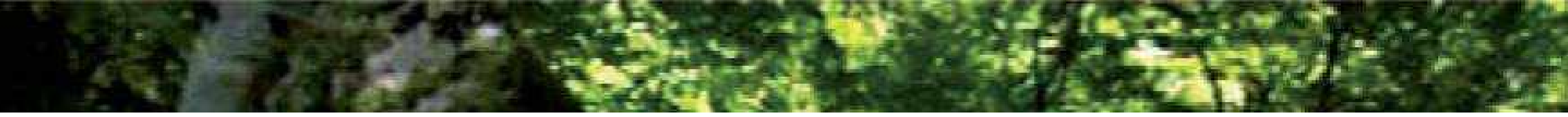
# Annual Report 2019

Annual Report 2019


CAJA RURAL DE NAVARRA




CAJA RURAL DE NAVARRA

# Introduction

Introduction

# 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. Pedro Jesús Irisarri Valencia |
| Secretary: | D. Marcelino Etayo Andueza |
| Board Members: | D. Fermín Esandi Santesteban |
| | D. Manuel García Díaz de Cerio |
| | D. Ignacio Zabaleta Jurío |
| | D. Roberto Zabaleta Ciriza |
| | D. Pedro José Goñi Juampérez |
| | D. Gabriel Urrutia Aicega |
| | D. José Joaquín Rodríguez Eguílaz |
| | 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. Pedro Jesús Irisarri Valencia |
| Secretary: | D. Marcelino Etayo Andueza |
| Board Members: | D. Carlos Sánchez Diestro |
| Board Members: | D. Ignacio Zabaleta Jurío |

## Chief Executive Officer

D. Ignacio Arrieta del Valle

# CONSOLIDATED MANAGEMENT REPORT 2019

2019 was characterized by a general slowdown in the world economy, which had begun in the first half of 2018, and by the response of the world's central banks, which revived expansionary strategies as growth appeared to stall. This confounded previous expectations of a sustained recovery in global growth, a consolidation of monetary policies around a more normalized approach by leading central banks and a return to positive interest rates. That said, despite an environment rife with geopolitical and commercial risks for both developed and emerging economies, it was a good year for all the world's equity markets. It had begun in gloomy fashion. There was concern the turbulence of late 2018, brought on by fears of a recession, would continue and maintain the bearish tone for equities. But stock markets managed to shrug off the gloom, ending 2019 on substantial and widespread gains, close to 30% in advanced economies and around 10% in emerging markets. Meanwhile, we spent the year watching the ebb and flow of US/China trade tensions, the resolution of Brexit, a slowdown in global growth and the return of monetary stimulus packages from the main central banks.

Weakness was generalized throughout advanced economies, affecting the leading blocks - the USA and, particularly, euro zone - and smaller advanced economies in Asia alike. The tail-off in activity was still more marked in emerging and developing economies like Brazil, China, India, Mexico and Russia as well as some plagued by local macro-economic and financial crises. A shared feature of the slackening growth over the past 12 months was a marked and geographically widespread cooling of industrial output.

The world's economy grew at an average of around 3.0% in 2019, the weakest rate since 2009. Except in sub-Saharan Africa, per capita growth in most countries was below their 25-year average. Such a sharp slowdown reflects the hangover from the general slackening seen in the latter half of 2018, despite a modest recovery in the first half of 2019 encouraged in some cases by more accommodative policy, as practised by China and to some extent the USA. The forces underlying the global slowdown in 2018 and 2019, aside from the direct impact of weak growth or the shrinkage of economies under specific pressures, were multiple: US reversion toward a more normal pace of growth; the drying up of external demand and disruption caused by new auto emissions standards in Europe, especially Germany; a weakening macro scenario for mainly local reasons in crucial emerging markets including Brazil, Mexico and Russia; slowing growth in China after a necessary tightening of financial rules and fallout from the US trade war; cooling demand in China and, more widely the negative impacts of uncertainty over international trade policy in East Asian economies; slowing domestic demand in India; and the shadow of a no-deal Brexit which hung over the UK and EU alike.

2019 ended with progress on trade, in the form of an initial agreement between the US and China, and in British politics, where parliament approved an EU exit deal. Central banks meanwhile redoubled their commitment to the accommodative measures of past months. The prospect of uninterrupted backing from macro-economic policy in the world's main economies and a likely stabilisation of some crisis-hit emerging countries should be enough to nudge global growth up somewhat in the latter part of 2019 and early 2020. Growth in 2020 is therefore forecast at 3.4%.

We went into 2020, then, with the global economy already facing substantial headwinds. Despite a recent decline in long-term yields giving governments more room for manoeuvre on fiscal policy, it seemed the scope for economic policy action against the slowdown and weakening trade flows would be relatively limited. In part this was the result of higher tariffs and ongoing uncertainty about trade policies, hampered by an ageing population and miserable productivity growth. IMF forecasts were predicated on a sustainable return to normality by emerging and developing economies that are currently beset by economic problems. The resulting reweighting of the global economy toward the more dynamic emerging and developing economies would then bolster the prospects for world growth over the medium term.

However, any forecast of economic recovery in 2020 was undercut by the eruption of the global pandemic caused by Covid-19. It is still too soon to call the final economic impact. Early estimates are already talking of falls in GDP that could reach -10% in Spain, -8% in the euro zone, -7% in the USA and -4.8% for the world as a whole. In other words, we are looking at a catastrophe that nobody was predicting only a few months ago.

This crisis is going to have massive consequences, not just for the economy and company profits but for society as a whole. Governments and central banks have responded with the biggest monetary and fiscal support measures in history. This should help a rapid bounceback from the crisis but the timing will depend on how long it takes to get the pandemic under control and develop a vaccine for the new virus. Even in a best-case scenario, assuming the disease is brought under control soon, the sharp jump in debt and fiscal deficits in most countries will take time to correct, which will weigh on future economic growth rates.

# Financial Data

Financial Data

# Financial Report of the Year

## Consolidated balance sheet at 31/12/19 and 31/12/18

| | 31/12/2019 | 31/12/2018 | CHANGE THOUSANDS OF EUROS | CHANGE % |
|---|---|---|---|---|
| **PUBLIC CONSOLIDATED BALANCE SHEET** | | | | |
| **Cash, cash balances at central banks and other demand deposits** | **412,390** | **351,449** | **60,941** | **17.34%** |
| **Financial assets held for trading** | **6,717** | **7,730** | **-1,013** | **-13.10%** |
| Derivatives | 2,826 | 2,643 | 183 | 6.92% |
| Equity instruments | 3,891 | 3,727 | 164 | 4.40% |
| Debt securities | 0 | 1,360 | -1,360 | -100.00% |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | *0* | *0* | *0* | - |
| **Financial assets not held for trading mandatorily measured at fair value through profit or loss** | **11,959** | **17,555** | **-5,596** | **-31.88%** |
| Debt securities | 4,138 | 7,170 | -3,032 | -42.29% |
| Loans and advances | 7,821 | 10,385 | -2,564 | -24.69% |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | *0* | *0* | *0* | - |
| **Financial assets at fair value through other comprehensive income** | **1,338,129** | **746,490** | **591,639** | **79.26%** |
| Equity instruments | 227,870 | 202,113 | 25,757 | 12.74% |
| Debt securities | 1,110,259 | 544,377 | 565,882 | 103.95% |
| **Financial assets at amortized cost** | **10,876,659** | **10,594,941** | **281,718** | **2.66%** |
| Debt securities | 2,599,491 | 2,716,139 | -116,648 | -4.29% |
| Loans and advances | 8,277,168 | 7,878,802 | 398,366 | 5.06% |
| Credit institutions | 108,436 | 100,002 | 8,434 | 8.43% |
| Customers | 8,168,732 | 7,778,800 | 389,932 | 5.01% |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | *262,794* | *65,020* | *197,774* | *304.17%* |
| **Derivatives – hedge accounting** | **10,666** | **4,774** | **5,892** | **123.42%** |
| **Investments in joint ventures and associates** | **60,502** | **49,945** | **10,557** | **21.14%** |
| Jointly-controlled entities | 0 | 0 | 0 | - |
| Associates | 60,502 | 49,945 | 10,557 | 21.14% |
| **Tangible assets** | **225,431** | **217,557** | **7,874** | **3.62%** |
| Property and equipment | 218,309 | 208,293 | 10,016 | 4.81% |
| For own use | 218,138 | 208,122 | 10,016 | 4.81% |
| Assigned to social projects (savings banks and credit cooperatives) | 171 | 171 | 0 | 0.00% |
| Investment property | 7,122 | 9,264 | -2,142 | -23.12% |
| *Of which: assigned under operating leases* | 4,860 | 584 | 4,276 | 732.19% |
| *Memorandum items: acquired under finance leases* | 697 | 970 | -273 | -28.14% |
| **Intangible assets** | **11,297** | **11,797** | **-500** | **-4.24%** |
| Goodwill | 8,297 | 8,297 | 0 | 0.00% |
| Other intangible assets | 3,000 | 3,500 | -500 | -14.29% |
| **Tax assets** | **34,848** | **43,637** | **-8,789** | **-20.14%** |
| Current tax assets | 2,990 | 3,170 | -180 | -5.68% |
| Deferred tax assets | 31,858 | 40,467 | -8,609 | -21.27% |
| **Other assets** | **101,735** | **108,778** | **-7,043** | **-6.47%** |
| Inventories | 75,487 | 77,634 | -2,147 | -2.77% |
| Other | 26,248 | 31,144 | -4,896 | -15.72% |
| **Non-current assets and disposal groups held for sale** | **42,781** | **48,212** | **-5,431** | **-11.26%** |
| **TOTAL ASSETS** | **13,133,114** | **12,202,865** | **930,249** | **7.62%** |

(*) To facilitate comparison with 2019, 2018 figures have been adapted to the presentation formats required by Bank of Spain Circular 4/2017

# Financial Data

| | 31/12/2019 | 31/12/2018 | CHANGE THOUSANDS OF EUROS | CHANGE % |
|---|---|---|---|---|
| **Financial liabilities held for trading** | **854** | **769** | **85** | **11.05%** |
| Derivatives | 854 | 769 | 85 | 11.05% |
| **Financial liabilities at amortized cost** | **11,664,632** | **10,877,828** | **786,804** | **7.23%** |
| Deposits | 9,890,645 | 9,095,209 | 795,436 | 8.75% |
| Central banks | 928,260 | 927,862 | 398 | 0.04% |
| Credit institutions | 232,916 | 155,434 | 77,482 | 49.85% |
| Customers | 8,729,469 | 8,011,913 | 717,556 | 8.96% |
| Debt securities issued | 1,661,119 | 1,653,935 | 7,184 | 0.43% |
| Other financial liabilities | 112,868 | 128,684 | -15,816 | -12.29% |
| *Memorandum items: subordinated liabilities* | *0* | *0* | *0* | - |
| **Derivatives – hedge accounting** | **0** | **251** | **-251** | **-100.00%** |
| **Provisions** | **95,487** | **93,111** | **2,376** | **2.55%** |
| Pensions and other defined-benefit post-employment obligations | 1,190 | 1,019 | 171 | 16.78% |
| Commitments and guarantees given | 10,497 | 8,195 | 2,302 | 28.09% |
| Other provisions | 83,800 | 83,897 | -97 | -0.12% |
| **Tax liabilities** | **13,903** | **7,834** | **6,069** | **77.47%** |
| Current tax liabilities | 7,624 | 2,002 | 5,622 | 280.82% |
| Deferred tax liabilities | 6,279 | 5,832 | 447 | 7.66% |
| **Other liabilities** | **98,746** | **93,982** | **4,764** | **5.07%** |
| Of which: contributions to Social Welfare Fund (savings banks and credit cooperatives only) | 31,689 | 26,579 | 5,110 | 19.23% |
| **TOTAL LIABILITIES** | **11,873,622** | **11,073,775** | **799,847** | **7.22%** |
| **Shareholders' equity** | **1,223,266** | **1,122,515** | **100,751** | **8.98%** |
| Share capital | 167,659 | 167,380 | 279 | 0.17% |
| Called up paid capital | 167,659 | 167,380 | 279 | 0.17% |
| *Memorandum items: uncalled capital* | *0* | *0* | *0* | - |
| Retained earnings | 924,087 | 834,422 | 89,665 | 10.75% |
| Other reserves | 34,747 | 28,796 | 5,951 | 20.67% |
| Accumulated reserves or losses from joint ventures and associates | 10,933 | 4,971 | 5,962 | 119.94% |
| Other | 23,814 | 23,825 | -11 | -0.05% |
| (-) Treasury shares | 0 | 0 | 0 | - |
| Profit or (-) loss attributable to owners of the parent | 98,449 | 93,502 | 4,947 | 5.29% |
| (-) Interim dividends | -1,676 | -1,585 | -91 | 5.74% |
| **Accumulated other comprehensive income** | **36,226** | **6,575** | **29,651** | **450.97%** |
| Items that will not be reclassified to profit or loss | 29,269 | 8,928 | 20,341 | 227.83% |
| Items that may be reclassified to profit or loss | 6,957 | -2,353 | 9,310 | -395.67% |
| **Non-controlling interests** | **0** | **0** | **0** | **-** |
| Accumulated other comprehensive income | 0 | 0 | 0 | - |
| **TOTAL EQUITY** | **1,259,492** | **1,129,090** | **130,402** | **11.55%** |
| **TOTAL EQUITY AND LIABILITIES** | **13,133,114** | **12,202,865** | **930,249** | **7.62%** |
| **MEMORANDUM ITEMS: OFF-BALANCE SHEET EXPOSURES** | | | | |
| **Contingent commitments given** | **1,336,274** | **1,115,829** | **220,445** | **19.76%** |
| **Financial guarantees given** | **136,366** | **83,597** | **52,769** | **63.12%** |
| **Other commitments given** | **559,683** | **553,076** | **6,607** | **1.19%** |

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# Financial Data

| | 31/12/2019 | 31/12/2018 | CHANGE THOUSANDS OF EUROS | CHANGE % |
|---|---|---|---|---|
| **CONSOLIDATED INCOME STATEMENT** | | | | |
| Interest income | 161.522 | 160.966 | 556 | 0,35% |
| (Interest expense) | -17.888 | -25.009 | 7.121 | -28,47% |
| (Expense on share capital redeemable on demand) | 0 | 0 | 0 | - |
| **A) NET INTEREST INCOME** | 143.634 | 135.957 | 7.677 | 5,65% |
| Dividend income | 10.944 | 6.019 | 4.925 | 81,82% |
| Profit (loss) of companies accounted for using the equity method | 1.491 | 3.159 | -1.668 | -52,80% |
| Fee and commission income | 73.819 | 71.603 | 2.216 | 3,09% |
| (Fee and commission expense) | -5.496 | -4.784 | -712 | 14,88% |
| Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net | 6.997 | 2.140 | 4.857 | 226,96% |
| Gains or (-) losses on financial assets and liabilities held for trading, net | 1.315 | -198 | 1.513 | -764,14% |
| Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net (287) | -2.589 | -2.956 | 367 | -12,42% |
| 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 | 39 | 100 | -61 | -61,00% |
| Gains or (-) losses from translation differences, net | 903 | 929 | -26 | -2,80% |
| Other operating income | 321.650 | 316.157 | 5.493 | 1,74% |
| (Other operating expenses) | -258.741 | -251.368 | -7.373 | 2,93% |
| Of which: mandatory contributions to Social Welfare Fund (savings banks and credit cooperatives only) | -9.275 | -9.963 | 688 | -6,91% |
| **B) GROSS INCOME** | 293.966 | 276.758 | 17.208 | 6,22% |
| (Administrative expenses) | -151.605 | -150.334 | -1.271 | 0,85% |
| (Personnel expenses) | -76.920 | -75.528 | -1.392 | 1,84% |
| (Other operating expenses) | -74.685 | -74.806 | 121 | -0,16% |
| (Depreciation and amortization) | -15.703 | -15.364 | -339 | 2,21% |
| (Provisions or (-) reversals) | -6.810 | 713 | -7.523 | -1055,12% |
| (Impairment or (-) reversal of impairment and gains or losses from changes to cash flows on financial assets not at fair value through profit and loss or (-) net gains from changes) | -13.151 | -8.444 | -4.707 | 55,74% |
| Financial assets at fair value through other comprehensive income | -865 | 735 | -1.600 | -217,69% |
| Financial assets at amortized cost | -12.286 | -9.179 | -3.107 | 33,85% |
| (Impairment or (-) reversal of impairment on investments in joint ventures and associates) | 0 | -79 | 79 | -100,00% |
| (Impairment or (-) reversal of impairment on financial assets) | -1.165 | -154 | -1.011 | 656,49% |
| (Tangible assets) | -1.127 | -36 | -1.091 | 3030,56% |
| (Intangible assets) | 0 | 0 | 0 | - |
| (Other) | -38 | -118 | 80 | -67,80% |
| Gains or (-) losses on derecognition of non-financial assets, net | 379 | 1.350 | -971 | -71,93% |
| 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 | 3.109 | 1.635 | 1.474 | 90,15% |
| **C) PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | 109.020 | 106.081 | 2.939 | 2,77% |
| (Tax expense or (-) income on profit from continuing operations) | -10.571 | -12.579 | 2.008 | -15,96% |
| **D) PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS** | 98.449 | 93.502 | 4.947 | 5,29% |
| Profit or (-) loss after tax from discontinued operations | 0 | 0 | 0 | - |
| **E) PROFIT FOR THE YEAR** | 98.449 | 93.502 | 4.947 | 5,29% |
| Attributable to non-controlling interests | 0 | 0 | 0 | - |
| Attributable to owners of the parent | 98.449 | 93.502 | 4.947 | 5,29% |

(*) To facilitate comparison with 2019, 2018 figures have been adapted to the presentation formats required by Bank of Spain Circular 4/2017

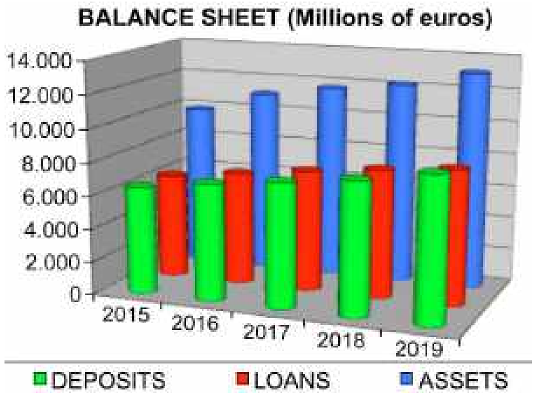
## PROPOSED APPROPRIATION OF NET SURPLUS

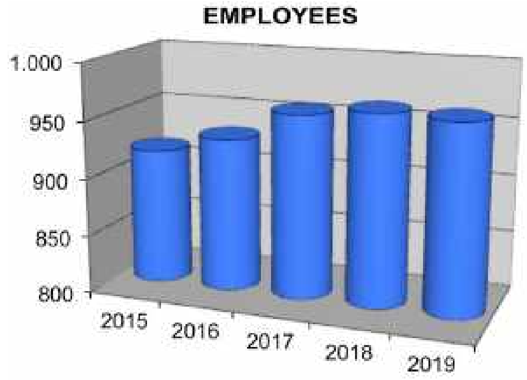
| | Thousand euro |
|---|---|
| Profit (loss) before mandatory allocation to the Social Welfare Fund | 94,428 |
| Interest to be paid to members on capital contributions | 1,676 |
| **TOTAL AVAILABLE FOR APPROPRIATION** | **92,752** |
| **APPROPRIATION OF SURPLUS** | |
| Allocations to the Social Welfare Fund (1) | 9,275 |
| Allocations to the Mandatory Reserve Fund | 83,477 |
| **TOTAL APPROPRIATED** | **92,752** |

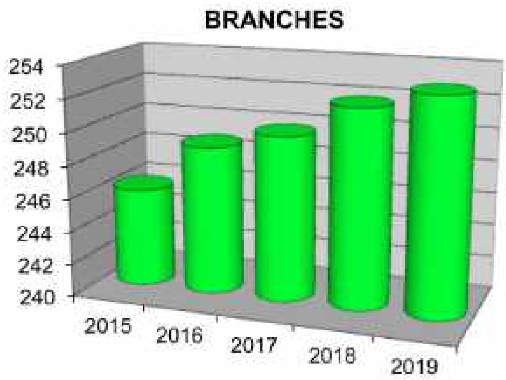
(1): Recognised as a mandatory contribution in the income statement

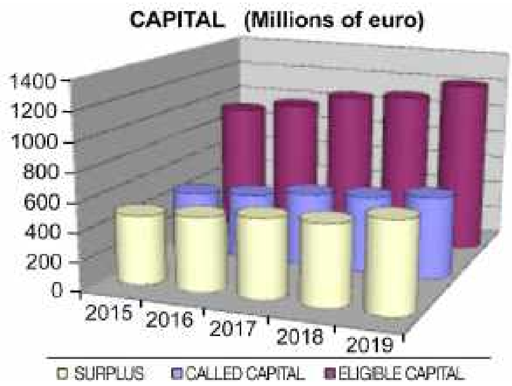
**NOTE:** The profits or losses of consolidated subsidiaries will be appropriated as agreed at their respective General Shareholders' Meetings.

