPS members").

For the purposes of (i) Article 113.7 of the CRR and (ii) regulations on the contributions of the Deposit Guarantee Fund, the Bank of Spain has to approve the IPS.

- To create a fund to provide financial support that may be needed within the IPS financed by contributions from IPS members. The fund will be administered and controlled by the Association, either directly or indirectly via one or more vehicles.

On 29 December 2017, the Association notified member Banks of their advance contributions to the fund. This initial contribution must reach 0.5% of the total risk-weighted assets (RWA) of the member Banks at March 2018. It can be adjusted depending on the evolution of these total RWA.

- To pool the Banks' shareholdings in BCE and Rural Servicios Generales (RGA) into the company Grucajrural, a vehicle constituted by the Association as founding partner at 1 December 2017. This will be done in two stages. First, the Association's 29 member Banks will buy out the Association's founding partner stake in Grucajrural. Then, they will transfer their holdings in BCE and Rural Servicios Generales to Grucajrural as a contribution-in-kind in exchange for newly issued Grucajrural shares.

At 29 December 2017 the General Meeting of Grucajrural Partners agreed the abovementioned capital increase via contribution-in-kind.

At the time the Framework Agreement was signed, the abovementioned contribution-in-kind was conditional on no objection being made by: (i) the European Central Bank in respect of BCE and (ii) the Spanish Dirección General de Seguros y Fondos de Pensiones ("DGSFP") in respect of Rural Servicios Generales. Also, as BCE owns 100% of the share capital and voting rights in the fund manager Gescoperativo, S.G.I.I.C., S.A. ("Gescoperativo"), it will also be necessary to secure no objection from the Spanish market regulator the CNMV.

That said, before signing the Framework Agreement, the Association's Management considered that, although administrative procedures remain to be completed, given the preparations made before filing and the nature of the transaction and suitability analysis that the supervisors must apply, there is no reason to expect any conclusion other than "no objection".

The participation of the Parent Company in the Framework Agreement was approved at the extraordinary meeting of the Governing Board held on 24 November 2017.

Regarding the pending procedures mentioned above, in the first few months of 2018 the following events took place:

On 1 March 2018, the Spanish Association of Cajas Rurales held its General Meeting. All member Banks, including the Parent Company, approved the creation of an IPS and, to this end, approved new Articles of Association for the Association, Rules of Procedure for the IPS, a number of Technical Notes related to measuring solvency and liquidity of IPS members and the general risk policy and a new agreement regulating financial relationships within the Caja Rural Group.

On 23 March 2018 the Bank of Spain recognized the IPS as compliant with the abovementioned regulation.

Regarding the need for no objection to the contribution-in-kind of BCE and Rural Servicios Generales to Grucajrural, this was confirmed by the different supervisory bodies on the following dates:

- European Central Bank and CNMV on 23 February 2018,
- DGSFP on 6 March 2018

On 9 March 2018 the documents for Grucajrural's capital increase against a contribution-in-kind were officially notarised and registered with effect from 14 March.

The creation of the IPS involved the following transactions in the Parent Company:

- The commitment to create the fund to provide financial support as necessary within the IPS cost EUR 32,396 thousand in 2017, reported under "Other operating expenses" in the income statement.
- Regarding Grucajrural's capital increase against a contribution-in-kind, the items comprising the contributions-in-kind by the Bank are 297,671 shares in Banco Cooperativo Español, S.A., representing 15.45% of the share capital, valued at EUR 76,371 thousand, and 1,099,706 shares in RGA Seguros Generales

Rural, S.A. de Seguros y Reaseguros, representing 12.90% of its share capital, valued at EUR 41,767 thousand. As consideration for this contribution, the Bank received 5,904,241,743 shares in Grucajrural Inversiones, S.L.. At 31 December 2018 and 2017, the Bank's stakes in Grucajrural were 20.35% and 18.48% of the share capital, respectively.

The Bank treated the transfer, by contribution-in-kind, of the shares in BCE and RGA to Grucajrural as an asset swap, deemed to be of a commercial nature. Given the above, the transaction resulted in the booking in the consolidated income statement for 2017 of unrealised gains in the transferred stakes totalling, at the date of the Framework Agreement, EUR 17,783 thousand in BCE and EUR 21,370 thousand in RGA. These sums were reported under the equity item "Accumulated other comprehensive income". The net proceeds were booked under "Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" on the consolidated income statement.

m) Post-balance sheet events

As mentioned in Note 1 of these consolidated financial statements, IFRS 16 Leases came into force on 1 January 2019. Note 1.c sets out the main quantitative and qualitative impacts which the Parent Company estimates the new standard will have on the financial figures.

No events having material effects on the Group occurred between 31 December 2018 and the date of preparation of these consolidated financial statements.

2. Accounting principles, policies and measurement bases

The accounting principles, policies and measurement bases applied in preparing these consolidated financial statements were as follows:

a) Going concern principle

In the preparation of the consolidated financial statements, it has been assumed that the Group will remain in business for the foreseeable future. Accordingly, the accounting policies applied were not intended to establish the Group's net asset value for the purpose of transferring all or part of the resulting amount in the event of its liquidation.

b) Accruals principle

Except, as appropriate, with regard to the consolidated cash flow statement, these consolidated financial statements have been drawn up in the basis of the actual flow of goods and services, irrespective of the dates of payment or collection.

c) Other general principles

The consolidated financial statements have been drawn up using the historical cost method and by the fair value measurement of financial instruments held for trading, financial assets at fair value through profit or loss, available-for-sale financial assets and other financial assets and liabilities (including derivatives).

The preparation of the consolidated financial statements requires the making of some accounting estimates. The Management is also called on to exercise its judgement in the process of applying the Group's accounting policies. Such estimates may affect the amount of the assets and liabilities, the breakdown of contingent assets and liabilities at the date of the consolidated financial statements and the amount of income and expense over the period they cover. Although estimates are based on the Management's best information as to current and future circumstances, final outturns may differ from these estimates.

d) Nature and trading of Financial derivatives

Financial derivatives are instruments which, in addition to giving rise to a profit or loss, may, in certain conditions, allow for all or part of the credit and/

or market risks associated with balances and transactions to be offset, using interest rates, certain indices, the prices of certain securities, the cross exchange rates of various currencies or other similar benchmarks as underlying elements. The Group uses financial derivatives traded on organized markets or traded bilaterally with the counterparty over the counter (OTC).

Financial derivatives are used to trade with customers who request them, to manage risks on the Group's own positions (hedging derivatives) or to profit from changes in their prices. Financial derivatives that cannot be accounted for as hedging operations are considered to be derivatives held for trading. The conditions that must be satisfied for hedge accounting to be applied are as follows:

i) The financial derivative must hedge against the risk of changes in the value of assets and liabilities due to fluctuations in interest rates and/or exchange rates (fair value hedges), the risk of changes in the estimated cash flows generated by financial assets and liabilities, commitments and transactions deemed to be highly probable (cash-flow hedges) or the risk on the net investment in a foreign operation (hedge of net investments in foreign operations).

ii) The financial derivative should effectively eliminate some risk inherent to the hedged item or position for the entire scheduled term of the hedge. It must therefore be effective prospectively, effective at the time the hedge is contracted under normal conditions and effective retrospectively, and there must be sufficient evidence that the hedge will remain effective for the entire life of the hedged item or position.

To guarantee that hedges are effective prospectively and retrospectively, the Group uses the corresponding effectiveness tests, which demonstrate that the change in the fair value of the hedging instrument is closely correlated to the change in the fair value of the hedged item. Under current legislation, a hedge is assumed to be effective when the cumulative change in the fair value of the hedging instrument is between 80% and 125% of the cumulative change in the fair value of the hedged item. If a derivative that initially passed the effectiveness test subsequently ceased to satisfy the requirements, from this point onwards it would be classified for accounting purposes as a derivative held for trading and the rules for termination of hedges would be applied.

iii) Adequate documentary evidence must be kept to show that the financial derivative was contracted specifically to serve as a hedge for certain specific balances and transactions and to demonstrate the method by which the effectiveness of the hedge was intended to be achieved and measured, provided that this method is consistent with the manner in which the Group manages its own risks.

Hedges may be applied to individual items or balances or to portfolios of financial assets and liabilities. In the latter case, the set of financial assets or liabilities being hedged must share the same type of risk. This is deemed to be the case whenever the individual items hedged show a similar sensitivity to changes in the hedged risk.

The Bank implements its hedges using a variety of derivatives: interest rate, equity, currency, etc., based on the type of risk underlying the hedged asset. These take the form of interest rate swaps (IRS), call money swaps (CMS), FRAs, interest rate futures, debt futures, equity index futures, equity futures, forward selling/buying of currencies, interest rate options, stock index options, stock options, currency options, options on interest rate structures, options on equity structures and equity swaps.

The Group's use of derivative hedging instruments, generally fair value hedges, is intended to hedge all or part of the risk of changes in the fair value of certain liabilities or deposits issued by the Bank as a result of changes in interest rates or the fair value of certain equity and debt instruments in the "Financial assets at fair value through other comprehensive income" portfolio.

Financial derivatives embedded in other financial instruments or in host contracts are recognized separately as derivatives when their risks and other features are not closely related to those of the host contracts and when the host contracts are not classified as "Financial assets held for trading" or "Financial assets or liabilities designated at fair value through profit or loss".

e) Financial assets and financial liabilities – Financial instruments

Financial assets

Financial assets are included for measurement purposes in one of the following portfolios:

i) Financial assets at amortized cost.

ii) Financial assets at fair value through other comprehensive income.

iii) Financial assets mandatorily measured at fair value through profit or loss:

a. Financial assets held for trading.

b. Financial assets not held for trading mandatorily measured at fair value through profit or loss

iv) Financial assets designated at fair value through profit or loss.

v) Derivatives – hedge accounting.

Classification into the above categories is based on two elements:

- the Group's business model for managing the financial assets, and
- the characteristics of the contractual cash flows from the financial assets.

Business model

The business model is the way financial assets are managed to generate cash flows. It is determined based on how a group of financial assets will managed to achieve a specific objective. It does not, therefore, depend on the group's intentions for an individual instrument but for a set of instruments.

The business models used by the Group are:

- Hold financial assets to collect their contractual cash flows (the "hold to collect" model): under this model, financial assets are managed with the aim of collecting their specific contractual cash flows and not to achieve an overall return by holding and selling assets. That said, such assets can still be sold before maturity under certain circumstances. Sales may be considered compatible with a hold-to-collect asset model when they are infrequent or immaterial, concern near-maturity assets, are motivated by a rise in credit risk or are used to manage concentration risk.
- Sale of financial assets.
- A combination of these two business models – holding financial assets to collect contractual cash flows and sale of financial assets ("hold to collect and sell" model): this model implies that asset sales will more frequent and higher value and that this is an essential part of the business model.

Characteristics of contractual cash flows from the financial assets

A financial asset must be initially recognized in one of two categories:

- Those whose contractual terms give rise, at specific dates, to cash flows that comprise solely payments of principal and interest on the outstanding principal.
- Other financial assets

For the purposes of this category, the principal of a financial asset is its fair value at initial recognition. This may change over the life of the asset, for instance if parts of the principal are redeemed. Interest is understood as the total consideration paid for the time value of money, for financing and structure costs and for credit risk associated to the principal outstanding during a specific period, plus a profit margin.

Classification of portfolios for measurement purposes

The Group classifies a financial asset, for measurement purposes:

- To the "Financial assets at amortized cost" portfolio, when the following conditions are met:

  a. it is managed using a "hold to collect" business model, and

  b. its contractual terms give rise at specific dates to cash flows that comprise solely payments of principal and interest on the outstanding principal.

- To the "Financial assets at fair value through other comprehensive income" portfolio, when the following conditions are met:

  a. it is managed using a "hold to collect and sell" business model, and

  b. its contractual terms give rise at specific dates, to cash flows that comprise solely payments of principal and interest on the outstanding principal.

- To the "Financial assets at fair value through profit and loss" portfolio: provided the Bank's business model for the asset's management or the characteristics of its contractual cash flows do not require it to be classified in any of the portfolios above.

- The "Financial assets mandatorily measured at fair value through profit or loss" portfolio includes all instruments that are:

  a. originated or acquired with the intention of their short-term sale.

  b. are part of a group of identified and jointly managed financial instruments for which there is evidence of recent actions to obtain short-term profits.

  c. derivative instruments that do not meet the definition of a hedging instrument and have not been designated as hedging instruments.

They represent an exception to the general measurement criteria described above for investments in equity instruments. In general, the Group opts to initially and irrevocably recognize as "Financial assets at fair value through other comprehensive income" any investments in equity instruments that are not classified as held for trading and which, if this option were not exercised, would be recognized as "Financial assets mandatorily measured at fair value through profit or loss".

The business model is not decided based on intentions for a single instrument but determined for a set of instruments in light of the frequency, volume and timing of sales in prior years, the reasons for these sales and expectations for future sales. Sales that are infrequent or immaterial, close to an asset's maturity, motivated by increases in the credit risk of the financial assets or used to manage concentration risk, among other reasons, can still be compatible with the hold-to-collect model.

If a financial asset includes a clause that can affect the timing or amount of contractual cash flows (such as early redemption or duration extension clauses), the Group determines whether the cash-flows to be generated over the lifetime of the instrument from the exercise of this clause are solely payments of outstanding principal and interest (the SPPI test). To do this, it looks at all contractual cash flows that may arise before and after the change in their timing or amount.

Also, where a financial asset allows for periodic adjustments to the interest rate but the timing of the adjustment does not coincide with the term of the benchmark interest rate (e.g. the interest rate is adjusted every three months based on an annual rate), the Group assesses the timing mismatch on initial recognition and decides whether the contractual cash flows represent solely payments of outstanding principal and interest.

Contractual terms that, on initial recognition, have minimal impact on cash flows or are conditional on exceptional and highly improbable events occurring (such as liquidation of the issuer) do not prevent the instrument being reported at amortized cost or fair value through other comprehensive income.

i) Derivatives – hedge accounting, which includes financial derivatives acquired or issued by the Group that qualify for hedge accounting.

ii) Fair value changes to hedged items in portfolios hedged for interest rate risk. This is the balancing entry to amounts credited to the consolidated income statement for changes in the value of portfolios of financial instruments whose interest rate risk is effectively hedged by fair value hedging derivatives.

iii) Investments in subsidiaries, joint ventures and associates which include equity instruments in Group companies, Jointly managed entities or Associates.

iv) Non-current assets and disposal groups held for sale which are of a financial nature and which correspond to the carrying amount of an item intended for sale (discontinued operations), either individually or as part of a disposal group or business unit, and whose sale is highly probable, in the current state of the assets, within one year of the reporting date of the consolidated financial statements. The carrying amount of these financial or non-financial items is expected to be recovered via their sale price. There are also other non-current assets held for sale which are non-financial in nature whose accounting treatment is explained in Note 2.n.

Recognition and measurement

All financial instruments are initially recognized at fair value. They are then remeasured at the end of each financial period according to the following criteria:

ii) Financial assets are measured at fair value except for “Financial assets at amortized cost and investments in subsidiaries, joint ventures and associates and financial derivatives which have such instruments as their underlying and are extinguished via their delivery.

ii) The fair value of a financial assets at a particular date is understood as meaning the value for which it can be traded between fully informed parties in an arms’ length transaction. The best evidence of fair value is a trading price on an active market that provides an organized, transparent and deep market.

Where no market price is available for a particular financial assets, its fair value is estimated from recent transactions in similar instruments or, if this is not possible, from suitably tested valuation models. Also taken into account are the specifics of the asset being valued, particularly the various types of risk that it carries. Nonetheless, the inherent limitations of existing valuation techniques and any inaccuracies in the assumptions these techniques require may be such that the fair value resulting from such financial assets does not exactly coincide with the price at which it could be bought or sold on the measurement date.

iii) Financial assets at amortized cost are measured at amortized cost using the effective interest rate method. Amortized cost is understood as the acquisition cost of a financial asset adjusted for redemptions of principal and the portion taken to the consolidated income statement, via the effective interest rate method, of the difference between initial cost and redemption value at maturity less any impairment loss either recognized directly against its value or via an allowance account. For financial assets at amortized cost which are hedged by fair value hedges, changes in fair value arising from the risk or risks being hedged are recognized in the hedging transactions.

The effective interest rate is the discount rate that exactly matches the amount of a financial instrument to the cash flows it is expected to generate over its residual term, based on contractual terms and conditions including early call options, but without taking losses due to future credit risk into consideration. For fixed-income financial instruments, the effective interest rate is the interest rate contractually established at the time of acquisition plus, where applicable, any fees and commissions that, given their nature, are comparable to an interest rate. In the case of floating-rate financial instruments, the effective interest rate is the prevailing rate of return applicable until the date of the next interest rate revision.

For financial instruments not recognized at fair value through profit or loss, fair value is adjusted by adding or deducting transaction costs directly attributable to their acquisition or issue. In the case of financial instruments at fair value through profit or loss, directly attributable transaction costs are immediately recognized in the consolidated income statement.

Transaction costs are defined as directly attributable costs of acquisition or disposal of a financial asset, or the issue or assumption of a financial liability which the Bank would not have incurred were it not for the transaction.

iv) The fair value of financial derivatives carried at their listed price in an active market is their daily trading price. If, for exceptional reasons, no trading price can be established for a particular date, they are measured using methods similar to those applied for OTC derivatives.

Derivatives for which the market is non-existent or largely inactive are measured using the most consistent and appropriate economic methodologies, maximizing the use of observable data and allowing for any factor that a market participant would take into account, such as: a) recent transactions in substantially equivalent instruments, b) discounted cash flows, c) market option valuation models. The techniques applied are preferably those used by market participants and have been shown to give the most realistic estimate for the price of the instrument.

All financial derivatives are initially recognized at fair value. On initial recognition the best evidence of a financial instrument's fair value is normally the transaction price. The Caja Rural de Navarra Group conducts no material transactions using derivative instruments whose fair value on initial recognition differs from their transaction price.

Changes in the carrying amount of financial assets are generally recognized in the consolidated income statement. Different treatment is applied to those that originate from the payment of interest and similar items, which are recognized under "Interest income", and those originating from other sources, which are recognized at net value under "Gains or (-) losses on financial assets and liabilities held for trading, net", "Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net" or "Gains or (-) losses on financial assets or liabilities designated at fair value through profit or loss, net" in the consolidated income statement.

Nevertheless, changes in the carrying amount of instruments included in "Financial assets at fair value through other comprehensive income" are temporarily recognized under the "Accumulated other comprehensive income" equity item except where they arise from translation differences in the value of monetary financial assets. Amounts reported in "Accumulated other comprehensive income" continue to be reported as equity until the asset that gave rise to them is derecognized from the balance sheet. They are then cancelled against the consolidated income statement, as "Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net", in the case of debt instruments or "Other reserves", in the case of equity instruments.

In financial assets designated as hedged items or hedge accounting, measurement differences are recognized based on the following criteria:

i) In fair value hedges, differences in both the hedges and hedged items, as regards the type of risk being hedged, are recognized directly in the consolidated income statement.

ii) Valuation differences relating to the inefficient portion of cash flow hedges and hedges of net investments in foreign operations are recognized directly in the consolidated income statement.

iii) In cash flow hedges, valuation differences arising from the effective portion of the hedges are temporarily recognized in equity under "Accumulated other comprehensive income".

iv) In hedges of net investments in foreign operations, valuation differences arising from the effective portion of the hedges are temporarily recognized in equity under "Accumulated other comprehensive income".

In the two latter cases, valuation differences are not recognized as income until losses or gains by the hedged item have been recognized in the consolidated income statement or the hedged item matures.

Financial liabilities

Classification

Financial liabilities are classified in the statement of financial position based on the following criteria:

i) "Financial liabilities held for trading", which include financial liabilities issued with a view to short-term reacquisition, comprise either part of a portfolio of jointly managed identified financial instruments where recent actions have been taken to realize short-term gains or derivatives not designated as accounting hedges or originate from a firm sale of temporarily purchased or borrowed financial instruments.

ii) "Financial liabilities designated at fair value through profit or loss" comprise financial liabilities that were designated as at fair value by the Group either on initial recognition or when it would more accurately reflect their real circumstances because:

   - It eliminates or significantly reduces inconsistencies in the recognition or measurement that might arise from using different criteria to measure assets and liabilities or recognize their gains and losses.

- They constitute a group of financial liabilities or financial assets and liabilities managed, and whose returns are measured, based on their fair value using a documented strategy for risk management or investment and for which Key Managers can also see fair value information.

iii) "Financial liabilities at amortized cost", comprising those not included under any other heading of the consolidated statement of financial position and that arise in the course of banks' ordinary deposit-taking activities, irrespective of type of instrument and residual term to maturity.

iv) "Derivatives– hedge accounting" comprises financial derivatives acquired or issued by the Group that qualify for hedge accounting.

v) "Fair value changes to hedged items in portfolios hedged for interest rate risk" is the balancing entry to amounts credited to the consolidated income statement for changes in value of portfolios of financial instruments whose interest rate risk is effectively hedged by fair value hedging derivatives.

vi) "Shares redeemable on demand" comprises financial instruments issued by the Group which, although it is legally capital, does not meet the requirements to be classed as Equity. They are measured as "Financial liabilities at amortized cost" except for those the Group has designated as "Financial liabilities designated at fair value through profit or loss" if they qualify.

vii) "Liabilities included in disposal groups held for sale" includes credit balances originating from "Non-current assets and disposal groups held for sale".

Recognition and measurement

Financial liabilities are recognized at amortized cost on the same basis as financial assets, except for:

i) Financial liabilities included in "Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss" which are carried at fair value on the same basis as financial assets. Financial liabilities hedged by fair value hedges are adjusted, with changes in fair value due to the risk being hedged booked under "Micro hedging" in the item to which the financial liabilities belong.

ii) Financial derivatives that have as their underlying a capital instrument whose fair value cannot be established with sufficient objectivity and which is settled by delivery of the instrument are measured at cost.

Changes in the carrying amount of financial liabilities are generally recognized with a balancing entry in the consolidated income statement. Different treatment is applied to those that originate from the payment of interest and similar items, which are recognized under "Interest expense", and those originating from other sources, which are recognized at net value under "Gains or (-) losses on financial assets and liabilities held for trading, net", "Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net" or "Gains or (-) losses on financial assets or liabilities designated at fair value through profit or loss, net" in the consolidated income statement.

Income and expense from financial assets and liabilities

Income and expense from financial instruments at amortized cost are recognized in accordance with the following criteria:

a) Accrued interest is recorded on the consolidated income statement, applying the transaction's effective interest rate to its gross carrying amount (except doubtful assets, where interest is charged on net carrying amount).

b) Other changes in value are recognized as income or expense when the financial instrument is derecognized from the statement of financial position, reclassified or when financial assets generate impairment losses or gains for reversals of such losses.

Income and expense from financial instruments at fair value through profit or loss are recognized in accordance with the following criteria:

a) Changes in fair value are recognized directly in the consolidated income statement, distinguishing, in the case of instruments that are not derivatives, between the portion attributable to income accrued on the instrument, which will be recognized as interest or dividends as applicable, and the rest of the change in fair value, which will be recognized in "Gains (losses) on financial assets and liabilities" for the applicable item.

b) Accrued interest on debt instruments is calculated using the effective interest method.

Exceptionally, the Group must recognize changes in the value of a financial liability designated at fair value through profit or loss as follows:

a) the portion of the change in the financial liability's fair value attributable to changes in its own credit risk are recognized in other comprehensive income, and then taken directly to reserves if the financial liability is derecognized, and

b) the rest of the fair value change is taken to "Profit for the year".

Income and expense from financial assets at fair value through other comprehensive income are recognized in accordance with the following criteria:

a) Accrued interest and, if applicable, accrued dividends are recognized in the consolidated income statement. Interest is treated in the same way as for assets at amortized cost.

b) Translation differences are recognized in the consolidated income statement in the case of monetary financial assets and in other comprehensive income for non-monetary assets.

c) In the case of debt instruments, impairment losses or reversals are recognized in the consolidated income statement.

d) Other value changes are recognized in other comprehensive income.

As a result, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognized in profit for the year will be the same as for instruments measured at amortized cost.

When a debt instrument at fair value through other comprehensive income is derecognized, the gain or loss accumulated in equity is reclassified to profit for the period. In contrast, when an equity instrument at fair value through other comprehensive income is derecognized, the gain or loss in accumulated other comprehensive income is not recycled to the income statement but to reserves.

In either case, recognition would change if the instruments formed part of a hedging relationship.

Reclassification of financial instruments between portfolios

Only in the circumstances that the Group changes its business model for managing financial assets, all affected assets are reclassified as follows. This reclassification is done prospectively from the date of the reclassification, with no need to review previously recognized gains, losses or interest. Changes in business model are generally very rare, but the following circumstances may arise:

i) If the Group reclassifies a debt instrument from amortized cost to fair value through profit or loss, the Group must estimate its fair value at the reclassification date. Any resulting gain or loss, due to a difference between the previous amortized cost and fair value, is recognized in the consolidated income statement.

ii) If the Group reclassifies a debt instrument from fair value through profit or loss to amortized cost, the fair value of the asset at the reclassification date becomes the new gross carrying amount.

iii) If the Group reclassifies a debt instrument from amortized cost to fair value through other comprehensive income, the Bank must estimate its fair value at the reclassification date. Any resulting gain or loss, due to differences between the previous amortized cost and fair value, is recognized in other comprehensive income. The effective interest rate and estimated expected credit loss are not adjusted as a result of this reclassification.

iv If a debt instrument is reclassified from fair value through other comprehensive income to amortized cost, the asset is booked at its fair value at the reclassification date. Any accumulated gain or loss recorded in equity under "Accumulated other comprehensive income" is cancelled against the carrying amount of the asset at the reclassification date. The debt instrument is valued at the reclassification date as though it had always been carried at amortized cost. The effective interest rate and estimated expected credit loss are not adjusted as a result of this reclassification.

v) If the Group reclassifies a debt instrument from fair value through profit or loss to fair value through other comprehensive income, the financial asset continues to be carried at fair value and previously recognized value changes are unchanged.

vi) If the Group reclassifies a debt instrument from fair value through other comprehensive income to fair value through profit or loss, the financial asset continues to be carried at fair value. Any accumulated gain or loss recorded in equity under "Accumulated other comprehensive income" is transferred to the income statement at the reclassification date.

vii) When an investment in a subsidiary, joint venture or associate ceases to be reported as such any remaining investment is measured at fair value at the reclassification date. Any resulting gain or loss due to differences between the previous carrying amount and fair value is booked to profit or loss or other comprehensive income based on how the investment is to be subsequently measured.

Except for those explained in Note 1.c) as a consequence of the entry into force of IFRS 9, there were no reclassifications between portfolios in 2018 and 2017. Nor were there any reclassifications of financial instruments between portfolios or any sales of financial assets at amortized cost/held to maturity.

f) Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the degree to which the associated risks and rewards are transferred to third parties. The following cases can be distinguished:

I. If substantially all the risks and rewards are transferred, the transferred financial asset is derecognized and any right or obligation retained or created in the transfer recognized separately.

II. If substantially all the risks and rewards associated with the transferred financial asset are retained, the transferred financial asset is not derecognized and continues to be measured by the same criteria used before the transfer. Nonetheless, in these cases the following items are recognized:

- An associated financial liability for an amount equal to the payment received, which is subsequently measured at amortized cost.
- Both the income generated by the transferred (but not derecognized) financial asset and the expense generated by the new financial liability.

III. If substantially all the risks and rewards associated with the financial asset transferred are neither transferred nor retained, the following distinction is made:

- If the transferring entity does not retain control, the transferred financial asset is written off and any right or obligation retained or created in the transfer is recognized.
- If the transferring entity retains control of the transferred financial asset, the asset continues to be recognized on the reporting date at an amount equivalent to its exposure to potential changes in value and a financial liability associated with the transferred asset is recognized. The net amount of the transferred asset and associated liability will be the amortized cost of the rights and obligations retained, if the transferred asset is measured at amortized cost, or the fair value of the rights and obligation retained, if the transferred asset is measured at fair value.

As a result, financial assets are only derecognized from the consolidated statement of financial position when the cash flows they generate have been extinguished or the implied risks and benefits have been substantially transferred to third parties. Likewise, financial liabilities are only derecognized once the obligations they generate have been extinguished or they have been acquired with a view to their cancellation or reissue.

At 31 December 2018 and 2017, the Group had assets transferred prior to 1 January 2004 for amounts of EUR 9,180 thousand and EUR 10,951 thousand, respectively, which, in accordance with previous regulations were derecognized from the consolidated balance sheet.

g) Impairment of financial assets and other credit exposures

The Group applies impairment requirements to debt instruments at amortized cost or fair value through other comprehensive income and other exposures that carry credit risk, such as loans and advances, financial guarantees given and other commitments given.

The IFRS 9 approach to impairment is to recognize expected credit loss on transactions, measured collectively or individually, considering all reasonable and supportable information available, including forward-looking information.

Impairment losses over the period in debt instruments are recognized as an expense in "Impairment of value or (-) reversal of impairment of financial assets not measured at fair value through profit or loss and net modification gains or losses" in the consolidated income statement. Impairment losses on debt instruments at amortized cost are recognized against an allowance account that reduces the carrying amount of the assets, while losses on debt instruments at fair value through other comprehensive income are recognized against accumulated other comprehensive income.

Hedges of impairment losses on credit risk exposures other than debt instruments are recognized as a provision in "Provisions– Commitments and guarantees given" on the liability side of the balance sheet. Write-downs and reversals of these hedges are recognized under "Provisions or (-) reversals" on the consolidated income statement.

The criteria for impairment by type of instrument and accounting portfolio are as follows:

Debt instruments measured at amortized cost

The Group determines its impairment losses by monitoring debtors individually, including all debtors of material amounts, and collectively, for groups of financial assets with similar credit risk characteristics indicative of the debtors' capacity to pay the amounts outstanding. When a specific instrument cannot be classified in a group of assets with similar risk characteristics it is assessed only individually to determine if it has been impaired and, if so, to estimate the impairment loss.

The Group has policies, methods and procedures to estimate potential losses from its credit risk as a result of counterparty insolvency or country risk. These policies, methods and procedures cover the concession, amendment, measurement, monitoring and control of debt instrument transactions and off-balance sheet exposures, the identification of any impairment and, where applicable, the calculation of amounts needed to cover estimated losses.

Accounting classification in light of insolvency credit risk

The Group has defined criteria to identify creditors presenting weaknesses or objective signs of impairment and rank them according to their credit risk.

The following sections set out the principles of and methodology used by the Group for its classification.

Classification categories

Debt instruments not included as "Financial assets held for trading" and off-balance sheet exposures are classified, based on their insolvency credit risk, as either:

i. Standard risk:

a) Transactions that do not meet the criteria for any other classification.

b) Standard risk on special watch: transactions that do not meet the criteria to be classed as individually doubtful or written off, but whose solvency shows weaknesses that may lead to greater losses than similar risks classified as standard.

ii. Doubtful risk:

a) On grounds of arrears: transactions where a contractual payment of principle, interest or expenses is, in general, more than 90 days overdue but not classed as written off. This category also includes guarantees given when the recipient of the guarantee is in arrears on the guaranteed transaction. Also, all sums owed by a particular borrower when they are, in general, more than 90 days overdue on loans representing more than 20% of the total amounts pending payment.

b) For reasons other than arrears: transactions that, while not qualifying as doubtful or written off on grounds of arrears, present reasonable doubt as to the recovery of the whole of the contractual amounts, or off-balance sheet exposures that are not classed as doubtful on grounds of arrears but whose payment by the Group is probable and whose recovery doubtful.

iii. Write-offs:

this category includes all debt instruments, whether overdue or not, where the probability of recovery, individually assessed, is considered to be remote due to a clear or irrecoverable impairment of the solvency of either the transaction or the borrower. Assets classified as written off are automatically derecognized and provisioned for the full gross carrying amount of the transaction.

Transaction classification criteria

The Group uses a range of criteria to classify borrowers and transactions into various credit risk categories. These include:

i. Automatic criteria,

ii. Specific criteria for refinancing, and

iii. Criteria based on monitoring models, supported by monitoring specific parameters.

The automatic factors and specific classification criteria for refinancing constitute a classification and clean-up process that is applied to the whole portfolio. In addition, to help early identification of weakness and impairment, the Group has a monitoring model that prescribes appropriate management procedures for debts according to their different levels of default risk.

Transactions classed as doubtful are reclassified as standard risk when, as a result of having collected all or part of the amounts owed, in the case of doubtful loans on grounds of arrears, or having successfully completed the clean-up period, in the case of doubtful loans for other reasons, the original motivation for their classification as doubtful has disappeared, unless there are other reasons to retain this classification, such as the borrower being more than 90 days overdue on other outstanding credit transactions.

Using these procedures, the Group classifies its borrowers as standard on special watch or doubtful on grounds of arrears or maintains them as standard risk.

The Group has set an exposure threshold of EUR 3,000 thousand, beyond which borrowers are deemed to be material. This classification includes risks which have been manually classified – i.e. not because of automatic classification criteria – as doubtful risks for reasons other than arrears, such as transactions that no longer have substantial amounts more than 90 days overdue but have not been reclassified as standard risks because of the borrower's arrears on other debts – and transactions identified as at "no appreciable risk" or guaranteed by third parties posing "no appreciable risk" but classified as doubtful on grounds of arrears or for other reasons.

Refinancing and restructuring transactions

The Group's credit risk management policies and procedures ensure careful monitoring of borrowers and provisions are taken on any indication that their solvency may be impaired. The Group recognizes insolvency provisions on any restructuring/refinancing transaction where the position of their borrower so requires, when the transactions are arranged. Restructuring/refinancing transactions are defined as follows:

- Refinancing transaction: transactions undertaken for economic or legal reasons related to existing or expected financial difficulties of the borrower. They involve the Bank or other Group entities cancelling one or more credit arrangements to the borrower or another company or company in its economic group, or recognising them as fully or partly paid, to make it easier for the borrowers to pay their debt (principal and interest) where they are unable, or expect to be unable, to meet their repayment terms on time.

- Restructuring transaction: the financial terms of a transaction are amended for economic or legal reasons related to existing or expected financial difficulties of the borrower to make it easier for them to pay their debt (principal and interest) where they are unable, or expect to be unable, to meet their repayment terms on time, even when such an amendment is allowed for in the original agreement. A transaction is always considered to be a restructuring if its terms are amended to extend the maturity, the repayment schedule is amended to reduce the size of repayments in the short term or reduce their frequency or extend the grace period for payment of principal, interest or both, except where the terms and conditions are amended for reasons other than the borrower's financial difficulties and are similar to the market terms that other lenders would offer to similar risks.

If a transaction is classified to a particular risk category, refinancing cannot improve its risk profile. Refinanced transactions are initially classified by their characteristics, mainly related to the financial difficulties of the borrower, and include a number of clauses such as extended grace periods.

In general, the Group classifies refinancings and restructurings as standard risk on special watch, unless they meet the criteria for doubtful loans. Exceptionally, the Group may class some refinanced or restructured transactions as standard risk (if they have cash guarantees, are underwritten by a mutual guarantee societies or public sector company guarantor or if the guarantees have been increased). Also, the Group assumes there is a restructuring or refinancing in the following circumstances:

- When all or some payments were more than 60 days overdue (without being classed as doubtful risk) at least once in the three months before the transaction was amended or would have been more than 60 days in arrears without such amendment.
- When, on or around the time the additional financing is granted, the borrower has paid principal or interest on another transaction all or some of which was more than 60 days overdue during the three months before the refinancing.
- When the Bank has approved the application of implied restructuring or refinancing clauses on debtors with payments more than 60 days overdue or which would have been 60 days in arrears without the application of these clauses.

These types of transaction are specifically flagged in the IT system so that it can be appropriately accounted for and monitored.

Once initially classified, any transaction can only be reclassified to a lower risk category where this is justified by significant evidence of an improvement in the outlook for the transaction's recovery, whether because the borrower has been meeting its payment obligations on schedule for a long time, because a significant percentage of the initial debt has been repaid, because more than 2 years from the approval date of the transaction or because the borrower has no other transaction more than 30 days overdue at the end of the trial period.

Calculation of coverage

The Group applies the criteria set out below to calculated the coverage provided for credit risk losses.

Transactions identified as having no appreciable risk (fundamentally, with central banks, financial institutions, mutual guarantee societies and government transactions, all in the EU or certain countries considered to be risk-free) are assigned 0% coverage, unless classed as doubtful in which case an individual estimate of impairment loss is made.

Individual estimates of coverage

The following exposures are individually estimated:

i. Coverage of doubtful loans of individually material borrowers (risks above EUR 3,000 thousand).
ii. Any transactions or borrowers whose characteristics make a collective impairment calculation impossible.
iii. Coverage of transactions identified as having no appreciable risk which are classified as doubtful, either on grounds of arrears or for reasons other than arrears.

The Group has developed a methodology for estimating such coverage, calculating the difference between the gross carrying amount of the transaction and the present value of estimated cash flows that it expects to collect, discounted at the effective interest rate. In such cases any effective guarantees received are taken into consideration.

Two methods are used to calculate the recoverable amount of individually valued assets:

i. Estimated cash flows: debtors whose estimated capacity to generate future cash flows through the development of their own business makes it possible, by the development of the borrower's business and their financial structure, to repay part or all of the contracted debt. This involves estimating the cash flows that the borrower will earn from the conduct of their business. Additionally, such cash flows may be supplemented by sales of assets that are not essential to generating cash flows from the business.
ii. Execution of guarantees: debtors who cannot generate cash flows from their own business, who will have to liquidate assets to meet their debt payments. This involves estimating cash flows based on the execution of guarantees.

Collective estimates of coverage

The following exposures are collectively estimated:

i. Exposures classified as standard risk (including those classified as on special watch).

ii. Exposures classified as doubtful that are not measured by individual estimates of coverage.

The impairment assessment takes into account all credit exposures, debt instruments and off-balance sheet exposures. The Group has applied Bank of Spain parameters and methodology, based on data and statistical models that aggregate average behaviour across the whole Spanish banking sector and provide full compatibility with IFRS, to define the classification and assessment of impairment in the Group's on- and off-balance sheet exposures to its customers. The methodology considers, among other points, the credit risk segment of the transaction, real and effective personal guarantees received, the debtor's financial position and, where applicable, the age of amounts overdue.

In estimating coverage for credit risk losses, the recoverable amount of property collateral is calculated by adjusting the benchmark value for any uncertainty in the estimate and potential falls in value before foreclosure and sale, as well as foreclosure, maintenance and selling costs.

The Group determines the recoverable amount of real effective guarantees at their benchmark value less haircuts estimated by the Bank of Spain in Circular 4/2017, based on experience and information available to the Spanish banking sector.

Classification and coverage for credit risk derived from country risk

Country risk is the risk affecting counterparties living in a certain country due to circumstances other than the normal run of business: sovereign risk, transfer risk or risks derived from international financial activity. The Bank groups transactions with third parties based on countries' economic performance, political situation, regulatory and institutional structure, payment capacity and experience, assigning each group the percentage insolvency provisions prescribed by regulations in force.

Transactions are classed as doubtful assets due to materialisation of country risk where the final debtors are resident in countries facing prolonged difficulty in servicing their debt and the possibility of repayment is considered doubtful and where the chances of recovering off-balance sheet exposures are considered remote due to circumstances attributable to the country.

Provisions for this risk are immaterial compared to coverage for impairment constituted by the Group.

Guarantees

Real and personal guarantees are deemed to be effective when the Group can show that they validly mitigate credit risk. Analysis of the effectiveness of guarantees takes into account, among other matters, the time it would take to execute the guarantees and the Group's capacity and experience in doing so.

In no case are guarantees considered effective if their effectiveness depends substantially on the creditworthiness of the debtor or any group to which it may belong.

Subject to these conditions, the following types of guarantee can be considered effective:

i. Property guarantees structured as first charge mortgages:

  a) Finished buildings and parts of buildings:

    - Residential properties.
    - Offices, commercial premises and multi-use units.
    - Other buildings, such as non-multi-use units and hotels.

  b) Urban and licensed urbanisable land.

  c) Other real property (buildings, parts of buildings and other land plots).

ii. Pledges of financial instruments:

  - Cash deposits.
  - Debt or equity securities issued by issuers of recognized creditworthiness.

iii. Other real guarantees:

  - Movable goods deposited in guarantee.
  - Second and lower-ranking mortgages on buildings.

iv. Personal guarantees which engage the direct and joint liability of the new guarantors to the customer. Guarantors must be people or entities of demonstrable solvency for the purpose of guaranteeing the full repayment of the transaction on the terms agreed.

The Group applies measurement criteria for real collateral against assets in Spain compliant with regulations in force. In particular, the Group applies criteria to the selection and contracting of suppliers of appraisers designed to guarantee their independence and the quality of their valuations. All appraisers are appraisal companies and agencies registered in the Bank of Spain's Special Register of Appraisal Companies and valuations are carried out using criteria set by Ministerial Order ECO/805/2003 on measurement standards for property and certain rights for financial purposes.

Property posted as collateral for loans and buildings are appraised at the time the loan is granted or recognized, in the case of buildings either on purchase, foreclosure or grant in payment and when the asset suffers a significant fall in value. In addition, valuations are updated as established by Bank of Spain Circular 4/2017.

Debt instruments at fair value

Impairment losses on debt securities classed as "Financial assets at fair value through other comprehensive income" are equal to the positive difference between acquisition cost (net of any principal repayments) and fair value less any impairment loss previously recognized in the consolidated income statement.

Where there is objective evidence that the decline in fair value is due to impairment, the unrealized losses recognized in "Accumulated other comprehensive income" in equity are taken directly to income. If all or part of the impairment loss is subsequently recovered, the corresponding amount is recognized in the income statement for the period when it is recovered.

In the case of debt securities recognized as "Available-for-sale financial assets" and/or "Financial assets held for trading", the Group deems them to be impaired if any payment of principal or interest is more than 90 days in arrears or if they have lost more than 40% of their cost value and credit rating.

In the case of debt instruments transferred to "Non-current assets and disposal groups held for sale" losses previously recorded in equity are considered to be realized and recognized in the consolidated income statement on their transfer.

Equity instruments

Impairment losses on equity instruments classed as "Financial assets at fair value through other comprehensive income" are equal to the positive difference between acquisition cost (net of any principal repayments) and fair value less any impairment loss previously recognized in the consolidated income statement.

Where there is objective evidence that the decline in fair value is due to impairment, the unrealized losses recognized in "Accumulated other comprehensive income" in consolidated equity are taken directly to "Other consolidated reserves". If all or part of the impairment loss is subsequently recovered, the corresponding amount is recognized in equity in "Accumulated other comprehensive income" in consolidated equity.

In the case of equity instruments transferred to "Non-current assets and disposal groups held for sale" losses previously recorded in equity are considered to be realized and recognized in the consolidated income statement on their transfer. Impairment losses on equity instruments measured at cost are calculated as the difference between their carrying amount and the present value of the expected future cash flows discounted at the market rate of return for similar securities. These impairment losses are recognized in income as they occur by directly reducing the carrying amount of the equity instruments. The loss can only be subsequently recovered in the event of sale.

In the case of investments in associates, the Group estimates the amount of impairment losses by comparing their recoverable amount to their carrying amount. Impairment losses are recognized in consolidated income as they occur and subsequent recoveries are recognized in income in the period in which the recovery takes place.

h) Financial guarantees

Financial guarantees are defined as contracts whereby the Group undertakes to pay specific amounts on behalf of a third party if the latter fails to do so. The main types of contracts included in this category, which are recognized in the memorandum accounts at the end of the consolidated statement of financial position, are financial and technical guarantees, irrevocable documentary credits issued or confirmed by the Group, insurance policies and credit derivatives in which the Group acts as the seller of protection.

When the Group issues contracts of this kind, they are recognized in the "Other liabilities" line in the consolidated statement of financial position at fair value and also, at the same time, in the "Other financial assets" line of "Loans and advances – Customers" at the present value of cash flows receivable. Both entries use a discount rate similar to that applied to credits with a similar term and risk extended to the same counterparty by the Group. Subsequent to issuance, contracts of this type are recognized by recording the differences in consolidated income as "Finance income" or "Fee and commission income", according to whether they correspond to "Other financial assets" or "Other liabilities", respectively.

Financial guarantees are classified on the basis of the default risk assigned to the customer or transaction and, where applicable, an estimate made of the provisions required to cover the credit risk (Note 18). The credit risk is determined by applying criteria similar to those used to quantify impairment losses on financial assets classified under "Financial assets at amortized cost" (Note 2.g).

i) Tangible assets

Property and equipment for own use are presented at acquisition price, discounted pursuant to certain legal regulations and re-measured in accordance with the provisions of the new accounting standards, less the related accumulated depreciation and any impairment losses. Tangible assets are grouped into the following items: property and equipment for own use, investment property, assigned to operating leases and assigned to social projects.

All tangible asset items are depreciated on a straight-line basis according to the estimated years of useful life shown below. The land on which buildings and other structures are constructed has an indefinite life and is not therefore depreciated.

Annual provisions for the depreciation of tangible assets are recognized with a balancing entry in the consolidated income statement and are calculated using the following percentage depreciation rates, determined on the basis of the average estimated years of useful life of the related assets:

	Annual percentage
Buildings for own use	4%
Furniture and fixtures	15-20%
Computer hardware	(*)

(*) Decreasing digit method (based on three or four years, depending on the items).

The depreciation periods and methods used for each tangible asset item are reviewed by the Group as a minimum at the end of each reporting period. Upkeep and maintenance expenses that do not improve the productivity or extend the useful life of the respective assets are charged directly to the consolidated income statement when incurred.

At each closing date, the Group reviews whether there are internal or external indications that the net value of its tangible asset items exceeds their recoverable amount. If so, it writes down the carrying amount accordingly and reduces future depreciation charges to match the new carrying amount and the remaining useful life, where this has been re-estimated. Any such reduction to the carrying amount of property and equipment for own use is charged to "Net impairment/(reversal) of non-financial assets – Tangible assets" in the consolidated income statement.

Similarly, where there are indications that property or equipment has recovered previously impaired value, the Group reverses the prior period impairment loss, through a credit to "(Impairment or (-) reversal of impairment on financial assets) – Tangible assets" in the consolidated income statement and adjusts future depreciation charges accordingly. Reversals can never increase the carrying amount of an asset above its initial pre-impairment value.

Tangible assets are derecognized from the consolidated statement of financial position when they are disposed of, including if assigned under finance leases, or when they are permanently withdrawn from use and no future economic benefits are expected to be obtained from their disposal, assignment or abandonment. The difference between the sale price and carrying amount is recognized in the consolidated income statement for the period in which the asset is derecognized.

j) Leasing

I. Finance leases

Finance leases are leases that transfer to the lessee substantially all the risks and rewards of ownership of the leased asset.

Finance lease contracts are recognized as follows:

When the Group acts as lessor of assets in a financial lease, the summed present values of the amounts the lessee will receive plus guaranteed residual value, usually taken to be the exercise price of the lessee's call option at the end of the contract are recognized as third-party finance, and are therefore included in "Financial assets at amortized cost" of the consolidated balance sheet, based on the nature of the lessee.

The accounting criteria applied to impairment losses and balance sheet derecognition are the same as those applied to other financial assets (Notes 2.f. and 2.g).

When the Group acts as lessee, the cost of the leased assets is recognized in the statement of financial position according to the type of asset leased and a liability for the same amount simultaneously recognized. This amount is determined as the lower of the fair value of the leased asset and the present value of all amounts payable to the lessor plus, where relevant, the exercise price of the call option. These assets are depreciated on the same basis as tangible assets for own use.

Income generated by these agreements are credited to the consolidated income statement under "Interest income", discounted to present at the effective interest rate of the transactions.

II. Operating leases

Under operating leases, the lessor retains substantially all the risks and rewards of ownership of the leased asset and therefore continues to recognize ownership thereof.

When the Group acts as lessor, it presents the acquisition cost of the leased assets under "Tangible assets" in the consolidated statement of financial position. These assets are depreciated on the same basis as other similar property, plant and equipment for own use and income from the lease contracts is recognized in consolidated income on a straight-line basis.

When the Group acts as lessee, lease expenses, including any incentives granted by the lessor, are taken to the consolidated income statement on a straight-line basis.

k) Intangible assets

Intangible assets are non-monetary assets that are without physical substance. They are deemed to be identifiable when they are separable from other assets – i.e. they can be individually disposed of, let or transferred – or when they arise from contractual or other legal rights. An intangible asset is recognized when, besides satisfying the above definition, the Group considers it probable that the economic benefits arising from the asset will be realized and its cost can be measured reliably.

Intangible assets are initially recognized at cost of acquisition or production and subsequently measured at cost less any accrued amortization or impairment loss.

Goodwill

Goodwill corresponds to payments made by the Group in anticipation of future economic benefits deriving from assets of an acquired entity that cannot be individually and separately identified and recognized. It is recognized only when acquired for consideration in a business combination.

Positive differences between the acquisition cost of interests in the capital and the corresponding carrying amounts of the assets acquired, adjusted on the date of first consolidation, are recognized as follows:

i) If the excess can be assigned to specific assets or liabilities of the companies acquired, it is added to the value of assets whose market value is higher than the carrying amount stated in the consolidated statement of financial positions of the companies acquired, or subtracted from the value of liabilities whose market value is lower than the carrying amount. The accounting treatment is similar to that of the corresponding Group assets or liabilities, respectively.

ii) Where differences can be assigned to specific intangible assets, they are explicitly recognized in the consolidated statement of financial position provided their fair value at the acquisition date can be measured reliably.

iii) The remaining amount is recognized as goodwill, which is allocated to one or more specific cash-generating units.

Negative differences between the acquisition cost of interests in the capital of associates and the corresponding carrying amounts of the assets acquired, adjusted on the date of first consolidation, are recognized as follows:

i) If the difference can be assigned to specific assets or liabilities of the companies acquired, it is added to the value of liabilities whose market value is higher than the carrying amount stated in the consolidated statement of financial positions of the companies acquired, or subtracted from the value of assets whose market value is lower than the carrying amount, where the accounting treatment is similar to that of the Group's equivalent liabilities or assets, respectively.

ii) Unassignable amounts are recognized in the consolidated income statement for the year when the acquisition took place.

The remaining intangible assets are divided into two groups: those with an indefinite useful life when, based on analysis of all relevant factors, there is no foreseeable limit to the period when they are expected to generate net cash flows to the Group, and those with a finite useful life. Intangible assets with an indefinite useful life are not amortized. At each reporting date, the Group reviews their remaining useful life to determine whether it can still be considered indefinite and, if not, makes the corresponding accounting changes. Intangible assets with a finite useful life are amortized over that life using similar criteria to the depreciation of property and equipment.

The Group also recognizes any impairment loss to the carrying amount of these assets, with a balancing entry in the consolidated income statement. The criteria for recognising impairment losses in these assets and any recoveries of previously recognized impairment are similar to those used for tangible assets.

l) Inventories

Inventories include, inter alia, land and other property held by the Group for sale as part of its real estate development activities and any other assets, other than financial instruments, that are held for sale in the ordinary course of its business and are in the process of production, construction or development.

Inventories are carried at the lower of cost, including all costs of acquisition or transformation and other direct and indirect costs incurred to create their current condition and location, and net realisable value. Net realisable value is defined as the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs of sale.

The cost of inventory items that are not tradable in the normal course of business and the cost of goods and services produced and reserved for specific projects are determined individually for each case. The cost of other inventories is determined using the first-in, first-out method (FIFO).

Both reductions and subsequent recoveries in the net realisable value of inventories are recognized in income for the year in which they occur.

In the event of their sale, the carrying amount of inventories is derecognized from the consolidated statement of financial position and recycled to the consolidated income statement as an expense under "Other operating expenses" for the same period in which the revenue from their sale is recognized under "Other operating income".

m) Provisions and contingent exposures

The Group makes a distinction between provisions and contingent liabilities. Provisions are defined as present obligations of the Group arising as a result of past events, which are specific in nature at the reporting date but uncertain as to their amount or timing of cancellation, which the Group expects to cancel on maturity through an outflow of resources embodying economic benefits.

Such obligations may arise for the following reasons:

i) A legal or contractual requirement.

ii) An implicit or tacit obligation, arising from a valid expectation created by the Group in respect of third parties that it will assume certain kinds of responsibilities. Such expectations arise when the Group publicly accepts responsibilities, and derive from past performance or business policies in the public domain.

iii) Near certain changes in the regulations on certain issues. In particular, draft legislation with which the Group will be required to comply.

Contingent exposures are possible obligations of the Group that arise out of past events which are contingent upon the occurrence or non-occurrence of one or more future events over which the Group does not have control. Contingent exposures include present obligations of the Group where an outflow of funds including economic benefits is unlikely to be required to settle them or, in extremely rare cases, where the amount of the obligation cannot be measured reliably.

Provisions and contingent exposures are classified as probable when they are more likely to occur than not, possible when they are less likely to occur than not, and remote when their occurrence is extremely rare.

The Group includes in the consolidated financial statements all significant provisions and contingent exposures in respect of which the probability of the obligation having to be met is greater than the probability of its not having to be met. Contingent exposures classified as possible are not recognized in the consolidated financial statements, but are reported, unless the likelihood of an outflow of funds including economic benefits being required is considered remote.

Provisions are quantified on the basis of the best available information on the consequences of the event at their origin and are estimated at the close of each accounting period. They are used to cover the specific obligations for which they were recognized and are reversed in full or in part when such obligations cease to exist or are reduced.

Provisions for commitments and guarantees given include the amount of the provisions established to cover contingent commitments given – defined as transactions where the Group guarantees the obligations of a third party as a result of financial guarantees granted or contracts of another kind – and contingent commitments – defined as irrevocable commitments that could give rise to the recognition of a financial asset – and the amount of other provisions established by the Group.

Ongoing lawsuits and/or claims

At 31 December 2018 and 2017 a number of lawsuits and claims had been filed against the Group as a result of the normal conduct of its business. Both the Bank's legal advisors and its directors are of the view that the outcome of these proceedings and claims will have no significant effect beyond that provisioned in the accompanying consolidated financial statements closed at 31 December 2018 and 2017.

It should be noted that following the European Union Court of Justice ruling of 21 December 2016 on "floor clauses" and the entry into force of Royal Decree Law 1/2017 of 20 January, on urgent measures to protect consumers, the Bank analysed possible contingencies arising from floor clauses and took a provision at 31 December 2018 of EUR 81,268 thousand (EUR 82,591 thousand at 31 December 2017), recognized under "Provisions – Other provisions" (Note 18).

n) Non-current assets and liabilities and disposal groups held for sale

“Non-current assets and disposal groups held for sale” on the consolidated statement of financial position include the carrying amount of items intended for sale (discontinued operations), either individually or as part of a disposal group or business unit, and whose sale is highly probable, in the current state of the assets, within one year of the reporting date of the consolidated financial statements. Also classed as “Non-current assets and disposal groups held for sale” are investments in associates that meet the same criteria.

The carrying amount of these items, which may be financial or non-financial assets, is expected to be recovered via their sale price rather than through their continued use.

And so, real estate or other non-current assets received by the group as full or part payment of its debtors’ obligations are reported under “Non-current assets and disposal groups held for sale” unless the Group has decided to make continuing use of these assets.

Also, “Liabilities included in disposal groups held for sale” include credit balances of the Group’s disposal groups and discontinued operations.

Non-current assets and disposal groups held for sale are generally measured at the lower of carrying amount at the time they are classified as such and their estimated fair value net of costs to sell, except those of a financial nature. For as long as they remain classified as “Non-current assets and disposal groups held for sale” tangible and intangible assets that would normally be depreciated or amortised are not.

Foreclosed assets or assets received in settlement of debt, whatever the legal procedures that led to this outcome, are initially recognized at the lower of the carrying amount of the associated financial asset, i.e. amortized cost less any estimated impairment, and fair value at the time of foreclosure or receipt less estimated costs to sell. Fair value is taken to be the market value measured by full appraisal of each asset less costs to sell.

All costs of the foreclosure process are recognized immediately in the consolidated income statement for the year the foreclosure took place. Registration fees and taxes paid may be added to the value initially recognized provided that their addition does not raise this amount above the appraisal value less estimated costs to sell referred to in the previous paragraph. All costs to maintain and protect the asset incurred between foreclosure and sale, such as insurance or security, are taken to consolidated income as accrued.

Subsequently, this appraisal value is updated in line with a benchmark valuation used to estimate fair value. When measuring fair value less costs to sell, the Group takes into account appraisals by different appraisal companies all of whom are registered in the Bank of Spain Special Register and the discounts to benchmark value estimated by the Bank of Spain on the basis of past experience and information held by the Spanish banking sector. Also, when a building has a fair value of EUR 250,000 or less it is updated using automated valuation models. Any buildings that have remained on the balance sheet for three years undergo a full reappraisal in any event. Also, the appraisal company that updates the valuation is different from the one that carried out the previous valuation.

Where the carrying amount exceeds the fair value of the assets less costs to sell, the Group adjusts the carrying amount of assets by the difference, with an offsetting entry in "Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations" on the income statement. In the event of any subsequent rise in the fair value of assets, the Group reverses previously taken losses, increasing the book value of the assets up to the pre-impairment amount, with an offsetting entry in "Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations" on the income statement.

Proceeds from the sale of non-current assets held for sale are reported under "Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations" on the consolidated income statement.

Discontinued operations

The Group classifies as a discontinued activity or operation any Group component that has been sold or otherwise disposed of or classified under "Non-current assets or disposal groups held for sale" and also fulfils any of the following conditions:

- It represents a business line or geographical area of operations which is material and independent of the rest.
- It forms part of an individual and coordinated plan to sell, or otherwise dispose of, a business line or geographical area of operations which is material and independent of the rest.
- It is a subsidiary acquired for the sole purpose of selling it.

Results generated during the year by Group components classified as discontinued operations are recognized under "Profit or (-) loss after tax from discontinued operations" on the consolidated income statement whether or not the component still remains on the balance sheet at the end of the year. If activities previously presented as discontinued operations are reclassified as continuing operations, their income and expenses are reported by nature on the consolidated income statements for the current and prior years.

o) Foreign currency transactions

I. Functional currency

The Group's functional currency is the euro. Consequently, all non-euro balances and transactions are considered foreign currency balances and transactions.

II. Translation criteria for foreign currency balances

Balances receivable and payable in foreign currency are translated to euro at the spot rate on initial recognition. The following translation criteria are subsequently applied:

- Cash items denominated in foreign currency are translated to their functional currencies using the official average Spanish spot rate at the close of the year.
- Non-cash items measured at historical cost are translated at the exchange rate applying on the date of acquisition.
- Non-cash items recognized at fair value are translated at the exchange rate applying on the date of fair value measurement.
- Income and expenses are translated at the exchange rate applying on the transaction date or using the average exchange rate for the period for all transactions performed in that period.
- Equity items are translated at historical exchange rates.

III. Recognition of translation differences

Translation differences arising on the translation of foreign currency balances are generally recognized in income, except for differences arising on non-cash items.

At 31 December 2018, the value of assets and liabilities denominated in foreign currencies was EUR 48,289 thousand and EUR 47,328 thousand, respectively (compared with EUR 70,388 thousand and EUR 70,388 thousand at 31 December 2017).

p) Recognition of income and expense

As a general rule, income is recognized at the fair value of the consideration received or to be received, less trade and other discounts. Where the cash inflows are deferred, fair value is determined by discounting the future cash flows.

The recognition of any revenue item in consolidated income or consolidated equity is subject to fulfilment of the following prerequisites:

- The amount can be reliably estimated.
- It is probable that the Bank will receive the economic benefits of the transaction.
- The information must be verifiable.

The main criteria applied by the Group for the recognition of income and expense are described below.

I. Interest and similar income and expense

As a general rule, interest and similar income and expense items are recognized according to their accrual periods, using the effective interest rate method. Dividends received from other companies are recognized in income at the time the Group becomes entitled to receive them.

II. Fees, commissions and similar items

Income and expense arising from fees, commissions and similar charges are recognized in income according to various criteria, depending on their type. The main fee and commission items are:

- Fees related to financial assets and liabilities designated at fair value through profit and loss, which are recognized when paid.
- Fees originating from transactions or services that continue over an extended period, which are recognized over the life of the transaction or service.
- Fees relating to a service rendered in a single act, which are recognized when the single act is carried out.

The Group classifies fees and commissions received or paid as follows:

Finance fees and commissions

Fees of this type, which form an integral part of the effective return or cost of a finance transaction, are collected or paid in advance and generally recognized in income over the expected term of the finance, net of direct costs, as an adjustment to the cost incurred or effective revenue generated on the transaction.

Non-finance fees and commissions

Fees of this type arise when services are rendered by the Group and are recognized in income over the period in which the service is rendered or, if relating to a service rendered in a single act, when the single act is carried out.

III. Non-finance income and expense

These are recognized for accounting purposes on an accrual basis.

q) Swaps of tangible and intangible assets

When tangible and intangible assets are the subject of swaps, the Group measures the assets received at their fair value plus, if applicable, any cash considerations delivered in exchange, unless clearer evidence of the fair value of the asset received exists. When it is not possible to measure fair value reliably, the assets received are recognized at the carrying amount of the assets delivered plus, if applicable, any cash considerations delivered in exchange.

Losses on asset swaps are recognized directly in the consolidated income statement, while gains are only recognized if the swap is of a commercial nature and the fair values of the swapped assets can be reliably measured.

r) Social Welfare Fund

The Group recognizes mandatory allocations to the Social Welfare Fund under liabilities and as an expense for the year. Voluntary contributions are recognized as a distribution of earnings.

Applications of this fund are normally credited to cash and banks, unless the amount of the related welfare project corresponds to the Group's own activities, in which case the Social Welfare Fund is reduced and a revenue item is simultaneously recognized in the consolidated income statement.

s) Off-balance sheet customer funds

The Group recognizes funds deposited by third parties for investment in investment funds, pension funds and endowment policies at their fair value in memorandum accounts, making a distinction between funds managed by Group companies and funds marketed by the Group, managed by non-Group third parties.

The memorandum accounts also include the fair value or, if no reliable fair value estimate is available, cost value of assets acquired by the Group on behalf of third parties as well as debt securities, equity instruments, derivatives and other financial instruments held in custody, under guarantee or on commission at the Group on behalf of those responsible for the same.

The fees charged for these services are recognized in the consolidated income statement as "Fee and commission income".

t) Personnel expenses and post-employment benefits

Short-term benefits

Short-term employee benefits are measured, without discounting, at the amount payable for services received and generally recognized as personnel expenses for the year plus an accrued liability of an amount equal to the difference between the total expense and the amount already settled.

Pension commitments

The only Group company that has significant pension commitments to its employees is the Parent Company.

In accordance with the current collective wage agreement, Caja Rural de Navarra is obliged to supplement the state social security system benefits accruing to widows and orphans of employees who die while employed by the Group. It must also pay a seniority bonus to employees who leave the Parent Company due to retirement or serious full and permanent disability after twenty or more years' service. The amount of this bonus is established in the collective agreement.

Caja Rural de Navarra has covered all the aforementioned commitments through various policies contracted with the insurance company Vidacaixa Seguros y Reaseguros, S.A..

Liabilities recognized under the defined benefit plans are measured as the current value of the obligation at the reporting date less the fair value of plan assets. Obligations under defined benefit plans are calculated annually by independent actuaries using the projected unit credit method assuming the earliest possible retirement age.

"Plan assets" are those assets associated with a specific defined benefit obligation which will be used directly to settle these commitments and which meet the following conditions:

- They are owned by a legally separate third party that is not related to the Group.
- They can be used only to pay or finance commitments to employees and are unavailable to creditors of the Parent Company even in the event of insolvency.
- They can be returned to the Parent Company only if all employee benefit commitments have been settled or if they are to be used to reimburse the Parent Company for employee benefits already paid.
- They are not non-transferable securities issued by the Parent Company.

At 31 December 2018, the defined benefit obligation was in deficit as the fair value of plan assets was less than the present actuarial value of the contracted obligations.

This deficit was recognized in accordance with Bank of Spain Circular 4/2017 as a provision for defined benefit pension plans under "Provisions – Pensions and other defined-benefit post-employment obligations" on the consolidated statement of financial position at 31 December 2018.

Post-employment benefits are defined as any remuneration to employees paid after they have ceased to be employed by the Group. Post-employment benefits, including those covered by internal or external pension funds, are divided into defined contribution or defined benefit plans based on the terms and conditions of the associated obligations, taking into consideration all commitments undertaken both within and outside the terms and conditions formally agreed with employees.

Bank of Spain Circular 472017 requires post-employment benefits to be reported as follows:

i) **On the income statement:** employee current service costs and past service costs that were not recognized in the year accrued, net interest on provisions (assets), and the gain or loss on settlement.

ii) **On the statement of changes in equity:** revaluations of provisions (assets), impact of actuarial gains and losses, any returns on plan assets that were not included in net interest on provisions (assets), and changes in the present value of plan assets as a result of changes in the present value of cash-flows available to the entity which are not included in net interest on provisions (assets). Amounts recognized in the statement of changes in equity will not be reclassified to the income statement in future years.

Defined benefit plans are therefore reported in the income statement as follows:

a) Current service cost as **"Personnel expenses".**

b) Net interest on provisions as **"Interest expense".**

c) Net interest on assets as **"Interest income".**

d) Past service cost as **"(Provisions) reversals".**

The most significant actuarial assumptions applied are as follows:

Actuarial assumption	2018	2017
Interest rate	1.60%	1.50%
Expected return on plan assets	1.60%	1.50%
Mortality tables	PERM/F2000P	PERM/F2000P
Incapacity tables	N/A	N/A
Annual cumulative salary increase	2.00%	2.00%

The discount rate applied to plan commitments is based on the duration of the commitment, 16.6 years for post-employment obligations at a rate of 1.60%, and the benchmark curve is based on the yield paid by high-rated (AA) corporate bonds denominated in euros (Source: Iboxx AA at 31 December 2018).

The percentage sensitivity of the defined benefit obligation to changes in the main assumptions for 2018 is as follows:

	Change in assumption	**Increase**	**Decrease**
Discount rate	0.5%	-7.3%	8.1%
Annual salary growth rate	0.5%	7.9%	-7.2%

The sensitivity analysis above assumes a change in the assumptions shown while all other factors remain constant.

The amounts recognized in the Bank's financial statements for pensions and similar obligations are as follows:

	Thousands of euros	
	2018	2017
Assets/liabilities on statement of financial position		
Post-employment obligations	(3,024)	(2,990)
Fair value of plan assets	2,005	1,989
Net asset (provision) recognized on statement of financial position (Note 18)	**(1,019)**	**(1,001)**

Expenses charged to the income statement for defined benefit obligations to employees are as follows:

	Thousands of euros	
	2018	2017
Charged (credited) directly to income		
Personnel expenses:		
– Current service cost	179	165
– Allocation to provisions	-	-
Net income and interest expense	17	17
Total expenses charged	**196**	**182**

The table below reconciles the amounts reported as present value of defined benefit obligations at the start and end of 2018 and 2017:

	Thousands of euros
Balance at 31 December 2016	**2,736**
Current service cost	165
Interest expense	50
Remeasurements	86
Benefits paid	(47)
Effect of curtailments/settlements	-
Balance at 31 December 2017	**2,990**
Current service cost	179
Interest expense	47
Remeasurements	(137)
Benefits paid	(55)
Effect of curtailments/settlements	-
Balance at 31 December 2018	**3,024**

The table below reconciles the amounts reported as fair value of defined benefit plan assets at the start and end of 2018 and 2017:

	Thousands of euros
Fair value at 31 December 2016	**1,804**
Expected return on plan assets	40
Remeasurements	85
Contributions by the Bank	107
Benefits paid	(47)
Effect of curtailments/settlements	-
Fair value at 31 December 2017	**1,989**
Expected return on plan assets	30
Remeasurements	(14)
Contributions by the Bank	55
Benefits paid	(55)
Effect of curtailments/settlements	-
Fair value at 31 December 2018	**2,005**

The breakdown of the main asset classes in the defined benefit plan (as % of total plan assets) is as follows:

	2018	2017
Equities	-	-
Debt instruments	-	-
Property	-	-
Insurance policies	100%	100%
Other assets	-	-
Total	**100%**	**100%**

The Bank expects to contribute EUR 178 thousand to defined post-employment benefit plans in respect of 2019.

The estimate of the corresponding payments expected from defined post-employment benefit plans over the next 10 years is as follows (in thousands of euros):

	2019	2020	2021	2022	2023	2024-2028
Probably post-employment benefits	225,602	77,595	142,280	101,105	120,246	507,661

Termination benefits

Termination benefits are recognized as a provision for pensions and other defined-benefit post-employment obligations and as personnel expenses only when it can be demonstrated that the Group has committed to terminating the employment of an employee or group of employees before the normal retirement date or to paying termination benefits to employees as incentives in a voluntary redundancy offer.

u) Tax on profit from continuing operations

The income tax expense for the year is recognized in the consolidated income statement except when it results from a transaction recognized directly in equity, in which case the income tax effect is also recognized in equity.

"(Tax expense or (-) income on profit from continuing operations)" is tax payable on taxable profit for the year, adjusted for changes arising in the year due to temporary differences, tax relief, tax credits and tax loss carryforwards.

Deferred tax assets and liabilities include the aforesaid temporary differences, which are the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases.

Deferred tax assets, tax relief, tax credits and tax loss carryforwards are only recognized if it is considered likely that the Group will have sufficient future taxable profits against which they can be offset.

Deferred tax liabilities are always recognized, except those arising upon the initial recognition of goodwill or the deferred tax liabilities associated with investments in subsidiaries, associates and jointly-controlled entities, provided that the investor is able to control the timing of the reversal of the temporary difference and, in addition, that it is probable that the difference will not reverse in the foreseeable future. Notwithstanding the above, deferred tax assets and liabilities are not recognized in connection with the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are reviewed on each reporting date to determine whether they remain valid and whether there is sufficient evidence on the probability of future taxable profits being made against which tax assets can be applied. Any corrections identified as necessary in the review are then made.

The reviews consider the following factors:

- Projected profits of the Parent Company and each subsidiary, based on budgets approved by the Group's directors, adjusted using constant growth rates estimated by the Parent Company's management;
- Estimates of reversals of temporary differences depending on their nature and
- Legal expiry periods or caps for the use of deferred tax assets in each country.

Income and expenses recognized directly in equity are accounted for as temporary differences.

On 28 December 2016, Navarre Regional Law 26/2016, on Company income tax, was published in the Navarre Official Bulletin, taking effect the next day and applying to all tax periods starting as from 1 January 2017. This amended Navarre Regional Law 24/1996, of 30 December, on Company income tax, used to determine company income tax in 2017, although it did not actually change the tax rate payable by the Bank.

v) Consolidated statement of recognized income and expense and consolidated statement of changes in equity

These statements form part of the consolidated financial statements and show all changes in equity occurring in the reporting period. The main features of the information presented in each part of the statement are outlined below.

Consolidated statement of recognized income and expense

This statement shows the income and expense generated by the Group as a result of its activities in the reporting period, distinguishing between items of income and expense that are recognized in profit and loss for the year and items of income and expense that, as required under current regulations, are recognized directly in equity.

This financial statement therefore presents:

- Consolidated profit for the year
- The net income or expense recognized under "Other comprehensive income" that will not be reclassified to profit or loss.
- The net income or expense recognized under "Other comprehensive income" that may be reclassified to profit or loss.
- "Total recognized income and expenses for the year", calculated as the sum of the three items above.

Changes in net income or expense recognized under "Other comprehensive income" as "Items that will not be reclassified to profit or loss" are composed of:

a) **Actuarial gains or losses on defined benefit pension plans:** this includes gains or losses over the period from changes in the valuation of obligations due to changes and differences in actuarial assumptions, certain returns on plan assets and changes in the limit of the asset.

b) **Non-current assets and disposal groups held for sale:** this includes gains and losses for the period that must be recognized in other comprehensive income as a result of the measurement of this asset class and which are not subsequently taken to income.

c) **Share of other recognized income and expense of investments in joint ventures and associates:** this item, which only appears in the consolidated statement of recognized income and expense, summarizes gains and losses for the period from companies accounted for using the equity method obligatorily recognized in OCI and not subsequently taken to income.

d) **Changes in fair value of equity instruments at fair value through other comprehensive income:** this item includes gains or losses for the period from changes in the fair value of equity instruments, when an entity has irrevocably opted to report these in OCI.

e) **Gains or losses from hedge accounting for equity instruments at fair value through other comprehensive income, net:** this represents changes over the period in the ineffectiveness of fair value hedges where the hedged item is an equity instrument at fair value through OCI. It also includes the difference between changes in fair value of equity investments recognized as "Changes in fair value of equity instruments at fair value through other comprehensive income (hedged item)" and changes in fair value of hedging derivatives booked under "changes in fair value of equity instruments at fair value through other comprehensive income (hedge)"

f) **Changes in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in credit risk:** this shows changes in the fair value for the period of financial liabilities designated at fair value through profit or loss attributable to changes in own credit risk.

Changes in net income or expense recognized under "Other comprehensive income" as "Items that can be reclassified to profit or loss" are composed of:

a) **Hedges of net investments in foreign operations (effective portion):** this includes the change over the period in retained earnings due to the impact of exchange rate differences on the effective portion of hedges, continuing or discontinued, of net investments in foreign operations.

b) **Currency translation:** this recognizes changes over the period due to the translation of functional currency items into the reporting currency.

c) **Cash flow hedges (effective portion):** this recognizes the gain or loss over the period in the effective portion of the changes in fair value of hedging instruments in this type of hedging relationship.

d) **Hedging instruments (undesignated):** this includes changes over the period in accrued change in the fair value of the following items when they have not been designated as a hedge: time value of options, future elements of futures contracts, base differential of exchange differences on financial instruments.

e) **Debt instruments at fair value through other comprehensive income:** this includes gains or losses for the period on these instruments not due to impairment or exchange differences, recognized in, respectively, "Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)" and "Gains or (-) losses from translation differences, net", in the income statement.

f) **Non-current assets and disposal groups held for sale:** this includes gains and losses for the period that must be recognized in other comprehensive income as a result of the measurement of this asset class and which can subsequently be taken to income.

g) **Share of other recognized income and expense recognized in investments in joint ventures and associates.** This item, which only appears in the consolidated statement of recognized income and expense, summarizes gains and losses for the period from companies accounted for using the equity method obligatorily recognized in OCI which can be subsequently taken to income.

Each individual item is also broken down into the following sub-items:

a) **Gains or losses recognized in equity:** reflects the amount of income, net of expenses arising in the year, recognized directly in equity. Amounts recognized directly in equity during the year are held in this item, although they are recycled in the same year to income or transferred to the initial carrying amount of assets and liabilities, or reclassified to another item, in accordance with paragraphs b), c) and d) below, respectively. When this breakdown refers to paragraph b) of the previous item, it is called "Gains or (-) losses on currency translation recognized in equity".

b) **Reclassified to profit or loss:** measurement gains or losses previously recognized in equity, including in the same year, which are recognized in the income statement (sometimes this process is referred to as "recycling of income and expense" and the amount transferred as "Reclassification adjustments").

c) **Reclassified to initial carrying amount of hedged items:** this sub-item is only used for the items covered by c) in the previous section. It shows measurement gains or losses previously recognized in equity, even in the same year, which are recognized in the initial carrying amount of assets and liabilities as a result of cash flow hedges.

d) **Other reclassifications:** transfers between items during the year, in accordance with the criteria set out in the standards of this section.

The amounts of items in this account are carried gross. Income tax for each item, whether or not they are recyclable to income, is shown in a separate item at the end.

Consolidated statement of changes in equity

This statement shows all changes in equity, including those resulting from changes in accounting policies and the correction of errors. The statement therefore provides a reconciliation between the carrying amount of each item of consolidated equity at the beginning and end of the period, grouping movements by type under the following headings:

- **Effects of changes in accounting policies and correction of errors:** reflecting changes in equity resulting from retrospective adjustments to consolidated financial statement balances because of changes in accounting principles or to correct errors.
- **Total recognized income and expenses for the year:** representing the aggregate value of all the aforementioned items recognized in the statement of recognized income and expense.
- **Other changes to equity:** representing the remaining items recognized in equity, including capital increases or decreases, distribution of earnings, treasury share transactions, equity-based payments, transfers between equity items, and any other increase or decrease in equity.

w) Consolidated cash flow statement

The consolidated cash flow statement uses a number of specific concepts, which are defined as follows:

i) Cash flows are inflows and outflows of cash and cash equivalents, that is, investments that are short-term, highly liquid and subject to a low risk of changes in value.

ii) Operating activities are the Group's typical activities and other activities that cannot be classified as investing or financing and interest paid on financing received, even if it relates to financial liabilities classified as financing activities.

iii) Investing activities are those relating to the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and equivalents, such as property and equipment, intangible assets, equity investments, joint ventures and associates, non-current assets and disposal groups classified as "Financial assets at fair value through other comprehensive income" and the associated liabilities.

Changes arising from the acquisition or disposal or a set of assets for liabilities making up a business or activity are reported under "Other business units" in the separate financial statements or under "Subsidiaries and other business units" in the consolidated statements as positive or negative items as appropriate.

iv) Financing activities are activities that result in changes in the size and composition of the consolidated net assets and liabilities that are not part of operating activities.

The Group treats the balances included under "Cash, cash balances at central banks and other demand deposits" in the consolidated statement of financial position as cash and cash equivalents.

x) Business combinations

Business combinations are defined as transactions through which two or more entities or economic units are merged into a single entity or group of companies.

When the business combination results in the creation of a new entity that issues shares to the owners of two or more entities that have merged. one or other of the two original entities is deemed to be the acquirer and the transaction is treated in the same way as if one entity had acquired the other.

Business combinations are booked by the acquisition method. The consideration transferred to acquire another company is measured as the fair value of the assets transferred, any liabilities to the previous owners that the Group takes on and any equity interests in the acquiree issued by the Bank. Consideration also includes the fair value of any assets or liabilities resulting from any contingent consideration agreement. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. In each business combination, the Group can choose to measure any non-controlling interest in the acquiree either at fair value or at its proportionate share of the identifiable net assets of the acquiree.

Acquisition costs are recognized as expenses for the year they are incurred.

Any contingent consideration to be transferred by the Group is measured at fair value at the acquisition date. Subsequent changes to the fair value of a contingent consideration treated as an asset or liability are recognized in accordance with IFRS 9 in the consolidated income statement.