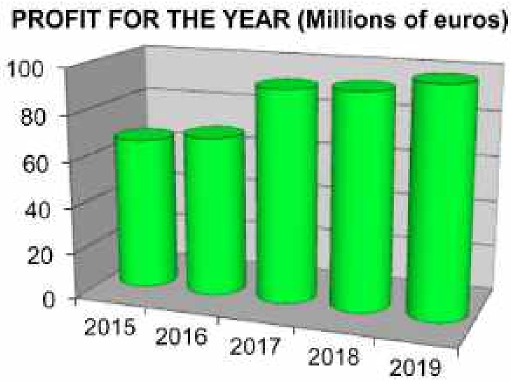
# Comments to the Financial Statements






CAJA RURAL DE NAVARRA

# Legal Documentation

Legal Documentation

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

Informe de Auditoría,
Cuentas Anuales Consolidadas e
Informe de Gestión Consolidado
al 31 de diciembre de 2019

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 2019, 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 2019, 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, motivo por el cual ha sido considerada una cuestión clave de auditoría.<br><br>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:<br><br>• La clasificación de las diferentes carteras crediticias en función de su perfil de riesgo de crédito.<br><br>• La identificación y clasificación de los activos en vigilancia especial o deteriorados.<br><br>• 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.<br><br>• El valor realizable de las garantías reales asociadas a las operaciones crediticias concedidas.<br><br>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.<br><br>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, así como la realización de pruebas de detalle sobre las provisiones estimadas tanto colectiva como individualmente.<br><br>Respecto al sistema de control interno, entre otros, hemos realizado los siguientes procedimientos:<br><br>• Entendimiento y revisión de las metodologías de cálculo aplicadas.<br><br>• Evaluación de la adecuación de las distintas políticas y procedimientos aprobados por los Órganos de Gobierno del Grupo a los requerimientos normativos aplicables.<br><br>• Comprobación de los principales aspectos relativos al entorno de seguridad de los sistemas de información que soportan el cálculo de provisiones.<br><br>• Comprobación 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.<br><br>• 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.<br><br>Adicionalmente, hemos realizado pruebas de detalle consistentes en:<br><br>• Comprobaciones selectivas de las bases de datos de cálculo de provisiones, contrastando los principales atributos con documentación soporte.<br><br>• Re-ejecución del cálculo de las provisiones colectivas por riesgo de crédito. |

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 |
|---|---|
| | • Evaluación de la idoneidad de las estimaciones realizadas para el cálculo de provisiones por análisis individualizado.<br>• Análisis de una selección de expedientes para evaluar su adecuada clasificación y registro y, en su caso, del correspondiente deterioro.<br>Cualquier diferencia obtenida como resultado de nuestros procedimientos respecto a los cálculos de la Dirección se ha mantenido en un rango razonable con relación al importe incluido en las cuentas anuales consolidadas adjuntas. |
| **Provisiones por litigios fiscales, legales y regulatorios**<br>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.<br>En este contexto, también existen situaciones que, aun no estando sujetas a proceso judicial, precisan del registro de provisiones, de acuerdo con la evaluación de la Dirección del Grupo, 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.<br>Generalmente, debido a la complejidad de estos procedimientos y al largo periodo 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, motivo por el cual ha sido considerada una cuestión clave de auditoría. | 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:<br>• Comprensión de la política de calificación de las reclamaciones y litigios y asignación de provisión, en su caso.<br>• Análisis de las principales tipologías de demandas, reclamaciones y litigios vigentes.<br>• 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.<br>• Análisis del registro, estimación y movimiento de provisiones contables. |

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| 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.<br><br>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:<br><br>• Evaluación de la metodología e hipótesis empleadas por el Grupo, verificando que las mismas son consistentes con el marco contable de aplicación.<br><br>• Comprobación de la utilización de datos históricos para la determinación de las provisiones a mantener.<br><br>• Análisis del movimiento del ejercicio y comprobación de una muestra de los pagos realizados.<br><br>• Confirmación de abogados internos con relación a la totalidad de los procesos abiertos.<br><br>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 2019, 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:

a) Un nivel específico que resulta de aplicación al estado de la información no financiera consolidado, 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 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 2019 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.

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.

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

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.

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.

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

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 17 de junio de 2020.

### Periodo de contratación

La Asamblea General Ordinaria de la Entidad Dominante celebrada el 3 de mayo de 2019 nos nombró como auditores de las cuentas anuales consolidadas del Grupo para el ejercicio 2019.

Con anterioridad, fuimos designados por acuerdo de la Asamblea General Ordinaria 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)

17 de junio de 2020

AUDITORES
Instituto de Censores Jurados de Cuentas de España

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2020 Núm. 16/20/00888

SELLO CORPORATIVO: 96,00 EUR

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

# 2019 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 27 March 2020

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

### Consolidated statement of financial position at 31 December 2019

**(Thousands of euros)**

| ASSETS | Note | 31.12.2019 | 31.12.2018 (*) |
|---|---|---|---|
| **Cash, cash balances at central banks and other demand deposits(**)** | **7** | **412,390** | **351,449** |
| **Financial assets held for trading** | **8** | **6,717** | **7,730** |
| Derivatives | | 2,826 | 2,643 |
| Equity instruments | | 3,891 | 3,727 |
| 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** | **11,959** | **17,555** |
| Debt securities | | 4,138 | 7,170 |
| Loans and advances | | 7,821 | 10,385 |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | | - | - |
| **Financial assets at fair value through other comprehensive income** | **9** | **1,338,129** | **746,490** |
| Equity instruments | | 227,870 | 202,113 |
| Debt securities | | 1,110,259 | 544,377 |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | | | |
| **Financial assets at amortized cost** | **10** | **10,876,659** | **10,594,941** |
| Debt securities | | 2,599,491 | 2,716,139 |
| Loans and advances | | 8,277,168 | 7,878,802 |
| Credit institutions | | 108,436 | 100,002 |
| Customers | | 8,168,732 | 7,778,800 |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | | *262,794* | *65,020* |
| **Derivatives – hedge accounting** | **12** | **10,666** | **4,774** |
| **Investments in joint ventures and associates** | **14** | **60,502** | **49,945** |
| Jointly-controlled entities | | - | - |
| Associates | | 60,502 | 49,945 |
| **Tangible assets** | **15** | **225,431** | **217,557** |
| Property and equipment | | 218,309 | 208,293 |
| For own use | | 218,138 | 208,122 |
| Assigned to social projects | | 171 | 171 |
| Investment property | | 7,122 | 9,264 |
| *Of which: assigned under operating leases* | | *4,860* | *584* |
| *Memorandum items: acquired under finance leases* | | *697* | *970* |
| **Intangible assets** | **15** | **11,297** | **11,797** |
| Goodwill | | 8,297 | 8,297 |
| Other intangible assets | | 3,000 | 3,500 |
| **Tax assets** | **22** | **34,848** | **43,637** |
| Current tax assets | | 2,990 | 3,170 |
| Deferred tax assets | | 31,858 | 40,467 |
| **Other assets** | **16** | **101,735** | **108,778** |
| Inventories | | 75,487 | 77,634 |
| Other | | 26,248 | 31,144 |
| **Non-current assets and disposal groups held for sale** | **13** | **42,781** | **48,212** |
| **TOTAL ASSETS** | | **13,133,114** | **12,202,865** |

(*) 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 2019.

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

### Consolidated statement of financial position at 31 December 2019

**(Thousands of euros)**

| LIABILITIES | Note | 31.12.2019 | 31.12.2018 (*) |
|---|---|---|---|
| **Financial liabilities held for trading** | **8** | **854** | **769** |
| Derivatives | | 854 | 769 |
| **Financial liabilities at amortized cost** | **17** | **11,664,632** | **10,877,828** |
| Deposits | | 9,890,645 | 9,095,209 |
| Central banks | | 928,260 | 927,862 |
| Credit institutions | | 232,916 | 155,434 |
| Customers | | 8,729,469 | 8,011,913 |
| Debt securities issued | | 1,661,119 | 1,653,935 |
| Other financial liabilities | | 112,868 | 128,684 |
| *Memorandum items: subordinated liabilities* | | - | - |
| **Derivatives – hedge accounting** | **12** | **-** | **251** |
| **Provisions** | **18** | **95,487** | **93,111** |
| Pensions and other defined-benefit post-employment obligations | **2.t** | 1,190 | 1,019 |
| Commitments and guarantees given | | 10,497 | 8,195 |
| Other provisions | | 83,800 | 83,897 |
| **Tax liabilities** | **22** | **13,903** | **7,834** |
| Current tax liabilities | | 7,624 | 2,002 |
| Deferred tax liabilities | | 6,279 | 5,832 |
| **Other liabilities** | **16** | **98,746** | **93,982** |
| *Of which: mandatory contributions to Social Welfare Fund* | | *31,689* | *26,579* |
| **TOTAL LIABILITIES** | | **11,873,622** | **11,073,775** |

(*) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated statement of financial position at 31 December 2019.

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO Y SOCIEDADES DEPENDIENTES

### Balance Consolidado al 31 de diciembre de 2019

**(Expresado en miles de euros)**

**EQUITY**

| | | | |
|---|---|---|---|
| **Shareholders' equity** | | **1,223,266** | **1,122,515** |
| Share capital | **20** | 167,659 | 167,380 |
| Called up paid capital | | 167,659 | 167,380 |
| *Memorandum items: uncalled capital* | | - | - |
| Retained earnings | **21** | 924,087 | 834,422 |
| Other reserves | **21** | 34,747 | 28,796 |
| Accumulated reserves or losses from joint ventures and associates | | 10,933 | 4,971 |
| Other | | 23,814 | 23,825 |
| (Treasury shares) | | - | - |
| Profit or (-) loss attributable to owners of the parent | | 98,449 | 93,502 |
| (Interim dividends) | | (1,676) | (1,585) |
| **Accumulated other comprehensive income** | **19** | **36,226** | **6,575** |
| Items that will not be reclassified to profit or loss | | 29,269 | 8,928 |
| Items that may be reclassified to profit or loss | | 6,957 | (2,353) |
| **Non-controlling interests** | | **-** | **-** |
| Accumulated other comprehensive income | | - | - |
| **TOTAL EQUITY** | | **1,259,492** | **1,129,090** |
| **TOTAL EQUITY AND LIABILITIES** | | **13,133,114** | **12,202,865** |
| **Memorandum items: off-balance sheet exposures** | | | |
| **Contingent commitments given** | **23** | **1,336,274** | **1,115,829** |
| **Financial guarantees given** | **23** | **136,366** | **83,597** |
| **Other commitments given** | **23** | **559,683** | **553,076** |

(*) Presented for comparison purposes only.
Notes 1 to 43 form an integral part of the consolidated statement of financial position at 31 December 2019.

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated Income Statement for the year ended 31 December 2019

**(Thousands of euros)**

| | Note | 2019 | 2018 (*) |
|---|---|---|---|
| **Interest income** | 25 | 161,522 | 160,966 |
| **(Interest expense)** | 26 | (17,888) | (25,009) |
| **(Expense on share capital redeemable on demand)** | | - | - |
| **NET INTEREST INCOME** | | 143,634 | 135,957 |
| **Dividend income** | 27 | 10,944 | 6,019 |
| **Profit (loss) of companies accounted for using the equity method** | 14 | 1,491 | 3,159 |
| **Fee and commission income** | 28 | 73,819 | 71,603 |
| **(Fee and commission expense)** | 29 | (5,496) | (4,784) |
| **Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net** | 30 | 6,997 | 2,140 |
| **Gains or (-) losses on financial assets and liabilities held for trading, net** | 30 | 1,315 | (198) |
| **Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net** | | (2,589) | (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 | 39 | 100 |
| **Gains or (-) losses from translation differences, net** | | 903 | 929 |
| **Other operating income** | | 321,650 | 316,157 |
| **(Other operating expenses)** | | (258,741) | (251,368) |
| *Of which: mandatory contributions to Social Welfare Fund* | | *(9,275)* | *(9,963)* |
| **GROSS INCOME** | | 293,966 | 276,758 |
| **(Administrative expenses)** | | (151,605) | (150,334) |
| (Personnel expenses) | 31 | (76,920) | (75,528) |
| (Other operating expenses) | 32 | (74,685) | (74,806) |
| **(Depreciation and amortization)** | 13 and 15 | (15,703) | (15,364) |
| **(Provisions or (-) reversals)** | 33 | (6,810) | 713 |
| **(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)** | 34 | (13,151) | (8,444) |
| (Financial assets at fair value through other comprehensive income) | | (865) | 735 |
| (Financial assets at amortized cost) | | (12,286) | (9,179) |
| **INCOME FROM OPERATING ACTIVITIES** | | 106,697 | 103,329 |
| **(Impairment or (-) reversal of impairment on investments in joint ventures and associates)** | | - | (79) |
| **(Impairment or (-) reversal of impairment on financial assets)** | 35 | (1,165) | (154) |
| (Tangible assets) | | (1,127) | (36) |
| (Intangible assets) | | - | - |
| (Other) | | (38) | (118) |
| **Gains or (-) losses on derecognition of non-financial assets and investments, net** | | 379 | 1,350 |
| *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 | 3,109 | 1,635 |
| **PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | | 109,020 | 106,081 |
| **(Tax expense or (-) income on profit from continuing operations)** | 22 | (10,571) | (12,579) |
| **PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS** | | 98,449 | 93,502 |
| **Profit or (-) loss after tax from discontinued operations** | | - | - |
| **PROFIT FOR THE YEAR** | | 98,449 | 93,502 |
| **Attributable to owners of the parent** | | 98,449 | 93,502 |
| **Attributable to non-controlling interests** | | - | - |

(*) Presented for comparison purposes only.

Notes 1 to 43 form an integral part of the consolidated income statement for the year ended 31 December 2019.

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

### Consolidated statement of recognized income and expense for the year ended 31 December 2019

**(Thousands of euros)**

| | Note | 2019 | 2018 (*) |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **98,449** | **93,502** |
| **OTHER COMPREHENSIVE INCOME** | | **29,651** | **8,896** |
| **Items that will not be reclassified to profit or loss** | | **20,342** | **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 | 20,847 | 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 | | (505) | - |
| **Items that may be reclassified to profit or loss** | 19 | **9,309** | **(2,610)** |
| **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 | | - | - |
| **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** | | **12,651** | **(3,719)** |
| Valuation gains or (-) losses recognized in equity | | 12,009 | (4,117) |
| Reclassified to profit or loss | | 642 | 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 | **(3,342)** | **1,109** |
| **TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE YEAR** | | **128,100** | **102,398** |
| Attributable to non-controlling interests | | - | - |
| Attributable to owners of the parent | | 128,100 | 102,398 |

(*) 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 2019.

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

### Consolidated comprehensive statement of changes in equity for the year ended 31 December 2019

**(Thousands of euros)**

**At 31 December 2019**

| 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 (*)** | **167,380** | **834,422** | **28,796** | **-** | **93,502** | **(1,585)** | **6,575** | **-** | **1,129,090** |
| Adjustments due to error correction | - | - | - | - | - | - | - | - | - |
| Adjustments due to changes in accounting policies | - | - | - | - | - | - | - | - | - |
| **Balance at 1 January 2018 (*)** | **167,380** | **834,422** | **28,796** | **-** | **93,502** | **(1,585)** | **6,575** | **-** | **1,129,090** |
| **Total recognized income and expenses for the year** | **-** | **-** | | **-** | **98,449** | **-** | **29,651** | **-** | **128,100** |
| **Other changes to equity** | **279** | **89,665** | **5,951** | **-** | **(93,502)** | **(91)** | **-** | **-** | **2,302** |
| Ordinary shares issued | 2,582 | - | - | - | - | - | - | - | 2,582 |
| Preference shares issued | - | - | - | - | - | - | - | - | - |
| Other equity instruments issued | - | - | - | - | - | - | - | - | - |
| Exercise or maturity of other equity instruments issued | - | - | - | - | - | - | - | - | - |
| Debt/equity conversion | - | - | - | - | - | - | - | - | - |
| Capital reduction | (2,303) | - | - | - | - | - | - | - | (2,303) |
| Dividends (or payments to members) | - | - | - | - | - | (1,676) | - | - | (1,676) |
| Buyback of treasury shares | - | - | - | - | - | - | - | - | - |
| 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 | - | 89,665 | 2,252 | - | (93,502) | 1,585 | - | - | - |
| Increase (-) decrease in equity due to business combinations | - | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - | - |
| Other increases (-) decreases in equity | - | - | 3,699 | - | - | - | - | - | 3,699 |
| *Of which: discretionary allocation to social projects and funds* | - | - | - | - | - | - | - | - | - |
| **Balance at 31 December 2019** | **167,659** | **924,087** | **34,747** | **-** | **98,449** | **(1,676)** | **36,226** | **-** | **1,259,492** |

(*) 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 2019

## 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 euros)**

**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 2017 (*)** | **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 2017 (*)** | **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** |

(*) Presented for comparison purposes only.

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

### Consolidated cash flow statement for the year ended 31 December 2019

(Thousands of euros)

| | Note | 2019 | 2018 (*) |
|---|---|---|---|
| **A) CASH FLOWS FROM OPERATING ACTIVITIES** | | **86,612** | **4,880** |
| **Profit for the year** | | **98,449** | **93,502** |
| **Adjustments to obtain cash flows from operating activities** | | **74,673** | **42,887** |
| Depreciation and amortization | 15 and 16 | 15,703 | 15,364 |
| Other adjustments | | 58,970 | 27,523 |
| **Net (increase) decrease in operating assets** | | **(864,004)** | **(474,057)** |
| Financial assets held for trading | | 1,013 | (247) |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | | 5,596 | (17,555) |
| Financial assets at fair value through other comprehensive income | | (591,639) | 2,064,083 |
| Financial assets at amortized cost | | (281,718) | (2,518,841) |
| Other operating expenses | | 2,744 | (1,497) |
| **Net increase (decrease) in operating liabilities** | | **776,603** | **341,672** |
| Financial liabilities held for trading | | 85 | (347) |
| Financial liabilities at amortized cost | | 786,804 | 479,695 |
| Other operating expenses | | (10,286) | (137,676) |
| **Company income tax receipts (payments)** | | **891** | **876** |
| **B) CASH FLOWS FROM INVESTING ACTIVITIES** | | **(24,754)** | **4,406** |
| **Payments** | | **(45,933)** | **(49,281)** |
| Tangible assets | 15 | (27,390) | (16,038) |
| Investments in subsidiaries, joint ventures and associates | 14 | (11,262) | (1,490) |
| Non-current assets and liabilities held for sale | | (7,281) | (31,753) |
| Other payments related to investing activities | | - | - |
| **Receipts** | | **21,659** | **53,687** |
| Tangible assets | 15 | 1,104 | 1,044 |
| Investments in subsidiaries, joint ventures and associates | 14 | 8,622 | 4,375 |
| Non-current assets and liabilities held for sale | | 11,933 | 48,268 |
| Other receipts related to investing activities | | - | - |
| **C) CASH FLOWS FROM FINANCING ACTIVITIES** | | **(1,397)** | **(1,319)** |
| **Payments** | | **(3,979)** | **(7,400)** |
| Dividends | 20 | (1,676) | (1,585) |
| Subordinated liabilities | | - | - |
| Cancellation of own equity instruments | 20 | (2,303) | (3,486) |
| Acquisition of own equity instruments | | - | (2,329) |
| Other payments related to financing activities | | - | - |
| **Receipts** | | **2,582** | **6,081** |
| Subordinated liabilities | | - | - |
| Issue of own equity instruments | 20 | 2,582 | 2,594 |
| 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)** | | **60,941** | **7,967** |
| **F) CASH AND CASH EQUIVALENTS AT START OF YEAR** | | **351,449** | **343,482** |
| **G) CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **412,390** | **351,449** |
| **MEMORANDUM ITEMS** | | | |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | | |
| Cash | | 49,990 | 46,194 |
| Cash equivalents in central banks | | - | - |
| Other demand deposits | | 362,400 | 305,255 |
| Other financial assets | | - | - |
| Less: Bank overdrafts repayable on demand | | - | - |

(*) 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 2019, it had a network of 253 branches (one more than at 31 December 2018), 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 2019 and 2018 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 16 and 21).
- 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 2019 and 2018 are shown in Annex I.

At 31 December 2019, the assets, equity and profit for the year of the Parent Company made up 99%, 96% and 86%, respectively, of the equivalent Group items (compared to 98%, 97% and 98% at 31 December 2018).

***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 2018 as amended.

These Group consolidated financial statements are presented in accordance with IFRS-EU at 31 December 2019 taking into consideration Bank of Spain Circular 4/2017, of 27 November, 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 2019 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 2019 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 2019 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 2018 were approved at the Bank's Annual General Meeting held on 3 May 2019.

***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 made a number of changes to the way financial assets and liabilities are classified, measured and recognized.

Its adoption had a material impact, which is why we 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 or 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 or 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, 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 were:

- 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 were 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 resulted in increased provisions on the loan book. The Group 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 took into account all credit exposures, debt instruments and off-balance sheet exposures. The Group 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 provide 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 considered, 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 opted to maintain IAS 39 hedge accounting so there were no changes in this area.

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 | Carrying amount (Thousands of euros) | Portfolio | Carrying amount (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 | Impact due to 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 | Renaming (*) | | 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 | IAS 39 31-12-2017 | Renaming (*) | Impact due to classification and measurement | Impact due to impairment | IFRS 9 01-01-2018 |
|---|---|---|---|---|---|
| | Thousands of euros | | | | |
| **Provisions – Commitments and guarantees given** | **9,919** | **-** | **-** | **125** | **10,044** |
| **Tax liabilities** | **21,802** | **-** | **-** | **(13,740)** | **8,062** |
| **Other assets** | **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 | IAS 39 31-12-2017 | Renaming (*) | Impact due to classification and measurement | Impact due to impairment / Other | IFRS 9 01-01-2018 |
|---|---|---|---|---|---|
| | Thousands of euros | | | | |
| **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 EQUITY AND LIABILITIES** | **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 aggregate impact on the financial statements are as follows:

| | 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 exercised in 2018) sets out the principles governing recognition, measurement, presentation and disclosure of leases. Its aim is to ensure 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. Specifically, the lessee must now 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 issues, implementation plan and key impacts of transition to this standard are as follows:

- The Group applied IFRS 16 retrospectively with the cumulative impact of initial application recognised on the effective date (1 January 2019), without restating comparative data (Note 1.h).
- The Group applied the practical solution, permitted by the standard, of not revaluing contracts on first-time application to test if they qualify as a

lease under the new definition. It therefore only applied IFRS 16 to contracts previously identified as leases under IAS 17. The main assets impacted are rented premises and branches.

- The Group recognized a total lease liability of EUR 6,897 thousand on initial application in respect of operating leases identified under IAS 17. The Group measured this lease liability as the present value of outstanding lease payments, using a discount rate taken from the yield curve longer than one year. This is the best estimate available at the start of the contract of the marginal cost of finance for unsecured borrowing over a similar term.
- The Group recognized a total right-of-use asset of EUR 6,897 thousand on initial application in respect of operating leases identified under IAS 17. The standard provides a number of measurement options and the Group chose to measure the right-of-use asset for the leases concerned at the same value as the lease liability (asset equalisation method).
- The impact of first-time application of IFRS 16 was measured at less than 2 basis points of the Bank's Fully Loaded CET1 at 1 January 2019.

After implementation of IFRS 16, on lease accounting for lessees, the Group applied the following accounting principles and measurement basis:

- Lease term: the term of the lease is equal to the irrevocable period of a lease plus any optional extension periods the lessee is reasonably certain to exercise and any cancellation periods the lessee is reasonably certain it will not exercise. On this point, the Group applies the following criteria:
  a. If there is a forecast date for cancelling the lease which differs from that in the lease, this is taken as the end date for the right of use.
  b. If the lease expires in less than 50 years the lease term date is used.
  c. If a building lease expires in more than 50 years, expiry is capped at 50 years to match the Bank's shorter depreciation period for buildings.
  d. Leases expiring in less than 1 year are not capitalized and continue to be accounted for through the income statement as there is a high probability the lease will be cancelled and a new lease renegotiated on new terms.
- General recognition criteria: lease assets and liabilities are recognised at the lease start date, defined as the date the lessor makes the leased good available for use to the lessee.
- Initial measurement of lease liability: on the lease start date, the Group recognises a lease liability at the present value of unpaid lease payments at that date.

The discount rate used to calculate the present value of an asset is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment (incremental borrowing rate).

- Initial valuation of the right-of-use asset: at the start date of the lease, the Group recognises a right-of-use asset at cost, consisting of:

  a. The initial value of the lease liability as described above.

  b. Any lease payments made on or before the start date, less any payment received from the lessor (incentives to sign the lease).

  c. Direct initial costs borne by the lessee. These may include any costs directly attributable to bringing an asset to the location and condition necessary for it to be operated in as intended by the lessee.

  d. Estimated costs of dismantling and eliminating the leased asset, restoring the location or returning the asset to the condition required by the lease unless these costs were incurred in the production of inventory. These are recognized as part of the asset's right-of-use cost when the Group acquires the obligation to meet them.

Right-of-use assets are presented as either tangible or intangible based on the nature of the leased asset.

- Subsequent measurement of lease liability. After initial recognition, the Group remeasures the lease liability to:

  a. Increase its carrying amount to reflect accrued interest, calculated by applying the same interest rate used in the initial measurement to the outstanding liability.

  b. Reduce its carrying amount by the amount of lease payments made.

  c. Reflect changes in: (i) the lease term as a result of changes in the likelihood of extension or cancellation options being exercised, (ii) the lease term and payments as a result of changes in the likelihood of the purchase option being exercised, (iii) lease payments as a result of a change in expected amounts payable by the lessee under residual value guarantees, (iv) future amounts payable under leases where payments are benchmarked to an index or rate, reflecting changes in these benchmarks. In cases (i) and (ii), as it is the lease term that has altered, the revised payments will be discounted at the same discount rate used in the initial measurement, unless the change in payments reflects a change in variable interest rates, in which case a revised discount rate reflecting this must be used. The Group reassesses the lease term applied to expected payments for residual value guarantees whenever a significant event or change affects the likelihood of exercising the options in the lease.

Similarly, the Group reassesses payments benchmarked to an index or rate whenever the lease conditions require it to update the amounts of such payments.

d. Reflect any modification of the lease.

e. Reflect lease payments that were not considered unavoidable previously, e.g. payments that depend on an event that could not be known in advance with any certainty, but which are considered unavoidable at the reporting date and therefore part of the fixed liability.

Payments under variable leases not included in the lease liability are recognised in the income statement for the year the event or circumstance that triggers their payment occurs.

- Subsequent measurement of the right-of-use asset: after initial recognition the Group measures the right-of-use asset at cost:

  a. Less accumulated depreciation, amortization and impairment. If the ownership of the leased asset is transferred on completion of the lease or if the initial measurement of the right-of-use asset's cost assumes the lessee exercising their purchase option, the right-of-use asset is depreciated over the useful life of the leased asset. All other assets are depreciated over the shorter of their useful life or the lease term.

  b. Adjusted for changes in the present value of future lease payments as indicated above.

- Simplified treatment of recognition and measurement: the Group books as expenses lease payments from:

  a. Short-term leases (with a term of 12 months or below at the start date), provided they do not include a purchase option.

  b. Leases for which the underlying asset is of low value, provided they are not dependent on or highly interrelated with other underlying assets and the lessee can obtain benefits from using the asset on its own or together with other easily accessible resources. The underlying asset is measured in absolute terms based on its value in its new state.

In both cases, the value is taken to the income statement using the straight-line method over the lease term.

- Modification of the lease: the Group recognises a modification to a separately recognized lease as a new lease if the modification extends its scope (adding one or more leased assets) against an increase in the consideration based on the specific price that would be paid if the newly added assets were leased separately.

If these requirements are met, on the date the parties agree the modification the Group: (a) distributes the consideration for the modified lease among the leased and other components, (b) measures the term of the modified lease, (c) remeasures the lease liability, discounting the reassessed lease payments at a reassessed discount rate over the remaining lease term at the modification date, and (d) recognises the remeasured value of the lease liability.

### *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.

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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 2019 and 2018 were as follows:

| | | | Thousands of euros | |
|---|---|---|---|---|
| | % ownership interest | | Acquisition cost | |
| Subsidiaries | 2019 | 2018 | 2019 | 2018 |
| 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% | 24,989 | 21,989 |
| Promoción Estable del Norte, S.A. | 100.00% | 100.00% | 95,300 | 103,921 |
| Haribericas XXI, S.L. | 100.00% | 100.00% | 17,945 | 12,725 |
| Harivenasa, S.A. | 100.00% | 100.00% | 11,000 | 3,500 |
| Industrial Tonelera Navarra, S.A. | 100.00% | 100.00% | 1,820 | 1,820 |
| Tonnellerie de l'Adour, SAS | 100.00% | 100.00% | 1,896 | 1,896 |
| 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 activities and registered offices of Group companies included in the scope of consolidation at 31 December 2019 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 |
| 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 2019 and 2018 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 2019 and 2018 see Note 14.

The accounting principles and standards and measurement criteria used to prepare the Group's 2019 and 2018 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 the scope of consolidation*

There were no changes in the scope of consolidation of Caja Rural de Navarra in 2019:

Changes in the scope of consolidation of Caja Rural de Navarra in 2018 were as follows:

- 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 was fully consolidated.

### *g) Accounting estimates and assumptions used*

In the preparation of the Group's 2019 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 2019. 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***

Following the changes in accounting principles at 1 January 2019, as allowed by IFRS 16, the Group opted not to restate its comparative financial statements. Comparative data for the year ended 31 December 2018 has therefore not been restated and is therefore not comparable. Note 1.c gives information about the main issues in the transition to the new standard, the implementation plan and key impacts at 1 January 2019.

Comparative figures for 2018 are presented alongside the accounting information for the year ended 31 December 2019 according to IFRS-EU criteria. Figures for 2018 are presented for comparative purposes only and do not form part of the Group's 2019 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 2020. 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.

This circular also transposed 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:

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) 2018/697, of 4 April 2018, 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.

Finally, in 2019 the Bank of Spain published Circular 3/2019, of 22 October, in exercise of the powers conferred by EU Regulation 557/2013, to define the materiality threshold of overdue credit obligations with effect from December 2020.

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 2019 the Bank received a communication from the Bank of Spain regarding its decision on minimum prudential requirements. This required that Caja Rural de Navarra maintain, as from 1 January 2020, a Total Capital ratio of 11.63% and a Common Equity Tier 1 (CET1) capital of 8.13%, measured on phased-in regulatory capital. The requirements from 1 January 2019 to 31 December 2019 had been for a Total Capital ratio of 11.38% and CET1 ratio of 7.88%, 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 solvency standards described above (Note 21).

### *j) National Resolution Fund and Deposit Guarantee Fund*

#### Single Resolution Fund

Act 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 2019, the cost of contributions to the fund was EUR 2,455 thousand (EUR 2,289 thousand in 2018), 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 2019, the management committee set a contribution of 1.8 per thousand of guaranteed deposits at 30 June 2019. 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 2019.

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 2019, the Parent Company recorded a commitment of EUR 3,593 thousand (compared to EUR 4,708 thousand at 31 December 2018), 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 2019, total expenses in respect of Fund contributions were EUR 3,756 thousand (EUR 3,115 thousand in 2018), 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 a no objection assurance 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 meeting of the Governing Board 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. Also, in the first quarter of 2018 the European Central Bank, CNMV and DGSFP recorded no objection to the contribution-in-kind of BCE and Rural Servicios Generales shares to Grucajrural.

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

The following events took place in 2019:

On 26 June, the Board of Directors of Grucajrural Inversiones, S.L. approved:

- the EUR 23.6 million scrip dividend, paid for by a capital increase charged against the share premium of Grucajrural Inversiones, S.L.. The transaction was put to the General Meeting of Partners de Grucajrural Inversiones, S.L. held on 20 June 2019; and
- the distribution of a EUR 12.45 million interim dividend, in payment of the dividends received by Rural Servicios Generales.

The scrip dividend was funded by a capital increase via the issue of 1,101,344,094 new shares at a ratio of 6 new shares for each 191 existing shares. Face value was EUR 0.01 per share, with no share premium. It consequently resulted in a EUR 11,013,440.94 capital increase by Grucajrural Inversiones, S.L with a fair value per share of EUR 0.0214716, equivalent to the fair value per share at 31 December 2018.

Grucajrural Inversiones, S.L. also offered to buy back free allotment rights at EUR 0.0006746 per right.

Accordingly, the Bank, as a partner in Grucajrural Inversiones, S.L., opted to subscribe for its full allotment of shares pro rata its stake in the share capital and sell the surplus free rights.

The Group booked the Grucajrural Inversiones, S.L shares in “Financial assets at fair value through other comprehensive income”. Following this transaction the Bank also booked EUR 4,811 of “Dividend income” in the income statement (Note 27).

Then, on 26 June 2019, to pass on the ordinary dividend of EUR 12.45 million received by Rural Servicios Generales corresponding to 2019 comprehensive income, the Group was paid an interim dividend of EUR 2,533 thousand.

***m) Post-balance sheet events***

The parent company maintains a portfolio of a mortgage loans benchmarked to the Bank of Spain’s official mortgage loan reference index (the Referencia de Préstamos Hipotecarios or IRPH), in accordance with Article 27 of Order EHA/2899/2011 of 28 October, on transparency and the protection of banking service customers and Bank of Spain Circular 5/2012 of 27 June, to credit institutions and payment service providers, on transparency in banking services and responsible lending.

Various proceedings have been filed against most Spanish credit institutions, alleging that clauses linking the interest rate on mortgages to the IRPH breach the European transparency regulation. On 14 December 2017, the Spanish Supreme Court confirmed the clauses were valid as they were benchmarked to an official index which was therefore exempt from transparency requirements. The case was referred up to the European Court of Justice for a preliminary ruling.

On 10 September 2019, the Advocate-General of the EU Court of Justice issued a non-binding opinion that the IRPH clause does not fall outside the scope of the Directive 93/13 and the exemption under the Directive’s Article 4 does not apply. The Advocate General concluded that the information provided to the consumer must be sufficient to allow them to come to a decision prudently and in full knowledge of the facts as regards the method of calculating the interest rate applicable to the mortgage agreement and its component elements, explaining not just the full definition of the index used but also the provisions of national legislation that determine it and also giving an indication of past fluctuations in the index. The Advocate-General adds that it is within the powers of the Spanish judicial authorities to judge the transparency of this clause, and to check, bearing in mind all circumstances that applied when the mortgage was agreed, first, whether it sets out the way the interest rate is calculated transparently, such that the consumer can assess on clear and comprehensible criteria the economic consequences of the agreement, and, second, whether this mortgage agreement meets all its obligations under national law.

On 3 March 2020, the preliminary ruling was resolved by the European Court of Justice as follows:

- A clause in a mortgage loan between a consumer and a professional which stipulates the interest rate applicable to the loan based on an official benchmark rate provided for in national regulations and which credit institutions can apply to mortgages is subject to Directive 93/13.
- In this respect, Directive 93/13 should be interpreted as meaning that the courts of a member state are obliged to determine whether a contract clause referring to the main purpose of the agreement is clear and comprehensible.
- To meet the transparency requirements for a contractual clause setting a variable interest rate in a mortgage agreement, the clause must not merely be comprehensible in a formal grammatical way but must also allow the borrower to specifically understand how the interest rate calculation works and so be able to assess, based on specific and comprehensible criteria, the potentially significant economic consequences of the clause with regard to their financial obligations.
- Articles 6.1 and 7.1 of Directive 93/13 should be interpreted as permitting a national judge to impose an applicable official index in the event that an abusive clause setting a mortgage interest rate is declared null and void and the parties do not agree another solution, provided the mortgage agreement could not continue without the struck-down abusive clause and would be cancelled in its entirety.

It must be stressed that the ECJ finds that for the clause to be deemed comprehensible, its financial impacts have to be foreseeable by an average consumer. To establish this, courts must specifically consider whether the information on the index is accessible – the IRPH is officially published – and what information was provided on the IRPH when the mortgage agreement was signed. A clause is not abusive if, when the mortgage was signed, the lender adequately met its information obligations regarding the reference index under national law applicable at the time. It seems clear that the Bank generally complied with applicable regulations on mortgage lending and therefore no quantified estimates of mortgages likely to be cancelled for this reason have been made.

# Legal Documentation

Since December 2019, Covid-19, a new form of coronavirus, has spread out from China to other countries including Spain. This significantly affected economic activity around the world and could therefore affect the Group's operations and results. The extent of Coronavirus impact on our results will depend on future developments which cannot be reliably foreseen, including actions to contain the illness or try and mitigate its impact on the economies of affected countries. Nevertheless, the Bank's Directors consider the virus will have no significant impact over the medium term and hence will not affect the Bank's business continuity due to the Group's solvency and liquidity position.

Except for the virus and other events in this report, there were no further events that significantly affect the Group and which should be included here between 31 December 2019 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 or 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" 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.

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:

i) 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 liabilities originating 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.

i) "Shares redeemable on demand" comprises financial instruments issued by the Group which, although legally capital, do 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.

ii) "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 2019 and 2018. 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 2019, the Group had no assets transferred prior to 1 January 2004 (compared to EUR 9,180 thousand at 31 December 2018), which in accordance with previous regulations were derecognized from the consolidated balance sheet.

***g) Impairment of financial assets and other credit exposures***

El Grupo aplica los requisitos sobre deterioro del valor a los instrumentos de 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 (Phase 1):

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

ii. Standard risk on special watch (Phase 2): 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.

iii. Doubtful risk (Phase 3):

   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.

iv. 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, based on experience and information available to the Spanish banking sector, in accordance with the methodology required by IFRS and other regulations in force.

**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. Various additional updates are also applied, including as a rule annual updating of doubtful and foreclosed risks.

**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.

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*

Since 1 January 2019, the Group has changed its accounting policy for leases where it is the lessee. The policy is described in Note 1.c.

Until 31 December 2018, the Group applied the following policy to its leases as lessee:

#### 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 2019 and 2018 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, totalling EUR 83,800 thousand at 31 December 2019 (EUR 83,897 thousand at 31 December 2018), recorded under "Provisions – Other provisions" (Note 18) on the consolidated balance sheet.

### *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 2019, the value of assets and liabilities denominated in foreign currencies was EUR 53,646 thousand and EUR 54,580 thousand, respectively (compared with EUR 48,289 thousand and EUR 47,328 thousand at 31 December 2018).

***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 or 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 2019, 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 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 2019.

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.

Post-employment benefits are 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 | 2019 | 2018 |
|---|---|---|
| Interest rate | 0.60% | 1.60% |
| Expected return on plan assets | 0.60% | 1.60% |
| 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, 16.4 years for post-employment obligations at a rate of 0.60%, 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 2019).

The percentage sensitivity of the defined benefit obligation to changes in the main assumptions for 2019 is as follows:

| | Change in assumption | Increase | Decrease |
|---|---|---|---|
| Discount rate | 0.50% | (7.71%) | 8.62% |
| Annual salary growth rate | 0.50% | 8.37% | (7.56%) |

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 | |
|---|---|---|
| | 2019 | 2018 |
| **Assets/liabilities on statement of financial position** | | |
| Post-employment obligations | (3,513) | (3,024) |
| Fair value of plan assets | 2,323 | 2,005 |
| **Net asset (provision) recognized on statement of financial position (Note 18)** | **(1,190)** | **(1,019)** |

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

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| **Charged (credited) directly to income** | | |
| Personnel expenses: | | |
| – Current service cost | 178 | 179 |
| – Allocation to provisions | - | - |
| Net income and interest expense | 17 | 17 |
| **Total expenses charged** | **195** | **196** |

The table below reconciles the amounts reported as present value of defined benefit obligations at the start and end of 2019 and 2018:

| | Thousands of euros |
|---|---|
| **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** |
| Current service cost | 178 |
| Interest expense | 50 |
| Remeasurements | 375 |
| Benefits paid | (114) |
| Effect of curtailments/settlements | - |
| **Balance at 31 December 2019** | **3,513** |

The table below reconciles the amounts reported as fair value of defined benefit plan assets at the start and end of 2019 and 2018:

| | Thousands of euros |
|---|---|
| **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** |
| Expected return on plan assets | 32 |
| Remeasurements | 290 |
| Contributions by the Bank | 110 |
| Benefits paid | (114) |
| Effect of curtailments/settlements | - |
| **Fair value at 31 December 2019** | **2,323** |

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

| | 2019 | 2018 |
|---|---|---|
| Equities | - | - |
| Debt instruments | - | - |
| Property | - | - |
| Insurance policies | 100% | 100% |
| Other assets | - | - |
| **Total** | **100%** | **100%** |

The Bank expects to contribute EUR 218 thousand to defined post-employment benefit plans in respect of 2020.

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

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025-2029 |
|---|---|---|---|---|---|---|
| Probably post-employment benefits | 193,251 | 114,241 | 98,996 | 110,552 | 118,308 | 464,495 |

**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 2018. This amended Navarre Regional Law 24/1996, of 30 December, on Company income tax, used to determine company income tax until that date, 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:

- 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.
- Estimates of macro-economic and other financial variables.
- 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.
- 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, $\beta$ = the company's systemic risk factor, Rm = market rate of return, Rf = risk-free rate and $\alpha$ = an additional premium to take account of future contingencies".
- 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 2019 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 2019***

**- 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".

IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Lessees recognise a lease liability that reflects the future lease payments and a "right-of-use" asset for nearly all leases. This is a significant change from IAS 17, under which lessees had to distinguish between a finance lease (recognised on the balance sheet) and an operating lease (off-balance sheet). IFRS 16 allows lessees the option to exempt certain leases with short terms or low-value underlying assets.

It was decided to make no substantial change to lessors accounting. Lessors therefore basically continue to report as they did under IAS 17.

The most relevant effects 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.

This amendment has had no material impact on the Group's consolidated financial statements for the year.

**- 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.

This interpretation has had no material impact on the Group's consolidated financial statements for the year.

**- 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".

This amendment has had no material impact on the Group's consolidated financial statements for the year.

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

EThis amendment specifies how companies should determine pension costs when there are changes to a defined benefit plan.

This amendment has had no material impact on the Group's consolidated financial statements for the year.

**- IFRS Annual Improvements. 2015– 2017 cycle**

The amendments affect IFRS 3, IFRS 11, IAS 12 and IAS 23 and apply to financial years beginning on or after 1 January 2019. 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 are not remeasured when the reporter takes control of the business.
- IAS 12 "Income taxes": All tax impacts of dividend payments are reported in the same way.
- IAS 23 "Borrowing costs": Any specific loan originally made to develop a qualifying asset is treated as part of the general borrowings once the asset is ready for use or sale.