Goodwill is initially measured as the total consideration paid plus the fair value of the non-controlling interests less the net amount of identifiable assets acquired and liabilities assumed. If this consideration turns out to be less than the fair value of net assets of the subsidiary acquired, the difference is recognized in income.

During a one-year "measurement period" from the date of the business combination the acquirer can adjust the provisional amounts recognized as it completes the estimates required to prepare the first consolidated financial statements following the combination.

y) Goodwill

Positive differences between the acquisition cost of business combinations and the percentage interest acquired in the net fair value of the assets and contingent liabilities of the acquirees are recognized as goodwill on the consolidated balance sheet. Goodwill therefore corresponds to payments made by the Group in anticipation of future economic benefits deriving from assets of an acquired entity that cannot be individually and separately identified and recognized. It is recognized only when acquired for consideration as a result of a business combination. This goodwill is never amortized but at each reporting date it is tested for any impairment that would reduce its fair value below its recognized net cost and, if so, it is written down with the resulting loss being recognized in the consolidated income statement.

Goodwill impairment tests are based on measurements that principally use the discounted distributed profits method, which takes account of the following parameters:

- o Key business assumptions. These assumptions are the basis for forecasting future cash flows used in the valuation. For financial businesses the variables projected may include: lending volumes, non-performing loans, customer deposits and interest rates in a projected economic environment and capital requirement.
- o Estimates of macro-economic and other financial variables.
- o Forecast period. The forecast term/period is usually 5 years. Beyond this, profits and yields are assumed to run at a constant level. Economic projections at the time of the valuation are used to make forecasts over this period.
- o Discount rate. The present value of future dividends, used to derive value in use, is calculated at a discount rate based on the entity's cost of equity (Ke) to a market participant. It is determined using the capital asset pricing model (CAPM) method: "$Ke = Rf + \beta * (Rm - Rf) + \alpha$; where Ke = rate of return demanded by the shareholder, β = the company's systemic risk factor, Rm = market rate of return, Rf = risk-free rate and α = an additional premium to take account of future contingencies".
- o A growth rate used to extrapolate cash flows beyond the period covered by the most recent forecasts. This is based on long-term estimates of key economic and business variables, taking into account at all times the state of financial markets. The estimated perpetual growth rate is 1%.

Impairment losses recognized for goodwill are not reversed in subsequent periods.

3. Changes and errors in accounting principles and estimates

I. Changes in accounting principles

Changes in accounting principles, whether resulting from a change in an accounting standard affecting a particular transaction or event or a decision of the Governing Board of the Bank or the Board of Directors of a Group company, for duly disclosed reasons, are applied retrospectively, except where:

- It would be impractical to determine the effects of a given change on the comparative information for a prior year. In this case the new accounting principle is applied as from the earliest prior year for which retrospective application is practical. Sometimes it may be impractical to determine the cumulative impact at the start of the current financial year of the application of a new accounting principle to all prior years. In this case the new accounting principle is applied prospectively starting from the earliest practical date.
- The measure or accounting standard that amends or creates the principle sets a start date for its application.

Certain accounting standards applied to the Group in 2018 underwent changes from those applied in the prior year. The most significant of these changes are detailed below:

i Standards, amendments and interpretations mandatory for financial years starting on or after 1 January 2018

- IFRS 4 (amendment) "Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" – Amendments to IFRS 4"

The amendments to IFRS 4 which the IASB published in September 2016 introduce two optional approaches for insurance companies:

- The deferral approach, a temporary exemption from IFRS 9 until 2021 for firms that meet specific requirements, assessed at reporting entity level;
- The overlay approach, offering all companies that issue insurance contracts an option to recognize in OCI, rather than profit for the year, any volatility that may arise from applying IFRS 9 "Financial instruments" before the new insurance contract standard is published.

IFRS 4 (and all previously published amendments) will be replaced by the upcoming insurance contract standard. The deferral and overlay options are therefore expected to cease to apply when the new insurance standard comes into force.

The amendments to IFRS 4 allow deferred implementation of IFRS 9 for insurers forming part of a financial conglomerate as defined in Directive 2002/87/EC 2.14, provided they meet the conditions in Regulation EU 2017/1988 2.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

- IFRS 9 "Financial instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The final version of IFRS 9 was issued in July 2014 and replaces the guidance in IAS 39 on classification and measurement of financial instruments. IFRS 9 maintains but simplifies the mixed measurement model and defines three main categories for the way financial assets can be measured: amortized cost, fair value through profit and loss and fair value through other comprehensive income. Instruments are classified in one or other category based on the business model of the entity and the characteristics of the contractual cash flows arising from the financial asset. Investments in equity instruments are measured at fair value through profit and loss with an irrevocable option on initial recognition to present changes in fair value in OCI, without recycling, if the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are recognized in profit or loss. For financial liabilities, the rules on classification and measurement are unchanged, except that changes in own credit risk attaching to liabilities designated at fair value through profit or loss are recognized in other comprehensive income. IFRS 9 also creates a new model for impairment, the "expected loss" model. This replaces IAS 39's "incurred loss" model and will mean that losses are recognized earlier than they would have been under IAS 39. It also eases the qualifying requirements for a hedge to be deemed effective. Under IAS 39 a hedge had to be highly effective both prospectively and retrospectively. IFRS 9 replaces this line, requiring instead that there is an economic relationship between the hedged item and the hedging instrument and that the hedge ratio is the same as that actually used in the entity's risk management. Contemporaneous documentation is still required but is different to that previously prepared under IAS 39. Finally, a broad range of disclosures are required, including a reconciliation between initial and final amounts of the provision for expected credit loss, assumptions and data, and a reconciliation of the transition from the original classification categories under IAS 39 to the new IFRS 9 categories.

IFRS 9 applies to financial years beginning on or after 1 January 2018. It applies retrospectively, although there is no requirement to restate comparative figures.

The impact of applying IFRS 9 is explained in Note 1.c.

- IFRS 15 "Revenue from contracts with customers"

In May 2014, the IASB and FASB jointly issued a converged standard on the recognition of revenue from contracts with customers. Under the converged standard, revenues are recognized when control over the good or service sold passes to the customer, in other words, when the customer can both direct its use and obtain the benefits of the good or service. This IFRS includes new guidance on determining whether revenue should be recognized over time or at a specific point in time. IFRS 15 sets broad disclosure requirements for revenue recognized and expected to be recognized in future as a result of existing contracts. It also requires quantitative and qualitative disclosures on significant judgements made by the management in determining the revenues recognized as well as any changes in these judgements.

Subsequently, in April 2016, the IASB published amendments to this standard that, while leaving the underlying principles unchanged, clarified some of its more complex points.

IFRS 15 applies to financial years beginning on or after 1 January 2018.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

- IFRS 15 (amendment) "Clarifications of IFRS 15 "Revenue from contracts with customers"

The IASB has amended IFRS 15 to:

- Clarify guidance on identifying performance obligations, IP licensing and when a firm is principal rather than agent (presentation of receipts on net or gross basis).
- Include new amended examples for each of these guidance areas.
- Provide additional practical resources to help with transition to the new standard.

These amendments do not change the fundamental principles of IFRS 15 but do clarify some of its more complex points.

This amendment applies to all years starting on or after 1 January 2018.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

- IFRS Annual Improvements cycle 2014-2016

The amendments affect IFRS 1 and IAS 28 and apply to financial years beginning on or after 1 January 2018. The principal amendments relate to:

- IFRS 1, "First-time adoption of international financial reporting standards": End of short-term exemptions for first-time adopters.
- IAS 28 "Investments in associates and joint ventures": Fair-value measurement of an investment in an associate or joint venture.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

- IFRS 2 (amendment) "Classification and measurement of share based payment transactions":

The amendment of IFRS 2, developed by the interpretations committee, clarifies the accounting treatment of certain share-based payment transactions. It imposes requirements to report:

- The effects of irrevocable conditions and non-irrevocable vesting conditions on the measurement of cash-settled share based payments.
- Share-based payment transactions with net settlement features for tax withholding purposes; and
- Any amendment to the terms and conditions of a share-based payment that changes it from cash-settled to equity-settled.

The amendment applies to financial years beginning on or after 1 January 2018.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

- IAS 40 (amendment) "Transfers of investment property"

This amendment clarifies that any transfer to, or from, investment properties must involve a change of use. To decide if a change of use has occurred an assessment must be carried out as to whether the property meets the definition of investment property. This change must be supported by evidence. The IASB confirmed that a change in intention alone would be insufficient to warrant a transfer.

The amendment applies to financial years beginning on or after 1 January 2018. Earlier application is permitted.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

- IFRIC 22 "Foreign currency transactions and advance consideration"

This IFRIC addresses the issue of how to determine the transaction date when applying IAS 21 on foreign currency transactions. It applies when an entity pays or receives advance consideration under contracts denominated in foreign currency.

IAS 21 requires that the exchange rate to use for initial recognition of the associated asset, expense or income should be that at the "transaction date", defined in turn as the first date at which the transaction qualifies for recognition. The issue, then, is whether the transaction date is the date when the asset, expense or income is first recognized or the first date that the advance consideration is paid or received, creating an advance payment or deferred income.

The interpretation offers guidance as to when a single payment/receipt takes place and how to account for multiple payments/receipts. The guidance aims to reduce the current diversity of practice.

The interpretation applies to financial years beginning on or after 1 January 2018.

The application of this change has had no material impact on the Group's consolidated financial statements for the year.

ii) Standards, amendments and interpretations not yet in force with an early adoption option

At the date of signature of these consolidated financial statements the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations which the Group has not adopted early:

- IFRS 16 "Leases"

In January 2016, the IASB published this new standard, the result of a joint project with the FASB, replacing the former IAS 17 "Leases".

The IASB and FASB came to similar conclusions in many areas, including the definition of a lease, the general requirement to disclose leases on the statement of financial position and the measurement of lease liabilities. The two boards also agreed to leave the accounting treatment by the lessor substantially unchanged from the previous standard.

Differences, however, remain between the IASB and FASB on how lease costs should be reported on the income statement and cash flow statement.

The standard will apply to all years starting on or after 1 January 2019. Earlier adoption is permitted.

The potential impacts of applying IFRS 16 are explained in Note 1.c.

- IFRS 9 (amendment) "Prepayment features with negative compensation"

The terms of instruments with prepayment features with negative compensation, where the lender may be obliged to accept a prepayment amount substantially below the unpaid amounts of principal and interest, were incompatible with the idea of "reasonable additional compensation" for early cancellation of an agreement according to IFRS 9. This means these instruments would have no contractual cash flows that are solely payments of principle and interest, which would mean they would have to be accounted for at fair value through profit or loss. The IFRS 9 amendment clarifies that a party can pay or receive reasonable compensation when an agreement is terminated early, which would allow these instruments to be carried at amortized cost or fair value through other comprehensive income. The amendment will apply to financial years beginning on or after 1 January 2019. Early adoption is permitted.

This amendment is not expected to have a material impact on the Group's consolidated financial statements.

- IFRIC 23, "Uncertainty over income tax treatments"

The interpretation introduces requirements that are added to those in IAS 12 "Income tax", specifying how the effects of uncertainty in accounting for income tax should be reflected. The interpretation clarifies how IAS 12's requirements for recognition and measurement should be applied when there is uncertainty about their accounting treatment.

The interpretation will apply to financial years beginning on or after 1 January 2019. Early adoption is permitted.

The new standard is not expected to have a material impact on the Group's consolidated financial statements.

iii) Standards, amendments and interpretations of existing standards that cannot be adopted early or are not yet adopted by the European Union

At the date of preparation of these consolidated financial statements the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations which have not yet been adopted by the European Union:

- IFRS 10 (amendment) and IAS 28 (amendment) "Sales or contributions of assets between an investor and its associate/joint venture"

These amendments clarify the accounting treatment of sales and contributions of assets between an investor and its associates or joint ventures which will depend on whether the non-monetary assets sold or contributed constitute a business. If the non-monetary assets constitute a business the investor recognizes the gain or loss in full. If the assets fail to meet the definition of a business, the investor only recognizes the gain or loss in light of the interest attributable to the other equity holders. These amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were to be applied prospectively to financial years beginning on or after 1 January 2016. However, at end-2015, the IASB decided to postpone the effective date (setting no new date) and produce a broader scope amendment that would simplify the treatment of such transactions and other aspects of accounting for associates and joint ventures.

The amendment is not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

- IFRS 17 "Insurance contracts"

In May 2017, the IASB concluded its long-term project to develop an accounting standard for insurance contracts and published IFRS 17 "Insurance contracts". IFRS 17 replaces IFRS 4 "Insurance contracts", which currently permits a wide range of accounting approaches. IFRS 17 will fundamentally change the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to financial years starting from 1 January 2021, with early application permitted if the user also adopts IFRS 15 "Ordinary income from contracts with customers" and IFRS 9 "Financial instruments". IFRS 17 is pending adoption by the European Union.

The amendment is not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

- IAS 28 (amendment) "Long-term interests in associates and joint ventures"

This limited scope amendment clarifies that long-term interests in an associate or joint venture which, in substance, form part of a net investment in the associate or joint venture but which are not reported by the equity method should be reported under IFRS 9 "Financial instruments". The IASB has also published an illustrative example of how the requirements of IAS 28 and IFRS 9 should be applied to such long-term interests. The amendment will apply to financial years beginning on or after 1 January 2019. Early adoption is permitted.

The amendment is not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

- IFRS Annual Improvements cycle 2015-2017

This cycle of amendments affects IFRS 3, IFRS 11, IAS 12 and IAS 23 and will apply to financial years starting on or after 1 January 2019, all subject to their adoption by the EU. The principal amendments relate to:

- IFRS 3 "Business combinations": Previously held interests in a joint operation are remeasured when the reporter takes control of the business.
- IFRS 11, "Joint arrangements" Previously held interests in a joint operation need not be remeasured when the reporter takes joint control of the business..
- IAS 12 "Income tax": All tax impacts of dividend payments are reported in the same way.
- IAS 23 "Borrowing costs": Any specific loan originally made to develop an asset is treated as part of the general borrowings once the asset is ready for use or sale.

These amendments are not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

- IAS 19 (amendment) "Plan amendment, curtailment or settlement"

This amendment specifies how companies should determine pension costs when there are changes to a defined benefit plan. The amendment takes effect from 1 January 2019 if adopted by the EU.

The amendment is not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

- IFRS 3 (amendment) "Definition of a business"

These amendments will help determine whether an acquisition is of a business or a group of assets. The amended definition lays the emphasis on whether the product of the business is to provide goods and services to clients. The previous definition focused on providing returns in the form of dividends, lower costs or other economic benefits to investors and others. Besides redrafting the definition, it provides additional guidance. To be considered a business, an acquisition must include an input and a process that together significantly contribute to the ability to create outputs. The new guidance sets out a framework for assessing when both these conditions are met (including for early stage businesses that have not generated any products). To qualify as a business without generating profits, it will now be necessary to have an organised workforce.

These amendments shall apply to business combinations whose acquisition date is after the first financial reporting year beginning on or after 1 January 2020 and to acquisitions of assets that happen after the start of the same year. Earlier adoption is permitted.

The amendment is not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

- IAS 1 (amendment) and IAS 8 (amendment) "Definition of material"

These amendments clarify the definition of "material", adding to the criteria of information whose omission or misrepresentation may influence users' decisions, the concept of "obscure" information. These amendments make IFRS more coherent but are unlikely to have a material impact on preparation of the financial statements.

They apply to financial years beginning on or after 1 January 2020. Early adoption is permitted.

The amendments are not expected to have a material impact on the Group's consolidated financial statements if adopted by the EU.

II. Errors and changes in accounting estimates

Accounting errors

Errors made in preparing the consolidated financial statements for prior years are omissions or misstatements caused by a failure to use, or misuse of, reliable financial information that was available when the consolidated financial statements for those periods were authorised for issue and which the Parent Company could reasonably be expected to use in preparing the consolidated financial statements.

Prior period errors are corrected retrospectively in the first consolidated financial statements prepared after their discovery, so that they read as if the error had not occurred. This means:

- restating the amounts of all affected items in the consolidated financial statements, including notes, for publication as comparative information for the year the error occurred and any subsequent years and, if applicable,

- restating the opening balances of assets, liabilities and equity for the earliest year presented as comparative information if the error occurred before this date.

When it is impractical to establish the effects of a prior year error on each specific year, initial balances are restated for the earliest years where it is practical to do so. Where it is impractical to determine the cumulative effect, at the start of the current year, of an error on all prior years, comparative information should correct the error prospectively starting at the earliest possible year that it is possible to do so.

Prior year errors that affect consolidated equity are corrected in the year they are discovered through the corresponding consolidated equity item. In no circumstances can errors from prior year periods be corrected through the consolidated income statement of the year in which they are discovered unless they are immaterial or it is impractical to determine the effect of the error as indicated in the paragraph above.

Changes in accounting estimates

A change in an accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, the corresponding assets and liabilities.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Changes are recognized prospectively in the consolidated income statement for the year or for the current and future years affected by the change.

There were no corrections of material prior period errors in 2018 and 2017, nor were there any material changes in accounting estimates that had an effect in those years or are expected to have an effect in future periods.

4. Appropriation of earnings

The appropriation of the Parent Company's net profit for 2018 that the Parent Company's Governing Board will propose to members for approval at the Annual General Meeting, together with the appropriation for 2017 approved at the General Meeting held on 4 May 2018, is as follows:

	Thousands of euros	
	2018	2017
Profit or (-) loss for the year before mandatory allocation to the Social Welfare Fund and after Income Tax	101,213	96,217
To dividends and remuneration	(1,585)	(1,963)
Total retained earnings or surplus available	**99,628**	**94,254**
To the Mandatory Reserve Fund	89,665	84,829
To the Social Welfare Fund	9,963	9,425
Total appropriated	**99,628**	**94,254**

The profits or losses of consolidated subsidiaries will be appropriated as agreed at their respective General Shareholders' Meetings.

5. Remuneration and other benefits paid to key management personnel

The Parent Company considers certain members of the Management Committee, as well as the members of its Governing Board, to be key management personnel.

Remuneration paid to members of the Governing Board

Members of the Parent Company's Governing Board receive no remuneration for the work they perform as board members, except for per diem allowances and other expenses.

The table below sets out the gross remuneration received by members of the parent company's Governing Board in 2018 and 2017:

	Thousands of euros	
Board members	**2018**	**2017**
Ignacio Terés Los Arcos	22	19
Luis Miguel Serrano Cornago	-	4
José María Arizaleta Nieva	-	3
José Angel Ezcurra Ibarrola	4	4
Pedro María Echarte Sevine	4	4
Melchor Miranda Azcona	-	2
Alberto Arrondo Lahera	3	3
Pedro Jesús Irisarri Valencia	5	3
Isidro Bazterrica Mutuberría	-	2
José Javier López Morrás	-	-
Pedro María Beorlegui Egea	-	1
Francisco Javier Artajo Carlos	2	2
Jesús Andrés Mauleón Arana	2	3
Roberto Zabaleta Ciriza	3	2
Carlos Sánchez Diestro	3	1
Manuel García Díaz de Cerio	3	1
Fernando Olleta Gayarre	2	2
Marcelino Etayo Andueza	4	2
Jesús María del Castillo Torres	1	1
Gabriel Urrutia Aicega	2	1
Total	60	60

The Parent Company has no pension commitments in respect of any current or former member of its Governing Board.

As regards professional indemnity insurance for damages caused in the discharge of their duties, the Parent Company has taken out insurance policies covering all directors. The premiums on these policies were EUR 30 thousand and EUR 24 thousand in 2018 and 2017, respectively, and were recognized under "Administrative expenses" in the income statement.

Credit facilities

Any credit facilities extended to members of the Parent Company's Governing Board at 31 December 2018 and 2017 are detailed in Note 37.

Remuneration paid to senior executives

Ordinary remuneration accrued by the Bank's senior executives in 2018 totalled EUR 1,882 thousand. This amount was shared among 14 persons, including the Managing Director and other members of the Management Committee. Remuneration in 2017 was EUR 1,711 thousand to 13 people). The Bank has no additional commitments with any member of senior management beyond their entitlements as employees of the Bank (Note 2.t).

6. Risk management

a) Credit risk

Credit risk is the possibility of losses being incurred as a result of non-fulfilment of contractual obligations on the part of the Group's counterparties, the Bank being the Group company most exposed to this risk. In the case of repayable finance extended to third parties (in the form of credit facilities, loans, deposits, securities and other instruments), credit risk is a consequence of non-recovery of principal, interest and other items in the amount, within the deadlines and pursuant to the other terms and conditions set out in the credit agreements. Off-balance sheet risk arises when counterparties fail to fulfil their obligations in respect of third parties and the Group is required to assume these obligations itself by virtue of its contractual undertaking.

Credit risk is the most significant risk to which the Group is exposed in the execution of its banking activities and is defined as the risk of a counterparty being unable to repay the amounts it owes in full.

The Group's credit risk management policies are thus defined and structured based on objective, professional criteria while also being designed to allow maximum flexibility in final customer decisions.

Management of credit risk in the Bank is an integrated, streamlined process that is initiated as soon as a customer applies for a loan through the branch network and ends when the funds lent out have been repaid in full. In addition, there are different basic criteria for accepting any credit risk and minimum documentation required under regulations in force, all of which relate to the key issues of liquidity, security, profitability and collateral business.

With a view to establishing more flexible and specialized procedures for examining and analysing customer credit applications, the Bank has set up dedicated units for each segment or type of credit facility that, due to their specific characteristics, is or should be processed in a particular way. In this way, we are able to provide a highly professional but flexible service to customers while at the same time ensuring the precision in decision-making that allows us to build a credit portfolio of the highest quality.

Credit risk management encompasses three key areas:

Money markets

Credit risk on money market positions is limited as wherever possible the Bank uses the services of Banco Cooperativo Español, the bank providing centralized services to the cooperative credit institutions making up the Caja Rural Group.

Debt instruments

The breakdown of these instruments by rating, in order of the highest rating awarded by any of the rating agencies shown below, at 31 December 2018 and 2017 is as follows:

Credit rating	2018	2017	S&P´s	Moody´s	Fitch	DBRS
1	9.84%	8.82%	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AAL
2	71.49%	69.68%	A+ to A-	A1 to A3	A+ to A-	AH to AL
3	17.33%	20.00%	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBBH to BBBL
4	0.55%	0.72%	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BBH to BBL
5	0.02%	0.02%	B+ to B-	B1 to B3	B+ to B-	BH to BL
6	0.06%	0.06%	Lower than B-	Lower than B3	Lower than B-	Lower than BL
Unrated	0.71%	0.70%				
	100.00%	**100.00%**				

Loans and receivables

Caja Rural de Navarra's risk management procedure is initiated as soon as a customer applies for a loan and ends when the funds lent have been repaid in full.

When granting loans and credit facilities, the Bank places great importance on case-by-case analyses that take account of the type of applicant (individual, company, agricultural sector, etc.), the type of facility (current loan, consumer credit, investment, trade discounting, etc.), the applicant's repayment capacity, and the guarantees provided (personal, mortgage, collateral, etc.).

Before the Bank can perform this analysis, certain information must be collected, essentially from three sources:

- Customers
- External sources (RAI, the Bank of Spain Register of Defaults, other registers, etc.)
- Internal records on existing Bank customers (average balances, payment history, etc.).

Once approved and arranged, all loans and credit facilities are subject to ongoing monitoring, which may take either of the following forms: in the case of high-risk customers (either individually or as part of an economic group), the Bank monitors financial position, any increases in system debt, payment history, etc.; for all other customers, all transactions that result in payment incidents are monitored.

In addition to monitoring individual customers and customer groups, the Group monitors its investment portfolio by product, by interest rate and by decision-making centre, with a view to identifying potential changes in portfolio returns and the manner in which credit facilities are being granted (amounts, rates, charges, etc.) such that decisions affecting the investment policy to be adopted at any given time can be taken as quickly as possible.

The following table gives a breakdown of credit risk exposure at the close of 2018 and 2017:

	Thousands of euros	
	2018	2017
Loans and advances – Customers	7,789,185	7,334,762
Loans and advances – Credit institutions	100,002	115,786
Debt securities	3,269,046	3,261,175
Derivatives	7,417	3,644
Guarantees given	636,673	761,078
Total risk	11,802,323	11,476,445
Credit lines drawable by third parties	1,005,470	1,005,978
Total exposure	12,807,793	12,482,423

The breakdown of the amortized cost of credit risks benefiting from guarantees and credit enhancements in addition to the personal guarantee of the debtor at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Mortgages (guaranteed by real property)	4,475,566	4,269,989
Residential buildings	3,859,208	3,536,988
Commercial buildings	616,358	733,001
Other loans with real guarantees	51,869	59,850
Cash	50,966	58,811
Other	903	1,039
Financial guarantees received	954,078	935,516
Total	5,481,513	5,265,355

Information on the distribution of "Loans and advances – Customers" by sector, region, NPL ratio, provisions and risk concentration is provided below.

Sector

	2018	2017
Farming and cattle-raising	3.44%	3.57%
Industry and construction	20.84%	21.11%
Services	20.35%	20.17%
Personal and other	55.37%	55.15%

Region

	2018	2017
Navarre	49.83%	51.31%
Guipúzcoa	17.64%	17.89%
La Rioja	9.89%	9.58%
Álava	7.04%	6.86%
Vizcaya	15.60%	14.36%

Impaired assets and impairment adjustments

	2018	2017
Total impaired assets	140,122	150,084
Total loans and advances to customers. gross (before valuation adjustments)	7,922,995	7,469,563
NPL ratio	1.77%	2.01%
Total valuation adjustments for impairment of financial assets	144,448	138,114
NPL coverage	103.09%	92.02%
Coverage of total loans and advances to customers	1.82%	1.85%

Concentration risk

The EU Capital Requirements Regulation, as amended, sets restrictions on large exposures, defined as those with a value of at least 10% of eligible capital. No exposure to a single client or group can exceed 25% of eligible capital, except exposures which are subject to an excess capital charge if they exceed the large exposure limits. The Parent Company applies these limits via its risk policy, which sets counterparty exposure limits that comply with the regulatory requirements and establishes excess control procedures.

At 31 December 2018, only one group is considered to be a "large exposure" as it exceeded 10% of capital. Exposure to this group totals EUR 137,113 thousand, equivalent to 12.43% of capital. At 31 December 2017, three groups exceeded 10% of capital and were therefore considered "large exposures". Total exposure to these groups was EUR 411,806 thousand, equivalent to 38.53% of capital.

The table below gives a breakdown of "Financial assets at amortized cost –

Loans and advances – Customers" by type of counterparty at 31 December 2018 and 2017, showing the amounts covered by each of the main types of guarantee and, for secured loans, the carrying amount of the loan as a percentage of latest appraised or measured value of the collateral (loan to value).

				Secured loans: Carrying amount/last appraised value (loan to value) (c)				
31/12/2018 (a)	**Total**	**Of which: mortgages (b)**	**Of which: Other real collateral (b)**	**Up to 40%**	**Between 40% and 60%**	**Between 60% and 80%**	**Between 80% and 100%**	**Above 100%**
General governments	166,887	797	-	27	-	-	-	770
Other financial corporations and self-employed (financial businesses)	43,828	1,098	-	275	306	480	37	-
Non-financial corporations and self-employed (non-financial businesses) by purpose	3,292,445	1,013,132	23,444	209,769	191,738	225,573	94,252	315,244
- Construction and real-estate development (including land) (d)	312,656	267,403	501	22,456	15,854	33,645	17,030	178,919
- Civil engineering	158,203	61,633	2,899	12,062	14,707	26,146	6,641	4,976
- Other	2,821,586	684,096	20,044	175,251	161,177	165,782	70,581	131,349
Large corporates (e)	506,734	14,366	-	6,946	2,512	447	1,189	3,272
SMEs and self-employed	2,314,852	669,730	20,044	168,305	158,665	165,335	69,392	128,077
Other households (f) by purpose (g)	4,218,257	3,852,095	22,813	426,767	707,747	1,170,660	765,483	804,251
– Housing	3,765,978	3,648,787	13,486	379,581	659,134	1,124,219	733,918	765,421
– Consumption	77,364	15,994	632	4,87	3,860	4,116	1,173	2,602
– Other	374,915	187,314	8,695	42,311	44,753	42,325	30,392	36,228
TOTAL	**7,721,417**	**4,867,122**	**46,257**	**636,838**	**899,791**	**1,396,713**	**859,772**	**1,120,265**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured loans	29,672	28,276	-	4,561	3,809	4,312	4,213	11,381

31/12/2017 (a)	Total	Of which: mortgages (b)	Of which: Other real collateral (b	Secured loans: Carrying amount/last appraised value (loan to value) (c) Up to 40%	Between 40% and 60%	Between 60% and 80%	Between 80% and 100%	Above 100%
General governments	148,251	950	-	30	-	920	-	-
Other financial corporations and self-employed (financial businesses)	7,343	1,733	8	215	231	760	535	-
Non-financial corporations and self-employed (non-financial businesses) by purpose	3,156,960	1,054,306	24,378	230,460	217,001	203,801	119,596	307,826
- Construction and real-estate development (including land) (d)	334,825	281,886	1,200	26,232	23,832	16,864	15,832	200,326
- Civil engineering	163,633	73,127	4,322	10,077	10,361	33,687	19,273	4,051
- Other	2,658,502	699,293	18,856	194,151	182,808	153,250	84,491	103,449
Large corporates (e)	437,828	17,550	249	11,085	553	357	558	5,246
SMEs and self-employed	2,220,674	681,743	18,607	183,066	182,255	152,893	83,933	98,203
Other households (f) by purpose (g)	3,941,517	3,589,629	22,446	430,796	703,132	1,066,868	663,135	748,144
– Housing	3,520,201	3,415,772	14,278	384,264	655,754	1,028,716	639,395	721,921
– Consumption	73,736	17,204	715	5,710	4,496	4,356	1,170	2,187
– Other	347,580	156,653	7,453	40,822	42,882	33,796	22,570	24,036
TOTAL	**7,254,071**	**4,646,618**	**46,832**	**661,501**	**920,364**	**1,272,349**	**783,266**	**1,055,970**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured loans	40,172	36,248	10	3,840	3,459	6,710	6,018	16,231

(a) Loans to customers are defined in the same way as in preparing the statement of financial position. This statement includes all transactions of this type, irrespective of the item under which they are recognized in the statement of financial position. Amounts shown are the carrying amount of transactions, i.e. after deducting valuation adjustments for hedging of specific transactions.

(b) The carrying amount of all loans with mortgages or other real collateral of whatever loan to value and form (mortgage, finance lease, reverse repurchase agreement, etc.).

(c) Loan to value is the ratio that comes from dividing the carrying amount of each loan at the reporting date by the last appraisal or other valuation of the corresponding real collateral.

(d) Includes all activities related to construction and real-estate development, including land bank financing, irrespective of the principal economic activity of the counterparty.

(e) Non-financial corporations are classified as "Large corporates" and "SMEs" based on the definitions set out in Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. Self-employment is the activity exercised by individuals in the course of their business activities.

(f) Households includes not-for-profit entities providing services to households but not the business activities of the self-employed.

(g) Loans are classified by purpose using the criteria in Circular 4/2017.

The table below gives the concentration of risk by geographical location, broken down by type of counterparty and showing the carrying amount (a) of each exposure at 31 December 2018 and 2017:

31/12/2018	Total	Spain	Rest of EU	Americas	Rest of World
Central banks and credit institutions	950,995	771,786	155,950	10,232	13,027
General governments	2,576,746	2,369,979	205,265	-	1,502
– Central government	2,244,645	2,037,878	205,265	-	1,502
– Other public sector	332,101	332,101	-	-	-
Other financial corporations and self-employed (financial businesses)	498,386	373,325	108,961	15,061	1,039
Non-financial corporations and self-employed (non-financial businesses)	4,016,235	3,857,131	130,810	20,799	7,495
– Construction and real-estate development (including land) (b)	349,034	349,034	-	-	-
– Civil engineering	171,298	169,758	1,540	-	-
– Other	3,495,903	3,338,339	129,270	20,799	7,495
Large corporates (c)	738,519	646,965	85,506	4,368	1,680
SMEs and self-employed (c)	2,757,384	2,691,374	43,764	16,431	5,815
Other households (d)	4,321,001	4,315,916	2,762	1,397	926
– Housing	3,765,977	3,761,331	2,560	1,182	904
– Consumption	79,016	78,989	22	-	5
– Other	476,008	475,596	180	215	17
TOTAL	**12,363,363**	**11,688,137**	**603,748**	**47,489**	**23,989**

31/12/2018 Spain	REGIONAL GOVERNMENTS					
	Total	Navarre	Madrid	Basque country	La Rioja	Other
Central banks and credit institutions	771,786	1	585,881	82,550	-	103,354
General governments	2,369,979	79,863	60,853	99,604	36,078	2,093,581
– Central government	2,037,878	-	-	-	-	2,037,878
– Other public sector	332,101	79,863	60,853	99,604	36,078	55,703
Other financial corporations and self-employed (financial businesses)	373,325	669	358,641	13,555	430	30
Non-financial corporations and self-employed (non-financial businesses)	3,857,131	1,270,071	783,888	1,237,464	317,596	248,112
– Construction and real-estate development (including land) (b)	349,034	112,733	21,657	165,171	17,955	31,518
– Civil engineering	169,758	72,964	42,960	43,459	9,624	751
– Other	3,338,339	1,084,374	719,271	1,028,834	290,017	215,843
Large corporates (c)	646,965	92,268	296,555	153,223	25,575	79,344
SMEs and self-employed (c)	2,691,374	992,106	422,716	875,611	264,442	136,499
Other households (d)	4,315,916	2,163,872	17,315	1,747,475	335,919	51,335
– Housing	3,761,331	1,828,532	14,774	1,596,458	275,619	45,948
– Consumption	78,989	45,262	192	25,842	6,424	1,269
– Other	475,596	290,078	2,349	125,175	53,876	4,118
TOTAL	**11,688,137**	**3,514,476**	**1,806,578**	**3,180,648**	**690,023**	**2,496,412**

31/12/2017	Total	Spain	Rest of EU	Americas	Rest of World
Central banks and credit institutions	842,307	749,168	71,281	48	21,810
General governments	2,791,720	2,703,427	88,293	-	-
– Central government	2,449,012	2,360,719	88,293	-	-
– Other public sector	342,708	342,708	-	-	-
Other financial corporations and self-employed (financial businesses)	438,248	348,197	84,452	5,079	520
Non-financial corporations and self-employed (non-financial businesses)	3,865,783	3,748,275	89,486	21,095	6,927
– Construction and real-estate development (including land) (b)	369,689	369,689	-	-	-
– Civil engineering	166,281	166,281	-	-	-
– Other	3,329,813	3,212,305	89,486	21,095	6,927
Large corporates (c)	644,673	586,001	56,382	1,291	999
SMEs and self-employed (c)	2,685,140	2,626,304	33,104	19,804	5,928
Other households (d)	4,056,803	4,052,214	2,758	951	880
– Housing	3,521,842	3,517,514	2,635	844	849
– Consumption	73,736	73,714	10	-	12
– Other	461,225	460,986	113	107	19
TOTAL	**11,994,861**	**11,601,281**	**336,270**	**27,173**	**30,137**

31/12/2017 Spain		REGIONAL GOVERNMENTS				
	Total	Navarre	Madrid	Basque country	La Rioja	Other
Central banks and credit institutions	749,168	2	431,659	85,911	-	231,596
General governments	2,703,427	65,630	64,948	88,013	31,950	2,452,886
– Central government	2,360,719	-	-	-	-	2,360,719
– Other public sector	342,708	65,630	64,948	88,013	31,950	92,167
Other financial corporations and self-employed (financial businesses)	348,197	650	318,735	19,012	464	9,336
Non-financial corporations and self-employed (non-financial businesses)	3,748,275	1,265,831	728,897	1,179,983	318,137	255,427
– Construction and real-estate development (including land) (b)	369,689	128,027	16,366	159,221	27,872	38,203
– Civil engineering	166,281	77,977	46,630	35,515	4,978	1,181
– Other	3,212,305	1,059,827	665,901	985,247	285,287	216,043
Large corporates (c)	586,001	69,537	279,770	149,106	26,229	61,359
SMEs and self-employed (c)	2,626,304	990,290	386,131	836,141	259,058	154,684
Other households (d)	4,052,214	2,116,095	15,422	1,581,801	289,548	49,348
– Housing	3,517,514	1,772,657	12,387	1,448,890	239,288	44,292
– Consumption	73,714	42,061	98	24,927	5,485	1,143
– Other	460,986	301,377	2,937	107,984	44,775	3,913
TOTAL	**11,601,281**	**3,448,208**	**1,559,661**	**2,954,720**	**640,099**	**2,998,593**

(a) Exposures shown in this statement include loans and advances, debt securities, equity instruments, derivatives (held-for-trading or hedging), investments in subsidiaries, joint ventures and associates, and guarantees given, irrespective of the item under which they are reported on the statement of financial position.

Assets are shown at the carrying amount of transactions, i.e. after deducting valuation adjustments for hedging of specific transactions. Guarantees are measured at their nominal value.

The geographical breakdown of risk is based on the country of residence of the borrowers, securities issuers or counterparties for the derivatives or guarantees given.

(b) Includes all activities related to construction and real-estate development, including land bank financing, irrespective of the principal economic activity of the counterparty.

(c) Non-financial corporations are classified as “Large corporates” and “SMEs” based on the definitions set out in Recommendation 2003/361/EC, of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises. Self-employment is the activity exercised by individuals in the course of their business activities.

(d) Households includes not-for-profit entities providing services to households but not the business activities of the self-employed.

The geographical breakdown of risk is based on the country or autonomous region of residence of the borrowers, securities issued or counterparties for the derivatives or contingent exposure.

Refinancing

The aim of any refinancing process is to reach an agreement satisfactory to both parties, which allows the customer to cancel its debts with the Group, meet all its other commitments and, where applicable, remain in business. To achieve this may require more than a financial restructuring. It may involve a restructuring of business operations and strategy to ensure the firm's viability.

The basic principles that will be followed when agreeing such transactions are as follows:

- Viability of the loan is fundamental. If there is no prospect of viability for the loan and/or customer then there can be no refinancing. If there is no viability the Bank must realize its collateral (foreclosure) or negotiate the taking of assets in lieu of payment to avoid a rise in costs.
- Collateral improvement. No refinancing should lead to a reduction in collateral. All arrangements should tend to increase the collateral already held by the Group.
- Try to reduce the size of the loan. As a rule, the Group's risk to its customer, should not increase unless the increase in collateral reduces the risk to below its previous level.
- Allow for possible problems in the event of insolvency. When dealing with companies, it is essential to be aware of the law on accepting guarantees and the circumstances in which they may be cancelled.
- Improve the Group's position. The aim of these transactions must always be to improve the Group's position relative to the debtor and other creditors.
- Medium/long-term vision. It is essential to seek comprehensive solutions for customers in the medium/long term.
- Approval by central services. These transactions must all be approved by central services.

The Group may consider a transaction is viable, i.e. the customer should be able to pay, if the following requirements are met:

- Individuals

- For transactions with monthly repayments, these must be no more than 50% of recurrent monthly income.

- A transaction based on the sale of assets can be considered viable provided there has been no prior refinancing based on the same grounds.
- Inclusion of guarantors that could on their own either settle the debt or contribute to its repayment.

- Legal entities

- A credible viability/repayment plan must be submitted. This will be individually analysed and assessed by the Group. A plan based on the sale of assets can be considered viable provided there has been no prior refinancing based on the same grounds.
- Inclusion of guarantors that could on their own either settle the debt or contribute to its repayment.

The Group carries out regular monitoring of those transactions classified as normal as well as those classified as doubtful or special watch. Transactions classified as doubtful or special watch may be reclassified into another category if the Group's analysis shows that the borrower's ability to pay has improved and it has been meeting its contractual obligations over a sufficiently long period (Note 2.g).

In accordance with the changes brought in by Circular 6/2012 of 28 September, which defined criteria for classifying transactions as refinancing, refinanced or restructured loans, and with the Group's own policies and the Bank of Spain's published recommendations, the table below gives a breakdown, at 31 December 2018 and 2017, of the refinancing, refinanced and restructured loans made by the Bank:

31 December 2018	TOTAL							Of which: in arrears/doubtful						
	Unsecured		Secured				Cumulative impairment	Unsecured		Secured				
	No. transactions	Gross carrying amount	No. transactions	Gross carrying amount	Maximum applicable collateral			No. transactions	Gross carrying amount	No. transactions	Gross carrying amount	Maximum applicable collateral		Cumulative impairment
					Mortgages	Other real collateral						Mortgages	Other real collateral	
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations and self-employed (financial businesses)	-	-	1	43	43	-	(6)	-	-	1	43	43	-	(6)
Non-financial corporations and self-employed (non-financial businesses)	40	2,438	118	31,090	17,837	318	(15,749)	14	1,180	53	15,810	10,284	-	(12,400)
Of which: Loans for construction and real estate development (including land)	*20*	*344*	*56*	*12,720*	*6,800*	*18*	*(5,398)*	*9*	*277*	*23*	*6,059*	*2,826*	*-*	*(4,135)*
Other households	41	682	130	16,172	8,931	-	(4,998)	15	292	47	8,340	3,580	-	(4,240)
Total	**81**	**3,120**	**249**	**47,305**	**26,811**	**318**	**(20,753)**	**29**	**1,472**	**101**	**24,193**	**13,907**	**-**	**(16,646)**
NEW INFORMATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans classified as non-current assets and liabilities and disposal groups held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

31 December 2017	TOTAL							Of which: in arrears/doubtful						
	Unsecured		Secured					Unsecured		Secured				
					Maximum applicable collateral							Maximum applicable collateral		
	No. transactions	Gross carrying amount	No. transactions	Gross carrying amount	Mortgages	Other real collateral	Cumulative impairment	No. transactions	Gross carrying amount	No. transactions	Gross carrying amount	Mortgages	Other real collateral	Cumulative impairment
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations and self-employed (financial businesses)	-	-	1	43	43	-	-	-	-	1	43	43	-	-
Non-financial corporations and self-employed (non-financial businesses)	62	9,305	124	36,460	23,333	47	(19,029)	33	6,602	59	15,751	9,760	1	(15,079)
Of which: Loans for construction and real estate development (including land)	*26*	*1,479*	*61*	*19,655*	*13,283*	*47*	*(7,695)*	*16*	*1,304*	*30*	*8,149*	*4,651*	*1*	*(6,214)*
Other households	53	1,117	127	16,600	9,106	9	(4,323)	22	626	42	7,546	3,323	-	(3,746)
Total	**115**	**10,422**	**252**	**53,103**	**32,482**	**56**	**(23,352)**	**55**	**7,228**	**102**	**23,340**	**13,126**	**1**	**(18,825)**
NEW INFORMATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans classified as non-current assets and liabilities and disposal groups held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Policies, methods and procedures regarding responsible consumer lending and transparency and protection of banking services customers

CCaja Rural de Navarra has established risk policies compliant with Act 2/2011, of 4 March, on the sustainable economy, with Ministerial Order EHA/2899/2011, of 28 October, on transparency in banking services and with Bank of Spain Circular 5/2012, of 27 June, on transparency of banking services and responsible lending.

These policies are contained in the "Lending Policy Handbook" approved when first published by the Governing Board and whose latest version was approved by the Governing Board at their meeting on 26 March 2018. The Handbook includes the following policies:

- Rigorous analysis of the customer's ability to repay, i.e. an appropriate ratio of income to obligations.
- Documentary verification of the information provided by the customer and of his/her solvency.
- Appropriate independent appraisal of real collateral.

Caja Rural de Navarra has also taken the following measures to ensure transparency and protection of banking services customers:

- Posting its current charges in branches and websites (including interest rates, fees and expenses) for the different financial products.
- Each year, customers are sent a personal letter detailing the interest, fees and expenses charged in the previous year for the products they had contracted.

b) Market risk

The Group is exposed to market risk due to its banking activities. However, as the Parent Company engages in only a limited level of market trading, its main controls of market risk are various limits on market activity including limits on fixed income and equity exposures, monthly stop-losses and a global annual stop-loss. The Bank also applies concentration limits on exposures to securities and economic sectors, as well as on positions in foreign currency.

In addition, to measure the risks assumed on certain portfolios, the Bank also performs VaR (Value at Risk) analyses and analyses of portfolio sensitivity to interest rate fluctuations.

b.1.) Interest rate risk

Interest rate risk is managed by the Assets and Liabilities Committee (ALC), which meets regularly to systematically analyse exposure to this risk and to plan and manage the balance sheet. The ALC sets guideline risk policies to be applied on an ongoing basis, so that the Group can maximize its finance income and optimize its balance sheet financing.

Interest rate risk in the whole balance sheet is measured by calculating interest gaps and performing duration analyses and simulations. For these purposes, the Bank has the support and assistance of the Asset and Liabilities Department of Banco Cooperativo Español, which draws up regular reports on interest rate risk. The Bank's statement of financial position has a high level of immunity to interest rate fluctuations. At 31 December 2018, it was estimated that a 200 basis point decline in interest rates would reduce net interest income by 1.45% (at 31 December 2017 the impact of such a movement was estimated to be a 4.31% fall in net interest income).

The table below details the Group's exposure to interest rate risk, grouping the carrying amount of financial assets by the interest rate review date or by the maturity date in the case of fixed-rate transactions. The table uses contractual interest rate review dates in the case of floating-rate transactions. For fixed-rate transactions, it uses contractual maturity dates. In the case of traditional banking liabilities, such as current or savings accounts, these have been classified according to the balance and the remuneration of each account: balances of up to EUR 90,000 at interest rates of less than or equal to 0.5% are classified in the "Between 2 and 3 years" tranche; balances of up to EUR 90,000 with interest rates of over 0.5% are classified in other tranches up to 1 year, in line with the said interest rate; and lastly, balances of over EUR 90,000 are considered more sensitive and are classified in the shortest tranches based on the Bank's experience, with more than 50% in the "Less than 1 month" tranche.

2018	Thousands of euros								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Assets									
Loans and advances – Credit institutions	88,077	-	-	11,925	-	-	-	-	100,002
Loans and advances – Customers:	1,015,449	1,690,120	3,524,990	739,251	270,756	138,084	76,210	334,325	7,789,185
Debt securities	135,534	88,426	288,444	152,386	614,558	540,465	240,806	1,208,427	3,269,046
Total	1,239,060	1,778,546	3,813,434	903,562	885,314	678,549	317,016	1,542,752	11,158,233
Liabilities									
Deposits – Central banks	-	-	-	446,274	481,588	-	-	-	927,862
Deposits – Credit institutions	76,266	-	-	25,642	3,412	-	-	50,114	155,434
Deposits – Customers	1,286,013	542,699	1,448,236	518,876	459,229	458,760	3,297,586	514	8,011,913
Debt securities issued	-	99,791	-	-	-	499,954	498,600	555,590	1,653,935
Total	1,362,279	642,490	1,448,236	990,792	944,229	958,714	3,796,186	606,218	10,749,144
Gap	(123,219)	1,136,056	2,365,198	(87,230)	(58,915)	(280,165)	(3,479,170)	936,534	409,089
Cumulative gap	(123,219)	1,012,837	3,378,035	3,290,805	3,231,890	2,951,725	(527,445)	409,089	409,089

2017	Thousands of euros								
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Assets									
Loans and advances – Credit institutions	103,634	-	-	12,152	-	-	-	-	115,786
Loans and advances – Customers:	980,530	1,568,003	3,274,948	450,639	453,917	201,493	89,930	315,302	7,334,762
Debt securities	575,334	91,076	312,816	159,825	188,786	594,208	384,615	954,515	3,261,175
Total	1,659,498	1,659,079	3,587,764	622,616	642,703	795,701	474,545	1,269,817	10,711,723
Liabilities									
Deposits – Central banks	-	-	-	-	448,114	483,528	-	-	931,642
Deposits – Credit institutions	89,034	11,603	18,851	20,700	5,600	1,942	240	345	148,315
Deposits – Customers	1,132,983	610,629	1,709,396	463,482	396,247	392,207	2,819,163	198	7,524,305
Debt securities issued	-	99,721	508,159	-	-	-	499,321	549,809	1,657,010
Total	1,222,017	721,953	2,236,406	484,182	849,961	877,677	3,318,724	550,352	10,261,272
Gap	437,481	937,126	1,351,358	138,434	(207,258)	(81,976)	(2,844,179)	719,465	450,451
Cumulative gap	437,481	1,374,607	2,725,965	2,864,399	2,657,141	2,575,165	(269,014)	450,451	450,451

b.2.) Price risk

This is defined as the risk arising as a result of changes in market prices caused either by factors specific to the instrument or by factors affecting all instruments traded on the market.

The Group uses the VaR method to manage its portfolios of "Equity instruments", using data series of one year, calculated with a 99% confidence level, and a time horizon of one day. Using these assumptions, the "Equity instruments" portfolio would have a one-day VaR of EUR 598 thousand at 31 December 2018 (compared with EUR 612 thousand at 31 December 2017). Since most of the portfolio of listed equities is classified as Available-for-sale financial assets, the greatest impact would be on equity.

b.3.) Exchange rate risk

The Group had no significant exposure to exchange rate risk on the date of these consolidated annual financial statements.

c) Liquidity risk

This risk reflects the potential difficulties the Group could experience in raising or accessing liquid assets in sufficient quantity and value to cover its payment obligations at any given time.

At Caja Rural de Navarra, as a credit institution focused on retail banking, this risk derives mainly from the existence of a very significant volume of liabilities (customer deposits) payable on demand, but for which the timing of repayment is not certain. However, past experience demonstrates that the behaviour of this category of liabilities tends to be very stable over time.

Caja Rural de Navarra monitors the performance of those lines of the statement of financial position that affect its liquidity on an ongoing basis, keeping within certain limits and using dedicated tools to predict potential fluctuations that may require action to sustain short-, medium- and long-term liquidity. These controls are carried out by the ALC.

A breakdown of financial securities by residual term to maturity at 31 December 2018 and 2017 is given below. The maturity dates used are those in the contractual terms and conditions. The same criteria as in the section on interest rate risk were applied to group customer demand deposits, current accounts and savings by tranche. In its management of liquidity risk, the Group considers the collection/payment of cash flows, which include the principal of transactions and interest that mature in each tranche.

2018	Demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	Thousands of euros						
Assets							
Loans and advances – Credit institutions	-	88,077	-	-	11,925	-	100,002
Loans and advances – Customers	-	312,199	372,645	851,913	2,896,785	4,672,581	9,106,123
Debt securities	-	131,635	13,565	332,997	1,837,900	1,033,270	3,349,367
Total	-	531,911	386,210	1,184,910	4,746,610	5,705,851	12,555,492
Liabilities							
Deposits – Central banks		-	-	-	927,862	-	927,862
Deposits – Credit institutions	-	20,805	-	9	70,552	64,068	155,434
Deposits – Customers	-	1,277,180	537,677	1,429,427	4,770,249	14,136	8,028,669
Debt securities issued	-	-	5,077	11,945	1,164,610	577,136	1,758,768
Total	-	1,297,985	542,754	1,441,381	6,933,273	655,340	10,870,733
Gap	-	(766,074)	(156,544)	(256,471)	(2,186,663)	5,050,511	1,684,759
Cumulative gap	-	(766,074)	(922,618)	(1,179,089)	(3,365,752)	1,684,759	1,684,759

2017	Demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	Thousands of euros						
Assets							
Loans and advances – Credit institutions	-	103,634	-	-	12,152	-	115,786
Loans and advances – Customers	-	412,935	315,871	800,989	2,735,211	4,547,868	8,812,874
Debt securities	-	459,297	33,303	369,437	1,575,781	861,037	3,298,855
Total	-	975,866	349,174	1,170,426	4,323,144	5,408,905	12,227,515
Liabilities							
Deposits – Central banks	-	-	-	-	931,642	-	931,642
Deposits – Credit institutions	-	846	1,929	11,884	118,708	4,648	138,015
Deposits – Customers	-	1,121,842	606,881	1,712,090	4,077,203	14,231	7,532,247
Debt securities issued	-	-	5,059	523,537	649,402	567,608	1,745,606
Total	-	1,122,688	613,869	2,247,511	5,776,955	586,487	10,347,510
Gap	-	(146,822)	(264,695)	(1,077,085)	(1,453,811)	4,822,418	1,880,005
Cumulative gap	-	(146,822)	(411,517)	(1,488,602)	(2,942,413)	1,880,005	1,880,005

As the table shows, the Group has a short-term liquidity gap, as is normal in retail banking, although as mentioned above historical data reveal a high degree of stability in its deposits.

d) Fair value of financial instruments

This risk corresponds to changes occurring in the fair value of financial instruments, as defined in Note 2.e).

As described in Note 2.e.), except for financial instruments classified as "Financial assets at amortized cost" and equity instruments whose fair value cannot be reliably measured or derivative securities with such equity instruments as their underlying, the Group's financial assets are recognized in the consolidated balance sheet at their fair value. Likewise, except for financial liabilities designated as "Financial liabilities at amortized cost", all the Group's financial liabilities are recognized in the consolidated statement of financial position at their fair value.

In addition, certain items recognized in "Financial assets at amortized cost" and "Financial liabilities at amortized cost" could be related to fair value hedges (Note 2.e), their value having been adjusted by an amount equivalent to the changes in fair value resulting from the hedged risk, mainly interest rate risk.

The table below shows the fair values, at the close of 2018 and 2017, of the financial assets and liabilities indicated below grouped according to the different measurement methods used by the Group to determine fair value:

2018	Thousands of euros				
	Total	Fair	Fair value hierarchy		
	Balance	value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	351,449	351,449	351,449	-	-
Financial assets held for trading	7,730	7,730	5,087	2,553	90
Financial assets not held for trading mandatorily measured at fair value through profit or loss	17,555	17,555	-	7,170	10,385
Financial assets at fair value through other comprehensive income	746,490	746,490	571,645	2,576	172,269
Financial assets at amortized cost	10,594,491	11,478,945	2,766,452	8,612,491	100,002
Derivatives – hedge accounting	4,774	4,774	-	4,774	-
Total financial assets	11,722,489	12,606,943	3,694,633	8,629,564	282,746
Financial liabilities held for trading	769	769	-	734	35
Financial liabilities at amortized cost	10,877,828	10,897,101	-	10,667,278	229,823
Derivatives – hedge accounting	251	251	-	251	-
Total financial liabilities	10,878,848	10,898,121	-	10,668,263	229,858

2017	Thousands of euros				
	Total Balance	Fair value	Fair value hierarchy		
			Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	343,482	343,482	343,482	-	-
Financial assets held for trading	7,483	7,483	3,919	3,564	-
Available-for-sale financial assets	2,811,308	2,811,308	2,667,884	4,576	138,848
Loans and receivables	7,455,088	8,207,141	-	8,207,141	-
Held-to-maturity investments	611,833	618,392	451,463	166,929	-
Derivatives – hedge accounting	80	80	-	80	-
Total financial assets	11,229,274	11,987,886	3,466,748	8,382,290	138,848
Financial liabilities held for trading	1,116	1,116	-	1,116	-
Financial liabilities at amortized cost	10,398,133	10,520,899	-	10,440,436	80,463
Derivatives – hedge accounting	-	-	-	-	-
Total financial liabilities	10,399,249	10,522,015	-	10,441,552	80,463

The following criteria were used to determine fair values:

- **Level 1:** the prices quoted in active markets for these financial instruments.
- **Level 2:** the prices quoted in active markets for similar instruments or other valuation techniques in which all significant inputs are based on directly or indirectly observable market data.
- **Level 3:** valuation techniques in which some of the significant inputs are not based on observable market data.

The particular valuation techniques used and the assumptions made for determining fair values are as follows:

- **Cash, cash balances at central banks and other demand deposits:** The fair value of these assets is considered equal to their carrying amount since they are either redeemable on demand or payable in the near term.
- **Debt securities:** For government bonds and certain fixed-income securities issued by credit institutions, the price quoted on active markets is used (Level 1). For some fixed-income securities, measurement methods based on discounting cash flows have been applied, using the yield curves and market spreads of similar instruments (Level 2). For all other debt securities, prices calculated by accredited external appraisers are used (Level 3).
- **Equity instruments:** The price quoted on active markets has been used (Level 1). For some venture capital funds and investments in foreign financial institutions fair value has been calculated using valuation techniques in which all the significant inputs are based on market data (Level 2).

- **Financial assets at amortized cost – Customers:** Fair value has been estimated by discounting future cash flows based on the yield curve at the close of each year, using a discount factor corresponding to the residual term between the date of analysis and the date of revision or redemption. Likewise, the level of credit risk provisions for the credit risk portfolio has been quantified in accordance with the accounting standard applicable and is considered sufficient to cover the credit risk in question. However, in an economic and financial crisis of the kind we are currently experiencing, and given that there is no market for these financial assets, the amount at which such assets might be exchanged between interested parties could be lower than the net asset value recognized since the potential buyer may wish to discount not only losses incurred and already recognized in accordance with applicable accounting standards but also the losses that it is estimated might occur in future in the event of a prolongation of the current unusually lengthy and severe economic downturn.
- **Financial liabilities at amortized cost:** Fair value has been estimated by discounting future cash flows based on the yield curve at the close of each year, using a discount factor corresponding to the residual term between the date of analysis and the date of revision or maturity. In the case of demand deposits, there are assumed to be no significant differences between fair value and carrying amount since the vast majority of such accounts are benchmarked to a floating interest rate and/or, if not benchmarked, have a term to maturity of less than one year.

Differences between the fair value and carrying amount of financial instruments may exist for the following reasons:

- In the case of fixed-income instruments, fair value changes according to movements in market interest rates. The longer the instrument's residual term to maturity, the greater the change in fair value.
- In the case of instruments bearing interest at a floating rate, fair value may differ from carrying amount if the spread on the benchmark interest rate has changed since the instrument was issued. Assuming spreads remain stable, fair value is equal to carrying amount only on repricing dates. On all other dates, flows that are already certain are subject to interest rate risk.

No financial instruments were transferred between measurement levels in 2018 and 2017. Movements in Level 3 assets during both years were as follows:

	Assets	Liabilities
Balance at 31 December 2016	**126,719**	**37,904**
Valuation adjustments recognized in income	(47,904)	-
Valuation adjustments not recognized in income	(9,241)	-
Purchases, sales and settlements	69,274	42,559
Net inflows/(outflows) to Level 3	-	-
Translation and other differences	-	-
Balance at 31 December 2017	**138,848**	**80,463**
Valuation adjustments recognized in income	-	-
Valuation adjustments not recognized in income	11,264	-
Purchases, sales and settlements	22,157	149,395
Net inflows/(outflows) to Level 3	110,477	-
Translation and other differences	-	-
Balance at 31 December 2018	**282,746**	**229,858**

In 2018, the biggest item derecognized from "Accumulated other comprehensive income" in equity was the transfer of the shares in BCE and RGA (Note 1.h).

e) Transparency of information on loans for construction and real estate development, home loans, assets received in settlement of debts and finance requirements and strategies

In accordance with the Bank of Spain's transparency guidelines on loans for construction and real estate development, home loans and assets received in settlement of debt and assessment of market financing needs and with Bank of Spain Circular 5/2011, of 30 November, the Group reports as follows:

Information on loans for construction and real estate development

The value of loans for construction and real estate development and associated coverage at 31 December 2018 and 2017 was as follows:

	2018		
	Gross carrying amount	**Excess of gross exposure over recoverable amount of effective guarantees**	**Cumulative impairment**
Loans for construction and real estate development (including land) (Spanish business)	324,898	102,150	10,978
Of which: in arrears/doubtful	9,246	5,813	5,337
Memorandum items: Write-offs	51,625		

Memorandum items:	
- Loans and advances to customers, excluding public sector (Spanish businesses) (carrying amount)	7,562,309
- Total assets (all businesses)	12,202,865
- Impairment and provisions for exposures classified as standard (all business)	53,928

	2017		
	Gross carrying amount	**Excess of gross exposure over recoverable amount of effective guarantees**	**Cumulative impairment**
Loans for construction and real estate development (including land) (Spanish business)	352,974	120,954	16,263
Of which: in arrears/doubtful	15,572	9,802	9,148
Memorandum items: Write-offs	49,561		

Memorandum items:	**Amount**
- Loans and advances to customers, excluding public sector (Spanish businesses) (carrying amount)	7,186,503
- Total assets (all businesses)	11,762,238
- Impairment and provisions for exposures classified as standard (all business)	46,449

The table below shows disclosures of finance for construction, real estate development and home loans at 31 December 2018 and 2017:

	Loans for construction and real estate development. Gross carrying amount	
	2018	**2017**
Unsecured by property	39,936	52,070
Secured by property	284,962	300,904
Buildings and other completed constructions	49,845	47,816
Homes	44,636	42,165
Other	5,209	5,651
Buildings and other constructions under construction	211,977	222,066
Homes	210,777	220,320
Other	1,200	1,746
Land	23,140	31,022
Consolidated urban land	17,682	25,476
Other land	5,458	5,546
Total	**324,898**	**352,974**

Information on home loans

The breakdown of home loans at 31 December 2018 and 2017, is as follows:

	2018		2017	
	Gross carrying amount	**Of which: in arrears/doubtful**	**Gross carrying amount**	**Of which: in arrears/doubtful**
Home loans	3,605,080	27,180	3,358,914	23,251
Unsecured by mortgages	76,350	283	66,538	824
Secured by mortgages	3,528,730	26,897	3,292,376	22,427

At 31 December 2018 and 2017 the breakdown of home loans secured by mortgages according to the percentage loan to latest available value is as follows:

	LTV 2018					
	LTV under 40%	**LTV 40-60%**	**LTV 60-80%**	**LTV 80-100%**	**LTV over 100%**	**Total**
Gross carrying amount	342,351	628,458	1,099,073	714,361	744,487	3,528,730
Of which: in arrears/doubtful	1,275	2,183	3,807	3,572	16,060	26,897

	LTV					
	2017					
	LTV under 40%	LTV 40-60%	LTV 60-80%	LTV 80-100%	LTV over 100%	Total
Gross carrying amount	344,008	624,596	1,004,533	621,616	697,623	3,292,376
Of which: in arrears/doubtful	882	2,094	2,240	5,145	12,066	22,427

Information on assets acquired in settlement of debt

The detail of assets acquired in settlement of debt at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	2018		2017	
	Gross carrying amount	Cumulative impairment	Gross carrying amount	Cumulative impairment
Real estate assets acquired from construction and real estate development loans	44,956	15,151	54,731	11,814
Buildings and other completed constructions	8,451	1,595	16,173	2,595
Homes	5,781	1,120	12,351	1,857
Other	2,670	475	3,822	738
Buildings and other constructions under construction	305	-	305	-
Homes	305	-	305	-
Other	-	-	-	-
Land	36,201	13,556	38,253	9,219
Consolidated urban land	16,297	6,949	17,665	5,713
Other land	19,903	6,607	20,588	3,506
Real estate assets originating from loans to individuals to fund home purchases	7,278	670	12,034	1,279
Other real estate assets foreclosed or received in settlement of debt	13,374	1,885	15,358	2,350
Equity instruments foreclosed or received in settlement of debt	945	-	1,800	-
Equity instruments of holding companies of real estate assets foreclosed or received in payment of debt	-	-	-	-
Loans to holding companies of real estate assets foreclosed or received in payment of debt	-	-	-	-
Total	**66,553**	**17,706**	**83,923**	**15,443**

Policies for managing problematic assets

As part of its general risk management policy, Caja Rural de Navarra has specific processes for dealing with assets from the construction and real estate development sector, which has been particularly hard hit by the current crisis.

These processes aim to sustain, wherever possible and without impairing the recovery of contracted risks, the business continuity and viability of companies and other customers, mitigating the risks to which the Group is exposed. This means seeking alternatives that allow projects to be completed and sold, analysing where risks can be renegotiated if the customer's credit position improves, with a view to keeping the debtor in business. The process considers the Bank's track record with the debtor, their manifest ability to pay and potential improvements to the customer's expected loss, looking to increase loan collateral without increasing risk exposure to the customer.

The Group also supports developers once developments have been completed, working in partnership to manage and speed up sales.

If the above approach fails or is insufficient, other alternatives are analysed, such as taking assets in lieu of payment or buying assets and, as a last resort, legal proceedings to foreclose the buildings.

All assets taken onto the Group's balance sheet are managed with a view to their disposal or lease. For this purpose, the Group has operating companies that specialize in the sale or leasing of real estate assets. The Group has the resources to develop these strategies and coordinate the work of the subsidiaries and branch network.

In accordance with Act 8/2012, at 31 December 2018 and 2017 the Group held, among other assets, all the real estate assets acquired as a result of its financing of construction and real estate development operations in Promoción Estable del Norte, S.A.. The breakdown and percentage interest in each asset are given in Note 1.f).

The cumulative volume of assets transferred to Promoción Estable del Norte, S.A. at 31 December 2018 and 2017 was EUR 26,382 thousand and EUR 32,317 thousand and the net carrying amount of the company at these two dates was EUR 15,553 thousand and EUR 22,633 thousand, respectively. At 31 December 2018 the balance of capital or member contributions transferred to the company was EUR 103,921 thousand (EUR 96,811 thousand at 31 December 2017), against a revaluation for impairment of EUR 76,713 thousand (EUR 73,971 thousand at 31 December 2017).

Assessment of market financing needs

Caja Rural de Navarra has historically adhered to a liquidity management policy under which wholesale financing that involves future repayment commitments is not included in the calculation of its net liquidity. This means that the Group's liquidity assumptions do not include the issue of securities on wholesale markets that entail future repayment commitments as sources of funding that can be used to grow loans and advances.

Notwithstanding the foregoing, the Group has concluded a number of issues on the market for the following purposes:

- To increase available liquidity;

- To gain experience of different forms of financing in different markets and instruments;
- To generate collateral discountable at the European Central Bank and/or usable as security for repurchase transactions with clearing houses.

Overall, the Group foresees no need for wholesale financing given its repayment schedule and the current level of available liquidity.

In addition, Caja Rural de Navarra has various contingency plans for obtaining liquidity. These include a sizeable stock of assets discountable at the European Central Bank.

In the medium to long term the Group will maintain the same policy of not using market financing to grow its lending business, while at the same time maintaining the aforementioned contingency plans.

7. Cash, cash balances at central banks and other demand deposits

The detail of this line of the statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Cash	46,194	45,164
Cash balances at central banks	-	-
Other demand deposits	305,255	298,318
	351,449	**343,482**

The Bank complies with the minimum reserve requirement pursuant to the provisions of Article 10 of Regulation (EC) 1745/2003 of the European Central Bank, of 12 September 2003, regulating the maintenance of minimum reserves held indirectly through an intermediary (Note 10).

Banco Cooperativo Español, S.A. and the rural credit cooperatives and cooperative credit institutions that constitute its membership have concluded agreements whereby members assign funds to Banco Cooperativo Español, S.A. for exclusive investment in the interbank and money markets, with members assuming joint liability for any losses that may be incurred as a result of such investments. The liability assumed by the Group under these agreements amounted to EUR 111,916 thousand and EUR 152,281 thousand at 31 December 2018 and 2017, respectively, and is recognized in "Guarantees given – Other guarantees given" in the memorandum accounts (Note 23).

For purposes of preparation of the consolidated cash flow statement, the Group treated the balance of this line of the consolidated statement of financial position as "cash and cash equivalents".

The average annual interest rate applied to "Other demand deposits" in 2018 was -0.40% (0.05% in 2017). Interest accrued on the financial assets included in this portfolio in 2018 totalled a negative EUR 1,163 thousand compared with a positive EUR 172 thousand in 2017 (Notes 25 and 26).

8. Financial assets and liabilities held for trading

The breakdown of this line of the statement of financial position at 31 December 2018 and 2017 by type of counterparty and type of instrument is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2018	2017	2018	2017
By counterparty				
Credit institutions	3,307	3,281	320	-
Other resident sectors	4,096	3,943	449	1,116
Other non-resident sectors	327	259	-	-
Total	**7,730**	**7,483**	**769**	**1,116**
By type of instrument				
Derivatives	2,643	3,564	769	1,116
Equity instruments	3,727	3,919	-	-
Debt securities	1,360	-	-	-
Total	**7,730**	**7,483**	**769**	**1,116**

The fair value of items included in "Financial assets and liabilities held for trading" was calculated using valuation techniques based on market data.

Financial assets held for trading. Equity instruments

The breakdown of this line of the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Shares in credit institutions	968	801
Shares in other resident companies	2,432	2,859
Shares in other non-resident companies	327	259
Total	**3,727**	**3,919**

All securities classified as "Equity instruments" at 31 December 2018 and 2017 were shares listed for trading on official markets.

Financial assets held for trading. Derivatives

This line includes, at 31 December 2018 and 2017:

- Swaps related to the Group's securitisation transactions.
- Transactions contracted to hedge the market risk associated with structured customer deposits incorporating an embedded derivative.
- Currency hedging transactions with customers (currency forward contracts).

Details of the notional and fair values of the financial derivatives recognized under "Derivatives", by type of market, counterparty, residual term to maturity and type of risk, are as follows:

	Thousands of euros					
	Notional value Memorandum accounts		Fair value Assets		Fair value Liabilities	
	2018	2017	2018	2017	2018	2017
By type of market						
Bilateral (OTC) markets	280,448	277,088	2,643	3,564	769	1,116
TOTAL	**280,448**	**277,088**	**2,643**	**3,564**	**769**	**1,116**
By type of product						
Swaps	179,237	202,369	1,868	2,449	-	-
Futures	38,029	18,709	469	1,084	463	1,085
Options	63,182	56,010	306	31	306	31
TOTAL	**280,448**	**277,088**	**2,643**	**3,564**	**769**	**1,116**
By counterparty						
Resident credit institutions	230,246	239,847	2,316	2,480	-	-
Other resident sectors	50,202	37,241	327	1,084	769	1,116
TOTAL	**280,448**	**277,088**	**2,643**	**3,564**	**769**	**1,116**
By residual term to maturity						
Less than 1 year	38,029	72,019	469	1,084	463	1,085
1 to 5 years	63,182	2,700	306	31	306	31
More than 5 years	179,237	202,369	1,868	2,449	-	-
TOTAL	**280,448**	**277,088**	**2,643**	**3,564**	**769**	**1,116**
By type of risk						
Interest rate risk	179,237	202,369	1,868	2,449	-	-
Equity risk	63,182	56,010	306	31	306	31
Currency risk	38,029	18,709	469	1,084	463	1,085
TOTAL	**280,448**	**277,088**	**2,643**	**3,564**	**769**	**1,116**

The notional and/or contractual value of the formal derivative contracts does not represent the real risk assumed by the Group as the net position is obtained by offsetting and/or grouping together these financial instruments.

Financial assets held for trading. Debt securities

	Thousands of euros	
	2018	**2017**
By counterparty		
Other non-resident sectors	1,360	-
Total	**1,360**	**-**
By type of instrument		
Other non-resident fixed-income securities	1,360	-
Total	**1,360**	**-**

9. Financial assets at fair value through other comprehensive income

The breakdown of this line in the consolidated statement of financial position by region, type of counterparty and type of instrument, is as follows:

	Thousands of euros	
	2018	2017 (*)
By counterparty		
Spanish public sector	326,521	2,040,952
Non-resident General governments	-	87,597
Credit institutions	85,511	280,219
Other resident sectors	242,170	262,071
Other non-resident sectors	92,288	140,469
Total	**746,490**	**2,811,308**
By type of instrument		
Debt securities	544,377	2,644,802
Spanish government debt	326,521	2,040,952
Non-resident General governments	-	87,597
Issued by credit institutions	75,988	272,166
Other Spanish fixed-income securities	50,561	107,984
Other non-resident fixed-income securities	91,307	136,103
Equity instruments	202,113	166,181
Shares in credit institutions	9,523	8,053
Shares in Spanish companies	191,325	154,087
Shares in foreign companies	968	799
Units and shares in investment funds	297	3,567
Total	**746,490**	**2,811,308**

(*)Corresponds to balances in "Available-for-sale financial assets" (Note 1.c).

The average annual interest rate for debt securities included in "Available-for-sale financial assets" in 2018 was 1.46% (1.50% in 2017), while interest accrued in 2018 on these financial assets was EUR 1,763 thousand (EUR 36,374 thousand in 2017) (Note 25).

A breakdown by residual term to maturity of debt securities recognized in this line at 31 December 2018 and 2017 is given in Note 6.

At the close of 2018 and 2017, the breakdown of "Equity instruments" according to the listing status of the securities included in the entry and the percentage accounted for by each category was as follows:

	2018		2017	
	Thousands of euros	% of total	Thousands of euros	% of total
Listed for trading	27,565	13.64%	27,151	16.31%
Not listed for trading	174,548	86.36%	139,355	83.69%
	202,113	100.00%	166,506	100.00%

The Group has recognized the following investments measured at fair value under "Equity instruments – Not listed for trading":

	Thousands of euros Fair value	
Company	**2018**	**2017**
Banco Cooperativo Español, S.A. (*)	5	5
Seguros Generales Rural, S.A. de Seguros y Reaseguros (*)	1	1
Grucajrural Inversiones, S.L. (*)	153,554	118,084
Espiga Capital Inversión, Sociedad de Capital Riesgo	694	682
Espiga Capital Inversión II, Sociedad de Capital Riesgo de Régimen Simplificado, S.A.	183	210
Espiga Equity Fund, Fondo de Capital Riesgo de Régimen Simplificado	370	333
Rural Servicios Informáticos, S.C. (*)	7,158	5,733
Docalia, S.L. (*)	1,371	356
Nessa Global Banking Solutions, S.A.	274	274
DZ Bank A.G.	1,264	1,264
Lazora, S.A.	-	1,737
Minicentrales Canal de las Bardenas A.I.E.	180	180
Mondragón Navarra, S.P.E., S.A.	176	176
Start-Up Capital Navarra, S.A.	137	137
Idifarma Desarrollo Farmaceútico, S.L.	310	310
3P Biopharmaceuticals, S.L.	558	558
Caja Rural de Jaén, S.C.C.	648	648
Caja Rural de Burgos, Fuentepelayo, Segovia y Castelldans, S.C.C.	1,311	1,475
Caja Rural de Extremadura, S.C.C.	1,377	1,836
Other	4,977	5,356
Total	**174,548**	**139,355**

(*) Due to agreements between existing shareholders, the Group has valued its ownership interest in these companies on the basis of its share in their equity at 31 December 2018 and 2017.

On 27 September 2017, Banco Cooperativo Español, S.A. paid a scrip dividend of EUR 38.6 million as a capital increase charged against its voluntary reserves in respect of net profit for 2016. The Bank subscribed for the entire allocation of shares proportional to its equity stake, totalling EUR 5,978 thousand. The dividends were recognized under "Dividend income" in the income statement (Note 27).

In 2017, the Parent Company made a contribution-in-kind to Grucajrural Inversiones of EUR 297,671 shares in Banco Cooperativo Español, S.A., valued at EUR 76,317 thousand, and EUR 1,099,706 shares in RGA Seguros Generales Rural, S.A. de Seguros y Reaseguros, valued at EUR 41,767 thousand. In consideration for this contribution-in-kind, the Bank received EUR 5,904,241,743 shares in Grucajrural Inversiones, S.L. (Note 1.l).

The breakdown of "Accumulated other comprehensive income" shown under equity at 31 December 2018 and 2017 resulting from changes in the fair value of the assets in this portfolio is as follows:

	Thousands of euros	
	2018	2017
Debt securities	(2,353)	41,686
Equity instruments	8,928	(2,577)
	6,575	39,109

Movements recognized in "Accumulated other comprehensive income" corresponding to securities classified in "Financial assets at fair value through other comprehensive income" are detailed in Note 19.

Overdue and impaired assets

- **Debt securities**

At 31 December 2017 the Group had assets classified as available for sale that had been individually identified as impaired due to the associated credit risk in a gross amount of EUR 2,342 thousand.

Details of the valuation adjustments recognized by the Group at the 2018 and 2017 accounting close due to the impairment of debt securities included in "Financial assets at fair value through other comprehensive income" are as follows:

	Standard risk	Standard risk on special watch	Doubtful risk	Total
Closing balance at end-2016	318	-	81	399
Net additions charged/(credited) to income	143	-	352	495
Balances for the year	-	-	-	-
Other movements	-	-	-	-
Closing balance at end of the prior year (*)	461	-	433	894
Effect of the first-time application of Circular 4/2017 (Note 1.b)	(160)	-	-	(160)
Opening balance	301	-	433	734
Net additions charged/(credited) to income	(685)	-	-	(685)
Balances for the year	-	-	-	-
Other movements	1,101	-	(433)	668
Closing balance at end-2018	717	-	-	717

10. Financial assets at amortized cost

The breakdown of this asset item in the consolidated statement of financial position by nature of the related financial instrument is as follows:

	Thousands of euros	
	2018	2017 (*)
Loans and advances		
Credit institutions	100,002	115,786
Customers	7,778,800	7,334,762
Debt securities	2,716,139	616,373
Total	**10,594,941**	**8,066,921**

(*) Corresponds to balances in "Loans and receivables" and "Held-to-maturity investments" (Note 1.c).

Loans and advances – Credit institutions

	Thousands of euros	
	2018	2017
By type		
Term deposits	88,418	96,688
Other assets	11,478	19,024
Total	**99,896**	**115,712**
Valuation adjustments	106	74
Total	**100,002**	**115,786**
By currency		
Euro	87,783	103,535
US dollar	10,012	11,416
Other	2,207	835
Total	**100,002**	**115,786**

In accordance with European Central Bank Regulation (EC) 1745/2003 of 12 September 2003, concerning the application of minimum reserves, the Parent Company uses the services of Banco Cooperativo Español, S.A. to indirectly maintain its minimum reserves through an intermediary. Accordingly, the Entity holds a deposit in the Banco Cooperativo Español, S.A. for the indirect compliance of the minimum reserves rate, registered under "Term accounts", with a balance at 31 December 2018 of EUR 76,493 thousand, compared with EUR 72,624 thousand at 31 December 2017.

A breakdown by residual term to maturity in 2018 and 2017 is given in Note 6.

The average annual interest rate applied to deposits with credit institutions in 2018 was 0.25% (0.16% in 2017). Interest accrued on the financial assets included in this portfolio in 2018 totalled EUR 274 thousand compared with EUR 667 thousand in 2017 (Note 25).

Loans and advances. Customers

The breakdown of this item in the consolidated statement of financial position by type and status of facility, borrower sector, region in which the borrower is resident and type of interest rate applied is as follows:

	Thousands of euros	
	2018	**2017**
By loan type and status		
Commercial credit	566,768	537,890
Secured loans	4,929,242	4,710,119
Other term loans	1,922,932	1,722,997
Finance leases	194,805	173,001
Repayable on demand and other	52,493	48,957
Other financial assets	116,633	126,515
Doubtful assets	140,122	150,084
Total	**7,922,995**	**7,469,563**
Valuation adjustments	(144,195)	(134,801)
Total	**7,778,800**	**7,334,762**
By borrower sector		
General governments	171,636	155,241
Other resident sectors	7,542,912	7,134,004
Non-resident sectors	64,252	45,517
Total	**7,778,800**	**7,334,762**
By interest rate type		
Floating	7,005,246	6,394,070
Fixed	917,749	1,075,493
Total	**7,922,995**	**7,469,563**
Valuation adjustments	(144,195)	(134,801)
Total	**7,778,800**	**7,334,762**

The average annual interest rate applied to the financial instruments included in this item in 2018 was 1.63% (1.78% in 2017) and the interest accrued was EUR 122,079 thousand (EUR 124,998 thousand in 2017) (Note 25).

The carrying amount shown in the above table, ignoring the portion corresponding to "Accumulated other comprehensive income", represents the Group's maximum credit risk exposure from these financial instruments.

A breakdown by residual term to maturity is given in Note 6.

Bank of Spain Circular 4/2017 exempts from its derecognition requirements all financial assets and liabilities that were derecognized before 1 January 2004 (Note 2.f).

In respect of derecognitions that took place after 1 January 2004, as the conditions governing the asset transfers meant that the Bank retained material risks and benefits from the securitized assets (basically credit risk on the transactions transferred), these assets have not been derecognized from the statement of financial position. Also, in compliance with the standard, a financial liability has been initially recognized for an amount equal to the payment received and is carried at amortized cost. These transactions therefore remain on the consolidated statement of financial position, in amounts of EUR 190,192 thousand and EUR 204,090 thousand at 31 December 2018 and 2017, respectively.

In addition, liabilities of EUR 8,405 thousand and EUR 9,618 thousand were recognized in "Financial liabilities at amortized cost – Deposits – Customers" in the statements of financial position at 31 December 2018 and 2017, respectively, (Note 17). The difference between the liability balances and the carrying amounts of the assets transferred in the securitizations reflects securitization fund assets initially retained or subsequently recovered by the Bank which are presented in the aforementioned liability account after netting.

The Bank transferred assets to the following securitization funds: Rural Hipotecario V, Rural Hipotecario VI, Rural Hipotecario VII, Rural Hipotecario VIII, Rural Hipotecario IX, Rural Hipotecario X, Rural Hipotecario XI, Rural Hipotecario XII and Rural Hipotecario XVII, all managed by Europea de Titulización S.A., S.G.F.T.

In addition, the Group had subordinated loans in the amount of EUR 31,351 thousand outstanding with the aforementioned securitization funds at 31 December 2018 (EUR 33,564 thousand at 31 December 2017).

The detail of the valuation adjustments made in relation to transactions classified as "Loans and advances – Customers" is as follows:

	Thousands of euros	
Valuation adjustments	2018	2017
Valuation adjustments for impairment of financial assets	(144,448)	(138,114)
Accrued interest	7,469	11,516
Fees and commissions	(7,216)	(8,203)
	(144,195)	(134,801)

Loans and advances – Customers. Valuation adjustments for impairment of financial assets

Details of the movement in 2018 and 2017 in "Valuation adjustments for impairment of financial assets" forming part of the balance of the "Loans and receivables – Customers" line are as follows:

	Standard risk	Standard risk on special watch	Doubtful risk	Total
Closing balance at end-2016	27,082	10,883	127,518	165,483
Net additions charged/(credited) to income	4,592	(1,594)	13,098	16,096
Balances for the year	-	-	(34,654)	(34,654)
Other movements	-	-	(8,811)	(8,811)
Closing balance at end of the prior year (*)	31,674	9,289	97,151	138,114
Effect of the first-time application of IFRS 9 (Note 1.c)	1,554	16,752	1,509	19,815

The detail of "(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss) – Loans and receivables – Customers" on the consolidated income statement at 31 December 2018 and 2017, is as follows:

	Thousands of euros	
	2018	2017
Net impairment in the period	13,859	16,096
Suspense items recovered	(5,674)	(3,725)
Assets directly derecognized	993	1,428
Other items	1	(171)
Total (Note 34)	9,179	13,628

The impairment losses recognized at 31 December 2018 and 2017 cover the minimum provisions required by the Bank of Spain, taking account of the status and circumstances of the transactions and borrowers.

Loans and receivables – Debt securities

The breakdown by counterparty of this line of the consolidated statement of financial position is as follows:

	Thousands of euros	
	2018	**2017 (*)**
Counterparty		
Spanish public sector	1,870,509	440,769
Non-resident General governments	206,767	697
Credit institutions	336,136	3,311
Other resident sectors	193,083	169,813
Other non-resident sectors	111,209	2,127
Total	**2,717,704**	**616,717**
Valuation adjustments for impairment of financial assets	(1,565)	(344)
Total	**2,716,139**	**616,373**

(*) Corresponds to balances in “Loans and receivables” and “Held-to-maturity investments” (Note 1.c).

The average annual interest rate for debt securities included in “Available-for-sale financial assets” in 2018 was 1.02% (1.08% in 2017), while interest accrued in 2018 on these financial assets was EUR 30,062 thousand (EUR 6,405 thousand in 2017) (Note 25).

A breakdown by residual term to maturity at 31 December 2018 and 2017 is given in Note 6.

Details of the valuation adjustments for asset impairment recognized by the Group at the close of 2018 and 2017 for “Debt securities” included in “Financial assets at amortized cost” are as follows:

	Standard risk	**Standard risk on special watch**	**Doubtful risk**	**Total**
Closing balance at end-2016	398	-	-	398
Net additions charged/(credited) to income	(54)	-	-	(54)
Balances for the year	-	-	-	-
Other movements	-	-	-	-
Closing balance at end of the prior year (*)	344	-	-	344
Effect of the first-time application of IFRS 9 (Note 1.c)	516	-	-	516
Opening balance	860	-	-	860
Net additions charged/(credited) to income	629	76	-	705
Balances for the year	-	-	-	-
Other movements	-	-	-	-
Closing balance at end-2018	1,489	76	-	1,565

Impaired and overdue assets

Details of financial assets classified as "Financial assets at amortized cost" and considered impaired due to credit risk at 31 December 2018 and 2017:

Impaired assets

	2018	2017
Up to 6 months overdue or not due	51,316	56,732
6 to 9 months overdue	12,272	14,501
9 to 12 months overdue	8,948	9,113
12 to 15 months overdue	4,570	10,563
15 to 18 months overdue	11,187	6,491
18 to 21 months overdue	5,596	4,641
More than 21 months overdue	46,233	48,043
	140,122	150,084

Accumulated finance income from impaired financial assets not recognized in income at 31 December 2018 and 2017 amounted to EUR 3,882 thousand and EUR 4,228 thousand, respectively.

Details of the movements in impaired financial assets derecognized because the likelihood of their recovery was considered remote but where the Group is still seeking to recover the amounts receivable are as follows:

	Thousands of euros	
	2018	2017
Opening balance	**205,490**	**204,767**
Additions	28,666	43,981
Charged to valuation adjustments for impairment of financial assets	21,816	34,654
Charged directly to income	993	1,427
Receivables past-due but not collected	5,857	7,900
Other items	-	-
Recoveries	(5,674)	(3,725)
Collected in cash	(5,674)	(3,725)
Definitively derecognized	(4,770)	(39,533)
Due to write-offs	(4,770)	(39,533)
Due to debt restructuring	-	-
For other reasons	-	-
Closing balance	**223,712**	**205,490**

11. Financial assets not held for trading mandatorily measured at fair value through profit or loss

The breakdown of this line of the statement of financial position at 31 December 2018 and 2017 is as follows:

	2018	2017
Debt securities	7,170	
Loans and advances	10,385	
	17,555	

The breakdown of these instruments by rating, in order of the highest rating awarded by any of the rating agencies, at 31 December 2018 and 2017, is shown in Note 6.

12. Derivatives – hedge accounting for assets and liabilities

Derivatives designated as hedging instruments are recognized at fair value, as detailed in Note 2.d).

The breakdown of hedging derivatives by type of hedge at 31 December 2018 and 2017 was as follows:

	Thousands of euros			
	Assets		Liabilities	
	2018	2017	2018	2017
Micro-hedging				
Fair value hedges	4,774	80	251	-
Cash flow hedges	-	-	-	-
	4,774	80	251	-

The breakdown of the notional and fair values of the financial derivatives recognized as "Derivatives – Hedge accounting" for assets and liabilities by type of market, type of product, counterparty, residual term to maturity and type of risk is as follows:

	Thousands of euros					
	Notional value Memorandum accounts		Fair value Assets		Fair value Liabilities	
	2018	2017	2018	2017	2018	2017
By type of market						
Bilateral (OTC) markets	281,591	28,055	4,774	80	251	-
TOTAL	**281,591**	**28,055**	**4,774**	**80**	**251**	**-**
By type of product						
Swaps	281,591	28,055	4,774	80	251	-
TOTAL	**281,591**	**28,055**	**4,774**	**80**	**251**	**-**
By counterparty						
Resident credit institutions	281,591	28,055	4,774	80	251	-
Other resident sectors	-	-	-	-	-	-
TOTAL	**281,591**	**28,055**	**4,774**	**80**	**251**	**-**
By residual term to maturity						
Less than 1 year	1,350	26,705	-	80	4	-
1 to 5 years	30,241	1,350	-	-	247	-
More than 5 years	250,000	-	4,774	-	-	-
TOTAL	**281,591**	**28,055**	**4,774**	**80**	**251**	**-**
By type of risk						
Interest rate risk	281,591	28,055	4,774	80	251	-
Equity risk	-	-	-	-	-	-
TOTAL	**281,591**	**28,055**	**4,774**	**80**	**251**	**-**

The following financial swaps have been contracted (listed with their hedged items):

- Interest rate swap, to hedge customer deposits bearing interest at a fixed rate and fixed rate debt securities (Note 17).
- Equity swap, to hedge customer deposits bearing interest at a rate indexed to the price of securities or market indices.

At 31 December 2018, the Group recognized net gains of EUR 5,869 thousand as a result of changes in the fair value of hedging transactions (compared with a net gain of EUR 315 thousand in 2017). With regard to the hedged items, a net loss of EUR 5,769 thousand attributable to the hedged risk was recognized in 2018 (versus a net loss of EUR 118 thousand in 2017). The net amount of gains from hedges and losses on hedged items was recognized under "Net gain/(loss) from hedge accounting" in the consolidated income statement for 2018 and 2017.

The notional and/or contractual value of the hedging derivatives does not represent the real risk assumed by the Group as the net position is obtained by offsetting and/or grouping together these financial instruments.

13. Non-current assets and disposal groups held for sale

The breakdown of this line of the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	2018	2017
Tangible assets	48,212	66,995
Investment property	272	277
Foreclosed property and equipment	65,805	82,320
Valuation adjustments for impairment of financial assets	(17,865)	(15,602)
	48,212	66,995

Movements in "Investment property" and "Foreclosed tangible assets" included in "Non-current assets held for sale" in 2018 and 2017 were as follows:

	Thousands of euros	
	Investment property	Foreclosed tangible assets
Cost -		
Balance at 31 December 2016	1,473	57,834
Additions	2,577	9,844
Retirements and writedowns	(115)	(17,675)
Transfers	(3,493)	-
Other movements	-	32,317
Balance at 31 December 2017	442	82,320
Additions	-	31,753
Retirements and writedowns	-	(48,268)
Transfers	-	-
Other movements	-	-
Balance at 31 December 2018	442	65,805
Accumulated depreciation-		
Balance at 31 December 2016	178	-
Provisions	6	-
Retirements and writedowns	-	-
Transfers	(19)	-
Balance at 31 December 2017	165	-
Provisions	5	-
Retirements and writedowns	-	-
Transfers	-	-
Balance at 31 December 2018	170	-
Property and equipment, net -		
Balance at 31 December 2017	277	82,320
Balance at 31 December 2018	272	65,805

The fair value of non-current assets in disposal groups held for sale located in Spain was estimated in light of their expected recoverable amounts. It also includes as an input the appraisals done by Appraisal Companies registered with the Bank of Spain and valuations carried out using criteria set by Ministerial Order ECO/805/2003 on valuation standards for property and certain rights for financial purposes

Movements in "Valuation adjustments for impairment of financial assets" in "Non-current assets and disposal groups held for sale" in 2018 and 2017 were as follows:

	2018	2017
Opening balance	15,602	7,350
Net additions charged against income	2,789	62
Reversals or sales	-	(1,463)
Transfers	(526)	9,653
Closing balance	17,865	15,602

14.Investments in joint ventures and associates

The detail of the Bank's equity investments at 31 December 2018 and 2017, by company, was as follows:

	% ownership interest		Thousands of euros			
			Acquisition cost		Net carrying amount	
	2018	2017	2018	2017	2018	2017
Associates						
Bodegas Príncipe de Viana, S.L.	50.00%	50.00%	11,015	11,015	13,340	12,568
Omegageo, S.L.	50.00%	50.00%	1,092	1,092	833	1,059
Reivalsa Gestión, S.L	-	50.00%	-	50	-	1,039
Renovables de la Ribera, S.L.	50.00%	50.00%	820	320	797	302
Bosqalia, S.L.	48.40%	48.40%	1,452	1,452	760	921
Errotabidea, S.L.	46.01%	46.01%	8,431	8,431	10,244	9,426
Servicios Empresariales Agroindustriales, S.A.	33.33%	33.33%	30	30	91	84
Rioja Vega, S.A.	25.07%	25.07%	4,491	4,491	2,461	2,453
Investi Navarra In Est, S.L.	25.00%	25.00%	5,000	5,000	-	-
Rural de Energías Aragonesas, S.A.	25.00%	25.00%	475	475	329	445
Harivenasa, S.L.	-	24.90%	-	-	-	-
Compañía Eólica de Tierras Altas, S.A.	23.75%	23.75%	3,184	3,184	6,447	8,062
Iparlat, S.A.	21.54%	21.54%	4,836	4,836	13,678	13,312
Iberjalón, S.A.	20.00%	-	990	-	964	-
Total			**41,816**	**40,376**	**49,945**	**49,671**

At 31 December 2018, there was no implied goodwill recognized in the carrying amount of subsidiaries.

The activities, registered offices and key performance indicators of companies accounted for by the equity method at 31 December 2018 are as follows:

			Thousands of euros		
Company	**Head office**	**Line of business**	**Total assets**	**Equity**	**Earnings**
Bodegas Príncipe de Viana, S.L.	Pamplona	Production and sale of wine	51,326	26,679	635
Omegageo, S.L.	Pamplona	Civil engineering and building projects	1,811	1,609	(1)
Renovables de la Ribera, S.L.	Pamplona	Construction and operation of wind farms	19,138	1,595	(8)
Bosqalia, S.L.	Pamplona	Forestry	5,586	1,571	(310)
Errotabidea, S.L.	Pamplona	Development and management of rent-controlled housing	44,839	22,263	1,702
Servicios Empresariales Agroindustriales, S.A.	Pamplona	Management of cooperative services	1,005	381	36
Rioja Vega, S.A.	Viana (Navarre)	Production and sale of wine	16,396	9,816	(59)
Investi Navarra In Est, S.L.	Pamplona	Real estate development	0	0	0
Rural de Energías Aragonesas, S.A.	Zaragoza	Generation and sale of renewable energy	1,307	1,317	(17)
Compañía Eólica de Tierras Altas, S.A.	Soria	Construction and operation of wind farms	30,397	27,147	3,203
Iparlat, S.A.	Urnieta (Guipúzcoa)	Production of dairy products	134,092	67,093	5,366
Iberjalón, S.A.	Zaragoza	Construction and operation of wind farms	5,681	4,076	(125)

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The activities, registered offices and key performance indicators of companies accounted for by the equity method at 31 December 2017 were as follows:

			Thousands of euros		
Company	Head office	Line of business	Total assets	Equity	Earnings
Renovables de la Ribera, S.L.	Pamplona	Construction and operation of wind farms	604	603	(7)
Bodegas Príncipe de Viana, S.L.	Pamplona	Production and sale of wine	50,920	30,673	513
Omegageo, S.L.	Pamplona	Civil engineering and building projects	2,697	2,118	3
Reivalsa Gestión, S.L	Vitoria (Alava)	Provision of administrative services to public sector bodies	12,369	2,062	374
Bosqalia, S.L.	Pamplona	Forestry	5,913	1,894	(118)
Errotabidea, S.L.	Pamplona	Development and management of rent-controlled housing	47,469	23,287	904
Servicios Empresariales Agroindustriales, S.A.	Pamplona	Management of cooperative services	834	252	-
Rioja Vega, S.A.	Viana (Navarre)	Production and sale of wine	15,696	9,917	87
Investi Navarra In Est, S.L.	Pamplona	Real estate development	543	-	-
Rural de Energías Aragonesas, S.A.	Zaragoza	Generation and sale of renewable energy	1,651	1,640	(39)
Harivenasa, S.L.	Noain (Navarre)	Manufacture and sale of flour	20,849	1,963	457
Compañía Eólica de Tierras Altas, S.A.	Soria	Construction and operation of wind farms	33,645	29,943	3,205
Iparlat, S.A.	Urnieta (Guipúzcoa)	Production of dairy products	140,929	62,971	4,415

The total assets, equity and earnings figures shown in the above table are those of the individual companies, prepared in accordance with the accounting principles applied by each one, before standardization and harmonization adjustments for the purposes of consolidation into the financial statements of Caja Rural de Navarra and subsidiaries.

At the close of 2018 and 2017, all balances included under "Investments in joint ventures and associates" corresponded to securities not listed for trading on official markets.

Movements in this line of the consolidated statement of financial position in 2018 and 2017 were as follows:

	Thousands of euros
Balance at 31 December 2016	46,721
Additions	536
Profit or (-) loss of companies accounted for using the equity method	2,414
Retirements	-
Transfers	-
Balance at 31 December 2017	49,671
Additions	1,490
Profit or (-) loss of companies accounted for using the equity method	3,159
Retirements	(4,375)
Transfers	
Balance at 31 December 2018	49,945

Based on the policy set out in 2.g) no impairment losses were recorded against investments in these companies at 31 December 2018 and 2017.

15. Tangible assets, intangible assets and business combinations

Tangible assets

Movements in "Tangible assets" on the consolidated statement of financial position in 2018 and 2017 were as follows:

	Thousands of euros			
	Property and equipment			
	For own use	Assigned to social projects	Investment property	Total
Cost -				
Balance at 31 December 2016	399,051	416	8,513	407,980
Additions	17,401	-	1	17,402
Retirements and writedowns	(6,448)	-	(1,115)	(7,563)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	(1)	-	3,493	3,492
Balance at 31 December 2017	**410,003**	**416**	**10,892**	**421,311**
Additions	12,829	-	3,209	16,038
Retirements and writedowns	(1,183)	-	-	(1,183)
Additions/(retirements) in business combinations	7,355	-	-	7,355
Transfers	-	-	-	-
Balance at 31 December 2018	**429,004**	**416**	**14,101**	**443,521**
Accumulated depreciation-				
Balance at 31 December 2016	193,232	245	2,175	195,652
Provisions	14,071	-	332	14,403
Retirements and writedowns	(560)	-	-	(560)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	-	-	20	20
Balance at 31 December 2017	**206,743**	**245**	**2,527**	**209,515**
Provisions	14,282	-	298	14,580
Retirements and writedowns	(143)	-	-	(143)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2018	**220,882**	**245**	**2,825**	**223,952**
Valuation adjustments for impairment -				
Balance at 31 December 2016	-	-	2,616	2,616
Provisions (Note 35)	-	-	(302)	(302)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2017	**-**	**-**	**2,314**	**2,314**
Provisions (Note 35)	-	-	(302)	(302)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2018	**-**	**-**	**2,012**	**2,012**
Property and equipment, net -				
Balance at 31 December 2017	**203,260**	**171**	**6,051**	**209,482**
Balance at 31 December 2018	**208,122**	**171**	**9,264**	**217,557**

At 31 December 2018 and 2017, the value of tangible assets acquired under lease finance agreements totalled EUR 970 thousand and EUR 1,219 thousand, respectively.

At 31 December 2018 and 2017 the Group had no property and equipment that was temporarily out of service or had been withdrawn from active use.

At 31 December 2018 and 2017 the Group had no significant outright sale undertakings relating to tangible assets.

Fully depreciated tangible assets still in use within the Group were worth a total of EUR 121,949 thousand and EUR 114,928 thousand, respectively, at 31 December 2018 and 2017.

In accordance with Bank of Spain Circular 4/2017, the Group re-measured certain unrestricted items included in "Buildings for own use" on 1 January 2004 (Note 2.i). The Group carries out regular appraisals of its main buildings to identify potential impairment. Based on the latest available appraisals, the Directors consider that the fair values of the Bank's property and equipment do not differ significantly from their carrying amounts.

Intangible assets

Goodwill

Goodwill at 31 December 2018 and 2017 totalled EUR 8,297 thousand in both years, all from Harantico, S.L..

The Parent Company had a 50% direct holding in Harantico, S.L. until 11 July 2014, when it acquired the remaining 50% taking full control. The subsidiary makes and sells flours. Based on the estimates and forecasts available to the Parent Company's Directors, the financial forecasts of the company justify the goodwill acquired during the takeover.

The cash generating unit ("CGU") that was assigned the goodwill generated in the business combination leading to the acquisition of Harantico, S.L. assets (Note 2.y) is regularly tested for impairment, including the portion of goodwill in its carrying amount. This test is carried out at least annually or whenever there are indications of impairment.

The fair value of the CGU and the fair value assigned to its assets and liabilities are based on estimates and assumptions that the Group management considers most appropriate in the circumstances. However, changes in the valuation assumptions used could change the result of impairment tests.

Three key assumptions used in calculating the impairment test sensitively affect the recoverable value:

- Estimates of cash flow projections by Group Management, based on the latest available budgets for the next 5 years. The key variables input to the financial forecasts were: the change in the contribution margin (affected by forecast business volumes and interest rates) and the development of other income statement items.
- The sustainable perpetual growth rate extrapolating cash flows beyond the fifth year (2024) to cover the period beyond budget positions or forecasts. The Group used a sustainable perpetual growth rate of 1.5% based on inflation projections.
- The discount rate for future cash flows, which is taken to be the CGU's assigned cost of capital and comprises a risk free rate plus a premium reflecting the risk inherent to the business being valued (6.54% at 31 December 2018 and 2017).

In determining its assumptions Group Management relied on its projections and past experience. The values arrived at are consistent with external sources of information. The present value of distributable cash flows used to derive value in use is based on Harantico, S.L.'s cost of equity (Ke) to a market participant. They were determined using the CAPM (Capital Asset Pricing Model) or discounted cash flow valuations.

In addition, a sensitivity analysis was carried out looking at the key variables in the valuation, which found no evidence of impairment at 31 December 2018 and 2017. The two assumptions that carry greatest weight and whose volatility could weigh most in determining the present value of cash flows beyond the fifth year are the discount rate and the growth rate. If the discount rate applied to discounted cash flows were to be 5% higher than the management's estimates, the Group would still have no need to reduce the carrying amount of its goodwill. Nor would it have to reduce goodwill if the sustainable perpetual growth rate applied to discounted cash flows were to be 5% lower than the management's estimates.

In making the assumptions used to determine the CGU's EBITDA, the base for calculating free cash flow, the most conservative scenario was used so that negative distortions to this line are unlikely. Nevertheless, simulations using other growth rates and 5% increases or decreases in EBITDA, show no risk of impairment in 2018 or 2017.

Intangible assets

Until 11 July 2014, the Parent Company directly owned 50% of the share capital in Harinera del Mar Siglo XXL, S.L.. At that date the Parent Company acquired the 50% additional stake through a business combination giving them 100% of the share capital. The subsidiary makes and sells flours.

In the course of this business combination the Group acquired EUR 5,000 thousand of intangible assets. These corresponded to the rights and commercial relationships in various parts of the country that had previously been contributed to Harinera del Mar Siglo XXI, S.L. in a 2008 capital increase by the shareholders from whom the Parent Company acquired the additional 50% in the takeover.

At end-2018 the Group carried out impairment tests on both these intangible assets acquired in the Harinera del Mar Siglo XXI takeover and the company's business by estimating its recoverable amount.

The valuation methodology used to test for impairment was the same as for the Harántico, S.L. goodwill, with a discount rate of 6.54% in both years and a sustainable growth rate of 1.5%.

The Group valued the whole recoverable amount of the company, including the rights and commercial relations that made up the EUR 5,000 thousand intangible assets, using the abovementioned method based on the best estimates and forecasts available to the Parent Company's Directors at the time.

A sensitivity analysis was carried out looking at the key variables in the valuation, which found no evidence of impairment at 31 December 2018 and 2017. The two assumptions that carry greatest weight and whose volatility could weigh most in determining the present value of cash flows beyond the fifth year are the discount rate and the growth rate. If the discount rate applied to discounted cash flows were to be 5% higher than the management's estimates, the Group would still have no need to reduce the carrying amount of its goodwill. Nor would it have to reduce goodwill if the sustainable perpetual growth rate applied to discounted cash flows were to be 5% lower than the management's estimates.

In making the assumptions used to determine the CGU's EBITDA, the base for calculating free cash flow, the most conservative scenario was used so that negative distortions to this line are unlikely. Nevertheless, simulations using other growth rates and 5% increases or decreases in EBITDA, show no risk of impairment in 2018 or 2017.

16. Other assets and liabilities

The breakdown of these asset and liability items in the accompanying consolidated statement of financial position at the close of 2018 and 2017 is as follows:

	Thousands of euros 2018	Thousands of euros 2017
Assets:		
Inventories relating to non-financial activities	77,634	76,537
Of which: Real estate business	15,083	15,964
Agricultural business	54,504	52,827
Other	8,047	7,746
Transactions in transit	24,392	27,800
Accruals	46	329
Other items	6,706	5,747
	108,778	**110,413**
Liabilities:		
Social Welfare Fund	26,579	20,686
Transactions in transit	35,472	57,866
Accruals	16,928	23,687
Other items	15,003	20,923
	93,982	**123,162**

Social Welfare Fund

In accordance with Act 13/1998 on Cooperative Credit Institutions, Act 27/1999 on Cooperatives and the Parent Company's articles of association, the Education and Development Fund must consist of at least 10% of free cash flow, to be used for activities that fulfil one of the following purposes:

a) Training and education of the members and employees of Caja Rural in the principles and values of the cooperative movement or in specific material relating to its corporate or labour-related activity and other cooperative activities.

b) Promoting the cooperative model and fostering relationships between cooperative entities.

c) Cultural, business and welfare initiatives serving the local area or community in general, initiatives that enhance quality of life, promote community development and/or protect the environment.

The basic guidelines for application of the Education and Development Fund are agreed by members at the General Meeting.

In pursuit of the Fund's objectives, the Group may work in conjunction with other companies and entities, in such cases providing either full or partial funding.

The Education and Development Fund can be neither encumbered nor garnished and allocations to the Fund must be recognized in the consolidated statement of financial position separately from all other items, pursuant to the provisions of the regulations governing the activities of credit institutions.

The definitive allocation to the Education and Development Fund is approved by the Parent Company's Governing Board. Once approved, the Fund is managed by the Marketing Department.

In 2018 and 2017, the Education and Development Fund was used, in accordance with the basic guidelines agreed by members at the General Meeting, for the following activities:

	Thousands of euros	
	2018	2017
Consultancy, training and promotion of the cooperative business model	1,797	1,844
Teaching and research	1,135	1,090
Sports aid	136	121
Charity work	84	137
Cultural, recreational and other activities	304	282
Economic and social development	654	526
	4,110	**4,000**

Tangible assets assigned to the Education and Development Fund at 31 December 2018 and 2017 totalled EUR 171 thousand in both years. (Note 15).

The breakdown by item of the balances assigned to the Parent Company's Education and Development Fund at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Application of Education and Development Fund		
Maintenance costs incurred in the year	4,110	4,000
Financial income	(41)	(18)
Applied to property and equipment	(171)	(171)
Applied to other investments	(13,328)	(7,651)
TOTAL	**(9,430)**	**(3,840)**
Amount committed	4,149	4,805
Amount not committed	9,963	9,425
Amount committed for investments	3,037	2,616
TOTAL	**17,149**	**16,846**
Education and Development Fund (Social Welfare Fund)	**26,579**	**20,686**

17. Financial liabilities at amortized cost

The breakdown of this balance sheet item at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Deposits	9,095,209	8,604,262
Central banks	927,862	931,642
Credit institutions	155,434	148,315
Customers	8,011,913	7,524,305
Debt securities issued	1,653,935	1,657,010
Other financial liabilities	128,684	136,861
Total	10,877,828	10,398,133

Deposits – Central banks

The breakdown of "Deposits – Central banks" in the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Other central banks	935,000	935,000
Valuation adjustments	(7,138)	(3,358)
Total	927,862	931,642

In 2017 and 2016 the Bank took part in the liquidity auctions announced by the ECB in September and December 2016 and March 2017. At 31 December 2018 and 2017, the Bank had various deposits with the ECB totalling EUR 935 million in both years.

The average interest rate on these deposits in 2018 and 2017 was -0.40% in both years and interest expense accrued in 2018 and 2017 on financial liabilities in this portfolio was, respectively, -EUR 3,780 thousand and -EUR 3,272 thousand (Note 25), which were recognized in "Interest income – Interest income on liabilities" on the consolidated income statement.

Deposits – Credit institutions

The breakdown of this consolidated statement of financial position item by type of deposit and currency of denomination is as follows:

	Thousands of euros 2018	2017
Type of deposit		
Term deposits	148,911	147,750
Repurchase agreements (Note 9)	-	-
Other accounts	6,500	780
Valuation adjustments	23	(215)
Total	**155,434**	**148,315**
Currency		
Euro	155,434	148,315
Total	**155,434**	**148,315**

A breakdown of this item by residual term to maturity is given in Note 6.

"Term deposits" also included EUR 20,721 thousand at 31 December 2018 corresponding to funds from the Official Credit Institute relating to brokerage loans (EUR 36,716 thousand at 31 December 2017).

The average interest rate of these securities was -0.27% in 2017 (-0.26% in 2017) and the accrued interest in 2018 on the financial liabilities included in this portfolio came to EUR 3,336 thousand (EUR 3,203 thousand in 2017) (Note 26).

Also in 2018, negative interest on some repurchase operation totalling EUR 19 thousand (EUR 518 thousand in 2017) were recognized in "Interest income – Interest income on liabilities" in the consolidated income statement (Note 25).

Deposits – Customers

The breakdown of customer deposits by type of deposit, sector of activity, type of interest rate and currency of denomination is as follows:

	Thousands of euros 2018	2017
Type of deposit		
Demand deposits	5,937,404	5,043,059
Term deposits	2,074,250	2,480,160
Reverse repurchase agreements	-	-
Valuation adjustments	259	1,086
Total	**8,011,913**	**7,524,305**
Sector of activity		
Spanish public sector	307,844	199,531
Other resident sectors	7,683,226	7,302,718
Non-resident sectors	20,843	22,056
Total	**8,011,913**	**7,524,305**
Type of interest rate		
Floating	304,508	273,325
Fixed	7,707,405	7,250,980
Total	**8,011,913**	**7,524,305**
Currency		
Euro	7,984,759	7,475,516
US dollar	23,364	40,667
Other currencies	3,790	8,122
Total	**8,011,913**	**7,524,305**

The average interest rate applied to these instruments was 0.03% in 2018 (0.07% in 2017). Interest accrued on the financial liabilities included in this portfolio in 2018 came to EUR 3,566 thousand (versus EUR 6,939 thousand in 2017). (Note 26).

Pursuant to prevailing legislation, term deposits include the liability corresponding to the securitisation transactions mentioned in Note 10, amounting to EUR 8,405 thousand at 31 December 2018 (versus EUR 9,618 thousand at 31 December 2017).

A breakdown of this item by residual term to maturity is given in Note 6.

Debt securities issued

In this line of the statement of financial position, the Group recognizes the value of bonds and other bearer debt securities and promissory notes that are not subordinated liabilities. This line also includes the portion of compound financial instruments that is treated as a financial liability.

The breakdown of this item in the consolidated statement of financial position, by type of financial liability, is as follows:

	Thousands of euros	
	2018	2017
Promissory notes and other bills	-	300
Mortgage covered bonds	1,542,500	1,543,920
Other non-convertible securities	99,798	99,798
Valuation adjustments	11,637	12,992
Total	1,653,935	1,657,010

At 31 December 2017, "Promissory notes and other bills" recognized the amount corresponding to issues of promissory notes for which the issue prospectus has been filed with the Official Registry of the Spanish National Securities Market Commission (CNMV). The balance at 31 December 2017 corresponds to the eighteenth issue of commercial paper registered on 14 February 2017 with the C.N.M.V.. Maximum balances of these issues are EUR 100,000 thousand, extendible to EUR 200,000 thousand.

Promissory notes are issued at a discount, their cash value being determined at the time of issuance of each note based on the interest rate and maturity date agreed in the terms of issue.

The details of the "Mortgage covered bonds" item are as follows:

Issue	31/12/2018	31/12/2017	Issue date	Redemption date	Effective interest rate
Issue I – Mortgage covered bonds	-	498,120	11/06/2013	11/06/2018	2.957%
Issue III – Mortgage covered bonds	50,000	50,000	07/02/2014	07/02/2029	3.67%
Issue V – Mortgage covered bonds	496,890	496,890	16/03/2015	16/03/2022	0.591%
Issue VII – Mortgage covered bonds	498,910	498,910	01/12/2016	01/12/2023	0.657%
Issue VIII – Mortgage covered bonds	496,700	-	08/05/2018	08/05/2025	0.973% (*)
	1,542,500	1,543,920			

(*) The Bank contracted a hedging interest rate swap (IRS), which swaps a fixed rate to a floating rate benchmarked to 6-month Euribor on a nominal equal to 50% of the VIII issue of mortgage covered bonds (Note 12).

At 31 December 2018 and 2017 the Bank also held other issues of mortgage covered bonds, which were retained in their entirety on its books with a debit balance of EUR 300,000 thousand recorded in the consolidated statement of financial position, as required by regulations on the derecognition of financial assets and liabilities (Note 2.f).

As Caja Rural de Navarra is an issuer of mortgage covered bonds, in accordance with Article 21 of Royal Decree 716/2009, of 24 April, and Bank of Spain Circular 7/2010, of 30 November, Note 38 to the consolidated financial statements gives information on the special accounting register that must be kept by institutions issuing covered bonds and mortgage bonds.

The Bank held its second issue of uncovered bonds in 2017, for a total amount of EUR 100,000 thousand. The bonds bear interest at a floating rate indexed to the 3-month Euribor, revisable and payable quarterly, plus a spread of 65 basis points maturing 2022. The issue is recognized under "Other non-convertible securities". The issue is guaranteed by the Bank's universal asset liability.

The promissory notes, bonds and covered bonds issued have been admitted for trading on the AIAF fixed-income market.

The average interest rate of these securities was 1.00% in 2018 (1.49% in 2017) and the accrued interest in 2018 on the financial liabilities included in this portfolio came to EUR 18,593 thousand (EUR 23,675 thousand in 2017) (Note 26).

Other financial liabilities

All financial liabilities recognized in this line are classified as "Financial liabilities at amortized cost" and measured accordingly. The balance includes any payment obligations having the substance of a financial liability that are not included in other items.

The breakdown of other financial liabilities by type of instrument is as follows:

	Thousands of euros	
	2018	2017
Payment obligations	9,239	44,857
Tax revenue collection accounts	29,852	27,081
Payable for purchases and non-financial services	81,786	56,398
Other items	7,807	8,525
Total	128,684	136,861

"Payment obligations" at 31 December 2018 and 2017 includes the commitment to the Deposit Guarantee Fund, explained in Note 1.j).

Also, at 31 December 2017, "Payment obligations" included a EUR 32,396 thousand payable for the commitment in respect of the newly created fund to provide financial support that may be needed within the IPS (Note 1.l).

18. Provisions

The breakdown of this line of the consolidated statement of financial position at 31 December 2018 and 2017 is as follows:

	2018	2017
Pensions and other post-employment benefit obligations (Note 2.s)	1,019	1,001
Other long-term employee benefits	-	-
Provisions for taxes and other legal contingencies	-	-
Commitments and guarantees given	8,195	9,919
Other provisions	83,897	82,591
	93,111	**93,511**

The balance recognized under " Provisions for guarantees given" and "Other provisions" of the consolidated statement of financial position at the close of 2018 and 2017 and movements in those years were as follows:

	Commitments and guarantees given	Other provisions
At 31 December 2017		
Opening balance	10,978	80,500
Additions, including increases in existing provisions	5,673	20,811
(Provisions used)	(6,821)	(18,720)
(Unused provisions reversed during the year)	-	-
Increase in discount for passage of time and effect of changes in discount rate	-	-
Other movements	89	-
Closing balance	9,919	82,591
At 31 December 2018		
Closing balance at end of the prior year	9,919	82,591
Effect of the first-time application of IFRS 9 (Note 1.c)	125	-
Opening balance	10,044	82,591
Additions, including increases in existing provisions	80	2,378
(Provisions used)	(3,171)	-
(Unused provisions reversed during the year)	-	-
Increase in discount for passage of time and effect of changes in discount rate	-	-
Other movements	1,242	(1,072)
Closing balance	8,195	83,897

"Other provisions" on the consolidated statement of financial position at 31 December 2018, is basically the estimated amount to settle obligations from litigation and other unquantifiable obligations arising from the Group's activities, included compensation for "floor clauses". The Parent Company's directors do not expect any additional losses to arise from the resolution of outstanding cases which would materially impact the consolidated financial statements.

Note 2.t) to the consolidated financial statements shows the detail of movements in "Pensions and other post-employment benefit obligations" under this item during 2018 and 2017.

19. Accumulated other comprehensive income

The breakdown of this line of the statement of financial position at 31 December 2018 and 2017 is as follows:

	2018 (*)	2017
Items that will not be reclassified to profit or loss:	8,928	-
Changes in fair value of equity instruments at fair value through other comprehensive income	8,928	
Items that may be reclassified to profit or loss:	(2,353)	39,109
Changes in fair value of debt instruments at fair value through other comprehensive income	(2,353)	
Available-for-sale financial assets		39,109
Debt instruments		41,686
Equity instruments		(2,577)
	6,575	**39,109**

(*) See reconciliation between IAS 39 reporting at 31 December 2017 and IFRS 9 reporting at 1 January 2018 (Note 1.c).

"Available-for-sale financial assets" for 2017 includes the net effect of changes in the fair value of assets classified as available-for-sale that, pursuant to Note 2 above, would normally be classified as part of the Group's equity. These changes are recognized in the income statement when the assets giving rise to them are sold or written down as impaired.

The equity item "Accumulated other comprehensive income – Financial assets at fair value through other comprehensive income – Debt instruments" reflects the net change in the fair value of fixed-income instruments recognized in the Bank's equity. Changes are taken to income when the financial assets are sold.

The equity item "Accumulated other comprehensive income – "Financial assets at fair value through other comprehensive income – Equity instruments" reflects the net change in the fair value of equity instruments recognized in the Bank's equity. Changes are taken to equity under "Other reserves" on disposal.

20. Share capital

Capital contributions made to the Parent Company by members in 2018 and 2017, and changes in capital occurring in those years, are shown in the table below.

	Thousands of euros
Balance at 31 December 2016	**167,249**
Subscriptions	2,422
Redemptions	(1,399)
Balance at 31 December 2017	**168,272**
Subscriptions	2,594
Redemptions	(3,486)
Balance at 31 December 2018	**167,380**

Pursuant to prevailing legislation and the Parent's articles of association, the minimum contribution for individuals is EUR 60.11, while the minimum contribution for legal entities is EUR 120.22. Contributions at 31 December 2018 and 2017 were represented by 2,784,565 and 2,799,398 fully paid-up registered shares, respectively, with a nominal value of EUR 60.11 each. At 31 December 2018 the Bank had 19,256 in own contributions[#] with nominal value of EUR 1,158 thousand.

The Parent Company satisfies its minimum capital requirement of EUR 4,808,096.83, established pursuant to the provisions of the enacting regulations of Act 13/1989, of 26 May, on Cooperative Credit Institutions.

The remuneration that may be paid on both types of capital contributions is limited to no more than six percentage points above the legal interest prevailing in the reporting period. The rate of remuneration for contributions is determined at the Parent Company's General Meeting each year, where members authorise the Governing Board to set the rate of remuneration and the payment schedule. In 2018 and 2017 remuneration paid to cooperative members in respect of contributions made came to EUR 1,585 thousand and EUR 1,963 thousand, respectively.

In accordance with prevailing regulations, the sum of mandatory and voluntary contributions must not exceed 2.5% of share capital in the case of individuals and 20% in the case of legal entities. Legal entities that are not cooperative entities cannot hold more than 50% of capital. None of the aforementioned limits had been exceeded at 31 December 2018 and 2017.

21. Retained earnings and Other reserves

Definition

The balance in the consolidated statement of financial position under "Equity – Retained earnings" and "Equity – Other reserves" comprises the net amount of retained profit or loss recognized in income in prior years and appropriated to equity, as well as the reserves of companies accounted for by the equity method.

Breakdown

The detail of this item and movements in 2018 and 2017 are as follows:

	Thousands of euros			
	Mandatory Reserve Fund	Other reserves	Accumulated reserves or losses from joint ventures and associates	Total
Balance at 1 January 2017	**685,188**	**33,947**	**2,790**	**721,925**
Appropriation of prior year's profit	64,405	-	-	64,405
Other movements	-	1,051	4,242	5,293
Balance at 31 December 2017	**749,593**	**34,998**	**7,032**	**791,623**
Appropriation of prior year's profit	84,829			84,829
Effect of the first-time application of IFRS 9 and other movements	-	(17,718)		(17,718)
Other movements	-	6,545	(2,061)	4,484
Balance at 31 December 2018	**834,422**	**23,825**	**4,971**	**863,218**

Mandatory Reserve Fund

The aim of the Mandatory Reserve Fund is to strengthen and guarantee the Parent Company's solvency. In accordance with Act 13/1989, of 26 May 1989, on Cooperative Credit Institutions, the Mandatory Reserve Fund is established and maintained by allocating at least 20% of earnings for each year, net of prior years' accumulated losses, if any. Any gains generated on the disposal of property and equipment or obtained from sources unrelated to the Bank's specific objectives must also be assigned to this Fund, unless the Group recognizes an overall loss for the year.

The Parent Company's articles of association establish that 90% of profit for the year must be allocated to the Mandatory Reserve Fund.

Other reserves

The breakdown by company of "Other reserves" at 31 December 2018 and 2017 is as follows:

	Thousands of euros			
	Other reserves		Accumulated reserves or losses from joint ventures and associates	
	2018	2017	2018	2017
Parent institution, after consolidation adjustments	66,729	69,632	-	-
Informes y Gestiones Navarra, S.A.	885	654	-	-
Harivasa 2000, S.A.	8,718	11,115	-	-
Harinera de Tardienta, S.A.	(2,460)	(2,497)	-	-
Promoción Estable del Norte, S.A.	(44,494)	(42,072)	-	-
Industrial Tonelera Navarra, S.A.	2,973	2,940	-	-
Solera Asistencial, S.L.	3,950	1,314	-	-
Bouquet Brands, S.A.	(2,741)	(2,989)	-	-
Preventia Sport, S.L.	(461)	(399)	-	-
The Spanish Food & Drinks Company, GMBH	-	(217)	-	-
Harantico, S.L.	3,702	3,056	-	-
Harinera del Mar Siglo XXI, S.L.	(6,057)	(1,334)	-	-
Hariberícas XXI, S.L.	(7,415)	(4,406)	-	-
Harivenasa, S.A.	352	-	-	-
Tonnellerie de l'Adour, SAS	144	201	-	-
Bodegas Príncipe de Viana, S.L.		-	2,007	1,363
Bosqalia, S.L.		-	(542)	(478)
Renovables de la Ribera, S.L.		-	(19)	(16)
Omegageo, S.L.		-	(342)	(106)
Servicios Empresariales Agroindustriales, S.A.		-	61	54
Rioja Vega, S.A.		-	(2,015)	(2,036)
Errotabidea, S.L.		-	944	994
Reivalsa Gestión, S.L.		-	-	794
Investi Navarra In Est, S.L.		-	(5,000)	(5,000)
Rural de Energías Aragonesas, S.A.		-	(142)	(30)
Compañía Eólica de Tierras Altas, S.A.		-	2,503	4,116
Iparlat, S.A.		-	7,516	7,377
Total	**23,825**	**34,998**	**4,971**	**7,032**

Shareholders' equity and capital management

In managing its capital the Parent Company has since 1 January 2014 followed the conceptual definitions set out in the solvency regulations described in the CRD-IV and CRR (Note 1.h).

The strategic objectives set by the Parent Company's Management Committee in relation to capital management are as follows:

- To comply with applicable regulations on minimum capital requirements at all times, in both its separate and consolidated financial statements.
- To pursue maximum efficiency in capital management, such that, together with other risk and return variables, capital consumption is considered a key variable in the analyses of investment decisions taken by the Bank.

To achieve these objectives the Parent Company applies a range of capital management policies and processes, whose main elements are:

- The Parent Company is responsible for monitoring, control and analysis of the degree of compliance with capital adequacy regulations.
- In its strategic and commercial planning the Parent Company considers as a key factor in its decisions the impact that they will have on the Bank's eligible capital base and the relationship between capital consumption, profitability and risk.

The detail of its eligible capital base and minimum requirements at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Common equity tier 1 capital ratio (CET1) (I)	1,102,701	1,027,036
Eligible capital	167,380	167,114
Eligible reserves	834,974	766,773
Qualifying profit	89,665	84,829
Accumulated other comprehensive income	6,575	39,245
Deductions and transitional adjustments	4,107	(30,925)
Additional tier 1 capital (II)	-	-
Tier 2 capital (III)	-	41,895
Complementary credit risk allowances and provisions	-	43,306
Deductions and transitional adjustments	-	(1,411)
Total eligible capital (I) + (II) +(III)	1,102,701	1,068,931
Total minimum capital requirement	(537,949)	(516,636)
Surplus (*)	564,752	552,295
Risk-weighted assets	6,724,360	6,457,954
Capital ratios		
Common equity tier 1 ratio (minimum 4.5%)	16.40%	15.90%
Tier 1 ratio (minimum 6%)	16.40%	15.90%
Capital ratio (minimum 8%) (*)	16.40%	16.55%

(*) In line with the communication received by the Bank from Bank of Spain (Note 1.g), as part of its supervisory review and evaluation process (SREP) the Bank must maintain a total capital ratio of 11.38% and a CET1 ratio of 7.88%, measured against regulatory phased-in capital. At 31 December 2018 the Bank calculated it had surpluses over these minimums of EUR 337,469 thousand of total capital and EUR 572,821 thousand of CET 1 capital.

In addition to the guarantee that its shareholders' equity provides to creditors, the Parent Company is required, pursuant to prevailing regulations, to make annual contributions to the Deposit Guarantee Fund for Credit Institutions and the National Resolution Fund. The purpose of these funds is to guarantee deposits pursuant to the terms established in specific regulations (Note 1.j).

22. Tax position

All taxes to which the Parent Company is subject are open to inspection in respect of the last four years, except Income Tax (2014 and later) and VAT (2014 and later). In accordance with tax law, declared taxable income cannot be considered definitive until it has been inspected by the tax authorities or four years has elapsed since the return was filed.

Because the tax regulations relating to the activities of financial institutions can be interpreted in different manners, certain contingent tax liabilities for the years open to inspection could exist. Although it is not possible to objectively quantify the tax obligations that could arise as a result of future tax inspections, the Governing Board is of the opinion that the possibility of significant liabilities arising in this respect is remote, and that any such liabilities would in any case be without material impact on the financial position of the Group and, thus, the consolidated annual financial statements.

Reconciliation between accounting and taxable profit

A breakdown of "(Tax expense or (-) income on profit from continuing operations)" in the 2018 and 2017 consolidated income statement is given below:

	Thousands of euros	
	2018	2017
Income tax expense accrued in the year	11,776	(1,527)
Tax expense to subsidiaries	786	550
Positive adjustments to Company income tax	7	-
Other taxes on income	10	9
TOTAL	12,579	(968)

Conforme a lo establecido en la Ley Foral 26/2016, de 28 de diciembre, a lUnder Navarre Regional Law 26/2016, of 28 December, the Parent Company is subject to a 25% tax rate for the tax years 2018 and 2017.

Certain deductions for double taxation, reinvestment and training expenses may be applied to these rates. Because tax legislation permits different treatments for certain transactions, accounting profit differs from taxable profit.

The Parent Company and its subsidiaries do not file consolidated tax returns as the subsidiaries are public limited companies and cannot therefore be included in the same tax return as the parent, since it is a cooperative entity. However, the reconciliation between the Bank's accounting profit and taxable profit for 2018 and 2017 is included below:

	Thousands of euros					
	2018			2017		
	Increases	Decreases	Total	Increases	Decreases	Total
Consolidated profit before accrued tax and after mandatory allocation to the Education and Development Fund			112,989			94,699
Permanent differences	6,565	(93,455)	(86,890)	9,221	(104,941)	(95,720)
Adjusted accounting profit			**26,099**			**(1,021)**
Temporary differences						
- Arising in the year	2,494		2,494	20,994	-	20,994
- Arising in prior years	574	(4,127)	(3,553)	7,430	(18,778)	(11,348)
Taxable profit for the year			**25,040**			**8,625**

In 2018 and 2017, the permanent differences reflect falls in taxable income, mainly due to mandatory contributions to the Mandatory Reserve Fund (Note 21) and the Social Welfare Fund (Note 26), interest on capital contributions (Note 4), the transfer of shares in BCE and RGA (Note 1.l) and the sale of Lazora SII, S.A. y Reivalsa Gestión, S.L..

Applying the Parent Company's effective income tax rate for 2018 to adjusted accounting profit and taxable profit, the amounts of income tax expense accrued and repayable for the year were EUR 11,776 thousand and EUR 1,299 thousand, respectively.

Independently of the income tax expense recognized in the consolidated income statement, the Group recognized as "Tax assets and liabilities" tax reported under "Accumulated other comprehensive income" that relates to "Financial assets at fair value through other comprehensive income", up to the moment the assets in question are sold, for a total of EUR 2,169 thousand of assets at 31 December 2018 (compared with EUR 905 thousand and EUR 13,895 thousand, respectively at 31 December 2017).

Tax assets and liabilities

The balance of "Current tax assets" and "Current tax liabilities" shown in the consolidated statement of financial position includes the assets and liabilities corresponding to various taxes applicable to the Group, including VAT, withholdings at source and income tax payments on account, and the provision for Company income tax relating to profit for each year (Note 2.u.).

The difference between the tax expense accrued and the tax expense payable is the result of the deferred tax assets and liabilities arising due to temporary differences.

The deferred taxes recognized in the consolidated statement of financial position at 31 December 2018 and 2017 arose from the following sources:

	Thousands of euros	
	2018	**2017**
Deferred tax assets arising from:		
Allocations to pension funds	162	194
Deductions pending application	2,503	6,488
Other unallowable provisions	20,317	20,649
Tax loss carryforwards of the Parent Company	9,125	10,690
Available-for-sale equity instruments	1,145	905
Deferred tax of subsidiaries	5,773	6,004
Debt securities at fair value	1,023	-
Other items	419	404
Total	**40,467**	**45,334**
Deferred tax liabilities arising from:		
Available-for-sale debt securities	-	13,895
Re-measurement of property	3,619	3,619
Deferred tax of subsidiaries	2,213	2,621
Total	**5,832**	**20,135**

At 31 December 2018 and 2017, the breakdown of income tax deductions and credits attributable to the Parent Company and pending application in future years is as follows:

			Thousands of euros	
	Year generated	Deadline for application	2018	2017
Limited deductions against tax expense	2016-2018	2031-2033	745	1,735
Unlimited deductions against tax expense	2014-2018	2029-2032	1,757	4,753
Tax loss carryforwards	2012	2027	9,126	10,690
			11,628	17,178

Unlimited deductions against tax expense are mainly those generated by reinvestment of the proceeds of security sales.

Deferred tax assets arising from tax loss carryforwards and deductions awaiting offsetting are recognized when it is probable that a taxable profit against which they can be applied will be realized in the next 10 years. At 31 December 2018, the directors of the Bank considered it reasonable to recognize deferred tax assets of EUR 9,125 thousand in respect of tax loss carryforwards and EUR 2,503 thousand in respect of unused deductions (EUR 10,690 thousand and EUR 6,488 thousand in 2017) as they expect these amounts to be offset against taxable income generated by the Bank in future years in accordance with the Strategic Plan and its tax planning.

23. Guarantees and contingent commitments given

Guarantees given

At the close of 2018 and 2017, the breakdown of guarantees given, defined as those amounts the Group will have to pay on behalf of third parties if the parties originally liable default, is as follows:

	Thousands of euros	
	2018	**2017**
Financial guarantees	83,597	86,251
Guarantees and other sureties	424,527	509,019
Irrevocable documentary credits issued	15,037	13,527
Other guarantees given (Notes 7 and 17)	113,512	152,281
Total	**636,673**	**761,078**

A significant proportion of these contingent exposures will mature without the Group being required to make any payment. Accordingly, the total balance of these commitments cannot be considered a real future need to provide funding or liquidity to third parties.

"Other guarantees given" includes the Group's formal guarantee to cover Banco Cooperativo Español, S.A.'s transactions in the interbank market of EUR 111,916 thousand and EUR 152,281 thousand, at 31 December 2018 and 2017, respectively (Note 7).

Income from guarantee instruments is recognized under "Fee and commission income" in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

Contingent commitments given

The breakdown of contingent commitments given at 31 December 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Drawable by third parties	1,005,470	1,005,978
Subscribed but unpaid capital	360	383
Other contingent commitments	109,999	160,973
	1,115,829	1,167,334

This includes irrevocable commitments to provide financing in accordance with certain previously stipulated conditions and deadlines.

The breakdown by counterparty of amounts drawable by third parties in 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Credit institutions	12	46
General governments	68,701	43,501
Other resident sectors		
Credit cards	238,526	231,893
Demand accounts	345,627	339,383
Other	352,166	390,630
Non-resident	438	525
Total	1,005,470	1,005,978

24. Off-balance sheet customer funds

The breakdown of funds from customers managed by the Group off the balance sheet at the close of 2018 and 2017 is as follows:

	Thousands of euros	
	2018	**2017**
Companies and investment funds	1,536,453	1,525,497
Pension funds and endowment policies	698,853	681,901
Total	**2,235,306**	**2,207,398**

The Group does not manage assets under management or financial mandates directly. Its activities are limited to marketing and the mandates are then entrusted to Banco Cooperativo Español, S.A., which signs the portfolio administration and management contract with the Group's customers and is therefore the party liable in their respect.

The breakdown of the net Fee and commission income generated by the aforementioned activities in 2018 and 2017, which are included in "Sale of non-banking products" (Note 28), is as follows:

	Thousands of euros	
	2018	2017
Investment companies and funds	12,002	12,552
Pension funds and endowment policies	4,509	4,629
	16,511	17,181

The Group also provides securities administration and custody services to its customers. Commitments assumed by the Group in relation to these services at 31 December 2018 and 2017 came to EUR 542,395 thousand and EUR 594,895 thousand respectively.

25.Interest income

The breakdown by source of interest income accrued in 2018 and 2017 was as follows:

	Thousands of euros	
	2018	**2017**
Financial assets held for trading (Note 8)	17	-
Cash, cash balances at central banks and other demand deposits (Note 7)	-	172
Financial assets not held for trading mandatorily measured at fair value through profit or loss (Note 11)	555	-
Financial assets at fair value through other comprehensive income (*) (Note 9)	1,763	36,374
Financial assets at amortized cost (**) (Note 10)	152,415	132,070
Debt securities	30,062	6,405
Loans and advances	122,353	125,665
Credit institutions	274	667
Customers	122,079	124,998
Other assets	1,036	691
Interest income on liabilities	5,180	5,508
Total	**160,966**	**174,815**

(*) The 2017 figure reflects interest on available-for-sale financial assets (Note 1.c).

(**) The 2017 figure reflects interest on assets classed as "Loans and receivables" or "Held-to-maturity investments" (Note 1.c).

26. Interest expense

The breakdown by source of interest expense accrued in 2018 and 2017 was as follows:

	Thousands of euros	
	2018	2017
Financial liabilities at amortized cost (Note 17)	25,495	33,817
Deposits	6,902	10,142
Central banks	-	-
Credit institutions	3,336	3,203
Customers	3,566	6,939
Debt securities	18,593	23,675
Derivatives – hedge accounting, interest rate risk	(1,697)	-
Other liabilities	48	51
Interest expense on assets	1,163	-
Total	**25,009**	**33,868**

27.Dividend income

"Income from equity instruments" corresponds to dividends and other remuneration on equity instruments paid from the profits of investees after the date of acquisition of the interest.

The breakdown of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
Financial assets held for trading	119	66
Financial assets at fair value through other comprehensive income/Available-for-sale financial assets	5,900	9,299
Total	**6,019**	**9,365**

28. Fee and commission income

“Fee and commission income” reflects the sum of all fees and commissions accrued in favour of the Group in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
For guarantees given	8,304	8,372
For contingent commitments given	1,622	1,586
For exchange of foreign currencies and notes	381	348
For collection and payment services	23,292	22,022
For securities services	5,909	3,420
For sale of non-banking products	29,096	29,407
Other fees and commissions	2,999	3,721
Total	**71,603**	**68,876**

29. Fee and commission expense

"Fee and commission expense" reflects the sum of all fees and commissions accrued to the charge of the Group in the year, except those that form an integral part of the effective interest rate on financial instruments.

The breakdown of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
Fees and commissions assigned to other entities and correspondents	4,472	4,124
Fees and commissions paid on securities transactions	289	328
Other fees and commissions	23	-
Total	**4,784**	**4,452**

30. Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net and Gains or (-) losses on financial assets and liabilities held for trading, net

The breakdown of the balances of these items, by type of instrument and accounting classification, is as follows:

	Thousands of euros	
	2018	**2017**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	2,140	48,200
Financial assets at fair value through other comprehensive income/Available-for-sale financial assets	398	47,904
Financial assets at amortized cost/Loans and receivables	1,742	145
Financial liabilities at amortized cost	-	151
Gains or (-) losses on financial assets and liabilities held for trading, net	(198)	147
Total	**1,942**	**48,347**

31. Personnel expenses

"Personnel expenses" reflects all remuneration accruing to personnel on the payroll, whether permanent or temporary, irrespective of their position or activity, in the course of the year. It includes the current service cost of pension plans and breaks down as follows:

	Thousands of euros	
	2018	2017
Wages and salaries	40,597	40,021
Social security contributions	10,238	10,039
Transfers to defined benefits plans (Note 2.t)	197	204
Other personnel expenses	599	438
Personnel expenses of subsidiaries	23,897	21,217
Total	**75,528**	**71,919**

The breakdown by professional category and gender of the Group's average headcount is as follows:

	2018		2017	
	Men	Women	Men	Women
Senior managers	213	64	220	61
Executives	143	208	147	204
Administrative staff	137	197	132	192
Messengers	3	-	3	-
Staff of subsidiaries	390	337	346	303
Total	**886**	**806**	**848**	**760**

Of the total headcount at 31 December 2018, 3 employees of the Parent Company have a recognized disability of 33% or more. One is a senior manager and the others are executives. In addition, another 3 employees of the subsidiaries have the same recognized level of disability.

32. Other operating expenses

The breakdown of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
Property and equipment	3,819	3,889
Computer hardware and software	13,904	12,924
Communications	1,651	1,543
Advertising and marketing	3,318	2,683
Legal	4,260	5,946
Staff travel and agency costs	1,383	1,414
Security guards and cash transportation	1,054	1,020
Subcontracted administrative services	1,511	1,359
Contributions and taxes	3,320	2,303
Other general expenses	3,120	2,539
Other expenses of subsidiaries	37,466	33,735
Total	**74,806**	**69,355**

Fees paid for the audit of the Bank's consolidated financial statements and the annual financial statements of its subsidiaries amounted to EUR 163 thousand and EUR 145 thousand to PricewaterhouseCoopers Auditores, S.L. in 2018 and 2017, respectively. PricewaterhouseCoopers Auditores, S.L. also received EUR 18 thousand in fees in 2018 for other non-audit services to the Bank and its subsidiaries. These related to the Customer Asset Protection Report and TLTRO procedures (in 2017 the Bank paid EUR 15 thousand for other services). In 2018, firms linked to the PricewaterhouseCoopers brand provided other services for a total amount of EUR 9 thousand.

In 2018 and 2017, fees for auditing subsidiaries paid to auditors other than the statutory auditors totalled EUR 9 thousand and EUR 7 thousand, respectively.

33. Provisions and reversals

The detail of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
Provisions for commitments and guarantees given (Note 18):	3,091	1,148
For contingent liabilities	-	3,360
For contingent commitments	3,091	(2,212)
Other provisions (Note 18)	(2,378)	(20,811)
Total	**713**	**(19,663)**

34. Net impairment/reversal of financial assets not measured at fair value through profit or loss

The detail of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
Financial assets at amortized cost/Loans and receivables (Note 10)	(9,179)	(13,628)
Customers	(7,614)	(13,629)
Debt securities	(1,565)	1
Held-to-maturity investments (Note 11)	-	53
Financial assets at fair value through other comprehensive income/Available-for-sale financial assets (Note 9)	735	(495)
Debt securities	735	(495)
Equity instruments	-	-
Total	**(8,444)**	**(14,070)**

35. (Impairment or (-) reversal of impairment on financial assets) and Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations

The detail of this line of the consolidated income statement is as follows:

	Thousands of euros	
	2018	2017
(Impairment or (-) reversal of impairment on financial assets)	(154)	(953)
Tangible assets (Note 15)	(36)	(302)
Intangible assets (Note 15)	-	-
Other	(118)	(651)
Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations	1,635	3,444
(Impairment) reversal (Note 13)	2,789	62
Gains or (-) losses on derecognition	(1,154)	3,382
Total	**1,481**	**2,492**

36. Contribution to consolidated Profit or (-) loss for the year attributable to owners of the parent

The breakdown of the contributions to consolidated profit made by consolidated companies is as follows:

	Thousands of euros	
	2018	2017
Parent Company (after consolidation adjustments)	91,018	93,690
Subsidiaries (after consolidation adjustments)	(675)	(3,691)
Associates	3,159	2,414
	93,502	92,413

37. Related parties

In addition to the information set forth in Note 5 in relation to remuneration received, details of the balances included in the consolidated statement of financial position at 31 December 2018 and 2017 and in the consolidated income statements for 2018 and 2017 that arise from transactions with related parties are as follows:

	Associates		Governing Board and senior management		Other related parties (*)	
Assets	2018	2017	2018	2017	2018	2017
Loans and advances to customers	14,935	27,048	679	679	4,990	10,606
Liabilities						
Customer deposits	14,451	13,194	560	1,502	17,603	19,228
Other						
Contingent exposures	3,479	1,633	14	-	94	2,386
Commitments	5,530	4,869	110	48	5,739	10,265
Income						
Interest income	229	69	11	2	151	21
Interest expense	4	1	-	-	15	4
Income from equity investments	2,059	2,023	-	-	-	-
Fee and commission income	49	-	1	-	17	-

(*) "Other related parties" includes direct family members and companies related to members of the Governing Board and senior management team in accordance with the provisions of Circular 4/2004 as amended.

All transactions with related parties were performed at arm's length.

38. Information to be kept by mortgage bond market issuers and the special accounting register

As stated in Note 17, the Parent Company is an issuer of mortgage covered bonds (cédulas hipotecarias). It therefore includes below the information from the special accounting register required by Article 21 of Royal Decree 716/2009, of 24 April, in accordance with Bank of Spain Circular 7/2010, to credit institutions, regulating certain aspects of the mortgage market. The information is broken down as required by Bank of Spain Circular 5/2011, of 30 November.

Also, in accordance with Royal Decree 716/2009, of 24 April, developing aspects of Act 2/1981, of 25 March, on regulation of the mortgage bond market and other rules governing the mortgage and financial system, the Governing Board states that, at 31 December 2018 and 2017, the Group had in place a set of policies and procedures to guarantee compliance with the rules governing the mortgage bond market and takes responsibility for their fulfilment.

These policies and procedures include the following points:

- The criteria for accepting risk are based on the borrower's ability to pay, estimated using internal scoring and rating models.
- The main mitigants considered are the mortgage collateral, particularly LTV (loan to value ratio), and the guarantors.
- The models, based on the data input and historical performance of several variables, are able to estimate the probability of default and assign an initial credit rating to the application. Each transaction is rated on a scale from lower to higher risk and assigned a probability of default (PD).
- The models consider different variables quantifying revenue and income, assets and debt, past payment behaviour, number of other products with the Bank and personal factors relating to the borrower as well as certain features of the risk.
- Specifically, the current models consider the following variables: personal characteristics, default history, ability to obtain revenue and income, debt, net assets, number of other products with the institution, features of the transaction itself and the collateral or guarantees backing the loan (mitigants).

There are also procedures to check information in the system against input data, especially income, assets, mortgage collateral based on the appraisal value of the property, the purpose of the loan, general data on the customer and the customer's behavioural history.

The value of real estate assets to be pledged as mortgage collateral against risky loans is determined using appraisals that are:

- Carried out by appraisers registered with the Bank of Spain's Official Appraisal Registry
- Compliant with Ministerial Order ECO/805/2003, of 27 March

The value of these assets is reviewed at different intervals depending on the status of the loan for which they are pledged as collateral, its amount and its LTV. Different policies are applied to loans classed as problematic (doubtful, special watch or foreclosed) and those classed as standard or special mention.

a) Lending

The total nominal value of the portfolio of mortgage loans and advances outstanding at 31 December 2018 and 2017 was EUR 4,927,175 thousand and EUR 4,692,738 thousand, respectively, of which EUR 3,349,391 thousand and EUR 3,081,904 thousand, respectively, qualified as eligible (without taking account of the limits set by Article 12 of the Royal Decree).

Below, we give a breakdown of the nominal values of all the Group's loans and advances backed by mortgage collateral, and all loans eligible under current legislation for inclusion in the calculation of the mortgage bond and mortgage covered bond issuance ceiling:

	Thousands of euros	
	Nominal value	
	2018	2017
Total loans (a)	**4,927,175**	**4,692,738**
Mortgage securities in issue (b)	**41,565**	**37,287**
Of which: loans recognized as assets (c)	32,744	26,764
Mortgage transfer certificates in issue (b)	**157,807**	**177,754**
Of which: loans recognized as assets (c)	157,448	177,326
Mortgage loans pledged as security for funds received	-	-
Loans covering issues of mortgage bonds and mortgage covered bonds	**4,727,803**	**4,477,697**
Non-eligible loans (e)	1,378,412	1,395,793
Meet all eligibility requirements except the limit in article 5.1 of RD 716/2009	1,378,412	1,395,793
Other non-eligible loans	-	-
Eligible loans (f)	3,349,391	3,081,904
Loans used to back issues of mortgage bonds	-	-
Loans eligible for cover pool of mortgage covered bonds	3,349,391	3,081,904
Non-qualifying portions (g)	81,768	70,518
Qualifying portions	3,267,623	3,011,386

(a) Principal drawn down pending collection of loans secured by mortgages to the Bank (including those acquired via mortgage securities and mortgage transfer certificates), whether or not they have been derecognized from the statement of financial position and irrespective of LTV.

(b) Principal drawn down on loans transferred into mortgage securities or mortgage transfer certificates, even if derecognized.

(c) Principal drawn down on transferred loans that have not been derecognized from the statement of financial position.

(d) Total loans less the sum of all mortgage securities issued, mortgage transfer certificates and mortgage loans pledged in guarantee of finances received.

(e) Loans secured by mortgages not transferred to third parties nor pledged as security for funds received which do not meet the requirements of Article 3 of Royal Decree 716/2009 to be eligible as collateral for the issuance of mortgage bonds and mortgage covered bonds.

(f) Loans eligible as collateral for the issuance of mortgage bonds and mortgage covered bonds under Article 3 of Royal Decree 716/2009 without deducting the limits set in Article 12 of the Royal Decree.

(g) Amount of eligible loans which, in accordance with the criteria set out in Article 12 of Royal Decree 716/2009, do not qualify as collateral for issues of mortgage bonds and mortgage covered bonds.

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Below we present a breakdown of the mortgage loans and advances by different criteria, at 31 December 2018 and 2017:

	Thousands of euros			
	2018		2017	
	Loans covering issues of mortgage bonds and mortgage covered bonds (a)	*Of which:* Eligible loans (b)	Loans covering issues of mortgage bonds and mortgage covered bonds (a)	*Of which:* Eligible loans (b)
TOTAL	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
1 ORIGIN OF LOAN	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
1.1 Originated by Bank	4,055,538	2,899,373	3,886,447	2,676,030
1.2 Transferred to other entities	672,265	450,018	591,250	405,874
1.3 Other			-	-
2 CURRENCY OF DENOMINATION	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
2.1 Euros	4,727,803	3,349,391	4,477,697	3,081,904
2.2 Other currencies	-	-	-	-
3 PAYMENT POSITION	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
3.1 Standard	4,471,455	3,219,607	4,240,526	2,961,457
3.2 Other	256,348	129,784	237,171	120,447
4 AVERAGE RESIDUAL TERM	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
4.1 Up to 10 years	2,037,115	1,454,362	1,960,582	1,358,878
4.2 10 to 20 years	2,681,191	1,887,913	2,503,473	1,713,691
4.3 20 to 30 years	1,909	460	6,141	2,310
4.4 More than 30 years	7,588	6,656	7,501	7,025
5 INTEREST RATE	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
5.1 Fixed	84,937	45,995	62,074	33,722
5.2 Floating	4,642,866	3,303,396	4,415,623	3,048,182
5.3 Split fixed/floating	-	-	-	-
6 BORROWER	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
6.1 Legal entities and self-employed (business activities)	1,103,421	577,723	1,117,104	564,520
Of which: construction and real estate development (including land)	*76,259*	*24,089*	*90,948*	*26,727*
6.2 Other households	3,624,382	2,771,668	3,360,593	2,517,384
7 TYPE OF COLLATERAL	**4,727,803**	**3,349,391**	**4,477,697**	**3,081,904**
7.1 Assets/buildings	4,685,338	3,335,502	4,421,725	3,063,332
7.1.1 Housing	3,762,922	2,814,276	3,509,466	2,567,059
Of which: State-subsidized housing	*673,943*	*490,723*	*644,646*	*458,319*
7.1.2 Offices and commercial premises	28,098	8,591	35,682	8,301
7.1.3 Other buildings and constructions	894,318	512,635	876,577	487,972
7.2 Assets/buildings under construction	6,845	4,722	17,515	5,140
7.2.1 Housing	1,757	1,134	16,716	4,341
Of which: State-subsidized housing	*475*	*151*	*15,317*	*2,941*
7.2.2 Offices and commercial premises	2,110	610	799	799
7.2.3 Other buildings and constructions	2,978	2,978	-	-
7.3 Land	35,620	9,167	38,457	13,432
7.3.1 Consolidated urban land	25,554	8,069	34,808	11,102
7.3.2 Other land	10,066	1,098	3,649	2,330

(a) Principal drawn down and pending collection of loans and advances secured by mortgages to the Bank, irrespective of their LTV, not transferred to third parties nor pledged as security for funds received.

(b) Loans eligible as collateral for the issuance of mortgage bonds and mortgage covered bonds under Article 3 of Royal Decree 716/2009 without deducting the limits set in Article 12 of Royal Decree 716/2009.

The total amount of loans which, in accordance with the criteria set out in Article 12 of the Royal Decree, qualified to be used as collateral for issues of mortgage bonds and covered bonds at 31 December 2018 and 2017 was EUR 4,727,803 thousand and EUR 4,477,697 thousand, respectively.

Regarding nominal and present value, the latter being calculated in accordance with Article 23 of the Royal Decree, the Group had no mortgage bonds in issue at 31 December 2018 and the nominal value of the mortgage loans and advances remaining on the loan book that had been used for mortgage securities or mortgage transfer certificates at 31 December 2018 and 2017 was EUR 199,372 thousand and EUR 215,041 thousand, respectively.

The nominal value of all non-eligible mortgage loans and advances was EUR 1,378,411 thousand and EUR 1,395,793 thousand at 31 December 2018 and 2017, respectively. Of this, the amounts classed as non-eligible for failing to comply with the limits set in Article 5.1 of Royal Decree 716/2009 while meeting all other requirements for eligibility (Article 4 of the same standard) were EUR 1,378,411 thousand and EUR 1,395,793 thousand at end-2018 and end-2017, respectively.

The breakdown of the nominal values of mortgage loans and advances eligible to be used as collateral for mortgage bonds and mortgage covered bonds by LTV based on their latest appraisal value at 31 December 2018 and 2017 is as follows:

At 31 December 2018

	Thousands of euros				
	Loan to value (b)				
	Up to 40%	Between 40% and 60%	Between 60% and 80%	Above 80%	TOTAL
Loans eligible to cover issues of mortgage bonds and mortgage covered bonds (a)	500,121	795,272	1,203,873	850,125	3,349,391
- On homes	346,319	624,427	994,539	850,125	2,815,410
- On other real property	153,802	170,845	209,334	-	533,981

At 31 December 2017

	Thousands of euros				
	Loan to value (b)				
	Up to 40%	Between 40% and 60%	Between 60% and 80%	Above 80%	TOTAL
Loans eligible to cover issues of mortgage bonds and mortgage covered bonds (a)	525,599	792,591	1,060,856	702,858	3,081,904
- On homes	353,973	618,575	895,994	702,858	2,571,400
- On other real property	171,626	174,016	164,862	-	510,504

(a) Loans eligible as collateral for the issuance of mortgage bonds and mortgage covered bonds under Article 3 of Royal Decree 716/2009 without deducting the limits set in its Article 12.

(b) Loan to value is the ratio that comes from dividing the principal loaned for each transaction by the last available appraisal value of the collateral.

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The change in nominal value of mortgage loans and advances used to cover the issue of mortgage bonds and mortgage covered bonds (eligible and non-eligible) in 2018 and 2017, is as follows:

	Thousands of euros	
	Eligible loans (a)	Non-eligible loans (b)
1 Opening balance 2017	2,777,168	1,549,728
2 Eliminations in period	342,693	533,481
2.1 Principal past-due paid in cash	297,084	163,566
2.2 Repaid before maturity	9,571	5,773
2.3 Transferred to other entities	-	-
2.4 Other eliminations	36,038	364,142
3 Additions in the period	647,429	379,546
3.1 Originated by Bank	20,625	275,559
3.2 Transferred from other entities	204	24,648
3.3 Other additions	626,600	79,339
4 Closing balance 2017	3,081,904	1,395,793
1 Opening balance 2018	3,081,904	1,395,793
2 Eliminations in period	389,833	447,193
2.1 Principal past-due paid in cash	335,489	200,766
2.2 Repaid before maturity	8,806	6,564
2.3 Transferred to other entities	-	-
2.4 Other eliminations	45,538	239,863
3 Additions in the period	657,320	429,811
3.1 Originated by Bank	20,117	265,026
3.2 Transferred from other entities	249	74,689
3.3 Other additions	636,954	90,096
4 Closing balance 2018	3,349,391	1,378,412

(a) Loans eligible as collateral for the issuance of mortgage bonds and mortgage covered bonds under Article 3 of Royal Decree 716/2009 without deducting the limits set in Article 12 of Royal Decree 716/2009.

(b) Loans secured by mortgages not transferred to third parties nor pledged as security for funds received which do not meet the requirements of Article 3 of Royal Decree 716/2009 to be eligible as collateral for the issuance of mortgage bonds and mortgage covered bonds.

The amounts of mortgage loans and advances available to be used as collateral for the issue of mortgage bonds and mortgage covered bonds at 31 December 2018 and 2017 are as follows:

	Thousands of euros	
	2018	2017
	Amounts available. Nominal value (a)	Amounts available. Nominal value (a)
Mortgage loans covering issues of mortgage bonds and mortgage covered bonds	**307,288**	**355,969**
- Potentially eligible (b)	202,098	199,498
- Non-eligible	105,190	156,471

(a) Amounts committed (limit) less amounts drawn of all loans secured by mortgages, irrespective of their loan to value, not transferred to third parties nor pledged as security for funds received. Amounts available also include those that are only granted to developers once homes are sold.

(b) Loans potentially eligible to cover the issue of mortgage bonds and mortgage covered bonds in accordance with Article 3 of Royal Decree 716/2009.

At 31 December 2018 and 2017, the Parent Company did not consider it necessary to identify replacement assets for outstanding mortgage covered bonds as these represented only 55.23% and 60.03% of total eligible assets, respectively, compared to the maximum 80% allowed by Act 2/1981, of 25 March, on regulation of the mortgage market.

b) Funding

Details of issues of collateralized securities backed by the Group's portfolio of mortgage loans and advances at 31 December 2018 and 2017 are given below:

	Thousands of euros			
	2018		2017	
Mortgage backed securities	Nominal value	Average residual term to maturity (months)	Nominal value	Average residual term to maturity (months)
1 Mortgage bonds in issue (a)	**-**		**-**	
2 Mortgage covered bonds in issue (a)	**1,850,000**		**1,850,000**	
Of which: recognized as liabilities	1,550,000		1,550,000	
2.1 Debt securities. Issued via public offering	-		-	
2.1.1 Residual term up to 1 year	-		-	
2.1.2 Residual term 1 to 2 years	-		-	
2.1.3 Residual term 2 to 3 years	-		-	
2.1.4 Residual term 3 to 5 years	-		-	
2.1.5 Residual term 5 to 10 years	-		-	
2.1.6 Residual term more than 10 years	-		-	
2.2 Debt securities. Other issues	1,850,000		1,850,000	
2.2.1 Residual term up to 1 year	-		500,000	
2.2.2 Residual term 1 to 2 years	-		-	
2.2.3 Residual term 2 to 3 years	-		100,000	
2.2.4 Residual term 3 to 5 years	1,000,000		-	
2.2.5 Residual term 5 to 10 years	800,000		1,200,000	
2.2.6 Residual term more than 10 years	50,000		50,000	
2.3 Deposits	-		-	
2.3.1 Residual term up to 1 year	-		-	
2.3.2 Residual term 1 to 2 years	-		-	
2.3.3 Residual term 2 to 3 years	-		-	
2.3.4 Residual term 3 to 5 years	-		-	
2.3.5 Residual term 5 to 10 years	-		-	
2.3.6 Residual term more than 10 years	-		-	
3 Mortgage securities in issue (b)	32,744	158	26,764	170
3.1 Issued via public offering	-		-	-
3.2 Other issues	32,744	158	26,764	170
4 Mortgage transfer certificates in issue (b)	157,448	159	177,326	171
4.1 Issued via public offering			-	-
4.2 Other issues	157,448	159	177,326	171

(a) Mortgage covered bonds include all those issued by the Bank which have not been redeemed, even when they are not recognized on the liabilities side of the balance sheet (because they have been placed with third parties or bought back by the Bank).