These amendments have 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***

**-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.

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

**- IFRS 9 (amendment) and IAS 39 (amendment) "Interest rate benchmark reform"**

These amendments provide certain exceptions to the interest rate benchmark (IBOR) reform. The exceptions concern hedge accounting and mean that IBOR reform will not generally put an end to hedge accounting. However, ineffective portions of hedges must still be recognised in the income statement.

These amendments are not expected to have a material impact on the Group's consolidated financial statements

**- 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 will 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.

These amendments are 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 amendments are 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.

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

**- IAS 1 (amendment) "Classification of Liabilities as Current or Non-current"**

These amendments clarify that liabilities are booked as current or non-current based on the rights existing at the end of the reporting year. Classification is unaffected by the reporting entity's expectations or events subsequent to the close of the financial year (e.g. notification of cancellation or breach of an agreement). The amendment also clarifies what IAS 1 means by "settlement" of a liability. The effective date of all these amendments is 1 January 2022. Early adoption is permitted.

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

**- IAS 16 (amendment) "Property, Plant and Equipment - Proceeds before Intended Use"**

Entities will no longer be able to deduct from the cost of an item any income obtained from selling items produced while the entity was preparing the asset for its intended use. The proceeds and production costs of such sales are now taken to income. The amendment also makes clear that an entity is testing whether an item works correctly when evaluating the technical and physical performance of the asset.

The financial performance of the asset is irrelevant to this assessment. An asset may therefore be capable of operating in the manner intended by management and yet be depreciated before it achieves the level of operating performance expected by management. The effective date of all these amendments is 1 January 2022.

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

**- IAS 37 (amendment) "Onerous Contracts - Cost of Fulfilling a Contract"**

The amendment explains that the direct costs of fulfilling a contract comprise the incremental costs of fulfilling it and an assignment of other costs that relate directly to the contract. It also clarifies that before taking a separate provision against an onerous contract, the entity must first recognize a loss for any impairment to the assets used to fulfil the contract, instead of booking this against the assets dedicated to that contract. The effective date of all these amendments is 1 January 2022.

These amendments are not expected to have a material impact on the Group's consolidated financial statements

**-IFRS 3 (amendment) "Reference to the Conceptual Framework"**

IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or liability in a business combination. It previously referred to the 2001 CF. It also added a new exception in IFRS 3 for liabilities and contingent exposures. The effective date of all these amendments is 1 January 2022.

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

**- IFRS Annual Improvements. 2018– 2020 cycle**

The amendments affect IFRS 1, IFRS 9, IAS 16 and IAS 41 and apply to financial years beginning on or after 1 January 2022.

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

## 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 2019 and 2018, 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 2019 that the Parent Company's Governing Board will propose to members for approval at the Annual General Meeting, together with the appropriation for 2018 approved at the General Meeting held on 3 May 2019, is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Profit or (-) loss for the year before mandatory allocation to the Social Welfare Fund and after Income Tax | 94,428 | 101,213 |
| To dividends and remuneration | (1,676) | (1,585) |
| **Total retained earnings or surplus available** | **92,752** | **99,628** |
| To the Mandatory Reserve Fund | 83,477 | 89,665 |
| To the Social Welfare Fund | 9,275 | 9,963 |
| **Total appropriated** | **92,752** | **99,628** |

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 2019 and 2018:

| | Thousands of euros | |
|---|---|---|
| **Board members** | **2019** | **2018** |
| Ignacio Terés Los Arcos | 19 | 22 |
| Pedro Jesús Irisarri Valencia | 5 | 5 |
| Marcelino Etayo Andueza | 5 | 4 |
| Carlos Sánchez Diestro | 4 | 3 |
| Alberto Arrondo Lahera | 3 | 3 |
| Manuel García Díaz de Cerio | 3 | 3 |
| José Angel Ezcurra Ibarrola | 2 | 4 |
| Pedro María Echarte Sevine | 2 | 4 |
| Francisco Javier Artajo Carlos | 1 | 2 |
| Jesús Andrés Mauleón Arana | 2 | 2 |
| Roberto Zabaleta Ciriza | 2 | 3 |
| Fernando Olleta Gayarre | 2 | 2 |
| Jesús María del Castillo Torres | 2 | 1 |
| Gabriel Urrutia Aicega | 2 | 2 |
| Pedro Jose Goñi Juamperez | 2 | - |
| Ignacio Zabaleta Jurio | 2 | - |
| Jose Joaquin Rodriguez Eguilaz | 1 | - |
| Fermin Esandi Santesteban | 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 24 thousand and EUR 30 thousand in 2019 and 2018, 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 2019 and 2018 are detailed in Note 37.

**Remuneration paid to senior executives**

Ordinary remuneration accrued by the Bank's senior executives in 2019 totalled EUR 1,782 thousand. This amount was shared among 14 persons composing the "identified staff" - executives whose professional activities have a major incidence on the Bank's risk profile - including the Managing Director and other members of the Management Committee. Remuneration in 2018 was EUR 1,882 thousand to 14 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 2019 and 2018 is as follows:

| Credit rating | 2019 | 2018 | S&P´s | Moody´s | Fitch | DBRS |
|---|---|---|---|---|---|---|
| 1 | 12.63% | 9.84% | AAA to AA- | Aaa to Aa3 | AAA to AA- | AAA to AAL |
| 2 | 69.01% | 71.49% | A+ to A- | A1 to A3 | A+ to A- | AH to AL |
| 3 | 17.65% | 17.33% | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- | BBBH to BBBL |
| 4 | 0.35% | 0.55% | 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 | 0.04% | 0.06% | Lower than B- | Lower than B3 | Lower than B- | Lower than BL |
| Unrated | 0.30% | 0.71% | | | | |
| | **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 2019 and 2018:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Loans and advances – Customers | 8,176,553 | 7,789,185 |
| Loans and advances – Credit institutions | 108,436 | 100,002 |
| Debt securities | 3,713,888 | 3,269,046 |
| Derivatives | 13,492 | 7,417 |
| Guarantees given | 696,049 | 636,673 |
| Total risk | 12,708,418 | 11,802,323 |
| Credit lines drawable by third parties | 1,111,916 | 1,005,470 |
| Total exposure | 13,820,334 | 12,807,793 |

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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Mortgages (guaranteed by real property) | 4,630,598 | 4,475,566 |
| Residential buildings | 3,991,486 | 3,859,208 |
| Commercial buildings | 639,112 | 616,358 |
| Other loans with real guarantees | 59,584 | 51,869 |
| Cash | 57,838 | 50,966 |
| Other | 1,746 | 903 |
| Financial guarantees received | 974,663 | 954,078 |
| Total | 5,664,845 | 5,481,513 |

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

### Sector

| | 2019 | 2018 |
|---|---|---|
| Farming and cattle-raising | 3.42% | 3.44% |
| Industry and construction | 21.06% | 20.84% |
| Services | 20.27% | 20.35% |
| Personal and other | 55.25% | 55.37% |

### Region

| | 2019 | 2018 |
|---|---|---|
| Navarre | 50.15% | 49.83% |
| Guipúzcoa | 17.12% | 17.64% |
| La Rioja | 9.86% | 9.89% |
| Álava | 6.99% | 7.04% |
| Vizcaya | 15.84% | 15.60% |
| Madrid | 0.04% | - |

### Impaired assets and impairment adjustments

| | 2019 | 2018 |
|---|---|---|
| Total impaired assets | 162,817 | 140,122 |
| Total loans and advances to customers. gross (before valuation adjustments) | 8,295,504 | 7,922,995 |
| NPL ratio | 1.96% | 1.77% |
| Total valuation adjustments for impairment of financial assets | 129,572 | 144,448 |
| NPL coverage | 79.58% | 103.09% |
| Coverage of total loans and advances to customers | 1.56% | 1.82% |

### *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 2019, only one group is considered to be a "large exposure" as it exceeded 10% of capital. Exposure to this group totals EUR 176,134 thousand, equivalent to 14.46% of capital. At 31 December 2018, one group exceeded 10% of capital and was therefore considered a "large exposure". Total exposure to this group was EUR 137,113 thousand, equivalent to 12.43% 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 2019 and 2018, 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) | | | | |
|---|---|---|---|---|---|---|---|---|
| **31/12/2019 (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 | 203,003 | 825 | - | 25 | - | - | - | 800 |
| Other financial corporations and self-employed (financial businesses) | 45,698 | 956 | - | 330 | 250 | 363 | - | 13 |
| Non-financial corporations and self-employed (non-financial businesses) by purpose | 3,487,788 | 1,022,969 | 33,659 | 242,595 | 211,381 | 215,395 | 81,511 | 305,746 |
| - Construction and real-estate development (including land) (d) | 292,432 | 256,045 | 501 | 39,042 | 21,471 | 28,318 | 6,052 | 161,663 |
| - Civil engineering | 169,553 | 60,071 | 274 | 10,548 | 12,684 | 15,746 | 13,969 | 7,398 |
| - Other | 3,025,803 | 706,853 | 32,884 | 193,005 | 177,226 | 171,331 | 61,490 | 136,685 |
| Large corporates (e) | 521,902 | 22,375 | 498 | 2,834 | 11,453 | 1,560 | 4,144 | 2,882 |
| SMEs and self-employed | 2,503,901 | 684,478 | 32,386 | 190,171 | 165,773 | 169,771 | 57,346 | 133,803 |
| Other households (f) by purpose (g) | 4,376,978 | 3,958,898 | 22,265 | 472,042 | 766,153 | 1,279,613 | 735,140 | 728,215 |
| – Housing | 3,866,918 | 3,754,693 | 13,523 | 425,615 | 713,002 | 1,235,839 | 710,757 | 683,003 |
| – Consumption | 80,878 | 14,709 | 984 | 4,528 | 3,632 | 3,898 | 1,520 | 2,115 |
| – Other | 429,182 | 189,496 | 7,758 | 41,899 | 49,519 | 39,876 | 22,863 | 43,097 |
| **TOTAL** | **8,113,467** | **4,983,648** | **55,924** | **714,992** | **977,784** | **1,495,371** | **816,651** | **1,034,774** |
| MEMORANDUM ITEMS | | | | | | | | |
| Refinancing, refinanced and restructured loans | 32,568 | 28,666 | 41 | 5,056 | 3,682 | 4,772 | 4,213 | 11,275 |

| 31/12/2018 (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 | 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 |

(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 2019 and 2018:

| 31/12/2019 | Total | Spain | Rest of EU | Americas | Rest of World |
|---|---|---|---|---|---|
| Central banks and credit institutions | 1,239,887 | 819,485 | 355,154 | 25,590 | 39,658 |
| General governments | 2,781,998 | 2,553,399 | 228,599 | 0 | 0 |
| – Central government | 2,432,771 | 2,204,172 | 228,599 | 0 | 0 |
| – Other public sector | 349,227 | 349,227 | 0 | 0 | 0 |
| Other financial corporations and self-employed (financial businesses) | 357,210 | 216,757 | 105,640 | 23,699 | 11,114 |
| Non-financial corporations and self-employed (non-financial businesses) | 4,336,728 | 4,119,238 | 185,478 | 23,320 | 8,692 |
| – Construction and real-estate development (including land) (b) | 320,356 | 320,356 | 0 | 0 | 0 |
| – Civil engineering | 194,003 | 191,858 | 2,145 | 0 | 0 |
| – Other | 3,822,369 | 3,607,024 | 183,333 | 23,320 | 8,692 |
| Large corporates (c) | 882,127 | 727,049 | 137,188 | 12,602 | 5,288 |
| SMEs and self-employed (c) | 2,940,242 | 2,879,975 | 46,145 | 10,718 | 3,404 |
| Other households (d) | 4,414,373 | 4,403,469 | 3,035 | 1,618 | 6,251 |
| – Housing | 3,866,919 | 3,862,237 | 2,832 | 783 | 1,067 |
| – Consumption | 83,808 | 83,746 | 50 | 12 | 0 |
| – Other | 463,646 | 457,486 | 153 | 823 | 5,184 |
| **TOTAL** | 13,130,196 | 12,112,348 | 877,906 | 74,227 | 65,715 |

| 31/12/2019 Spain | REGIONAL GOVERNMENTS Total | Navarre | Madrid | Basque country | La Rioja | Other |
|---|---|---|---|---|---|---|
| Central banks and credit institutions | 819,485 | 1 | 608,653 | 95,629 | 0 | 115,202 |
| General governments | 2,553,399 | 71,690 | 83,158 | 102,313 | 25,870 | 2,270,368 |
| – Central government | 2,204,172 | 0 | 0 | 0 | 0 | 2,204,172 |
| – Other public sector | 349,227 | 71,690 | 83,158 | 102,313 | 25,870 | 66,196 |
| Other financial corporations and self-employed (financial businesses) | 216,757 | 627 | 209,374 | 5,738 | 610 | 408 |
| Non-financial corporations and self-employed (non-financial businesses) | 4,119,238 | 1,672,060 | 257,358 | 1,501,685 | 373,167 | 314,968 |
| – Construction and real-estate development (including land) (b) | 320,356 | 126,965 | 896 | 148,754 | 12,942 | 30,799 |
| – Civil engineering | 191,858 | 83,649 | 23,651 | 72,862 | 10,721 | 975 |
| – Other | 3,607,024 | 1,461,446 | 232,811 | 1,280,069 | 349,504 | 283,194 |
| Large corporates (c) | 727,049 | 183,338 | 146,824 | 248,286 | 37,325 | 111,276 |
| SMEs and self-employed (c) | 2,879,975 | 1,278,108 | 85,987 | 1,031,783 | 312,179 | 171,918 |
| Other households (d) | 4,403,469 | 2,131,857 | 17,227 | 1,841,035 | 359,839 | 53,511 |
| – Housing | 3,862,237 | 1,835,676 | 14,172 | 1,680,254 | 286,137 | 45,998 |
| – Consumption | 83,746 | 48,848 | 295 | 26,171 | 6,851 | 1,581 |
| – Other | 457,486 | 247,333 | 2,760 | 134,610 | 66,851 | 5,932 |
| **TOTAL** | 12,112,348 | 3,876,235 | 1,175,770 | 3,546,400 | 759,486 | 2,754,457 |

| 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** |

| | | COMUNIDADES AUTÓNOMAS | | | | |
|---|---|---|---|---|---|---|
| **31/12/2018 Actividad en España** | **Total** | **Navarra** | **Madrid** | **Comunidad Autónoma Vasca** | **La Rioja** | **Resto** |
| Bancos centrales y entidades de crédito | 771.786 | 1 | 585.881 | 82.550 | - | 103.354 |
| Administraciones Públicas | 2.369.979 | 79.863 | 60.853 | 99.604 | 36.078 | 2.093.581 |
| – Administración Central | 2.037.878 | - | - | - | - | 2.037.878 |
| – Otras Administraciones Públicas | 332.101 | 79.863 | 60.853 | 99.604 | 36.078 | 55.703 |
| Otras sociedades financieras y empresarios individuales (actividad empresarial financiera) | 373.325 | 669 | 358.641 | 13.555 | 430 | 30 |
| Sociedades no financieras y empresarios individuales (actividad empresarial no financiera) | 3.857.131 | 1.270.071 | 783.888 | 1.237.464 | 317.596 | 248.112 |
| – Construcción y promoción inmobiliaria (incluido suelo) (b) | 349.034 | 112.733 | 21.657 | 165.171 | 17.955 | 31.518 |
| – Construcción de obra civil | 169.758 | 72.964 | 42.960 | 43.459 | 9.624 | 751 |
| – Resto de finalidades | 3.338.339 | 1.084.374 | 719.271 | 1.028.834 | 290.017 | 215.843 |
| Grandes empresas (c) | 646.965 | 92.268 | 296.555 | 153.223 | 25.575 | 79.344 |
| Pymes y empresarios individuales (c) | 2.691.374 | 992.106 | 422.716 | 875.611 | 264.442 | 136.499 |
| Resto hogares (d) | 4.315.916 | 2.163.872 | 17.315 | 1.747.475 | 335.919 | 51.335 |
| – Viviendas | 3.761.331 | 1.828.532 | 14.774 | 1.596.458 | 275.619 | 45.948 |
| – Consumo | 78.989 | 45.262 | 192 | 25.842 | 6.424 | 1.269 |
| – Otros fines | 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** |

(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.
- A plan based on the sale of assets can be considered viable provided there has been no prior refinancing based on the same grounds.

**- 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 2019 and 2018, of the refinancing, refinanced and restructured loans made by the Bank:

| 31 December 2019 | 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 | 41 | 41 | - | (5) | - | - | 1 | 41 | 41 | - | (5) |
| **Non-financial corporations and self-employed (non-financial businesses)** | 51 | 5,382 | 113 | 25,457 | 14,245 | 335 | (11,079) | 26 | 3,365 | 50 | 15,139 | 6,848 | 336 | (9,940) |
| *Of which: Loans for construction and real estate development (including land)* | *16* | *311* | *60* | *11,716* | *7,196* | *36* | *(4,994)* | *10* | *256* | *26* | *7,993* | *4,693* | *36* | *(4,544)* |
| **Other households** | 44 | 978 | 139 | 16,706 | 10,289 | 9 | (4,912) | 21 | 418 | 45 | 8,034 | 4,429 | - | (4,075) |
| **Total** | **95** | **6,360** | **253** | **42,204** | **24,575** | **344** | **(15,996)** | **47** | **3,783** | **96** | **23,214** | **11,318** | **336** | **(14,020)** |
| **NEW INFORMATION** | | | | | | | | | | | | | | |
| Loans classified as non-current assets and liabilities and disposal groups held for sale | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

| 31 December 2018 | 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 | - | (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 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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

Caja 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 2019, it was estimated that a 200 basis point decline in interest rates would reduce net interest income by 17.61% (at 31 December 2018 the impact of such a movement was estimated to be a 1.45% 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.

| 2019 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | Thousands of euros | | | | | | | | |
| Assets | | | | | | | | | |
| Loans and advances – Credit institutions | 94,949 | - | - | 13,487 | - | - | - | - | 108,436 |
| Loans and advances – Customers | 1,131,182 | 1,656,353 | 3,894,346 | 697,606 | 202,443 | 126,257 | 99,906 | 368,460 | 8,176,553 |
| Debt securities | 68,576 | 90,276 | 126,247 | 449,461 | 506,265 | 279,936 | 963,735 | 1,229,392 | 3,713,888 |
| Total | 1,294,707 | 1,746,629 | 4,020,593 | 1,160,554 | 708,708 | 406,193 | 1,063,641 | 1,597,852 | 11,998,877 |
| Liabilities | | | | | | | | | |
| Deposits – Central banks | - | - | 98,769 | 479,554 | 349,937 | - | - | - | 928,260 |
| Deposits – Credit institutions | 101,056 | 3,475 | 6,487 | 31,443 | 227 | 116 | 78 | 90,034 | 232,916 |
| Deposits– Customers | 1,829,675 | 725,835 | 2,084,789 | 308,697 | 150,634 | 248,080 | 252,410 | 3,129,349 | 8,729,469 |
| Debt securities issued | - | 99,850 | - | - | 500,583 | 498,932 | - | 561,754 | 1,661,119 |
| Total | 1,930,731 | 829,160 | 2,190,045 | 819,694 | 1,001,381 | 747,128 | 252,488 | 3,781,137 | 11,551,764 |
| Gap | (636,024) | 917,469 | 1,830,548 | 340,860 | (292,673) | (340,935) | 811,153 | (2,183,284) | 447,114 |
| Cumulative gap | (636,024) | 281,445 | 2,111,993 | 2,452,853 | 2,160,180 | 1,819,245 | 2,630,398 | 447,114 | 447,114 |

| 2018 | 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 |
|---|---|---|---|---|---|---|---|---|---|
| | Thousands of euros | | | | | | | | |
| 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 |

**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 621 thousand at 31 December 2019 (compared with EUR 598 thousand at 31 December 2018). 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 2019 and 2018 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.