(b) Amount of mortgage securities and mortgage transfer certificates issued, only including mortgage loans and advances recognized as assets (held on the balance sheet).

39. Agency agreements

The Bank had no “agency agreements” within the meaning of Article 22 of Royal Decree 1245/1995, of 14 July, either at the 2018 and 2017 balance sheet close or at any time in the course of those years.

40. Abandoned balances and deposits

Pursuant to the provisions of Article 18 of Act 33/2003, of 3 November, on the Property of Government Institutions (Ley del Patrimonio de las Administraciones Públicas), the Parent Company has no balances in accounts qualified as abandoned in accordance with the definition provided in the aforesaid article.

41. Customer Services Department

The accompanying management report includes a summary of the report presented to the Parent Company's Governing Board on the work performed by this Department in 2016, as required under Ministry for the Economy Order ECO/734/2004, of 11 March.

42.Segment reporting

Business segments

The core business of the Caja Rural de Navarra Group is retail banking. It has no other material business lines that, pursuant to prevailing regulations, require the Group to provide information segmented by business lines.

Geographical segments

The Parent Company and all other companies of the Caja Rural de Navarra Group carry out virtually all their activities in Spain and have a similar customer base in all parts of the country. It therefore reports all its operations under a single geographical segment.

43. Disclosures of average payment period to suppliers. Third additional provision "Disclosure obligation" of Act 15/2010, of 5 July

As required by the second final provision of Act 31/2014, of 3 December, amending the third additional provision of Act 15/2010, 5 July, itself amending Act 3/2004, 29 December, which set out measures to combat bad debt in commercial transactions and disclosures to include in the notes to the financial statements on delayed payments to suppliers in commercial transactions, calculated in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016, the details of the Parent Company's average supplier payment period in 2018 and 2017 are as follows:

	2018	**2017**
	Days	
Average supplier payment period	18	30
Ratio of transactions paid	18	30
Ratio of transactions outstanding	40	32
	Amount (thousands of euro)	
Total payments made	139,328	146,739
Total payments outstanding	1,382	1,497

ANNEX I

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Statement of financial position at 31 December 2018

(Thousands of euro)

ASSETS	31.12.2018	31.12.2017
Cash, cash balances at central banks and other demand deposits	**334,669**	**328,749**
Financial assets held for trading	**7,730**	**7,483**
Derivatives	2,643	3,564
Equity instruments	3,727	3,919
Debt securities	1,360	-
Memorandum items: lent or given in guarantee with right of sale or pledge	-	-
Financial assets not held for trading mandatorily measured at fair value through profit or loss	**17,555**	
Equity instruments	-	
Debt securities	7,170	
Loans and advances	10,385	
Memorandum items: lent or given in guarantee with right of sale or pledge	-	
Financial assets designated at fair value through profit or loss	-	-
Memorandum items: lent or given in guarantee with right of sale or pledge	-	-
Financial assets at fair value through other comprehensive income	**746,330**	
Equity instruments	201,953	
Debt securities	544,377	
Memorandum items: lent or given in guarantee with right of sale or pledge	-	
Available-for-sale financial assets		**2,810,983**
Equity instruments		166,181
Debt securities		2,644,802
Memorandum items: lent or given in guarantee with right of sale or pledge		-
Financial assets at amortized cost	**10,587,163**	
Debt securities	2,716,139	
Loans and advances	7,871,024	
Memorandum items: lent or given in guarantee with right of sale or pledge	*65,020*	
Loans and receivables		**7,435,731**
Debt securities		4,540
Loans and advances		7,431,191
Memorandum items: lent or given in guarantee with right of sale or pledge		-
Held-to-maturity investments		**611,833**
Memorandum items: lent or given in guarantee with right of sale or pledge		-
Derivatives – hedge accounting	**4,774**	**80**
Fair value changes to hedged items in portfolio hedges for interest rate risk	-	-
Investments in subsidiaries, joint ventures and associates	**124,503**	**117,808**
Group companies	90,118	84,863
Associates	34,385	32,945
Tangible assets	**98,436**	**101,736**
Property and equipment	93,505	96,762
For own use	93,334	96,591
Assigned to social projects	171	171
Investment property	4,931	4,974
Of which: assigned under operating leases	*584*	*627*
Memorandum items: acquired under finance leases	-	-
Intangible assets	-	-
Tax assets	**37,864**	**42,063**
Current tax assets	3,170	2,733
Deferred tax assets	34,694	39,330
Other assets	**31,018**	**33,669**
Other	31,018	33,669
Non-current assets and disposal groups held for sale	**48,212**	**66,995**
TOTAL ASSETS	**12,038,254**	**11,557,130**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Statement of financial position at 31 December 2018

(Thousands of euro)

LIABILITIES	31.12.2018	31.12.2017
Financial liabilities held for trading	**769**	**1,116**
Derivatives	769	1,116
Financial liabilities designated at fair value through profit or loss	**-**	**-**
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortized cost	**10,748,828**	**10,262,805**
Deposits	9,047,995	8,525,332
Central banks	927,862	931,642
Credit institutions	99,160	60,173
Customers	8,020,973	7,533,517
Debt securities issued	1,653,935	1,657,010
Other financial liabilities	46,898	80,463
Memorandum items: subordinated liabilities	-	-
Derivatives – hedge accounting	**251**	**-**
Fair value changes to hedged items in portfolio hedges for interest rate risk	**-**	**-**
Provisions	**90,482**	**93,511**
Pensions and other defined-benefit post-employment obligations	1,019	1,001
Commitments and guarantees given	8,195	9,919
Other provisions	81,268	82,591
Tax liabilities	**5,340**	**18,981**
Current tax liabilities	1,721	1,467
Deferred tax liabilities	3,619	17,514
Share capital redeemable on demand	**-**	**-**
Other liabilities	**93,990**	**122,892**
Of which: mandatory contributions to Social Welfare Fund	*26,579*	*20,686*
Liabilities included in disposal groups held for sale	**-**	**-**
TOTAL LIABILITIES	**10,939,660**	**10,499,305**
EQUITY (*)		
Shareholders' equity	**1,092,019**	**1,018,716**
Share capital	167,380	168,272
Called up paid capital	167,380	168,272
Memorandum items: uncalled capital		
Retained earnings	834,422	749,593
Other reserves	552	17,180
(Treasury shares)	-	(1,158)
Profit for the year	91,250	86,792
(Interim dividends)	(1,585)	(1,963)
Accumulated other comprehensive income	**6,575**	**39,109**
Items that will not be reclassified to profit or loss	8,928	-
Items that may be reclassified to profit or loss	(2,353)	39,109
TOTAL EQUITY	**1,098,594**	**1,057,825**
TOTAL EQUITY AND LIABILITIES	**12,038,254**	**11,557,130**
Memorandum items: off-balance sheet exposures		
Contingent commitments given	**1,118,679**	**1,170,068**
Financial guarantees given	**83,597**	**86,251**
Other commitments given	**556,581**	**678,613**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Income statement for the year ended 31 December 2018

(Thousands of euro)

	2018	2017
Interest income	**161.056**	**174.754**
(Interest expense)	**(22.921)**	**(31.847)**
(Expense on share capital redeemable on demand)	**-**	**-**
NET INTEREST INCOME	**138,135**	**142,907**
Dividend income	**11,878**	**11,388**
Fee and commission income	**73,922**	**70,635**
(Fee and commission expense)	**(4,784)**	**(4,452)**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**2,140**	**48,200**
Gains or (-) losses on financial assets and liabilities held for trading, net	**(198)**	**147**
Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**(2,956)**	
Gains or (-) losses on financial assets or liabilities designated at fair value through profit or loss, net	**-**	**-**
Gains or (-) losses from hedge accounting, net	**100**	**197**
Gains or (-) losses from translation differences, net	**939**	**751**
Other operating income	**3,882**	**4,652**
(Other operating expenses)	**(16,147)**	**(57,053)**
Of which: mandatory contributions to Social Welfare Fund	*(9,963)*	*(9,425)*
GROSS INCOME	**206,911**	**217,372**
(Administrative expenses)	**(88,971)**	**(86,322)**
(Personnel expenses)	(51,631)	(50,702)
(Other operating expenses)	(37,340)	(35,620)
(Depreciation and amortization)	**(6,343)**	**(6,804)**
(Provisions or (-) reversals)	**713**	**(19,663)**
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	**(8,529)**	**(14,195)**
(Financial assets at fair value through other comprehensive income)	735	
(Financial assets at amortized cost)	(9,264)	
(Available-for-sale financial assets)		(495)
(Loans and receivables)		(13,753)
(Held-to-maturity investments)		53
INCOME FROM OPERATING ACTIVITIES	**103,781**	**90,388**
Net (impairment)/reversal of investments in subsidiaries, joint ventures and associates	**(5,542)**	**(8,966)**
(Impairment or (-) reversal of impairment on financial assets)	**(15)**	**-**
(Tangible assets)	-	-
(Other)	(15)	-
Gains or (-) losses on derecognition of non-financial assets and investments, net	**1,112**	**(6)**
Of which: investments in subsidiaries, joint ventures and associates	1,112	(6)
Negative goodwill recognized in profit or loss	**-**	**-**
Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations	**3,707**	**3,858**
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**103,043**	**85,274**
(Tax expense or (-) income on profit from continuing operations)	**(11,793)**	**1,518**
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**91,250**	**86,792**
Profit or (-) loss after tax from discontinued operations	**-**	**-**
PROFIT FOR THE YEAR	**91,250**	**86,792**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Statement of Recognized Income and Expense for the year ended 31 December 2018

(Thousands of euro)

	2018	2017
PROFIT FOR THE YEAR	**91,250**	**86,792**
OTHER COMPREHENSIVE INCOME	**8,896**	**(52,064)**
Items that will not be reclassified to profit or loss	**11,506**	**-**
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Changes in fair value of equity instruments at fair value through other comprehensive income, net	11,264	
Gains or losses from hedge accounting for equity instruments at fair value through other comprehensive income, net	-	
Non-current assets and disposal groups held for sale	-	-
Other valuation adjustments	-	-
Changes in fair value of financial liabilities at fair value with changes in income attributable to changes in credit risk	242	
Income tax on items that will not be reclassified to profit or loss	-	-
Items that may be reclassified to profit or loss	**(2,610)**	**(52,064)**
Hedges of net investments in foreign operations (effective portion)	**-**	**-**
Valuation gains or (-) losses recognized in equity	-	-
Reclassified to profit or loss	-	-
Other reclassifications	-	-
Currency translation	**-**	**-**
Gains or (-) losses on currency translation recognized in equity	-	-
Reclassified to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	**-**	**-**
Valuation gains or (-) losses recognized in equity	-	-
Reclassified to profit or loss	-	-
Reclassified to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Available-for-sale financial assets		**(57,145)**
Valuation gains or (-) losses recognized in equity		(9,241)
Reclassified to profit or loss		(47,904)
Other reclassifications		-
Hedging instruments (undesignated)	**-**	
Valuation gains or (-) losses recognized in equity	-	
Reclassified to profit or loss	-	
Other reclassifications	-	
Debt instruments at fair value through other comprehensive income	**(3,719)**	
Valuation gains or (-) losses recognized in equity	(4,117)	
Reclassified to profit or loss	398	
Other reclassifications	-	
Non-current assets and disposal groups held for sale	**-**	**-**
Valuation gains or (-) losses recognized in equity	-	-
Reclassified to profit or loss	-	-
Other reclassifications	-	-
Income tax on items that may be reclassified to profit or loss	**1,109**	**5,081**
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE YEAR	**100,146**	**34,728**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Comprehensive statement of changes in equity for the year ended 31 December 2018

(Thousands of euro)

At 31 December 2018

Source of change in equity	Share capital	Retained earnings	Other reserves	(-) Treasury shares	Profit for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Balance at 01 January 2018	**168,272**	**749,593**	**17,180**	**(1,158)**	**86,792**	**(1,963)**	**39,109**	**1,057,825**
Adjustments due to error correction	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	(17,718)	-	-	-	(41,430)	(59,148)
Balance at 01 January 2018	**168,272**	**749,593**	**(538)**	**(1,158)**	**86,792**	**(1,963)**	**(2,321)**	**998,677**
Total recognized income and expenses for the year	-	-	-	-	**91,250**	-	**8,896**	**100,146**
Other changes to equity	**(892)**	**84,829**	**1,090**	**1,158**	**(86,792)**	**378**	-	**(229)**
Ordinary shares issued	2,594	-	-	-	-	-	-	2,594
Preference shares issued	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-
Debt/equity conversion	-	-	-	-	-	-	-	-
Capital reduction	(3,486)	-	-	-	-	-	-	(3,486)
Dividends (or payments to members)	-	-	-	(2,329)	-	(1,585)	-	(3,914)
Buyback of treasury shares	-	-	-	3,487	-	-	-	3,487
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-
Transfers of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-
Transfers of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-
Transfers between equity items	-	84,829	-	-	(86,792)	1,963	-	-
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
Other increases (-) decreases in equity	-	-	1,090	-	-	-	-	1,090
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-
Balance at 31 December 2018	**167,380**	**834,422**	**552**	-	**91,250**	**(1,585)**	**6,575**	**1,098,594**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Comprehensive statement of changes in equity for the year ended 31 December 2017
(Thousands of euro)

At 31 December 2017

Source of change in equity	Share capital	Retained earnings	Other reserves	(-) Treasury shares	Profit for the year	(-) Interim dividends	Accumulated other comprehensive income	Total
Balance at 1 January 2017	**167,249**	**685,188**	**17,180**	**-**	**66,460**	**(2,055)**	**91,173**	**1,025,195**
Adjustments due to error correction	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
Balance at 01 January 2017 (*)	**167,249**	**685,188**	**17,180**	**-**	**66,460**	**(2,055)**	**91,173**	**1,025,195**
Total recognized income and expenses for the year	-	-	-	-	**86,792**	-	**(52,064)**	**34,728**
Other changes to equity	**1,023**	**64,405**	**-**	**(1,158)**	**(66,460)**	**92**	**-**	**(2,098)**
Ordinary shares issued	2,422	-	-	-	-	-	-	2,422
Preference shares issued	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-
Debt/equity conversion	-	-	-	-	-	-	-	-
Capital reduction	(1,399)	-	-	-	-	-	-	(1,399)
Dividends (or payments to members)	-	-	-	-	-	(1,963)	-	(1,963)
Buyback of treasury shares	-	-	-	(1,158)	-	-	-	(1,158)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	-
Transfers of financial instruments from equity to liabilities	-	-	-	-	-	-	-	-
Transfers of financial instruments from liabilities to equity	-	-	-	-	-	-	-	-
Transfers between equity items	-	64,405	-	-	(66,460)	2,055	-	-
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
Other increases (-) decreases in equity	-	-	-	-	-	-	-	-
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-
Balance at 31 December 2017	**168,272**	**749,593**	**17,180**	**(1,158)**	**86,792**	**(1,963)**	**39,109**	**1,057,825**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Cash flow statement for the year ended 31 December 2018

(Thousands of euro)

	2018	2017
H) CASH FLOWS FROM OPERATING ACTIVITIES	**3,987**	**40,326**
Profit for the year	**91,250**	**86,792**
Adjustments to obtain cash flows from operating activities	**28,698**	**65,159**
Depreciation and amortization	6,343	6,804
Other adjustments	22,355	58,355
Net (increase) decrease in operating assets	**(487,017)**	**(628,023)**
Financial assets held for trading	(247)	965
Financial assets not held for trading mandatorily measured at fair value through profit or loss	(17,555)	
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	2,063,918	
Available-for-sale financial assets		(116,747)
Financial assets at amortized cost	(2,530,335)	
Loans and receivables		(524,725)
Other operating expenses	(2,798)	12,484
Net (increase) decrease in operating liabilities	**370,180**	**515,695**
Financial liabilities held for trading	(347)	(85)
Financial liabilities at amortized cost	486,023	552,206
Other operating expenses	(115,496)	(36,426)
Company income tax receipts (payments)	**876**	**703**
I) CASH FLOWS FROM INVESTING ACTIVITIES	**3,252**	**39,297**
Payments	**(48,118)**	**(36,013)**
Tangible assets	(4,079)	(6,372)
Investments in subsidiaries, joint ventures and associates	(12,286)	(3,515)
Non-current assets and liabilities held for sale	(31,753)	(12,421)
Held-to-maturity investments		(13,705)
Receipts	**51,370**	**75,310**
Tangible assets	996	4,761
Investments in subsidiaries, joint ventures and associates	2,106	20,000
Non-current assets and liabilities held for sale	48,268	16,417
Held-to-maturity investments		34,132
J) CASH FLOWS FROM FINANCING ACTIVITIES	**(1,319)**	**(2,097)**
Payments	**(7,400)**	**(4,520)**
Dividends	(1,585)	(1,963)
Subordinated liabilities	-	-
Cancellation of own equity instruments	(3,486)	(1,399)
Acquisition of own equity instruments	(2,329)	(1,158)
Other payments related to financing activities	-	-
Receipts	**6,081**	**2,423**
Subordinated liabilities	-	-
Issue of own equity instruments	2,594	2,423
Disposal of own equity instruments	3,487	-
Other receipts relating to financing activities	-	-
	-	
K) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
L) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**5,920**	**77,526**
M) CASH AND CASH EQUIVALENTS AT START OF YEAR	**328,749**	**251,223**
N) CASH AND CASH EQUIVALENTS AT END OF YEAR	**334,669**	**328,749**
MEMORANDUM ITEMS		
CASH AND CASH EQUIVALENTS AT END OF YEAR	**334,669**	**328,749**
Cash	46,194	45,164
Cash equivalents in central banks	-	-
Other demand deposits	288,475	283,585
Other financial assets	-	-
Less: Bank overdrafts repayable on demand	-	-

ANNEX II – ANNUAL BANKING REPORT

Legal Documentation

Information at 31 December 2018 of the Caja Rural de Navarra Group provided in accordance with Act 10/2014 and Directive 2013/36/EU of the European Parliament and Council.

The information below has been prepared in compliance with article 87 and the twelfth transitional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, published in the Spanish Official State Bulletin on 27 June 2014, transposing Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("CRD IV").

CRD IV requires credit institutions to file with the Bank of Spain and publish an annual country-by-country breakdown of the following information on a consolidated basis

a) Name, nature and geographical location of activities.

b) Turnover.

c) Number of employees on a full time equivalent basis.

d) Profit or loss before tax.

e) Tax on profit or loss.

f) Public subsidies received.

Detailed information on these points is set out below:

a) **Name, nature and geographical location of activities:** Caja Rural de Navarra (the "Bank"), with registered office in Pamplona (Navarre), first opened for business on 23 January 1946. The Bank's articles of association state that its activity is national and its corporate purpose is to meet the financial needs of its members and third-parties by carrying on the activities typical of a credit institution. The Bank may therefore engage in all kinds of lending, deposit and service activities in which other credit institutions are permitted to engage, prioritizing the financial needs of its members in the exercise of such activities. Caja Rural de Navarra is the Parent Company of a group of investees that together make up Caja Rural de Navarra and Subsidiaries (the "Group"). The entities making up the Group carry out a range of activities.

b) **Turnover:** EUR 276,758 thousand. For the purposes of this report, turnover is taken to be the gross income reported in the 2018 consolidated income statement.

c) **Number of employees on a full time equivalent basis:** 964 in the Caja Rural de Navarra parent company and 749 in its non-financial subsidiaries. FTE employee data was based on the headcount at each entity at end-2018.

d) **Profit or loss before tax:** EUR 106,081 thousand. Return on consolidated assets was 0.76% at 31 December 2018.

e) **Tax on profit or loss:** EUR 12,579 thousand

f) **Public subsidies received:** The amount of public subsidies received by the Group in 2018 was EUR 1,068 thousand, all of which was paid to non-financial subsidiaries.

CONSOLIDATED MANAGEMENT REPORT

INTRODUCTION

Throughout 2018 the tone of activity on global financial markets was heavily conditioned by a range of economic and geo-political uncertainties, ranging from US/China trade tensions to a potential Brexit deal in Europe. All these factors impacted capital markets which in turn hampered the global, European and Spanish economies, affecting both 2018 performances and 2019 forecasts. Prices of the vast majority of financial assets worldwide ended the year down. The modest slowdown in the world economy was complicated by some potentially highly destabilizing factors such as rising protectionism and trade disputes, the ascent of populist political parties, Brexit negotiations, falling commodity prices, violent bouts of monetary crisis in emerging markets such as Turkey and Argentina and swelling public and private debt worldwide.

Over the year, the main international bodies downgraded their annual estimates for global growth, most recently the OECD in November which trimmed 4 tenths of a point from its May forecast to 3.5%. The euro zone economy was one of the big disappointments, with growth dipping below 2% after unexpectedly weak performances by the German and Italian economies in H2. More than a decade on from the outbreak of the global financial crisis the monetary authorities for the world's leading economic zones are still very active although the divergence between Europe and the US continued in 2018. The Fed stuck to an openly restrictive tone and put through four 0.25 point rate hikes in the year, most recently in December to 2.50%. The European Central Bank (ECB) started to row back its expansionary policy and, although benchmark rates remain at zero, purchases of public and private debt have been gradually reduced since January to vanish by end-December. As from the beginning of 2019, the bank will only be reinvesting the proceeds of maturing debt. Expectations of an initial ECB rate hike were repeatedly pushed back until at end-2018 they were no longer expected before 2020.

In Spain, the economy entered a more mature phase of the cycle in 2018, as expected, reflecting the gradual diminution of favourable tailwinds and the impact of specific risk factors, notably the slowdown in the global and European economies and crisis in some emerging economies. Two drivers of the Spanish economy sputtered: consumption, undermined by the gradual erosion of pent-up demand and other factors, and exports, suffering knock-on effects from less dynamic European and emerging markets. On this point, the sharp decline in the oil price over the last two months is good news for the Spanish economy, cutting energy bills and making imports cheaper. As is the fact that the expected economic slowdown in Europe and instability around the euro zone's struggles with the finances of major member states like Italy, are extending the euro's slide and so structurally boosting the intense and dominant export business of the principal Spanish companies, most of which are listed. The Bank of Spain, European Commission and OECD have all reduced their estimates and by the end of 2018 were forecasting GDP growth of 2.6% in 2018 and 2.2% in 2019. By component, consumption and exports were downgraded but investment and construction estimates were raised as were those for capital goods and intangibles.

The world's leading stock market indices ended 2018 with substantial accumulated losses, oscillating between -9.1% and -10.7%, following sharp gains of near 20% in the prior year. The sharpest falls in stock prices were concentrated on December. European and Spanish stock markets lost more than the global average. The IBEX 35, Spain's leading index, fell 15% and the pan-European EuroStoxx50 14.3%.

In summary, Spain's macro-economic and corporate environment was mainly determined in 2018 by the following points:

- Cooling expectations for national and international growth with a switch in consensus opinion during Q4 towards a less positive short- and medium-term outlook.
- The US brought forward the timing of the change in monetary policy cycle. Europe is expecting the same in 2019 with weakened growth fundamentals.
- The euro slipped versus the dollar. Oil prices rose steadily year-long only to fall sharply by near 35% in the final quarter. Spain's risk premium rose 80% in the last 9 months.
- In Europe, weak public revenues and spending promises drove politicians to make near impossible and unwise commitments: the euro and welfare policies remain under pressure amid growing migratory pressures.
- After the Commission rejected the Italian budget, triggering a face-off between Rome and Europe, downgraded growth forecasts and political instability are also feeding through to Spain via the difficulties in getting the budget through.
- Listed companies defied the uncertainties with their earnings and improved financial strength.

These points will mostly continue to apply in 2019, which means that the macro uncertainty is unlikely to disappear, although forecasts seem to be moving increasingly toward a central scenario of economic slowdown without tipping into recession.

2018 FINANCIAL YEAR

GENERAL SECTOR

The key points affecting the financial sector as a whole during 2018 were as follows:

- Short term interest rates remained negative after the expected interest rate rise failed to materialise.
- Net interest income in the sector continued to be squeezed by negative interest rates and their impact on the profitability of assets.
- NPL ratios improved.
- Asset quality improved, reducing the need for contingent provisions against customer insolvencies.
- Loans and advances outstanding in the financial system fell for another year.
- Digitization continues to progress, both with customers and within financial institutions, which, coupled with a new regulatory framework, is creating a fast-changing competitive environment.

In this context, we have to work hard, both on dynamic marketing and internal management, to achieve the Bank's targets.

The performance of the Bank's key variables in 2018 is set out below:

PROFIT:

Caja Rural de Navarra Group posted consolidated profit of EUR 93.5 million, a 1.2% increase on the previous year's profit.

Continuing its long-standing strategy of prudence and strengthening solvency, the Bank allocated nearly all its profit (EUR 91.9 million) to increase reserves, strengthening its capital and ability to grow in the future.

SOLVENCY:

The Bank's consolidated equity totalled EUR 1,123 million, 7.0% more than the previous year.

Caja Rural de Navarra's solvency measured by its Common Equity Tier 1 (CET1) ratio was 16.4%, among the best in the Spanish financial sector.

INCOME STATEMENT:

CONSOLIDATED INCOME STATEMENT (millions of euro)	2018	2017	Change % 2018/2017
Net interest income	136.0	140.9	-3.5%
Gross income	276.8	278.7	-0.7%
Profit for the year	93.5	92.4	+1.2%

The Bank's asset quality and low NPL rate meant a **lower need for provisioning** for insolvencies and writedowns on the loan book. This helped mitigate the squeeze on margins from ordinary banking activities due to negative interest rates and their impact on asset profitability.

Another significant factor in these results was the ***earnings contribution made by businesses including Insurance, Investment Funds, Securities and Private Banking,*** where the Bank is consolidating its position as a leading competitor in the market.

TURNOVER:

Customer deposits

Private sector customer funds under management on the consolidated balance sheet rose by 6.5% in 2018 to EUR 8,012 million at year-end.

Available figures show that the overall Spanish financial sector grew this measure by 1.6% in 2018, which means Caja Rural de Navarra outperformed the market by nearly 5 percentage points.

In Navarre, the Bank's market share in this item was more than 29%.

The Bank also maintained the balance of its loan-to-deposit ratio (new loans to customers vs. deposits made by customers), which stood at 97% (similar to the 97.1% achieved in the previous year), underlining the stability of its recurrent business.

Other savings products:

Despite the negative impact of revaluations due to interest rate movements, Caja Rural de Navarra grew funds managed in Investment Funds by 0.72%. The Bank is achieving a high degree of specialisation in this product class, reflected in a wide range of products, marketed through an **advisory** model that adds considerable value for the customer. This has been driven by the work of Bank employees, the vast majority of whom have obtained external qualifications enabling them to advise customers.

In Pension Plans and similar products, Caja Rural de Navarra increased assets under management by 2.5% from the prior year.

Loans And Advances:

Loans and advances to customers outstanding at the Bank totalled EUR 7,789 million, 6.2% more than the previous year. This is very positive progress in what was yet another year of shrinking loan books for the overall Spanish financial sector. Data available to November shows total loans outstanding in the industry fell by 3.3% in 2018.

This means that, like last year, the Bank grew its loans book by 9.8 percentage points more than the market. A performance that underlines the Bank's commitment to regional economic and social development and its willingness to provide the finance required to individuals, companies and institutions. On this point, note that 40% of all mortgages granted in Navarre in 2018 were managed and granted by Caja Rural de Navarra.

NON-PERFORMING LOANS:

The Bank's NPL rate at end-2018 was 1.8%, well below the 6.03% average for the Spanish financial system based on data available at November.

Caja Rural de Navarra also has substantial provisions for possible future doubtful loans. The coverage rate of doubtful loans is 100.9%, one of the highest in the sector.

RATING:

Caja Rural de Navarra is rated by Fitch and Moody's, and is one of only four institutions whose rating by both agencies has remained in the investment grade band (the others are Banco Santander, BBVA and Caixabank).

The Bank's ratings were again upgraded during the year and in December 2018 stood at: Baa2 by Moody's and BBB+ by Fitch, both with stable outlook.

OTHER FIGURES:

1.- Caja Rural de Navarra is based on a local model of banking, that is close to people, accessible and has an in-depth knowledge of the local community in which it operates. Its dedication to this business model is reflected in the following figures:

- Caja Rural de Navarra has 252 branches distributed as follows: Navarre 139, Guipúzcoa 37, Vizcaya 35, Álava 17 and La Rioja 24. It opened 3 new branches in 2018 and another is planned for 2019, with no closures.

- At end-2018 the number of employees was 965.
- As in the previous year, in 2018 a total of 34,130 new customers began financial operations with Caja Rural de Navarra, of which 3,560 were legal entities, the vast majority companies.
- In the retail customers segment, 1 in 4 people in Navarre now collect their pay or pension through Caja Rural de Navarra, which entitles them to major benefits from our loyalty programme.
- On young customers, Caja Rural de Navarra is a close collaborator in the Government of Navarre's Carné Joven scheme, having distributed a total of 42,500 of these young person's cards, 56.5% of all Carnés Joven issued in Navarre.

2.- INSURANCE is one of the Bank's key strategic objectives because of its major contribution to margins. The Bank is now an established benchmark in the bankassurance business (home, life, casualty, etc.), and is building a strong presence in other specialist advisory products and services, credit insurance being a clear example.

Also, compliance with the training and organisational requirements imposed by sector regulations (now enhanced by the Insurance Distribution Act) means that the Bank has a highly specialised and trained human team for proper management of sales and post-sales of insurance products.

3.- Another strategic objective for the Bank concerns the areas of *INVESTMENT FUNDS, SECURITIES AND PRIVATE BANKING* with the aim of improving the customer offering. In 2018 there was a substantial increase in its Advisory and Wealth Management Service.

4.- Regarding *DIGITIZATION* of the Bank and customer relations, in 2018 58% of transactions by Bank customers were done online and 40% at branches (compared to 51% the previous year).

The Bank's expectations for 2019 envisage a rise in productivity, thanks to:

- Refocusing the Bank's retail business on advisory and value-added relationships with its customers, with special attention on Insurance, Investment Funds, Securities and Private Banking
- Strengthening the Bank's solvency
- Productivity improvements, led by developing the Bank's digitization both internally and externally in its transactional relationships with customers

SUMMARY OF THE ANNUAL REPORT OF THE CUSTOMER SERVICES DEPARTMENT

In accordance with Article 17.2 of Ministerial Order ECO/734/2004, of 11 March, on the Customer Services Department of Financial Institutions, a summary of the Department's activities in 2018 is presented below.

The Customer Service Department is there to attend to and resolve complaints and claims by customers and users of the Bank's financial services where these are grounded in legally recognized rights and interests derived from contracts, transparency regulations, customer protection rules or good financial usage and practice.

Summary of the department's activity in 2018.

We ended 2018 with a fall in new complaints and claims received. This reflected the lack of unity in the various rulings handed down on mortgage-contract clauses in 2018, which resulted in a substantial reduction in contacts related to this issue.

As in previous years, we take the opportunity to highlight the fundamental issues affecting our department which are clearly reflected in the number of complaints and claims received by the Customer Services Department: an ongoing sensitivity to and irritation with banks in general that runs through society and customers, easy access to new channels for filing complaints and claims, and huge advertising and media pressure from lawyers and consumer groups, at national and regional level, encouraging people to claim.

Given these prevailing social perceptions, today it is more important than ever to maintain the high quality standards that have always marked out Caja Rural de Navarra. To do this, and aware that most financial institutions offer rather similar products and prices, we have to make sure that Service Quality and proximity to customers are differentiating factors and, probably, the key identity markers for the Bank. By offering customers good service, proximity, satisfaction and empathy we can secure their trust and continued custom.

Legal Documentation

In 2018, the Customer Services Department was contacted by 2,433 customers with a total of 1,921 complaints, claims or suggestions. This represents a 65.95% fall compared to 2017. These contacts are broken down by **type** below:

DISTRIBUTION BY TYPE		
Type	**2018**	**2017**
Complaint	183	203
Claim	1,606	5,334
Suggestion	5	7
Request	124	98
Congratulations	3	0
Total	**1,921**	**5,642**

By **Autonomous Region,** they broke down as follows:

DISTRIBUTION BY REGION	
Autonomous Community	**2018**
Navarre	1,007
Basque Country	754
La Rioja	160
Total	**1,921**

By **subject matter** the 5,642 complaints and claims broke down as follows:

DISTRIBUTION BY SUBJECT	
Subject	**2018**
Assets – Loans and mortgages	1,397
Assets – Other loans and accounts	29
Assets – Other	0
Liabilities – Current accounts	126
Liabilities – Other	4
Other loans – Cards, ATMs, POSs	95
Other loans – Other	1
Services – Direct debit	9
Services – Transfers	36
Services – Bills and cheques	3
Services – Other	19
Investments – Funds	3
Investments – Other investment services	11
Insurance and plans – Life	9
Insurance and plans – Property & Casualty	0
Insurance and plans – Pensions	3
Insurance and plans – Other insurance	14
Miscellaneous	164
Total	**1,921**

Legal Documentation

In 2018, claims for “floor clauses” were for the first time handled by the official Control and Monitoring Body set up in accordance with Royal Decree Act 1/2017 and were therefore not included in the statistics reported. Even so, as the table shows, in 2018 the most complained about issue was clauses in mortgage contracts, mainly clauses allocating administration costs, with a total of 1,169 received, 60.85% of all claims. Many of these also referred to other clauses, such as those dealing with origination fees and late-payment interest.

Of the 1,921 contacts received, 424 were settled in favour of the customer, 897 were dismissed and 600 were not admitted for consideration.

Also, 31 claims were passed up to the Bank of Spain’s Market Conduct and Claims Department. Of these, 13 related to mortgage administration costs.

The official response times were amended, following publication of Act 2/2017 of 2 November, incorporating into Spanish Law Directive 2013/11/EU of the European Parliament and Council, on alternative dispute resolution for consumer disputes, and are currently as follows:

- Two months for non-consumers.
- One month for consumers.
- 15 working days for complaints and/or claims regarding issues regulated by Titles II and III of Royal Decree-Act 19/2018, of 23 November, on Payment services and urgent measures in financial matters.

The annual average response time of the Customer Services Department was 14 days, well below the 33 days average for 2017. This reflected the efforts made by the Department to comply with the new regulations in force.

Every six months the Bank of Spain requires a detailed report on complaints received by the Customer Service Department over the period. We therefore continue to stress that as far as possible we should manage complaints effectively at branch level, to avoid complaints being passed up to this department and damaging the Bank’s image and perceived quality of service in the eyes of the regulator. Also, following changes made to response times and with a view to meeting them, it has become more essential than ever to file documents as soon as possible.

Every four months the head of the Customer Services Department, acting as Secretary, convenes the Quality Committee for a detailed presentation of the complaints and claims received over the period. He/she comments particularly on the most numerous or material grounds for complaint in order to highlight the different criteria applied to resolve them, identify possible future events which might affect the Bank, ensure each area of the Bank represented on the Committee takes due note and adopt appropriate preventative or improvement measures in the departments and products that were complained about.

FINANCIAL RISK MANAGEMENT

The main risks to which the Group is exposed in its transactions in financial instruments are detailed in Note 6. In addition, Notes 8, 9, 10, 11, 12 and 17 include information on the various portfolios of financial instruments.

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group engaged in no research and development activities in 2018.

AVERAGE SUPPLIER PAYMENT PERIOD

Payments to suppliers in 2018 were made in an average of 20 days, below the 60-day legal term required by Act 15/2010, of 5 July, on measures to combat bad debt in commercial transactions, amended by Act 31/2014, of 3 December, itself amending the Capital Companies Act on the improvement of corporate governance. The average payment period was calculated using the method set out in this law.

OUTLOOK FOR 2019

Financial year 2019 is covered by the 2016-2019 Strategic Plan which lays out the general strategic lines of action to be applied over these years. The Plan is constantly reviewed to monitor progress and will serve as a blueprint for annual planning over the period.

Forecasts for 2019 are for a continuation of the improving trend in profitability and a strengthening of the Bank's solvency, coupled with a stronger market presence measured by its main business metrics: funds from customers, loans and advances, customer numbers, etc. That said, economic and regulatory uncertainties and doubts about the financial sector itself may have a substantial impact this year, in addition to the Bank's own efforts, on whether these forecasts are achieved.

ANNUAL CORPORATE GOVERNANCE REPORT AND CSR REPORT AND NON-FINANCIAL STATEMENTS 2018

In accordance with regulations in force, we annex to the Consolidated Management Report the Annual Corporate Governance report of Caja Rural de Navarra.

Act 11/2018, of 28 December, on non-financial information and diversity, regulates the disclosure of information in these two areas. Caja Rural de Navarra, as a public interest entity, has also published Non-Financial Statements for the Caja Rural de Navarra Group, in compliance with its obligations under the regulation. These were published alongside the Corporate Social Responsibility Report (CSR Report) in accordance with international standards.

ANNEXES

ANNUAL CORPORATE GOVERNANCE REPORT BY OTHER INSTITUTIONS – NOT CAJAS DE AHORROS OR STATE OR PUBLICLY OWNED BUSINESSES – THAT ISSUE SECURITIES TRADED ON OFFICIAL MARKETS

ISSUER INFORMATION

DATE OF YEAR END: 31/12/2018

C.I.F.: F-31021611

Company name: Caja Rural de Navarra S. Coop. de Crédito

Registered office: Plaza de los Fueros, 1. 31.003 - Pamplona (Navarra)

A.- OWNERSHIP STRUCTURE

A.1.- Give details of the owners of significant holdings in the company at the close of the year:

Name or company name of the shareholder or other owners	% of share capital
No data	

A.2.- Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the owners of significant holdings, insofar as they are known to the company, unless they have scant relevance or arise from the ordinary course of business:

Related-party names or company names	Type of relationship	Brief description
No data		

A.3.- Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the owners of significant holdings and the company, unless they have scant relevance or arise from the ordinary course of business:

Related-party names or company names	Type of relationship	Brief description
No data		

A.4.- Indicate if there is any restriction (statutory, legislative or of any other kind) on the transfer of securities and/or any restrictions on voting rights. Specifically, indicate any type of restriction that may obstruct the takeover of the company

through the acquisition of its shares in the market and any systems of prior authorisation or disclosure of acquisitions or transfers of the company's securities, imposed by sector standards:

YES	X
NO	

Description of the restrictions

Rights and obligations of new members: Members' rights and obligations start on the day after the agreement of the Governing Board or General Meeting takes definitive effect pursuant to article of association 10. Members must remain in the Institution for at least five years. The rights and obligations of members are set out in articles of association 11 and 12.

Loss of membership: Articles of association 14, 15 and 16 list the grounds on which a member may lose their membership and the financial consequences this will entail.

Misconduct and penalties: Article 17 lists the actions defined as minor, severe and gross misconduct and the penalties imposed, which may involve suspension of membership rights. Availability of members' contributions

Article 18 describes the composition of the share capital and, among other matters, sets the maximum ceiling on share capital that can be held by any one member at 20% for a legal entity and 2.5% for an individual.

Article 19 states that redemption of contributions to the share capital can be refused by the Governing Board at its entire discretion.

Article 22 specifies the cases in which contributions can be transferred. Transfer is conditional on the Governing Board's approval.

Reduction of Share Capital: Under article of association 23, any reduction in the minimum share capital set by article 18 requires the consent of the General Meeting. If the reduction goes beyond the minimum requirement per member official authorization is also needed. Contributions shall not be repaid if there is insufficient coverage as measured by Share Capital, Reserves, Solvency Ratio, or any other measures applicable now or in the future.

Voting rights: Article 39 defines the votes to which each member is entitled in proportion to their contribution to the share capital. The treatment of conflicts of interest is described in article 48.

B.- GENERAL MEETING OR EQUIVALENT BODY

B.1.- List the quorums for convening general assemblies established in the articles of association. Describe how these differ from the system of minimum quorums established in Spanish Capital Companies Act or other applicable legislation.

For general assemblies to be validly convened, at least three-quarters of the Preparatory Meetings must first have taken place, as established in the articles of association. For assemblies to be duly convened on first call, no less than half of the representatives elected in these Preparatory Meetings must be present. On second call, the presence of 40% of the elected representatives and corporate officers is sufficient.

All of which complies with the regulations in force (Royal Decree 84/1993 of 22 January, Regulations governing Credit Cooperative Institutions) and Article 38 of the Bank's articles of association.

B.2.- Explain the rules for adopting corporate resolutions. Describe how they differ from the system of minimum quorums established in Spanish Capital Companies Act, or other applicable legislation.

Except where regulations in force explicitly require otherwise, the General Meeting adopts resolutions by simple majority of the valid votes cast by those attending, not including spoilt ballots and abstentions. A majority of two-thirds of the votes present or represented is necessary for the adoption of resolutions modifying the articles of association or relating to a merger, spin-off, transformation, liquidation or global assignment of the Institution's assets and liabilities, even when these do not involve contributions to share capital and members of the transferring institution do not become members of the acquiring institution by virtue of the transfer, and in any other circumstances provided for by Act notably including the issue of bonds or other securities. The same enhanced majority is also required to agree the removal or revocation of appointment of members of the Governing Board and to adopt any resolutions relating to asset, financial, organizational or operational changes at the Cooperative Credit Institution where such changes are of an essential nature.

Amendments are considered to be essential when they affect at least twenty-five per cent of the Bank's total assets. All of which complies with the regulations in force (Royal Decree 84/1993 of 22 January, Regulations governing Credit Cooperative Institutions) and Article 40 of the Bank's articles of association.

The resolutions adopted by the Governing Board will be subject to the Bank's article of association 47.

B.3.- Briefly indicate the resolutions adopted by shareholders at the general assemblies held in the reporting year and the percentage of votes with which each resolution was adopted.

The agenda for the Bank's General Meeting was as follows:

1.- Appointment of two member-controllers to draw up and validate the list of attendees.

2.- Appointment of two member-controllers to approve the minutes for the Ordinary General Meeting.

3.- Report on the convocation and staging of the Preparatory Meetings.

4.- Election, appointment and acceptance of positions on the Governing Board.

5.- Reading and approval, where appropriate, of the annual financial statements (statement of financial position, income statement, statement of recognized income and expense, statement of changes in equity, cash flow statement and notes to the financial statements), proposal for the calculation and appropriation of net surplus for the year, proposal for setting the basic policy for application of the Education and Development Fund, and Management Report for 2017 of Caja Rural de Navarra, Sdad. Coop. de Crédito and Subsidiaries making up the Caja Rural de Navarra, Sdad. Coop. de Crédito Group.

6.- Ratification of membership of an institutional protection scheme in accordance with Article 113.7 of Regulation (EU) 575/2013 as part of the Spanish Association of Cajas Rurales.

7.- Reading of the opinion issued by the auditors.

8.- Proposal for the company that is to audit the annual financial statements and the management report for 2018.

9.- Proposal to authorise the Governing Board to issue securities, shares and other finance vehicles.

10.- Various matters

11.- Any other business

All agenda items were unanimously approved.

B.4.- Indicate if at the general assemblies or equivalent bodies during the year any agenda item was rejected by shareholders.

This did not occur.

B.5.- Indicate the URL and means of accessing corporate governance content on your website.

Caja Rural de Navarra's web address is: www.cajaruraldenavarra.com

The corporate governance content on the website is accessed via the following links: https://www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/es/interface/contenido_pie/Tablon_de_anuncios/pdf_tablon_anuncios/Corporate-Governance-Report.pdf

B.6. State whether the various syndicates of holders of securities issued by the company, if any, have met and, if so, the purpose of the meetings held in the reporting year and the main resolutions adopted.

N/A

C.- MANAGEMENT STRUCTURE OF THE COMPANY

C.1.- Board of Directors

C.1.1.- Detail the maximum and minimum number of directors or members of the governance body as per the articles of association:

Maximum number of directors/board members	14
Minimum number of directors/board members	5
Number of directors/board members set by the meeting or assembly	

One director is appointed by the Bank's employees as their representative in accordance with Article 44 of the Bank's articles of association. Currently the employee representative is Fernando Olleta Gayarre

C.1.2.- Fill out the following table on the members of the board and their status:

Name or company name of director/board member	Representative	Date last appointed
IGNACIO TERES LOS ARCOS		08/05/2015
JOSE ANGEL EZCURRA IBARROLA		08/05/2015
ALBERTO ARRONDO LAHERA		08/05/2015
FERNANDO OLLETA GAYARRE		23/12/2016
ROBERTO ZABALETA CIRIZA		10/05/2013
FRANCISCO JAVIER ARTAJO CARLOS		08/05/2015
PEDRO MARIA ECHARTE SEVINE		08/05/2015
JESUS ANDRES MAULEON ARANA		08/05/2015
PEDRO JESUS IRISARRI VALENCIA		08/05/2015
MARCELINO ETAYO ANDUEZA		05/05/2017
GABRIEL URRUTIA AICEGA		05/05/2017
JESUS MARIA DEL CASTILLO TORRES		05/05/2017
CARLOS SANCHEZ DIESTRO		05/05/2017
MANUEL GARCIA DIAZ DE CERIO		05/05/2017

C.1.3.-List the board members, if any, who hold offices as directors, representatives or executives at other companies forming part of the company's group:

Name or company name of director/board member	Company name of group company	Position
No data		

C.1.4.- Fill out the following table to show the number of female directors on the board and its committees, and how this has changed over the last four years:

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
Board of Directors	0	0.00	0	0.00	0	0.00	0	0.00
Executive or Delegate Committee		0.00		0.00		0.00		0.00
Audit Committee		0.00		0.00		0.00		0.00
Appointments Committee		0.00		0.00		0.00		0.00
Remuneration Committee		0.00		0.00		0.00		0.00
Risk Committee		0.00		0.00		0.00		0.00

C.1.5.- Indicate whether the company has diversity policies in relation to the governance, management and supervision of the company in respect of matters such as, for instance, age, gender, disability, or training and professional experience. Small and medium-sized companies, as defined in the Audit Act, must report as a minimum on its policy on gender diversity.

YES	X
NO	
PARTIAL POLICIES	

If yes, describe the diversity policy, its aims, measures, their application and their results during the year. Also indicate the concrete measures adopted by the administration body and the appointments and remuneration committee to achieve a balanced and diverse presence of directors and executives.

If the company has no diversity policy, explain why not.

Caja Rural de Navarra has an Equality Plan which promotes gender equality and addresses all types of diversity in the Bank. Gender equality is essential to developing policy with the Bank's employees, to its support and commitment for the communities it works with in this area and to delivering a gender-aware product range.

Caja Rural de Navarra's commitment to diversity and inclusion is embodied not only in progress so far, with an equal workforce, but also in the commitment to continue managing all types of diversity.

The key targets of the Equality Plan are:

1.1. To promote the hiring of men and women in occupations where they are under-represented.

1.2. To promote the incorporation of women into posts of responsibility.

2.1. To develop HR management indicators broken down by segment.

3.1. To instil a comprehensive focus on equality in the organization's policy and strategy.

3.2. To raise awareness and change the organization's discourse and culture.

3.3. To use the right language, images and treatment within and outside the company.

4.1. To highlight Caja Rural de Navarra's commitment to managing equality outside the company.

4.2. To highlight Caja Rural de Navarra's commitment to managing equality among our customers.

5.1. To monitor working and personal responsibilities.

6.1. To define procedures for specific actions in the event of sexual harassment.

7.1. To deal appropriately with customers

7.2. To include in the Social Welfare Fund programmes or actions designed to support women or favour equal opportunities.

C.1.6.- Fill out the following table on the aggregate compensation paid to directors in the year:

Concept	Thousands of euros	
	Individual	Individual
Fixed compensation	12	
Variable compensation		
Per diems	48	
Other compensation		
TOTAL	60	

C.1.7.- List the members of senior management who are not executive directors and indicate the total compensation paid to them in the year:

Name or company name	Position
ALBERTO UGARTE ALBERDI	Risk department director
ANGEL LECUMBERRI SEVIGNE	Commercial director
IGNACIO MAEZTU ZAPATERÍA	Commercial director, branches
JUAN MARIA AYECHU REDIN	Business banking director
FRANCISCO JOSE RODRIGUEZ LASPIUR	Management control director
IGNACIO ARRIETA DEL VALLE	Managing Director
CARLOS ALBERTO SAGASETA GARCIA	Audit committee secretary
MIGUEL GARCIA DE EULATE MARTIN-MORO	Treasury operations director
SERGIO TABOADA PLATAS	Head of technology and organization
ARTURO CORRAL BENGOECHEA	Head of housing and real estate assets
FERNANDO CAMPOS JIMENEZ	Head of human resources
IGNACIO MENA SOLA	Head of legal affairs
FRANCISCO JAVIER BERAZALUCE MINONDO	Head of equity investments
Total compensation received by senior management (in Thousands of euros)	1,882

C.1.8.- State whether the bylaws or board regulations set a limited term of office for members of the board of directors:

YES	
NO	X

C.1.9.- State whether the individual and consolidated financial statements submitted to the board of directors for formulation are certified previously:

YES	
NO	X

Identify, if appropriate, the person(s) certifying the individual and consolidated accounts for their presentation by the Board:

Name	Position
No data	

C.1.10.- Explain the mechanisms, if any, established by the board of directors to prevent the separate and consolidated financial statements prepared by it from being presented at the general meeting with a qualified auditors' report:

The Governing Board has an Audit Committee, whose regulations include the oversight of published financial information and the financial statements for the year as well as monitoring the work and recommendations of the external auditors.

C.1.11.- Is the board secretary a director?

YES	X
NO	

If the secretary is not a director complete the table below:

C.1.12 Describe the mechanisms, if any, established by the company to preserve the independence of the external auditors, of financial analysts, of investment banks, and of rating agencies, including how legal provisions are implemented in practice:

The Audit Committee carries out annual checks to ensure the auditor (currently PriceWaterhouseCoopers Auditores, S.L.) complies with requirements and that there is no situation that could pose a risk to their independence, as established by the Committee's rules of procedures.

On this point the Audit Committee has received from the auditor, Price Waterhouse Coopers Auditores S.L., written confirmation of its independence from Caja Rural de Navarra and these bodies, directly and indirectly related to the Bank in accordance with requirements for the Audit Act as it relates to independence.

Before the start of any type of service commissioned from the External Auditor selected for the audit of the financial statements, the service is presented by the auditor to the Audit Committee which, after review, decides if the proposed service falls outside any of the prohibitions in Articles 39 and 14 of the New Audit Law, identifies possible threats to independence and safeguards to apply to eliminate or reduce these so as not to compromise their independence as auditors.

C.2.- Committees of the Board of Directors

C.2.1.- List the Board or other governance body committees:

Committee	Number of members
Executive or Delegate Committee	5
Audit Committee	4
Appointments Committee	4
Remuneration Committee	5
Risk Committee	4

C.2.2.- Give details of all committees of the Board or other governance body, their members and the proportion of executive, controlling company, independent and other external members (entities that are not capital companies need not complete the member category column and should explain in the text section the category of each member based on their legal form and how they fulfil the composition requirements of the audit and appointments and remuneration committees):

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Category
IGNACIO TERES LOS ARCOS	CHAIRMAN	Other external
JOSE ANGEL EZCURRA IBARROLA	MEMBER	Independent
PEDRO MARIA ECHARTE SEVINE	MEMBER	Independent
MARCELINO ETAYO ANDUEZA	SECRETARY	Independent
PEDRO JESUS IRISARRI VALENCIA	MEMBER	Independent
% executive directors		0.00
% of controlling company members		0.00
% of independent members		80.00
% of other external members		20.00
Number of meetings		12

Explain the functions assigned to the committee, describe its procedures and organizational and functional rules. For each function indicate the most important actions taken during the year and how it has put into practice each function assigned to it by law, statute or other corporate agreements.

The Executive Committee was established by resolution of the Governing Board and is composed of a chairman, deputy chairman, secretary and two members of the Governing Board. Its functions are those delegated by the Governing Board and its attributes and powers are limited to those temporarily or permanently delegated by the Board.

The main purpose of the Committee, which meets once a month, is to give the Bank greater flexibility in decision making and approval of risks.

AUDIT COMMITTEE

Name	Position	Category
JOSE ANGEL EZCURRA IBARROLA	MEMBER	Independent
PEDRO MARIA ECHARTE SEVINE	CHAIRMAN	Independent
MARCELINO ETAYO ANDUEZA	SECRETARY	Independent
PEDRO JESUS IRISARRI VALENCIA	MEMBER	Independent
% executive directors	0.00	
% of controlling company members	0.00	
% of independent members	100.00	
% of other external members	0.00	
Number of meetings	4	

Explain the functions assigned to the committee, including any not required by law, and describe its procedures and organizational and functional rules. For each function indicate the most , important actions taken during the year and how it has put into practice each function assigned to it by law, statute or other corporate agreements.

The Audit Committee is made up of members of the Governing Board with the appropriate knowledge, abilities and experience to understand and control the Bank's risk strategy and risk propensity.

Ordinary meetings are held each quarter. Extraordinary meetings are held when so decided by the Chairman or requested by a majority of members, duly constituted when a majority of members are present. The functioning and functions of the Audit Committee are set out in Article 43 Bis of the issuer's Statutes and has been approved by the Bank of Spain and its Regulations approved by this Committee and subsequently by the Bank's Governing Board. Specifically, the Committee's core responsibility is to maintain an efficient internal audit system via ongoing monitoring and supervision of its operation, using to this end the services of both the internal audit unit and the external auditors, and its functions therefore include the following:

1.- To report to the General Meeting on the questions posed by members in areas of its competence.

2.- To propose to the Governing Board for submission to the General Meeting the appointment of the Bank's external auditors and Group subsidiaries referred to in Article 204 of the refounded text of the Spanish Corporations Law, implemented by Legislative Royal Decree 1564/1989, of 22 December.

3.- To supervise the internal audit departments where they exist.

Legal Documentation

4.- To approve the annual internal audit plan and its organisational structure.

5. - To oversee follow-up of recommendations made by internal and external audits.

6.- To supervise any financial information published and the financial statements for the year.

7.- To check compliance with internal standards, rules and laws that effect the activities of the organization.

8.- To review the systems in place to ensure efficient management.

9.- To check that plans and programmes are being put into effect and achieving their designated aims.

10.- To maintain the ethics of the organization, investigate any cases of irregular or fraudulent conduct and any allegations or suspicions brought to the Committee's attention as well as any conflicts of interest affecting employees.

11.- To report to the Governing Board on the appropriateness of the internal control system.

12.- To monitor the financial reporting process and internal control systems.

13.- To liaise with external auditors to receive information on questions that pose a risk to their independence and any other matters related to the audit process, as well as other reporting required by audit law and technical standards.

The head of internal audit is Carlos Sagaseta, who works with the Secretary and advises and informs the Committee,which he attends as a non-voting participant.

Legal Documentation

Identify the directors on the Audit Committee who have been appointed for their knowledge and experience in accounting, audit or both and report on the date of appointment of the Committee Chairman.

Names of experienced directors		JOSE ANGEL EZCURRA IBARROLA
Date of appointment of the Chairman		22/09/2017
APPOINTMENTS COMMITTEE		
Name	**Position**	**Category**
PEDRO MARIA ECHARTE SEVINE	CHAIRMAN	Independent
MARCELINO ETAYO ANDUEZA	SECRETARY	Independent
IGNACIO TERES LOS ARCOS	MEMBER	Other external
PEDRO JESUS IRISARRI VALENCIA	MEMBER	Independent
% executive directors		0.00
% of controlling company members		0.00
% of independent members		75.00
% of other external members		25.00
Number of meetings		1

Explain the functions assigned to the committee, including any not required by law, and describe its procedures and organizational and functional rules. For each function indicate the most , important actions taken during the year and how it has put into practice each function assigned to it by law, statute or other corporate agreements.

The Remuneration Committee has four members of appropriate expertise, ability and experience and who are all also members of the Governing Board. It meets as often as its responsibilities require and at least once a year.

The Committee is quorate when at least half its members are present. Members cannot appoint other natural or legal persons as proxies. Resolutions are approved by simple majority of the valid votes cast. The Chairman's vote is casting.

Any Committee member who finds themselves in a conflict of interest will recuse themselves from the meeting when the situation giving rise to the conflict of interest is discussed and abstain from discussion or vote on the matter. The Committee's functions include:

- To identify and recommend for approval by the Governing Board, candidates for vacant posts on the Governing Board and procedures for assessing the aptitudes and capacities of future directors.

- To assess the balance of expertise, ability, diversity and experience on the Governing Board and draft a description of the functions and aptitudes required for a specific appointment, assessing the time required to fulfil the demands of the post.
- To review periodically and at least once a year the structure, size, composition and work of the Board and to make recommendations to the Board on possible changes.
- To review periodically and at least once a year the suitability of the members of the Bank's Board and the Board in general and report to the Board on its conclusions.
- To periodically review the corresponding reviews of the suitability of the General Management and key management personnel in accordance with regulation 30 of Bank of Spain Circular 2/2016.
- To periodically review the Board's policy on the selection and appointment of senior management personnel and make appropriate recommendations.
- To establish, in accordance with regulations, a target for representation of whichever gender is least represented on the Governing Board and draw up guidelines on how to increase the number of members of the under-represented gender so as to meet this target. As regards the suitability of Governing Board members, all current members have been appointed since the entry into force of Circular 2/2016 on a favourable report from this Committee and with the express approval of the Bank of Spain.

The Committee's principal actions taken during the year all fell within one of the functions described above.

REMUNERATION COMMITTEE

Name	Position	Category
MARCELINO ETAYO ANDUEZA	CHAIRMAN	Independent
PEDRO MARIA ECHARTE SEVINE	SECRETARY	Independent
IGNACIO TERES LOS ARCOS	MEMBER	Other external
FERNANDO OLLETA GAYARRE	MEMBER	Other external
PEDRO JESUS IRISARRI VALENCIA	MEMBER	Independent
% executive directors		0.00
% of controlling company members		0.00
% of independent members		60.00
% of other external members		40.00
Number of meetings		1

Explain the functions assigned to the committee, describe its procedures and organizational and functional rules. For each function indicate the most important actions taken during the year and how it has put into practice each function assigned to it by law, statute or other corporate agreements.

The Remuneration Committee has four members of appropriate expertise, ability and experience and who are all also members of the Governing Board. It meets as often as its responsibilities require and at least once a year.

The Committee is quorate when at least half its members are present. Resolutions are approved by a majority of those attending, with the Chairman's vote being considered casting.

The functions of the Remuneration Committee is described below:

- To propose to the Governing Board the remuneration policy for Board members, including their individual remuneration, and for the designated group of executive personnel.
- To monitor compliance with the Bank's remuneration policy for Directors and senior management.
- To oversee the transparency of remuneration programmes, considering their appropriateness and effectiveness and seeking to ensure that remuneration is moderate and appropriate to the Bank's results.

The Committee's principal actions taken during the year all fell within one of the functions described above.

RISK COMMITTEE

Name	Position	Category
JOSE ANGEL EZCURRA IBARROLA	CHAIRMAN	Independent
MARCELINO ETAYO ANDUEZA	SECRETARY	Independent
PEDRO MARIA ECHARTE SEVINE	MEMBER	Independent
PEDRO JESUS IRISARRI VALENCIA	MEMBER	Independent
% executive directors		0.00
% of controlling company members		0.00
% of independent members		100.00
% of other external members		0.00
Number of meetings		4

Explain the functions assigned to the committee, describe its procedures and organizational and functional rules. For each function indicate the most important actions taken during the year and how it has put into practice each function assigned to it by law, statute or other corporate agreements.

The Risk Committee holds ordinary meetings each quarter. Extraordinary meetings are held when so decided by the Chairman or requested by a majority of members, duly constituted when a majority of members are present.

In accordance with Royal Decree 84/2015 which is reflected in the regulation approved by the Committee and ratified by the Governing Board, its key functions are as follows:

- To advise the Governing Board on the Bank's overall propensity to risk, current and future, and risk strategy and also helps oversee the application of this strategy. Specifically, it supports the Governing Board in drawing up, approving, updating and monitoring the Bank's Risk Appetite Framework and Recoveries Plan.

Notwithstanding the above, the Governing Board is responsible for the risks that the company takes on.

- It also ensures the pricing policy of assets and liabilities offered to customers takes fully into account the Bank's business model and risk strategy. If not, the Risk Committee will present a plan to the Governing Board to remedy the situation.
- To determine, alongside the Governing Board, the nature, quantity, format and frequency of the risk information that the Committee and Governing Board should receive.
- To collaborate in establishing reasonable remuneration policy and practices. To this end, the Risk Committee reviews, without prejudice to the role of the Remuneration Committee, whether the incentives policy envisaged in the remuneration system takes due account of risks, capital, liquidity and the probability and appropriateness of the benefits.
- - Any other function that is specifically delegated to the Committee by law, regulations or resolution of the Governing Board.

The Head of Risk is Francisco José Rodríguez Laspiur.

D.- RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1.- Give details of transactions between the company and companies within its group, and shareholders, cooperative members, holders of controlling rights to the company or equivalent entities.

Name or company name of significant shareholder/member	Name or company name of the company or group company	Nature of relationship	Type of transaction	Amount (Thousands of euros)
No data				

D.2.- Give details of transactions between the company or entities of its group and the company's directors or executives:

Name or company name of directors or managers	Name or company name of the related party	Relationship	Nature of relationship	Amount (Thousands of euros)
No data				

D.3.- Give details of intragroup transactions

Company name of group company	Brief description of transaction	Amount (Thousands of euros)
No data		

D.4.- Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the company and/or its group, and its directors/board members of executives.

Article 48 of the Bank's articles of association contains the following provisions in this regard:

Contracts concluded and/or obligations assumed by Caja Rural that do not form part of the provision of the financial services that constitute its corporate purpose and are made in favour of members of the Governing Board or senior management, or their first- or second-degree relatives by blood or marriage, shall not be valid unless first approved at the General Meeting. Persons involved in the conflict-of-interest situation shall not be permitted to take part in the related vote at this Meeting. Approval at the General Meeting shall not be required when the contracts or obligations in question are related to the person's status as a member.

Resolutions of the Governing Board or Executive Committee relating to cooperative transactions and services in favour of members of the Governing

Board, Executive Committee, General Management or their first- or second-degree relatives by blood or marriage shall necessarily be adopted by secret ballot, subject to the item's inclusion on the agenda with due transparency, and shall require a majority of at least two thirds of all Directors.

Where the beneficiary of the transactions or services is a Director or relative thereof, as indicated above, the beneficiary shall be deemed to be in a conflict-of-interest situation and shall not be permitted to take part in the vote.

Once the secret ballot has taken place and the result has been announced, any reservations or disagreements with regards to the resolution adopted must be duly recorded in the minutes.

The provisions of the foregoing paragraphs shall also apply in relation to the establishment, suspension, modification, renewal or extinguishment of obligations and rights between the cooperative entity and entities at which the aforesaid persons or members of their family are proprietors, board members, directors, senior executives, advisors or core members with capital interests or five per cent or more.

Also considered when granting loans to members of the Governing Board or their natural or legal related parties are the provisions of Act 10/2014 for the management, supervision and solvency of credit institutions and its implementing Royal Decree 84/2015, particularly on reporting transactions involving directors and executives to the Bank of Spain for authorization.

Caja Rural de Navarra is fully signed up to the Framework Internal Rules of Conduct on securities markets of the Spanish National Union of Cooperative Credit Institutions (UNACC). These rules apply to members of the Bank's Governing Board, executives and employees whose work is directly or principally related to securities market activities and services.

Caja Rural de Navarra has Internal Rules to assess the suitability of Senior Management and other key persons of the Bank which were approved by the Bank's Board and comply with regulations in force, especially Act 10/2014 on the regulation, supervision and solvency of credit institutions and its accompanying regulations. These Rules define what information the Appointments Committee should look at when considering the professional and commercial reputation, knowledge and experience and good governance practice of employees and applicants for posts subject to these requirements.

The Bank also has a policy to manage conflicts of interest, approved by the Bank's Governing Board, with a special focus on those related to MiFID II on investment products.

E.- CONTROL AND RISK MANAGEMENT SYSTEMS

E.1.- Explain the scope of the company: s risk management system.

The credit risk management system is centralised in the risk area, including responsibility for admitting, administering, monitoring and recovering credit risk, in accordance with the policies set by the Governing Board. The system is overseen by the Risk Committee.

Measurement and control of interest rate, liquidity and market risk are conducted through the Assets and Liabilities Committee, which reports quarterly and monitors the various risks.

The Operational Risk Committee monitors operational risk.

E.2.- List the bodies within the company responsible for preparing and executing the risk management system.

The Risk Committee ensures compliance with the policies, methods and procedures approved by the Governing Board to meet the requirements of Bank of Spain Circular 4/2004, of 22 December, on credit risk. Circular 4/2004 states that "entities shall establish policies, methods and procedures for the issue, analysis and documentation of debt instruments, contingent risks and contingent commitments ... and the identification of their impairment and measurement of the amounts necessary to hedge such credit risk, whether from insolvency attributable to the customer…"

The Bank's internal audit department ensures that the various areas comply with policy, reporting any instances of non-compliance to the Governing Board, having evaluated or established their extent, and proposing remedial or enhancement measures when it sees fit.

The Assets and Liabilities Committee oversees market, liquidity and interest risks.

The Operational Risk Committee manages and monitors operational risk.

E.3.-State the main risks that could affect achievement of the company's business targets.

The main risks inherent in our banking activities are the following:

Credit risk: This is the risk of potential losses being incurred when loans and advances cannot be recovered. Where the bank acts as guarantor, the risk lies in the possibility of customers' defaulting on their commitments, and the Bank therefore being required to assume these commitments by virtue of guarantees provided. This is the most significant risk assumed by the Bank, since its activities are concentrated mainly on the retail banking business.

Interest rate risk: This consists of the risks arising as a result of potentially adverse fluctuations in interest rates on assets and liabilities.

Liquidity risk: This is the risk of potential difficulties in raising or accessing liquid assets in sufficient quantity and value to cover the Group's payment commitments at any time.

Market risk: This consists of the risks arising as a result of potentially adverse fluctuations in the market price of marketable financial instruments and the exchange rates of the currencies in which the Group's balance sheet assets and liabilities or off-balance sheet commitments and exposures are denominated.

Operational risk: Operational risk is the risk of suffering losses due to inadequate or failed processes, personnel or internal systems or due to external events. This definition includes legal risk, but excludes strategic and reputational risks.

E.4.-State whether the company has risk tolerance level.

The Bank establishes risk tolerance levels, defined in the risk appetite framework (RAF), defined using various criteria according to the type of risk;

- **Credit risk:** risk tolerance depends on levels of NPLs and coverage as well as rating/scoring levels associated to probability of default.
- **Risk tolerance:** is established by setting a maximum limit on possible loss for each exposure, in terms of both margin and economic value.
- **Liquidity risk:** risk tolerance is measured based on minimum liquidity levels.
- **Market risk:** limits are based on VaR.

E.5.- State which risks have materialized during the year:

The normal processes of the Bank's operations include all required controls and methods to manage the risks inherent to its business and there were no particular instances to report that affected the normal functioning of the Bank.

E.6.- Explain the response and oversight plans to address the main risks facing the company, and the procedures followed by the company to ensure the board of directors responds to new challenges:

Credit risk: Risk management begins as soon as the customer submits a request for financing and ends when the whole of the loan has been repaid. When approving transactions, the Bank prioritizes case-by-case analyses, which take account of the type of applicant, type of facility, the applicant's repayment capacity and the guarantees provided. Once approved and arranged, all transactions are subject to ongoing monitoring: in the case of high-risk customers (either individually or as part of an economic group), the Bank monitors financial position, any increases in system debt, payment history, etc.; for all other customers, all transactions that result in payment incidents are monitored. The Group monitors its investment portfolio by product, by interest rate and by decision-making centre, to identify potential changes in portfolio returns and the manner in which credit facilities are being granted (amounts, rates, charges, etc.) so that decisions affecting the investment policy to be adopted at any given time can be taken as quickly as possible.

In respect of credit risk concentration, the Bank of Spain's regulations establish that exposure to any one customer or group of customers constituting an economic group must not exceed 25% of an entity's eligible capital base. The entity's eligible capital base is used for the purpose of calculating the solvency ratio. The Bank complies with all legal limits established in this regard. Regulations on solvency requirements lay great emphasis on concentration risk but it is not included in the regulatory calculations. The Internal Capital Adequacy Report must disclose the institution's own assessment of the capital required to meet this risk (Pillar II).

Interest rate risk: To analyse and control this risk, the Bank has established an Assets and Liabilities Committee (ALC) that meets quarterly to assess, inter alia, the sensitivity of its statement of financial position to changes in the yield curve in various scenarios and set short- and medium-term policies for managing prices and applications of funds. Liquidity risk: Caja Rural de Navarra monitors the performance of those balance sheet items that affect its liquidity on an ongoing basis, keeping within certain limits and using dedicated tools to predict potential fluctuations that may require action to sustain short-, medium- and long-term liquidity. These controls are carried out by the ALC.

Market risk: The main controls applied for market risk are the various limits on market activity in the form of ceilings on fixed income and equity investments and stop-losses. The Bank also applies concentration limits on exposures to securities and economic sectors, as well as on positions in foreign currency.

Operational risk: Caja Rural de Navarra has adopted a standard model for identifying and monitoring operational risk. Improvement plans for critical risks have been drawn up, and the persons responsible for their execution and corresponding timetable have been defined. Loss events are registered in a loss event data base which is also used to produce reports that facilitate decision making to minimize risk.

The Governing Board has a Risk Committee, a delegated body that advises the Board on management and supervision of all relevant risks and on correct application of the global risk appetite in light of the Bank's strategy. Through this body and its functional procedures the Board responds to new challenges that come up in this area.

F.- INTERNAL SYSTEMS FOR INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the control and risk management processes that make up the company's system for internal control over financial reporting.

F.1.- The control environment.

Report, highlighting as a minimum the main features of:

F.1.1.- The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

- The Governing Board is ultimately responsible for the existence and regular updating of a suitable, effective ICFR.
- The Audit Committee is responsible for supervision of ICFR, including control of the preparation and presentation process, compliance with applicable standards, appropriate definition of the scope of consolidation and correct application of accounting principles. The Committee relies on Internal Audit to oversee the ICFR system.
- The Management Control Department is responsible for the design, implementation and operation of ICFR. It will run a process to identify risks in the preparation of financial reporting, draw up the descriptive documentation and flow charts of activities and control and direct the implementation and execution of ICFR. The Governing Board states in Article 39 of the Corporate Governance Code: *Public relations, general:*
    - The Governing Board shall take all necessary steps to ensure that annual, half-yearly or quarterly financial reporting and any other financial reporting that may be done in the interests of prudence is prepared in accordance with the same principles, criteria and professional best practice as the annual financial statements and is equally true and fair. To this end, all such information shall be reviewed by the Audit Committee.
    - The Governing Board, if considered necessary or convenient, shall include in its annual published documentation the governance rules of the Bank and the degree of Compliance with the Corporate Governance Code.

The rules of the Combined Audit and Risk Committee, which is drawn from the Governing Board, includes the following duties:

-- To supervise any financial information published and the financial statements for the year.
- To check compliance with internal standards, rules and laws that effect the activities of the organization.

F.1.2.- The existence or otherwise of the following components, especially in connection with the financial reporting process:

Department and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company:

Oversight of the organizational structure is the responsibility of General Management via the Human Resources Department which, based on needs identified by the Caja Rural de Navarra Group, analyses and adapts the departmental and branch structure, defining and assigning functions to the different members of each department and business line.

Any material change to the organization is approved by the Managing Director and published through Internal Communications by corporate email and on the corporate intranet, to which all employees have access. The intranet contains an organizational chart that is continuously updated.

There are operational procedure manuals covering most of the Bank's business areas, available to all employees through the intranet.

Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action:

There is a code of conduct, with which all employees of Caja Rural de Navarra Group are familiar, setting out guidance for good conduct based on professional ethics and the obligation to be aware of and comply with regulations applicable to the Bank.

It is planned to incorporate specific reference to record-keeping and financial reporting as recommended by the supervisory authorities.

Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating , whether reports made through this channel are confidential:

There is no specific formal whistle-blowing channel for the confidential reporting of financial or accounting irregularities to the Audit Committee under conditions of anonymity. However, the employees' code of conduct expressly establishes the possibility of employees' highlighting instances of irregular or unethical actions, under conditions of confidentiality, which would obviously include financial and accounting irregularities.

Communication of Unethical or Fraudulent Actions

If any employee should become aware of irregular or unethical actions by Company employees, he/she is obliged to notify the Bank immediately.

The Bank has a number of persons to whom such circumstances may be reported, in addition to the line manager, who should be the first port of call. The Area Manager or Chief of Human Resources are the most appropriate persons to notify.

All communications of this type will be immediately investigated under conditions of confidentiality.

The Bank will ensure the absence of reprisals for any employee who makes allegations of this kind. Similarly, the rules of the Audit Committee Rules list among the Committee's responsibilities for internal control and compliance:

To maintain the ethics of the organization, investigate any cases of irregular or fraudulent conduct and any allegations or suspicions brought to their attention as well as any conflicts of interest affecting employees.

Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Once a year, every employee of Caja Rural de Navarra undergoes a professional assessment and an action plan is drawn up including measures to improve areas where they are found to be weak, which is centred on training.

The Training Department within the Human Resources Department has developed a training plan including traditional and online courses which are open to all employees of Caja Rural de Navarra. All units involved in the preparation of financial reporting have been trained in financial reporting and receive continuous refresher courses as standards change. These courses cover first-time adoption of standards in the current year and those in the process of adoption that will take effect in future years.

F.2.- Financial reporting risk assessment.

Report, as a minimum, on:

F.2.1.- The main characteristics of the risk identification process, including risks of error or fraud, stating:

Whether the process exists and is documented:

For Caja Rural de Navarra, like any other banking institution, risk management is a core part of its business. Risk identification processes are therefore clearly defined

Whether the process covers all financial reporting objectives (existence and occurrence; completeness, valuation, presentation, disclosure and comparability, and rights and obligations), is subject to update and, if so, with what frequency:

The Bank knows which areas and departments impact financial reporting and therefore which areas or departments are material, as well as the risks of error within these which may have an impact on financial reporting. The risk assessment process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations).

Whether a specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.:

The material areas and departments have identified where the possibilities of error in financial reporting lie which might have a material impact on the Bank. Risks of error or omission in financial reporting are included in the design and development of operating procedures for every area with critical impact on financial reporting.

Whether the process addresses other types of risk (operational, technological, financial, legal,, reputation, environmental, etc.) insofar as they may affect the financial statements:

Nevertheless:

- The accounting information used to prepare the financial statements is based on heavily automated processes. The vast majority of transactions are automatically recorded and associated with a process that generates the right accounting information for record keeping.
- The design and maintenance of the accounts used to monitor transactions is the responsibility of the Management Control Department. No other area is authorized to interfere with this process. In this way the system ensures that:
- All events reflected in financial reporting exist and have been recorded at the proper time.
- The information reported reflects all the transactions and events to which the Bank was party.
- All transactions are recorded and measured in accordance with applicable accounting standards. Transactions are classified, presented and disclosed in line with applicable regulations.

Which of the company's governing bodies is responsible for overseeing the process:

Internal Audit will oversee the process of preparing financial reporting and the effectiveness of controls put in place to ensure its proper publication

F.3.- Control.

Report, highlighting as a minimum and where available the main features of:

F.3.1.- Procedures for reviewing and authorizing financial information and description of ICFR to be provided to the markets, stating who is responsible in each case. Also, documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for closing accounts and specific review of critical judgements, estimates, evaluations and projections.

Caja Rural de Navarra has an action plan in place to document formally and in standardized format all areas and processes identified as material to the Bank, including those covering the closing of accounts, consolidation and exercise of critical judgements, estimates, and projections, among others.

The Bank has controls in place for the processes of closing accounts and review of critical judgements, estimates, evaluations and projections for the following processes and transactions, which might materially affect the financial statements:

Impairment losses on certain financial instruments

- o The assumptions used in the actuarial calculation of liabilities and commitments for post-employment benefits. The useful lives of property and equipment and intangible assets The measurement of goodwill arising on consolidation
- o The fair value of certain financial assets not listed on official secondary markets Estimates used to calculate other provisions Income tax and deferred tax assets and liabilities

F.3.2.- Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The rural credit cooperatives that make up the Caja Rural Group have set up a number of companies to improve efficiency and achieve economies of scale. These include the technology services company Rural Servicios Informáticos SC and Banco Cooperativo Español, SA. Rural Servicios Informáticos SC provides IT services to all rural credit cooperatives making up the Caja Rural Group. Banco Cooperativo Español SA provides services including treasury management and capital markets services, investment fund administration and management, Spanish and international transfer systems, and support services for the rural credit cooperatives in relation to tax, legal, organizational and regulatory issues, etc.

Rural Servicios Informáticos SC uses a shared centralised IT applications and management platform, including systems for transactions accounting and preparation of financial reporting. IT applications supporting the Bank's core banking operations are developed to comply with CMMI standards, designed to ensure IT systems function as intended, thus minimising the risk of introducing errors in financial reporting.

Regarding business continuity, the abovementioned Caja Rural Group companies have a Systems Continuity Plan which, among other things, provides IT backup centres on separate sites which can replace the main centre in case of need.

- Banco Cooperativa Español has a dedicated technology centre for SWIFT, treasury back office and private banking, and another alternative backup centre specifically for supporting treasury and capital markets, so that market operators and the control and support units for these activities can continue to function in the event of an emergency affecting the building now in use.
- Rural de Servicios Informáticos SC, which supports core banking and accounting operations, has an alternative backup centre, synchronized through a system of daily backup copies, one saved on the host itself and the other in the alternative IT centre. The integrity of backups is regularly reviewed. The backups are checked regularly for comprehensiveness.

Finally, Caja Rural de Navarra has a specific Business Continuity Plan, with alternative workstations identified with duplicate systems for other operations, and the possibility for those in key functions to work remotely with access to the Group's IT systems from designated locations over a secure connection.

Caja Rural de Navarra has appropriate security protocols that include controlling access to each of the systems described.

F.3.3.- Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Bank regularly reviews which activities connected to financial reporting are subcontracted out and, where applicable, the Management Control Department puts in place control procedures to carry out sanity checks on information received. Caja Rural de Navarra uses independent third parties to provide certain valuations, calculations and estimates used in the preparation of the consolidated and separate financial statements provided to financial markets, such as asset appraisals, actuarial valuations, etc.

At present, it has supervision and review procedures in place for activities outsourced to third parties, such as calculations or valuations by independent appraisers which are material to the process of financial reporting. These supervision procedures will be expressly reviewed to check their compliance with ICFR and brought into line with market best practice. The procedures cover the following areas:

- Formal designation of those responsible for particular actions.
- Pre-contract analysis, looking at alternative proposals.
- Supervision and revision of information generated or services provided:
- For subcontracted activities: requests for regular reports, inclusion in internal audit plans, mandatory external audit where applicable, regular review of the service provider’s capacity and qualifications.
- For valuations carried out by external appraisers: reviews of the correctness of the information provided, regular review of the appraiser’s capacity and qualifications.

The Bank reviews its estimates internally. Where it is deemed appropriate, the Bank brings in third parties for certain specific tasks, having checked their competence and independence, and that the methods they use are valid and any assumptions made are reasonable

F.4.- Reporting and communications

Report, highlighting as a minimum and where available the main features of:

F.4.1.- A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, , which is in regular communication with the team in charge of operations, and for maintaining and updating a manual of accounting policies and communicating these to all the company's operational units.

The Management Control Department is responsible for defining and maintaining the accounting policies applied to the Bank's transactions. New and amended standards are analysed by this department, which is responsible for giving instructions about how they should be implemented in the IT systems.

There is no complete manual of accounting policies as such. Instead the Bank's accounting polices follow Bank of Spain circulars (Circular 4/2004 as amended) and international financial reporting standards (IFRS-EU). However, the Management Control Department does have documentation setting out accounting policies for certain critical activities and procedures.

At subsidiaries of Caja Rural de Navarra, the accounting guidelines and standards applied are determined by the Management Control Department based on standardized criteria and formats which facilitate the preparation of consolidated financial information.

F.4.2.- Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The process of consolidation and preparation of financial information is carried out centrally.

IT applications are organized according to a management model structured around the requirements of a banking IT system. This structure includes different areas providing different types of services:

- general IT systems that supply data to the area or unit heads. management systems that provide business monitoring and control information.
- operational systems, i.e. applications to cover the full life-cycle of products, contracts and customers.

- structural systems, that support data shared by all applications and services. These systems include all systems related to accounting and economic data.

A key objective of this model is to provide the infrastructure needed to run the software that manages all transactions and their subsequent accounting treatment and to allow access to the various types of support data. Based on this accounting infrastructure, processes are developed for the preparation, communication and storage of all regulatory financial reporting and internal accounting data, under the supervision of the Management Control Department.

Financial information is consolidated and prepared through a centralized process run by the Management Control Department.

Subsidiaries are responsible for their own account-keeping in the dedicated and all report accounting information in Spanish GAAP format.

The consolidation process is very straightforward and is carried out quarterly using an office software programme. There are nevertheless procedures to control and verify the information to ensure that intragroup items are identified and eliminated in the consolidation process. Also, to ensure the information is accurate and complete, the consolidation software is programmed to make the adjustments to eliminate intragroup equity holdings and transactions, which is done automatically in accordance with the validation procedures defined in the system.

F.5.- F.5 Monitoring of system operations.

Report, highlighting as a minimum the main features of:

F.5.1.- The Audit Committee's ICFR supervisory activities and whether the company has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Companies should also report on the scope of the ICFR assessment conducted in the year and the procedure by which the assessor communicates its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

Internal Audit regularly presents to the Audit Committee the results of its verification and validation work, and the resulting action plans. Work done by the external auditor or other independent experts follow the same procedure.

The minutes of the Combined Audit and Risk Committee document the work done from its planning to the reviews of results obtained.

Internal Audit functions are carried out by the Internal Audit Department of Caja Rural de Navarra which reports to the Audit Committee.

The Audit Committee relies on the Internal Audit Department to monitor the Internal Control System and ICFR. Internal Audit reviews the risk management systems, internal operating procedures and compliance with internal and external regulations.

The assessments carried out by the Internal Audit Department cover certain aspects of the process of financial reporting, mainly taking the form of reviews of accounting issues.

The reports and documents produced as a result of these reviews show the recommendations for various improvements and the impact each would have on financial reporting.

F.5.2.- Indicate whether there is a discussion procedure whereby the auditor (pursuant to technical accounting standards), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The auditor issues an annual report of recommendations which is presented to the Audit Committee. This sets out any weaknesses in the internal control procedures identified during the audit of the financial statements. The report is passed on to the units/areas concerned which are then responsible for proposing improvements to resolve the weaknesses identified.

The rules of the Audit Committee include the following functions:

- To propose the appointment of an external auditor for the Bank and Group subsidiaries, the terms of their engagement, the scope of their professional mandate and if applicable, their termination or non-renewal
- To supervise the internal audit function and monitor the work of the external auditors.
- review the final auditors' report, discussing, where necessary, any points that it considers appropriate, before these are made known to the Governing Board.
- To oversee follow-up of recommendations made by internal and external audits.

F.6.- Other relevant information.

Nothing to report.

F.7.-Auditor's report.

Report on:

F.7.1.- Whether the ICFR information delivered to the markets has been reviewed by the external auditor. If it has, the Entity is to include the corresponding report as an Annex. If it has not, the reasons for the absence of this review should be stated.

The ICFR information delivered to the markets has not been reviewed by the external auditor in line with the policy on other information in the Annual Corporate Governance Report, only the accounting content of which is reviewed by the auditor. Also, it was felt that an external audit of the ICFR information delivered to the markets would be largely redundant, as technical audit standards require, in any case, that the external auditor review internal control as part of its audit of the financial statements.

G.- OTHER DISCLOSURES OF INTEREST

Briefly describe any other material points affecting the corporate governance of the company or its group subsidiaries that have not been included elsewhere in this Report, but which are essential to the full and reasoned disclosure of the company's or group's governance structure and practices:

This section may also include any other relevant but not re-iterative information, clarification or detail related to previous sections of the report.

Specifically, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

The company can also indicate whether it has voluntarily signed up to any other codes of ethics or best practice, whether international, industry-specific or covering some other scope. If so, the company should identify the code and its date of adoption..

Caja Rural de Navarra's good governance model includes the following best practices:

- The Bank has a Customer Services Department which manages, as required by the Bank of Spain, all the claims and suggestions which the Bank receives through the various channels it provides.

- The Bank has a Compliance Unit which oversees strict compliance with legislation in force regarding: Corporate Governance, Prevention of Money Laundering, Data Protection and Customer Protection in the marketing of banking and investment products and services.

- The Bank has a code of conduct for managers and employees of the Bank approved by the Governing Board.- The Bank has approved a handbook summarising the Bank's Marketing Communications Policy.- The Bank has a handbook which summarises the Bank's anti-corruption policy.

- The Bank has handbook summarising the Policy on Purchases and Expenses Management for the Bank.

- The Bank has an Internal Governance System that aims to:

i) promote transparent, independent, effective and prudent management of the Company and its Group, in compliance with the requirements of regulators and supervisors;

ii) To clearly attribute responsibilities and competences for internal control, including defining audit and internal control units and functions.

iii)To make sure that decisions are taken in an appropriately informed manner and in the interest of the Bank and hence its members and to look after the interests of investors, customers, employees and other stakeholders.

The section below highlights any corporate governance issues that the Bank considers material and expands on previous sections of this report where the Bank considers it appropriate.

The information given in section A.4 complies with the requirements of the applicable standards: Act 13/1989, on Cooperative Credit Institutions, Royal Decree 84/1993, of 22 January, on Regulation of Cooperative Credit Institutions, and Act 27/1999, on Cooperatives.

In section C.1.2., which lists members of the Governing Board it should be noted that the Board is currently chaired by Ignacio Terés Los Arcos.

The suitability for their post of people covered by regulation 30 of Bank of Spain Circular 2/2016 and EBA Guidelines 2017/12 on the assessment of the suitability of members of the management body and key function holders, is assessed by the Bank's Appointments Committee as one of its functions. The suitability of those joining the Bank's Governing Board for the first time is also assessed by the Bank of Spain, whose approval is essential for anyone to take up their post on the Board.

The Appointments Committee also assesses issues of incompatibility in compliance with regulation 34 of Bank of Spain Circular 2/2016 and and EBA Guidelines 2017/12 on the assessment of the suitability of members of the management body and key function holders, looking at each member of the Bank's Governing Board and General Management. This information is passed on to the Bank of Spain on request for its controls in this respect.

Legal Documentation

REMUNERATION OF GOVERNING BOARD

The per diems approved at the General Meeting of 9 May 2014 to remunerate Caja Rural de Navarra's directors for attending Board and Committee meetings were approved with quorum of 77 people, 1,253 valid votes, 1,253 votes in favour, 0 against and 0 abstentions. Total remuneration (in thousands of euros) accrued by each board member is as follows:

- Ignacio Terés Los Arcos: 21.6
- José Ángel Ezcurra Ibarrola: 4.2
- Carlos Sánchez Diestro: 2.8
- Alberto Arrondo Lahera: 3.0
- Pedro María Echarte Sevine: 3.6
- Jesús Andrés Mauleón Arana: 2.6
- Pedro Jesús Irisarri Valencia: 4.7
- Manuel García Díaz de Cerio: 2.6
- Fernando Olleta Gayarre: 2.3
- Marcelino Etayo Andueza: 4.4
- Roberto Zabaleta Ciriza: 2.6
- Francisco Javier Artajo Carlos: 2.2
- Jesús María del Castillo Torres: 1.4
- Gabriel Urrutia Aicega: 1.8

INFORMATION ON IDENTIFIED PERSONNEL IN ACCORDANCE WITH REGULATION 1 OF CIRCULAR 2/2016

Regarding identified personnel as specified in the Circular's regulation 1, the categories of personnel whose professional activities have a material impact on the risk profile were as follows:

- General management: 1 person
- Risk management: 1 person
- Audit: 1 person
- Marketing: 1 person
- Sales management: 1 person
- Sales management, branches: 1 person
- Corporate clients management: 1 person
- Treasury/private banking management: 1 person
- Management control: 1 person
- Head of equity investments: 1 person

- Head of legal affairs: 1 person
- Head of human resources: 1 person
- Head of technology and organization: 1 person
- Head of housing and real estate assets: 1 person

Total remuneration paid to this group in 2018 was EUR 1,882 thousand.

Remuneration to the identified group is paid as fixed individual remuneration to fairly reflect each employee's responsibility and professional career. This is reviewed regularly (at least annually) and changed where appropriate. The Remuneration Committee analyses the basic principles of the policy applied.

Remuneration is adjusted through variable remuneration taking account of the results of each working team and the overall results of the Bank. They are always based on the qualitative issues most closely related to long-term performance (maintenance of the customer base, customer satisfaction, balanced growth in terms of segments and products, etc.). Part of this remuneration may be deferred for between 3 and 5 years, tied to completion of the Strategic Plan for this period. No variable remuneration exceeding 100% of fixed remuneration has ever been approved.

This Annual Corporate Governance Report was approved by the Company's Board at the meeting held on: 22/03/2019

List the directors that voted against or abstained from approving this report:

Legal Documentation

CSR REPORT AND NON-FINANCIAL STATEMENTS 2018

CORPORATE SOCIAL RESPONSIBILITY REPORT OF CAJA RURAL DE NAVARRA AND CONSOLIDATED NON-FINANCIAL STATEMENTS OF CAJA RURAL DE NAVARRA GROUP 2018

EXTERNAL VERIFICATION DATE 11 APRIL 201

In this Corporate Social Responsibility Report Caja Rural de Navarra has comprehensively applied GRI Standards which have been verified by Aenor as external assurer.

Annex II contains the 2018 Non-Financial Statements in accordance with Law 11/2018 of 28 December.

1. CHAIRMAN'S LETTER

This is the second year in which Caja Rural de Navarra presents its Corporate Social Responsibility Report. Last year we combined the preparation of this report with the publication of non-financial information, which certain companies were obliged to publish for the first time, to improve transparency in these fields.

This year, following publication of Act 11/2018, Caja Rural de Navarra has decided that this report should also address all the required standards thereby fulfilling both sets of reporting requirements: regulatory and corporate.

The information is principally based on the Global Reporting Initiative (GRI) Sustainability Reporting Standards to provide greater objectivity and comparability, a format that ultimately improves the Bank's transparency vis-a-vis wider society. Also, as the new regulations require, the information has been verified by specialist external assurers, in our case this year by the company AENOR, which has a widely respected track record in the field.

The Bank's social vocation is grounded in its legal form as a cooperative, its corporate mission, carrying on its business in all economic sectors, and in its local regional footprint, creating a form of symbiosis that is almost existential for the Bank in that the Bank's development parallels that of the community where it is active and each relies on the other. The region generates initiatives for development and we support these initiatives financially and socially.

Caja Rural de Navarra's business keeps it close to its community and impacts its social environment. This helps encourage sustainability and embodies its commitment to local economic development which, in turn, helps shape the present and future environment in which we operate.

New regulations are ever more demanding on corporate transparency issues in all areas and social responsibility reporting is one of the most important. Companies have to meet the economic objectives that underpin our development. But we have to do this sustainably and taking account of the impact our business has on our community.

Making progress on this front is part of our engagement with society and our main stakeholders (employees, customers and suppliers), and strengthens our relationships with people, customers and our community. This helps guarantee our economic and social sustainability.

We hope this report will help make the Bank better and more widely known among all those who, in whatever way, are interested in and committed to its development.

IGNACIO TERÉS LOS ARCOS

2. ABOUT THE REPORT

2.1. ABOUT THE REPORT

This is the second Corporate social responsibility report, based on data at 31 December 2018 and compiled in accordance with GRI standards with a closely drawn focus on the most significant disclosures and the same scope as the first report.

In Annex II Caja Rural de Navarra publishes the Non-Financial Statements for the consolidated Group in accordance with Law 11/2018 of 28 December, on non-financial information and diversity, including European Commission Communication 2017/EC/215/01 on Guidelines for the presentation of non-financial reports.

The report seeks to give an overall view of Caja Rural de Navarra's progress in 2018, its management model, its place in the Spanish financial system and its exercise of corporate social responsibility in the various areas where it applies.

The report contains the most relevant economic and financial and corporate governance information, as well as information on the social and environmental issues that have been judged relevant for our stakeholders.

As for the reporting scope, we report on Caja Rural de Navarra, as a financial institution, and in Annex II we also report on the set of companies in which it invests and those included in its scope of consolidation.

Regarding dissemination of the report, we plan to issue it through the following channels:

- Made available to people and agents who contributed to its preparation.
- Publication on www.cajaruraldenavarra.com
- Breakdown among principle stakeholder groups.

Request for information:

Information that is not included in this report can be found at www.cajaruraldenavarra.com or requested by applying to the contact addresses below:

- *e-mail: See "Contacta" section of www.cajaruraldenavarra.com, buzon.crnavarra@cajarural.com*
- *mail: Servicio de Atención al Cliente (Customer Services Department) CAJA RURAL DE NAVARRA, Plaza de los Fueros 1 31003 Pamplona.*

In 2017, Caja Rural de Navarra prepared its first CSR report. In 2018, it publishes the second CSR report for Caja Rural de Navarra and the Non-financial Statement for Caja Rural de Navarra Consolidated Group, with external assurance by Aenor.

Caja Rural de Navarra's Governing Board will sign off the CSR report, which will be presented after its approval at the General Meeting.

The intention is to publish this Report each year.

2.2. DIALOGUE WITH STAKEHOLDERS

Having carried out an analysis and initial diagnostic, one of the measures implemented was to set in train a dialogue with stakeholders. This process was seen not only as an essential tool to determine what should be included in this report but also as a channel through which the Bank's different stakeholders could participate actively in its CSR strategy.

Caja Rural de Navarra has identified the people or groups of people which have an impact on or are affected by its activities, products and services and which therefore have a stake in Caja Rural de Navarra.

It is important to embed a commitment to stakeholders. This means initiating a range of actions and efforts to understand and involve these groups in the Bank's activities and decision-making.

Stakeholder groups participating in the process:

- Retail customers
- Private banking customers
- Corporate customers
- Institutional customers
- People
- Suppliers

Caja Rural de Navarra's management of its stakeholders is based on trust and open dialogue, which allows us to forge close relationships with each of them, understand their needs and expectations and make commitments to improve.

The abovementioned groups have been consulted by Caja Rural de Navarra to determine which CSR issues they see as most pressing for Caja Rural de Navarra and this has been distilled into a single priority list of relevant material issues for the stakeholders consulted.

Channels for communication with stakeholders:

Caja Rural de Navarra has set up a number of channels and mechanisms to generate dialogue with its stakeholders. All the information collected and analysed through these dialogue processes feeds into future CSR guidelines and initiatives.

STAKEHOLDER GROUPS	COMMUNICATION CHANNELS
CUSTOMERS	Customer services departments - Social networks
	Quality surveys - Te escuchamos (we are listening)
Retail	Customer satisfaction review
Corporate	Suggestion boxes
Private banking	Cajaruraldenavarra.com website
Institutions	General commercial relationships
	Materiality survey for the preparation of this report
	Personal materiality interviews for the preparation of this report
	Materiality focus group of corporate customers for the preparation of this report
EMPLOYEES	Caja Rural de Navarra intranet
	Internal website: ideas and experiences
	Comité de Empresa (works council)
	Internal Communication Group
	Materiality focus group for the preparation of this report
	Materiality survey with employees of Caja Rural de Navarra for the preparation of this report
SUPPLIERS	Commercial and contractual relationships
	Quality surveys
	Materiality survey of the biggest-billing suppliers of Caja Rural de Navarra in 2018

2.3. EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION

For the second year, as part of the process of preparing the CSR report to GRI standards (see www.globalreporting.org/standards/), Caja Rural de Navarra has carried out a materiality analysis.

This analysis was done only at Parent Bank scope. (Caja Rural de Navarra).

The aim is to identify those issues that most impact the organization and its stakeholders and which it is therefore essential to report on.

The guidelines state that sustainability reporting should be based on the following principles:stakeholder inclusiveness, sustainability context, materiality and completeness.

In applying these principles to report content, Caja Rural de Navarra has defined and applied a number of methodologies to identify which issues are material.

This document summarises the main conclusions of Caja Rural de Navarra's materiality analysis, which was carried out between December 2017 and March 2018 and updated in March 2019.

In preparing this CSR report, the Bank consulted closely on expectations with its suppliers and employees to make sure it was representative of their views.

EXTERNAL VIEW	CONSULTANCY METHODS	RESPONSES OBTAINED
Retail customers	Online questionnaire	2,633
Private banking customers	Focus group with managers Face-to-face interviews with customers Written questionnaire	24
Corporate customers	Focus group with managers Focus group with customers Face-to-face interviews with customers Written questionnaire	33
Institutional customers	Online questionnaire	27
Employees	Focus group with the Internal Communications Committee Questionnaire 2018 Questionnaire 2019	20 468
Suppliers	Questionnaire 2018 Questionnaire 2019	2 6
INTERNAL VIEW	**CONSULTANCY METHODS**	**RESPONSES OBTAINED**
Management Committee	Online questionnaire	31

After analysing the consultations with stakeholders, the areas of information considered to be a priority by each stakeholder group and on which Caja Rural de Navarra should therefore report were found to be:

RETAIL CUSTOMERS

- Caja Rural de Navarra's policy on CSR and social engagement.
- Reporting on the Commercial Model: transparency, marketing channels, ethical behaviour, etc.
- Corporate reporting: Bank strategy, corporate and organizational structure, etc.

INSTITUTIONAL CUSTOMERS

- Caja Rural de Navarra's policy on CSR and social engagement.
- Corporate reporting: Bank strategy, corporate and organizational structure, etc.
- Reporting on the Commercial Model: transparency, marketing channels, ethical behaviour, etc.

PRIVATE BANKING CUSTOMERS

- Reporting on the Sales Model: transparency, marketing channels, ethical behaviour, etc.
- Corporate reporting: Bank strategy, corporate and organizational structure, etc.
- Caja Rural de Navarra's policy on CSR and social engagement.

PEOPLE

- Financial strength of the Bank and global risk management.
- Caja Rural de Navarra's policy on CSR and social engagement. • Marketing transparency.
- Quality of service and customer satisfaction.
- Work-life balance.

CORPORATE CUSTOMERS

- Reporting on the Sales Model: transparency, marketing channels, ethical behaviour, etc.
- Corporate reporting: Bank strategy, corporate and organizational structure, etc.
- Caja Rural de Navarra's policy on CSR and social engagement.

SUPPLIERS

- Strategy.
- Corporate and organizational structure.
- Quality of service and customer satisfaction.

Caja Rural de Navarra's materiality analysis take into account internal and external elements in order to identify the material scope.

Thus, once the stakeholders' priorites have been identified, members of management committee and product managers are questionned to complete Caja Rural de Navarra's vision and estrategy.

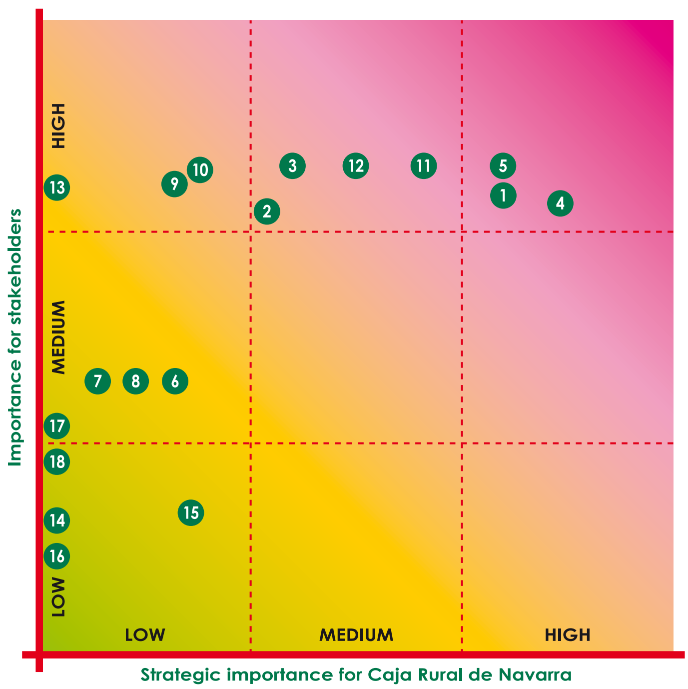
Legal Documentation

PPRIORITIES OF STAKE-HOLDERS **EXTERNAL VIEW**	**ISSUES:** • ECONOMIC • SOCIAL • ENVIRONMENTAL
HIGH	• Quality of service and customer satisfaction
	• Caja Rural de Navarra's policy on CSR and social engagement
	• Marketing transparency
	• Financial strength of the Bank and global risk management
	• Strategy
	• Corporate culture
	• Sales model
	• Management of suggestions, complaints and claims
	• Corporate and organizational structure
	• Marketing channels
MEDIUM	• Personal development
	• Work-life balance
	• Equality and diversity
	• Education and environmental awareness
	• Code of conduct
LOW	• Reduction of consumables
	• Payment systems
	• Contracting criteria

PRIORITIES OF STAKE-HOLDERS **INTERNAL VISION**	**ISSUES:** • ECONOMIC • SOCIAL • ENVIRONMENTAL
HIGH	• Financial strength of the Bank and global risk management
	• Strategy
	• Caja Rural de Navarra's policy on CSR and social engagement
	• Marketing transparency
MEDIUM	• Quality of service and customer satisfaction
	• Corporate culture
	• Corporate and organizational structure
	• Codes of conduct
LOW	• Marketing channels
	• Commercial model
	• Personal development
	• Equality and diversity
	• Work-life balance
	• Management of suggestions, complaints and claims
	• Contracting criteria
	• Payment systems
	• Reduced use of consumables
	• Education and environmental awareness

PRIORITIES OF STAKE-HOLDERS **GLOBAL VIEW**	**ISSUES:** • ECONOMIC • SOCIAL • ENVIRONMENTAL
HIGH	• Financial strength of the Bank and global risk management
	• Caja Rural de Navarra's policy on CSR
	• Social engagement Strategy
	• Marketing transparency
	• Quality of service and customer satisfaction
	• Corporate culture
MEDIUM	• Corporate and organizational structure
	• Commercial model
	• Marketing channels
	• Management of suggestions, complaints and claims
	• Codes of conduct Codes of conduct
	• Personal development
LOW	• Equality and diversity
	• Work-life balance
	• Education and environmental awareness
	• Reduction of consumables
	• Payment systems
	• Contracting criteria

The following table shows the relative importance of the different issues addressed by the analysis



1. Strategy
2. Corporate strategy and organisation
3. Corporate culture
4. Financial strength of the Bank ang global risk management
5. Caja Rural de Navarra's CSR Policy and Social Commitment
6. Personal development
7. Work/life balance
8. Equality and diversity
9. Commercial model
10. Marketing channels
11. Transparency in marketing
12. Service quality and customer satisfaction
13. Management of suggestions, complaints and claims
14. Contracting criteria
15. Code of conduct
16. Payment systems
17. Reducing use of consumables
18. Environmental education and awareness

Legal Documentation

The materiality analysis conducted by Caja Rural de Navarra identified the following material issues for mandatory inclusion in the **CSR Report:**

ECONOMIC

- Financial strength of the Bank and global risk management.
- Strategy.
- Marketing transparency.
- Quality of service and customer satisfaction.

SOCIAL

- Caja Rural de Navarra's policy on CSR and social engagement.
- Corporate culture.
- Employee issues were not identified as material. But we have nonetheless reported on measures taken by the organization and management focus in this area.

ENVIRONMENTAL

- No environmental issues were identified as material. This is consistent with the nature of Caja Rural de Navarra's business.

  This report sets out the environmental measures taken in our organization as an indication of the Bank's commitment to the environment.

The materiality analysis also yielded interesting information on our stakeholders which will feed into the design of our Corporate Social Responsibility Plan during the next few years.

The Materiality Analysis was carried out between December 2017 and March 2018 and updated in March 2019.

In 2018, the materiality analysis was updated. The consultation to employees and supplier stakeholder groups was deeper however the issues considered as material did not change.

2.4. MANAGEMENT FOCUS

Guided by the conclusions of the materiality analysis following consultation with our stakeholders, Caja Rural de Navarra bases its relationship with its stakeholders on the following criteria:

1. CUSTOMERS

The Bank focuses overwhelmingly on local and retail banking. Little surprise then that the main points identified in our materiality matrix have to do with how we relate to our customers (retail, private banking, corporate and institutional).

The Bank prioritises responsible banking with a long-term view of its customers' needs regarding products (transparency and advice on investment and financing products) and in its marketing processes, emphasising local connections and quality of service.

See the "Customers" section below for further details of the Bank's activities in this area.

2. THE TEAM

Regarding employees, the materiality analysis identified a number of key points to which the Bank is paying special attention. Particularly important were the issues of involving the team in strategy, career management plans, training and a policy on professional selection and development based on merit and effort. All this is being implemented over a long-term horizon, something we believe is fundamental to avoid conflicts of interest and make sure the work being done by our teams aligns with the aims of our different stakeholder groups, a crucial point for a services company if it is to flourish over the long term.

3. THE COMPANY

Our relationship with wider society is a differentiating factor for Caja Rural de Navarra. Our structure as a regional cooperative bank inevitably implies a close relationship with the region where we operate and a longer term vision. This reflects its cooperative ownership and business structure, which helps limit the risk of taking decisions on too short term a basis or where the interests of one group take excessive precedence over the rest.

On this point, it is essential for the Bank that society in the regions where we operate continues to see us as a local institution, supporting local initiatives, which has a far more direct knowledge of the economic and social realities of the towns and cities in our regions, and which supports key social groups to support long-term community development, such as SMEs, entrepreneurs, grass-roots sport, educational and cultural activities, etc. with an inclusive focus for the different social groups that is sustainable over time.

4. ENVIRONMENT

As a financial services institution, the Bank has limited direct material impact on environmental issues. Nonetheless, the Bank is developing multiple initiatives not only by reducing the negative impact of its own activities but also by supporting initiatives designed to improve the environment in our regions through training, awareness-raising, direct investment in environmental business projects (forest management, renewable energy, etc.) and by supporting projects to improve the environment through its financing lines (sustainable agriculture, sustainable forest management, waste management, renewable energy and energy efficiency).

5. SUPPLIERS

Caja Rural de Navarra seeks to maintain with its suppliers and partner companies a close, respectful, trusting and transparent relationship which promotes in-depth knowledge of the companies we contract with and confidence in the quality of the services provided, as we explain in greater detail below.

In its selection processes, the Bank measures suppliers against its own set of ethical principles, which besides including quality and financial costs, also requires that companies respect workers' rights, behave transparently and have a clean record on social and environmental issues.

2.5. STRATEGY

Caja Rural de Navarra is a cooperative institution specialising in retail and regional banking, which serves its customers through a network of 252 branches in the regions of Comunidad Foral de Navarra, the Basque Country and La Rioja as well as through its virtual channels.

The Bank has drawn up a 4-year Strategic Plan to complement its annual plans.

The key principles of the Strategic Plan are based on balanced growth which allows the Bank to keep growing market share in all areas where it operates while maintaining its differentiating model of a regional retail cooperative bank.

To achieve this, it is essential to maintain the levels of profit, efficiency, solvency and liquidity set out in the Strategic Plan, as well as to develop a marketing approach that meets the needs of customers and adapts as necessary to the needs of each segment and type of demand. An important tool for this is the digital customer service that the Bank offers its customers through Ruralvía, its e-banking facility, accessible through a range of devices including computers, smart phone, tablet and other IT apps (Ruralvía pay, etc.) as well as the ATM network.

The Bank also belongs to Caja Rural Group, a financial group based on a federal banking model. This overcomes the limitations of its member Rural Credit Cooperatives regarding scale and the geographical reach of their business while safeguarding their full autonomy and the essential requirement of banking effectiveness and business efficiency.

To run its business, the Caja Rural Group relies on shared central services provided by the companies set up by the group and covering each of the main business areas of the member Rural Credit Cooperatives. Banco Cooperativo Español, Seguros RGA and Rural Servicios Informáticos give the group a competitive edge in meeting the challenges of an increasingly innovative and demanding market.

The main challenges and strategies of the Bank can be summed up as achieving the profitability to guarantee its future sustainability through a high-quality financial offer and a cost structure that provides the necessary competitiveness.

The strategy is to be a leader, or a benchmark institution, in its natural market. The Bank is an integral part of society and, by virtue of its origins and deep roots in local society, is an important and energizing contributor to social development.

It is fully committed to its environment, on which the Bank is completely dependent for its own development, while always taking a long-term view.

The Bank's strategy incorporates the following points:

- Continuing improvement of market share in its key segments: retail, corporate and institutional banking.
- Further digitization of internal and external processes and of the bank's institutional and marketing communications.
- Maintenance and on occasion expansion of the bank's branch network in the regions where it is active (navarre, the basque country and la rioja).
- Promotion of advice and distribution of investment products, with a special focus on private and personal banking in accordance with the changes brought in by mifid ii regulations.

- Maintaining levels of solvency, liquidity, efficiency and asset quality.
- Support for the cooperative banking model through the spanish association of cajas rurales and companies in which it has equity investments (banco cooperativo español, rural grupo asegurador, rural informática, etc.) with the aim of maintaining the economies of scale, efficiency and competitiveness essential for the market.
- Continuous training for employees and development of new products and services to further the abovementioned aims.
- Development of insurance distribution.
- Stepping up communication of the bank's esg strategy, by publishing the first corporate social responsibility (csr) report and sustaining initiatives in this field, such as the sustainability framework that applies to the loan book.

2.6. PROGRESS OF CAJA RURAL DE NAVARRA'S STRATEGIC PLAN

Strategic planning has long been one of the Bank's key management tools, with a series of plans over several years. The current plan was drawn up in 2015 for the following four years: 2016, 2017, 2018 and 2019. At the time of writing in 2019 we can say that we are meeting the targets planned. Key targets included:

Loans and Advances:

This target is on track. The Strategic Plan foresaw annual growth of 7% overall. In 2018, global growth was 6.31%, or 9.53% in the branches outside Navarre, meaning these branches outside Navarre are now contributing 50% of total lending.

Liabilities:

Liabilities slightly underperformed the projected annual growth of 7% in the Strategic Plan. In 2018 growth was 5.21%, 8.17% outside Navarre with ex-Navarre branches contributing 38% of all liabilities at the end of the year.

New customers:

The bank attracted 33,835 new customers in 2018, more than envisaged in the Strategic Plan.

Non-performing loans:

NPLs remained very low at 1.77% in 2018, which is in fact below the plan target of 2.08%.

Profit:

Total profit in 2018 was EUR 91.25 million, beating the EUR 71.63 million projected in the Strategic Plan.

Solvency:
The Bank achieved its budgeted solvency ratio of 16.40%.

Overall, we can report that we hit most of the economic targets set in the Plan, improved market share and expanded our network in the markets of Vizcaya (2 new branches in 2018) and Álava (1 new branch in 2018).

Other strategic targets included the Digital Transformation Plan which will help us improve productivity and multi-channel banking to better compete in the market.

3. ABOUT US: STRUCTURE OF THE BANK

3.1. ABOUT US

Caja Rural de Navarra is a credit institution that operates in Spain. Although its origins date back to 1910 as the central body for several Navarre cooperatives, Caja Rural de Navarra was founded in its current legal form in 1946. It is subject to the laws and regulations on credit institutions operating in Spain including Act 13/1989, of 26 May, on Cooperative Credit Institutions, Royal Decree 84/1993, of 22 January, and Act 27/1999, of 16 July, on Cooperatives. The Bank is governed by its articles of association, as officially amended to comply with Act 27/1999.

It is a member of the Deposit Guarantee Fund and registered in the Special Register of Banks and Bankers under number 3008.

Caja Rural de Navarra has more than 164,900 members representing a wide diversity of sectors and society. The Company has no majority or controlling members.

Its business originally focused on the agri-business and fisheries sector but developed over the years as the region became increasingly industrialised. Now, Caja Rural de Navarra operates a universal banking model, with a culture based on transparency, responsibility , austerity and risk management.

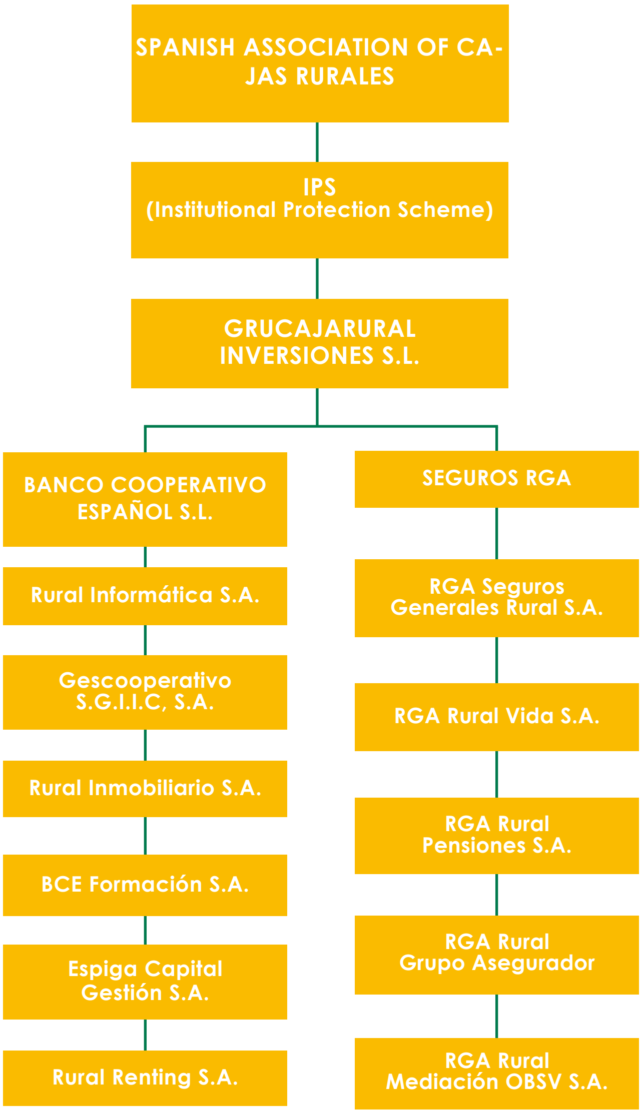
It retains its local focus and, following the tradition of the European cooperative model, its financial activities serve all retail banking segments (retail, corporate, the self-employed, institutions, etc.) through a network of 252 branches in the regions of the Comunidad Foral de Navarra, Basque Country and La Rioja.

Its strategy is local growth. Despite the radical changes that have redrawn the map of Spanish banking in recent years it has been neither the object nor protagonist of any mergers and has retained its name and the historical brand of Caja Rural de Navarra.

The Bank has maintained its business model of pursuing continued growth over time and has proved successful in improving its market position, financial statements, solvency and liquidity, having emerged stronger from the 2008 financial crisis.

Caja Rural de Navarra has been, since the early 1990s, the a founding member of the "Grupo Caja Rural" (the "Group" or "Caja Rural Group") in which regional cooperative banks came together as a way to generate synergies and economies of scale. This association is not however a "Group" in the sense of Article 42 of the Spanish Commercial Code. The system of association based on a federated banking model means members can retain their autonomy, provided they adhere to the essential prerequisites of banking activity and business efficiency, while overcoming the limitations of small scale and regional scope they would otherwise have to confront. Currently, the Group's corporate structure looks as follows:

GROUP CORPORATE STRUCTURE



Legal Documentation

This model is typical of European cooperative banking (Crédit Agricole in France, DZ Bank in Germany, Rabobank in the Netherlands, etc.) and provides greater security and stability to its member institutions. Its core principles are strong regional roots and collaboration in the economic and social development of the local communities where member institutions operate.

This system of integration based on a federated banking model means members can retain their autonomy, provided they adhere to the essential prerequisites of banking activity and business efficiency, while overcoming the limitations of small scale and regional scope they would otherwise have to confront.

1. Spanish Association of Cajas Rurales

An association constituted under Organic Act 1/2002 of 22 March regulating the Right of Association in Spain and additional regulations, with its own legal personality and authorised to work, on a not-for-profit basis, for the fulfilment of the corporate purposes for which it is founded, these generally being to foment cooperation between its member institutions, so strengthening their solvency and stability and improving their functioning and financial results.

The Association was created in 1989 and currently includes 29 Rural Credit Cooperatives, all of which are independent of each other. It is governed by its articles of association and, in matters not covered by these, by applicable regulations. These include as an integral part the Regulations and Disciplinary procedures of the IPS (Institutional Protection Scheme).

The governing bodies of the Association are the General Meeting, attended by all member banks, and the Management Board, which statutorily has between 6 and 12 members. Caja Rural de Navarra, because of its size, has always been a part of the Association's Management Board since its creation. These bodies also exercise governance over the IPS.

A. The IPS.

Constituted in 2018, the IPS is an intercooperative mutual support and defence scheme created within the Association for the benefit of its members. It is an Institutional Protection Scheme in the sense of Article 113.7 of Regulation (EU) no. 575/2013 of the European Parliament and Council of 26 June 2013.

The IPS has no legal personality and is understood as the complex set of assets, rights, obligations and commitments included in the Association's articles of association and its protocols.

The purpose of the IPS is to help sustain the financial stability of its members individually and as a whole and help reduce the risk profile of its members.

The IPS's membership is made up of banks belonging to the Spanish Association of Cajas Rurales (the "Association"), Banco Cooperativo Español and the Holding Company.

The IPS has a Management Committee, constituted as a Delegated committee of the Association's Management Board, which is responsible for day-to-day management of the IPS and acts as its main management body. Caja Rural de Navarra, due to its weight in the Group, is a member of the Management Committee.

B. The Holding Company

The Holding Company is owned by the member Rural Credit Cooperatives pro rata their average total assets (ATA) in the Group. Caja Rural de Navarra currently has a 20.35% stake. The Holding Company's name is "Grucajrural Inversiones S.L.". It also owns the shares in the following companies belonging to the Caja Rural Group:

• Seguros RGA, which is composed of the following companies:

- RGA Seguros Generales Rural S.A. de Seguros y Reaseguros
- RGA Rural Vida S.A. de Seguros y Reaseguros
- RGA Rural Pensiones S.A.
- RGA Mediación OBSV S.A.
- RGA Rural Grupo Asegurador

• Banco Cooperativo Español:

Caja Rural de Navarra, because of its weighting within the Group, sits on the Board of Directors of this company, which it also currently chairs.

2. Banco Cooperativo Español S.A. (BCE)

BCE is an equity investment of the Caja Rural Group, whose capital is 84.73% owned by the member Banks – either directly or indirectly via Grucajarural Inversiones S.L. – and 12% owned by DZ Bank, a similarly inspired German cooperative banking group. Since being set up, BCE has contributed considerable know-how and experience to the Group and given it an international dimension.

The main purpose of Banco Cooperativo Español, set up in 1990, is to help the Group's banks achieve an appropriate market position and exploit the synergies and competitive advantages offered by their association. To achieve this, the bank is segmented into different specialist areas, responsible for dealing efficiently with shareholders and customers.

These are: Retail, Corporate, Private Banking, Treasury and Capital Markets, International, Human Resources, Organization and Legal Affairs and Tax.

The board of directors has 13 members, mostly drawn from the Caja Rural Group companies. Caja Rural de Navarra, because of its weighting within the Group, sits on the Board of Directors of BCE. It also currently chairs the Board.

The Group has its own fund manager, Gescooperativo S.G.I.I.C, SA, whose management is controlled by BCE, which is responsible for managing and marketing its in-house Investment Funds.

BCE is also supported in specific aspects of its business by the following companies: Rural Informática S.A., Rural Inmobiliaria S.L., BCE Formación S.A., Espiga Capital Riesgo S.A. and Rural Renting S.A.

Caja Rural de Navarra has no presence on any of these companies' governing bodies as they are operating companies of the bank itself.

Links: *www.ruralvia.com/bancocooperativo*

3. Seguros RGA

Seguros RGA was founded in 1986 with the aim of allowing Rural Credit Cooperatives to offer their customers a broad range of insurance and comprehensive provident solutions.

Members of Caja Rural Group own 97.3% of the company's capital. The component companies of Seguros RGA are as follows:

- RGA Seguros Generales Rural, SA de Seguros y Reaseguros.
- RGA Rural Vida, S.A. de Seguros y Reaseguros.
- RGA Rural Pensiones, S.A. Entidad Gestora de Fondos de Pensiones.
- RGA Mediación, Operador de Banca-Seguros Vinculado, S.A.
- RGA Grupo Asegurador, Agrupación de Interés Económico.

Caja Rural de Navarra is represented on the Boards of Directors of RGA Seguros generales rural SA and RGA Rural vida SA.

Links: *www.segurosrga.es*

4. Rural Servicios Informáticos (RSI)

Rural Servicios Informáticos, founded in 1986, is the Caja Rural Group's vehicle for defining and implementing the shared strategy for automated data processing at the Caja Rural Group. It is a Banking IT firm that designs, develops and manages solutions and services for the Caja Rural Group Banks and now also for other customers.

RSI's share capital is wholly owned by the members of the Caja Rural Group and it currently earns 67% of its revenues from Group members and 33% from third parties. The Board of Directors has 12 members, all representatives of Group entities. Caja Rural de Navarra, because of its weighting within the Group has always had a seat on the Board. It currently has an 18.03% stake in the company.

There are two other companies whose activities are closely linked to those of RSI.

A. Nessa Global Banking Solutions

Created in 2011, Nessa Global Banking Solutions is the vehicle through which RSI does business in international markets with companies outside the Caja Rural Group. It gives RSI a presence in four continents: Asia, America, Africa and Europe.

At the moment, it is governed by a Sole Director who acts as its top representative and management body. Caja Rural de Navarra currently has a 14.43% stake in this company.

B. Docalia S.L.

Docalia was created in 2003 when it was spun out of RSI's Post-Production Services Area. It is now a benchmark in Spain for integrated management and personalization of documents, cheques and cards.

At the moment, it is governed by a Sole Director who acts as its top representative and management body. Caja Rural de Navarra currently has a 18.04% stake in this company.

Links:
http://www.ruralserviciosinformaticos.com
www.nessagbs.com, www.docalia.com

5. UNACC

Caja Rural de Navarra is also a member of UNACC (the National Union of Cooperative Credit Institutions). UNACC was created in 1970 as the trade body for cooperative credit institutions representing the sector at institutional level. It is a free association and its membership includes all the Cooperative Credit Institutions in Spain. Its core purpose is to represent and defend the interests of its members, promote the credit cooperative model and act as interlocutors and representatives with public authorities and other bodies.

Its governance bodies are: The General Meeting of the 43 cooperatives that are currently members and a 15-strong Governing Board, which Caja Rural de Navarra currently sits on and vice-chairs.

UNACC has an international presence through the EACB (European Association of Cooperative Banks) an umbrella organization for Europe's cooperative credit institutions, which, with a market share of 20%, play an important role in the continent's economic and financial system. The association represents the interests of its 27 members, with their 3,100 affiliated cooperative banks and 80.5 million members, in European institutions.

Links:
www.unacc.com, www.eacb.coop

COMPOSITION OF THE CAJA RURAL GROUP				
GRUPO CAJA RURAL Rural Credit Cooperatives (AECR members)	100%	RSI		
	100%	SEGUROS RGA		
	88%	BANCO COOPERATIVO ESPAÑOL	12%	DZ BANK

THE CAJA RURAL GROUP – KEY FIGURES				
EMPLOYEES	**BRANCHES**	**ATMs**	**MEMBERS**	**CUSTOMERS**
8,401	2,341	2,500	1.5 millones	6.8 millones

3.2. PROFILE OF THE ORGANISATION

1. NAME
CAJA RURAL DE NAVARRA, Sociedad Cooperativa de Crédito.

2. LEGAL PERSONALITY (FORM)
Credit Cooperative.

3. CORPORATE PURPOSE
To engage in all types of lending and deposit-taking operations and provide services typical of the financial institutions that comprise the Spanish Financial System.

4. REGISTERED OFFICE
Pamplona (Navarre), Plaza de los Fueros, N°1.

5. REGISTRATION AND LICENSES
Registered in the Register of Cooperatives and Limited Partnerships of the Directorate General for the Spanish Labour and Social Security Ministry with number 2163/344. S.M.T., in the Bank of Spain with number 3008 and the Navarra Companies Register with volume 11, page 175, sheet NA 183.

6.Tax Identification N°. (NIF)
F/31021611

7. CORPORATE BODIES

A. General Meeting.

B. Governing Board.

8. SCOPE OF OPERATIONS

Caja Rural de Navarra's territorial scope of operation covers the whole of Spain, although the bank currently operates in the provinces of Navarre, La Rioja, Guipúzcoa, Álava and Vizcaya.

3.3. GOVERNING BODIES

The Caja Rural's corporate purpose as a credit institution, means that the Governing Board, besides its general competence to define and oversee implementation of a governance system for effective and prudent management of the bank, is also obliged by the EBA internal governance guidelines [EBA/ GL/2017/11] to create and oversee an appropriate and effective internal control framework that defines an organizational structure. This must, among other points, provide internal risk management, compliance and audit functions, with the independence, authority, scope and resources to properly fulfil their functions.

In line with the Company's permanent commitment to best corporate governance practice, the Governing Board of Caja Rural de Navarra, in exercise of its powers to set the Company's strategic aims including those for risk and internal governance, approved this System for Internal Governance of Caja Rural de Navarra (the "System"). Its implementation and development will be overseen by the Governing Board with the support of its delegated committees.

The System has the following aims:

- To promote transparent, independent, effective and prudent management of the Company and its Group, in compliance with the requirements of regulators and supervisors.
- To clearly attribute responsibilities and competences for internal control, including defining audit and internal control units and functions.
- To make sure that decisions are taken in an appropriately informed manner and in the interest of the Bank and hence its shareholders and to look after the interests of investors, customers, employees and other stakeholders.

General principles:

To comply with its aim of ensuring sound and prudent management of the Company, the System and the policies and procedures for its development are based on a number of principles, including the following:

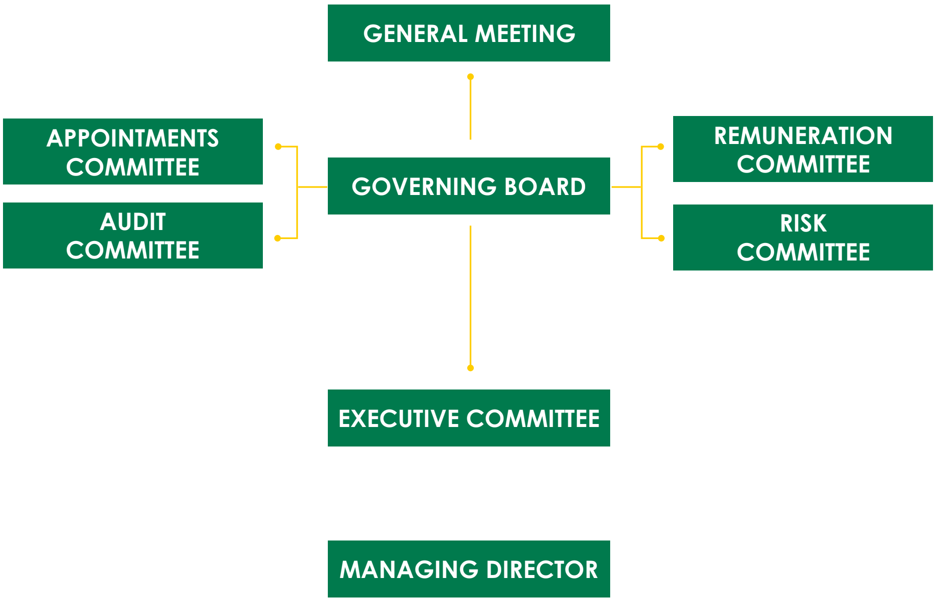
- Promoting efficient and organised functioning of the Governing Board in coordination with its Committees. The Governing Board has at the core of its mission the general role of representation, administration, management and control of the Company and is therefore responsible for reviewing and steering corporate strategy, the principle action plans, risk policies, budgets and annual plans, setting targets, overseeing their implementation and fulfilment within the corporate scope, delegating day-to-day management Company to the management team.
- Defining appropriately the essential bases of the structure, organization and functioning of Caja Rural de Navarra, guaranteeing efficient strategic coordination.
- Establishing a robust system for supervision and internal control as one of the System's objectives, based on a clearly defined framework for relations between the Company's governing bodies and management.
- Commitment to transparency, fulfilled by defining a System based on clear, transparent and documented decision-making processes.
- Embedding a corporate culture based on ethical and sustainable action by the Company's governing bodies, control units, management and employees.
- Compliance with regulations and good governance practices, so that the Company complies in all its actions with applicable law and best practice for corporate governance, including with any future international standards and guidelines applicable to the Company and its Group that may be approved by the competent authorities.

3.3.1. Governing bodies and internal management and control structure

Caja Rural de Navarra has an organizational structure and an appropriate and transparent operating model for management and control that ensures it can act efficiently action and comply with the principles of good corporate governance. It is a core function of the Governing Board to make sure the Company's structure is aligned with its business and risk model. It therefore regularly reviews its organization and how any changes affect the Company, adjusting its structure and functioning where necessary.

The Company's corporate governance model also includes internal management bodies. At the highest level are the Managing Director supported by the Management Committee. The former is the permanent channel for relations and communications between the Governing Board and the Company's executive operations as represented by its senior management.

The corporate structure of Caja Rural de Navarra is as follows:



1. General Meeting

The General Meeting, constituted by the members or their representatives, is the supreme decision-making body for the Bank. The General Meeting is held following a system of Preparatory Meetings. Members, whether individuals or legal entities, take part in Meetings via delegates appointed at the Preparatory Meetings and cannot reserve the right to attend the General Meeting in person.

2. Governing Board

The Governing Board is the collegiate body responsible for governance, management and representation of Caja Rural. Its responsibilities include as a minimum the oversight of executives and representing the cooperative. Its representative powers cover all actions relating to the activities constituting its corporate purpose. It is competent to set general guidelines for actions and to exercise all powers that are not reserved by law or by the articles of association to other corporate bodies. It shall conduct its business in accordance with the law, the articles of association and the general policy set by the General Meeting.

For information on reporting lines and functiosn see:
https://www.cajaruraldenavarra.com/sites/default/files/lineas%20de%20responsabilidad%20y%20funciones%205-2019.pdf

Members of the Governing Board are chosen from among the cooperative's members according to the procedure set out in articles 44 and 45 of the Bank's articles of association. These can be found (in Spanish) at: *www.cajaruraldenavarra.com/sites/default/files/files/Estatutos_Caja_Rural_de_Navarra.pdf*

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The Board is made up of a minimum of 5 and a maximum of 15 members. Chairman, Vice-Chairman and Secretary and up to twelve other Board members. The members are chosen from among the members by the General Meeting, by secret ballot based on the greatest number of votes. The remaining member is an employee of the Bank appointed by its fixed-contract employees.

The eleven other Board seats, excluding those for corporate officers and the employee representative, are assigned to the different regions where the Bank operates so that all have a member from their region on the Governing Board.

The Chairman, Vice-Chairman and Secretary can come from any of the regions where the Bank operates.

All Board members must be fit and proper persons who have the knowledge, competences and experience to carry out their functions and can act with honesty, integrity and independence of ideas and dedicate sufficient time to fulfil their functions in the Bank.

The Bank's Appointments Committee assesses whether each Board member meets these criteria both when a person first presents themselves for a seat on the Board and when they seek re-election at the General Meeting. The Bank has a suitability policy and internal regulations on assessing the suitability of senior management and key staff. If the Committee gives its approval, the Bank of Spain must then confirm its decision and authorise the Board member's registration in the Register of Senior Officers kept by its supervisor.

Also, each year, the Appointments Committee assesses the suitability of the members of the Governing Board as a whole to verify that this body has the knowledge and experience to understand the Bank's business, including the main risks, and confirm that there is nothing to prevent the free expression of opinion and decision-making by any of its members with complete independence.

The Governing Board has rules of procedure setting out measures and guidance for its actions and basic organizational and functional rules and codes of conduct for its members, to improve efficiency, transparency and unity of criteria in the management of Caja Rural de Navarra (the "Bank" or "CRN"). They define the Governing Board's general principles for the Bank's governance: responsibility, transparency, independence, confidentiality, loyalty, suitability and efficiency.

3. Governing Board delegated committees

The Governing Board can designate from among its members, subject to prior or subsequent ratification by the General Meeting, whatever Delegated

Committees it considers necessary or that regulations require. These committees can have executive or informative powers. Organizationally, they must have a Chairman and Secretary.

Caja Rural de Navarra currently has the following Delegated Committees:

- Executive Committee.
- Audit Committee.
- Appointments Committee.
- Remuneration Committee.
- Risk Committee.

These committees are made up of 4 directors except the Executive Committee and the Remuneration Committee which are made up of 5 members of the Bank's Board.

Functions of CajaRural de Navarra's Supervisory Bodies

GOVERNING BOARD

Representation of the Bank, high-level management and management supervision. Each year it analyses issues relating to CSR and regularly reviews economic and social impacts, risks and opportunities.

EXECUTIVE COMMITTEE

A statutory body delegated by the Governing Board to provide more agile decision-making on any matter within the Board's remit except where these cannot be delegated by law.

AUDIT COMMITTEE

A statutory body delegated by the Governing Board to oversee the internal audit services, understand the financial reporting process and internal control systems and oversee compliance with codes of conduct and the Bank's Regulatory Compliance.

APPOINTMENTS COMMITTEE

A delegated body of the Governing Board. It identifies candidates for the Governing Board, assesses the suitability of its members and the balance of expertise, capacities, diversity and experience of the Board as a whole. It defines targets for improving the representation of the gender least represented on the Board.

REMUNERATION COMMITTEE

A delegated body of the Governing Board. It proposes the general remuneration policy to the Governing Board, carries out an independent annual review of its application and reports on the remuneration policy for executives classed as "identified staff".

RISK COMMITTEE

A delegated body of the Governing Board. It advises the Board on management and supervision of all relevant risks and on correct application of the global risk appetite in light of the Bank's strategy.

4. Collective knowledge of highest governance body

Regarding the collective knowledge within Caja Rural de Navarra's Governing Board, the Bank has Internal Rules to assess the suitability of senior managers and key staff. Its last update in 2018 was approved by the Governing Board at its meeting on 19 October.

Section 7 of these Rules addresses the aims for integration and training of members of the Governing Board, stating that:

"The Bank shall put in place programmes to integrate and train the members of the Governing Board to make sure they fully understand the structure, business model, risk profile and corporate governance systems of the Bank, and their role within it as well as the benefits of diversity within this body.

New members of the Governing Board shall receive appropriate information within a month of taking up their functions and their integration should be complete within six months.

Members of the Governing Board shall maintain and expand their knowledge and the skills necessary to fulfil their responsibilities. The Bank shall allocate adequate resources to integrate and train members of the Governing Board, with the aim of ensuring their suitability for the role. In this respect, the Bank shall put in place a continuous training programme for all members of the Governing Board, which will identify the specific areas where training is required at any time. This must be updated regularly. Also, any member of the Governing Board can ask the Appointments Committee for specific training sessions and the committee shall examine the request.

The Appointments Committee shall regularly review the execution and quality of the integration and training programmes and whether they are meeting the aims set out in this section."

5. General Management and Management Committee

The Bank must have a General Management structure, whose head will be appointed and contracted by the Governing Board from among persons who meet the conditions of professional capacity, technical preparation and experience to carry out the role.

The remit of the General Management shall include matters related to the ordinary business or dealings of the Credit Cooperative. It shall be free to exercise all powers and functions granted to it in pursuit of this aim. These powers and functions must be listed in the corresponding public deed of attorney which must be established. The General Management may, to this end, take whatever measures are in the Cooperative's interest in accordance with the guidelines indicated and within the powers conferred on it.

The Managing Director's duties shall be those set out in his/her contract and in the general guidelines for action defined by the Governing Board. Within three months of the end of each financial year, he/she must present the financial statements and management report on the company to the Governing Board, for its report and subsequent consideration by the General Meeting.

He/she must also notify the Chairman of the Bank of any issue that he/she considers requires the convocation of the Governing Board and/or General Meeting or whose importance requires that it be made known to the Governing Board.

Caja Rural de Navarra's Management Committee is an internal committee with no delegated or executive functions which acts as a consultative body advising the Managing Director.

The Governing Board of Caja Rural de Navarra is responsible for appointing the Company's Managing Director, the only post considered to be senior management, reporting directly and exclusively to the Governing Board. The Managing Director must have the experience and fulfil the requirements of regulations and the Bank's own Internal Rules for Suitability Assessment, including having the commercial and professional reputation required for the job.

As part of the Bank's Suitability Assessment, the Company's Appointments Committee identifies and conducts annual reviews of the key staff of Caja Rural de Navarra, who are also subject to the same requirements of commercial and professional reputation, knowledge and experience.

The governance structure is based on the mandatory framework governing relations between the Governing Board and exercise of their powers by members of the Company's ordinary and permanent management.

6. Areas/Internal Departments

Under the supervision of the Managing Director, the Bank is structured into a number of Internal Areas/Departments which play a significant role in segmenting the Company's different functions and areas of responsibility, thereby contributing to effective internal governance. Within their fields of responsibility, these Internal Areas/Departments can decide, report on, consult, coordinate or propose on all issues within their fields of activity or relating to their internal or business areas.

Specifically, Caja Rural de Navarra has created Internal Areas/Departments with responsibilities appropriate to their fields of activity, such as corporate governance (Legal and Tax or Regulatory Compliance Departments), control and risk management (Department of General Intervention and Risks and Internal Audit) or business (Corporate Banking, Sales, Companies and Private Banking Departments) among others.

The Bank also has separate internal units addressing these functional areas, such as Human Resources, Organization and Technology, Legal, Compliance, Internal Audit, General Intervention, Risk Management, Management Control, Equity Investments, Treasury and Markets and Housing and Property Assets.

3.3.2. Internal control framework for Caja Rural de Navarra

Caja Rural de Navarra has an appropriate organizational structure and operational management and control model.

1. Principles and responsible bodies

Caja Rural de Navarra has a clear organizational structure which includes an appropriate distribution of functions with well-defined, transparent and coherent reporting lines and which permits sound and prudent management of the Bank.

Specifically, the Company's internal control framework is tailored to the specific features of Caja Rural de Navarra's business, its complexity and associated risks, and also takes into account its membership of Caja Rural Group.

CRN's internal control framework is sustained, among other matters, by the following principles:

- A well-defined and appropriate organizational and operational structure with an efficient internal control and governance framework.
- The creation of appropriate procedures for exchanging information between the Governing Board and Managing Director on the different business lines and between the Governing Board and heads of internal control through the Board's Internal Committees.
- A risk management and control model based on three lines of defence with differentiated functions and responsibilities.
- Appropriate segregation of functions, establishing the information barriers needed to guarantee good governance.

- A comprehensive risk management framework covering all business lines and internal units.
- And procedures to guarantee the monitoring and control of outsourcing of certain functions or services.

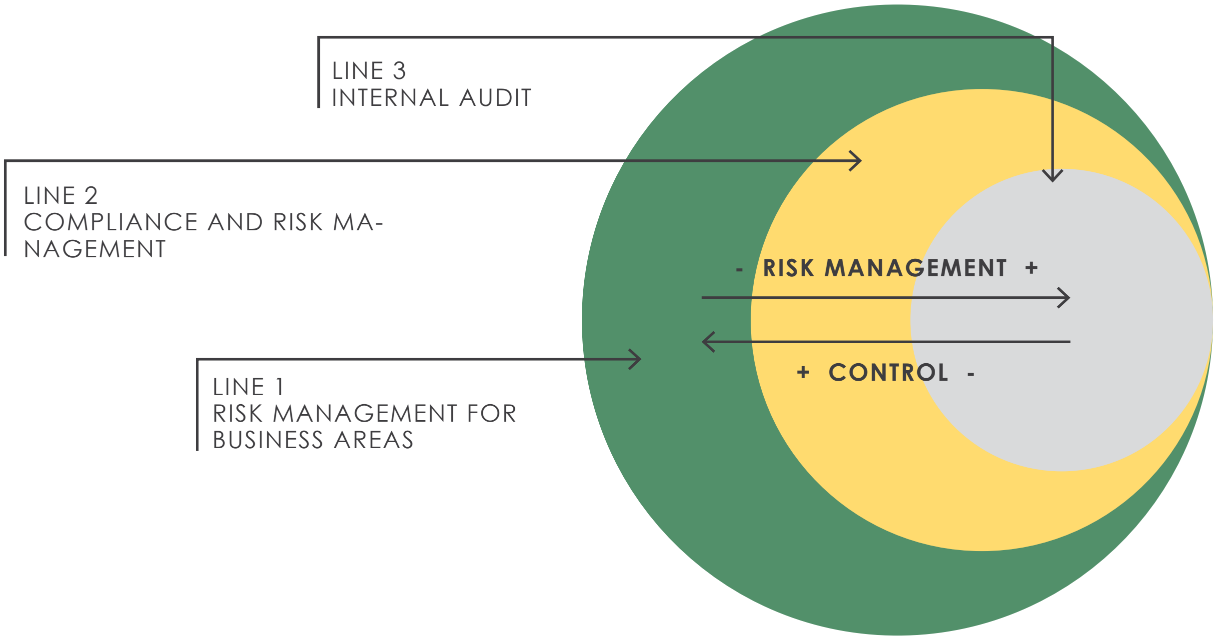
The Governing Board of Caja Rural de Navarra is the body responsible for defining the general framework for internal control and risk management. The Audit Committee supports the Board by overseeing the effectiveness of internal control, internal audit, compliance and other risk management systems and liaising with the auditor on material potential weaknesses in the internal control system identified in the course of the audit, without impairing its independence. To this end, the Committee can put recommendations or proposals to the Governing Board and conduct regular follow-ups where appropriate.

The Risk Committee advises the Governing Board on the Bank's overall propensity to risk, current and future, and risk strategy.

2. Three lines of defense

Caja Rural de Navarra's internal control model has a three-line defence system, structured around the activities and processes that give rise to the risks and so determine who is responsible for them.

- **The first line** of defence lies with the business units. They are responsible for control within their field of activity and for implementing the measures decided by higher management.
- **The second line** is the control units, particularly the compliance and risk management units. They oversee control of all units throughout the group that affect their area of responsibility, define mitigation and improvement measures where necessary and make sure these are properly implemented.
- **The third line** is the Internal Audit unit, which conducts independent reviews, verifying the compliance and effectiveness of corporate policies and providing independent information on the control model. Internal Audit's principle functions include:
- **Assessing the effectiveness and efficiency** of the Internal Control Systems, overseeing compliance with applicable law and internal policies and regulations.
- **Issuing recommendations** to resolve weaknesses identified in the review processes and following these up.



3. Internal control functions

Caja Rural de Navarra's internal control functions (risk management, regulatory compliance and internal audit) act separately and independently. Functionally they report to the Bank Governing Board's Internal Committees as a guarantee of their independence. Their role is to make sure that the policies, mechanisms and procedures laid down in the internal control framework are being correctly applied in their areas of competence.

For this purpose, the Governing Board ensures, with the help of the Audit and Risk Committees, that the heads of internal control functions can act independently and present recommendations or proposals.

Notwithstanding their reporting obligations within each business area or to other areas, internal control functions must also immediately report any significant case of regulatory non-compliance, incident or anomaly that they identify to the Governing Board, its Committees and the Managing Director.

A. The Risk Management Function

The quality of our risk management is one of the Bank's hallmarks and a priority area of action. It is a differentiating factor in the running of the Bank which, through a combination of prudent policies and the use of different methodologies and procedures, helps generate sound and recurrent profits and a robust solvency position.

Note that the Bank is also a member of an Institutional Protection Scheme (as defined by EU Regulations), created as a tool for mutual support and defence between cooperatives in the Spanish Association of Cajas Rurales for the benefit of its members.

Risk Management is conducted by the Risk Management unit which, reporting functionally to the Bank's Risk Committee as a guarantee of its independence, is charged with implementing all actions and procedures required to fulfil its functions.

To maintain its modest and prudent risk profile Caja Rural de Navarra monitors a set of key metrics for different risks, quality and recurrence of earnings, liquidity and solvency. Specific risk tolerance levels are defined for each of these metrics. The most important metrics also include long-term targets. These aims and levels are updated and approved at least annually by the Governing Board on proposal of the Risk Committee.

All metrics come with an assigned target, tolerance and limit. In each metric, the target is the value achieved at a defined risk appetite. Tolerance is the (alert) threshold at which the Bank starts taking additional management, control and follow-up measures to get back onto target. The limit is the level that the Bank never wants to breach and, if attained, triggers decisive measures to get back to the Board's guidelines.

Regular reports are prepared for the Governing Board on risks taken and their breakdown, Caja Rural de Navarra's capitalization, risk measurement and control and the internal control system and whether it can guarantee orderly and prudent management of the Company's business and risks, with special focus on indicators and metrics approved under the Risk Appetite Framework and Recoveries Plan.

B. Compliance Function

Caja Rural de Navarra is committed to strict compliance with all national and international regulations governing its activities and proper conduct and development of its business. To this end, it has a permanent and effective Compliance Function. The aim of the Regulatory Compliance Function is to manage prevention and, where applicable, mitigate risks including financial, penal and reputational risks arising from regulatory compliance if they do not meet the standards required of a credit institution.

Compliance is conducted by the Compliance unit which, reporting functionally to the Bank's Audit Committee as a guarantee of its independence, is charged with implementing all actions and procedures required to oversee fulfilment of its obligations under regulations in force, acting independently of the services and activities it controls.

To this end, the unit has a Procedural Handbook and an Annual Action Plan approved by the Bank's Audit Committee. Also, the unit designs and maintains systems to identify the degree of compliance with different regulations, continually assessing the Company's regulatory compliance, reporting on its work quarterly to the Audit Committee and annually to the Governing Board.

In turn, the Compliance Function supports the Governing Board on upcoming regulations to guarantee compliance with applicable laws, regulations and standards.

Certain activities to guarantee regulatory compliance are directly managed through specialist units, with Compliance taking a coordination and monitoring role. These include Combating Money Laundering and Terrorist Financing through Internal Control, personal data protection through the Data Protection Officer (DPO), customer protection in the distribution of banking and investment products through the Product Committee and criminal liability through Corporate Compliance.

C. Internal Audit

Caja Rural de Navarra has an independent and effective internal audit function, with the scope and resources to properly carry out its remit.

This function is fulfilled by the Bank's Internal Audit Department which reports functionally to the Audit Committee. To this end, an annual working plan is drawn up in coordination with the Audit Committee. Its principle aims are to verify the existence and maintenance of an adequate and effective system of internal control, a system for measuring the different risks affecting the Company's activities and appropriate procedures to oversee compliance with law, regulations and internal supervisory policies.

The Internal Audit Department reports regularly to the Audit Committee on the effectiveness of Group risk management policies, methods and procedures, ensuring that these are appropriate, implemented effectively and regularly reviewed.

D. Control of the delegation or outsourcing of functions or services

Caja Rural de Navarra's areas/business lines can commission certain services or activities from other Group companies or outsource them to third parties. The Bank has appropriate monitoring and control mechanisms to ensure necessary standards are maintained in each case.

Specifically, the Bank's policy is to embed control and audit mechanisms in any contracts to outsource internal functions or activities to third parties.

There is also an internal procedure for "Delegation of service provision or exercise of essential services" that incorporates all relevant regulations on organization, supervision and solvency of credit institutions and the requirements in Bank of Spain Circular 2/2016.

E. Product Committee

Caja Rural de Navarra has a Product Committee which fulfils its role in accordance with the Product Handbook. Its role is essentially to analyse and approve all new financial products and services, monitor the Bank's sales strategy and review and approve the policies, procedures and applications required to market the various products.

It thus works as a tool to manage the Bank's codes of conduct on transparency and customer protection in an orderly and effective way.

The Product Committee's structure and rules of procedure are governed by a policy approved by the Bank's Governing Board.

F. Business Continuity Plans

Caja Rural de Navarra has drawn up a Business Continuity Plan that it defines as a continuous process of planning, development, verification and implementation of procedures and methods for recovering from emergencies.

The aim of the process is to guarantee an efficient and effective restart of vital functions in the event of a major interruption of IT and/or telecommunications resources in the Bank's main offices, and to do this within the recovery times set down for each of the applications and services that have been marked as critical.

3.3.3. Corporate Culture of Caja Rural de Navarra

1. Code of Conduct and other rules of conduct for Caja Rural de Navarra

Caja Rural de Navarra's Governing Board defines the Bank's corporate principles and values. These are then set out in the Company's internal procedures and rules of conduct.

Specifically, Caja Rural de Navarra is a signatory to the Internal Rules of Conduct for dealing on securities markets drawn up by UNACC (the National Union of Cooperative Credit Institutions) and agreed with the CNMV which covers banks dealing on securities markets. The Bank's Governing Board approved the signature at its meeting of 26 October 2010.

Also, Caja Rural de Navarra has a Code of Conduct for Executives and Employees. The main aim of this Code of Conduct is to instil confidence in members, customers, employees and the wider community by ensuring the Company at all times acts in an ethical manner that meets their expectations and deepens existing relationships.

These are the core documents for standards of conduct. They are extended and complemented by other internal rules and procedures such as Principles for action on the Prevention of Criminal Risks – part of its policy of zero tolerance of any conduct that is illegal, banned or contrary to best banking practice – and combating money laundering and terrorist financing. All this is included in the framework of Caja Rural de Navarra's commitment to promote an ethical and compliance corporate culture and encourage responsible behaviour within the Company.

2. Model for Prevention of Criminal Risks

Caja Rural de Navarra has drawn up a Model for Prevention of Criminal Risks in accordance with article 31 bis of the Criminal Code, whose main aim is to set limits on the controls in place to prevent or, if necessary, mitigate the commission of each of the crimes that might by committed in the conduct of the Bank's business and which might give rise to criminal liability on its part.

The Model forms part of the ethical and compliance culture that Caja Rural de Navarra seeks to instil in its executives and employees through the different codes of conduct and Principles for action (see above). All employees must be aware of and apply these. This is ensured through continuous and appropriate training in high-incidence or high-risk areas.

For information on reporting lines and functions see:

www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/es/particulares/informacion_institucional/galeria_descargas/LINEAS-DE-RESPONSABILIDAD-Y-FUNCIONES.pdf

3. Policy on conflicts of interest

El Consejo Rector de Caja Rural de Navarra tiene la obligación de definir un Caja Rural de Navarra's Governing Board is obliged to define a system for corporate governance that guarantees sound and prudent management of the Company and, among other matters, addresses the issue of conflicts of interest.

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Caja Rural de Navarra has put in place a series of measures to identify those types of conflict of interest that could potentially arise in the course of its relationships and put in place procedures to manage them and ensure business is conducted independently and without harming the interests of the customers or the Bank itself.

The mechanisms are set out in three areas:

- Article 48 of the Bank's Articles of association.
- Article 24 of the Governing Board's Rules of Procedure. Both these documents can be found at: www.cajaruraldenavarra.com (News)
- Internal mechanisms created by the Bank to comply with Royal-Decree 84/2015 regarding limits on loans, pledges and guarantees to the senior managers of the Bank.

In this way, the organizational and functional structure of the Bank provides appropriate segregation of functions which allows it to conduct activities that could potentially give rise to conflicts of interest, by persons or segregated areas, while avoiding undue interference.

This segregation is complemented by the establishment of barriers to information between the functional departments or areas vulnerable to the potential conflicts of interest identified.

The main areas where it was felt likeliest conflicts of interest could occur are as follows:

- Relationships of Governing Board members with the Bank. To address this risk, the Governing Board's Rules of Procedure specify the duties and prohibitions that Board members must comply with to exercise their role in accordance with the Bank's good governance guidelines.
- Employees and Executives with the interests of customers and the Bank. Both groups must tailor their actions to the policies and procedures that govern the different areas/departments and comply with the principles in the Code of Conduct for Executives and Employees referred to in section A above. The same Code of Conduct contains the principles of action and rules to prevent employees acting in ways likely to produce conflicts of interest, whether with customers or with the Bank itself, especially in the area of targets and variables.
- Related Party finance. Caja Rural de Navarra has policies on Credit Risk, including definitions and reporting and control requirements for such financing transactions, which in any case must be done on an arm's length basis.

4. Confidential whistle-blowing and communication channels

To promote its values throughout the organization and create a structured path for the resolution of ethical dilemmas that may arise, the Bank has created a Whistle-blowing channel for employees. Employees can use this to securely and confidentially report any potential irregularities so that they can be investigated and studied by the competent bodies, to prevent any inappropriate or unauthorised actions being committed. This is in addition to the ordinary internal control and review work instituted by the Company.

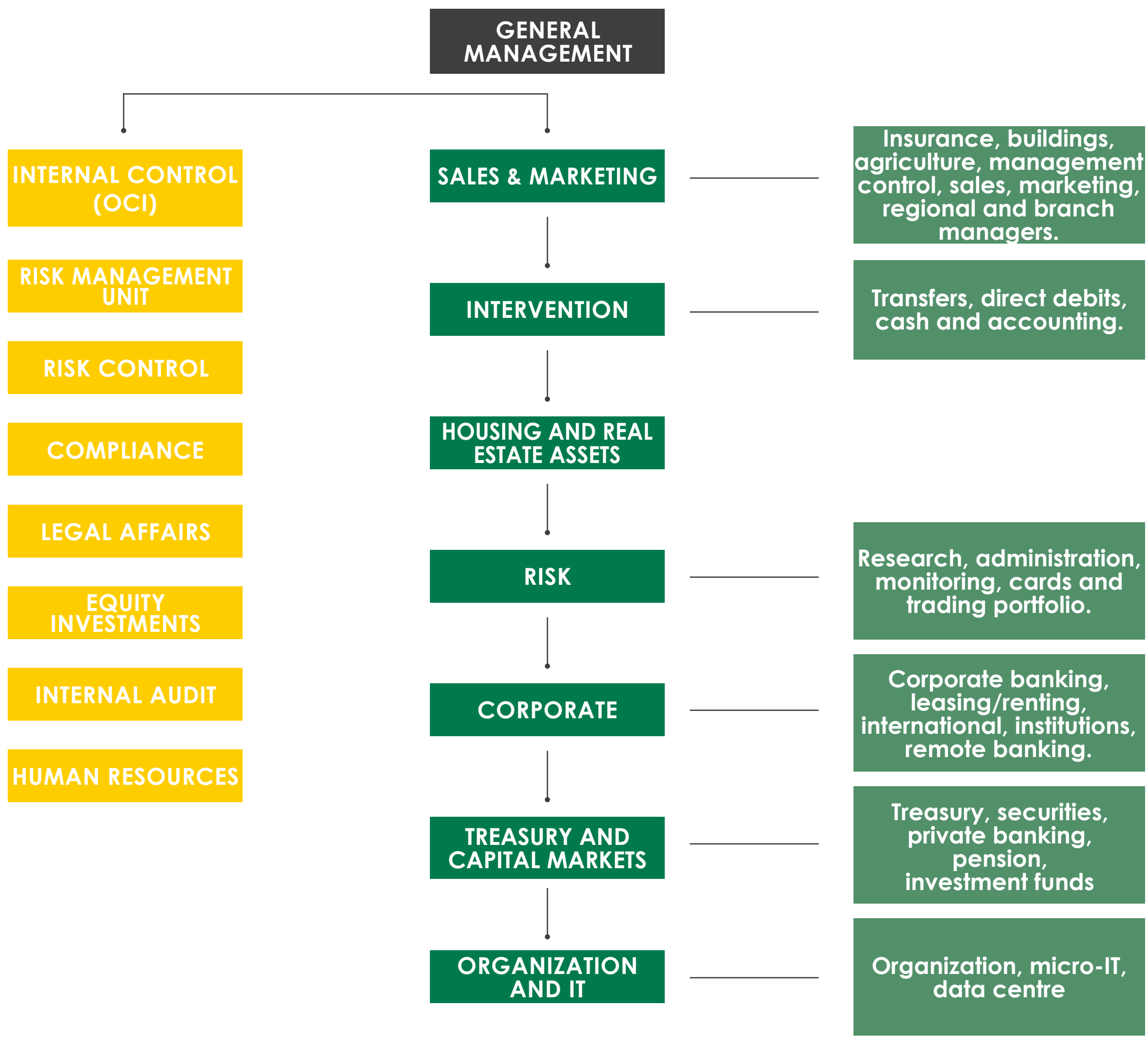
3.4. OPERATIONAL STRUCTURE

The operational structure of Caja Rural de Navarra is as follows:

This structure allows Caja Rural de Navarra to meet with confidence the management challenges posed by its annual and strategic planning. It gives the organization sufficient scope for action and responsibility in all areas of its business.