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| **2019** | Demand | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
| Assets | | | | | | | |
| Loans and advances – Credit institutions | - | 94,949 | - | - | 13,487 | - | 108,436 |
| Loans and advances – Customers | - | 409,844 | 373,205 | 893,067 | 3,086,068 | 4,364,166 | 9,126,350 |
| Debt securities | - | 73,775 | 17,659 | 162,987 | 2,542,060 | 1,001,229 | 3,797,710 |
| Total | - | 578,568 | 390,864 | 1,056,054 | 5,641,615 | 5,365,395 | 13,032,496 |
| Liabilities | | | | | | | |
| Deposits – Central banks | - | - | - | 98,769 | 829,491 | - | 928,260 |
| Deposits – Credit institutions | - | 459 | 627 | 3,442 | 117,796 | 114,006 | 236,330 |
| Deposits – Customers | - | 1,823,116 | 705,426 | 2,051,253 | 1,013,197 | 3,141,453 | 8,734,445 |
| Debt securities issued | - | - | 5,051 | 9,343 | 1,148,420 | 565,420 | 1,728,234 |
| Total | - | 1,823,575 | 711,104 | 2,162,807 | 3,108,904 | 3,820,879 | 11,627,269 |
| Gap | - | (1,245,007) | (320,240) | (1,106,753) | 2,532,711 | 1,544,516 | 1,405,227 |
| Cumulative gap | - | (1,245,007) | (1,565,247) | (2,672,000) | (139,289) | 1,405,227 | 1,405,227 |

| | Thousands of euros | | | | | | |
|---|---|---|---|---|---|---|---|
| **2018** | Deman d | Less than 1 month | 1 to 3 months | 3 months to 1 year | 1 to 5 years | More than 5 years | Total |
| 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 |

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 2019 and 2018, of the financial assets and liabilities indicated below grouped according to the different measurement methods used by the Group to determine fair value:

| | Thousands of euros | | | | |
|---|---|---|---|---|---|
| **2019** | Total | Fair | Fair value hierarchy | | |
| | Balance | value | Level 1 | Level 2 | Level 3 |
| Cash, cash balances at central banks and other demand deposits | 412,390 | 412,390 | 412,390 | - | - |
| Financial assets held for trading | 6,717 | 6,717 | 3,891 | 2,371 | 455 |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | 11,959 | 11,959 | 11 | 3,659 | 8,289 |
| Financial assets at fair value through other comprehensive income | 1,338,129 | 1,338,129 | 1,140,889 | 2,426 | 194,814 |
| Financial assets at amortized cost | 10,876,659 | 11,819,473 | 2,713,790 | 8,936,009 | 169,674 |
| Derivatives – hedge accounting | 10,666 | 10,666 | - | - | 10,666 |
| **Total financial assets** | 12,656,520 | 13,599,334 | 4,270,971 | 8,944,465 | 383,898 |
| Financial liabilities held for trading | 854 | 854 | - | 847 | 7 |
| Financial liabilities at amortized cost | 11,664,632 | 11,720,884 | | 11,501,987 | 218,897 |
| Derivatives – hedge accounting | - | - | - | - | - |
| **Total financial liabilities** | 11,665,486 | 11,721,738 | - | 11,502,834 | 218,904 |

| 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 | - |

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 amortization. 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 2019 and 2018. Movements in Level 3 assets during both years were as follows:

| | Assets | Liabilities |
|---|---|---|
| **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** |
| Valuation adjustments recognized in income | - | - |
| Valuation adjustments not recognized in income | 20,846 | - |
| Purchases, sales and settlements | 80,306 | (10,954) |
| Net inflows/(outflows) to Level 3 | - | - |
| Translation and other differences | - | - |
| **Balance at 31 December 2019** | **383,898** | **218,904** |

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.l).

***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 2019 and 2018 was as follows:

| | 2019 | | |
|---|---|---|---|
| | 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)** | 304,095 | 134,507 | 9,620 |
| Of which: in arrears/doubtful | 9,220 | 5,930 | 5,249 |
| **Memorandum items:** Write-offs | 51,780 | | |

| **Memorandum items:** | |
|---|---|
| - Loans and advances to customers, excluding public sector (Spanish businesses) (carrying amount) | 7,910,464 |
| - Total assets (all businesses) | 13,133,114 |
| - Impairment and provisions for exposures classified as standard (all business) | 47,443 |

| | 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) | 7,587,328 |
| - Total assets (all businesses) | 12,202,285 |
| - Impairment and provisions for exposures classified as standard (all business) | 53,928 |

The table below shows disclosures of finance for construction, real estate development and home loans at 31 December 2019 and 2018:

| | Loans for construction and real estate development. Gross carrying amount | |
|---|---|---|
| | 2019 | 2018 |
| Unsecured by property | 36,418 | 39,936 |
| Secured by property | 267,677 | 284,962 |
| Buildings and other completed constructions | 33,958 | 49,845 |
| Homes | 29,432 | 44,636 |
| Other | 4,526 | 5,209 |
| Buildings and other constructions under construction | 201,182 | 211,977 |
| Homes | 197,639 | 210,777 |
| Other | 3,543 | 1,200 |
| Land | 32,537 | 23,140 |
| Consolidated urban land | 26,194 | 17,682 |
| Other land | 6,343 | 5,458 |
| **Total** | **304,095** | **324,898** |

## Information on home loans

The breakdown of home loans at 31 December 2019 and 2018, is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Gross carrying amount | Of which: in arrears/doubtful | Gross carrying amount | Of which: in arrears/doubtful |
| Home loans | 3,724,888 | 28,255 | 3,605,080 | 27,180 |
| Unsecured by mortgages | 82,145 | 431 | 76,350 | 283 |
| Secured by mortgages | 3,642,743 | 27,824 | 3,528,730 | 26,897 |

At 31 December 2019 and 2018 the breakdown of home loans secured by mortgages according to the percentage loan to latest available value is as follows:

| | LTV | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | | | |
| | LTV under 40% | LTV 40-60% | LTV 60-80% | LTV 80-100% | LTV over 100% | Total |
| Gross carrying amount | 390,482 | 682,323 | 1,211,626 | 692,501 | 665,811 | 3,642,743 |
| Of which: in arrears/doubtful | 3,158 | 3,801 | 5,683 | 3,309 | 11,873 | 27,824 |

| | 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 |

### Information on assets acquired in settlement of debt

The detail of assets acquired in settlement of debt at 31 December 2019 and 2018 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | Gross carrying amount | Cumulative impairment | Gross carrying amount | Cumulative impairment |
| Real estate assets acquired from construction and real estate development loans | 42,928 | 15,524 | 44,956 | 15,151 |
| Buildings and other completed constructions | 7,183 | 905 | 8,451 | 1,595 |
| Homes | 3,971 | 784 | 5,781 | 1,120 |
| Other | 3,212 | 121 | 2,670 | 475 |
| Buildings and other constructions under construction | 49 | 49 | 305 | - |
| Homes | - | - | 305 | - |
| Other | 49 | 49 | - | - |
| Land | 35,696 | 14,570 | 36,200 | 13,556 |
| Consolidated urban land | 16,259 | 7,683 | 16,297 | 6,949 |
| Other land | 19,437 | 6,887 | 19,903 | 6,607 |
| Real estate assets originating from loans to individuals to fund home purchases | 6,647 | 841 | 7,278 | 670 |
| Other real estate assets foreclosed or received in settlement of debt | 11,382 | 2,074 | 13,374 | 1,885 |
| Equity instruments foreclosed or received in settlement of debt | 945 | - | 945 | - |
| 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** | **61,902** | **18,439** | **66,553** | **17,706** |

### 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.

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 2019 and 2018 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.e).

The cumulative volume of assets transferred to Promoción Estable del Norte, S.A. at 31 December 2019 and 2018 was EUR 24,204 thousand and EUR 26,382 thousand and the net carrying amount of the company at these two dates was EUR 14,002 thousand and EUR 15,553 thousand, respectively. At 31 December 2019 the balance of capital or member contributions transferred to the company was EUR 95,300 thousand (EUR 103,921 thousand at 31 December 2018), against a revaluation for impairment of EUR 76,028 thousand (EUR 76,713 thousand at 31 December 2018).

**Assessment of market financing needs**

Caja Rural de Navarra has historically adhered to a liquidity management policy that does not rely on wholesale financing that involves future repayment commitments. 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 to grow its core business (loans and advances).

Notwithstanding the foregoing, the Group has concluded a number of issues on the market for the following purposes:

- To increase and diversify available liquidity.
- To maintain ample regulatory liquidity ratios
- To gain experience of different forms of financing in different markets and instruments and maintain an ongoing relationship with investors and other market participants such as investment banks and rating agencies.

- To strengthen its Sustainability strategy based on issues made within the existing sustainability framework.
- To generate collateral discountable at the European Central Bank and/or usable as security for secured financing transactions at 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 2019 and 2018 is as follows:

| | Thousands of Euros | |
|---|---|---|
| | **2019** | **2018** |
| Cash | 49,990 | 46,194 |
| Cash balances at central banks | - | - |
| Other demand deposits | 362,400 | 305,255 |
| | **412,390** | **351,449** |

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 49,810 thousand and EUR 111,916 thousand at 31 December 2019 and 2018, 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 2019 was -0.22% (-0.40% in 2018). Interest accrued on the financial assets included in this portfolio in 2019 totalled a negative EUR 750 thousand compared with a negative EUR 1,163 thousand in 2018 (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 2019 and 2018 by type of counterparty and type of instrument is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2019 | 2018 | 2019 | 2018 |
| **By counterparty** | | | | |
| Credit institutions | 2,067 | 3,307 | 312 | 320 |
| Other resident sectors | 4,650 | 4,096 | 542 | 449 |
| Other non-resident sectors | - | 327 | - | - |
| **Total** | **6,717** | **7,730** | **854** | **769** |
| **By type of instrument** | | | | |
| Derivatives | 2,826 | 2,643 | 854 | 769 |
| Equity instruments | 3,891 | 3,727 | - | - |
| Debt securities | - | 1,360 | - | - |
| **Total** | **6,717** | **7,730** | **854** | **769** |

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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Shares in credit institutions | 1,075 | 968 |
| Shares in other resident companies | 2,816 | 2,432 |
| Shares in other non-resident companies | - | 327 |
| **Total** | **3,891** | **3,727** |

All securities classified as "Equity instruments" at 31 December 2019 and 2018 were shares listed for trading on official markets.

### Financial assets held for trading. Derivatives

This line includes, at 31 December 2019 and 2018:

- 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 | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **By type of market** | | | | | | |
| Bilateral (OTC) markets | 312,813 | 280,448 | 2,826 | 2,643 | 854 | 769 |
| **TOTAL** | **312,813** | **280,448** | **2,826** | **2,643** | **854** | **769** |
| **By type of product** | | | | | | |
| Swaps | 158,753 | 179,237 | 1,925 | 1,868 | - | - |
| Futures | 56,325 | 38,029 | 474 | 469 | 427 | 463 |
| Options | 97,735 | 63,182 | 427 | 306 | 427 | 306 |
| **TOTAL** | **312,813** | **280,448** | **2,826** | **2,643** | **854** | **769** |
| **By counterparty** | | | | | | |
| Resident credit institutions | 235,339 | 230,246 | 2,476 | 2,316 | 312 | - |
| Other resident sectors | 77,474 | 50,202 | 350 | 327 | 542 | 769 |
| **TOTAL** | **312,813** | **280,448** | **2,826** | **2,643** | **854** | **769** |
| **By residual term to maturity** | | | | | | |
| Less than 1 year | 56,325 | 38,029 | 474 | 469 | 427 | 463 |
| 1 to 5 years | 97,735 | 63,182 | 427 | 306 | 427 | 306 |
| More than 5 years | 158,753 | 179,237 | 1,925 | 1,868 | - | - |
| **TOTAL** | **312,813** | **280,448** | **2,826** | **2,643** | **854** | **769** |
| **By type of risk** | | | | | | |
| Interest rate risk | 158,753 | 179,237 | 1,925 | 1,868 | - | - |
| Equity risk | 97,735 | 63,182 | 427 | 306 | 427 | 306 |
| Currency risk | 56,325 | 38,029 | 474 | 469 | 427 | 463 |
| **TOTAL** | **312,813** | **280,448** | **2,826** | **2,643** | **854** | **769** |

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 | |
|---|---|---|
| | **2019** | **2018** |
| **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 | |
|---|---|---|
| | 2019 | 2018 |
| **By counterparty** | | |
| Spanish public sector | 484,349 | 326,521 |
| Non-resident General governments | 2,150 | - |
| Credit institutions | 355,343 | 85,511 |
| Other resident sectors | 289,779 | 242,170 |
| Other non-resident sectors | 206,508 | 92,288 |
| **Total** | **1,338,129** | **746,490** |
| **By type of instrument** | | |
| Debt securities | 1,110,259 | 544,377 |
| Spanish government debt | 484,349 | 326,521 |
| Non-resident General governments | 2,150 | - |
| Issued by credit institutions | 349,361 | 75,988 |
| Other Spanish fixed-income securities | 71,074 | 50,561 |
| Other non-resident fixed-income securities | 203,325 | 91,307 |
| Equity instruments | 227,870 | 202,113 |
| Shares in credit institutions | 5,982 | 9,523 |
| Shares in Spanish companies | 218,705 | 191,325 |
| Shares in foreign companies | 3,181 | 968 |
| Units and shares in investment funds | 2 | 297 |
| **Total** | **1,338,129** | **746,490** |

The average annual interest rate for debt securities included in "Available-for-sale financial assets" in 2019 was 0.88% (1.46% in 2018), while interest accrued in 2019 on these financial assets was EUR 4,063 thousand (EUR 1,763 thousand in 2018) (Note 25).

A breakdown by residual term to maturity at 31 December 2019 and 2018 is given in Note 6.

At the close of 2019 and 2018, 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Thousands of euros | % of total | Thousands of euros | % of total |
| Listed for trading | 31,637 | 13.88% | 27,565 | 13.64% |
| Not listed for trading | 196,233 | 86.12% | 174,548 | 86.36% |
| | 227,870 | 100.00% | 202,113 | 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 2019 | 2018 |
|---|---|---|
| **Company** | | |
| Banco Cooperativo Español, S.A. (*) | 5 | 5 |
| Seguros Generales Rural, S.A. de Seguros y Reaseguros (*) | 1 | 1 |
| Grucajrural Inversiones, S.L. (*) | 176,134 | 153,554 |
| Espiga Capital Inversión, Sociedad de Capital Riesgo | 739 | 694 |
| Espiga Capital Inversión II, Sociedad de Capital Riesgo de Régimen Simplificado, S.A. | 167 | 183 |
| Espiga Equity Fund, Fondo de Capital Riesgo de Régimen Simplificado | 473 | 370 |
| Rural Servicios Informáticos, S.C. (*) | 8,752 | 7,158 |
| Docalia, S.L. (*) | 1,610 | 1,371 |
| Nessa Global Banking Solutions, S.A. | 274 | 274 |
| DZ Bank A.G. | 1,219 | 1,264 |
| Minicentrales Canal de las Bardenas A.I.E. | 180 | 180 |
| Mondragón Navarra, S.P.E., S.A. | - | 176 |
| Start-Up Capital Navarra, S.A. | 137 | 137 |
| Idifarma Desarrollo Farmaceútico, S.L. | - | 310 |
| 3P Biopharmaceuticals, S.L. | - | 558 |
| Caja Rural de Jaén, S.C.C. | 648 | 648 |
| Caja Rural de Burgos, Fuentepelayo, Segovia y Castelldans, S.C.C. | 983 | 1,311 |
| Caja Rural de Extremadura, S.C.C. | - | 1,377 |
| Caja Rural de Teruel, S.C.C. | 71 | - |
| Other | 4,840 | 4,977 |
| **Total** | **196,233** | **174,548** |

(*) 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 2019 and 2018.

The breakdown of "Accumulated other comprehensive income" shown under equity at 31 December 2019 and 2018 resulting from changes in the fair value of the assets in this portfolio is as follows:

| | Thousands of euros 2019 | 2018 |
|---|---|---|
| Debt securities | 6,957 | (2,353) |
| Equity instruments | 29,269 | 8,928 |
| | 36,226 | 6,575 |

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**

Details of the valuation adjustments recognized by the Group at the 2019 and 2018 accounting close due to the impairment of debt securities included in "Financial assets at fair value through other comprehensive income" are as follows:

| | 2019 | 2018 |
|---|---|---|
| Closing balance at end of the prior year | 717 | 894 |
| Effect of the first-time application of IFRS 9 (Note 1.b) and other movements | - | (160) |
| Opening balance | 717 | 734 |
| Net additions charged/(credited) to income (Note 34) | 865 | (735) |
| Balances for the year | - | - |
| Other movements | - | 718 |
| Closing balance | 1,582 | 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 | |
|---|---|---|
| | 2019 | 2018 |
| Loans and advances | | |
| Credit institutions | 108,436 | 100,002 |
| Customers | 8,168,732 | 7,778,800 |
| Debt securities | 2,599,491 | 2,716,139 |
| **Total** | **10,876,659** | **10,594,941** |

### *Loans and advances – Credit institutions*

The breakdown of this line of the consolidated statement of financial position by type of credit facility and the region in which the borrower is resident is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| **By type** | | |
| Term deposits | 98,324 | 88,418 |
| Other assets | 9,992 | 11,478 |
| **Total** | **108,316** | **99,896** |
| Valuation adjustments | 120 | 106 |
| **Total** | **108,436** | **100,002** |
| **By currency** | | |
| Euro | 94,822 | 87,783 |
| US dollar | 12,521 | 10,012 |
| Other | 1,093 | 2,207 |
| **Total** | **108,436** | **100,002** |

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, as allowed under Article 10 of the same Regulation. Accordingly, the Bank holds a deposit in the Banco Cooperativo Español, S.A. for indirect compliance with the minimum reserves rate, recognized under "Term accounts", with a balance at 31 December 2019 of EUR 84,836 thousand, compared with EUR 76,493 thousand at 31 December 2018.

A breakdown by residual term to maturity in 2019 and 2018 is given in Note 6.

The average annual interest rate applied to deposits with credit institutions in 2019 was 0.71% (0.25% in 2018). Interest accrued on the financial assets included in this portfolio in 2019 totalled EUR 734 thousand compared with EUR 274 thousand in 2018 (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 | |
|---|---|---|
| | **2019** | **2018** |
| **By loan type and status** | | |
| Commercial credit | 666,276 | 566,768 |
| Secured loans | 5,047,020 | 4,929,242 |
| Other term loans | 2,043,569 | 1,922,932 |
| Finance leases | 197,624 | 194,805 |
| Repayable on demand and other | 52,590 | 52,493 |
| Other financial assets | 125,608 | 116,633 |
| Doubtful assets | 162,817 | 140,122 |
| **Total** | **8,295,504** | **7,922,995** |
| Valuation adjustments | (126,772) | (144,195) |
| **Total** | **8,168,732** | **7,778,800** |
| **By borrower sector** | | |
| General governments | 202,845 | 171,636 |
| Other resident sectors | 7,892,492 | 7,542,912 |
| Non-resident sectors | 73,395 | 64,252 |
| **Total** | **8,168,732** | **7,778,800** |
| **By interest rate type** | | |
| Floating | 7,091,313 | 7,005,246 |
| Fixed | 1,204,191 | 917,749 |
| **Total** | **8,295,504** | **7,922,995** |
| Valuation adjustments | (126,772) | (144,195) |
| **Total** | **8,168,732** | **7,778,800** |

The average annual interest rate applied to the financial instruments included in this item in 2019 was 1.55% (1.63% in 2018) and the interest accrued was EUR 123,114 thousand (EUR 122,079 thousand in 2018) (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 160,252 thousand and EUR 190,192 thousand at 31 December 2019 and 2018, respectively.

In addition, liabilities of EUR 8,584 thousand and EUR 8,405 thousand were recognized in "Financial liabilities at amortized cost – Deposits – Customers" in the statements of financial position at 31 December 2019 and 2018, 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 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 28,873 thousand outstanding with the aforementioned securitization funds at 31 December 2019 (EUR 31,351 thousand at 31 December 2018).

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 | 2019 | 2018 |
| Valuation adjustments for impairment of financial assets | (129,572) | (144,448) |
| Accrued interest | 7,779 | 7,469 |
| Fees and commissions | (10,448) | (7,216) |
| Transaction costs | 5,469 | - |
| | (126,772) | (144,195) |

***Loans and advances – Customers. Valuation adjustments for impairment of financial assets***

Details of the movement in 2019 and 2018 in "Valuation adjustments for impairment of financial assets" forming part of the balance of the "Loans and receivables – Customers" line are as follows:

| | Phase 1 | Phase 2 | Phase 3 | Total |
|---|---|---|---|---|
| Opening balance 2019 | 31,990 | 20,372 | 92,086 | 144,448 |
| Increases from origination/(Reductions from derecognition) | 5,637 | (1,379) | (6,463) | (2,205) |
| Changes in credit risk (net) | (3,227) | 4,693 | 11,250 | 12,716 |
| Changes without derecognition (net) | - | 13 | 29 | 42 |
| Decreases due to derecognised write-offs | - | - | (24,538) | (24,538) |
| Other movements | (391) | (11,403) | 10,903 | (891) |
| Closing balance at end-2019 | 34,009 | 12,296 | 83,267 | 129,572 |

| | Phase 1 | Phase 2 | Phase 3 | Total |
|---|---|---|---|---|
| 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 |
| Opening balance | 33,228 | 26,041 | 98,660 | 157,929 |
| Net additions charged/(credited) to income | (1,864) | (4,399) | 20,122 | 13,859 |
| Balances for the year | - | - | (21,816) | (21,816) |
| Other movements | 626 | (1,270) | (4,880) | (5,524) |

(*) Corresponds to balances in "Loans and receivables" (Note 1.c).

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 2019 and 2018, is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Net impairment in the period | 16,840 | 12,294 |
| Suspense items recovered | (4,981) | (5,674) |
| Assets directly derecognized | 865 | 993 |
| Other items | - | 1 |
| Total (Note 34) | 12,724 | 7,614 |

The impairment losses recognized at 31 December 2019 and 2018 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 | |
|---|---|---|
| | **2019** | **2018** |
| **Counterparty** | | |
| Spanish public sector | 1,794,332 | 1,870,509 |
| Non-resident General governments | 226,449 | 206,767 |
| Credit institutions | 350,165 | 336,136 |
| Other resident sectors | 155,455 | 193,083 |
| Other non-resident sectors | 74,228 | 111,209 |
| **Total** | **2,600,629** | **2,717,704** |
| Valuation adjustments for impairment of financial assets | (1,138) | (1,565) |
| **Total** | **2,599,491** | **2,716,139** |

The average annual interest rate for debt securities included in "Available-for-sale financial assets" in 2019 was 0.98% (1.02% in 2018), while interest accrued in 2019 on these financial assets was EUR 27,463 thousand (EUR 30,062 thousand in 2018) (Note 25).