The structure includes a number of working groups and committees that control and coordinate management, including the following: Management Committee, Marketing Management Committee, ALM Committee, Quality Committee, Product Committee, Internal Control (OCI) and Internal Communications Committee.

OPERATIONAL STRUCTURE OF CAJA RURAL DE NAVARRA



3.5. CORPORATE CULTURE

Staff and governance bodies in Caja Rural de Navarra share a Mission, a Vision and Corporate Values that lend coherence to the Organization's behaviour.

The Corporate Social Responsibility Code of Conduct is a guide to the principles and duties that must govern all actions by employees and the Bank itself, forming part of the corporate culture.

The Corporate Culture consists of the following elements:

MISSION

To generate sustainable confidence among customers by involving them through our teams, to contribute to the economic and social development of our community.

OUR CORPORATE VALUES

Our aim is to support the development the people we work with on our corporate project, as well as that of our customers and the community where we operate.

As the basic system for progress and success, the values of Caja Rural de Navarra are spread via its wide network of branches complemented by its advanced virtual access systems, which help create a close and trusting relationship with all customers, and via the collaboration of its team, which includes everyone and considers the community in the pursuit of progress.

VISION

Caja Rural de Navarra's vision is to be one of the leading groups in Spain, with an international presence, while maintaining Caja Rural style (human qualities, personal treatment, professionalism and modernity), and to be a benchmark for our community.

ACTION PRINCIPLES

Everyone in Caja Rural de Navarra takes their inspiration from the action principles described below:

- Commitment: we inspire people to be part of our project.
- Professionalism/responsibility: We seek to make things better every day to achieve our objectives.
- Localism: We care for and strengthen relationships based on trust and commitment.

3.6. EQUITY INVESTMENTS

1. Equity Investment Policy

Traditionally, Caja Rural de Navarra has maintained a portfolio of equity investments in the field of finance and in other business sectors.

One of Caja Rural de Navarra's defining features is the rooting of its financial activities in its regional environment, with its proximity to cooperative members and customers as the nucleus of its operations.

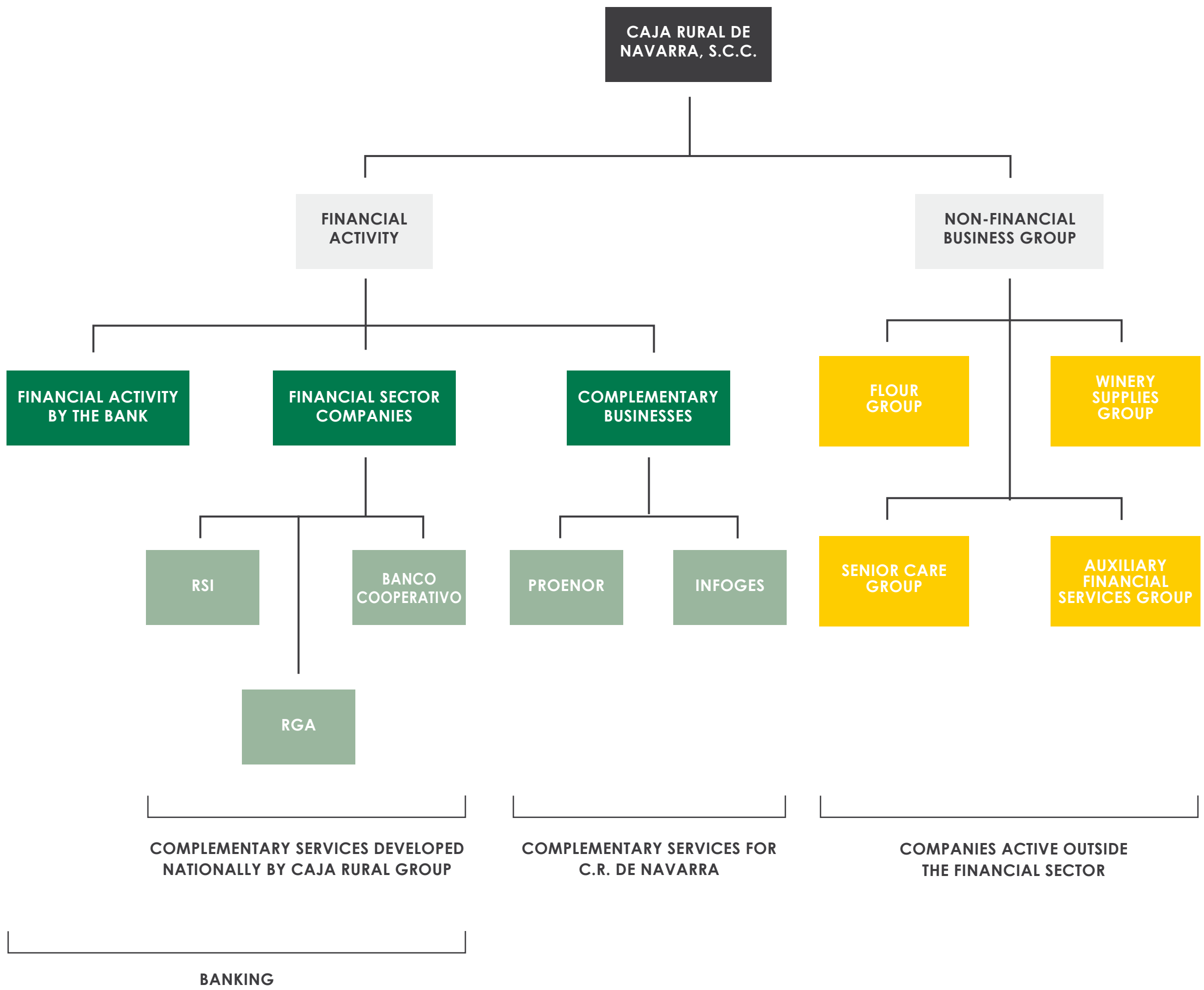
Every day, Caja Rural de Navarra receives requests to invest in companies in various sectors and, through its activity and that of its equity investments, also analyses opportunities for innovation and/or growth.

As a financial entity with a dense presence in its community, Caja Rural de Navarra bases its investment or divestment decisions on the following fundamental criteria: (i) avoid any distortion of sector competition and recurrent activities of its cooperative members and customers; (ii) support the regional economy in an omnidirectional form, but with special relevance to the agri-business and agri-industrial sector reflecting its historical origins; (iii) viability and profitability of the business being analysed, and, (iv) synergies with the operations of Caja Rural de Navarra and/or its equity investments.

Caja Rural de Navarra carries on its financial business solely in the Basque Country, La Rioja and Navarre. But the industrial or services activities of its equity investments are global in reach and some of these companies export very significant percentages of their output.

We divide the activities of Caja Rural de Navarra's equity investments into companies in the financial sphere, support companies for the financial business and non-financial business groups (see chart):

GENERAL STRUCTURE OF CAJA RURAL DE NAVARRA GROUP



According to the Bank of Spain circular, to qualify as an equity investment an institution must own at least 10% of its capital or voting rights. Exercising significant influence over management is defined as appointing at least 20% of the Board. Caja Rural de Navarra has equity investments in different percentages. But its investments in its complementary services and non-financial businesses are usually controlling. Exceptions to this rule are attributable to policies of supporting a newly emerging area.

Companies offering complementary services at national level provide the Caja Rural Group with a way to act efficiently despite the regional size of each of its member Banks individually. They also often offer their services to other small-scale or foreign financial firms.

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The companies provide non-financial but related services to Caja Rural de Navarra or its customers across the same regional footprint as Caja Rural de Navarra.

Companies comprising Caja Rural de Navarra Group, which are wholly owned by the Bank and consolidated in the financial statements:

SUBSIDIARIES	TAX ID	% OWNERSHIP INTEREST
FLOUR GROUP		
HARIVASA 2000 S.A	A31013402	100%
Transnoain S.A	A31870058	100%
Cerelia I+D S.L	B71312888	100%
Cerelia S.L	B31949217	100%
Harinera de Tardienta S.A	A22001499	100%
Harinas Selectas S.A	A50107143	100%
Reyes Hermanos S.L	B36000818	100%
Harinera del Mar S.L	B97832232	100%
Haribéricas SXXI S.L	B64939341	100%
Harivenasa S.L	B71075774	100%
WINERY SUPPLIES GROUP		
Industria Tonelera de Navarra S.L	B31688336	100%
Tonnelleries de L'Adour S.A.S	FR96425029972	100%
Bouquet Brands S.A	A31884000	100%
Bahía de Cádiz S.L	B84996743	100%
SENIOR CARE GROUP		
Solera Asistencial S.L	B71150866	100%
Solera Navarra S.L	B71186654	100%
Torre Monreal S.L	B31872872	100%
SERESGERNA S.A	A31697808	100%
Preventia Sport S.L	B71008783	100%
AUXILIARY FINANCIAL SERVICES GROUP		
Promoción Estable del Norte S.A	A31663651	100%
Informes y Gestiones Generales de Navarra S.A	A31437635	100%
Informes y Valoraciones S.L	B31917305	100%

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Caja Rural de Navarra maintains a portfolio of equity investments in the field of finance and in other business sectors. The table below shows the companies and percentage equity stake held:

ASSOCIATES	ACTIVITY	% OWNERSHIP INTEREST
Company		
Bodegas Príncipe de Viana S-L.	Agri-business	50.00%
Rioja Vega S.A.	Agri-business	25.07%
Iparlat S.A.	Agri-business	21.54%
Omegageo S.L..	Construction Services	50.00%
Renovables de la Ribera S.L.	Energy	50.00%
Bosqalia S.L.	Forestry	48.40%
Errotabidea S.L.	Real State	46.01%
Servicios Empresariales agroindustriales	Agri-business	33.33%
Rural de Energías Aragonesas S.A.	Energy	25.00%
Compañía Eólica de Tierras Altas S.A.	Energy	23.75%

Annex II contains details of the Non-Financial Statements for 2018, covering the Group scope, in accordance with Act 11/2018.

3.7. RISK MANAGEMENT

The Bank incurs the following risks in the course of its business: Credit, market, counterparty, equity, interest rate, exchange rate, liquidity, reputational, trading, operational and regulatory risks. These risks are managed by the Bank through the following measures:

1. Risk Committee

The committee is headed by a senior independent director of the Bank whose operational functions do not conflict with proper risk management. The Committee advises the Governing Board on the Bank's overall propensity to risk, current and future, and risk strategy and also helps oversee the application of this strategy. Specifically, it supports the Governing Board in drawing up, approving, updating and monitoring the Bank's Risk Appetite Framework and Recoveries Plan.

The Committee determines, alongside the Governing Board, the nature, quantity, format and frequency of the risk information that the Committee and Governing Board should receive. It meets at least quarterly with the participation of independent directors of the Bank.

2. Regulatory Compliance Function

The Bank's Regulatory Compliance Function deals with the areas of anti-money laundering and terrorist financing (Internal Control), personal data protection, compliance with codes of conduct for securities markets and the provision of banking services (Products Committee), corporate governance of the Bank and issues of corporate criminal liability.

3. Operational Risk Committee

Responsible for analysing and minimising risks incurred due to the Bank's own trading and operational activities. The Committee is composed of the executives of the Bank responsible for the areas handling the highest volume and most sensitive transactions, and is coordinated by the Organization area.

4. Sustainability Committee

The Bank applies a "Sustainability Framework" to screen its loan book for loans that qualify for inclusion in its sustainable bond issues.

The Sustainability Committee includes representatives of all departments involved in lending (corporate, institutions, housing, risk) and is coordinated by the Treasury and Capital Markets Division. The Committee decides the structure and criteria of the framework. It also decides which loans should be included in each framework Category, drawing here on an "external review" by consultancy Sustainalytics.

3.8. KEY FIGURES

CAJA RURAL DE NAVARRA KEY FIGURES

Thousands of euros	2015	2016	2017	2018
TURNOVER				
Total assets	9,728,120	10,952,597	11,557,130	12,038,254
Shareholders' equity	866,295	934,022	1,018,716	1,092,019
Customer deposits	6,493,935	7,080,743	7,533,517	8,020,973
Loans and advances to customers	6,351,615	6,832,108	7,315,406	7,781,407
SERVICES				
Branches	246	249	250	252
ATMs	291	299	302	312
PEOPLE				
Number of employees	918	933	959	965
PROFIT				
Net interest income	148,514	147,278	142,907	138,135
Gross income	208,396	210,704	217,372	206,911
Administrative expenses	81,783	83,299	86,322	88,971
Profit before tax	62,274	66,460	86,792	91,250
DISTRIBUTION OF WEALTH GENERATED				
Directly generated economic value	228,182	230,218	278,345	229,058
Gross income (before deducting other operating expenses)	225,598	227,811	274,425	223,058
Gains on Sales, Property and equipment and foreclosed assets	2,584	2,407	3,920	6,496
Distributed economic value	**108,795**	**108,672**	**143,820**	**118,496**
Payments to suppliers (operating expenses)	45,258	44,369	83,248	43,525
- Other general administrative expenses	34,717	34,418	35,620	37,340
- Other operating expenses	10,541	9,951	47,628	6,184
Personnel expenses	47,065	48,881	50,702	51,631
Income tax	7,485	6,212	-1,518	11,793
Payments to members	2,327	2,055	1,963	1,585
Investments/Donations to the community	6,661	7,156	9,425	9,963
- Welfare Fund(EDF)	6,661	7,156	9,425	9,963
Retained economic value (1-2)	**119,386**	**121,546**	**134,525**	**111,058**

Financial information used for key figures has been extracted from the audited annual financial statements, which can be found at: www.cajaruraldenavarra.com (Información Institucional)

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CAJA RURAL DE NAVARRA CONSOLIDATED GROUP – KEY FIGURES

Thousands of euros	2015	2016	2017	2018
TURNOVER				
Total assets	9,860,147	11,085,569	11,726,238	12,227,884
Shareholders' equity	885,803	956,620	1,049,187	1,122,515
Customer deposits	6,480,414	7,054,214	7,524,305	8,011,914
Loans and advances to customers	6,370,613	6,849,057	7,334,762	7,814,204
PEOPLE				
Number of employees	1,440	1,532	1,608	1,766
PROFIT				
Net interest income	146,150	145,437	140,947	135,957
Gross income	259,652	266,741	278,719	276,758
Administrative expenses	126,796	132,190	141,274	150,334
Profit before tax	66,091	69,512	92,418	93,502
DISTRIBUTION OF WEALTH GENERATED				
Directly generated economic value	479,552	480,944	557,151	534,622
Gross income (before deducting other operating expenses)	476,968	478,537	553,231	528,126
Gains on Sales, Property and equipment and foreclosed assets	2,584	2,407	3,920	6,496
Distributed economic value	**354,532**	**352,778**	**416,781**	**415,866**
Payments to suppliers (operating expenses)	273,450	268,659	334,442	316,211
- Other general administrative expenses	62,795	64,019	69,355	74,806
- Other operating expenses	210,655	204,640	265,087	241,405
Personnel expenses	64,001	68,171	71,919	75,528
Income tax	8,093	6,737	-968	12,579
Payments to members	2,327	2,055	1,963	1,585
Investments/Donations to the community	6,661	7,156	9,425	9,963
- Welfare Fund	6,661	7,156	9,425	9,963
Retained economic value (1-2)	**125,020**	**128,166**	**140,370**	**111,058**
Public subsidies received*	**526**	**648**	**920**	**1,068**

*Amount transferred to income statement for each financial year.

Companies comprising Caja Rural de Navarra Group, which are wholly owned by the Bank and consolidated in the financial statements are shown in section 3.6:

4. CUSTOMERS

4.1. CUSTOMERS

The focus of the Bank's corporate activity is the customer in general, and particularly the member in their dual role as both owner and customer. For this reason, one of the Bank's core principles that has always run through its business is customer focus.

Customers have financial needs that they seek to address with the products and services offered by the Bank, but also have expectations on the service they expect from the Bank. The Bank's response on both issues (needs and expectations) will differentiate us from the competition.

The principles underlying the Bank's relationships with its customers are as follows:

- To maintain a clear communication and information policy.
- Not to use publicity that might be misleading, ambiguous or insufficiently clear for customers;
- To promote a socially responsible investment policy, by giving the right advice on customers' investment decisions and maintaining a set of lending policies based on sustainability criteria.
- To improve quality and accessibility for customers to the Bank and vice versa, promoting the use of new channels and technologies, developing innovative products and services.
- To protect the confidentiality of all data collected on customers as a consequence of business relationships.

The Bank took the following actions on this point in 2018:

A. Multichannel banking

One of Caja Rural de Navarra's priorities is continuously to improve our banking channels to offer an ever-improving customer experience which will help encourage the digitization of our customers. Standout improvement projects include:

- Updating the Ruralvía remote banking service, offering new services such as instant transfers, the option to activate different alerts (through SMS, push notification or email).
- Updating the Rvía remote banking app. In light of the rise of the mobile, we are providing ever more functionalities for mobile environments. Users can now use the app to, for instance, set alerts, temporarily block cards or recover passwords.

- Creating Ruralvía Report, a new mobile app for retail customers who want a better way to manage their savings day-to-day.
- Updating the Ruralvía Pay app's Bizum option to include charities as Bizum beneficiaries.
- Work began during the year on sending out digital articles through our blog. We want to become a source of digital know-how for our customers.
- The Bank has also decided to give customers regular reports on cyberfraud, seeking to minimise the risks these pose.
- The Bank has also made it easier to apply for products such as credit cards, gift cards, prepaid cards, virtual cards and Vía T.
- In funds, it is now possible to contract independent fund managers and sign the corresponding documentation.
- Other developments now mean customers can make regular pension contributions using the remote banking services.
- All contracts offered via Ruralvía and the Bank are now compliant with the GDPR (general data protection regulation).

In 2019, we will be doing further work on this front, the main projects in progress being:

- The "Hágase Cliente" (become a customer) process through videoconferencing. Customers can sign up online in just 8 minutes.
- The new website cajaruraldenavarra.com will give the Bank a new image.
- We will continue working on Ruralvía's signature capabilities so that customers can eventually sign up for any sort of product without needing to come into a branch.
- Work is ongoing to develop the functionalities of our remote banking facility: Ruralvía.
- Work is also continuing on compliance with the PSD2 Directive and on the resulting new business models.

B. Digital Transformation

The Bank's digital transformation has two aims: first, to make the banking system more accessible for customers by any channel as easily as possible, and, second, to combine this with the provision of personal advice services through its branch staff. There is a specific Digital Transformation Committee to carry this through in a coordinated way across all areas of the Bank and with the companies of Caja Rural Group which provide us with services, mainly the Banco Cooperativo and Rural Servicios Informáticos.

Legal Documentation

C. Transparency

Caja Rural de Navarra has been a member of Autocontrol since January 2011. Autocontrol is an association that seeks to promote responsible advertising that is true, legal, honest and fair. In 2018, Caja Rural de Navarra launched 181 new publicity items, of which 128 were approved by Autocontrol. The rest had been through the Bank's internal regulation process.

D. Image

A campaign was run to reposition Caja Rural de Navarra's image. It sought to highlight the corporate traits that make us stand out from the competition, such as the dense branch network delivering better service to customers, the qualities of being close to customers, trust, direct personal relationships, efficiency, local decision-making and basically all the elements of corporate identity that we value in our day-to-day dealings with customers.

E. Marketing

To improve transparency and clarity in the way the branch network markets products and services, work was done in 2018 to draw up new communications products with a single shared format and image.

Examples include: *Depósito Bienvenida* for new customers, Depósito Vinculación Más por Más, etc.

Branches could also email these communications out, with all the benefits this implies for savings of costs and materials.

F. Product Committee

The Product Committee continued its work in 2018. It was set up in 2016 to bring all the products and services offered by the Bank under a validation process.

In 2018 it looked at issues such as:

- Definition and drafting of product brochures.
- Approval of marketing or distribution of new products such as guaranteed funds or structured products.
- Update and approval of standard documents such as the banking product and services marketing policy or the Product Committee's own handbook.
- Approval of relevant measures for correct implementation of new regulations, notably MiFID II in 2018.

The Committee held all its scheduled quarterly meetings but these were supplemented by 10 sessions of the permanent Committee to approve one-off measures that were subsequently ratified in a full Product Committee meeting.

G. Quality surveys and Mystery Shopping

In January 2018, the Bank launched its "Measuring customer service in branches" project. The project covers all Banks in Caja Rural Group and has two aims:

- To comply with regulations laid down by the European Banking Authority (EBA) and European Securities Markets Authority (ESMA) on criteria for defining and setting remuneration policies in the branch network so that they incorporate quality variables.
- To improve the customer experience by introducing procedures and methodologies to analyse contacts with new customers and set metrics for how to deal with existing customers.

The project is based on two methodologies, which run simultaneously:

- Mystery Shopping: The points tested and their weighting in the overall score are: Physical aspects of the branch, speed, treatment, explanation of products, sales approach.
- Satisfaction/Recommendation questionnaire: The points tested and their weighting in the overall score are: Emotional value = 20% service + 20% explanations + 20% documentation + 40% NPS recommendation

H. MiFID II training plan

The training plan was launched in 2017 for employees providing financial advice. The Bank has a good starting level as 91.86% of its employees have university education. Accordingly, the Bank's training programme targets the top level of certification, that of investment advice. At the end of 2018, 100% of branches and 846 employees (87.67% of the total), were qualified to give advice.

- The Bank has a process by which employees can contribute ideas and experiences to improve any aspect of external services (dealing with customers) and internal services (between the various areas of the Bank). In 2018 employees suggested 80 improvements via this channel. The Bank awarded a prize for the two best suggestions and another shared by all participants.
- As part of the policy of personalised negotiation when customers have difficulties paying their mortgage, the Bank applies, when the requirements are met, the Code of Best Practice. Since March 2012 this has included a backstop mechanism to reduce the financial burden and other social measures. In 2018, 5 requests were dealt with in this way, relating to loans totalling EUR 681 thousand.
- Marketing of Investment Funds continued in 2018, with actions designed to improve the quality of customer service and improve transparency and protection for customers who choose to invest.

To meet the target of improving customer service, Caja Rural de Navarra offered all customers three services through which they can subscribe to Investment Funds:

- **"Advisory service":** we offer our customers advice1 on the Investment Funds managed by Gescooperativo and recommend those that best suit their level of knowledge, experience, financial resources and investment aims. To do this, we offer customers the opportunity to review the suitability of the investment funds they have subscribed for with us and how well these match their investor profile, undertaking to recommend only the most suitable products.
- **"Discretionary portfolio management service":** customers delegate management of their financial assets to the Bank, following an assessment of their investment profile by Caja Rural professionals. They subsequently remain in permanent contact with the Bank so they can monitor their investments and make any changes to the instructions and limits set in the portfolio management contract.
- **"Execution only service":** since the start of 2018, Caja Rural de Navarra has offered its customers a wide range of Investment Funds, including different options from prominent and respected third-party investment managers unrelated to Caja Rural de Navarra, which allow customers to invest in different markets through a diverse set of investment vehicles managed by international leaders in the sector. We also make available to our customers straightforward tools that provide objective information and help them choose the Funds that best suit their needs. Similarly, customers can compare various alternatives to see how they differ and take their own decisions.

To meet the target of increasing transparency and protection for our customers when investing, Caja Rural de Navarra meets all regulatory requirements for precontractual information on funds by companies offering investment services including the upfront estimate of costs and expenses required by MiFID II.

I. Socially responsible investment

Advances in Socially Responsible Investment (SRI) in Spain are being applied to the asset management industry. The SRI policy helps manage the sustainability of the investments over their investment horizon, by factoring environmental, social and corporate governance (ESG) issues into investment decisions.

Issues of companies' sustainability are considered upstream of investment process, so as to identify a universe of securities that meet the requirements of the SRI policy – the investible universe.

At Caja Rural de Navarra, we have made progress in this area and all the pension plans we offer are managed through an SRI investment policy for all European equities and Spanish sovereign and corporate bonds.

In May 2018, Caja Rural de Navarra extended its investment fund range to market two new funds that followed socially responsible investment criteria: Rural Gestión Sostenible I and Rural Gestión Sostenible II.

These are balanced funds managed according to sustainability criteria. Managers select issuers and investments that apply good environmental, social and corporate governance policies. Companies that infringe human and labour rights, harm public health or manufacture arms etc. are excluded from the investment universe.

Caja Rural de Navarra also applies a socially responsible investment policy to managing its cash on behalf of its portfolio of listed assets on organised markets (fixed income and equities).

The responsible investment strategy for the portfolio is based on the following practices:

- Companies involved in sectors or products considered controversial or in breach of widely accepted international ethical standards are excluded. Companies are also liable to be excluded if they are found to engage in extraordinarily poor environmental, social and/or governance behaviour.

Specifically, we will not invest in companies who meet the following exclusion criteria:

- **Controversial sectors.** Arms, tobacco, gambling, pornography.
- **Serious environmental impacts.** Companies involved in major controversies on environmental issues such as water, soil, air or noise pollution or treatment of contaminated waste.
- **Serious social impacts.** Companies involved in controversies or incidents involving social considerations such as human rights, labour rights, occupational health and safety or projects with major negative impacts on communities.
- **Corporate governance practices.** Companies with a major involvement in controversies or incidents in the field of corporate governance, corruption and bribery, money laundering or tax evasion.

In addition to these exclusions, the Bank is also drawing up a ranking of assets based on their overall sustainability behaviour, allowing it to identify those whose performance is above average which will then be included in the investible universe.

- The security selection process also applies a best-in-class or best-in-sector criterion, based on high-quality and transparent global sustainability ratings, i.e. looking at financial and non-financial criteria. This encourages the inclusion of companies that are applying leading-edge sustainability strategies.

The selections of securities by ESG criteria takes account of the ratings awarded by sustainability ratings agency Sustainalytics. Sustainalytics, an independent global consultancy specialising in ESG issues, carries out qualitative and quantitative analyses on ESG factors to arrive at a universe of companies that meet these criteria.

4.2. PROFILE AND DISTRIBUTION OF CUSTOMERS

At end-2018, Caja Rural de Navarra had a total of 594,670 customers. Of these 48,834 (8.21%) were classed as "Companies, institutions and other" and 545,836 (91.78%) were "Individuals".

The table below shows the breakdown by customer type:

2018	
SEGMENT	**TOTAL CUSTOMERS**
Individuals	**545,836**
Legal entities	**48,834**
Corporate	37,067
Institutions	11,229
Other	538
TOTAL (Individuals + Legal entities)	**594,670**

The distribution of customers between the different provinces where the Bank operates and the associated business volumes is as follows:

Geographical area	**Loans And Advances**	**Deposits**	**Customers**
Navarra	49.29%	61.66%	53.97%
C.A.V.	40.82%	8.97%	36.95%
La Rioja	9.89%	29.37%	9.08%
	100%	100%	100%

4.3. DIALOGUE WITH CUSTOMERS

Caja Rural de Navarra uses the following methods to communicate with its customers:

1. TE ESCUCHAMOS/WE'RE LISTENING

The Bank's customers expressed their opinions through the *"Te escuchamos"* initiative in 2018 on matters including an overall rating of the Bank's services, customer service in branches, the working of unmanned channels and information on and value of the Bank's social activities.

These opinions came from the 4,423 people who responded to an online questionnaire devised by the Bank.

The overall rating obtained by the Bank in 2018 was 7.50. This is a 2 tenths improvement on a year previously and the Bank considers these scores to be favourable compared to its banking competitors. Ratings for specific aspects of the customer-Bank relationship were highest for "courtesy and friendliness of branch staff", with 8.32 and lowest for "functionalities and service provided by the ATMs" with 7.35.

Channels provided by Caja Rural de Navarra for stakeholders to respond to consultations and pass on advice or criticisms in a public forum, via this link: *www.cajaruraldenavarra.com*

2. LISTENING AND PARTICIPATING IN SOCIAL NETWORKS

The Bank is present on the following social networks:

- blog.cajaruraldenavarra.com; 70,605 visits in 2018.
- Facebook; Caja Rural de Navarra page; 10,266 followers.
- Twitter, Caja Rural de Navarra feed; 2,607 followers 14,726 visits.
- Facebook; Joven In – Caja Rural de Navarra; 10,860 followers.
- Instagram; Launch of a new Joven IN – Caja Rural de Navarra account.

3. CUSTOMER SERVICES DEPARTMENT

The Customer Services Department is responsible for resolving all complaints and claims received from Caja Rural de Navarra customers.

The Regulations governing Caja Rural de Navarra's Customer Services Department were created by Act 44/2002 of 22 November, on Measures to Reform the Financial System, and Ministerial Order ECO/734/2004 of 11 March, on customer services departments or services of financial institutions and other applicable rules.

There are several channels that customers can use to make submissions to this Service: post, burofax, fax, email, official forms of the Autonomous Regions in which Caja Rural de Navarra operates or through the Bank's official documents.

In 2018, the Service received 1,921 complaints or claims, which broke down as follows: 998 from customers; 22 from public bodies (local and regional government); 234 from private consumer associations; 636 from lawyers and 31 from the Bank of Spain.

They were resolved as follows (with comparison with 2017):

CONCLUSION OF COMPLAINTS AND CLAIMS		
FORM OF RESOLUTION	**2018**	**2017**
Not accepted	600	392
Dismissed	897	4,547
Upheld in full	324	99
Upheld in part	100	604
Claims dealt with	**1,921**	**5,642**

Unlike in 2017, complaints and claims received in 2018 fell sharply, due to a fall-off in the number of claims for "arrangement costs for mortgages". These had represented 87.34% of all claims in 2017, falling to 60.85% in 2018.

The Customer Services Department prepares an annual report for the Governing Board in accordance with Article 17 of Ministerial Order ECO/734/2004, including a summary of all complaints and claims received, the processes applied by the Bank following their reception, the general criteria applied when resolving complaints and claims and the recommendations and suggestions made during the year. The report is available to the Supervisor.

In addition, any critical concerns identified in the year are brought to the attention of the Governing Board. In 2018, no critical complaint or claim was identified as having to be reported up to the Board.

Every four months, there is a meeting of the Quality Committee, where it is explained how complaints and claims were dealt with, possible risks are identified, criteria to apply are decided and appropriate recommendations made. The Committee is attended by people from a range of departments.

We analyse a number of specific issues below:

A. Fraudulent use of payment media, phishing and product security.

The Customer Services Department received 13 claims for fraudulent use of payment media, all relating to credit or debit cards. Most of these were ultimately resolved in the customers' favour.

The others concerned transactions that had been authorised by the victims and which were therefore not considered to be a fraudulent use of the payment medium concerned.

Unlike 2017, Caja Rural de Navarra was the subject of no complaints to the Bank of Spain for fraudulent use of payment media, phishing or product security.

There were no penalties, warnings or cases of non-compliance in this area in 2018.

B. Information on products and services.

The Customer Services Department prepares an annual report for the Governing Board in accordance with Article 17 of Ministerial Order ECO/734/2004, including a summary of all complaints and claims received, the processes applied by the Bank following their reception, the general criteria applied when resolving complaints and claims and the recommendations and suggestions made during the year. The report is available to the Supervisor.

In addition, any critical concerns identified in the year are brought to the attention of the Governing Board. In 2018, no critical complaint or claim was identified as having to be reported up to the Board.

C. Publicity for products and services.

In respect of publicity for products and services we received two claims for gifts for having salaries paid into accounts, but these failed to meet the terms and conditions which had been correctly published on the website. We also received a complaint for failing to apply our pension programme from the first day the conditions for it were met. We notified the complainant that, as explained in the terms and conditions for the programme, there was a waiting period which had to elapse before it became active.

There were no penalties, warnings or cases of non-compliance in this area in 2018.

D. Breach of data protection rules.

In 2018, the Bank dealt with 1,726 requests to delete personal data following publication of the EU General Data Protection Regulation. We received 6 complaints, one of which was passed up to the Spanish Data Protection Agency (AEPD) and is currently pending resolution.

There were no penalties, warnings or cases of non-compliance in this area in 2018.

4.4. CUSTOMER RELATION CHANNELS

1. Branch network

The branch is the usual place for conducting relationships with the customer. Caja Rural de Navarra had 252 branches to serve its business at the end of 2018, distributed among the Autonomous Regions as follows:

BASQUE COUNTRY	NAVARRE	LA RIOJA
89	139	24

3 new branches were opened since the prior year, both in the Basque Country.

Access to financial services is identified as a fundamental factor in social cohesion. In Spain, the erosion of branch networks seen in recent years could increase levels of financial exclusion in the regions.

The latest available Bank of Spain report on "Closure of banks and access to cash in Spain" shows that 4,109 municipalities, mostly small – 194 of them have less than 30 residents and 521 less than 50 – had no bank branch at end-2017. This means that 2.7% of the population, approximately 1.26 million people, have no bank in the municipality where they live. Also, at end-2017 there were 50,839 ATMs, 17.06% fewer than ten years ago. The report justifies this reduction citing the "period of adjustments and cost-cutting" that the sector is undergoing.

In these circumstances, Caja Rural de Navarra stands out as the number of branches in locations with fewer than 3,000 inhabitants is 73, none having been closed in recent years. The Bank's presence in these locations is fundamental to its provision of a full financial service, which unquestionably helps sustain economic activity and so over the medium term helps prevent depopulation in these areas. This is part of the social commitment that the Bank maintains with the rural world, which was its original market and environment many decades ago.

Architectural barriers: At Caja Rural de Navarra we have long been aware of the need to have an accessible network of branches, not only to comply with Accessibility Regulations but also to benefit our employees and customers.

There are now no architectural barriers in most branches. However, some, due to the features of the building where it is located, do present some minor accessibility problems. Whenever a branch undergoes renovation work, we take the opportunity to make improvements designed to improve its accessibility. In 2018, we carried out such work on 3 branches.

2. ATMs and other devices

The Bank has finished modernising its ATMs so that they can accept deposits, issue receipts for cash deposits (customers and non-customers) and conduct "contactless" transactions. Ownership of the ATMs continues to be hived off to Redsys. This project should be completed in the course of 2020.

At the end of the year, the Bank had 312 ATMs, of which 285 were in branches and 27 elsewhere. It also had 21,668 PoS terminals in 18,564 stores and other businesses.

Note that, following the collaboration agreements signed with other entities such as Grupo Cajamar, Banco Popular, Laboral Kutxa, Deutsche Bank, Bankinter, Targo Bank, Novobanco (Banco Espirito Santo), Banco Pichincha, Bankoa, Caja de Ingenieros, Caja de Arquitectos, Banca Popolare Etica and others, customers can now enjoy favourable terms at nearly 8,000 ATMs.

3. Internet

Caja Rural de Navarra's remote banking service is branded under the name Ruralvía.

A Ruralvía contract allows the customer to access a wide range of financial products and services as well as conducting nearly all banking operations online through a computer, telephone (telephone banking), tablet or smartphone (ruralvía móbil).

To guarantee secure delivery of financial services via Ruralvía, Rural Servicios Informáticos (RSI) is developing security protocols that comply with legal standards.

Caja Rural de Navarra offers its customers a number of apps, including

- **Rvia Pay,** which makes it easy to pay using your mobile, transfer small amounts of cash free of charge using Bizum, and, using the DIMO option, get cash from ATMs using your mobile number.
- **Ruralvía Mi Negocio,** an app to help businesses with their day-to-day banking by managing data.
- **Ruralvía Report,** an app to help individual customers control their day-to-day banking.
- Caja Rural de Navarra also has a deal with Apple Pay allowing Caja Rural de Navarra cardholders to pay directly using Apple's "Wallet" system.

4.5. PRODUCTS AND SERVICES

As a retail and regional cooperative entity Caja Rural de Navarra has always had strong links with the agribusiness sector and has supported its responsible development since it was founded. Over the years, the Bank's activity has developed as the regions where it operates have industrialised, but it remains faithful to its culture of transparency, responsibility and sustainability.

As part of its sustainability vision, Caja Rural de Navarra has created a sustainability framework[1] for its loan book which seeks to promote financing lines that have a greater social and environmental impact in the regions where it is active. These credit lines are consistent with the principles of commitment to its social environment. The framework is dynamic, evolving and developing in accordance with corporate social responsibility practice over time.

Similarly, Caja Rural de Navarra regularly taps wholesale markets through a number of "sustainable" financing instruments which also form part of the abovementioned sustainability framework:

-Sustainable mortgage covered bond (Cédula hipotecaria): EUR 500m 7yr Nov-16
https://hypo.org/emf/press-release/covered-bond-label-enhances-transparency-sustainable-finance-caja-rural-de-navarra-receives-110th-label/

-Senior sustainable bond EUR 100m 5yr Jun-17
https://sustainabonds.com/crn-reinforces-sustainable-shift-gets-label-senior-debut/

-Sustainable mortgage covered bond (Cédula hipotecaria): EUR 500m 7yr May-18
https://sustainabonds.com/spain-positives-lift-enhanced-crn-sustainable-cedulas-to-heights/

The various versions of the sustainability framework have been overseen by the consultancy Sustainalytics. Its Second-Party Opinion[2] highlights Caja Rural de Navarra's commitment to devote an amount at least equal to the proceeds of existing or future "sustainable" finance instruments to projects qualifying for the Bank's identified sustainability lines and to report regularly on sustainability.

Caja Rural de Navarra's commitments to transparency, that meet the best established international sustainable definitions of these types of activity, are presented by publishing details of the sustainability lines and its impact on Bank's regions as well as by its involvement in the environment and society under the Bank's responsibility to maintain enough projects that qualify for the sustainability framework,

[1] https://www.cajaruraldenavarra.com/en/information-for-investors

[2] https://www.cajaruraldenavarra.com/en/information-for-investors

Sustainalytics has confirmed that the Bank's sustainability framework aligns to the abovementioned principles and goals, including the "Green Bond Principles"[3] (GBP) and "Social Bond Principles"[4] (SBP) of the ICMA (International Capital Market Association) which under transparency, communication and reporting guidelines seek to promote projects that contribute to environmental sustainability and social challenges and the United Nations Sustainable Development Goals (SDGs)[5] whose global aims involve all humanity. These principles and goals are consistent with the commitments taken on.

The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.

The Green Bond market aims to allow and develop the key role that debt markets can play in financing projects that contribute to environmental sustainability.

The GBP are intended for broad use by the market: they provide issuers with guidance on the key components involved in launching a credible Green Bond; they aid investors by promoting availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions.

GBPs have four main components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of Proceeds
4. Reporting

The Social Bond Principles (SBP) are voluntary process guidelines that recommend transparency and

disclosure, and promote integrity in the development of the Social Bond market by clarifying the approach for issuance of a Social Bond.

Social Bonds are any type of bond instrument whose proceeds will be exclusively applied to finance or re-finance in part or in full eligible Social Projects. Some Social Projects may also have environmental benefits.

The SBPs are intended for broad use by the market: they provide issuers with guidance on the key components involved in launching a credible Social Bond;

[3] https://www.cajaruraldenavarra.com/sites/default/files/files/Sustainalytics-CRN-Second-Opinion-Caja-Rural-de-Navarra.pdf

[4] https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/

[5] https://www.un.org/sustainabledevelopment/sustainable-development-goals/

they aid investors by promoting availability of information necessary to evaluate the positive impact of their Social Bond investments; and they assist underwriters by moving the market towards expected disclosures that will facilitate transactions.

SBPs have four main components:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of Proceeds
4. Reporting

UN Sustainable Development Goals On 25 September 2015, global leaders adopted a set of 17 global objectives to eradicate poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda.

Each objective includes specific targets to be met in the next 15 years.

Regarding transparency, Caja Rural de Navarra publishes a quarterly analysis of loan book in line with the standards of the Covered Bond Label[6] which guarantees the quality of issues for investors and facilitates comparison of results with those of other entities signed up to the same label. Outstanding issues of sustainable mortgage covered bonds are identified by the EMF-ECBC with the green leaf icon.

In addition, the ESG team of DZ Bank[7] analysed Caja Rural de Navarra, looking at various aspects of sustainability, and awarded its seal of Sustainability with above-average ratings in all four areas: Economic, Environmental, Social and Governance.

Besides signing up to the abovementioned certificates and standards, Caja Rural de Navarra has pursued its commitment to sustainability by taking part in different initiatives and working groups that are developing “green finance”, such as:

- EeMAP[8] (“Energy efficient Mortgages Action Plan”)
- EEFIG[9] (“Energy Efficient Financial Institutions Group”)

The aim is to promote energy efficient homes which meet the environmental and social goals set out in the UN Paris Agreement. Social goals include stimulating investment and creating employment.

The sustainability framework of the Caja Rural de Navarra loan book consists of 9 different credit lines with over 44,000 borrowers. At 31 December 2018 the sustainable loan book totalled more than EUR 3,100 million assigned as follows:

[6] https://www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/en/portal/segmentos/info_inversiones/prel/Covered-Bond-Label.html

[7] DZBank acts as central bank to over 900 German local cooperative banks https://www.dzbank.de/content/dzbank_com/en/home/DZ_BANK/press/specials/sustainability.html

[8]https://eemap.energyefficientmortgages.eu/

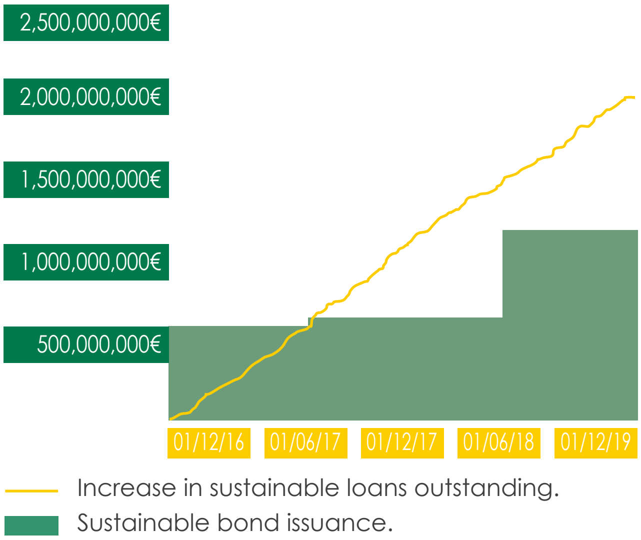
[9]http://www.eefig.com/

CAJA RURAL DE NAVARRA:
ASSIGNMENT OF SUSTAINABLE ASSETS AND LIABILITIES*

SUSTAINABLE PORTFOLIO CATEGORY	ASSETS	LIABILITIES	SUSTAINABLE FINANCE ASSIGNMENT
Sustainable agriculture	103,319,406.27	500,000,000.00	Sustainable CB: CRUNAV 0,625 12/01/23
Renewable energy	39,763,525.99	100,000,000.00	Sustainable Sr unsecured CRUNAV Float 06/21/22
Energy efficiency	443,090,377.96	500,000,000.00	Sustainable CB: CRUNAV 0.875 05/08/25
Sustainable forest management	3,261,341.83	40,000,000.00	BEI loan for SMEs and Mid-caps
Waste management	25,834,314.88		
Social housing	644,039,548.50	10,000,000.00	BEI loan for SMEs and Mid-caps for Climate Change
Social inclusion	50,328,066.54		
Education	27,930,703.92		
Economic inclusion	1,810,705,790.04	1,998,273,075.93	Unassigned portfolio
TOTAL SUSTAINABLE PORTFOLIO	**3,148.,273,075.93**	**3,148,273,075.93**	**MAXIMUM SUSTAINABLE FINANCE**

*Figures are for Caja Rural de Navarra lending outstanding at 31 December 2018.

Caja Rural de Navarra is committed to growing its most sustainable lending lines. Accordingly, it seeks to enhance the “additionality” of its sustainability framework so that the total cumulative amount (EUR 1,980 million) of new sustainable loans made by Caja Rural de Navarra since the Sustainability Framework was launched has exceeded its covered bond issuance (EUR 1,100 million).



The outstanding balance of the sustainable portfolio at end-2017 was EUR 3,054 million and grew, as stated above, to EUR 3,148 million at 31 December 2018. The number of loans also grew by 10.5%. A total of 44,122 individuals and legal entities benefited from CRN financing, an increase of 4,700 clients on the previous year.

The chart below maps the categories comprising the Bank's sustainability framework against the UN's Sustainable Development Goals (SDG), breaking down by category the various SDGs promoted by Caja Rural de Navarra.

12 RESPONSIBLE CONSUMOTION AND PRODUCCTION	I. Sustainable agriculture II. Sustainable forest management III. Waste management **132€ million**
7 AFFORDABLE AND CLEAN ENERGY	IV. Renewable energy V. Energy efficiency **483€ million**
11 SUSTAINABLE CITIES AND COMMUNITIES	VI. Social housing VII. Social inclusion VIII. Education IX. Economic inclusion **2,533€ million**

*4.5.1. Details of each sustainability line**

1. Sustainable Agriculture

12 RESPONSIBLE CONSUMOTION AND PRODUCCTION

"12.2 By 2030 achieve sustainable management and efficient use of natural resources"

This category includes loans intended to reduce greenhouse gas emissions by making farms more efficient, reusing waste products, maintaining the rural environment, etc.

It is important to stress that Caja Rural de Navarra retains a special commitment to agriculture, both because of its origins and because of the important role played by the rural world in sustainable development and the future of the regions and communities in which the Bank operates.

Caja Rural de Navarra tested each loan included in this category for compliance with the above aims. Based on an analysis of information collected, we calculate that the current sustainable agriculture line totals EUR 103.3 million, spread across 1,220 loans to 963 borrowers.

Of this, 20.9% went to young farmers (aged under 40) in line with the Bank's philosophy of supporting the new generation that is driving the primary sector

*Information obtained from available data and rural environment. Another 28.9% went to cooperatives, SATs (Agricultural Transformation Companies) and another agricultural associations, maintaining the Bank's traditional support for collective initiatives in the world of agriculture and stock raising.

Caja Rural de Navarra's customers in the agribusiness sector are equally committed to sustainability and 11.8% of loans to support sustainable agriculture carry European green certificates for ecological production.

The table below breaks down the loans made by purpose, quantified as a percentage of total lending of this line:

SUSTAINABLE LOANS BY PURPOSE

Improving stockraising facilities and animal welfare	15.7%
Consolidation and reinforcement of farms	26.3%
Agriculture-related transport improvements (energy efficiency)	12.7%
Irrigation and inrrigation systems improvements (energy efficiency and CO2 emission reductions)	8.5%
Financing support for disadvantagous climate circumstances	3.3%
Investments under Eruopean rural development plans	3.9%
First installation of new farmers and stockraisers	6.6%
Construction of workshops and greenhouses	14.5%
Other	8.5%

2. Renewable Energy

7 AFFORDABLE AND CLEAN ENERGY

"7.2 By 2030, increase substantially the share of renewable energy in the global energy mix"

This category includes loans to fund the generation of electricity from renewable sources – solar, wind, geothermal, hydro-electric, etc. – and the use of bio-fuels, development of infrastructure or systems for renewable energy and the manufacture of components for these industries. Based on an analysis of information collected, we calculate that the sustainable energy credit line totals EUR 39.7 million, spread across 80 loans to 57 borrowers.

Caja Rural de Navarra also analysed loans in this category individually, classifying them into the following types based on their purpose:

- **Companies generating energy from renewable sources:** mostly photovoltaic solar power.
  Loans outstanding: EUR 33.4 million
  Number of transactions: 52
- **Builders of renewable energy plants:**
  Loans outstanding: EUR 6.3 million
  Number of transactions: 28

3. Energy Efficiency

7 AFFORDABLE AND CLEAN ENERGY

"7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

This category covers loans whose purpose is to develop products and technologies that reduce energy consumption or manufacture components that contribute to this aim.

Based on an analysis of information collected, we calculate that the current loan book for these purposes totals EUR 443.1 million, spread across 3,711 loans to 3,024 borrowers.

The Bank analysed loans in this category individually, classifying them into the following types based on their purpose:

- **Fleet renewal: less polluting vehicles, emission reductions:** EUR 41.3 million and 858 transactions.
- **Modernisation of industrial facilities to reduce their environmental footprint, improving insulation and reducing CO2 and NOX emissions:** EUR 23.9 million and 64 transactions.
- **Modernisation of production processes to reduce inputs and make more efficient use of raw materials and energy:** EUR 50.2 million and 133 transactions.
- **Renewing equipment to use materials with a lower ecological impact and/ or reduce consumption by the equipment produced:** EUR 18.0 million and 63 transactions.
- **Renewal of transport fleets:** EUR 7.7 million and 85 transactions.
- **Cogeneration or combined-heat-and-power plants that improve overall energy efficiency:** EUR 2.8 million and 4 transactions.
- **Electric bikes for urban mobility schemes:** EUR 341,000 and 2 transactions.
- **Engineering, consultancy and manufacture of energy efficiency equipment:** EUR 1.2 million and 5 transactions.
- **Energy efficiency in housing:** EUR 297.7 million and 2,497 transactions.

In 2017, Caja Rural de Navarra updated the sustainability framework for the loan portfolio to include Energy efficiency in housing, in line with its involvement in the EMF-ECBC's EeMAP initiative and, since 2019, EEFIG initiative.

Eligibility criteria for this section include newbuild homes and existing homes with an "A" or "B" Energy Efficiency Certificate (EEC) and renovated homes with a final EEC of "C" or better as this implies they have increased their energy efficiency by at least 30%. These homes fit comfortably within the 15% most energy efficient category that has become the market standard.

Caja Rural de Navarra has three sources for energy efficiency data on homes:

1	mortgages of individual homes where the Bank funded the property development.
2	individual mortgages outstanding.
3	new mortgages.

In 2018, Caja Rural de Navarra was working in-house on ways to identify these three data sources and succeeded in classifying a total of EUR 297.7 million of loans, nearly double the volume achieved in 2017 when it first began to analyse the mortgage portfolio for energy efficiency.

Caja Rural de Navarra continues to work internally and with its suppliers to develop processes that capture EEC data on new loans, both those initially funded via developers and those where the customer applies directly to the Bank for a mortgage. Also, the second source (mortgages granted but not directly financed by CRN or financed by home development loans since 2013) requires advanced IT tools as the official databases of the EEC are hard to compare, being alphanumeric. The Bank is working on advanced algorithms to try and find a reliable solution. For all these reasons, the Bank expects this category to expand in the future.

4. Sustainable Forest Management

12 RESPONSIBLE CONSUMOTION AND PRODUCCTION

"12.2 By 2030 achieve sustainable management and efficient use of natural resources"

This category covers loans whose purpose is forestation, reforestation and the development of forestry plantations. Based on an analysis of information collected, we calculate that the loan book for these purposes totals EUR 3.3 million, spread across 8 loan transactions to 5 borrowers.

Caja Rural de Navarra analysed each loan in this category, concluding that this line has helped fund management of 370.2 hectares of forestry land with a carbon sink effect in its growth phase of 15,280 tCO2eq.

These figures are in line with Carlos A. Noverto's recently compiled report for the FAO, finding that to produce 446 grammes of wood a tree requires 650 grammes of CO2 and releases 477 grammes of oxygen into the atmosphere. According to this calculation, each cubic metre of forest biomass (trunk, roots, branches, leaves) absorbs 0.26 tonnes of carbon equivalent (tCO2eq). For poplar or cottonwood forest this equates to 41.28 tonnes of CO2/ha/year.

5. Waste Management

12 RESPONSIBLE CONSUMOTION AND PRODUCCTION

"12.2 By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse"

This category includes loans to develop equipment and technology that make more efficient use of resources and/or reduce waste generation. Based on an analysis of information collected, we calculate that the current loan book for these purposes totals EUR 25.8 million, spread across 74 loans to 51 borrowers.

Caja Rural de Navarra analysed loans in this category individually, classifying them into the following types based on their purpose:

- **Recycling of industrial waste (metal, tyres):**
  EUR 14.4 million and 40 transactions.
- **Manufacture of commercial products from recycled materials:**
  EUR 3.9 million and 18 transactions.
- **Clean-up of industrial waste:**
  EUR 7.5 million and 16 transactions.

6. Social Housing

11 SUSTAINABLE CITIES AND COMMUNITIES

"11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums"

Social housing – which falls into two types: VPO, officially protected housing, or VPT, regulated price housing – are price-capped homes intended as principal residence for their occupants. They are allocated by public tender on terms that include requirements such as income level, number of family members, etc. The aim of VPO/VPT projects is to allow citizens with lower incomes (or who meet other qualifying criteria) to buy or rent good quality and appropriate housing at accessible prices.

In our case, before lending to customers to buy such homes we must have prior authorisation from the local authority which guarantees to us that the borrower meets all necessary requirements. In general, loans included of this type are to:

- **Individuals** taking out a mortgage to buy a VTO/VPT home.
- **Developers** who take out a mortgage to built a VTO/VTP building which will subsequently be sold on or let out at a social rent to people meeting the necessary requirements.

Key indicators report:

A. First, the basic figures are:

- Total investment of EUR 644 million
- Spread across 7,127 loans
- To 6,882 borrowers, of whom:

  6,821 are individuals

  61 are legal entities

B. Currently, only 0.6% of this loan book is more than 90 days past due, very similar to the ratio for other housing mortgages granted by Caja Rural de Navarra. This indicates that although the customers are normally on lower incomes they are just as likely to meet their payments as the Bank's other home mortgage borrowers and that their household finances can generally bear the cost of buying a home under these schemes.

C. Breakdown of social housing loans by borrower:

- 99.1% were to individuals (of which 39% had two or more signatories and 61% had a single signatory).
- 0.9% were to legal entities.

Nearly all loans, therefore, went to individuals and the Bank is helping in this way to bring home ownership within the reach of a large number of people while simultaneously diversifying risk in this financing line.

D. The age distribution of borrowers (at the time they take out the mortgage) is as follows:

Younger than 25	10.0%
25 to 30	6.4%
30 to 35	20.5%
35 to 40	27.1%
40 to 45	17.2%
45 to 50	10.0%
More than 50	8.8%

More than 35% of loans granted to individuals were to people aged under 35, suggesting that this type of financing is making it possible for young people to access their first home.

Likewise, just over 8.8% of loans were to people over 50 who, due to various life circumstances, need a home later on in their lives.

E. The conclusions of the first paragraph above are confirmed by analysis of the number of children of those taking out these loans. Over 70% have no children at the time they sign the mortgage.

NUMBER OF CHILDREN

72.4%	**None**
13.7%	**1 child**
11.5%	**2 children**
1.9%	**3 children**
0.3%	**4 children**
0.2%	**More than 4 children**

F. Data collected also shows (see table below) that more than 55% of loans granted were in towns with a population of less than 25,000 residents with just over 15% going to villages of less than 5,000 inhabitants, helping sustain small populations and counter the risk of rural depopulation.

POPULATION PER TOWN/VILLAGE

15.2%	**< 5,000**
12.4%	**5,000 to 10,000**
31.1%	**10,000 to 25,000**
7.5%	**25,000 to 50,000**
1.7%	**50,000 to 100,000**
3.3%	**100,000 to 151,000**
16.7%	**151,000 to 200,000**
12.1%	**more than 200,000**

G. Finally, the table below shows the average income per person in the family unit taking out the mortgage. More than 68% of such families have below-average incomes per head for the Region where they live, underlining the social character of such financing.

AVERAGE INCOME PER PERSON

68.4%	**Less than EUR 13,000**
25.0%	**EUR 13,000-25,000**
6.1%	**EUR 25,000-50,000**
0.5%	**More than EUR 50,000**

7. Social Inclusion

11 SUSTAINABLE CITIES AND COMMUNITIES

"11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums"

Caja Rural de Navarra has a special relationship with organisations working for social integration and social and economic development in the areas where it is active. The Bank's involvement with these organisations takes a variety of forms, not limited to financing their social projects, and in some cases involving Caja Rural de Navarra meeting part of the costs of the activities they sponsor. Specifically, our actions to promote social and economic development can be divided into several categories:

Different abilities: training, rehabilitation and employment.

Caja Rural de Navarra has for many years supported organisations that bring together people with different abilities (physical or mental). These organisations run training and rehabilitation centres as well as special employment centres to support people into work. Caja Rural de Navarra devotes EUR 7.8 million to this financing line, which allows 14 organisations to do their work managing Special Employment Centres, residential facilities and day centres. Together they provide training and rehabilitation services to more than 7,000 people and employ 6,000 people. This supports nearly all the people with different abilities in Navarra.

Sport.

Caja Rural de Navarra has an important commitment to sport and the personal development and inclusion of people through sport. The Bank funds infrastructure and sports equipment for the different sports clubs and federations that focus on regulating and facilitating controlled and directed sports activities that meet the criteria of equality, health and preventative care. Their actions focus on grassroots sport, which is where funding can have most social impact. This financing line has lent a total of EUR 13.5 million to fund 49 bodies serving more than 55,000 people of all ages.

Culture.

Caja Rural de Navarra also provides EUR 10.2 million of funding for investments designed to foster social integration through culture. The money goes to 130 cultural bodies active in fields such as music, language, food, customs, folk traditions, literature, theatre, cinema and many others. Together, they generate social cohesion irrespective of the circumstances of those who take part.

Social and health care.

We live in an ageing population and Caja Rural de Navarra supports the building of infrastructure and equipment to provide healthcare and social and health inclusion of the elderly and young people with some degree of dependence. The Bank currently support 5 residential homes that look after more than 250 elderly people. Total financing for this segment is EUR 3.5 million.

Socio-economic.

The social and economic background in which Caja Rural de Navarra operates is rich in charities, professional associations and research centres. Caja Rural de Navarra firmly supports this social fabric by financing the essential infrastructure such groups rely on. These associations help ensure that small businesses and the self-employed are kept permanently informed on tax, employment, legal and financial matters. They also have representative bodies speaking to the government and other private organisations. Caja Rural de Navarra has invested EUR 7.1 million to support a total of 50 professionals associations whose membership includes more than 3,000 professionals and organisations from various sectors of the economy.

Inclusion.

Caja Rural de Navarra has a clear commitment to people of any age, origin and social class. For this reason the Bank firmly supports organisations working to include groups at risk of social exclusion: immigrants, the gypsy community, young people, drug users and the elderly unemployed. Caja Rural de Navarra provides EUR 8.2 million in financing to support 32 social organisations supporting the social inclusion of more than 3,000 people.

Based on an analysis of information collected, the current portfolio for these purposes totals EUR 50.3 million, spread across 280 borrowers

8. Education

11 SUSTAINABLE CITIES AND COMMUNITIES

"11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums"

Caja Rural de Navarra is clearly committed to basic, intermediate and advanced training. It is in direct contact with public and private training providers. Caja Rural de Navarra's involvement with these associations takes a variety of forms, not limited to financing their social projects, and in some cases involving the Bank meeting part of the costs of their educational activities.

A.Financing investments.

New buildings, new equipment and other infrastructure (sports, cultural, etc.). Caja Rural de Navarra currently has EUR 27.9 million committed to financing investments by 88 training centres with more than 35,000 students between them.

B.International scholarships.

For university students and professional training. This provides financial support for students wanting to study for some time in educational institutions or companies abroad so that none is prevented from doing so through lack of money. These scholarships funded a total of 510 students.

9. Economic Inclusion

11 SUSTAINABLE CITIES AND COMMUNITIES

"11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums"

This category includes loans that meet the following requirements:

A. SMALL LOANS that support economic inclusion, whether because of their small amount or because they provide access to finance for remote areas (where the Bank has a particular presence). To qualify, loans must meet one of the following criteria: • It must be for less than EUR 25,000 • It must be made through a Caja Rural branch in a village of less than 3,000 population with below average income for the Region.
B. LOANS TO **ENTREPRENEURS.**
C. LOANS TO **SMEs** as defined by the European Union.

A. Small loans and remote areas.

Based on an analysis of information collected, we calculate that the current portfolio for these purposes totals EUR 598 million, consisting of 33,556 loans to 29,480 borrowers.

As a result this is a highly diversified line comprising many loans with an average amount of EUR 17,800, which means we reach a great many people, particularly in rural areas and small population clusters. Specifically, 77.8% of the finance in this item goes to populations at risk of financial exclusion.

B. Entrepreneurs.

Caja Rural de Navarra has historically reserved a special awareness and treatment for small entrepreneurs seeking to start up a new business. Its presence in sparsely populated rural areas makes this a common story and today the Bank can be proud to claim that some of the small businesses we have supported have grown into large companies employing many people and contributing to the sustainable development of their local areas.

Caja Rural de Navarra takes the view that the new entrepreneurs launching today's new businesses will become the future heads of established companies and generators of wealth and employment in their local areas. As a result, Caja Rural de Navarra has for more than 10 years now been offering a specific financing line to support entrepreneurs called Línea Inicia. The main aim of the line is to support new projects from their start-up, so that they can access - on advantageous terms - funding that is specifically designed to meet the needs of the business. The Bank has also agreements and cooperation deals with all agencies promoting enterprise in the zones where Caja Rural de Navarra operates.

Over the past decade and more, Caja Rural de Navarra has supported over 1,700 new businesses in a wide range of sectors, principally the following: services, industrial, food and technology. This has allowed the creation of more than 3,400 jobs of which 381 (223 men and 158 women) were generated in 2018. The geographical breakdown is as follows:

EMPLOYMENT GENERATED BY REGION 2018

BASQUE COUNTRY	NAVARRE	LA RIOJA
222	145	14

DISTRIBUTION OF SECTORS 2018

Services	61%
Commerce	14%
Industrial	12%
Health & Sport	5%
Education	4%
ICT	4%

Average financing per entrepreneur is EUR 40,597, with an average investment per project over the last year of EUR 69,342. NPL ratios were low: 1.2% for these loans. The average age of the entrepreneurs is 41 years.

Businesses supported in 2018 are spread geographically throughout the Bank's area of operations and cover a diverse range of sectors:

DISTRIBUTION OF NEW BUSINESSES 2018

BASQUE COUNTRY	NAVARRE	LA RIOJA
135	76	10

The current success rate for the businesses supported (those that have been active for at least the last three years 2015, 2016 and 2017) is 75%.

C. Financing SMEs.

The basic data for this item show an accumulated amount of EUR 1,160 million, with 4,539 loans to 3,221 borrowers.

The following data series, based on the analysis, show a significant number of positive social impacts:

Legal Documentation

1. Regarding the current state of these loans, 1.73% of the total amount is more than 90 days in arrears. This is a good figure given the average for the financial sector.
2. Secondly, the data below details the number of transactions in micro-enterprises, small and mid-sized companies. Classifications follow the definitions in Act 5/2015 on the promotion of business finance, which defines companies based on their number of employees and annual revenue or total assets:

	HEADCOUNT	TURNOVER (EUR)	TOTAL ASSETS (EUR)
MICRO-ENTERPRISE	Less than 10	Less than 2 million	Less than 2 million
SMALL COMPANY	10 - 49	Less than 10 million	Less than 10 million
MID-SIZED COMPANY	49 - 249	Less than 50 million	Less than 43 million
LARGE COMPANY	More than 250	More than 50 million	More than 43 million

The results show that more than 67.8% of loans went to micro-enterprises and small companies, underlining the effective penetration of the financing under this line and the effort made by the Bank to support the local business fabric.

COMPANY SIZE

34.6%	**Micro**
33.2%	**Small**
32.2%	**Mid-sized**

3. Caja Rural de Navarra has always supported SMEs, building up the essential business fabric for the regions to develop and remain competitive in their production. This is evidenced by the fact that over 40% of companies have been loyal customers of Caja Rural de Navarra for more than 10 years. In addition, the Bank continues to support new companies. More than 5.4% of companies initiated their relationship with the Bank in the last year.

LENGTH OF RELATIONSHIP WITH CRN

LESS THAN 1 YEAR	**5.4%**
2-5 YEARS	**32.0%**
6-10 YEARS	**22.0%**
10-20 YEARS	**28.9%**
MORE THAN 20 YEARS	**11.7%**

Legal Documentation

4. Caja Rural de Navarra's involvement in rural development is an important strand of its work. More than 40% of companies are located in populations of less than 10,000 people, which means it is not only developing the local economy but also helping revitalise the social environment and rejuvenate agricultural areas.

POPULATION PER TOWN/VILLAGE

28.0%	LESS THAN 5,000
12.6%	5,000 TO 10,000
16.7%	10,000 TO 25,000
6.5%	25,000 TO 50,000
3.4%	50,000 TO 100,000
0.4%	100,000 TO 150,000
17.4%	150,000 TO 200,000
15.0%	MORE THAN 200,000

5. Moreover, regarding type of customer, figures confirm that the majority are to limited companies (consistent the data above) and more than 3% are cooperatives (mostly in the primary sector), figures in line with the origins of Caja Rural de Navarra and its business philosophy.

TYPE OF COMPANIES

23.7%	PUBLIC LIMITED COMPANIES
72.7%	LIMITED COMPANIES
3.1%	COOPERATIVES
0.4%	OTHER

6. For a deeper analysis of the real state of companies financed under this line, the following two tables show turnover and number of workers:

SALES (EUR)

Less than 1 million	**41.1%**
1 to 10 million	**33.4%**
10 to 20 million	**12.7%**
20 to 30 million	**4.8%**
30 to 45 million	**5.2%**
More than 45 million	**2.8%**

NUMBER OF EMPLOYEES

Less than 10	**43.1%**
10 to 50	**33.8%**
50 to 100	**14.2%**
100 to 150	**5.8%**
150 to 200	**1.7%**
More than 200	**1.5%**

These data show the small scale of most companies financed by this line. More than 74% have turnover of less than EUR 10 million and slightly more than 76% have less than 50 employees. Caja Rural de Navarra's financing, therefore, contributes to maintaining this important business fabric and the employment it generates. One additional figure to note is that the Bank granted more than 4,500 loans to these companies for a total combined amount of EUR 1,150 million and their average headcount is 22 employees. **This line has sustained at least 81,133 jobs in our region.**

7. It should also be emphasised that, despite the size of these companies, Caja Rural de Navarra is in one of the most industrialised regions of Spain. This is reflected in a substantial international outlook by many of the companies supported in this category: around 32% of the companies financed by Caja Rural de Navarra export, import or both.

EXPORT/IMPORT

6.9%	IMPORTING
6.4%	EXPORTING
18.0%	BOTH
67.7%	NEITHER

8. Finally, to illustrate the diversification of financing granted, the table below shows the different sectors to which the companies Caja Rural de Navarra has financed belong.

SECTORS OF ACTIVITY

Agriculture, livestock, forestry and fisheries	**3.3%**
Manufacturing	**31.6%**
Construction	**19.9%**
Wholesale and retail distribution	**12.5%**
Transport and warehousing	**5.3%**
Hospitality	**3.6%**
Property	**11.4%**
Professionals, scientific and technical	**7.2%**
Administration and auxiliary services	**3.2%**
Other	**1.9%**

5. THE TEAM

5.1. The Team

At Caja Rural de Navarra we accept our obligation to promote the personal and career development of our employees as part of our corporate mission. A key part of our culture is to support and guide, trust and give responsibility to employees and to expect hard work and commitment in return.

This two-way process helps mould Caja Rural employees, creating value and competitive advantages for the organization and enhancing the person's career development and employability.

5.2. Breakdown of employees and types of contract

5.2.1. Total headcount and breakdown by sex, age, country and professional classification

TOTAL EMPLOYEES 31 DECEMBER 2018
965 PEOPLE

SEX		
Men	496	**51.40%**
Women	469	**48.60%**

POR EDAD					
	Men		Women		TOTAL
20 to 24	33	**3.42%**	53	**5.49%**	86
25 to 29	78	**8.08%**	102	**10.57%**	180
30 to 34	45	**4.66%**	62	**6.42%**	107
35 to 39	95	**9.48%**	128	**13.26%**	223
40 to 45	104	**10.78%**	70	**7.25%**	174
46 to 50	50	**5.18%**	26	**2.69%**	76
51 to 65	89	**9.22%**	28	**2.90%**	117
Over 65	2	**0.21%**	0	**0.0%**	2

BY PROFESSIONAL CLASSIFICATION					
	Men		Women		TOTAL
Group I	1	**0.1%**	0	**0.0%**	1
Group II Grade 1	13	**1.35%**	0	**0.0%**	13
Group II Grade 2	8	**0.83%**	0	**0.0%**	8
Group II Grade 3	1	**0.1%**	0	**0.0%**	1
Group II Grade 4	14	**1.45%**	3	**0.31%**	17
Group II Grade 5	15	**1.55%**	3	**0.31%**	18
Group II Grade 6	161	**16.68%**	58	**6.01%**	219
Group II Grade 7	88	**9.12%**	98	**10.16%**	186
Group II Grade 8	55	**5.7%**	110	**11.4%**	165
Group II Grade 9	31	**3.21%**	21	**2.18%**	52
Group II Grade 10	106	**10.98%**	176	**18.24%**	282
Group III Support staff	3	**0.31%**	0	**0.0%**	3

5.2.2. Total headcount and breakdown by type of employment contract

TOTAL EMPLOYEES 31 DECEMBER 2018
965 PEOPLE

TYPE OF CONTRACT	
Permanent	720
Specific task or service (full-time)	5
Production contingencies (full-time)	53
Temporary replacement contract (full-time)	22
Work experience	163
Production contingencies (part-time)	1
Work experience (part-time)	1

5.2.3. Annual average of permanent/temporary contracts

TOTAL PERMANENT CONTRACTS
759

SEX	
Men	423
Women	336

AGE	
20 to 24	1
25 to 29	48
30 to 34	89
35 to 39	231
40 to 45	181
46 to 50	78
51 to 64	128
Over 65	3

PROFESSIONAL CLASSIFICATION	
Group I	1
Group II Grade 1	14
Group II Grade 2	9
Group II Grade 3	1
Group II Grade 4	22
Group II Grade 5	18
Group II Grade 6	226
Group II Grade 7	196
Group II Grade 8	175
Group II Grade 9	57
Group II Grade 10	37
Group III Support staff	3

TOTAL TEMPORARY CONTRACTS
382

SEX	
Men	146
Women	236

POR EDAD	
20 to 24	103
25 to 29	218
30 to 34	55
35 to 39	3
40 to 45	1
46 to 50	2
51 to 64	

PROFESSIONAL CLASSIFICATION	
Group II Grade 10	382

5.2.4. Departures by sex, age, country and professional classification

SEX	
Men	8
Women	2

AGE	
35 to 39	1
40 to 45	1
46 to 50	2
51 to 64	6

PROFESSIONAL CLASSIFICATION	
Group II Grade 2	1
Group II Grade 4	3
Group II Grade 7	3
Group II Grade 9	3

Professional classification has three groups: **Group I** is the Managing Director, who prepares for and works with the Governing Board in its decision-making when defining and proposing the business strategy, drawing up the Annual Operating Plan, setting targets for the income statement and expansion of the Bank and monitoring budgets.

Group II is administrative and management personnel. This group involves heads of department and other executives responsible for carrying through the day-to-day business in the different areas. **Group III,** support staff, includes employees doing tasks that are not specifically related to banking but are support roles, such as qualified staff drivers and maintenance personnel.

Group II is divided into a number of pay grades. There are 10 pay grades for different functions within the same group. In addition to these 10 grades there are two starting grades, first-year entry and second-year entry. There is a professional promotion system within the **Group II** grades that means workers pass from grade 10 to 9, 9 to 8 and 8 to 7, and in the case of managers from 7 to 6 based on time served and the completion of commercial tasks.

5.2.5. Employees at end-2018, by province

Navarre	580
La Rioja	82
Gipuzkoa	128
Álava	57
Bizkaia	118
TOTAL	**965**

SEX BY PROVINCE					
	Navarre	La Rioja	Gipuzkoa	Álava	Bizkaia
Men	305	41	58	33	59
Women	275	41	70	24	59

5.2.6. Employees by province 2018

AGE BY PROVINCE					
	Navarre	La Rioja	Gipuzkoa	Álava	Bizkaia
20 to 24	47	10	16	6	7
25 to 29	89	15	26	18	32
30 to 34	55	7	11	12	22
35 to 39	117	26	31	14	35
40 to 45	107	14	31	6	16
46 to 50	53	7	9	1	6
51 to 64	110	3	4	0	0
Over 65	2	0	0	0	0

5.2.7. Integrated report 2018

EXPERIENCE	
Average years of service	**11.62**

DIVERSITY	
Men	**51.4%**
Women	**48.6%**

GRADUATES
91.86%

5.3. REMUNERATION POLICY

The core aim of remuneration policy is to align the actions of employees with the long-term aims of the Bank.

Long-term aims include the need to generate financial profit but also take account of other key issues for a cooperative organization with strong local roots, such as growing its customer base, increasing the number of products held by each customer, building customer loyalty and fostering a positive market image of the services we provide.

The basic criteria that flow from this core aim are as follows:

A. **Fixed individual remuneration** shall fairly reflect each employee's responsibility and professional career. It must be reviewed regularly (at least annually) and changed where appropriate.

B. **Variable remuneration** shall take account of employees' performance, results achieved by their team and results achieved by the Bank as a whole. It should create no direct incentives to sell specific projects, such as discounts or fee reversals to employees.

C. **Variable remuneration** must be capped as a proportion of fixed income and can never be more than 100 % of fixed remuneration, as required by regulations in force.

D. **It should always be based on the qualitative issues** most closely related to long-term performance (maintenance of the customer base, customer satisfaction, balanced growth, etc.).

E. **Part of variable remuneration** shall be deferred for between 3 and 5 years, tied to completion of the Strategic Plan for this period.

F. **Customer satisfaction data** feeds into the design of remuneration policy.

G. **Variable remuneration shall include a "clawback clause"** allowing the Bank to retrieve sums paid in the event of fraud, disciplinary dismissal or misconduct that causes serious damage to the Bank.

H. **Before agreeing any payment,** the Bank must make sure that minimum solvency requirements will continue to be met so its solvency is not imperilled and check it against the detailed indicators in the Risk Appetite Framework.

Basic pay structure is set out in the Collective Agreement of Cooperative Credit Institutions, agreed between the employers of the National Union of Cooperative Credit Institutions and the unions, which sets the standard for all employees.

Once regulatory requirements have been met, the remuneration of each employee is set individually based on their individual career. Fair treatment is ensured by looking at a set of standardised functions for which they are responsible.

Data from individual pay awards are aggregated to check they match the Bank's budget and ensure there is no overrun during the year.

1. Remuneration system

Caja Rural de Navarra structures its remuneration system to achieve an internal coherence between the elements of remuneration and the posts and responsibilities being rewarded, which is tailored to the realities of the market and provides a path of professional progress and promotion for its staff.

DISTRIBUTION OF ELEMENTS OF REMUNERATION	
Collectively negotiated salary	**70.6%**
Incentives	**19%**
Voluntary salary	**10.40&**

Caja Rural de Navarra has approved its Remuneration Policy linked to Risk management which fulfils its established obligations.

The Policy is based on a number of principles, including the following:

- **Fixed individual remuneration** shall fairly reflect each employee's responsibility and professional career. It must be reviewed regularly (at least annually) and changed where appropriate.
- **Variable remuneration** shall take account of employees' performance, results achieved by their team and results achieved by the Bank as a whole. It consists of a qualitative evaluation, taking into account aspects relating to the quality and performance of their work. It is discretionary.

MINIMUM STARTING SALARY €/HOURS
22,056.74 / 1,700=12.97

MINIMUM STARTING SALARY (€/INTERPROFESSIONAL MINIMUM WAGE)
22,056.74 / 10,302.60=2.14

2. Average remuneration and breakdown by sex and age

Data based on Average Labour Index

THE AVERAGE LABOUR INDEX AT CAJA RURAL DE NAVARRA IS:
2.229,05 €/GROSS SALARY

	Men	Women
Under 29	0.56%	0.54%
30 to 39	1.01%	0.85%
40 to 50	1.40%	1.09%
51 to 65	1.54%	1.03%

No data is reported on average remuneration by professional classification. Work is ongoing to prepare this breakdown for future reports.

3. Salary gap by function

AVERAGE SALARY MEN vs. WOMEN Data based on Average Labour Index		
	Hombres	Mujeres
Area/Region Head	2.56%	2.36%
Branch/Central services manager	1.385	1.14%
Administrative and sales/Central services	0.91%	0.74%

4. Salary distribution 2018

- **Annual total compensation ratio:** 7.41 (GRI 102-38)
- **Percentage increase in annual total compensation ratio:** 0,95 (GRI 102-39)

5. Average remuneration of directors and managers

Gross total remuneration of the board in 2018 was eur 59,790.81

PEOPLE SITTING ON THE BOARD IN 2018	
IGNACIO TERES LOS ARCOS	
JOSE ANGEL EZCURRA IBARROLA	
CARLOS SANCHEZ DIESTRO	
ALBERTO ARRONDO LAHERA	
MANUEL GARCÍA DIAZ DE CERIO	
FERNANDO OLLETA GAYARRE	
MARCELINO ETAYO ANDUEZA	
ROBERTO ZABALETA CIRIZA	
FRANCISCO JAVIER ARTAJO CARLOS	
PEDRO MARIA ECHARTE SEVINE	
JESÚS ANDRÉS MAULEÓN ARANA	
JESÚS MARÍA DEL CASTILLO TORRES	
GABRIEL URRUTIA AICEGA	
PEDRO JESUS IRISARRI VALENCIA	
ANNUAL AVERAGE REMUNERATION PER PERSON	**4,270.77 €**

Gross total remuneration of the management team in 2018 was eur 1,882,000

PEOPLE FORMING PART OF THE MANAGEMENT TEAM IN 2018	
ALBERTO UGARTE ALBERDI	DIRECTOR, RISK DEPARTMENT
ANGEL LECUMBERRI SEVIGNE	COMMERCIAL DIRECTOR
JUAN MARIA AYECHU REDIN	DIRECTOR, BUSINESS BANKING
FELIX SOLA ARRESE	DIRECTOR, GENERAL SECRETARIAT
FRANCISCO JOSE RODRIGUEZ LASPIUR	DIRECTOR, MANAGEMENT CONTROL
IGNACIO ARRIETA DEL VALLE	MANAGING DIRECTOR
CARLOS ALBERTO SAGASETA GARCIA	DIRECTOR, INTERNAL AUDIT
MIGUEL GARCIA DE EULATE MARTIN-MORO	DIRECTOR, TREASURY OPERATIONS
SERGIO TABOADA PLATAS	HEAD OF TECHNOLOGY AND ORGANIZATION
ARTURO CORRAL BENGOECHEA	HEAD OF HOUSING AND REAL ESTATE ASSETS
FERNANDO CAMPOS JIMENEZ	HEAD OF HUMAN RESOURCES
IGNACIO MENA SOLA	HEAD OF LEGAL AFFAIRS
FRANCISCO JAVIER BERAZALUCE MINONDO	HEAD OF EQUITY INVESTMENTS
IGNACIO MAEZTU ZAPATERÍA	COMMERCIAL DIRECTOR, BRANCHES
ANNUAL AVERAGE REMUNERATION PER PERSON	**134,428.57 €**

Caja Rural de Navarra remuneration policy (summary):
www.cajaruraldenavarra.com(tablón de anuncios:políticade remuneración)

5.4. Evaluation of performance and company benefits

1. Work-life balance policy

We have no protocol in place as we have not encountered problems.

2. Employees with disabilities

PEOPLE WITH DISABILITIES
3

3. Organisation of working time

ABSENTEEISM (HOURS)
72,142

4. Corporate benefits

All Caja Rural de Navarra employees can apply for loans on collectively agreed terms. In 2018, 460 employees took out home loans, totalling EUR 56,983,173.49 and 126 employees enjoyed advantageous personal or consumer loans totalling EUR 10,452,835.94.

Other collectively agreed complementary social and insurance benefits include holidays, help with children's studies, help with employees' studies, temporary disability, widow/er and orphan benefits, accident insurance, life insurance, family assistance.

To help employees balance the demands of working and family life, Caja Rural offers breast-feeding breaks, reduced working hours, medical support, unpaid leave and maternity/paternity leave to care for children up to three years old.

5. Evaluation of performance

All Caja Rural de Navarra employees take part in this process which makes it possible to analyse in detail the performance of each member of the organization. The whole of the preliminary assessment (self-assessment, line-managers assessment and assessment interview) feeds into concrete actions which help address the areas for improvement identified. This process means that Caja Rural de Navarra can evolve, become more competitive and better adapted to its environment, taking as its benchmark and starting point the values of the Bank.

The role of executives is a strategic priority for the organization. Accordingly, we complete the process by surveying the opinions of all employees, weighted by rank in the hierarchy, on the behaviours associated with the Management Style in Caja Rural de Navarra.

- **Personal development**
- **humble**
- **close**
- **optimistic**
- **balanced**

5.5. Structures for dialogue with employees

Employees are involved in the running of the company at the highest level. The Employee Director sits on the Governing Board.

In this role, he/she can access all management information and all aspects of the Bank's strategy and direction.

Similarly, the way the Bank organises its human resources means employees have a voice in their day-to-day activities. First, it promotes teamwork so that the branch office, the company's core operational unit, is based not on individuals working in isolation but on a working team. So much so that the targets set by the company are all team targets. The criteria to achieve, whether in terms of financial growth, customers or general functioning of the branch, are all common goals shared by all.

The company's communication system is also based on team meetings and coordinated decision-making by managers with the participation of all elements. All the committees and meetings feed into the branch meeting, which is the core team and requires the collaboration of the whole group.

When it comes to dialogue with employees, the Bank is in constant contact with employees' legal representatives. There is an forum for exchange of ideas, initially, on training backed up by regular quarterly meetings.

Other aspects of employee relations have their own established channels for communication and exchange of ideas, ensuring a continuous flow of information on a wide range of issues, from organizational structure and distribution to compliance with labour regulations and health and safety.

The collective agreement governing terms and conditions in the sector is negotiated for all credit cooperatives by the UNACC, which includes the Bank, and by ASEMEC on the management side and by the unions Comisiones Obreras (CC.OO.) and Unión General de Trabajadores (UGT) on the workers' side. This sets the basic regulations for the activity of cooperative credit institutions and as such applies directly to 100% of Caja Rural de Navarra employees.

However, in addition to the above negotiation and application of the collective sector agreement, there are other areas which are regulated by internal agreements between employees' legal representatives and management, addressing specific issues that improve on the terms in the collective agreement or regulate matters not covered by the general regulations.

Current agreements in force cover, first, distribution of working hours in light of work-life balance and employees' right to decide some of their working hours, so that work is done at the best time for the business and the employee and coordinated with the working team. It also covers extra holidays.

Second, employee benefits such as loans for various purposes, various types of insurance protection and support for families with children.

5.6. Training policies

Caja Rural de Navarra encourages collaborative training between employees, where each can learn from the individual experiences that we all share.

We understand that internal training is essential to transmit the company's values and know-how and for day-to-day professional growth as well as permanent knowledge management and continuous learning.

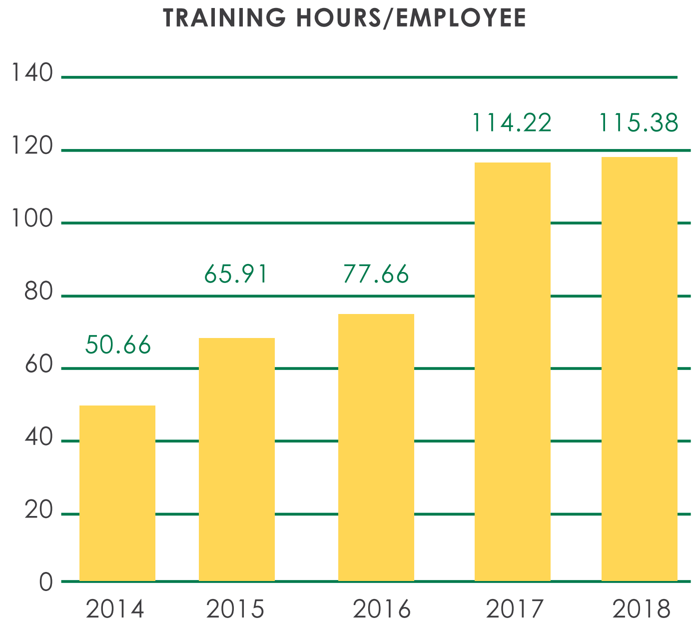
On occasion, we also call in external companies to cover areas or skills where external trainers can add value.

Training in recent years has focused on regulatory compliance and digital transformation, two important areas affecting the sector at the moment.

TRAINING COURSES	PEOPLE TRAINED	TRAINING HOURS
957	965	112,502

In 2018, we delivered 112,502 training hours, compared to 108,505 in 2017. Regulatory compliance is taking up an ever larger share of training time, this year with MiFID II, involving both new qualifications and continuous training.

Bank employees received an average 115.38 training hours each in 2018 compared to 114.22 in 2017.



The sector is increasingly closely regulated and these regulations mean upskilling employees so they can continue to do their jobs.

Out of the total training hours, 103,576 were related to regulatory compliance, especially MiFID II and the Spanish Insurance Brokerage Act.

The 2018 report does not include a breakdown of total training hours by professional category as data was unavailable, but we are working to include this information in future reports.

5.7. Measures to promote gender equality of treatment and opportunities

Caja Rural de Navarra has an Equality Plan which promotes gender equality and addresses all types of diversity in the Bank. Gender equality is essential to developing policy with the Bank's employees, to its support and commitment for the communities it works with in this area and to delivering a gender-aware product range.

Caja Rural de Navarra's commitment to diversity and inclusion is embodied not only in progress so far, with an equal workforce, but also in the commitment to continue managing all types of diversity.

The key targets of the Equality Plan are:

- **To promote the hiring** of men and women in occupations where they are under-represented.
- **To promote the incorporation of women into posts of responsibility.**

- To develop human resources **management indicators** broken down by segment.
- To instil a **comprehensive focus on equality** in the organization's policy and strategy.
- **To raise awareness and change** the organization's discourse and culture.
- **To use the right language, images and treatment** within and outside the company.
- **To highlight Caja Rural de Navarra's commitment** to managing equality outside the company.
- **To highlight Caja Rural de Navarra's commitment** to managing equality among our customers.
- **To monitor working and personal responsibilities.**
- **To define procedures for specific actions** in the event of sexual harassment.
- **To deal appropriately with customers.**
- **To include in the Social Welfare Fund** programmes or actions designed to support women or favour equal opportunities.

5.8. Measures to promote employment

1. Commitment to the university environment

The process of recruiting people into the organization is managed wholly internally, from identification and assessment of potential candidates, through the decision to hire and then integration of the new employee.

We take care of the process and the candidate to make sure recruitment lives up to our corporate values of respect and social proximity.

And we work through Work Experience Programmes, designed to complement student training, introducing participants to the reality of the workplace, enhancing their knowledge, developing skills and, in general, making them more employable.

As part of these programmes in 2018 we provided 169 training scholarships (126 in the summer and 43 at other times of year).

2. Commitment to new employees

EAt Caja Rural de Navarra, we take responsibility for the professional development of newly hired employees. We support and guide them as part of our culture. We show confidence, give early responsibility and demand effort and commitment.

This two-way process helps mould Caja Rural de Navarra employees, creating value for the organisation and enhancing the employees' career development and employability.

3. Commitment to creating employment

In 2018, 24 temporary contracts were made permanent. We are committed to consolidating employment, always in light of the circumstances affecting the sector and the Bank.

5.9. Protocol on sexual and gender harrasment and against any kind of discrimination

Articles 10 and 15 of the Spanish Constitution make the dignity of the person a fundamental right to be maintained. This has led to the incorporation as a basic right of workers of the right to protection against harassment for reason of racial origin, religion or beliefs, disability, age, gender or sexual orientation (Article 4.2 of the Labour Code), as psychological harassment is always a breach of the victim's personal dignity and moral integrity.

Whenever conflicts arise that compromise respect for employees' dignity in any way – not just sexual harassment – it is essential to act swiftly and effectively to verify the facts, establish the scale and causes of the problem and take appropriate remedial action.

Caja Rural de Navarra has set up a whistleblowing channel to receive complaints, investigate and respond to any workplace problems of this kind. Confidentiality is guaranteed for the content of any complaint by the victim of harassment or any other employee who becomes aware of such behaviour.

Maintaining a workplace culture that respects people's right to physical and psychological integrity is the responsibility of everyone providing services within the Bank, not just management, particularly when it comes to reporting such behaviour.

To achieve this, we must all be aware that it is essential to be aware and work together to avoid and correct such situations.

5.10. Breach of Human Rghts

Caja Rural de Navarra's Code of Conduct sets out guidelines for action. Compliance with the Code of Conduct is how we address Human Rights in our business. We ensure compliance by socialising our values through different channels of communication with employees.

During the induction process, new employees are given a guide to policies that workers must comply with and apply as members of Caja Rural de Navarra. The same content is available on the employee website.

Bank management and employees must always act in accordance with ethical principles and behaviour for the service and benefit of all, which, fundamentally, is the reason the Bank was founded and the basis for all its actions.

The Bank has over the years of its existence built up a deserved reputation among its member customers who are also the Bank's main customers, but this reputation must be continually strengthened and improved.

Part of this comes down to the people who work in the Bank every day, in the way they behave at work and outside.

Ethical behaviour of employees in the way they relate to other colleagues, members, customers and suppliers is one of the fundamental ways to maintain and improve the Bank's reputation.

We also believe that ethical behaviour can only be beneficial, over the long term, to the Bank's growth and profitability. Therefore, besides the moral and human imperative, ethics must be included as a basic part of our business policies and objectives.

There were no complaints of any breach of human rights in 2018.

5.11. Preventing Work-Related Risks: health and safety at work

To comply with applicable regulations on the prevention of work-related risks and to guarantee the health and safety of its employees, Caja Rural de Navarra has an In-house Prevention Service which works on prevention, industrial health and health monitoring in coordination with the external Prevenna prevention service, a subsidiary of the Preving Group.

The work of the System for Management and Prevention of Work-related Risks is based on the Prevention of Work-related Risks Plan (PWRP) as regards procedures and associated record-keeping.

The purpose of the System for Management is to ensure compliance with Caja Rural de Navarra's Health and Safety Policy, incorporating preventative actions in all aspects of management and at all levels of the company.

The key elements are as follows:

- Prevention structures within the Bank.
- Risk evaluation at workstations.

Legal Documentation

- Prevention planning.
- Health research and measurements.
- Training and informing employees.
- Emergency and evacuation plans.
- Documentation of work teams and premises.
- Documentation of the Health and Safety Committee.
- Monitoring of health, medical certificates and medical protocols applied.

To achieve the objectives in the annual plans within the PRWP, the following actions were taken in 2018:

- The PRWP was reviewed and updated.
- All new employees were trained using the virtual classroom.
- Health monitoring actions were carried out.
- A psychosocial study was carried out.
- Internal controls were carried out on working conditions.

Key indicators for prevention management in 2018 were as follows:

- Accidents resulting in time off work: 3 (2 men and 1 woman)

- Travelling accidents resulting in time off work: 3 (2 men and 1 woman)

- There are no recognised occupational illnesses for the industry.

The incidence rate was 8,578 and the severity rate 0.151.

In 2019, the most significant actions are as follows:

- Training of new staff members.
- Continued development of coordination across business.
- Meeting the targets in the annual plan.

The Health and Safety Committee is a joint committee which represents all workers. It meets quarterly to deal with issues concerning the prevention of work-related risks.

6. SUPPLIERS

6.1. Supplier and employee relations

Caja Rural de Navarra seeks to maintain with its suppliers and partner companies a close, respectful, trusting and transparent relationship which promotes in-depth knowledge of the companies we contract with and confidence in the quality of the services provided. Relationships always comply with the confidentiality provisions of Organic Law 15/1999, of 13 December, on Personal Data Protection (LOPD).

Caja Rural de Navarra also has a Suppliers Handbook, approved by the Governing Board which sets, among other internal rules, the criteria for selecting suppliers. In general, supplier selection procedures must meet criteria of objectivity, impartiality and equality of opportunities.

Processes must also give due weight to the qualities imposed by the following ethical principles defined by the Bank:

1. Fit and proper person principle

In no circumstances shall the Bank contract with third-parties which are known to be under investigation for, charged with or guilty of criminal activities.

2. Morality and ethics at work

Suppliers shall be eliminated from the selection process if they are known or widely reputed to breach workers' rights recognised in the labour standards or their legal obligations as a business.

3. Recognised experience and quality

Before being contracted, any new supplier must provide accreditation of their technical qualifications and experience in providing the services to be contracted. Accreditation may be by quality standards certificates (ISO) or similar, or by any other means that the Bank finds acceptable in the circumstances. To this end, a supplier may be contracted without providing the documentation indicated above when their experience and quality has been publicly recognised in the course of trade.

Caja Rural de Navarra sets out in the Handbook a number of criteria which prevent suppliers from being selected if any of the following circumstances apply:

- There has been a serious incident in the course of providing a service to the Bank. Any exceptions must be authorised by General Management and the financial officer.

- In the provision of specific services or the supply to be contracted, suppliers who are undergoing bankruptcy proceedings are excluded if it is considered that this could have adverse consequences for the Bank.
- The candidate supplier is not up to date with their social security contributions and/or taxes.
- The candidate supplier has been found guilty of an offence relating to their professional morality (e.g. against their employees), or there are convincing indications of their involvement in money laundering, terrorist financing or similar offences.

6.2. Control and monitoring of suppliers

Each area contracts with suppliers as its needs and demands dictate. All areas follow the procedure set out in the Suppliers Handbook, which sets the following rules to ensure companies obtain a range of offers from potential suppliers depending on the size of the contract:

- Up to €10,000: at least one quotation or invoice.
- €10,001 to €50,000: at least two quotations.
- €50,001 and higher: at least three quotations.

Any exceptions must be authorised by General Management and the financial officer.

Having each department contract its own suppliers ensures better quality control of services provided. Each Area head has first-hand knowledge of any incidents or irregularities.

On cost control, General Management approves annual expense budgets for each Area. Expenses are checked monthly by the Management Committee and two six-monthly controls are run each year by the Financial Area with General Management.

Caja Rural de Navarra is fully aware of the importance of a certain group of suppliers on whose services it depends for a significant part of the quality perceived by employees and customers. The Bank has identified the IT, back office and insurance departments as critical services. These services are therefore provided by companies in which Caja Rural de Navarra has an equity stake and which form part of Caja Rural Group.

For those services that the Bank considers most essential, it requires meetings between the parties to assess both the quality of service and delivery and clear communications, to ensure a satisfactory standard of work. Final quality depends as much on the buyer of the service as on the supplier. Non-economic factors are considered where they affect service quality.

Caja Rural de Navarra complies with the Spanish Act on Social Inclusion of People with Disabilities (LISMI). It contracts services from special employment companies to promote the social inclusion of these persons in line with its commitment to Corporate Social Responsibility.

6.3. . Future planning

One of the Bank's current projects is that of the paperless office. This is an objective that should improve the productivity of employees while simultaneously reducing the volumes of paper and toner used. Production of both these materials is bad for the environment.

Social, gender equality and environmental issues are not currently included in the purchasing policy. Caja Rural de Navarra is drawing up an improvement plan that will involve its suppliers in sustainability issues and bring corporate social responsibility within the scope of its relationships with suppliers.

6.4. Percentage financing of local suppliers

The biggest suppliers in the financial sector are institutions' own creditors, who are the source of funding for their business (along with equity capital). Also, one of the peculiarities of banking is that the same individual can appear as a customer (consuming financial and other intermediation services) and as a supplier/creditor (providing funds to the institution as a depositor). As a result, Caja Rural de Navarra's local suppliers (depositors) form a high percentage of total suppliers.

Based on data for purchases from local suppliers (total billings in 2018) we find that: 40.54% of purchases were billed to local suppliers (including leasing).

7. CAJA RURAL DE NAVARRA AND THE ENVIRONMENT

7.1. Caja Rural de navarra and the environment

The Rural Credit Cooperatives grew out of the agricultural and credit cooperatives of over a century ago and certain values have been maintained over time.

At Caja Rural de Navarra we see our environment as a valuable asset to be preserved and human activities must take account of the stress we put on the natural environment. In our view, we need to balance the development of our business with the environment, through actions at a number of levels:

- Minimising resource consumption (energy, plastics, paper, etc.).
- Direct actions to improve the environment (production of renewable energy, planting trees, etc.).
- Support for our customers in sustainability projects: renewing transport fleets, energy renovation of buildings, production of renewable energy, design and manufacture of equipment to produce renewable energy, etc.
- Support for cooperativism and the traditional agricultural sector, which sustains the rural population and ensures farming is done in a way that respects nature.

7.2. Levels of action: resource consumption and improvement plans

Banking has long been known for bureaucratic and largely inflexible structures. This way of working was based on multiple reports passing between big departments and lots of documents being exchanged with customers.

In general, the penetration of digital systems has allowed the whole sector to move some of their transactions online, to banking applications, and gradually replace previously paper correspondence with emails.

But, in addition to this, Caja Rural de Navarra's own management model of lightweight structures close to the customer further reduces the need for paper and makes it easier to introduce systems for electronic processing of data.

We have had a document management system for more than a decade. It provides quick access and traceability for all procedures and processes while speeding up decision-making and cutting the need for paper, back office hours (with air-conditioning and lighting) and physical storage spaces.

A good measure for this is the efficiency ratio, measured by the Bank of Spain as "operating expenses over ordinary profit", which is better than the sector average despite the smaller scale of the Bank and lower fee charges to our customers.

The whole institution is fully committed to achieving branches that are permanently appropriate, as we seek to improve the workplace environment, in order to improve working conditions for employees, satisfaction for customers who use them and maintain a corporate image in line with the parameters defined and approved by the Bank.

This improvement will also mean adapting workstations for ever better ergonomics and optimising fixtures and fittings to make branches ever more efficient and sustainable with lower electricity consumption.

With this in mind, the Bank has acted to minimise its environmental impact in the following areas:

7.2.1. Resource consumption

1. Paper and toner

At Caja Rural de Navarra, we have had for ten years a document management system in the branches that digitises internal and customer processes, significantly reducing the volume of paper used by branches. In 2018, this process was up and running in 45 branches and there are plans to introduce it in another 45 in 2019. The process should be completed by 2020.

Paper is the main commodity used in providing financial services, both in terms of cost and in its environmental impact, especially A43 paper printouts. For many years now, this paper has had Forestry Stewardship Council certification FSC C015403, which guarantees it has been made using a more environmentally respectful production process.

In general, we are consolidating procedures to save paper consumption in internal communications and with customers, with a huge increase in virtual mailbox use by customers.

And the Infomail service has been extended, so that now all customers who so wish can receive their banking correspondence in digital form only, free of charge. At the end of 2018, out of all active customers who habitually generate banking correspondence, 49.68% were receiving their mail digitally via Infomail, a 5.38 point increase on 2017 and a major paper saving.

Paper consumption fell this year (see table; not including PoS terminal paper which we no longer buy directly):

Paper consumption per employee (kg/year 2018 per employee) was, based on 965 employees at 31 December 2018, 66.5 kg/ employee. At 31 December 2017 this ratio was 73.92.

CONSUMPTION KG/YEAR	KG/YEAR 2016	KG/YEAR 2017	FORECAST 2018	ACTUAL KG/ YEAR	FORECAST 2019
Chlorine-free sheets of paper	65,656	63,278	62,000	57,349	58,000
Thermal PoS terminal paper	340	332	330	0*	0*
ATM paper	294	148	180	279	250
Envelopes	4,214	3,568	3,500	3,767	3,700
Brochures and posters	4,565	4,300	4,300	11,042	11,000
TOTAL	**75,069**	**70,894**	**70,310**	**72,437**	**72,950**

*Consumption of PoS thermal paper is zero because we do not buy it directly. It is bought by the maintenance company.

Toner consumption per employee (cartridges/year 2018 per employee) was, based on 965 employees at 31 December 2018: Recycled toner 3.49; Original toner 0.23. At 31 December 2017 this ratio was: Recycled toner 3.41; Original toner 0.26.

CONSUMPTION (CARTRIDGES)	2016	2017	FORECAST 2018	ACTUAL KG/ YEAR	FORECAST 2019
Recycled toner	3,199	3,276	3,290	3,368	3,310
Original toner	231	251	260	239	240

Toner use has fallen, but not significantly in our view, partly because of the current transparency rules and banking regulations which oblige us to include a lot of information in new customer contracts. However, we are in the midst of a process to reduce the documentation sent out to customers' addresses. Most documentation is now sent via the web, by email and other digital communication channels.

2. Energy

Caja Rural's branch network consumes no fossil fuels directly. The only energy supply is electricity which powers the following equipment:

- Air-conditioning units.
- Interior lighting.
- External signage.
- Computers and ATMs.

Legal Documentation

Consumption is as follows:

CONSUMPTION KWH	2016	2017	FORECAST 2018	ACTUAL* 2018	FORECAST 2019
	5,771,985	5,557,303	5,500,000	5,734,696	5,850,000

* Real data from our majority electricity supplier (Endesa).

Energy consumption per employee (KWh/year 2018 per employee) was, based on 965 employees at 31 December 2018, 5,758.86. At 31 December 2017 this ratio was, 5,794.89

There has been a notable fall in electricity consumption as a result of energy-saving measures. Total consumption rose slightly because these last years we have been opening some new offices and extending others and none has closed.

The primary sources of energy for the electricity consumed vary depending on the area and the supplier companies, so that we can take the averages for the whole Spanish grid as representative, with a mix of 35.3% renewables, 9.2% cogeneration, 12.6% natural gas, 19.4% coal, 20.2% nuclear and 3.3% others.

There is another indirect source of consumption, which is the fuel used by employees in the vehicles they use for their day-to-day work (not including journeys to and from home).

Consumption from this source in 2016 was 3,894 Gj, in 2017 3,921 Gj and in 2018 4,280 Gj (based on a conversion rate of 1 KWh= 0.0036 Gj, and 1 litre of diesel = 10kwh).

In 2018, the Bank continued to implement energy saving measures as follows:

A. Air conditioning

Continue updating equipment, replacing air-to-air compact heat pumps, which tend to have typical nominal consumption per office of 9kw plus 6kw resistance in winter. We have been installing new units for several years: inverter heat pumps with variable refrigerant volume pumps which have a nominal consumption of 4kw to 6kw depending on the type of unit and better efficiency.

In 2018, we replaced units in 7 branches.

In 2017 we replaced units in 10 branches.

Air-conditioning units, and the corresponding programming, automatically disconnect at 8.00 pm to improve efficiency.

B. Lighting

No branches now have incandescent or halogen lights. Lighting in branches is almost all downlights with 2 fluorescent PL bulbs of 26W and 32W.

For more than 8 years we have been planning to replace lights with LED bulbs of up to 20W and fewer bulbs.

In 2018, 10 branches switched to LED lighting.

In 2017, 6 branches switched to LED.

C. External signage

Traditional signs use fluorescent tubes. For more than 11 years we have been gradually replacing these with LED tubes and also reducing and optimising the length of signs as well as reducing the programming for the hours they are lit.

In 2018, 13 signs were replaced.

In 2017, 10 signs were replaced.

D. Computers and ATMs

We have planned no actions on this point as it is immaterial..

E. Travel

We are continuing with a plan that encourages the use of technology to reduce face-to-face meetings with employees and customers, promoting videoconferencing, web-cams on executives' computers and the use of a virtual classroom for online training.

3. Water

Water in Caja Rural de Navarra's branches comes from the municipal supply and is basically used for toilets in branches and cleaning. We have no buildings or premises with gardens so use no water for irrigation.

Water consumption in the branch network was as follows:

CONSUMPTION M^3	2016	2017	FORECAST 2018	ACTUAL 2018	FORECAST 2019
	12,924	12,810	7,788	7,788	7,800

Water consumption has been estimated as follows. Branches were classified into 4 groups based on the number of employees. The actual consumption of one office in each group was measured and this was multiplied by the number of branches in the group and the group results added together to give the total.

7.2.2. WASTE MANAGEMENT

Caja Rural de Navarra conducts its business through its branch network and generates waste which is managed in accordance with current best practice, which considers both mandatory regulations and ways of reducing, reusing or recycling waste.

There is a network of branches that are mostly small in size and therefore similar to urban offices. As such they require no special waste disposal measures (except for toner) but can use local waste collection services.

Most of the waste generated is managed as follows:

- **Paper waste** generated in branches is deposited by the cleaning services in specific paper and cardboard recycling bins in the street.
- **Used toner** cartridges are collected by a company licensed to recycle and reuse them.
- **Fluorescent tubes** and empty batteries are collected either by the maintenance and cleaning services which take them to a recycling centre or by a licensed waste manager.
- **Computer hardware** which cannot be reused is donated or returned to the supplier whenever possible. Otherwise the equipment is passed to licensed waste managers.

The **volume of toner collected** for recycling by a licensed waste manager across the branch network was as follows:

CONSUMPTION (CARTRIDGES)	2016	2017	FORECAST 2018	ACTUAL 2018	FORECAST 2019
	2,788	2,280	2,500	684	2,500

(the change in 2018 was because we do not yet have data for toner removed at the start of 2019).

1. Atmospheric emissions

The activity in branches does not generate atmospheric emissions.

Emission of CO2eq is calculated at 2,236.53 tonnes. This figure was obtained based on electricity consumption in 2018, multiplied by a conversion mix factor of 0.39 kg CO2/kWh. This is based on the miteco.gob.es website of the Ministry for Ecological Transition and is the factor corresponding to our main electricity supplier.

The vast majority of air-conditioning units use R-407 or R-410 refrigerant gases which do not damage the ozone layer. The remainder, which use other types of gas, are being replaced by newer units as part of the regular annual renovation plans.

2. Waste water

The only waste water is from the toilets in branches and waste water is therefore not a significant item. It is recycled through the municipal water system.

There has never been any spill or leak which produced any environmental pollution.

Our business is conducted in our bank branches which create no light or noise pollution and have no effect on biodiversity. They are not industrial processes, nor do we generate any type of spill. We do not therefore need to take any measures on this point.

3. Design of branches and management of fixtures and fittings

Branches are designed to help minimise the environmental impact of the business by various means, including the following:

- The network consists of a **large number of small offices,** which means customers do not need to travel far to receive services.
- **Employees tend to live in the same village** or nearby, which again reduces mobility.

The design, construction and renovation of Caja Rural de Navarra's branches takes into account the formal considerations, regulations for building, fixtures and fittings and an adequate quality of materials to create pleasant working environments, which are comfortable for employees and customers, with ergonomic workstations and environmentally efficient fixtures.

Building materials used for branches and their furnishings are bought from local suppliers in the area where we operate, which contributes to the sustainability of the region and reduces the environmental footprint.

The branch network has a programme of corrective and preventative maintenance to optimise the control and functioning of the fixtures and create healthy and safe working spaces. Fixtures and fittings are subject to the relevant industrial safety regulations.

In 2018, we had no significant fines or sanctions for failures to meet environmental standards.

4. Initiatives to reduce waste and consumables in 2019

- **7 air-conditioning units in branches replaced**. By installing new units with VRV technology, we achieved better results with less electricity usage. Note that new and renovated branches are all rated A for energy and emissions.

- **Replacement of fluorescent lighting with LEDs** in branches. This generates better lighting with less electricity. It is planned to re-equip 8 more branches in 2019.
- **New signage.** There are plans to change 10 luminous signs, replacing them with LED lighting, and adjust their programmes so that they are lit for fewer hours.
- **Digitization of branches continues** to eliminate the use of physical paper.

7.3. Support for cooperative members and customers in sustainability projects

The Bank provides three kinds of support for sustainability projects done by others:

A. Promotion of renewable energy

Loans to fund the generation of electricity from renewable sources – solar, wind, geothermal, hydro-electric, etc. – and the use of bio-fuels, development of infrastructure or systems for renewable energy and the manufacture of components for these industries. Based on an analysis of information collected, we calculate that the total sustainable energy credit line totals EUR 39.7 million, spread across 80 loan transactions to 57 borrowers.

B. Energy efficiency

A total of €443.1 million was lent in 3,711 loans to 3,024 borrowers.

Also, at the end of 2018, Caja Rural de Navarra has identified active loans in its mortgage book for 2,498 homes with energy rankings of A, B or C, which therefore qualify for the "energy efficient home" rating in the sustainability framework.

C. Waste management

Loans to develop equipment and technology that make more efficient use of resources and/or reduce waste. A total of €25.8 million was lent in 74 loans to 51 borrowers.

7.4. Support for the cooperative model and traditional agriculture sector

Loans intended to reduce greenhouse gas emissions by making farms more efficient, reusing waste products, maintaining the rural environment, etc.

It is important to stress that Caja Rural de Navarra retains a special commitment to agriculture, both because of its origins and because of the important role played by the rural world in sustainable development and the future of the regions and communities in which the Bank operates.

A total of €103.3 million was lent in 1,220 loans to 963 borrowers.

8. CAJA RURAL DE NAVARRA AND SOCIETY

8.1. CAJA RURAL DE NAVARRA AND SOCIETY

Caja Rural de Navarra, as an entity deeply committed to its social base of 164,960 members and 594,670 customers (545,836 individuals and 48,834 legal entities), is directly involved in wider society. Its articles of association therefore state that the Bank must work in the framework of Corporate Social Responsibility.

It is a regional financial entity, which at 31 December 2018 has 252 branches and employs 965 people. Decisions are made at local level and this makes it easier for the Bank to be a community based entity, committed to developing the provinces where it operates and able to meet demands in an agile and flexible manner.

8.2. SOCIAL WELFARE FUND

Caja Rural de Navarra's vehicle for its social actions – donation of economic resources to projects intended to benefit wider society – is its Social Welfare Fund. This is used to return part of its profits to the community as a social dividend.

The Fund is governed by the following guidelines:

1. Caja Rural de Navarra donates 10 per cent of the available surplus (profit) each year to the Fund.
2. The Welfare Fund focuses on activities that pursue one of the following ends:
   - **Training and education of the members and employees** of Caja Rural in the principles and values of the cooperative movement or in specific matters relating to its corporate or labour-related activity and other cooperative activities.
   - **Promoting the cooperative** model and fostering relationships between cooperative entities.
   - **Cultural, business and welfare initiatives** serving the local area or community in general, initiatives that enhance quality of life, promote community development and/or protect the environment.
3. In pursuit of the Fund's objectives, the Group may work in conjunction with other companies and entities, in such cases providing either full or partial funding.
4. Any resources in the Welfare Fund that has not been allocated or committed can be realised during the financial year following that in which it was

donated, in savings accounts, public debt or regional government bonds. Financial returns from these shall be used for the same ends. Such deposits or securities cannot be pledged, lent or allocated to credit accounts.

5. The basic guidelines for use of the Welfare Fund are agreed annually by members at the General Meeting. The following guidelines and amounts (in thousands of euros) were set for 2018:

	(IN THOUSANDS OF EUROS)	
CONSULTANCY, TRAINING AND PROMOTION OF THE COOPERATIVE BUSINESS MODEL	1,783	43.39%
TEACHING AND RESEARCH	1,142	27.78%
SPORTS AID	136	3.31%
CHARITY WORK	85	2.06%
CULTURAL, LEISURE AND OTHER ACTIVITIES	306	7.44%
ECONOMIC AND SOCIAL DEVELOPMENT	658	16.01%
TOTAL	**4,110**	

Some of the highlights within these basic guidelines for the Fund in 2018 were as follows:

1. **Support for the cooperative model,** especially focused on the primary sector which reflects the Bank's historical roots, through contributions to cooperatives and their representative structures to develop their activities and training programs and other activities to support the sector.
2. **Advice to customers** on applying for CAP grants through a dedicated team of experts. In 2018 we dealt with more than 5,300 requests through this channel.
3. **The Bank offers its customers** an advice and processing service for their income and wealth tax returns, particularly in provinces where it is an official collaborator with the Spanish tax authorities (Hacienda). To do this, it makes available a dedicated team of professionals. In 2018, 23,158 applications were dealt with under this scheme.
4. **Collaboration with professional groups** to help develop employment and the local economy. For instance, the Bank works with the Asociación de Comerciantes del Casco Antiguo de Pamplona (store owners in Pamplona's old town) and the Colegios de Arquitectos y Graduados Sociales (trade associations).
5. **Support for social projects:** Caja Rural de Navarra works with social and support organizations and on educational projects, such as:
   - **Asociación Navarra Nuevo Futuro:** a campaign to collect toys through its branches which were then sold in a charity bazaar, also sponsored by the

Bank. The project raised funds to maintain children's homes sponsored in Spain and abroad.

- **Proyecto Hombre.**
- **Aspace, Food Bank, Cáritas, etc.**
- **Social and leisure activities for older people.**
- **The Solidarity Bicycle scheme developed by the Fundación ONCE cycle team:** Caja Rural Group and Seguros RGA signed an agreement with the Spanish Red Cross in 2018 that money collected from the Solidarity Bicycle scheme would go to the "Childhood in Hospital" project, which sponsors leisure and cultural events throughout Spain's hospitals. The action was also conducted in the fan zones of Caja Rural Group and Seguros RGA during various stages of the Vuelta a España, where fans could accumulate solidarity kilometres on the Solidarity Bicycle. These kilometres were then converted into euros for the Spanish Red Cross, earning €3 per kilometre.

6. **Development of and support for environmental projects:** Fundación Ilundain.
7. **Campaign to donate Caja Rural de Navarra's IT equipment** for reuse by not-for-profit organizations. In 2018 300 computers were renewed and made ready for donation to not-for-profit organizations that can re-use them in a range of projects for their target groups.

   More than 1,800 requests were received. Caja Rural de Navarra allocated machines with Windows XP, CPUs, screens, keyboards and mouse based on the detailed assessment criteria published on the project website: reutilizamosresponsablemente.com/
8. **Issue, management and promotion of the Carné Joven Project in Navarre and La Rioja.** Collaboration on the Carné Joven savings account in Navarre, as issuer and manager of the scheme.

   Since 2012, Caja Rural de Navarra has been working with the Government of Navarre to issue the Carné Joven, which helps young people between 14 and 30 access services and discounts on housing, transport, culture, stores and insurance among other things, through deals struck in Navarre, Spain and more than 40 countries which together gives them discounts at more than 50,000 establishments. Since 2012, Caja Rural de Navarra has invested €542,878 as part of its commitment to this project. And, since 2017 Caja Rural de Navarra is the only entity working with the La Rioja Government to issue and manage the Carné Joven in that region, providing the economic resources required to develop the scheme.
9. **Collaborations with social activities for children and young people:** camps, music and leisure events, financial education projects.

10. **Support for sporting activities,** promotion of grass roots sport and sporting activities, often promoting popular sports events with a social purpose.

11. **CIMA scholarships:** to add to the personnel working in CIMA, a research centre with a national and international reputation and promoted by the University of Navarre, helping it build up its research activities year on year.

12. **A programme of mobility scholarships in coordination with the University of Navarre,** which helps students study in countries around the world. The Bank granted more than 550 scholarships in the last ten years. In the same way, Caja Rural supports the Becas Alumni programme of scholarships for students with a good academic record but without the financial resources to study at the University.

13. **A programme of scholarships in collaboration with the Universidad Pública** to promote international mobility among students, with more than 2,930 scholarships granted in the last ten years, so they can study abroad, usually through the Erasmus programme with the rest, under other programmes such as Palafox, Martín de Rada, ISEP USA, ISEP Internacional and through bilateral agreements.

    The agreements with Universities make it possible to create and support an area of enterprise, which can finance special activities that drive and develop enterprise and start-ups throughout the university community.

14. **Cultural activities.**

    - Events to support the Basque language and culture (sponsoring Nafarroa Oinez in Navarre and Kilometroak in Guipúzcoa).
    - Support for reading with the Diario Escolar. Sponsorship of the Reading Club
    - Various local community events.

15. **Promoting and developing Professional Training through scholarships under the Erasmus+ programme.**

    Students benefit from Professional Training stays in other EU countries which allows them to experience cultural, social and working conditions different from their usual environment. In this way, these future professionals can broaden and improve their technical and language knowledge, improve their professional aptitudes and skills and, most importantly, improve their prospects for finding work in Navarre or their host countries.

16. **Collaboration in Training and Employment through Work Experience Programmes at Caja Rural de Navarra,** designed to complement student training, introducing participants to the reality of the workplace, enhan-

cing their knowledge, developing skills and, in general, making them more employable. Through these programmes, we have contributed to training more than 1,500 students in these last ten years.

17. **Caja Rural de Navarra photography competition:** in 2018 838 people took part in the competition, submitting a total of 1,954 photographs.

18. **Huertas Solidarias Project:** in this project the Bank deploys resources so that retired people with the knowledge can cultivate allotments, donating the produce to social projects.

19. **Bodas de Oro Navarra:** an event for all married couples in Navarre who celebrated their 50th wedding anniversary in 2018. It was a moving event for the couples and their families.

20. **Support for entrepreneurs via the *Línea Inicia*.** This exclusive credit line for financing and advising young entrepreneurs, through which Caja Rural de Navarra gives preferential treatment to people dreaming of starting their own business, to give their business a boost.

    Caja Rural de Navarra's Línea Inicia advisors analyse the viability of the business, the experience of the workers and their commitment. Besides more technical points, they gauge enthusiasm and commitment to the projects.

    Through *Línea Inicia,* advise on finance and propose customised solutions, adapting to the specific needs of each project and making sure they are eligible for all types of support and subsidies.

    To facilitate this action, there are collaboration agreements with development agencies, other business organizations and universities.

    Línea Inicia solutions are as diverse as people's needs and the forms of finance are adapted to each enterprise project.

    In the 11 years that the line has been running it has supported 1,504 projects which have helped economic and social development in the areas where they operate.

    Over these 11 years, 3,400 direct jobs have been created. In 2018, 381 jobs were directly generated.

    Caja Rural de Navarra's aim is that everyone presenting a sound project should have initial support and the finance they need to start developing their business. Enterprise is one of the engines of the Navarre economy and in this way Caja Rural de Navarra is supporting the entrepreneurs and SMEs of the near future.

By these and other actions, Caja Rural de Navarra is keeping its commitment to local economic development, now and in the future, for the region where it operates.

Caja Rural de Navarra's business is in constant touch with wider society and has an impact on the community, supporting its sustainability.

8.3. Our relationship to the public and private institutional sectors

Caja Rural de Navarra works with the public sector in a differentiated and coordinated way. Actions are set out in an annual management plan which establishes special segmentation and a specific management strategy.

It has a similar segmentation for the private institutional sector and has a special credit line for charities, foundations, educational centres, religious institutions and sporting federations.

As part of its work with the public sector, the Bank makes available to all local authorities an ERP management software package for all municipal activities called GIA (Gestión Integral de Ayuntamientos). This software has a number of interconnected modules which control the census roll, tax management, inventory, budgeting and analytical accounting for cost control. It lets citizens access all municipal processes electronically in accordance with regulations in force.

Currently, 262 local bodies are using GIA:

MUNICIPALITIES	100
COUNCILS	114
SOCIAL SERVICES	32
RESIDENTIAL HOMES	3
TRADITIONAL COMMUNITY GROUPS	5
WATER MANAGEMENT BODIES	4
CONSORTIUMS	3
PUBLIC COMPANIES	1

AGREEMENTS WITH PUBLIC AUTHORITIES AND OTHER AGENCIES
MEMBERSHIP OF AUTOCONTROL
AGREEMENT WITH THE EUROEPAN INVESTMENT FUND'S SME INITIATIVE
COLLECTIVE AGREEMENT WITH THE BASQUE GOVERNMENT TO PROMOTE LANGUAGE RIGHTS
AGREEMENT WITH UEMA GIA
AGREEMENT WITH THE FOUNDATION FOR APPLIED MEDICAL RESEARCH (FIMA)
AGREEMENT WITH ALTUBE UNIVERSITY ASSOCIATION
OFFICIAL CHAMBER OF COMMERCE AND INDUSTRY IN NAVARRE
AGREEMENT WITH THE GOVERNMENT OF LA RIOJA TO RUN THE LA RIOJA CARNÉ JOVEN SCHEME
AGREEMENT WITH THE GOVERNMENT OF NAVARRE TO RUN NAVARRA CARNÉ JOVEN SCHEME
AGREEMENT WITH THE FEDERACIÓN NAVARRA DE MUNICIPIOS Y CONCEJOS
AGREEMENT WITH THE BASQUE GOVERNMENT FOR THE R+D+I SCHEME
AGREEMENT WITH THE BASQUE GOVERNMENT AND VISESA
AGREEMENT WIHT THE GOVERNMENT OF NAVARRE AND NASUVINSA

Legal Documentation

AGREEMENTS WITH PUBLIC AUTHORITIES AND OTHER AGENCIES
AGREEMENT WITH LOGROÑO DEPORTE
AGREEMENT WITH THE BASIC SOCIAL SERVICES OF NOÁIN
AGREEMENT WITH THE GOVERNMENT OF NAVARRE EDUCATION DEPARTMENT
AGREEMENT WITH THE GOVERNMENT OF NAVARRE INCOME TAX AND PAC
AGREEMENT IWTH THE GOVERNMENT OF ARAGÓN PAC
AGREEMENT WITH THE UNIVERSITY OF NAVARRE
AGREEMENT WITH THE PUBLIC UNIVERSITY OF NAVARRE
YOUNG PEOPLE MORTGAGE LA RIOJA
BASQUE GOVERNMENT: SENDOTU, AYUDA A VIÑEDOS AND OTHERS.
AGREEMENTS WITH SGRS (MUTUAL GUARANTEE COMPANIES): EKARGI, IBERAVAL, SONAGAR, ETC.
AGREEMENTS WITH SPORTS FEDERATIONS TO PROMOTE SPORT.
AGREEMENT WITH CERMI NAVARRA.
AGREEMENTS WITH CEIM ON THE IMPULSO EMPRENDEDOR INITIATIVE
RIOJA WINE REGULATORY COUNCIL.
AGREEMENT WITH SURBISA ON ENERGY EFFICIENCY IN BUILDINGS
LA RIOJA CAP AGREEMENT.

The aims and institutions signing these agreements include:

INSTITUTIONS	AIMS
AGREEMENTS WITH UNIVERSITIES	To promote international mobility among students, along with enterprise, volunteering, sport, health and scientific knowledge.
PROFESSIONAL ASSOCIATIONS	To support events, associations and financial benefits for their members.
TRADE ASSOCIATIONS	To support events, collegiality and financial benefits for their members.
SMALL TRADER ASSOCIATIONS	To support customer loyalty, associations and financial benefits for their members.
AFFINITY CARDS	Issue of affinity cards and promotion of customer loyalty. The Bank gives 20% of profits on the amounts billed for cardholders' purchases to the institutions signed up to affinity card joint projects.
PROMUEVE PROGRAMME	The programme gives the self-employed, professionals and businesses financial benefits and helps support enterprise.

9. CSR REPORT – ROAD MAP

9.1. Main improvement challenges and objectives/ financial development and corporate governance

Strategy: Sustainable practices.

2018 targets: To align the Bank with best practice in the sector for training to educate employees in advising customers and preventing crime.

Achievement of 2018 targets: Target met throughout 2018. More than 80% of the Bank's employees are qualified to provide investment advice in accordance with the criteria set by the Supervisor.

2019 targets: Continue the same programme, training new employees to give investment advice, and maintain continuous training for all employees qualified to advise customers.

Strategy: Customer services department.

2018 targets: Test customers on their perceptions of service quality, and their user experience of the Bank's main products and services.

Achievement of 2018 targets: Target met in 2018. Using social networks, materiality surveys, commercial relationships, the "*Te escuchamos*" listening initiative and the Customer Service Department.

2019 targets: Maintain the programmes to collect data on customer perceptions of service quality, and their user experience of the Bank's main products and services.

Strategy: Socially responsible investment.

2018 targets:
1. Launch of the sustainability framework.

2. Preparation of the 2017 Impact Report (loan book sustainability framework) in accordance with the UN PRI.

3. Inclusion of Energy Efficiency in Buildings in the 2017 Impact Report (loan book sustainability framework).

4. Improvements to quantitative indicators in the Impact Report of the loan book sustainability framework for the financial year 2017.

Achievement of 2018 targets:
1. Target met in 2018. All bond issues in wholesale markets were done in accordance with the Bank's sustainability framework.

2. Target met in 2018. Published on the website, including the UN PRI.

3. Target met in 2018. Included results for the first identified level for sourcing data on Energy Efficiency in Buildings: by capturing the energy ratings of buildings whose original development was financed by the Bank.

4. Target met in 2018. Includes more complete information in the categories of Sustainable agriculture, Energy efficiency and Economic inclusion.

2019 target:
1. Continuation of the Sustainability Framework and Sustainalytics Second Opinion Report and consideration of introducing a review and more detailed specification how the UN PRI align with the Impact report (loan book sustainability framework), which will probably involve a more detailed identification of additional targets beyond the 3 currently considered (12-"Responsible production and consumption"-, 7-"Affordable and clean energy"- and 11 -"Sustainable cities and communities"-)

2. Quantification of CO2 reductions compared to the Spanish average in homes included in the Energy Efficiency in Buildings category of the Impact Report (loan book sustainability framework).

3. Continue to include information on Energy Efficiency in Buildings in the Impact Report (loan book sustainability criteria), using results from the second identified level for sourcing data on Energy Efficiency in Buildings ("tagging" in our systems of the energy ratings of homes bought by individuals using direct financing from the Bank).

As part of the incorporation of data on Energy Efficiency in Buildings in the Impact Report (loan book sustainability framework), it is intended to modify the development of internal systems to include this data (energy efficiency rating) in new residential mortgage loans.

4. Improvement and inclusion of new quantitative indicators on Sustainable agriculture/Stockraising in the Impact Report (loan book sustainability framework).

Strategy: Sustainable products.

2018 targets: Development of two investment funds with an SRI philosophy as part of Gescooperativo and continuation of the Sustainability Framework within Seguros RGA's investment products.

Achievement of 2018 targets: Target met in 2018. We added the *"Rural Gestión Sostenible I"* and *"Rural Gestión Sostenible II"* funds to our range

2019 targets:
1. To develop this type of sustainable investments vehicle for our customers through communications and internal training.

2. Development of a specific financing line for improving buildings' energy efficiency.

Strategy: Sustainable management of suppliers.

2018 targets: Introduction of improvements to traceability and reporting processes in contracting and monitoring suppliers.

Achievement of 2018 targets: Progress has been made in defining these improvements, with some points awaiting implementation.

2019 targets: Introduction of improvements to traceability and reporting processes in contracting and monitoring suppliers.

Strategy: Regulatory compliance, corporate governance and transparency.

2018 targets:
1. Work with Sustainalytics to upgrade and update its ESG Report on Caja Rural de Navarra. Work with DZ Bank to upgrade and update its ESG Report on Caja Rural de Navarra.

2. Maintenance of periodic meetings with investors and participation in events related with the issuance of the Bank's sustainable bonds.

3. Publication of Caja Rural de Navarra's first Corporate Social Responsibility Report following its materiality survey of stakeholders.

Achievement of 2018 targets:
1. In progress. The report issued by DZ Bank was updated.

2. Target met in 2018. Attend conferences and meetings with investors interested in Caja Rural de Navarra's issues.

3. Target met. The report was sent out to our stakeholders and published on the Bank's website.

2019 targets:
1. Renew Sustainalytics ESG report on Caja Rural de Navarra this year.

2. Maintain a policy of transparency and relationships with investors, making a special effort with investors most sensitive to development issues and management of the Bank's sustainability and long-term (ESG) goals. Participate in bilateral meetings, conferences and industry events to achieve this goal.

Work to improve the Regulatory Compliance platform being developed jointly with the members of Caja Rural Group at national level.

3. Compilation of the annual Corporate Social Responsibility Report and mandatory Non-Financial Information report.

9.2. Main challenges for improvement and objectives/ social issues

Strategy: Financial inclusion.

2018 targets: Conduct financial education initiatives in the school environment.

Achievement of 2018 targets: The Bank continued to put out various communications on aspects of financial education, products and banking services, prioritising virtual channels (online and blogs) to make them as accessible as possible.

2019 targets: Maintain communications with wider society on financial education and the risks and benefits of financial products and services.

Strategy: Personnel management (equality and diversity, health and safety etc.).

2018 targets: Launch updates to the equality plan. Measurement of variables through the Social Balance Sheet.

Achievement of 2018 targets: In 2018, work continued on this aim and progress was made, although because of the depth of research that it was required to bring to the subject the target was not fully met.

2019 targets: Finalise updates to the equality plan and measurement of variables.

Strategy: Social Welfare Fund.

2018 targets: Strengthen re-use and recycling.

Achievement of 2018 targets: Target met in 2018. One of the actions was the campaign to donate revamped and prepared computer equipment to not-for-profit organizations.

2019 targets: Maintain awareness-raising actions on re-use of resources and recycling.

Strategy: Volunteering.

2018 targets: Start of the strategic volunteering plan. Diversification of activities. Permanent volunteering group. Employee participation survey.

Achievement of 2018 targets: Work began to develop the Volunteering Strategy through activities linked to Caja Rural cycling team.

2019 targets: Continue developing the Volunteering Strategy. Identification and diversification of activities. Permanent volunteering group. Employee participation survey.

Strategy: Contribution to society.

2018 targets: Publication of this information in the 2017 Corporate Social Responsibility Report.

Achievement of 2018 targets: Target met in 2018. Published the Corporate Social Responsibility Report on the Bank's website.

2019 targets: Continue to prepare and publish the annual CSR Report.

Strategy: Alignment with the UN sustainable development goals (US SDG).

2018 targets: Publication of a breakdown of the contribution as part of the loan book sustainability framework in line with the criteria for the UN's sustainable development goals.

Achievement of 2018 targets: Met. Published as a part of the sustainability report.

2019 targets: Maintain in greater detail the information on the alignment of our Sustainability Framework with the UN PRI.

Strategy: Dialogue with and development of local communities.

2018 targets: Improvement of local banking processes, including ATMs and reform to branches in rural locations.

Achievement of 2018 targets: Reforms in progress for branches and newly opened offices. Also, the adaptation to digital transformation of the banking business has improved local community banking processes.

2019 targets: Strengthen dialogue with stakeholders and economic and social development of local communities.

9.3. Main challenges for improvement and objectives/ environmental issues

Strategy: Climate change strategy.

2018 targets:
1. Progress work on measuring the Bank's carbon footprint and the contribution of certain equity investments to forest management and renewable energy.

2. Complete work to measure consumption of resources and reduction of waste.

3. Decision on the participation in the pilot phase of the EeMAP initiative or other ways of participating in the initiative.

Achievement of 2018 targets:
3. Met. Official partners in the EeMAP initiative.

2019 targets:
3. Coordination of our participation in EeMAP with the development of a specific financing line for improving buildings' energy efficiency.

ANNEX I GRI INDICATOR TABLE (MANDATORY AND MATERIAL)

1. GRI standards - mandatory indicators

INDICATOR			COMMENT
PROFILE OF THE ORGANISATION	102-1	ORGANISATION NAME	**ABOUT US, PAGE 23** **PROFILE OF THE ORGANISATION, PAGE 28**
	102-2	ACTIVITIES, BRANDS, PRODUCTS AND SERVICES	**ABOUT US, PAGE 23** **PROFILE OF THE ORGANISATION, PAGE 28**
	102-3	LOCATION OF HEADQUARTERS	**PROFILE OF THE ORGANISATION, PAGE 28**
	102-4	LOCATION OF OPE-RATIONS	**ABOUT US, PAGE 23** **PROFILE OF THE ORGANISATION, PAGE 28**
	102-5	OWNERSHIP AND LEGAL FORM	**PROFILE OF THE ORGANISATION, PAGE 28**
	102-6	MARKETS SERVED	**PROFILE OF THE ORGANISATION, PAGE 28**
	102-7	SCALE OF THE ORGANISATION	**KEY FIGURES, PAGE 48**
	102-8	INFORMATION ON EMPLOYEES AND OTHER WORKERS	**THE TEAM, PAGE 82**
	102-9	SUPPLY CHAIN	**SUPPLIERS, PAGE 101** The biggest supplier in the financial sector is an institution's own creditors, who finance its activity (along with equity capital). In addition, one of the peculiarities of the banking sector is that the same individual can appear as a customer (consuming financial and other intermediation services) and as a supplier/creditor (providing the institution with funds as a depositor). As a result, Caja Rural de Navarra's local suppliers (depositors) form a high percentage of its total suppliers.
	102-9		The ratio of the Bank's customer deposits/total third-party funds shows that local suppliers provided 70.7% of all finance at 31 December 2018.
	102-10	SIGNIFICANT CHANGES IN THE ORGANISATION AND ITS SUPPLY CHAIN	In 2018, an IPS (Institutional Protection Scheme) was established by the Spanish Association of Cajas Rurales, of which Caja Rural de Navarra is a member. Its aim is to help preserve the financial stability of its members individually and as a whole, and effectively reduce the risk profile of its members. **Page 24**
	102-11	PRECAUTIONARY PRINCIPLE OR APPROACH	The development and launch of new products by the Financial Institution does not generate risk or serious or irreversible damage to the environment.
	102-12	EXTERNAL INITIATIVES	**ABOUT US, PAGES 23, 24** **CAJA RURAL DE NAVARRA CORPORATE CULTURE, PAGE 41** **OUR CUSTOMERS, PAGE 52** **CAJA RURAL DE NAVARRA AND SOCIETY, PAGE 111**
	102-13	MEMBERSHIP OF ASSOCIATIONS	**CAJA RURAL DE NAVARRA AND SOCIETY, PAGE 111**

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INDICATOR			COMMENT
STRATEGY	102-14	STATEMENT FROM SENIOR DECISION-MAKERS	**CHAIRMAN'S LETTER, PAGE 4**
	102-15	MAIN IMPACTS, RISKS AND OPPORTUNITIES	**ABOUT THE REPORT, PAGES 18, 19, 20** The main mechanisms for identifying risks are: sector analysis, identifying customer expectations through established dialogue mechanisms and retreats for reflection by the managers on the different committees.
ETHICS AND INTEGRITY	102-16	VALUES, PRINCIPLES, STANDARDS AND CODES OF CONDUCT	**ABOUT US: STRUCTURE OF THE BANK, PAGES 42-43**
	102-17	ADVISORY MECHANISMS AND ETHICAL CONCERNS	**CONFIDENTIAL CHANNELS FOR 'WHISTLEBLOWING' AND COMMUNICATION**
GOVERNANCE	102-18	GOVERNANCE STRUCTURE	**GOVERNING BODIES, PAGE 29** **GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, PAGE 29**
	102-19	DELEGATION OF AUTHORITY	**ABOUT US: STRUCTURE OF THE BANK, PAGE 31**
	102-20	EXECUTIVE-LEVEL RESPONSIBILITY FOR ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES	**ABOUT US: STRUCTURE OF THE BANK, GOVERNING BOARD, PAGE 31**
	102-21	CONSULTING STAKEHOLDERS ON ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES	**ABOUT THE REPORT, PAGES 8 – 16**
	102-22	COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES	**2018 ANNUAL CORPORATE GOVERNANCE REPORT:** *https://www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/es/interface/contenido_pie/tablon_de_anuncios/pdf_tablon_anuncios/corporate-governance-report.pdf*
	102-23	CHAIR OF THE HIGHEST GOVERNANCE BODY	
	102-24	NOMINATING AND SELECTING THE HIGHEST GOVERNANCE BODY	**GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, PAGES 31 AND 32**
	102-25	CONFLICTS OF INTEREST	**CAJA RURAL DE NAVARRA CORPORATE CULTURE. CONFLICT OF INTEREST POLICY, PAGE 42**
	102-26	ROLE OF THE HIGHEST GOVERNANCE BODY IN SELECTING OBJECTIVES, VALUES AND STRATEGY	**ABOUT US: STRUCTURE OF THE BANK, PAGES 29 – 33**

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INDICATOR			COMMENT
GOVERNANCE	102-27	COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY	**ABOUT US: STRUCTURE OF THE BANK, PAGE 34**
	102-28	PERFORMANCE EVALUATION OF THE HIGHEST GOVERNANCE BODY	**GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, PAGE 31**
	102-29	IDENTIFICATION AND MANAGEMENT OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS	**ABOUT THE REPORT, PAGES 7-16** **GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, PAGE 31**
	102-30	EFFECTIVENESS OF THE RISK MANAGEMENT PROCESSES	**CAJA RURAL DE NAVARRA INTERNAL CONTROL FRAMEWORK, PAGES 37-41**
	102-31	ASSESSMENT OF ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES	Economic, environmental and social issues and their associated impacts, risks and opportunities will be assessed annually to coincide with the preparation of this Report.
	102-32	ROLE OF THE HIGHEST GOVERNANCE BODY IN SUSTAINABILITY REPORTING	**ABOUT THE REPORT, PAGE 7**
	102-33	COMMUNICATION OF CRITICAL CONCERNS	**OUR CUSTOMERS, PAGE 60**
	102-34	NATURE AND TOTAL NUMBER OF CRITICAL CONCERNS	**OUR CUSTOMERS, PAGE 60**
	102-35	REMUNERATION POLICIES	**THE TEAM, PAGE 86** **WITH SUMMARY OF THE REMUNERATION POLICY IN THE LINK** *https://www.cajaruraldenavarra.com/tablon-anuncio*
	102-36	PROCESS FOR DETERMINING REMUNERATION	
	102-37	STAKEHOLDER INVOLVEMENT IN REMUNERATION	Stakeholders do not participate in determining remuneration.
	102-38	TOTAL ANNUAL COMPENSATION RATIO	**THE TEAM, PAGE 86** **CRN REMUNERATION POLICY (SUMMARY)** *https://www.cajaruraldenavarra.com/tablon-anuncio*
	102-39	TOTAL ANNUAL COMPENSATION PERCENTAGE INCREASE RATIO	
STAKEHOLDER ENGAGEMENT	102-40	STAKEHOLDER LIST	**ABOUT THE REPORT, PAGE 8**

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INDICATOR			COMMENT
STAKEHOLDER ENGAGEMENT	102-41	COLLECTIVE BARGAINING AGREEMENTS	**THE TEAM, PAGE 90**
	102-42	IDENTIFICATION AND SELECTION OF STAKEHOLDERS	**ABOUT THE REPORT, PAGE 8** **EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, PAGE 10**
	102-43	APPROACH TO STAKEHOLDER ENGAGEMENT	**ABOUT THE REPORT, PAGE 8** **EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, PAGE 10**
	102-44	KEY ISSUES AND CONCERNS MENTIONED	**EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, PAGES 10-17**
REPORTING PRACTICES	102-45	ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS	**ABOUT US: STRUCTURE OF THE BANK - EQUITY INVESTMENTS, PAGE 47**
	102-46	DEFINITION OF THE CONTENTS OF THE REPORTS AND COVERAGE OF THE ISSUES	**EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, PAGES 10-17**
	102-47	LIST OF MATERIAL ISSUES	**ABOUT THE REPORT, PAGES 17-18**
	102-48	RESTATEMENT OF INFORMATION	**N/A. THERE ARE NO RESTATEMENTS RESULTING FROM:** - Mergers or acquisitions. - Changes in base years or periods. - The nature of the business. - The measurement methods.
	102-49	CHANGES IN REPORTING	**EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, PAGE 10** The materiality analysis was updated in 2018, based on deeper consultation with the stakeholders consulted and suppliers. The material aspects have not changed.
	102-50	PERIOD COVERED BY THE REPORT	**ABOUT THE REPORT, PAGE 7**
	102-51	DATE OF THE LAST REPORT	**CHAIRMAN'S LETTER, PAGE 4**
	102-52	REPORTING CYCLE	**ABOUT THE REPORT, PAGE 7**
	102-53	CONTACT POINT FOR QUESTIONS CONCERNING THE REPORT	**ABOUT THE REPORT, PAGE 7**
	102-54	DECLARATION THAT THE REPORT HAS BEEN PREPARED IN ACCORDANCE WITH THE GRI STANDARDS	**CHAIRMAN'S LETTER, PAGE 4** **ABOUT THE REPORT, PAGE 7**

INDICATOR			COMMENT
REPORTING PRACTICES	102-55	TABLE OF GRI CONTENTS	**ANNEX, PAGE 118**
	102-56	EXTERNAL VERIFICATION	Caja Rural de Navarra is publishing its second Corporate Social Responsibility Report and the 2018 Non-Financial Statements for the Caja Rural de Navarra Consolidated Group. Caja Rural de Navarra has commissioned AENOR to undertake the Exhaustive Verification of its CSR Report based on GRI standards, verify the information on the companies in the Group and so issue an External Verification Report.

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2. GRI Standards - material indicators

TOPIC	GRI	INDICATOR	SECTION-PAGE
FINANCIAL STRENGTH OF THE BANK AND GLOBAL RISK MANAGEMENT	**GRI 103: MANAGEMENT APPROACH**	**103-1:** EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	**ABOUT THE REPORT, PAGES 10-20** The materiality analysis was carried out to the parent company (Caja Rural de Navarra) however in future periods, a dialogue with the stakeholders of the subsidiaries enterprises will be launched.
		103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS	**ABOUT US, PAGES 29-39, 47-49**
		103-3: EVALUATION OF THE MANAGEMENT APPROACH	**ABOUT THE REPORT, PAGES 19-20**
	GRI 201: ECONOMIC PERFORMANCE	**201-1:** CREATED AND DISTRIBUTED DIRECT ECONOMIC VALUE	**ABOUT US, PAGE. 49**
		201-2: ECONOMIC IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE	Given the Bank's nature as an entity that provides financial services, our main impact as an investor in infrastructure and services comes from the projects carried out by our customers, and in particular those carried out by the Bank's borrowers. For this reason, several years ago, the Bank implemented a Sustainability Framework for its loan portfolio in order to promote those financing lines that have the greatest social and environmental impact in the regions where the bank is active. These lines are consistent with the principles of its commitment to the natural environment. The framework is dynamic, it evolves and develops over time in tandem with responsible social and environmental practices. The consultancy Sustainalytics has ratified that the Bank's framework is aligned with the principles and objectives mentioned above, including the "Green Bond Principles" and "Social Bond Principles" of the ICMA (International Capital Market Association) and that it finances projects that contribute to environmental sustainability, social challenges and the United Nations Sustainable Development Goals (SDG) in line with guidelines on transparency, communication and reporting. These principles and objectives are consistent with the commitments the bank makes in its Sustainability Framework.
		201-3: OBLIGATIONS OF THE DEFINED BENEFIT PLAN AND OTHER RETIREMENT PLANS	There is no Pension Plan, but there are obligations deriving from the 2017 collective agreement on life and accident insurance and widow/er and orphan supplements.
		201-4: FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT **202-2:** PROPORTION OF SENIOR EXECUTIVES HIRED FROM THE LOCAL COMMUNITY	**ABOUT US, PAGE 48** All the senior executives come from the local community.

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TOPIC	GRI	INDICATOR	SECTION-PAGE
FINANCIAL STRENGTH OF THE BANK AND GLOBAL RISK MANAGEMENT	**GRI 203: INDIRECT ECONOMIC IMPACTS**	**203-1:** INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED	**PAGES 64 - 80**
		203-2: SIGNIFICANT INDIRECT ECONOMIC IMPACTS	**PAGES 64 - 80** Given the Bank's nature as an entity that provides financial services, our main impact as an investor in infrastructure and services comes from the projects carried out by our customers, and in particular those carried out by the Bank's borrowers. For this reason, several years ago, the Bank implemented a Sustainability Framework for its loan portfolio in order to promote those financing lines that have the greatest social and environmental impact in the regions where the bank is active. These lines are consistent with the principles of its commitment to the natural environment. The framework is dynamic, it evolves and develops over time in tandem with responsible social and environmental practices. The consultancy Sustainalytics has ratified that the Bank's framework is aligned with the principles and objectives mentioned above, including the "Green Bond Principles" and "Social Bond Principles" of the ICMA (International Capital Market Association) and that it finances projects that contribute to environmental sustainability, social challenges and the United Nations Sustainable Development Goals (SDG) in line with guidelines on transparency, communication and reporting. These principles and objectives are consistent with the commitments the bank makes in its Sustainability Framework.
	GRI 204: PROCUREMENT PRACTICES	**204-1:** PROPORTION OF SPENDING ON LOCAL SUPPLIERS	The Bank does not have this information. It will work, firstly, on defining its suppliers, and secondly on measuring its spending on local suppliers.
STRATEGY	**GRI 103: MANAGEMENT APPROACH**	**103-1:** EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	**ABOUT THE REPORT, PAGES 10-20**
		103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS	**ABOUT THE REPORT, PAGES 10-20**
		103-3: EVALUATION OF THE MANAGEMENT APPROACH	**ABOUT THE REPORT, PAGES 10-20** Stakeholders did not participate in the strategic planning process for the current plan (2016-2019).
TRANSPARENCY IN MARKETING	**GRI 103: MANAGEMENT APPROACH**	**103-1:** EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	**ABOUT THE REPORT, PAGES 10-20**
		103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS	**ABOUT US, PAGES 39-40** **OUR CUSTOMERS, PAGES 54-57, 61-62**
		103-3: EVALUATION OF THE MANAGEMENT APPROACH	**ABOUT THE REPORT, PAGES 10-20**

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TOPIC	GRI	INDICATOR	SECTION-PAGE
TRANSPARENCY IN MARKETING	**GRI 206: ANTI-COMPETITIVE BEHAVIOUR**	**206-1:** LEGAL ACTIONS RELATED TO ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST AND MONOPOLY PRACTICES	There has been no legal action in relation to anti-competitive behaviour or infringements of the applicable monopoly practices and anti-trust legislation.
	GRI 417: MARKETING AND LABELLING	**417-1:** REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING	**OUR CUSTOMERS, PAGE 55**
		417-2: INCIDENTS OF NON-COMPLIANCE CONCERNING PRODUCT AND SERVICE INFORMATION AND LABELLING	**OUR CUSTOMERS, PAGE 61**
		417-3: INCIDENTS OF NON-COMPLIANCE CONCERNING MARKETING COMMUNICATIONS	**OUR CUSTOMERS, PAGE 61**
	GRI 418: CUSTOMER PRIVACY	**418-1:** SUBSTANTIATED COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA	**OUR CUSTOMERS, PAGE 61**
SERVICE QUALITY AND CUSTOMER SATISFACTION	**GRI 103: ENFOQUE DE GESTIÓN**	**103-1:** EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	**ABOUT THE REPORT, PAGES 10-20**
		103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS	**ABOUT THE REPORT, PAGE 10** **OUR CUSTOMERS, PAGES 55, 59, 60**
		103-3: EVALUATION OF THE MANAGEMENT APPROACH	**ABOUT THE REPORT, PAGES 10-20**
		FS15: DESCRIPTION OF POLICIES FOR THE CORRECT DESIGN AND SUPPLY OF FINANCIAL SERVICES AND PRODUCTS	**STRUCTURE OF THE BANK, PAGE 41** **OUR CUSTOMERS, PAGES 64-77**

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TOPIC	GRI	INDICATOR	SECTION-PAGE
CAJA RURAL DE NAVARRA'S CSR POLICY AND SOCIAL ENGAGEMENT	**GRI 103: MANAGEMENT APPROACH**	**103-1:** EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	**ABOUT THE REPORT, PAGES 10-19**
		103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS	**OUR CUSTOMERS, PAGES 63, 67, 73**
		103-3: EVALUATION OF THE MANAGEMENT APPROACH	**ABOUT THE REPORT, PAGES 10-20**
CORPORATE CULTURE	**GRI 103: MANAGEMENT APPROACH**	**103-1:** EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	**ABOUT THE REPORT, PAGES 10-20**
		103-2: THE MANAGEMENT APPROACH AND ITS COMPONENTS	**STRUCTURE OF THE BANK, PAGE 44**
		103-3: EVALUATION OF THE MANAGEMENT APPROACH	**ABOUT THE REPORT, PAGES 10-20**
MANAGEMENT APPROACH	**GRI 205: MANAGEMENT APPROACH**	**205-1:** OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION	There were no transactions assessed in this area in 2018.
		205-2: COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES	The Bank has a Crime Prevention Policy, with which all employees are made familiar through its Code of Conduct, published in 2018, and through the mandatory Training Programme for all employees.
		205-3: CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN	There were no cases of corruption in 2018.

ANNEX II STATEMENT OF NON-FINANCIAL INFORMATION FOR THE COMPANIES THAT MAKE UP THE CAJA RURAL DE NAVARRA CONSOLIDATED GROUP

1. GENERAL INFORMATION

This Annex refers to the companies that make up the Caja Rural de Navarra Consolidated Group with the exception of the activity of the parent financial institution (Caja Rural de Navarra S. Coop. de Crédito). The information is presented in accordance with Law 11/2018 of 28 December on non-financial information and diversity, also taking into account European Commission Communication 2017/C 215/01, Guidelines on Non-financial Reporting.

This statement takes a concise approach by disclosing the most relevant information. This information is presented in accordance with the standards of the Global Reporting Initiative (GRI), on which Caja Rural de Navarra bases its CSR Report.

The materiality analysis has been carried out by the parent financial institution (Caja Rural de Navarra) this year. But in future, there are plans for dialogue with the different stakeholders in the companies where the bank holds equity stakes and with consolidated subsidiaries.

Caja Rural de Navarra maintains a portfolio of equity investments in the field of finance and in other business sectors. Below is a list of the subsidiaries (all of which are wholly owned by Caja Rural de Navarra) at 31 December 2018, consolidated in the Group financial statements:

FLOUR GROUP	LOCATION	TAX ID No.	% HOLDING
HARIVASA 2000 S.A	Noain (Navarre)	A31013402	100%
Transnoain S.A	Noain (Navarre)	A31870058	100%
Cerelia I+D S.L	Noain (Navarre)	B71312888	100%
Cerelia S.L	Noain (Navarre)	B31949217	100%
Harinera de Tardienta S.A	Tardienta (Huesca)	A22001499	100%
Harinas Selectas S.A	Tardienta (Huesca)	A50107143	100%
Reyes Hermanos S.L	Marcon (Pontevedra)	B36000818	100%
Harinera del Mar S.L	Almenara (Sevilla)	B97832232	100%
Haribéricas SXXI S.L	Sevilla (Sevilla)	B64939341	100%
Harivenasa S.L	Noain (Navarre)	B71075774	100%

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WINERY SUPPLIES GROUP	LOCATION	TAX ID No.	% HOLDING
Industria Tonelera de Navarra S.L	Monteagudo (Navarre)	B31688336	100%
Tonnelleries de L'Adour S.A.S	Plaisance du Gers	FR96425029972	100%
Bouquet Brands S.A	Esquiroz (Navarre)	A31884000	100%
Bahía de Cádiz S.L	Pamplona (Navarre)	B84996743	100%
SENIOR CARE GROUP	**LOCATION**	**TAX ID No.**	**% HOLDING**
Solera Asistencial S.L	Pamplona (Navarre)	B71150866	100%
Solera Navarra S.L	Pamplona (Navarre)	B71186654	100%
Torre Monreal S.L	Tudela (Navarre)	B31872872	100%
SERESGERNA S.A	Pamplona (Navarre)	A31697808	100%
Preventia Sport S.L	Pamplona (Navarre)	B71008783	100%
AUXILIARY FINANCIAL SERVICES GROUP	**LOCATION**	**TAX ID No.**	**% HOLDING**
Promoción Estable del Norte S.A	Pamplona (Navarre)	A31663651	100%
Informes y Gestiones Generales de Navarra S.A	Pamplona (Navarre)	A31437635	100%
Informes y Valoraciones S.L	Pamplona (Navarre)	B31917305	100%

1.1. BUSINESS MODEL DESCRIPTION

A. Flour group

The Flour group comprises companies that manufacture wheat flour and semolina and oat flakes and flour for human consumption. There are six production centres (factories) located throughout Spain and eleven companies, including both the factory-owning companies and those that provide auxiliary services.

The wheat flour and oat markets are different, with different uses for each product. Wheat flour is mainly used in bread and biscuit production and, to a lesser degree, in producing cakes and pastries. In Spain, per capita consumption of bread and other flour derivatives has been declining for decades, as it has changed from being a staple food to a supplement.

As a consequence, traditional bakers are disappearing, with industrial bakers taking over. Spanish industrial producers (mainly biscuit and pre-baked bread manufacturers) have a strong presence in foreign markets and this has helped shore up domestic demand and manufacturing in recent years.

By way of a final comment on the market, there are three large Flour groups with a presence nationwide that account for over three quarters of national flour production. Their advanced procedures and systems provide a high standard of food safety, which is highly valued by industrial customers. As a result, the trend towards market concentration visible in other sectors is also evident in flour production.

This is a global trend that can be found in all major markets worldwide.

In contrast, oat flakes, pearls, flour and bran go into pastry products, biscuits, drinks and breakfasts, as well being consumed directly. It is a traditional product in the Anglo-Saxon countries that has now established a strong foothold in Spain.

As this is a mature market, with a significant overcapacity in milling, the keys are efficient production and food safety.

The Group's mission has been defined as "transforming cereals through an integrated food chain, providing value solutions to our customers".

Our mission statement summarises the Group's business model:

- **Careful selection of raw materials,** along with in-house or outsourced production of specialised flours that are hard to find on the market.
- **Optimised factory performance** to maintain a competitive position.
- **Absolute priority on food safety.**
- **Proximity to industrial customers** so we can reformulate our flours to meet their specific needs.
- **Focus on traditional customers** as well, to help them make high-quality artisanal breads which are not in direct competition with pre-baked bread.

The group's structure is based on providing synergies and cross-knowledge throughout the organisation and on implementing values and strategies across-the-board.

Basic TQM (Total Quality Management) methodologies are used as working tools, while the 5S Project (focused on organisation, order and hygiene) has been implemented since 2016. The project instils the need to keep workstations in good condition as a basic discipline that will have a strong impact on safety and quality. All workers participate and are organised into stakeholder groups. The project has shown immediate results in improving productivity and resource efficiency and reducing costs, in addition to motivating people and improving the company's image.

The project was planned jointly between the group's 6 factories to promote consistency and sharing of best practice between flour plants.

The "8D lean manufacturing" methodology was also initiated with a slightly different emphasis. It, too, involves wide participation by all workers in each area. It is basically a continuous improvement process and has been up and running throughout the two years covered by this Annex.

B. Winery Supplies group

The Grupo de Servicios Auxiliares a Bodegas comprises the oak barrel factories in Navarre (Spain) and Gers-Occitanie (France); and the wine and spirits distributor Bouquet Brands with a physical presence in Navarre and Cadiz.

The details of each activity are as follows:

The cooperage group

The Navarra barrel factory is located in Monteagudo and trades as Industrial Tonelera de Navarra (INTONA). It manufactures and markets oak barrels for ageing wine and spirits.

The French barrel factory is located in Plaisance du Gers and the company is called Tonnellerie de L'Adour.

The key for both companies is their control over the entire value chain; from raw materials procurement, thanks to close collaboration with oak suppliers, to technical advice and after-sales service for our customers.

The barrel adds characteristic notes to the products it contains, and since wood is a natural product its influence on the wine is so notable that for winemakers and their oenologists the origin - species - of the oak and the working methods used - the more traditional, the better - are as important as the business case.

Worldwide, French barrels are still considered to be the premium category in this industry, and this is why the decision was taken a few years ago to invest in Tonnellerie de L'Adour, which is an established factory. This is also the reason behind the difference in the definition of each company's mission and business vision.

There are seven main manufacturers in Spain, some of which are owned by French cooperage groups. INTONA competes on an equal footing and alternates yearly between being the second or third largest producer by units produced.

INTONA has to differentiate itself by the consistency and quality of its products and its service.

There are around one hundred French cooperages, but four groups account for 70% of global sales, so L'Adour is among the smaller firms. However, it does have a recognised product, which allows it to maintain a selling price above the average for the French market.