A breakdown by residual term to maturity at 31 December 2019 and 2018 is given in Note 6.

Details of the valuation adjustments for asset impairment recognized by the Group at the close of 2019 and 2018 for "Debt securities" included in "Financial assets at amortized cost" are as follows:

| | **2019** | **2018** |
|---|---|---|
| Closing balance at end of the prior year | 1,565 | 344 |
| Effect of the first-time application of IFRS 9 (Note 1.b) | - | 516 |
| Opening balance | 1,565 | 860 |
| Net additions charged/(credited) to income (Note 34) | (427) | 705 |
| Balances for the year | - | - |
| Other movements | - | - |
| Closing balance | 1,138 | 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 2019 and 2018:

- **Impaired assets**

| | **2019** | **2018** |
|---|---|---|
| Up to 6 months overdue or not due | 73,967 | 51,316 |
| 6 to 9 months overdue | 20,401 | 12,272 |
| 9 to 12 months overdue | 14,449 | 8,948 |
| 12 to 15 months overdue | 3,802 | 4,570 |
| 15 to 18 months overdue | 3,063 | 11,187 |
| 18 to 21 months overdue | 6,222 | 5,596 |
| More than 21 months overdue | 40,913 | 46,233 |
| | 162,817 | 140,122 |

Accumulated finance income from impaired financial assets not recognized in income at 31 December 2019 and 2018 amounted to EUR 3,932 thousand and EUR 3,882 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** | |
|---|---|---|
| | **2019** | **2018** |
| **Opening balance** | **223,712** | **205,490** |
| Additions | 30,758 | 28,666 |
| Charged to valuation adjustments for impairment of financial assets | 24,537 | 21,816 |
| Charged directly to income | 865 | 993 |
| Receivables past-due but not collected | 5,356 | 5,857 |
| Recoveries | (4,981) | (5,674) |
| Collected in cash | (4,981) | (5,674) |
| Definitively derecognized | (2,687) | (4,770) |
| Due to write-offs | (2,687) | (4,770) |
| **Closing balance** | **246,802** | **223,712** |

## 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 2019 and 2018 is as follows:

| | 20198 | 20187 |
|---|---|---|
| Debt securities | 4,138 | 7,170 |
| Loans and advances | 7,821 | 10,385 |
| | **11,959** | **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 2019 and 2018, 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 2019 and 2018 was as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Assets | | Liabilities | |
| | 2019 | 2018 | 2019 | 2018 |
| Micro-hedging | | | | |
| Fair value hedges | 10,666 | 4,774 | - | 251 |
| | 10,666 | 4,774 | - | 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 | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **By type of market** | | | | | | |
| Bilateral (OTC) markets | 298,869 | 281,591 | 10,666 | 4,774 | - | 251 |
| **TOTAL** | **298,869** | **281,591** | **10,666** | **4,774** | **-** | **251** |
| **By type of product** | | | | | | |
| Swaps | 298,869 | 281,591 | 10,666 | 4,774 | - | 251 |
| **TOTAL** | **298,869** | **281,591** | **10,666** | **4,774** | **-** | **251** |
| **By counterparty** | | | | | | |
| Resident credit institutions | 298,869 | 281,591 | 10,666 | 4,774 | - | 251 |
| Other resident sectors | - | - | - | - | - | - |
| **TOTAL** | **298,869** | **281,591** | **10,666** | **4,774** | **-** | **251** |
| **By residual term to maturity** | | | | | | |
| Less than 1 year | - | 1,350 | - | - | - | 4 |
| 1 to 5 years | 48,869 | 30,241 | 21 | - | - | 247 |
| More than 5 years | 250,000 | 250,000 | 10,645 | 4,774 | - | - |
| **TOTAL** | **298,869** | **281,591** | **10,666** | **4,774** | **-** | **251** |
| **By type of risk** | | | | | | |
| Interest rate risk | 298,869 | 281,591 | 10,666 | 4,774 | - | 251 |
| Equity risk | - | - | - | - | - | - |
| **TOTAL** | **298,869** | **281,591** | **10,666** | **4,774** | **-** | **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 2019, the Group recognized net gains of EUR 5,837 thousand as a result of changes in the fair value of hedging transactions (compared with a net gain of EUR 5,869 thousand in 2018). With regard to the hedged items, a net loss of EUR 5,798 thousand attributable to the hedged risk was recognized in 2019 (versus a net loss of EUR 5,769 thousand in 2018). The net amount from hedges and losses on hedged items was recognized under "Net gain/(loss) from hedge accounting" in the consolidated income statement for 2019 and 2018.

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 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Tangible assets | 42,781 | 48,212 |
| Investment property | 267 | 272 |
| Foreclosed property and equipment | 61,153 | 65,805 |
| Valuation adjustments for impairment of financial assets | (18,639) | (17,865) |
| | 42,781 | 48,212 |

Movements in "Investment property" and "Foreclosed tangible assets" included in "Non-current assets held for sale" in 2019 and 2018 were as follows:

| | Thousands of euros | |
|---|---|---|
| | Investment property | Foreclosed tangible assets |
| **Cost -** | | |
| 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 |
| Additions | - | 7,281 |
| Retirements and writedowns | - | (11,933) |
| Transfers | - | - |
| Other movements | - | - |
| **Balance at 31 December 2019** | 442 | 61,153 |
| **Accumulated depreciation-** | | |
| Balance at 31 December 2017 | 165 | - |
| Provisions | 5 | - |
| Retirements and writedowns | - | - |
| Transfers | - | - |
| Balance at 31 December 2018 | 170 | - |
| Provisions | 5 | - |
| Retirements and writedowns | - | - |
| Transfers | - | - |
| **Balance at 31 December 2019** | 175 | - |
| **Property and equipment, net -** | | |
| **Balance at 31 December 2018** | 272 | 65,805 |
| **Balance at 31 December 2019** | 267 | 61,153 |

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 2019 and 2018 were as follows:

| | 2019 | 2018 |
|---|---|---|
| Opening balance | 17,865 | 15,602 |
| Net additions charged to income (Note 35) | 2,104 | 2,789 |
| Reversals or sales | - | - |
| Transfers | (1,330) | (526) |
| Closing balance | 18,639 | 17,865 |

## 14. Investments in joint ventures and associates

The detail of the Bank's equity investments at 31 December 2019 and 2018, by company, was as follows:

| | % ownership interest | | Thousands of euros: Acquisition cost | | Thousands of euros: Net carrying amount | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Associates | | | | | | |
| Bodegas Príncipe de Viana, S.L. | 50.00% | 50.00% | 11,015 | 11,015 | 13,684 | 13,340 |
| Omegageo, S.L. | 50.00% | 50.00% | 1,092 | 1,092 | 1,018 | 833 |
| Renovables de la Ribera, S.L. | 50.00% | 50.00% | 10,820 | 820 | 10,767 | 797 |
| Rural de Energía de Tierras Altas, S.A. | 50.00% | - | 30 | - | 45 | - |
| Bosqalia, S.L. | 48.40% | 48.40% | 1,452 | 1,452 | 634 | 760 |
| Errotabidea, S.L. | 46.01% | 46.01% | 8,431 | 8,431 | 9,767 | 10,244 |
| Servicios Empresariales Agroindustriales, S.A. | 33.33% | 33.33% | 30 | 30 | 91 | 91 |
| Rioja Vega, S.A. | 25.07% | 25.07% | 4,491 | 4,491 | 2,440 | 2,461 |
| Investi Navarra In Est, S.L. | - | 25.00% | - | 5,000 | - | - |
| Rural de Energías Aragonesas, S.A. | 25.00% | 25.00% | 475 | 475 | 330 | 330 |
| Compañía Eólica de Tierras Altas, S.A. | 23.75% | 23.75% | 3,184 | 3,184 | 5,438 | 6,447 |
| Iparlat, S.A. | 21.54% | 21.54% | 4,836 | 4,836 | 14,096 | 13,678 |
| Iberjalón, S.A. | 20.00% | 20.00% | 2,222 | 990 | 2,192 | 964 |
| **Total** | | | **48,078** | **41,816** | **60,502** | **49,945** |

At 31 December 2019, EUR 149 thousand of implied goodwill was recognized in the carrying amount of subsidiaries. At 31 December 2018, there was no implied goodwill.

The activities, registered offices and key performance indicators of companies accounted for by the equity method at 31 December 2019 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 | 47,988 | 27,898 | 701 |
| Omegageo, S.L. | Pamplona | Civil engineering and building projects | 1,909 | 1,609 | (1) |
| Renovables de la Ribera, S.L. | Pamplona | Construction and operation of wind farms | 81,019 | 21,533 | (60) |
| Bosqalia, S.L. | Pamplona | Forestry | 4,931 | 1,310 | (287) |
| Errotabidea, S.L. | Pamplona | Development and management of rent-controlled housing | 42,108 | 23,601 | 1,347 |
| Servicios Empresariales Agroindustriales, S.A. | Pamplona | Management of cooperative services | 1,159 | 408 | 27 |
| Rioja Vega, S.A. | Viana (Navarre) | Production and sale of wine | 16,621 | 9,801 | (82) |
| Rural de Energías Aragonesas, S.A. | Zaragoza | Generation and sale of renewable energy | 1,327 | 1,327 | 5 |
| Compañía Eólica de Tierras Altas, S.A. | Soria | Construction and operation of wind farms | 27,399 | 22,895 | 2,254 |
| Iparlat, S.A. | Urnieta (Guipúzcoa) | Production of dairy products | 147,653 | 68,615 | 3,075 |
| Iberjalón, S.A. | Zaragoza | Construction and operation of wind farms | 20,484 | 10,212 | (159) |

The activities, registered offices and key performance indicators of companies accounted for by the equity method at 31 December 2018 were 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) |
| Rural de Energías Aragonesas, S.A. | Zaragoza | Generation and sale of renewable energy | 0 | 0 | 0 |
| Compañía Eólica de Tierras Altas, S.A. | Soria | Construction and operation of wind farms | 1,307 | 1,317 | (17) |
| Iparlat, S.A. | Urnieta (Guipúzcoa) | Production of dairy products | 30,397 | 27,147 | 3,203 |
| Iberjalón, S.A. | Zaragoza | Construction and operation of wind farms | 134,092 | 67,093 | 5,366 |

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 2019 and 2018, 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 2019 and 2018 were as follows:

| | Thousands of euros |
|---|---|
| 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 |
| Additions | 11,262 |
| Profit or (-) loss of companies accounted for using the equity method | 1,491 |
| Retirements | (2,196) |
| Transfers | - |
| Balance at 31 December 2019 | 60,502 |

In accordance with the criterion in Note 2.g, no impairment losses were recorded against investments in these companies at 31 December 2019 and 2018.

## 15. Tangible assets, intangible assets and business combinations

### *Tangible assets*

Movements in "Tangible assets" on the consolidated statement of financial position in 2019 and 2018 were as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Property and equipment | | | |
| | For own use | Assigned to social projects | Investment property | Total |
| **Cost -** | | | | |
| 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** |
| Additions | 27,160 | - | 230 | 27,390 |
| Retirements and writedowns | (4,607) | - | (14) | (4,621) |
| Additions/(retirements) in business combinations | - | - | - | - |
| Transfers | 149 | - | 227 | 376 |
| **Balance at 31 December 2019** | **451,706** | **416** | **14,544** | **466,666** |
| | | | | |
| **Accumulated depreciation-** | | | | |
| 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** |
| Provisions | 15,423 | - | 276 | 15,699 |
| Retirements and writedowns | (2,886) | - | - | (2,886) |
| Additions/(retirements) in business combinations | - | - | - | - |
| Transfers | 149 | - | (699) | (550) |
| **Balance at 31 December 2019** | **233,568** | **245** | **2,402** | **236,215** |
| | | | | |
| **Valuation adjustments for impairment -** | | | | |
| Balance at 31 December 2017 | - | - | 2,314 | 2,314 |
| Provisions (Note 35) | - | - | 36 | 36 |
| Additions/(retirements) in business combinations | - | - | - | - |
| Transfers | - | - | (338) | (338) |
| Balance at 31 December 2018 | - | - | **2,012** | **2,012** |
| Provisions (Note 35) | - | - | 1,127 | 1,127 |
| Additions/(retirements) in business combinations | - | - | - | - |
| Transfers | - | - | 1,881 | 1,881 |
| **Balance at 31 December 2019** | **-** | **-** | **5,020** | **5,020** |
| | | | | |
| **Property and equipment, net -** | | | | |
| **Balance at 31 December 2018** | **208,122** | **171** | **9,264** | **217,557** |
| **Balance at 31 December 2019** | **218,138** | **171** | **7,122** | **225,431** |

Additions in 2019 include the impact of first-time application of IFRS 16 (Note 1), mainly rights of use on leased buildings. Payments in 2019 totalled EUR 738 thousand.

At 31 December 2019 and 2018 the Group had no property and equipment that was temporarily out of service or had been withdrawn from active use.

At 31 December 2019 and 2018 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 83,083 thousand and EUR 96,892 thousand, respectively, at 31 December 2019 and 2018.

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**

El fondo de comercio existente al 31 de diciembre de 2019 y 2018 asciende a Goodwill at 31 December 2019 and 2018 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 (2025) 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 (6.40% and 6.54% at 31 December 2019 and 2018, respectively).

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 2019 and 2018. 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 2019 or 2018.

**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-2019 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 discount rates of 6.40% and 6.54% in 2019 and 2018, respectively, 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 2019 and 2018. 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 2019 or 2018.

## 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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Assets: | | |
| Inventories relating to non-financial activities | 75,487 | 77,634 |
| Of which: Real estate | 15,365 | 15,083 |
| Agricultural business | 50,956 | 54,504 |
| Other | 9,166 | 8,047 |
| Transactions in transit | 18,968 | 24,392 |
| Accruals | 281 | 46 |
| Other items | 6,999 | 6,706 |
| | **101,735** | **108,778** |
| Liabilities: | | |
| Social Welfare Fund | 31,689 | 26,579 |
| Transactions in transit | 32,505 | 35,472 |
| Accruals | 18,282 | 16,928 |
| Other items | 16,270 | 15,003 |

***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 2019 and 2018, 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 | |
|---|---|---|
| | 2019 | 2018 |
| Consultancy, training and promotion of the cooperative business model | 1,737 | 1,797 |
| Teaching and research | 1,291 | 1,135 |
| Sports aid | 152 | 136 |
| Charity work | 132 | 84 |
| Cultural, recreational and other activities | 263 | 304 |
| Economic and social development | 645 | 654 |
| | **4,220** | **4,110** |

Tangible assets assigned to the Education and Development Fund at 31 December 2019 and 2018 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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Application of Education and Development Fund | | |
| Maintenance costs incurred in the year | (4,220) | (4,110) |
| Financial income | 55 | 41 |
| Applied to property and equipment | 171 | 171 |
| Applied to other investments | 19,006 | 13,328 |
| TOTAL | **15,012** | **9,430** |
| Amount committed | 4,541 | 4,149 |
| Amount not committed | 9,275 | 9,963 |
| Amount committed for investments | 2,861 | 3,037 |
| TOTAL | **16,677** | **17,149** |
| Education and Development Fund (Social Welfare Fund) | **31,689** | **26,579** |

The Governing Board of Caja Rural de Navarra at its meetings on 26 January 2018 and 25 January 2019 approved the investment of EUR 5,677 thousand and EUR 5,678 thousand, respectively, in Public Debt to cover existing investments committed by the Education and Development Fund at those dates.

## 17. Financial liabilities at amortized cost

The breakdown of this balance sheet item at 31 December 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Deposits | 9,890,645 | 9,095,209 |
| Central banks | 928,260 | 927,862 |
| Credit institutions | 232,916 | 155,434 |
| Customers | 8,729,469 | 8,011,913 |
| Debt securities issued | 1,661,119 | 1,653,935 |
| Other financial liabilities | 112,868 | 128,684 |
| Total | 11,664,632 | 10,877,828 |

***Deposits – Central banks***

The breakdown of "Deposits – Central banks" in the consolidated statement of financial position at 31 December 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Other central banks | 935,000 | 935,000 |
| Valuation adjustments | (6,740) | (7,138) |
| Total | 928,260 | 927,862 |

At 31 December 2019 and 2018, the Bank had various deposits with the ECB totalling EUR 935 million in both years.

The average interest rate on these deposits in 2019 and 2018 was -0.40% in both years and interest expense accrued in 2019 and 2018 on financial liabilities in this portfolio was, respectively, -EUR 3,886 thousand and -EUR 3,780 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 | |
|---|---|---|
| | **2019** | **2018** |
| **Type of deposit** | | |
| Term deposits | 219,764 | 148,911 |
| Other accounts | 12,860 | 6,500 |
| Valuation adjustments | 292 | 23 |
| **Total** | **232,916** | **155,434** |
| | | |
| **Currency** | | |
| Euro | 232,916 | 155,434 |
| **Total** | **232,916** | **155,434** |

A breakdown of this item by residual term to maturity is given in Note 6.

"Term deposits" also included EUR 10,896 thousand at 31 December 2019 corresponding to funds from the Official Credit Institute relating to brokerage loans (EUR 20,721 thousand at 31 December 2018).

The average interest rate of these securities was 1.35% in 2019 (-0.27% in 2018) and the accrued interest in 2019 on the financial liabilities included in this portfolio came to EUR 3,519 thousand (EUR 3,336 thousand in 2018) (Note 26).

Also in 2019, negative interest on some repurchase operation totalling EUR 2 thousand (EUR 19 thousand in 2018) 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 | |
|---|---|---|
| | **2019** | **2018** |
| **Type of deposit** | | |
| Demand deposits | 6,867,559 | 5,937,404 |
| Term deposits | 1,861,484 | 2,074,250 |
| Reverse repurchase agreements | - | - |
| Valuation adjustments | 426 | 259 |
| **Total** | **8,729,469** | **8,011,913** |
| **Sector of activity** | | |
| Spanish public sector | 386,635 | 307,844 |
| Other resident sectors | 8,317,083 | 7,683,226 |
| Non-resident sectors | 25,751 | 20,843 |
| **Total** | **8,729,469** | **8,011,913** |
| **Type of interest rate** | | |
| Floating | 370,659 | 304,508 |
| Fixed | 8,358,810 | 7,707,405 |
| **Total** | **8,729,469** | **8,011,913** |
| **Currency** | | |
| Euro | 8,700,394 | 7,984,759 |
| US dollar | 24,343 | 23,364 |
| Other currencies | 4,732 | 3,790 |
| **Total** | **8,729,469** | **8,011,913** |

The average interest rate applied to these instruments was 0.02% in 2019 (0.03% in 2018). Interest accrued on the financial liabilities included in this portfolio in 2019 came to EUR 2,187 thousand (versus EUR 3,566 thousand in 2018). (Note 26).

Pursuant to prevailing legislation, term deposits include the liability corresponding to the securitisation transactions mentioned in Note 10, amounting to EUR 8,584 thousand at 31 December 2019 (compared to EUR 8,405 thousand at 31 December 2018).

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 2019 | 2018 |
|---|---|---|
| Mortgage covered bonds | 1,542,500 | 1,542,500 |
| Other non-convertible securities | 99,798 | 99,798 |
| Valuation adjustments | 18,821 | 11,637 |
| Total | 1,661,119 | 1,653,935 |

The details of the "Mortgage covered bonds" item are as follows:

| Issue | 31/12/2019 | 31/12/2018 | Issue date | Redemption date | Effective interest rate |
|---|---|---|---|---|---|
| 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 | 496,700 | 08/05/2018 | 08/05/2025 | 0.973% (*) |
| | 1,542,500 | 1,542,500 | | | |

(*) 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 2019 and 2018 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 average interest rate of these securities was 0.69% in 2019 (1.00% in 2018) and the accrued interest in 2019 on the financial liabilities included in this portfolio came to EUR 13,811 thousand (EUR 18,593 thousand in 2018) (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 | |
|---|---|---|
| | 2019 | 2018 |
| Payment obligations | 6,442 | 9,239 |
| Tax revenue collection accounts | 37,956 | 29,852 |
| Payable for purchases and non-financial services | 57,222 | 81,786 |
| Other items | 11,248 | 7,807 |
| Total | 112,868 | 128,684 |

"Payment obligations" at 31 December 2019 and 2018 includes the commitment to the Deposit Guarantee Fund, explained in Note 1.j).