Adour's business model is therefore to manufacture and market French oak barrels, in the French style. Its strength lies in working from the origin, producing its own staves, and with a wide range of products that facilitates its retail work as a company with a craft spirit.

Having explained these differences, we can distinguish between:

INTONA's mission: to supply the wine and spirits sector with a versatile, comprehensive tool based on knowledge and tradition, which allows its customers to obtain the notes they seek in their products.

INTONA's vision: to be a benchmark in the world of wine ageing due to our commitment to research, respect for the environment and personalised and local customer service. Proven quality.

Adour's mission: from the heart of Armagnac in rural France, to export around the world a near century-old coopering tradition, which is based on close control of the raw materials and craftwork in small batches.

Adour's vision: to become a global cooperage, established in the premium barrel sector, with a worldwide presence and trading on its image as a rural artisan company.

Bouquet Brands distributes wine and spirits under its own brand in Navarre, and through its subsidiary, Exclusivas Bahía de Cádiz, in Andalusia.

This gives it a good commercial network and optimal logistics system.

The wines distributed include those from Caja Rural de Navarra's investee wineries Príncipe de Viana and Rioja Vega (not fully consolidated).

Bouquet Brands' mission: to market the products from our suppliers, providing our customers with prestigious wines and spirits that support their local positioning.

Bouquet Brands' vision: to develop a competitive product portfolio and enthuse the hospitality sector by persuading them that our portfolio of Navarre and La Rioja wines - and other beverages and premium beers - will be appreciated by their customers and deliver the leisure experience they are looking for; with streamlined logistics and a punctual and friendly service.

C. Senior Care group

Solera Asistencial was set up to offer comprehensive services for the elderly. Its objective is to give families access to a service that fits their economic needs and the physical and cognitive needs of the elderly person. The service is flexible, tailored to the needs and constraints of residents and family members.

Spain has a generally adequate network of services for the elderly. The public support that older people receive means that over the last 20 years good facilities and infrastructure has been created to provide the care they need. The current network of services is sufficient for their needs. Perhaps the sector's greatest weakness is that the cost of the services is beyond the reach of many people.

The adoption of the Dependency Act allowed economic agents from other areas, such as construction companies and investment funds with little knowledge of the elderly care sector, to enter the market with the hope they could run the service over the long-term as a conventional business. The reality is that many of them have not achieved the returns they anticipated and they have opted for concentration in a sector that has traditionally been fragmented.

In parallel, municipalities and, to a lesser extent, regional governments, have also established services for the elderly. Their implementation has been partially frustrated by budgetary constraints, the increase in the supply of places and Spain's economic crisis.

Thus, at the national level, the insufficient budget allocated to these activities has resulted in public under-funding of places, a smaller number of people covered by the benefits system - only dependent persons have the right to the benefits, with delays between the need for assistance being recognised and the start of payment- and the elimination of non-essential services that are outside the basic social services portfolio.

The situation in Navarre can be considered as one of the best in the country, but with progressive adjustments in the funding and in the services financed. The local administrations are supporting part of the basic services provided for the elderly, including day centres, respite care and care services provided in the home.

As an operator providing comprehensive services for the elderly, Solera Asistencial has a good market position, as it offers a complete range of welfare services.

It is dependent on government policies, but in recent years, services not included in public financing have been defined and implemented.

Our two old people's homes, La Vaguada and Torre Monreal, focus on providing high quality services and we believe that the residents' families understand and appreciate this.

The services provided in the day centres, which are the only ones of their kind in Navarre, focus on responding flexibly to the needs of users and their families.

The "Solera en casa" (Solera at Home) home care services are structured in an organised and professional manner.

The group is structured as follows:

- **Solera Asistencial:** Central services in the areas of Planning, Marketing, Administration, Human Resources and Maintenance.
- **Seresgerna:** La Vaguada Residence Service.

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•Torre Monreal:

- Residential service in Torre Monreal Social-Medical Centre.
- Solera Urban "Mendebaldea".

•Solera Navarra:

- La Vaguada Day Centre.
- Solera Ensanche Day Centre.
- Torre Monreal Day Centre.
- Ribaforada Day Centre.
- Larraga Day Centre.
- Pio XII Day Centre.
- Home Care Service: "Solera en casa".
- Physiotherapy Unit.
- Wounds Unit.

<u>Mission</u>

Committed to the elderly, our mission is to achieve the best comprehensive care for seniors through high-quality care services that ensure the well-being and satisfaction of our users, families and residents.

<u>Vision</u>

To be a benchmark and pioneer in implementing quality care models for the elderly, structuring ourselves as a comprehensive services operator that provides innovative and pioneering responses to society's present and future needs. Solera Asistencial seeks to be a benchmark in the sector for its quality, specialisation in high added-valued care services and capacity to respond to all the needs that seniors may have.

The core action principles to ensure quality of service are:

- **Individual attention** to users and residents.
- **Attention to families, advice, support** and facilitating their participation in the daily life and activities of our residences and centres.
- **Professional and personal development of the team,** maintaining a high level of motivation and professional qualifications.

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- **Innovation in services and management models,** seeking excellence in processes and activities. Versatility and adaptation to new needs and demands.
- **Openness, transparency and trust** in the institution, with regular communication.
- **Measurement, monitoring and control** of our services to maximise their quality.
- **Investment in technical resources** to support therapeutic programmes and a high level of comfort for our users and their families.

D. Auxiliary financial services group to Caja Rural de Navarra

This group comprises three companies whose business model is to provide a service to Caja Rural de Navarra and/or its customers.

Promociones Estable de Norte. This company originally constructed residential developments in the Bank's area of operation, either alone or with partners. When the property crisis hit, it was decided to suspend – for a few years – all development and participation in third-party developments and to transfer certain real estate assets from the Bank to this company, which as a specialist had a greater chance of selling them successfully than the Bank.

Informes y Gestiones Generales, S.A. provides processing services for all types of public and private documents associated with the property, trade and assets registers. Its other services include carrying out checks and providing responses to public and private queries, defining and processing powers of attorney, mortgage services, drafting wills and acceptance of inheritances, etc.

Other areas of activity include legal, labour, tax and accounting consultancy.

Every year, between four and five thousand customers rely on Informes y Gestiones, which manages around ten thousand documents and requests for more than 20,000 registry entries and certificates.

Informes y Gestiones has two subsidiary companies "Informes y Valoraciones", which carries out architectural studies, projects, valuations and appraisals; and "Administración de Fincas Informes y Gestiones", which manages property.

It has professional teams in Pamplona, San Sebastian, Bilbao, Vitoria and Logroño to and can therefore serve all our customers.

Finally, **"Preventia Sport"** manages a sports medicine centre that provides some of the support given to the Caja Rural-RGA cycling team. It also has facilities that are open to the general public. Medical tests are carried out at the centre on an athlete's capacity to adapt and improve in their sporting discipline.

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Caja Rural Group company websites

FLOUR GROUP	WEBSITE
HARIVASA 2000 S.A	www.harivasa.es
Transnoain S.A	
Cerelia I+D S.L	
Cerelia S.L	www.harineradetardienta.es
Harinera de Tardienta S.A	
Harinas Selectas S.A	
Reyes Hermanos S.L	www.harinasreyes.com
Harinera del Mar S.L	www.harineradelmar.es
Haribéricas SXXI S.L	
Harivenasa S.L	www.harivenasa.es
WINERY SUPPLIES GROUP	**WEBSITE**
Industria Tonelera de Navarra S.L	www.toneleriaintona.com
Tonnelleries de L'Adour S.A.S	www.adour.fr
Bouquet Brands S.A	www.bouquetbrandspamplona.com
Bahía de Cádiz S.L	WEB
SENIOR CARE GROUP	**WEBSITE**
Solera Asistencial S.L	www.soleraasistencial.es
Solera Navarra S.L	
Torre Monreal S.L	
SERESGERNA S.A	
Preventia Sport S.L	
AUXILIARY FINANCIAL SERVICES GROUP	**WEBSITE**
Promoción Estable del Norte S.A	www.crnavarra.ruralvia.com
Informes y Gestiones Generales de Navarra S.A	www.informesygestiones.com/
Informes y Valoraciones S.L	www.informesyvaloraciones.com

1.2. DESCRIPTION OF THE GROUP'S POLICIES

The Group's companies have the following processes for risk analysis, control and monitoring:

A. Flour group

On the management side, each company has a matrix management structure, which combines management reporting lines in each area with the group level functional structures, providing coordination of purchasing, manufacturing, quality and R&D and sales and marketing to large industrial groups.

Each factory has a management committee on which all the areas are represented, which meets at least monthly.

Monthly meetings are also held to monitor and coordinate the activities at each factory, attended by key executives from the Flour group's functional areas and the Bank.

The companies running the factories have either a Sole Director appointed by Caja Rural de Navarra, who sits on the Bank's Management Committee, or a Board of Directors attended by managers from the Flour group's functional areas and Caja Rural de Navarra.

The strategies of the Caja Rural de Navarra managers in these companies are clear: top priority goes to food safety and health and safety at work; plus strengthening medium- and long-term strategies that enable the companies to maintain sustainable commercial and economic competitiveness.

B. Winery supplies group

This group, which has a much smaller staff, has three sole directors, one for each of the three subsidiaries.

In addition, reporting to these figures, each company has a managing director who sets the operational dynamics for each company. These, in turn, always have a manager for each operational area.

Accordingly, the cooperages have an chief administration-finance officer and a production manager, who is in charge of the heads of each production area and a sales team. This team meets regularly with the managing director.

The distributor has a chief financial officer, a sales team manager and a logistics and warehouse manager, who all meet weekly with their manager.

In the case of INTONA and Bouquet Brands, the Sole Director is an executive at Caja Rural de Navarra. For Tonnellerie de L'Adour, the Director is INTONA's managing director.

C. Senior Care group

The Solera Asistencial group has a Sole Director at its head, who is an executive at Caja Rural de Navarra.

The Quality Committee and Management Committee meet at least monthly. They are composed of the following area managers: Managing Director, Head of Quality, Care Manager, Chief Administration-Finance Officer, Head of Maintenance, General Services Manager, Day Centres Manager.

Teamwork is an essential factor in successfully implementing and coordinating the social and welfare objectives of each of the residents.

The team consists of doctors, nurses, nursing assistants, social workers, occupational therapists, psychologists, physiotherapists, podiatrists, pharmacy personnel, sociocultural therapists and dietitians who all interact with each other.

D. Auxiliary financial services group to Caja Rural de Navarra

Most companies in this group are again headed by a Sole Director, including Promoción Estable de Norte, Informes y Gestiones and Preventia Sport. Each company has a full-time manager as its chief operating officer.

In the case of Informes y Gestiones, the managing director is supported by area managers, and the management system is based on weekly meetings with area managers and monthly meetings with all the members of each department, to review key indicators and set general strategy and specific goals.

Promoción Estable del Norte actively collaborates with the Caja Rural de Navarra housing area through continuous contacts and regular meetings to analyse progress in different actions and toward achieving target. These meetings are attended by the management from Promoción Estable del Norte, project managers and managers from Caja Rural de Navarra's housing area.

Preventia Sport is closely linked to the Bank's institutional life and is involved in training the cycling team. For this reason, regular meetings are held with the Bank's manager responsible for the team.

1.3. ADMINISTRATIVE BODY REMUNERATION

As indicated, the subsidiaries have directors linked to Caja Rural de Navarra or its subsidiaries. No director receives any financial or other consideration, attendance fees or similar. They are remunerated for work done for the Bank or subsidiary depending on their job category in accordance with the salary tables in this document.

There is no bonus for belonging to subsidiaries' administrative bodies. The "Grupo Cooperativo Caja Rural", and Caja Rural de Navarra within it, have civil liability insurance for managerial positions that covers their activity as directors.

1.4. CAJA RURAL DE NAVARRA GROUP – CROSS-GROUP MANAGEMENT

As we have seen, the companies in which Caja Rural de Navarra has equity investments work mostly in the agri-business and welfare sectors as well as supporting the Bank's activities.

The agri-business sector has traditional had significant strategic weight in Caja Rural de Navarra's financial operations. Currently the agri-business industry's share in gross domestic product figures has fallen somewhat, but the sector's professionalization and initiatives to produce frozen and pre-prepared convenience foods are pushing to maintain the economic importance of these activities, providing consistent added value over time to halt the decline in rural population and reduce the drag on growth in provincial and county capitals.

For an institution like Caja Rural de Navarra, which was born alongside agricultural cooperatives in small and medium-sized population centres, it is both consistent with its values and rewarding to back initiatives that help sustain our farming and stockraising fabric and encourage cooperativism as a driver of economic sustainability in the sector.

In the case of the care services, we wanted to respond to a growing need in our community. First religious institutions and subsequently public authorities have for many years been the basic support for the sector, which now needs to adapt to the greater demands of an ageing population, who nonetheless still have the capacity to enjoy life and maintain family ties.

We would also like to highlight the activities carried out by other investee companies in protecting the environment, even though they do not form part of the Consolidated Group. As an example, we would draw attention to renewable energy companies (Compañía Eólica de Tierras Altas, Renovables de la Ribera, Rural de Energías Aragonesas) and the forestry company (Bosqalia).

1.5. KEY INDICATORS FOR NON-FINANCIAL RESULTS

Caja Rural de Navarra prepared its first Corporate Social Responsibility Report in 2017, following the guidelines established by the GRI (Global Reporting Initiative).

The report includes a materiality analysis to determine the issues most relevant to the stakeholders that Caja Rural de Navarra interacts with.

A more detailed materiality analysis will be carried out in 2019 for all the Group's companies based on a definition of its main stakeholders. The analysis will provide a consolidated matrix for the Group. This will make it possible to set some detailed strategic targets for CSR at Group level by specifying commitments in relation to each of the priority stakeholder groups.

In the coming years, after consultation with stakeholders and a comparison with the sector, we will prepare the Caja Rural de Navarra Group CSR Roadmap.

1.6. MAIN SECTOR RISKS

Group companies face the following sector risks, which can be mitigated in the following ways. This analysis is not based on economic risks, which are reflected in their respective annual reports, but on the corporate social responsibility approach:

A. Flour group

1. . Baker's asthma.

In Spain, asthma caused by handling flour was first recognised as a professional disease in 1978. Flour has been a staple food for millennia, albeit one that can generate certain allergies in the people who work with it. The asthma is caused by breathing in flour dust suspended in the air and this is why, since antiquity, the people who worked in grinding and handling flour wore masks. This system continues, although obviously now with improved modern filters, in addition to special protection that covers the skin and eyes, as this protects against other harmful effects.

In addition, periodic medical check-ups are, also, carried out.

2. Explosion and/or fire (due to explosive atmospheres).

Atmospheres saturated with wheat flour and powder are classified as an explosion hazard. The work process and procedures are, therefore, adapted to be able to work under these conditions, in accordance with legal regulations.

3. Conventional risks of any industrial environment.

Working at height, getting caught in machinery, electric shocks, etc. Like to the abovementioned risks, these are analysed by the health and safety manager in each factory, and advice is sought from external consultants to arrive at an action plan for each factory.

4. Cereal contamination.

Cereals are susceptible to contamination, especially in the transportation, unloading and storage phases. This risk can be mitigated by taking appropriate measures when buying and transporting the raw material, through a maintenance and cleaning programme and by having a laboratory constantly checking the control parameters.

B. Senior Care group

1. Risks for personnel derive from the physical nature of the job.

Musculoskeletal disorders are the most frequent. Measures taken to mitigate them include reducing the effort used, varying between standing and sitting positions and having processes and equipment in place to avoid excessive physical loads. This is complemented by adequate training for workers in the correct use of the equipment.

2. Emotional risk for staff derived from working in shifts and due to the condition of certain residents.

The actions taken to alleviate them include allowing breaks, sufficient rest between working days, dynamics to allow the sharing of experiences and training in how to deal with these situations.

3. Injuries to residents.

From the physical point of view, the use of handling equipment and procedures also reduces the risk of injury to residents.

Emotional stress should be picked up by staff, which is why operational procedures and staff training are key.

C. Winery supplies group

This business is exposed to the risks of both a manufacturing environment and a distribution company.

1. Conventional risks of any industrial environment.

Working at height, getting caught in machinery, electric shocks, etc. Advice is sought from external consultants to draw up an action plan.

2. Risks derived from the continuous movement of freight.

- Organisation of the warehouse and routes.
- Optimal packaging. Use of auxiliary methods.
- Time off between working days and weekly.

3. Risks derived from urban mobility.

- Correct vehicle maintenance.
- Sensible and balanced routes.
- Management of distribution schedules.
- Rest between work days.

D. Auxiliary financial services group to Caja Rural de Navarra

These are essentially office-based companies, therefore, their main risks are:

1. Deriving from the work environment

These risks are essentially related to posture and illumination. Rules relating to comfort are updated periodically and devices that improve postural comfort are provided.

2. Deriving from work stress

These risks are alleviated by adjusting workload and a policy of recognising work done.

1.7. SUGGESTIONS AND COMPLAINTS

The next section looks at customer complaints, by sector:

A. Flour group

All customer suggestions and complaints are recorded. All incidents are answered by the Quality Department, regardless of the size of the customer.

Incidents are catalogued by categories, which can be grouped into functional (product meets the customer's needs), logistical or administrative (incorrect shipments, credit notes, etc.), and relating to food hygiene (broken pallets, poorly sifted product, etc.). In addition, they are classified as Serious or Minor. Almost all those that affect food safety are considered serious.

In 2018, the flour mills handled large quantities of product:

	Units
Baker's sack	8,509,896
Tanker/big bag	46,918
1/5/10 Kg packet	30,146,993

The number of incidents is 0.04 per thousand units sold, which means 1.82 per thousand incidents for each thousand kilograms sold. 23.5% of incidents were catalogued as serious.

B. Senior care group

Quality policies are core to our management process, which is why surveys are carried out with residents and relatives.

In 2018, the average score in the satisfaction surveys on the different care points was 4.29/5 (5 = Excellent).

An annual improvement plan is developed based on the surveys, audits, incidents and training, which is broken down by activities and departments. Indicators are set for direct monitoring. In 2018, there were 56 indicators covering such points as strategic aims, value for the resident and support.

In terms of complaints, 52 general incidents and 2 relating to suppliers were opened in 2018 (compared to 45 general incidents in 2017). This increase is partly due to an increase in activity and the opening of the Solera Urban centre, a new type of offer in the sector which has required some initial adjustments to improve residents' comfort (menu types, schedules, etc.).

C. Winery supplies group

This group attracts few complaints and they are addressed immediately and directly. The cooperages do not receive many complaints but they are more common for the distributor, mainly due to delays in delivery and logistical errors.

Complaints are not reported at the corporate level in this sector.

D. Auxiliary financial services group to Caja Rural de Navarra

These are companies providing services to final customers where complaints mainly relate to disagreements about the cost of services and delays.

Complaints are not reported at the corporate level in this sector.

2. ENVIRONMENTAL ISSUES

The **Flour group** uses the most energy in the Caja Rural Group. Wheat milling is energy intensive and in 2017-2018 the Flour group consumed approximately 70 GWh of electricity.

In addition, the group's raw materials and product transport fleet consumed approximately 12 GWh of fuel.

All the factories work to ISO 14000 procedures and have their respective certifications. This system requires a continuous reduction in waste production, which is very low in this sector.

Electricity consumption depends not only on the annual volume of flour produced, but also on other factors such as the cereal varieties milled, temperature and humidity, level of micronized flour, etc. Therefore, a year-to-year comparison may not reflect the work undertaken by the flour production group to improve its energy performance.

In addition, we would like to point out that in compliance with RD 56/2016, an energy audit has been carried out in each of the factories. While the conclusions provide recommendations for improvement, the results did not identify significant problems.

In order to reduce the environmental impact due to energy consumption, in December 2018 the Group entered into a long-term power purchase contract that, among other objectives, aims to support the construction of two wind farms. From the second half of 2020, these wind farms will provide approximately 80% of the group's estimated electricity consumption.

In parallel, in recent years, significant investment has been made to upgrade the lorry fleet to the current Euro6 standard, which is the highest possible environmental rating.

In the Winery Supplies group, we would highlight the actions of INTONA, which works with PEFC -certified oak and is certified annually as having a zero-carbon footprint. In order to compensate for its manufacturing carbon footprint, it is planting sessile oak in the Navarre Pyrenees. The cooperages are also compensating for their emissions by collaborating in building up sessile oak populations that will, in the future, be a source of the high-quality raw materials they need for their barrels.

The Senior Care group has an on-going focus on reducing gas and electricity consumption, as a result of which the total annual energy cost for all its centres is under €250,000.

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Finally, we would point out that a large part of the environmental impact of the activities by Caja Rural and its equity investments are offset by the results of other investee companies that are not fully consolidated. These include:

Compañía Eólica de Tierras Altas, SA, 25% owned by Caja Rural de Navarra, produces between 240 GWh and 280 GWh of renewable electricity per year.

Bosqalia maintains plantations of the "Populus" genus that, in December 2018, covered 370 hectares.

In each of the Group's companies, environmental management is integrated into production considerations by the Steering Committee. No special committee has been appointed to date.

The resources dedicated to reducing environmental risks are the following:

FLOUR GROUP		
Direct expenses charged to the EMS (€)	**2017**	**2018**
Maintaining the Environmental Management System	19,101	18,960
Waste management	34,491	37,326
Total	**53,592**	**56,286**
SENIOR CARE GROUP		
Direct expenses charged to the EMS (€)	**2017**	**2018**
Maintaining the Environmental Management System	0	0
Waste management	2,835.76	4,036.33
Total	**2,835.76**	**4,036.33**

Not all the companies in the Winery Supplies Group and the Auxiliary Financial Services Group report these values separately in their accounts. As of 2019, they will be reported separately.

2.1. ENERGY AND POLLUTION METRICS

Below are the values for energy and water consumption, and the implied pollution levels.

A. Flour group

2018	Units	CO_2 Eq, T
Water		
Consumption in m3	77,709	
Gas		
kWh	7,619,885	1,538
Electricity		
Consumption in kWh	70,774,000	22,718
Fuel consumption, own fleet		
Diesel, litres	1,170,150	3,042
TOTAL CO2 EQUIVALENT EMISSIONS (T)		**27,299**

B. Other sectors (Senior Care, Auxiliary Financial Services and Winery Supplies)

2018	Units	CO_2 Eq, T
Natural gas consumption		
kWh	1,443,580	291
Electricity consumption		
kWh	1,142,322	367
Vehicle fleet consumption		
Diesel, litres	12,677	33
TOTAL EQUIVALENT CO2 EMISSION (T)		**691**

2.2. CLIMATE CHANGE AND ENERGY MODEL TRANSITION

The activities carried out by the Group's companies produce very low levels of direct pollution. In general, they do not produce waste, as the by-products generated are reused as feed, livestock bedding, raw material for pellets and some oak wood chippings are even burned directly to toast the barrels, following the traditional method.

Therefore, the main direct wastes produced are those derived from the staff changing rooms and toilets, those produced by the users and residents in the residential and day centres and certain packaging materials, which are segregated and removed by waste collection and sanitation companies.

Natural gas is consumed in the residences and in the oat factory, as discussed in section 2.1. Natural gas use emits CO_2, and it is estimated that each m^3 emits 2.15 kg/Nm^3 (10.65 kWh/Nm^3).

Therefore, direct CO_2 emissions to the atmosphere in 2018 amounted to approximately 1,830 tonnes.

There are also indirect emissions, derived from generating electricity, and this changes each year with the energy mix. As established in National Energy Commission Circular 1/2008, electricity mix calculations do not include green electricity produced from renewable sources that have a corresponding guarantee of origin (GoO) issued by the CNMC. This allows certified green electricity with a GoO to be separated from the rest of the grid electricity.

The electricity grid mix on the Iberian peninsula for 2018 is estimated at 321 g CO_2/kWh.

Therefore, indirect CO_2 emissions by the Group's companies were approximately 23,085 tonnes.

As indicated above, these emissions could be considered to have been offset by the production of renewable energy within the group, even though the GoO for this activity is transferred to third parties.

Lastly, the vehicle fleets of the flour mills and other subsidiaries consume diesel. For each litre of diesel consumed an equivalent CO_2 emission of 2.6 kg is estimated, which gives another 3,075 tonnes of CO_2.

3. SOCIAL AND PERSONAL ISSUES

3.1. EMPLOYMENT

Employment per work centre, summarised by country:

COUNTRY	2017			2018		
	Total	Men	Women	Total	Men	Women
Spain	730	361	369	763	374	369
France	20	18	2	21	18	3
Total active employees at 31/12	**750**	**379**	**371**	**784**	**392**	**392**

The following is a breakdown of selected statistics relating to the staff in subsidiaries, grouped by activities:

A. Flour group

Contractual relationship (at 31/12)	2017			2018		
	Total	Men	Women	Total	Men	Women
"Active"	359	288	71	363	293	70
Leave	0	0	0	2	0	2
Service commission (working for other companies but we pay the salary)	0	0	0	0	0	0
Early retirees	5	4	1	5	5	0
Company Contracts	364	292	72	370	298	72
Temporary Contracts	31	23	8	24	15	9
Permanent Contracts	333	267	66	344	281	63
Total active employees at 31/12	**364**	**290**	**74**	**366**	**294**	**72**

Active employees by sex and professional category	2017				2018			
	Men		Women		Men		Women	
	Nº	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**
Active employees by sex and professional category	23	8%	6	8%	23	8%	5	7%
Directors	22	8%	1	1%	22	7%	2	3%
Managers	29	10%	23	31%	28	9%	26	36%
Technicians	3	1%	21	28%	2	1%	23	32%
Administrative personnel	213	73%	23	31%	221	75%	16	22%
Other	**290**	**80%**	**74**	**20%**	**2996**	**80%**	**72**	**20%**
Of this total, disabled	**2**				**2**			

By age range:

By age	2017	2018
Up to 30	45	48
31 to 40	108	102
41 to 50	132	132
51 to 60	71	73
Over 60	8	11
Total staff	**364**	**366**

The movements corresponding to the departure of personnel during the year have been:

Losses and annual churn of workers	2017	2018
Losses during the year		
- Unpaid and statutory leave	0	0
- Leave to care for children or family members	0	2
- Retirement	2	1
- Death and disability	0	1
- Voluntary resignation	10	16
- End of contract	10	16
- Early retirees	1	2
- Dismissals of Women in the year	0	3
- Dismissals of Men in the year	13	19
- Departures of Women in the year	7	23
- Departures of Men in the year	29	38
Total departure rate	**10%**	**17%**
Women's departure rate	**9%**	**32%**
Men's departure rate	**10%**	**13%**

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B. Senior Care group

Contractual relationship (situation to 31/12)	2017			2018		
	Total	Men	Women	Total	Men	Women
"Active"	284	19	265	307	25	282
Leave	2	0	2	2	0	2
Service commission (working for other companies but we pay the salary)	0	0	0	0	0	0
Early retirees	0	0	0	0	0	0
Company Contracts	284	19	265	370	25	282
Temporary Contracts	112	7	105	127	11	116
Permanent Contracts	172	12	160	180	14	166
Total active employees at 31/12	**284**	**19**	**265**	**307**	**25**	**282**

Active employees by sex and professional category Annual average staff	2017				2018			
	Men		Women		Men		Women	
	Nº	%	Nº	%	Nº	%	Nº	%
Directors	1	5%	0	0%	1	6%	0	0%
Healthcare workers (nutritionists, doctors and nurses)	1	5%	40	19%	1	6%	44	20%
Nursing assistants	16	82%	143	67%	6	35%	147	66%
Ward staff and cleaners	0	0%	25	12%	0	0%	26	12%
Administrative personnel	1	7%	5	2%	2	12%	7	3%
Full-time	17	89%	135	63%	17	94%	137	61%
Part-time	2	11%	79	37%	1	6%	87	39%
Total	**19**	**8%**	**213**	**93%**	**17**	**7%**	**224**	**100%**
Of this total, disabled	**0**				**0**			

By age range:

By age, average workforce	2017	2018
Up to 30	65	66
31 to 40	56	53
41 to 50	60	71
51 to 60	45	47
Over 60	6	3
Total staff	**232**	**241**

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The movements corresponding to the departure of personnel during the year have been:

Contractual relationship (situation to 31/12)	2017			2018		
	Total	Men	Women	Total	Men	Women
"Active"	284	19	265	307	25	282
Leave	2	0	2	2	0	2
Service commission (working for other companies but we pay the salary)	0	0	0	0	0	0
Early retirees	0	0	0	0	0	0
Company Contracts						
Temporary Full-time						
Temporary Part-time						
Temporary Contracts	112	7	105	127	11	116
Permanent Contracts	172	12	160	180	14	166
Total active employees at 31/12	**284**	**19**	**265**	**307**	**25**	**282**

C. Winery Supplies group

Contractual relationship (annual average)	2017			2018		
	Total	Men	Women	Total	Men	Women
"Active"	68	59	9	73	63	10
Leave	0	0	0	0	0	0
Service commission (working for other companies but we pay the salary)	0	0	0	0	0	0
Early retirees	2	2	0	1	1	0
Company Contracts		61	9	74	64	10
Temporary Full-time	4	11	1	16	15	1
Temporary Part-time	0	2	0	0	2	0
Temporary Contracts	14	13	1	18	17	1
Permanent Contracts	54	46	8	55	46	9
Total active employees at 31/12	**68**	**19**	**9**	**73**	**63**	**10**

Employees by sex and professional category (end of year)	2017				2018			
	Men		Women		Men		Women	
	Nº	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**
Directors	4.0 / 0	5.92%	0.0 / 0	0.00%	3.0 / 0	4.21%	0.o	0.00%
Managers	4	5.92%	1	1.48%	4	5.72%	1	1.40%
Technicians	14	20.73%	1	1.48%	15	21.62%	1	0.70%
Administrative personnel	8	11.16%	3	4.44%	9	12.94%	3	4.21%
Other	28	41.46%	5	7.40%	29	40.67%	6	8.53%
Full-time	55	80.93%	10	14.81%	58	80.96%	11	14.84%
Part-time	3	4.26%	0	0.00%	3	4.21%	0	0.00%
Total	**58**	**85.19%**	**0**	**14.81%**	**61**	**85.16%**	**11**	**14.84%**
Of this total, disabled	**0**				**0**			

By age range:

By age, average workforce	2017	2018
Up to 30	6	6
31 to 40	19	21
41 to 50	27	28
51 to 60	14	15
Over 60	2	1
Total staff	**68**	**71**

The movements corresponding to the departure of personnel during the year have been:

Losses and annual churn of workers	2017	2018
Losses during the year	6	16
- Unpaid and statutory leave	0	0
- Leave to care for children or family members	0	0
- Retirement	0	2
- Death and disability	0	1
- Voluntary resignation	4	7
- End of contract	2	2
- Early retirees	0	0
- Dismissals of Women in the year	0	1
- Dismissals of Men in the year	0	3
- Departures of Women in the year	0	2
- Departures of Men in the year	4	6
Total departure rate	**4**	**6**
Women's departure rate	**0**	**38%**
Men's departure rate	**10%**	**20%**

D. Auxiliary Financial Services group

Contractual relationship (annual average)	2017			2018		
	Total	Men	Women	Total	Men	Women
"Active"	36	11	25	37	10	27
Leave	0	0	0	1	0	1
Service commission (working for other companies but we pay the salary)	2	0	2	2	0	2
Early retirees	0	0	0	0	0	0
Company Contracts	**36**	11	27	40	10	30
Temporary Full-time	1	0	1	0	0	0
Temporary Part-time	0	0	2	1	0	3
Temporary Contracts	10	2	8	10	0	10
Permanent Contracts	24	9	15	28	10	18
Total active employees at 31/12	**34**	**11**	**23**	**38**	**10**	**28**

Employees by sex and professional category	2017				2018			
	Men		Women		Men		Women	
	Nº	**%**	**Nº**	**%**	**Nº**	**%**	**Nº**	**%**
Directors	4	12%	0	0%	0	8%	0	0%
Managers	2	6%	2	6%	2	8%	2	5%
Administrative personnel	5.07	15%	20.94	62%	20.94	13%	24.9	66%
Full-time	10.07	30%	20	59%	20	84%	2	5%
Part-time	0	0%	2.94	9%	2.94	0%	2.9	8%
Total	**11.07**	**33%**	**22.94**	**67%**	**22.94**	**29%**	**26.9**	**71%**
Of this total, disabled								

By age range:

By age, average workforce	**2017**	**2018**
Up to 30	2	6
31 to 40	20	21
41 to 50	9	8
51 to 60	3	3
Over 60	0	0
Total staff	**34**	**38**

The movements corresponding to the departure of personnel during the year have been:

Losses and annual churn of workers	2017	2018
Losses during the year		
- Unpaid and statutory leave	0	1
- Leave to care for children or family members	1	0
- Retirement	0	0
- Death and disability	0	0
- Voluntary resignation	1	1
- End of contract	3	3
- Early retirees	0	0
- Dismissals of Women in the year	0	0
- Dismissals of Men in the year	0	0
- Departures of Women in the year	5	3
- Departures of Men in the year	0	2
Total departure rate	**15%**	**13%**
Women's departure rate	**22%**	**11%**
Men's departure rate	**0%**	**20%**

3.1.1. Remuneration

Remuneration is based on sector collective agreements, supplemented in some jobs by professional performance bonuses. There are no differences based on age or sex, beyond supplements for years of service with the company that may exist in certain agreements.

Selected remuneration parameters are provided below. The data are recorded as a value that represents the annual gross salary multiplier for the sector analysed, so that the metrics can be compared without breaching the confidentiality of the data.

The information is presented on the basis of the Average Labour Index, the index used in the section on the Caja Rural de Navarra "Remuneration System" (page 88 of this CSR Report).

A. Flour group

Average salary	2017	2018
Men	0.83	0.86
Women	1.05	1.04
Difference M/W	**0.22**	**0.18**

Average salary	2017		2018	
	Men	Women	Men	Women
Director	2.05	1.16	2.00	1.12
Manager	1.37	0.90	1.34	1.19
Technic.	1.03	0.78	1.04	0.87
Admin.	0.59	0.75	0.92	0.79
Other	0.92	0.85	0.91	0.84

Remuneration by age	2017		2018	
	Men	Women	Men	Women
Up to 30	0.81	0.65	0.82	0.76
31 to 40	0.91	0.89	0.95	0.89
41 to 50	1.10	0.83	1.08	0.89
51 to 60	1.17	0.97	1.11	0.95
Over 60	1.32	0.66	1.34	0.69

B. Senior Care group

Average salary	2017	2018
Men	0.98	0.97
Women	1.34	1.35
Difference M/W	**1.37**	**1.39**

Average salary	2017		2018	
	Men	Women	Men	Women
Director	NB		NB	
Manager	2.11	2.43	1.86	2.14
Technic.	1.62	1.62	1.42	1.43
Admin.	1.13	1.38	1.10	1.20
Other				

NB: not reported as the sample is too small. Individual remuneration could easily be inferred.

Remuneration by age	2017		2018	
	Men	Women	Men	Women
Up to 30	0.84	0.96	1.00	0.88
31 to 40	1.17	1.01	1.23	0.98
41 to 50	1.63	0.96	1.60	1.01
51 to 60	1.95	1.00	2.18	0.96
Over 60		0.81		1.16

C. Winery Supplies Group

Average salary	2017	2018
Men	0.86	0.90
Women	1.02	1.02
Difference M/W	**0.17**	**0.11**

Average salary	2017		2018	
	Men	**Women**	**Men**	**Women**
Director	2.55	0.00	2.61	
Manager	1.67	1.48	1.74	1.56
Technic.	0.72	0.77	0.78	0.87
Admin.		1.05		1.04
Other				

Remuneration by age	2017		2018	
	Men	**Women**	**Men**	**Women**
Up to 30	0.60	0.87	0.80	
31 to 40	0.90	1.01	0.85	1.09
41 to 50	1.26	0.82	1.33	0.87
51 to 60	1.14		1.11	0.72
Over 60	0.88		1.01	

D. Financial Services group

Average salary	2017	2018
Men	0.81	0.84
Women	1.39	1.39
Difference M/W	**0.58**	**0.55**

Average salary	2017		2018	
	Men	Women	Men	Women
Director	1.98	0.00	2.06	0.00
Manager	1.00	1.11	1.08	1.17
Admin.	0.82	0.78	0.93	0.81

Remuneration by age	2017		2018	
	Men	Women	Men	Women
Up to 30		0.44		0.66
31 to 40	1.01	0.90	1.11	0.92
41 to 50	2.14	0.92	2.19	0.98
51 to 60	2.91	0.87	3.00	0.91
Over 60				

3.1.2. WORK ORGANISATION - HEALTH AND SAFETY

All group companies table working time in compliance with the working hours laid down by the collective agreement. Shifts have to be worked in some areas to cover (nearly) the whole year.

Health and safety is relevant in all areas, but we focus on the industries where the risks are higher.

Accident statistics are collected in all manufacturing centres, even for accidents that do not require medical attention or time off since improvements can be made if these figures are analysed.

The data on accidents and resulting time off work are presented below.

A. Flour group

Workplace accidents	2017	2018
Accidents	35	24
Accident incidence(1)	0.0399	0.0336
Accident severity(2)	19.039	8.357

Hours off work and absenteeism rate	2017	2018	Men 2018	Women 2018
Accident and illness	29,424	38,264	32,623	5,641
Maternity	2,579	5,416	0	5,422
Paternity	1,675	1,505	1,505	0
Childcare	0	0	0	0
Care of the sick	0	0	0	0
Total hours off work	33,678	45,185	34,128	11,063
Absenteeism rate	**5.3%**	**7.1%**	**6.6%**	**8.8%**

B. Senior Care group

Workplace accidents	2017	2018
Accidents	54	46
Accident incidence(1)	0.07	0.06
Accident severity(2)	0.007831337	0.006800094

Hours off work and absenteeism rate	2017	2018	Men 2018	Women 2018
Accident and illness	28,015.62	27,896.82	88.23	27,808.59
Maternity	3,181.47	6,477.12	0.00	6,477.12
Paternity	0.00	0.00	0.00	0.00
Childcare				
Care of the sick				
Total hours off work	31,197.09	34,373.94	88.23	34,285.71
Absenteeism rate	**0.08%**	**0.09%**		

C. Winery Supplies group

Workplace accidents	2017	2018
Accidents	8	10
Accident incidence(1)	0.078	0.099
Accident severity(2)	20.698	39.797

Hours off work and absenteeism rate	2017	2018	Men 2018	Women 2018
Accident and illness	2,278	3,021	2,809	212
Maternity	0	0	0	0
Paternity	336	512	512	0
Childcare	50	24	20	4
Care of the sick	100	153	70	83
Total hours off work	2,764	3,710	3,411	299
Absenteeism rate	**2.59%**	**3.48%**	**3.8%**	**1.9%**

D. Financial Services group

Workplace accidents	2017	2018
Accidents	0	0
Accident incidence(1)	0	0
Accident severity(2)	0	0

Hours off work and absen-teeism rate	2017	2018	Men 2018	Women 2018
Accident and illness	775	1602	42	1560
Maternity	767	784	0	784
Paternity	0	196	196	0
Childcare	0	216	0	216
Care of the sick	0	0	0	0
Total hours off work	1,542	2,798	238	2,560
Absenteeism rate	**3%**	**4%**	**1%**	**5%**

No information is provided in this report on the incidence and severity of work accidents by sex; however, this indicator is now recorded for inclusion in future reports.

3.2. SOCIAL RELATIONSHIPS

Each activity has its own collective agreement, whether national or regional.

The Flour group is subject to the collective agreement for companies in the bread flour and semolina sector, which applies to 2017 and 2018.

The Senior Care group is subject to the state collective framework agreement for care services for dependent persons.

In the Winery Supplies group, each of the three companies is subject to its own agreement. For INTONA this is the agreement relating to the wood industries, the French equivalent in the case of Adour and, for Bouquet Brands, the agreement relating to the Navarre food storage sector.

Finally, the auxiliary financial services group is governed by the regional agreement for branches and offices.

3.3. *Training*

The following tables summarise training delivered during the year.

A. Flour group

Training	2017	2018
Number of courses	44	44
Training hours	1,263	1,908
Hours Directors	84	113
Hours Managers	133	287
Hours Technicians	292	463
Hours Other workers	754	1,045

B. Senior Care group

Training	2017	2018
Number of courses	5	7
Training hours	447	514
Hours Healthcare workers	140	0
Hours Assistants	3,074	379
Hours Administrative and others	0	135

C. Winery Supplies Group

Training	2017	2018
Number of courses	1	7
Training hours	40	121
Hours Directors	40	4
Hours Managers		18
Hours Technicians		28
Hours Other workers		71

D. Auxiliary Financial Services group to Caja Rural de Navarra

Training	2017	2018
Number of courses	6	21
Training hours	23	109
Directors		
Area Managers	8	
Administrative personnel	15	109

3.4. EQUALITY

Recruitment processes are based on the merits of the candidates, without considering other external factors or gender.

Internal promotion policies are applied, as well as cross-promotion between companies in the same sector.

4. RESPECT FOR HUMAN RIGHTS

Caja Rural de Navarra's corporate securities policies extend to the companies controlled via equity stakes. Human and labour rights are respected not only because this is required by law, but because it is a way of understanding our work in Cooperative Credit Institutions.

Respect for a decent wage, adequate working conditions, job security, freedom of association, adequate hours and respect for labour regulations are core to our investee companies and the policy is also extended to include our suppliers.

4.1. EXTENSION OF HUMAN RIGHTS POLICIES TO SUPPLIERS AND CUSTOMERS

These values are not only respected within Spain but are also considered in certain transactions with an international scope, even beyond the borders of the EU, such as importing cereals, when we work with other international cooperatives or companies with recognised CSR values.

Procedural checks have not been established for transactions involving clients and suppliers within the European Union.

Outside the EU, where we carry out operations in Africa and Asia, care is taken to get to know our customers' and/or suppliers' key characteristics. For sales, given the small volume of each transaction in these countries (from one to four containers, essentially flour, semolina or oats), it is not possible to establish an exhaustive customer monitoring system and we rely on information obtained directly from the customer, the financial insurer for the deal or the internet. In cereal purchasing operations, which, as indicated, involve greater volumes, we work exclusively with companies with defined and known ethical values.

There are no reports of human rights violations among the group's suppliers or customers.

5. CORRUPTION AND BRIBERY

The Group's values start at the top and are projected down through the company. When selecting key managers, their ethical values and management qualities are as important as their technical knowledge and capabilities in the business world.

For Caja Rural, more important than achieving our set targets is the manner in which they are achieved. We strive to do this in a way that creates a motivated, autonomous and capable work team along with optimal conditions for future growth, where behaviour that is unethical or dubious is unacceptable, even though it may not fall within the criminal definition of corruption at any given moment.

6. SOCIAL CONTEXT

6.1. THE COMPANY'S COMMITMENTS TO WIDER SOCIETY

We take the view that our commitment to our community should be considered for the Caja Rural Group as a whole and not on a company by company basis.

This is why, as explained above, the Group's values are projected into all its companies and employees as well as the Bank's Social Welfare Fund.

Secondly, each company must adapt to its type of business and location. In certain cases, an investee company can play an important part of the industrial development of a region and be a major employer in the region, such as Harinera de Tardienta or Harinera del Mar.

In sections 6.2 and 6.3 we will more precisely define two key aspects of our investee companies, and we wish to emphasise the following key aspects in our commitment to wider society:

a. Management of our activities.

- The products and services produced must meet the customer's needs and be of the highest quality.
- R&D activity makes the business sustainable and adapts our products and services to changing needs.
- Productive investments tied to quality.

b. The team.

- Training.
- Shift planning and work-life balance.
- Internal promotion.
- Participation in the organisation and procedures through lean manufacturing and associated programmes.
- Rigorous recruitment policy based on the merits of each candidate.

c. Wider society.

- Involvement in specific charitable initiatives or those with a high local social impact.
- Solera Asistencial is involved in numerous activities focused on improving the health of the elderly, whether residents or not, and inclusion in their families.

6.2. IMPACT ON THE LOCAL ECONOMY

Detailed information on the impact of our subsidiaries' business activities on the local and regional economy is not available.

6.3. FOOD SAFETY

In recent years, the Caja Rural de Navarra Group's food companies have focused on achieving excellence in food safety, both in investments and procedures.

In addition to obtaining the appropriate approvals from certification bodies (OCA) and industrial customers, we are aware that our product is a food or a food ingredient, and that if we do not take extreme care of this aspect, efficiency and productivity are meaningless.

Our Group is an active member of the Spanish Flour and Semolina Manufacturers' Association (AFHSE), one of its areas of focus is food hygiene, generally in collaboration with the Ministry.

Our factories carry out periodic training workshops for craft bakers, mainly to improve their product range and competitiveness in the face of big industry. The best methods for product preparation and care are also defined at these workshops.

The main incidents relating to quality or safety each month are reviewed by the Management Committees and at regular meetings with Caja Rural de Navarra executives. The implementation of "lean manufacturing" methodologies and the involvement of personnel in them has been an important way to improve this aspect. Incidents are grouped by type and their severity is assessed, so that measuring these variables can feed into future improvements. Similarly, non-conformities in raw materials are also analysed.

For each incident, a responsible party is identified along with an alert date and a resolution date, as well as, if applicable, a conclusion from the customer regarding the event and its resolution.

We must be grateful for the demands of certain industrial customers as they push us to improve sustainably and maintain our commitment to food safety.

6.4. SENIOR CARE

Service quality metrics have been defined for Solera Asistencial's residential homes, day centres and home care services to determine compliance with our objectives and the level of satisfaction of residents and families.

These metrics cover a number of aspects:

1. Global satisfaction survey.
2. Response time in resolving complaints.
3. Aspects related to cleaning, laundry, food, diets, time taken to formalise an admission, etc.
4. Health care, medication administration, punctuality of treatments, etc.
5. Entertainment activities.
6. Physiotherapy and cognitive stimulation activities.
7. Staff training, absenteeism.
8. Metrics related to facility maintenance.

Goals are set for these indicators each year and performance is reviewed monthly and annually.

6.5. TAX INFORMATION

The Group complies with its local, regional and state tax obligations. The amounts corresponding to 2018 for all the subsidiaries are the following:

2018	Unit	Spain	France
Company income tax	733,574.46	713,414.46	20,160.00
Taxes (property, business capital, etc.)	817,516.67	746,632.67	70,884.00
VAT	-156,307.78	237,627.22	-393,935.00
2017			
Company income tax	353,604.41	343,471.41	10,133.00
Taxes (property, business capital, etc.)	948,775.14	895,773.14	53,002.00
VAT	-1,260,667.60	-916,142.60	-344,525.00

The figures for Value Added Tax are negative because flour production pays a reduced rate of 4% (both cereals and flour). Therefore, consumption of supplies, investments and the services contracted to third parties can easily exceed the difference between the VAT charged on sales and the VAT on purchases.

Legal Documentation

Subsidies: investee companies request, when appropriate, subsidies for investment or operations. Any amounts approved are linked to the restriction that the Group remains a large company.

The subsidiaries located in the Common Tax Territory are consolidated into a single tax group for the purposes of Company Income Tax.

Information on consolidated profit, taxes on profits paid and public subsidies received at the Caja Rural de Navarra Consolidated Group level are detailed on page 50 of this CSR Report ("Caja Rural de Navarra Consolidated Group - Key Figures").

Data on profits by country is not reported. The aggregate figures for the Caja Rural de Navarra Consolidated Group are shown (since practically all the companies that make up the Group are located in Spain, except for one cooperage company "Tonnelleries de L'Adour").

ANNEX III GRI INDICATOR TABLE (MANDATORY AND MATERIAL)

AENOR

VERIFICACIÓN DE LA MEMORIA DE SOSTENIBILIDAD

VMS-2019/0008

AENOR ha verificado la Memoria de la organización

CAJA RURAL DE NAVARRA, S. COOP. DE CREDITO

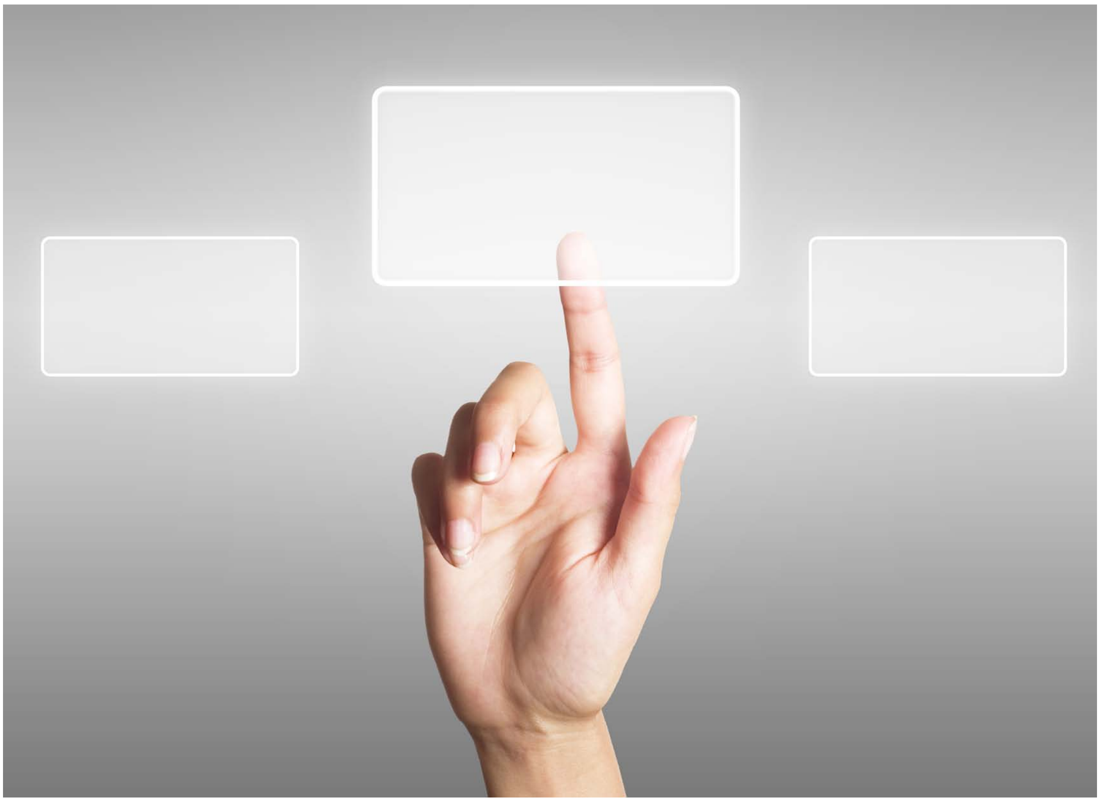
TITULADA: MEMORIA DE SOSTENIBILIDAD 2018

Conforme con:	G4 y Suplemento sectorial servicios financiero
Opción GRI aplicada:	Exhaustiva
Proceso de Verificación:	Para conceder este Documento de Verificación, AENOR ha comprobado la adecuación de la memoria a lo requerido por GRI y ha trazado los datos e información contenidos en dicha memoria.
Fecha de emisión:	2019-04-12

AENOR INTERNACIONAL, S.A.U
Génova, 6. 28004 Madrid. España
Tel. 91 432 60 00.- www.aenor.com

Rafael GARCÍA MEIRO
Director General

Other Information



Other Information

SOCIAL WELFARE FUND

As established in its articles of association, Caja Rural de Navarra maintains and develops an extensive portfolio of social projects benefiting a growing number of community and welfare initiatives that reflect its origins and past achievements.

In 2018 in accordance with criteria approved at the General Meeting, a total of EUR 4,110.29 thousand was appropriated from the net surplus for 2017 and used to cover the cost of maintaining the Social Welfare Fund. This amount was applied as follows:

1.-Consultancy. training and promotion of the cooperative model	1,783.44	43.39%
2.-Teaching work and research	1,141.93	27.78%
3.-Sports aid	136.19	3.31%
4.-Welfare projects	84.78	2.06%
5.-Cultural. recreational and other activities	305.88	7.44%
6.-Economic and social development	658.07	16.01%
TOTAL	4,110.29	100%

(Thousands of euro)

In each of the above areas, Caja Rural de Navarra carries out awareness-raising. training and research activities benefiting persons of all ages.

As part of its work in the field of consultancy, training and promotion of the cooperative model, the Cooperative Bank undertakes a broad range of activities designed to enhance the advisory services it provides to customers in relation to both tax issues and the management of EU aid.

It also provides valuable support to various professional organisations through a variety of initiatives that help improve the economic fabric of society.

The promotion and development of cooperative structures - the Group's own legal form and business structure - generate a constant stream of activities that, with the support of the Cooperative Bank, help strengthen and improve the cooperative entities. particularly those active in the primary sector, that represent its founding group.

In its teaching work, the Cooperative Bank accords particular importance to partnerships with university institutions and has entered into agreements with various academic centres located in its area of operation. These partnerships not only foster training, awareness-raising and research but also give students access to work experience schemes that supplement the academic training they receive in the universities.

Other Information

The Cooperative Bank's ongoing commitments in this area also include work to promote environmental education in schools as a means to raise awareness and foster the understanding that will encourage increased respect for the natural environment among young people.

The Cooperative Bank's broad and diverse portfolio of sports-related projects includes assistance in the organisation of numerous sporting events and support for various clubs. organisations and associations that work specifically to develop grassroots sport. Many sporting disciplines benefit from this support.

The Cooperative Bank's portfolio of welfare projects includes support for various not-for-profit and/or humanitarian organizations running projects and initiatives benefiting the most disadvantaged members of society. A key field of action in this area is the provision of support and assistance for the elderly that in one way or another helps improve their quality of life.

As part of its cultural and recreational programme, the Cooperative Bank provides funding for numerous community-based initiatives, aiming to reflect in its portfolio the huge diversity of projects operated at the community level and paying particular attention to the various representations of popular culture and community empowerment that are organized in our immediate area.

Employees, Branch and Regional Offices

At the end of 2018 Caja Rural de Navarra had 965 employees and 252 branches, 139 of them located outside Navarre (37 in Gipuzkoa, 35 in Bizkaia, 24 in La Rioja and 17 in Alava).

Offices in Pamplona and surrounding area

DENOMINACION	DOMICILIO	POBLACION		TELEFONO		FAX
ANSOAIN	LAPURBIDE 2	ANSOAIN	948	143367	948	143367
BARAÑAIN	PLZA. DE LOS CASTAÑOS, 4	BARAÑAIN	948	180368	948	185819
BARAÑAIN	AVDA DE PAMPLONA, 4-6	BARAÑAIN	948	272705	948	272705
BARAÑAIN	AVDA. CENTRAL, 12	BARAÑAIN	948	198457	948	198458
BERIÁIN	PLAZA SIERRA DE IZAGA, 3	BERIÁIN	948	368443	948	368480
BERRIOZAR	AVDA. GUIPÚZCOA, 30	BERRIOZAR	948	300361	948	300361
BURLADA	CALLE MAYOR, 42	BURLADA	948	142662	948	142662
BURLADA	C/ DE LAS LAVANDERAS, 12	BURLADA	948	292273	948	292274
HUARTE	PLAZA DE SAN JUAN 14	HUARTE - PAMPLONA	948	332390	948	332390
MUTILVA BAJA	AVDA. PAMPLONA, 9	MUTILVA BAJA	948	857028	948	292551
NOAIN	CALLE REAL 41	NOAIN	948	312717	948	312717
ORCOYEN	PLAZA ITURGÁIN, 5 BIS	ORCOYEN	948	343634	948	343635
PAMPLONA-OFICINA PRINCIPAL	PLAZA DE LOS FUEROS, 1	PAMPLONA	948	168100	948	244557
PAMPLONA	ARTICA, 11	PAMPLONA	948	127223	948	144287
PAMPLONA	AVENIDA DE BARAÑAIN 17	PAMPLONA	948	177856	948	177238
PAMPLONA	AVDA. CARLOS III, 12	PAMPLONA	948	203778	948	203779
PAMPLONA	AVDA. MARCELO CELAYETA, 49	PAMPLONA	948	383992	948	383993
PAMPLONA	AVDA. NAVARRA, 2	PAMPLONA	948	174864	948	170953
PAMPLONA	CONCEJO DE EGÜES,10	PAMPLONA	948	162639	948	162639
PAMPLONA	DOCTOR FLEMING, 13	PAMPLONA	948	136492	948	136493
PAMPLONA	GAYARRE, 30	PAMPLONA	948	153734	948	153734
PAMPLONA	CALLE IRUNLARREA 17	PAMPLONA	948	173071	948	173071
PAMPLONA	ITURRAMA, 12 - 14	PAMPLONA	948	264612	948	277189
PAMPLONA	LUIS MORONDO, 2	PAMPLONA	948	292441	948	292666
PAMPLONA	MARTÍN AZPILICUETA, 2-4	PAMPLONA	948	198953	948	198954
PAMPLONA	MERCADERES, 6	PAMPLONA	948	204080	948	204081
PAMPLONA	MIRAVALLES, 17-19	PAMPLONA	948	144753	948	124238
PAMPLONA	MONASTERIO DE URDAX, 34	PAMPLONA	948	173462	948	173462
PAMPLONA	OLITE, 37	PAMPLONA	948	236683	948	236683
PAMPLONA	PADRE BARACE, 1	PAMPLONA	948	198188	948	198194
PAMPLONA	PAULINO CABALLERO, 27	PAMPLONA	948	153492	948	153492
PAMPLONA	PASEO ANELIER, 20 (ESQUINA B. TIRAPU)	PAMPLONA	948	382499	948	382500
PAMPLONA	PINTOR CRISPIN, 2-4	PAMPLONA	948	262762	948	262762
PAMPLONA	PÍO XII, 8	PAMPLONA	948	366755	948	198957
PAMPLONA	RIO IRATI, 10	PAMPLONA	948	240862	948	237074
PAMPLONA	SANTESTEBAN, 1	PAMPLONA	948	382579	948	382580
PAMPLONA	TAJONAR 8	PAMPLONA	948	152852	948	152852
PAMPLONA	TUDELA, 1	PAMPLONA	948	206798	948	207291
PAMPLONA	VENTURA RODRÍGUEZ, 75	PAMPLONA	948	354163	948	354164
PAMPLONA	VILLAFRANCA, 10	PAMPLONA	948	140982	948	140982
SARRIGUREN	BARDENAS REALES, 7	SARRIGUREN	948	164128	948	168055
VILLAVA	AGUSTÍN GARCÍA, 2	VILLAVA	948	123978	948	128063
ZIZUR MAYOR	LURBELTZETA 4	ZIZUR MAYOR	948	185095	948	185095
ZIZUR MAYOR	SANTA CRUZ, 25	ZIZUR MAYOR	948	182700	948	181887

Other Information

Navarra

DENOMINACION	DOMICILIO	POBLACION		TELEFONO		FAX
ABARZUZA	PZ. DE LOS FUEROS, 2	ABARZUZA	948	520108	948	520108
ABLITAS	AVDA DE TUDELA, 22	ABLITAS	948	813178	948	813178
AIBAR	TRAVESÍA DE SANGÜESA, 3	AIBAR	948	877531	948	877532
ALLO	PLAZA FUEROS, 1	ALLO	948	523068	948	523068
ALSASUA	ALZANIA, 2	ALSASUA	948	563858	948	563858
ANDOSILLA	RAMÓN Y CAJAL, 49	ANDOSILLA	948	674093	948	674093
AÑORBE	VALDIZARBE, 4	AÑORBE	948	350163	948	350163
AÓIZ	DOMINGO ELIZONDO, 4	AÓIZ	948	336888	948	336889
ARANTZA	KARRIKA NAGUSIA, 2	ARANTZA - ARANAZ	948	634051	948	634051
ARGUEDAS	PLAZA GENERAL CLEMENTE 1	ARGUEDAS	948	830132	948	830132
ARIBE	CL.SANTA MARIA, 18	ARIVE	948	764191	948	764191
ARRONIZ	PRIMICIA 2	ARRONIZ	948	537352	948	537352
ARTAJONA	HOSPITAL S/N	ARTAJONA	948	364012	948	364838
AZAGRA	AVENIDA DE LA PAZ, S/N	AZAGRA	948	692039	948	692910
BARASOAIN	DOCTOR NAVARRO, 6	BARASOAIN	948	720102	948	720102
BARGOTA	BARRILILLA, 13	BARGOTA	948	648371		
BERA	CALLE BIDASOA 10	VERA DE BIDASOA	948	631112	948	631112
BERBINZANA	CL. MAYOR, 23	BERBINZANA	948	722077	948	722077
BETELU	CR. SAN SEBASTIAN	BETELU	948	513065	948	513065
BUÑUEL	PLAZA DE LOS FUEROS, 2	BUÑUEL	948	833126	948	833126
CABANILLAS	LA VICERA, 6-8	CABANILLAS	948	810342	948	810342
CADREITA	AVDA. DE NAVARRA, 16	CADREITA	948	836233	948	836233
CAPARROSO	AVDA. DE PAMPLONA, 17	CAPARROSO	948	730025	948	730025
CARCAR	PLAZA ANA MARIA MOGAS, 4	CARCAR	948	674456	948	674456
CARCASTILLO	AVDA. DE ARAGÓN,5	CARCASTILLO	948	725557	948	725557
CASCANTE	P OBISPO SOLDEVILLA, 7	CASCANTE	948	851772	948	850188
CASEDA	CR. AIBAR-CAPARROSO 29	CASEDA	948	879208	948	879208
CASTEJON	MERINDADES 25	CASTEJON	948	814313	948	814313
CINTRUENIGO	MILAGROSA 1	CINTRUENIGO	948	811740	948	811740
CIRAUQUI	NORTE	CIRAUQUI	948	342088	948	342088
CORELLA	SAN JOSE, 20	CORELLA	948	780366	948	401309
CORTES	PZA DUQUESA DE MIRANDA, 5	CORTES	948	800034	948	800525
DANTXARINEA	BARRIO DANTXARINEA, 29	DANCHARINEA	948	599253	948	599253
DICASTILLO	PLAZA DE LOS FUEROS, SN	DICASTILLO	948	527092	948	527092
ELIZONDO	JAIME URRUTIA, 9	ELIZONDO	948	580729	948	580729
ERRO	CR. FRANCIA	ERRO	948	768068	948	768068
ESTELLA	SAN ANDRES, 4	ESTELLA	948	550130	948	551912
ESTELLA	AVDA. YERRI, 3	ESTELLA	948	555427	948	555428
ETXALAR	ANDUTZETA 4	ECHALAR	948	635201	948	635201
EULATE	MAYOR, S/N	EULATE	948	543841	948	543841
FALCES	CABALLEROS 3	FALCES	948	734182	948	734182
FITERO	MAYOR, 28	FITERO	948	776246	948	776246
FONTELLAS	AVDA DE TUDELA, 9	FONTELLAS	948	827329	948	827329
FUNES	AVENIDA DE NAVARRA 3	FUNES	948	754244	948	754244
FUSTIÑANA	LUIS BEAUMONT 2	FUSTIÑANA	948	840535	948	840535
HUARTE ARAQUIL	PLAZA SAN JUAN, SN	HUARTE-ARAQUIL	948	464127	948	464127

Other Information

Navarra

DENOMINACION	DOMICILIO	POBLACION		TELEFONO		FAX
IRURZUN	CALLE SAN MARTIN, 7	IRURZUN	948	500281	948	600429
JAURRIETA	CL. LLANA S/N	JAURRIETA	948	890326	948	890326
LARRAGA	CARRETERA ESTELLA, 6	LARRAGA	948	711233	948	711233
LARRÁINZAR	SAN PEDRO, 28 BIS	LARRAINZAR	948	305002	948	305002
LECUMBERRI	ARALAR, 41	LECUMBERRI	948	504076	948	504076
LEIZA	ELBARREN, 35	LEIZA	948	610735	948	610735
LERIN	MAYOR, 33	LERIN	948	530267	948	530267
LESAKA	PLAZA ZAHARRA, 2	LESAKA	948	637318	948	637318
LODOSA	AVENIDA DE LA RIBERA, 3	LODOSA	948	693809	948	693809
LOS ARCOS	RAMON Y CAJAL 8	LOS ARCOS	948	640224	948	640224
LUMBIER	MAYOR, 70	LUMBIER	948	880177	948	880177
MARCILLA	PASEO DE ARANJUEZ 3	MARCILLA	948	757327	948	757327
MELIDA	ZUMALACÁRREGUI, 18	MELIDA	948	746377	948	746377
MENDAVIA	AUGUSTO ECHEVARRIA, 51	MENDAVIA	948	685045	948	685045
MENDIGORRIA	BERNARDINO AYALA, 6	MENDIGORRIA	948	340018	948	340018
MILAGRO	NAVAS DE TOLOSA, 3	MILAGRO	948	409061	948	861663
MIRANDA DE ARGA	BAJA, 3	MIRANDA DE ARGA	948	737005	948	737005
MONTEAGUDO	AVDA. SAN AGUSTIN, 3	MONTEAGUDO	948	816621	948	816621
MURCHANTE	MAYOR, 70	MURCHANTE	948	838151	948	838218
MURIETA	CARRETERA ABAIGAR, 1	MURIETA	948	534232	948	534232
MURILLO EL FRUTO	MAYOR, 31	MURILLO EL FRUTO	948	725450	948	725450
OBANOS	SAN LORENZO, 2	OBANOS	948	344477	948	344777
OCHAGAVIA	IRIBARREN,32	OCHAGAVIA	948	890301	948	890301
OLITE	RUA MAYOR 4	OLITE	948	740258	948	740258
OTEIZA DE LA SOLANA	CARRETERA ESTELLA, SN	OTEIZA DE LA SOLANA	948	543139	948	543139
PERALTA	IRURZUN, 11	PERALTA	948	750553	948	750781
PITILLAS	SAN JOSE S/N	PITILLAS	948	745101	948	745101
PUENTE LA REINA	PASEO FUEROS, 23	PUENTE LA REINA	948	340210	948	341123
RADA	AVDA. NAVARRA, 15	RADA	948	731189	948	731189
RIBAFORADA	CABALLEROS TEMPLARIOS, 1	RIBAFORADA	948	864117	948	819402
SAN ADRIAN	DELICIAS, 2	SAN ADRIAN	948	670239	948	670239
SAN MARTIN DE UNX	PLAZA MIGUEL SANZ, 5	SAN MARTIN DE UNX	948	738015	948	738015
SANGUESA	PLAZA FUEROS, 7	SANGUESA	948	870653	948	870653
SANTACARA	NTRA SRA DE UJUE	SANTACARA	948	746107	948	746107
SANTESTEBAN	PARROQUIA, 5	SANTESTEBAN	948	450404	948	451664
SARTAGUDA	CARRETERA LODOSA, 1	SARTAGUDA	948	667102	948	667102
SESMA	PADRE TOMAS ESTEBAN, 28	SESMA	948	698025	948	698025
SUNBILLA	CL. LEKU EDER S/N	SUNBILLA	948	450358	948	450358
TAFALLA	PLAZA FUEROS, 2	TAFALLA	948	701511	948	701550
TAFALLA	AVDA. BAJA NAVARRA, 1	TAFALLA	948	704622	948	704623
TUDELA	MAULEON 1 ESQUINA J A FERNANDEZ	TUDELA	948	412103	948	410852
TUDELA	AVDA DE ZARAGOZA 1	TUDELA	948	822249	948	825704
TUDELA	AVDA. AÑÓN BAIGORRI, 13	TUDELA	948	403273	948	403273
TUDELA	DÍAZ BRAVO, 19	TUDELA	948	413581	948	413582
VALTIERRA	PASEO DE LA RIBERA 105	VALTIERRA	948	867176	948	867300
VIANA	ABAJO DE SAN PEDRO, 1	VIANA	948	645882	948	645882
VILLAFRANCA	CRUCERO ANCHO 11	VILLAFRANCA	948	845106	948	845551
VILLATUERTA	C/ SAN GINES, 1	VILLATUERTA	948	541416	948	541416
ZUDAIRE	CL. SAN ANTÓN 27	ZUDAIRE	948	539011	948	539011

Gipuzkoa

DENOMINACION	DOMICILIO	POBLACION		TELEFONO		FAX
ANDOAIN	JUAN BAUTISTA ERRO, 7	ANDOAIN	943	300883	943	300686
ARRASATE	PLAZA BITERI, 2	ARRASATE	943	795343	943	795426
AZKOITIA	NAGUSIA, 69	AZKOITIA	943	853032	943	857237
AZPEITIA	FORUEN IBILBIDEA, 10	AZPEITIA	943	811195	943	811195
BEASAIN	NAFARROA ETORBIDEA, 1	BEASAIN	943	805481	943	805747
BERGARA	PO. IRIZAR, 5	BERGARA	943	769393	943	769293
EIBAR	JULIAN ETXEBERRIA, 9	EIBAR	943	820755	943	820756
ELGOIBAR	SAN FRANTZISKO KALEA 2	ELGOIBAR	943	747382	943	747383
HERNANI	CL. TXIRRITA, 10	HERNANI	943	335920	943	335994
HONDARRIBIA	JAVIER UGARTE, 6	HONDARRIBIA	943	640938	943	640484
IRUN	FUENTERRABIA, 15	IRUN	943	610480	943	610480
IRUN	PASEO COLÓN, 15	IRUN	943	638723	943	638724
LASARTE	NAGUSIA, 36	LASARTE	943	371844	943	371844
LEGAZPI	KALE NAGUSIA (ESQUINA SANTIKUTZ)	LEGAZPI	943	737098	943	737099
OIARTZUN	SAN JUAN, 3	OIARTZUN	943	494264	943	494289
OÑATE	FORUEN ENPARANTZA, 9	OÑATE	943	718867	943	718868
ORDIZIA	GOEN, 5	ORDIZIA	943	805756	943	805767
PASAJES ANTXO	GURE ZUMARDIA, 28	PASAJES ANTXO	943	340584	943	340838
RENTERIA	PLAZA XENPELAR, 4	RENTERIA	943	519711	943	519711
RENTERIA-BERAUN	SAN MARCOS, 1	RENTERIA	943	344361	943	344362
SAN SEBASTIÁN	AV. ISABEL II, 3	SAN SEBASTIÁN	943	458327	943	452666
SAN SEBASTIÁN	CL. IPARRAGUIRRE 11	SAN SEBASTIÁN	943	297817	943	297818
SAN SEBASTIÁN	AV. LARRATXO, 24	SAN SEBASTIÁN	943	404901	943	404902
SAN SEBASTIÁN	MATÍA, 17	SAN SEBASTIÁN	943	224115	943	224126
SAN SEBASTIÁN	J.M. SALABERRIA, 33-35	SAN SEBASTIÁN	943	445105	943	445106
SAN SEBASTIÁN	SAN FRANCISCO, 34	SAN SEBASTIÁN	943	297716	943	297717
SAN SEBASTIÁN	URBIETA, 8	SAN SEBASTIÁN	943	428500	943	433498
SAN SEBASTIÁN	VIRGEN DEL CARMEN, 6	SAN SEBASTIÁN	943	297870	943	297871
SAN SEBASTIÁN-INTXAURRONDO	PASEO SAGASTIEDER, 10	SAN SEBASTIÁN	943	596003	943	273316
TOLOSA	AV. DE NAVARRA, 9	TOLOSA	943	698318	943	698236
TRINTXERPE	AVDA. EUSKADI, 33-35	PASAI SAN PEDRO	943	404525	943	404526
URNIETA	IDIAZÁBAL, 30	URNIETA	943	596004	943	332939
USÚRBIL	ZUBIAURRENEA, 4	USÚRBIL	943	368842	943	368843
VILLABONA	NUEVA, 43	VILLABONA	943	690780	943	690916
ZARAUTZ	AZARA, 17	ZARAUZ	943	895514	943	895515
ZUMAIA	ERRIBERA, 7	ZUMAIA	943	865628	943	865629
ZUMARRAGA	LEGAZPI, 1	ZUMÁRRAGA	943	729337	943	729338

Álava

DENOMINACIÓN	DIRECCIÓN	TELÉFONO	
AMURRIO	ELEXONDO, 10	945	891768
LAGUARDIA	SANTA ENGRACIA, 35	945	385627
LLODIO	AVDA. ZUMALACÁRREGUI, 38	94	6727881
VITORIA	AVDA. GASTEIZ, 23	945	154045
VITORIA	AVDA. GASTEIZ, 80	945	215101
VITORIA	CL. LOS HERRAN 38	945	203477
VITORIA	CL. PARAGUAY, 8	945	214987
VITORIA	AVDA. SANTIAGO, 46	945	203220
VITORIA	PORTAL DE VILLARREAL, 34	945	123457
VITORIA	CORONACIÓN DE LA VIRGEN BLANCA, 11	945	215158
VITORIA	HERACLIO FOURNIER, 4	945	151113
VITORIA	JUNTAS GENERALES, 27	945	179456
VITORIA	BEATO TOMÁS DE ZUMÁRRAGA, 40	945	217194
VITORIA	DUQUE DE WELLINGTON, 12	945	197596
VITORIA	DIPUTACIÓN FORAL, 8	945	283933
VITORIA	C/ FRANCIA, 31	945	201645
SANTA CRUZ DE CAMPEZO	LA VILLA, 11	945	415044

Bizkaia

DENOMINACION	DOMICILIO	TELEFONO	
ALGORTA	TORRENE, 8	94	4912052
AMOREBIETA	GUDARI, 1	94	4985073
ARRIGORRIAGA	Paseo de Urgoiti, 43	94	6224239
BARAKALDO	GIPUZKOA, 6	94	4180560
BARAKALDO	AVDA. LIBERTAD, 40	94	4180636
BASAURI	AVDA. LEHENDAKARI AGIRRE, 78	94	4266495
BERMEO	PLAZA PRANTZISKO DEUNA ATEA, 14	94	4736069
BILBAO	JUAN ANTONIO ZUNZUNEGUI, 1	94	4277480
BILBAO	ITURRIAGA, 82	94	4597627
BILBAO	SALOU, 2	94	4222868
BILBAO	FRAY JUAN, 1	94	4396679
BILBAO	ALAMEDA DE SAN MAMÉS, 6	94	4221323
BILBAO	JUAN DE GARAY, 57	94	4104905
BILBAO	SOMBRERERÍA, 6	94	4164765
BILBAO	AVDA. LEHENDAKARI AGIRRE, 13	94	4474282
BILBAO	C/ ERCILLA, 14 (PLAZA JADO)	94	4240338
BILBAO	AUTONOMÍA, 35-ESQ. GORDÓNIZ	94	4985020
BILBAO	SAN VALENTÍN DE BERRIOTXOA, 7 (PZA. TRAUKO)	94	4985300
BILBAO	ALAMEDA DE URQUIJO, 58	94	4983999
BILBAO	PUENTE DE DEUSTO, 6-PLAZA EUSKADI	94	4983746
DERIO	AVDA. MUNGIA, 1	94	4544374
DURANGO	ANDRA MARÍA KALEA, 4	94	6232871
ERANDIO	OBIETA, 7	94	4676546
ERANDIO (ASTRABUDUA)	CONSULADO DE BILBAO, 17	94	6224181
ERMUA	ERDIKOKALE ZEHARBIDE, 1	94	3597300
GALDAKAO	JUAN BAUTISTA URIARTE, 43-ESQUINA ZAMAKOA	94	4561720
GETXO	Amistad, 10-esq. Paulino Mendibil	94	4985004
GERNIKA	BARRENKALEA, 1	94	4984253
LEIOA	AVENIDA IPARRAGIRRE, 56	94	6224606
MUNGIA	CONCORDIA ALKARTASUNA, 4	94	6748173
PORTUGALETE	CARLOS VII, 2	94	4830885
PORTUGALETE	AVDA. REPÉLEGA, 15	94	4957911
SANTURTZI	AVDA. DE MURRIETA, 40	94	4934187
SESTAO	ALAMEDA DE LAS LLANAS, 7	94	4960524
TRAPAGARÁN	PRIMERO DE MAYO, 26 BIS	94	4862302

Other Information

La Rioja

DENOMINACION	DOMICILIO	POBLACION		TELEFONO		FAX
ALDEANUEVA DE EBRO	LOMBILLA, 1	ALDEANUEVA DE EBRO (LA RIOJA)	941	163613	941	163613
ALFARO	ALFOLIES, 8	ALFARO (LA RIOJA)	941	180512	941	180512
ARNEDO	HUERTAS, 1	ARNEDO	941	385074	941	385075
AUTOL	Nª SRA. DE YERGA, 14	AUTOL	941	390925	941	390926
CALAHORRA	CAVAS, 1	CALAHORRA (LA RIOJA)	941	146240	941	146720
CALAHORRA	RAMÓN SUBIRÁN, 29	CALAHORRA (LA RIOJA)	941	136088	941	136089
HARO	AVDA. LA RIOJA, 25	HARO	941	304997	941	304998
LARDERO	BRETÓN DE LOS HERREROS, 1	LARDERO	941	447844	941	447844
LOGROÑO	AV. DE LA PAZ, 28	LOGROÑO	941	270984	941	270985
LOGROÑO	AV. DE LA PAZ, 71	LOGROÑO	941	270369	941	270369
LOGROÑO	CHILE, 18	LOGROÑO	941	286792	941	286793
LOGROÑO	ESTAMBRERA, 14	LOGROÑO	941	501299	941	501299
LOGROÑO	GENERAL VARA DE REY, 44	LOGROÑO	941	234670	941	234671
LOGROÑO	GONZALO DE BERCEO, 14	LOGROÑO	941	287332	941	287333
LOGROÑO	GRAN VIA, 16	LOGROÑO	941	287444	941	287445
LOGROÑO	JORGE VIGÓN, 40	LOGROÑO	941	270987	941	270988
LOGROÑO	SIETE INFANTES DE LARA 11	LOGROÑO	941	519050	941	519051
NÁJERA	SAN FERNANDO, 56	NÁJERA	941	361775	941	361775
NAVARRETE	AVDA. LOGROÑO, 4	NAVARRETE	941	440783	941	440663
PRADEJÓN	DEL PRADO, 20 BIS	PRADEJÓN	941	141446	941	141447
QUEL	AVDA. LA RIOJA, 57	QUEL	941	403331	941	403341
RINCON DE SOTO	PRINCIPE FELIPE, 18	RINCON DE SOTO (RIOJA)	941	142063	941	142063
SANTO DOMINGO DE LA CALZADA	JUAN CARLOS I, 5	SANTO DOMINGO DE LA CALZADA	941	343073	941	343412
VILLAMEDIANA DE IREGUA	AVDA. CAMEROS, 6	VILLAMEDIANA DE IREGUA	941	435900	941	435900