## 18. Provisions

The breakdown of this line of the consolidated statement of financial position at 31 December 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Pensions and other post-employment benefit obligations (Note 2.t) | 1,190 | 1,019 |
| Other long-term employee benefits | - | - |
| Provisions for taxes and other legal contingencies | - | - |
| Commitments and guarantees given | 10,497 | 8,195 |
| Other provisions | 83,800 | 83,897 |
| | **95,487** | **93,111** |

The balance recognized under " Provisions for guarantees given" and "Other provisions" of the consolidated statement of financial position at the close of 2019 and 2018 and movements in those years were as follows:

| | Commitments and guarantees given | Other provisions |
|---|---|---|
| **At 31 December 2018** | | |
| Opening balance | 9,919 | 82,591 |
| Effect of the first-time application of IFRS 9 (Note 1.c) | 125 | - |
| Opening balance | 10,044 | 82,591 |
| Increases from origination/(Reductions from derecognition) | 227 | 2,378 |
| (Provisions used) | - | - |
| (Unused provisions reversed during the year) | - | - |
| Changes in credit risk (net) | (2,069) | - |
| Other movements | (7) | (1,072) |
| Closing balance | 8,195 | 83,897 |
| **At 31 December 2019** | | |
| Opening balance | 8,195 | 83,897 |
| Increases from origination/(Reductions from derecognition) | 487 | 4,553 |
| (Provisions used) | - | (2,130) |
| (Unused provisions reversed during the year) | - | - |
| Changes in credit risk (net) | 1,950 | - |
| Other movements | (135) | (2,520) |
| Closing balance | 10,497 | 83,800 |

"Other provisions" on the consolidated statement of financial position at 31 December 2019, 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.

In 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 2019 and 2018.

## 19. Accumulated other comprehensive income

The breakdown of this line of the statement of financial position at 31 December 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| **Items that will not be reclassified to profit or loss:** | 29,269 | 8,928 |
| Changes in fair value of equity instruments at fair value through other comprehensive income | 29,269 | 8,928 |
| **Items that may be reclassified to profit or loss:** | 6,957 | (2,353) |
| Changes in fair value of debt instruments at fair value through other comprehensive income | 6,957 | (2,353) |
| | **36,226** | **6,575** |

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 2019 and 2018, and changes in capital occurring in those years, are shown in the table below.

| | Thousands of euros |
|---|---|
| **Balance at 31 December 2017** | **168,272** |
| Subscriptions | 2,594 |
| Redemptions | (3,486) |
| **Balance at 31 December 2018** | **167,380** |
| Subscriptions | 2,582 |
| Redemptions | (2,303) |
| **Balance at 31 December 2019** | **167,659** |

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 2019 and 2018 were represented by 2,789,210 and 2,784,565 fully paid-up registered shares, respectively, with a nominal value of EUR 60.11 each. At 31 December 2019 and 2018 the Bank had no own contributions in its portfolio.

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 2019 and 2018 remuneration paid to cooperative members in respect of contributions made came to EUR 1,676 thousand and EUR 1,585 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 2019 and 2018.

## 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 2019 and 2018 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 2018** | **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** |
| Appropriation of prior year's profit | 89,665 | - | - | 89,665 |
| Transfers | - | (5,000) | 5,000 | - |
| Other movements | - | 4,989 | 962 | 5,951 |
| **Balance at 31 December 2019** | **924,087** | **23,814** | **10,933** | **958,834** |

### *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 2019 and 2018 is as follows:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | Other reserves | | Accumulated reserves or losses from joint ventures and associates | |
| | 2019 | 2018 | 2019 | 2018 |
| Parent institution, after consolidation adjustments | 60,817 | 65,695 | - | - |
| Informes y Gestiones Navarra, S.A. | 1,271 | 885 | - | - |
| Harivasa 2000, S.A. | 8,746 | 8,718 | - | - |
| Harinera de Tardienta, S.A. | (2,355) | (2,460) | - | - |
| Promoción Estable del Norte, S.A. | (47,182) | (44,455) | - | - |
| Industrial Tonelera Navarra, S.A. | 2,674 | 2,973 | - | - |
| Solera Asistencial, S.L. | 1,685 | 1,772 | - | - |
| Bouquet Brands, S.A. | (2,287) | (2,741) | - | - |
| Preventia Sport, S.L. | (480) | (461) | - | - |
| Harantico, S.L. | 4,311 | 3,702 | - | - |
| Harinera del Mar Siglo XXI, S.L. | (637) | (2,884) | - | - |
| Haribericas XXI, S.L. | (3,446) | (7,415) | - | - |
| Harivenasa, S.A. | 445 | 352 | - | - |
| Tonnellerie de l'Adour, SAS | 252 | 144 | - | - |
| Bodegas Príncipe de Viana, S.L. | - | - | 2,339 | 2,007 |
| Rural de Energía de Tierras Altas, S.A. | - | - | 15 | - |
| Bosqalia, S.L. | - | - | (679) | (542) |
| Renovables de la Ribera, S.L. | - | - | (23) | (19) |
| Omegageo, S.L. | - | - | (258) | (342) |
| Servicios Empresariales Agroindustriales, S.A. | - | - | 61 | 61 |
| Rioja Vega, S.A. | - | - | (2,029) | (2,015) |
| Errotabidea, S.L. | - | - | 1,335 | 944 |
| Iberjalón, S.A. | - | - | 1 | - |
| Investi Navarra In Est, S.L. | - | - | - | (5,000) |
| Rural de Energías Aragonesas, S.A. | - | - | (145) | (142) |
| Compañía Eólica de Tierras Altas, S.A. | - | - | 1,718 | 2,503 |
| Iparlat, S.A. | - | - | 8,598 | 7,516 |
| **Total** | **23,814** | **23,825** | **10,933** | **4,971** |

### *Shareholders' equity and capital management*

LIn 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.i).

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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Common equity tier 1 capital ratio (CET1) (I) | 1,218,218 | 1,102,701 |
| Eligible capital | 167,659 | 167,380 |
| Eligible reserves | 925,710 | 834,974 |
| Qualifying profit | 83,477 | 89,665 |
| Accumulated other comprehensive income | 36,226 | 6,575 |
| Deductions and transitional adjustments | 5,146 | 4,107 |
| Additional tier 1 capital (II) | - | - |
| Tier 2 capital (III) | - | - |
| Complementary credit risk allowances and provisions | - | - |
| Deductions and transitional adjustments | - | - |
| Total eligible capital (I) + (II) +(III) | 1,218,218 | 1,102,701 |
| Total minimum capital requirement | (580,385) | (537,949) |
| Surplus (*) | 637,833 | 564,752 |
| Risk-weighted assets | 7,254,810 | 6,724,360 |
| Capital ratios | | |
| Common equity tier 1 ratio (minimum 4.5%) | 16.79% | 16.40% |
| Tier 1 ratio (minimum 6%) | 16.79% | 16.40% |
| Capital ratio (minimum 8%) (*) | 16.79% | 16.40% |

(*) The Bank of Spain notified the Bank (Note 1.i) as part of its supervisory review and evaluation process (SREP) that the Bank must maintain a total capital ratio of 11.63% and a CET1 ratio of 8.13%, measured against regulatory phased-in capital. At 31 December 2019 the Bank calculated it had surpluses over these minimums of EUR 374,484 thousand of total capital and EUR 628,402 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

The Group is open to tax inspection on returns filed in the last four years on all the principal taxes to which it is subject. 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 2019 and 2018 consolidated income statement is given below:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Income tax expense accrued in the year | 9,278 | 11,776 |
| Tax expense to subsidiaries | 1,408 | 786 |
| Positive adjustments to Company income tax | (128) | 7 |
| Other taxes on income | 13 | 10 |
| TOTAL | 10,571 | 12,579 |

Under Navarre Regional Law 26/2016, of 28 December, the Parent Company is subject to a 25% tax rate for the tax years 2019 and 2018.

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 Parent Company's accounting profit and taxable profit for 2019 and 2018 is included below:

| | Thousands of euros | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Increases | Decreases | Total | Increases | Decreases | Total |
| Consolidated profit before accrued tax and after mandatory allocation to the Education and Development Fund | | | 103,707 | | | 112,989 |
| Permanent differences | 5,453 | (68,760) | (63,307) | 6,565 | (93,455) | (86,890) |
| **Adjusted accounting profit** | | | **40,400** | | | **26,099** |
| Temporary differences | | | | | | |
| - Arising in the year | 4,741 | | 4,741 | 2,494 | | 2,494 |
| - Arising in prior years | 473 | (2,231) | (1,758) | 574 | (4,127) | (3,553) |
| **Taxable profit for the year** | | | **43,383** | | | **25,040** |

In 2019 and 2018, 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 16), interest on capital contributions (Note 4).

Applying the Parent Company's effective income tax rate for 2019 to adjusted accounting profit and taxable profit, the amounts of income tax expense accrued and repayable for the year were EUR 9,278 thousand and EUR 546 thousand, respectively.

Independently of the income tax expense recognized in the consolidated income statement, the Group recognized as "Tax assets" 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 -1,668 thousand of assets at 31 December 2019 (compared with EUR 2,168 thousand, respectively at 31 December 2018).

### *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 2019 and 2018 arose from the following sources:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| **Deferred tax assets arising from:** | | |
| Allocations to pension funds | 183 | 162 |
| Deductions pending application | - | 2,503 |
| Other unallowable provisions | 21,479 | 20,317 |
| Tax loss carryforwards of the Parent Company | 6,414 | 9,125 |
| Available-for-sale equity instruments | 651 | 1,145 |
| Deferred tax of subsidiaries | 5,450 | 5,773 |
| Debt securities at fair value | (2,319) | 1,023 |
| Other items | - | 419 |
| **Total** | **31,858** | **40,467** |
| **Deferred tax liabilities arising from:** | | |
| Available-for-sale debt securities | - | - |
| Re-measurement of property | 3,619 | 3,619 |
| Deferred tax of subsidiaries | 2,660 | 2,213 |
| **Total** | **6,279** | **5,832** |

At 31 December 2019 and 2018, 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 | 2019 | 2018 |
| Limited deductions against tax expense | 2016-2019 | 2031-2033 | - | 745 |
| Unlimited deductions against tax expense | 2014-2019 | 2029-2032 | - | 1,758 |
| Tax loss carryforwards | 2012 | 2027 | 6,414 | 9,125 |
| | | | 6,414 | 11,628 |

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 2019, the directors of the Bank considered it reasonable to recognize tax loss carryforwards of EUR 6,414 thousand (compared to EUR 9,125 thousand of carryforwards and EUR 2,503 thousand of deductions at 31 December 2018) 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 2019 and 2018, 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 | |
|---|---|---|
| | 2019 | 2018 |
| Financial guarantees | 136,366 | 83,597 |
| Guarantees and other sureties | 487,983 | 424,527 |
| Irrevocable documentary credits issued | 21,890 | 15,037 |
| Other guarantees given (Note 7) | 49,810 | 113,512 |
| **Total** | **696,049** | **636,673** |

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 the activities in the interbank market of Banco Cooperativo Español, S.A. at 31 December 2019 and 2018, of EUR 49,810 thousand and EUR 111,916 thousand, 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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Drawable by third parties | 1,111,916 | 1,005,470 |
| Subscribed but unpaid capital | 360 | 360 |
| Other contingent commitments | 223,998 | 109,999 |
| | 1,336,274 | 1,115,829 |

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 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Credit institutions | 11 | 12 |
| General governments | 51,366 | 68,701 |
| Other resident sectors | | |
| Credit cards | 255,532 | 238,526 |
| Demand accounts | 358,727 | 345,627 |
| Other | 445,787 | 352,166 |
| Non-resident | 493 | 438 |
| Total | 1,111,916 | 1,005,470 |

## 24. Off-balance sheet customer funds

The breakdown of funds from customers managed by the Group off the balance sheet at the close of 2019 and 2018 is as follows:

| | Thousands of euros | |
|---|---|---|
| | **2019** | **2018** |
| Companies and investment funds | 1,645,277 | 1,536,453 |
| Pension funds and endowment policies | 742,544 | 698,853 |
| **Total** | **2,387,821** | **2,235,306** |

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 2019 and 2018, which are included in "Sale of non-banking products" (Note 28), is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Investment companies and funds | 12,152 | 12,002 |
| Pension funds and endowment policies | 4,552 | 4,509 |
| | 16,704 | 16,511 |

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 2019 and 2018 came to EUR 586,834 thousand and EUR 542,395 thousand, respectively.

## 25. Interest income

The breakdown by source of interest income accrued in 2019 and 2018 was as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Financial assets held for trading (Note 8) | 52 | 17 |
| Cash, cash balances at central banks and other demand deposits (Note 7) | - | - |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss (Note 11) | 225 | 555 |
| Financial assets at fair value through other comprehensive income (Note 9) | 4,063 | 1,763 |
| Financial assets at amortized cost (Note 10) | 151,311 | 152,415 |
| Debt securities | 27,463 | 30,062 |
| Loans and advances | 123,848 | 122,353 |
| Credit institutions | 734 | 274 |
| Customers | 123,114 | 122,079 |
| Other assets | 908 | 1,036 |
| Interest income on liabilities | 4,963 | 5,180 |
| **Total** | **161,522** | **160,966** |

## 26. Interest expense

The breakdown by source of interest expense accrued in 2019 and 2018 was as follows:

| | Thousands of euros | |
|---|---|---|
| | **2019** | **2018** |
| Financial liabilities at amortized cost (Note 17) | 19,517 | 25,495 |
| Deposits | 5,706 | 6,902 |
| Central banks | - | - |
| Credit institutions | 3,519 | 3,336 |
| Customers | 2,187 | 3,566 |
| Debt securities | 13,811 | 18,593 |
| Derivatives – hedge accounting, interest rate risk | (2,464) | (1,697) |
| Other liabilities | 85 | 48 |
| Interest expense on assets | 750 | 1,163 |
| **Total** | **17,888** | **25,009** |

## 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 | |
|---|---|---|
| | 2019 | 2018 |
| Financial assets held for trading | 120 | 119 |
| Financial assets at fair value through other comprehensive income | 10,824 | 5,900 |
| **Total** | **10,944** | **6,019** |

## 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 | |
|---|---|---|
| | **2019** | **2018** |
| For guarantees given | 5,811 | 8,304 |
| For contingent commitments given | 1,570 | 1,622 |
| For exchange of foreign currencies and notes | 371 | 381 |
| For collection and payment services | 25,068 | 23,292 |
| For securities services | 6,085 | 5,909 |
| For sale of non-banking products | 30,439 | 29,096 |
| Other fees and commissions | 4,475 | 2,999 |
| **Total** | **73,819** | **71,603** |

## 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 | |
|---|---|---|
| | **2019** | **2018** |
| Fees and commissions assigned to other entities and correspondents | 4,991 | 4,472 |
| Fees and commissions paid on securities transactions | 411 | 289 |
| Other fees and commissions | 94 | 23 |
| **Total** | **5,496** | **4,784** |

## 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 | |
|---|---|---|
| | 2019 | 2018 |
| Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net | 6,997 | 2,140 |
| Financial assets at fair value through other comprehensive income | - | 398 |
| Financial assets at amortized cost | 6,354 | 1,742 |
| Financial liabilities at amortized cost | 643 | - |
| Gains or (-) losses on financial assets and liabilities held for trading, net | 1,315 | (198) |
| **Total** | **8,312** | **1,942** |

## 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 | |
|---|---|---|
| | **2019** | **2018** |
| Wages and salaries | 39,841 | 40,597 |
| Social security contributions | 10,510 | 10,238 |
| Transfers to defined benefits plans (Note 2.t) | 178 | 197 |
| Other personnel expenses | 1,029 | 599 |
| Personnel expenses of subsidiaries | 25,362 | 23,897 |
| **Total** | **76,920** | **75,528** |

The breakdown by professional category and gender of the Group’s average headcount is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Men** | **Women** | **Men** | **Women** |
| Senior managers | 212 | 67 | 213 | 64 |
| Executives | 138 | 204 | 143 | 208 |
| Administrative staff | 147 | 196 | 137 | 197 |
| Messengers | 3 | - | 3 | - |
| Staff of subsidiaries | 406 | 351 | 390 | 337 |
| **Total** | **906** | **818** | **886** | **806** |

Of the total headcount at 31 December 2019, 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 | |
|---|---|---|
| | 2019 | 2018 |
| Property and equipment | 2,910 | 3,819 |
| Computer hardware and software | 15,000 | 13,904 |
| Communications | 1,593 | 1,651 |
| Advertising and marketing | 3,231 | 3,318 |
| Legal | 4,047 | 4,260 |
| Staff travel and agency costs | 1,428 | 1,383 |
| Security guards and cash transportation | 1,071 | 1,054 |
| Subcontracted administrative services | 1,462 | 1,511 |
| Contributions and taxes | 3,005 | 3,320 |
| Other general expenses | 2,084 | 3,120 |
| Other expenses of subsidiaries | 38,854 | 37,466 |
| **Total** | **74,685** | **74,806** |

Fees paid for the audit of the Bank's consolidated financial statements and the annual financial statements of its subsidiaries amounted to EUR 166 thousand and EUR 163 thousand to PricewaterhouseCoopers Auditores, S.L. in 2019 and 2018, respectively. PricewaterhouseCoopers Auditores, S.L. also received EUR 22 thousand in fees in 2019 for other non-audit services to the Bank and its subsidiaries. These related to the Customer Asset Protection Report and Ecoembes Limited Assurance Report (in 2019 the Bank paid EUR 23 thousand for other services). In 2019, firms linked to the PricewaterhouseCoopers brand provided other services for a total amount of EUR 5 thousand.

In 2019 and 2018, fees for auditing subsidiaries paid to auditors other than the statutory auditors totalled EUR 9 thousand and EUR 9 thousand, respectively.

## 33. Provisions and reversals

The detail of this line of the consolidated income statement is as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| Provisions for commitments and guarantees given (Note 18): | 2,257 | (3,091) |
| For contingent liabilities | - | - |
| For contingent commitments | 2,257 | (3,091) |
| Other provisions (Note 18) | 4,553 | 2,378 |
| **Total** | **6,810** | **(713)** |

## 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 | |
|---|---|---|
| | 2019 | 2018 |
| Financial assets at amortized cost | 13,151 | 9,179 |
| Customers | 12,724 | 7,614 |
| Debt securities | (427) | 1,565 |
| Financial assets at fair value through other comprehensive income | 865 | (735) |
| Debt securities | 865 | (735) |
| Equity instruments | - | - |
| **Total** | **13,151** | **8,444** |

## 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 | |
|---|---|---|
| | 2019 | 2018 |
| (Impairment or (-) reversal of impairment on financial assets) | 1,165 | 154 |
| Tangible assets (Note 15) | 1,127 | 36 |
| Intangible assets (Note 15) | - | - |
| Other | 38 | 118 |
| Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations | 3,109 | 1,635 |
| (Impairment) reversal (Note 13) | (2,104) | 2,789 |
| Gains or (-) losses on derecognition | 5,213 | (1,154) |
| **Total** | **4,274** | **1,789** |

## 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 | |
|---|---|---|
| | 2019 | 2018 |
| Parent Company (after consolidation adjustments) | 92,813 | 91,018 |
| Subsidiaries (after consolidation adjustments) | 4,145 | (675) |
| Associates | 1,491 | 3,159 |
| | 98,449 | 93,502 |

## 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 2019 and 2018 and in the consolidated income statements for 2019 and 2018 that arise from transactions with related parties are as follows:

| | Associates | | Governing Board and senior management | | Other related parties (*) | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **Assets** | | | | | | |
| Loans and advances to customers | 20,463 | 14,935 | 586 | 679 | 7,284 | 4,990 |
| **Liabilities** | | | | | | |
| Customer deposits | 21,838 | 14,451 | 601 | 560 | 20,640 | 17,603 |
| **Other** | | | | | | |
| Contingent exposures | 27,242 | 3,479 | 14 | 14 | 1,082 | 94 |
| Commitments | 17,362 | 5,530 | 82 | 110 | 6,684 | 5,739 |
| **Income** | | | | | | |
| Interest income | 225 | 229 | 10 | 11 | 69 | 151 |
| Interest expense | 5 | 4 | - | - | 8 | 15 |
| Income from equity investments | 2,424 | 2,059 | - | - | - | - |
| Fee and commission income | 70 | 49 | 1 | 1 | 46 | 17 |

(*) "Other related parties" includes direct family members and companies related to members of the Governing Board and senior management team.

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 2019 and 2018, 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 2019 and 2018 was EUR 5,000,911 thousand and EUR 4,927,175 thousand, respectively, of which EUR 3,511,678 thousand and EUR 3,349,391 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 | |
| | 2019 | 2018 |
| **Total loans (a)** | **5,000,911** | **4,927,175** |
| **Mortgage securities in issue (b)** | **20,160** | **41,565** |
| Of which: loans recognized as assets (c) | 20,160 | 32,744 |
| **Mortgage transfer certificates in issue (b)** | **140,092** | **157,807** |
| Of which: loans recognized as assets (c) | 140,092 | 157,448 |
| **Mortgage loans pledged as security for funds received** | - | - |
| **Loans covering issues of mortgage bonds and mortgage covered bonds** | **4,840,659** | **4,727,803** |
| Non-eligible loans (e) | 1,328,981 | 1,378,412 |
| Meet all eligibility requirements except the limit in article 5.1 of RD 716/2009 | 1,328,981 | 1,378,412 |
| Other non-eligible loans | - | - |
| Eligible loans (f) | 3,511,678 | 3,349,391 |
| Loans used to back issues of mortgage bonds | - | - |
| Loans eligible for cover pool of mortgage covered bonds | 3,511,678 | 3,349,391 |
| Non-qualifying portions (g) | 99,478 | 81,768 |
| Qualifying portions | 3,412,200 | 3,267,623 |

(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.

Below we present a breakdown of the mortgage loans and advances by different criteria, at 31 December 2019 and 2018:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | 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** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| **1 ORIGIN OF LOAN** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 1.1 Originated by Bank | 4,148,376 | 3,054,349 | 4,055,538 | 2,899,373 |
| 1.2 Transferred to other entities | 692,283 | 457,329 | 672,265 | 450,018 |
| 1.3 Other | - | - | - | - |
| **2 CURRENCY OF DENOMINATION** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 2.1 Euros | **4,840,659** | **3,511,678** | 4,727,803 | 3,349,391 |
| 2.2 Other currencies | - | - | - | - |
| **3 PAYMENT POSITION** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 3.1 Standard | 4,606,769 | 3,385,655 | 4,471,455 | 3,219,607 |
| 3.2 Other | 233,890 | 126,023 | 256,348 | 129,784 |
| **4 AVERAGE RESIDUAL TERM** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 4.1 Up to 10 years | 2,117,434 | 1,554,740 | 2,037,115 | 1,454,362 |
| 4.2 10 to 20 years | 2,714,794 | 1,949,947 | 2,681,191 | 1,887,913 |
| 4.3 20 to 30 years | 1,015 | 403 | 1,909 | 460 |
| 4.4 More than 30 years | 7,416 | 6,588 | 7,588 | 6,656 |
| **5 INTEREST RATE** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 5.1 Fixed | 167,462 | 104,150 | 84,937 | 45,995 |
| 5.2 Floating | 4,673,197 | 3,407,528 | 4,642,866 | 3,303,396 |
| 5.3 Split fixed/floating | - | - | - | - |
| **6 BORROWER** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 6.1 Legal entities and self-employed (business activities) | 1,095,729 | 601,368 | 1,103,421 | 577,723 |
| *Of which: construction and real estate development (including land)* | *69,076* | *35,717* | *76,259* | *24,089* |
| 6.2 Other households | 3,744,930 | 2,910,310 | 3,624,382 | 2,771,668 |
| **7 TYPE OF COLLATERAL** | **4,840,659** | **3,511,678** | **4,727,803** | **3,349,391** |
| 7.1 Assets/buildings | 4,801,048 | 3,497,640 | 4,685,338 | 3,335,502 |
| 7.1.1 Housing | 3,871,887 | 2,951,448 | 3,762,922 | 2,814,276 |
| *Of which: State-subsidized housing* | *678,880* | *503,464* | *673,943* | *490,723* |
| 7.1.2 Offices and commercial premises | 19,025 | 8,210 | 28,098 | 8,591 |
| 7.1.3 Other buildings and constructions | 910,136 | 537,982 | 894,318 | 512,635 |
| 7.2 Assets/buildings under construction | 12,407 | 1,396 | 6,845 | 4,722 |
| 7.2.1 Housing | 1,588 | 984 | 1,757 | 1,134 |
| *Of which: State-subsidized housing* | *431* | *126* | *475* | *151* |
| 7.2.2 Offices and commercial premises | 7,897 | 412 | 2,110 | 610 |
| 7.2.3 Other buildings and constructions | 2,922 | - | 2,978 | 2,978 |
| 7.3 Land | 27,204 | 12,642 | 35,620 | 9,167 |
| 7.3.1 Consolidated urban land | 20,467 | 6,575 | 25,554 | 8,069 |
| 7.3.2 Other land | 6,737 | 6,067 | 10,066 | 1,098 |

(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 2019 and 2018 was EUR 4,840,659 thousand and EUR 4,727,803 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 2019 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 2019 and 2018 was EUR 160,252 thousand and EUR 199,372 thousand, respectively.

The nominal value of all non-eligible mortgage loans and advances was EUR 1,328,981 thousand and EUR 1,378,411 thousand at 31 December 2019 and 2018, 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 1,328,981 thousand and EUR 1,378,411 thousand at end-2019 and end-2018, 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 2019 and 2018 is as follows:

**At 31 December 2019**

| | 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)** | 557,962 | 877,185 | 1,282,183 | 794,348 | 3,511,678 |
| - On homes | 378,770 | 684,371 | 1,094,943 | 794,348 | 2,952,432 |
| - On other real property | 179,192 | 192,814 | 187,240 | - | 559,246 |

**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 |

(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 2019 and 2018, is as follows:

| | Thousands of euros | |
|---|---|---|
| | Eligible loans (a) | Non-eligible loans (b) |
| **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 |
| **1 Opening balance 2019** | 3,349,391 | 1,378,412 |
| **2 Eliminations in period** | 428,674 | 393,270 |
| 2.1 Principal past-due paid in cash | 374,912 | 171,099 |
| 2.2 Repaid before maturity | 4,938 | 10,941 |
| 2.3 Transferred to other entities | - | - |
| 2.4 Other eliminations | 48,824 | 211,230 |
| **3 Additions in the period** | 590,961 | 343,841 |
| 3.1 Originated by Bank | 26,010 | 193,308 |
| 3.2 Transferred from other entities | 24 | 50,939 |
| 3.3 Other additions | 564,927 | 99,594 |
| **4 Closing balance 2019** | 3,511,678 | 1,328,983 |

(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 2019 and 2018 are as follows:

| | Thousands of euros | |
|---|---|---|
| | 2019 | 2018 |
| | Amounts available. Nominal value (a) | Amounts available. Nominal value (a) |
| **Mortgage loans covering issues of mortgage bonds and mortgage covered bonds** | **370,971** | **307,288** |
| - Potentially eligible (b) | 283,943 | 202,098 |
| - Non-eligible | 87,028 | 105,190 |

(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 2019 and 2018, the Parent Company did not consider it necessary to identify replacement assets for outstanding mortgage covered bonds as these represented only 52.68% and 55.23% 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 2019 and 2018 are given below:

| | Thousands of euros | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| 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 | - | | - | |
| 2.2.2 Residual term 1 to 2 years | - | | - | |
| 2.2.3 Residual term 2 to 3 years | - | | - | |
| 2.2.4 Residual term 3 to 5 years | 1,000,000 | | 1,000,000 | |
| 2.2.5 Residual term 5 to 10 years | 850,000 | | 800,000 | |
| 2.2.6 Residual term more than 10 years | - | | 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)** | 20,160 | 146 | 32,744 | 158 |
| 3.1 Issued via public offering | - | - | - | - |
| 3.2 Other issues | 20,160 | 146 | 32,744 | 158 |
| **4 Mortgage transfer certificates in issue (b)** | 140,092 | 147 | 157,448 | 159 |
| 4.1 Issued via public offering | - | - | - | - |
| 4.2 Other issues | 140,092 | 147 | 157,448 | 159 |

(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 2019 and 2018 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 2019, 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 2019 and 2018 are as follows:

| | 2019 | 2018 |
|---|---|---|
| | Days | |
| Average supplier payment period | 18 | 18 |
| Ratio of transactions paid | 18 | 18 |
| Ratio of transactions outstanding | 33 | 40 |
| | Amount (thousands of euros) | |
| Total payments made | 128,066 | 139,328 |
| Total payments outstanding | 730 | 1,382 |

ANNEX I

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

### Statement of financial position at 31 December 2019

(Thousands of euros)

| ASSETS | 31.12.2019 | 31.12.2018 |
|---|---|---|
| **Cash, cash balances at central banks and other demand deposits(**)** | **406,432** | **334,669** |
| **Financial assets held for trading** | **6,717** | **7,730** |
| Derivatives | 2,826 | 2,643 |
| Equity instruments | 3,891 | 3,727 |
| 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** | **11,959** | **17,555** |
| Equity instruments | - | - |
| Debt securities | 4,138 | 7,170 |
| Loans and advances | 7,821 | 10,385 |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | - | - |
| **Financial assets at fair value through other comprehensive income** | **1,338,129** | **746,330** |
| Equity instruments | 227,870 | 201,953 |
| Debt securities | 1,110,259 | 544,377 |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | - | - |
| **Financial assets at amortized cost** | **10,827,294** | **10,587,163** |
| Debt securities | 2,599,491 | 2,716,139 |
| Loans and advances | 8,227,803 | 7,871,024 |
| Credit institutions | 108,436 | 100,002 |
| Customers | 8,119,367 | 7,771,022 |
| *Memorandum items: lent or given in guarantee with right of sale or pledge* | *262,794* | *65,020* |
| **Derivatives – hedge accounting** | **10,666** | **4,774** |
| **Investments in subsidiaries, joint ventures and associates** | **140,818** | **124,503** |
| Group companies | 96,111 | 90,118 |
| Associates | 44,707 | 34,385 |
| **Tangible assets** | **105,574** | **98,436** |
| Property and equipment | 99,679 | 93,505 |
| For own use | 99,508 | 93,334 |
| Assigned to social projects | 171 | 171 |
| Investment property | 5,895 | 4,931 |
| *Of which: assigned under operating leases* | *4,860* | *584* |
| *Memorandum items: acquired under finance leases* | - | - |
| **Intangible assets** | - | - |
| **Tax assets** | **29,398** | **37,864** |
| Current tax assets | 2,990 | 3,170 |
| Deferred tax assets | 26,408 | 34,694 |
| **Other assets** | **26,177** | **31,018** |
| Other | 26,177 | 31,018 |
| **Non-current assets and disposal groups held for sale** | **42,781** | **48,212** |
| **TOTAL ASSETS** | **12,945,945** | **12,038,254** |

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

### Statement of financial position at 31 December 2019

(Thousands of euros)

| LIABILITIES | 31.12.2019 | 31.12.2018 |
|---|---|---|
| **Financial liabilities held for trading** | **854** | **769** |
| Derivatives | 854 | 769 |
| **Financial liabilities designated at fair value through profit or loss** | **-** | **-** |
| *Memorandum items: subordinated liabilities* | - | - |
| **Financial liabilities at amortized cost** | **11,526,707** | **10,748,828** |
| Deposits | 9,809,942 | 9,047,995 |
| Central banks | 928,260 | 927,862 |
| Credit institutions | 140,619 | 99,160 |
| Customers | 8,741,063 | 8,020,973 |
| Debt securities issued | 1,661,119 | 1,653,935 |
| Other financial liabilities | 55,646 | 46,898 |
| *Memorandum items: subordinated liabilities* | - | - |
| **Derivatives – hedge accounting** | **-** | **251** |
| **Provisions** | **95,378** | **90,482** |
| Pensions and other defined-benefit post-employment obligations | 1,190 | 1,019 |
| Commitments and guarantees given | 10,497 | 8,195 |
| Other provisions | 83,691 | 81,268 |
| **Tax liabilities** | **11,142** | **5,340** |
| Current tax liabilities | 7,523 | 1,721 |
| Deferred tax liabilities | 3,619 | 3,619 |
| **Share capital redeemable on demand** | **-** | **-** |
| **Other liabilities** | **98,792** | **93,990** |
| *Of which: mandatory contributions to Social Welfare Fund* | *31,689* | *26,579* |
| **TOTAL LIABILITIES** | **11,732,873** | **10,939,660** |
| **EQUITY** | | |
| **Shareholders' equity** | **1,176,846** | **1,092,019** |
| Share capital | 167,659 | 167,380 |
| Called up paid capital | 167,659 | 167,380 |
| *Memorandum items: uncalled capital* | | |
| Retained earnings | 924,087 | 834,422 |
| Other reserves | 1,623 | 552 |
| (Treasury shares) | - | - |
| Profit for the year | 85,153 | 91,250 |
| (Interim dividends) | (1,676) | (1,585) |
| **Accumulated other comprehensive income** | **36,226** | **6,575** |
| Items that will not be reclassified to profit or loss | 29,269 | 8,928 |
| Items that may be reclassified to profit or loss | 6,957 | (2,353) |
| **TOTAL EQUITY** | **1,213,072** | **1,098,594** |
| **TOTAL EQUITY AND LIABILITIES** | **12,945,945** | **12,038,254** |
| **Memorandum items: off-balance sheet exposures** | | |
| **Contingent commitments given** | **1,338,566** | **1,118,679** |
| **Financial guarantees given** | **136,366** | **83,597** |
| **Other commitments given** | **563,009** | **556,581** |

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

### Income statement for the year ended 31 December 2019

(Thousands of euros)

| | 2019 | 2018 |
|---|---|---|
| **Interest income** | **161,954** | **161,056** |
| **(Interest expense)** | **(16,487)** | **(22,921)** |
| **(Expense on share capital redeemable on demand)** | **-** | **-** |
| **NET INTEREST INCOME** | **145,467** | **138,135** |
| **Dividend income** | **17,568** | **11,878** |
| **Fee and commission income** | **76,090** | **73,922** |
| **(Fee and commission expense)** | **(5,496)** | **(4,784)** |
| **Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net** | **6,997** | **2,140** |
| **Gains or (-) losses on financial assets and liabilities held for trading, net** | **1,315** | **(198)** |
| **Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net** | **(2,589)** | **(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** | **39** | **100** |
| **Gains or (-) losses from translation differences, net** | **905** | **939** |
| **Other operating income** | **2,673** | **3,882** |
| **(Other operating expenses)** | **(20,854)** | **(16,147)** |
| *Of which: mandatory contributions to Social Welfare Fund* | *(9,275)* | *(9,963)* |
| **GROSS INCOME** | **222,115** | **206,911** |
| **(Administrative expenses)** | **(87,389)** | **(88,971)** |
| (Personnel expenses) | (51,558) | (51,631) |
| (Other operating expenses) | (35,831) | (37,340) |
| **(Depreciation and amortization)** | **(6,576)** | **(6,343)** |
| **(Provisions or (-) reversals)** | **(6,810)** | **713** |
| **(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)** | **(25,390)** | **(8,529)** |
| (Financial assets at fair value through other comprehensive income) | (865) | 735 |
| (Financial assets at amortized cost) | (24,525) | (9,264) |
| **INCOME FROM OPERATING ACTIVITIES** | **95,950** | **103,781** |
| **Net (impairment)/reversal of investments in subsidiaries, joint ventures and associates** | **(2,046)** | **(5,542)** |
| **(Impairment or (-) reversal of impairment on financial assets)** | **(1,494)** | **(15)** |
| (Tangible assets) | (1,152) | - |
| (Other) | (342) | (15) |
| **Gains or (-) losses on derecognition of non-financial assets and investments, net** | **7** | **1,112** |
| *Of which: investments in subsidiaries, joint ventures and associates* | 7 | 1,112 |
| **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** | **1,899** | **3,707** |
| **PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS** | **94,316** | **103,043** |
| **(Tax expense or (-) income on profit from continuing operations)** | **(9,163)** | **(11,793)** |
| **PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS** | **85,153** | **91,250** |
| **Profit or (-) loss after tax from discontinued operations** | **-** | **-** |
| **PROFIT FOR THE YEAR** | **85,153** | **91,250** |

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

### Statement of Recognized Income and Expense for the year ended 31 December 2019

(Thousands of euros)

| | 2019 | 2018 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **85,153** | **91,250** |
| **OTHER COMPREHENSIVE INCOME** | **29,651** | **8,896** |
| **Items that will not be reclassified to profit or loss** | **20,342** | **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 | 20,847 | 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 | (505) | - |
| **Items that may be reclassified to profit or loss** | **12,651** | **(2,610)** |
| **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 | - | - |
| **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** | **12,651** | **(3,719)** |
| Valuation gains or (-) losses recognized in equity | 12,009 | (4,117) |
| Reclassified to profit or loss | 642 | 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** | **(3,342)** | **1,109** |
| **TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE YEAR** | **114,804** | **100,146** |

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

**Comprehensive statement of changes in equity for the year ended 31 December 2019**
(Thousands of euros)

### At 31 December 2019

| 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 2019** | **167,380** | **834,422** | **552** | **-** | **91,250** | **(1,585)** | **6,575** | **1,098,594** |
| Adjustments due to error correction | - | - | - | - | - | - | - | - |
| Adjustments due to changes in accounting policies | - | - | - | - | - | - | - | - |
| **Balance at 1 January 2019** | **167,380** | **834,422** | **552** | **-** | **91,250** | **(1,585)** | **6,575** | **1,098,594** |
| **Total recognized income and expenses for the year** | **-** | **-** | **-** | **-** | **85,153** | **-** | **29,651** | **114,804** |
| **Other changes to equity** | **279** | **89,665** | **1,071** | **-** | **(91,250)** | **(91)** | **-** | **(326)** |
| Ordinary shares issued | 2,582 | - | - | - | - | - | - | 2,582 |
| Preference shares issued | - | - | - | - | - | - | - | - |
| Other equity instruments issued | - | - | - | - | - | - | - | - |
| Exercise or maturity of other equity instruments issued | - | - | - | - | - | - | - | - |
| Debt/equity conversion | - | - | - | - | | - | - | - |
| Capital reduction | (2,303) | - | - | - | - | - | - | (2,303) |
| Dividends (or payments to members) | - | - | - | - | - | (1,676) | - | (1,676) |
| Buyback of treasury shares | - | - | - | - | - | - | - | - |
| 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 | - | 89,665 | - | - | (91,250) | 1,585 | - | - |
| Increase (-) decrease in equity due to business combinations | - | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - |
| Other increases (-) decreases in equity | - | - | 1,071 | - | - | - | - | 1,071 |
| *Of which: discretionary allocation to social projects and funds* | - | - | - | - | - | | - | - |
| **Balance at 31 December 2019** | **167,659** | **924,087** | **1,623** | **-** | **85,153** | **(1,676)** | **36,226** | **1,213,072** |

## CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

**Comprehensive statement of changes in equity for the year ended 31 December 2018**
(Thousands of euros)

### 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 1 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 1 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

### Cash flow statement for the year ended 31 December 2019

(Thousands of euros)

| | 2019 | 2018 (*) |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **98,956** | **3,987** |
| **Profit for the year** | **85,153** | **91,250** |
| **Adjustments to obtain cash flows from operating activities** | **62,995** | **28,698** |
| Depreciation and amortization | 6,576 | 6,343 |
| Other adjustments | 56,419 | 22,355 |
| **Net (increase) decrease in operating assets** | **(820,052)** | **(487,017)** |
| Financial assets held for trading | 1,013 | (247) |
| Financial assets not held for trading mandatorily measured at fair value through profit or loss | 5,596 | (17,555) |
| Financial assets designated at fair value through profit or loss | - | - |
| Financial assets at fair value through other comprehensive income | (591,799) | 2,063,918 |
| Financial assets at amortized cost | (240,131) | (2,530,335) |
| Other operating expenses | 5,269 | (2,798) |
| **Net (increase) decrease in operating liabilities** | **769,969** | **370,180** |
| Financial liabilities held for trading | 85 | (347) |
| Financial liabilities at amortized cost | 777,879 | 486,023 |
| Other operating expenses | (7,995) | (115,496) |
| **Company income tax receipts (payments)** | **891** | **876** |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(25,796)** | **3,252** |
| **Payments** | **(47,455)** | **(48,118)** |
| Tangible assets | (13,192) | (4,079) |
| Investments in subsidiaries, joint ventures and associates | (26,982) | (12,286) |
| Non-current assets and liabilities held for sale | (7,281) | (31,753) |
| **Receipts** | **21,659** | **51,370** |
| Tangible assets | 1,104 | 996 |
| Investments in subsidiaries, joint ventures and associates | 8,622 | 2,106 |
| Non-current assets and liabilities held for sale | 11,933 | 48,268 |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(1,397)** | **(1,319)** |
| **Payments** | **(3,979)** | **(7,400)** |
| Dividends | (1,676) | (1,585) |
| Subordinated liabilities | - | - |
| Cancellation of own equity instruments | (2,303) | (3,486) |
| Acquisition of own equity instruments | - | (2,329) |
| Other payments related to financing activities | - | - |
| **Receipts** | **2,582** | **6,081** |
| Subordinated liabilities | - | - |
| Issue of own equity instruments | 2,582 | 2,594 |
| Disposal of own equity instruments | - | 3,487 |
| Other receipts relating to financing activities | - | - |
| | - | - |
| **EFFECT OF EXCHANGE RATE FLUCTUATIONS** | **-** | **-** |
| | | |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | **71,763** | **5,920** |
| | | |
| **CASH AND CASH EQUIVALENTS AT START OF YEAR** | **334,669** | **328,749** |
| | | |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **406,432** | **334,669** |
| | | |
| **MEMORANDUM ITEMS** | | |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **406,432** | **334,669** |
| Cash | 49,990 | 46,194 |
| Cash equivalents in central banks | - | - |
| Other demand deposits | 356,442 | 288,475 |
| Other financial assets | - | - |
| Less: Bank overdrafts repayable on demand | - | - |

ANNEX II – ANNUAL BANKING REPORT

# Legal Documentation

**Information at 31 December 2019 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:** 293,966 thousands of euros. For the purposes of this report, turnover is taken to be the gross income reported in the 2019 consolidated income statement.

c) **Number of employees on a full time equivalent basis:** 961 in the Caja Rural de Navarra parent company and 777 in its non-financial subsidiaries. FTE employee data was based on the headcount at each entity at end-2019.

d) **Profit or loss before tax:** 109,020 thousands of euros. Return on consolidated assets was 0.75% at 31 December 2019.

e) **Tax on profit or loss:** 10,571 thousands of euros.

f) **Public subsidies received:** The amount of public subsidies received by the Group in 2019 was EUR 1,067 thousand, all of which was paid to non-financial subsidiaries.

# CONSOLIDATED MANAGEMENT REPORT

# Legal Documentation

## INTRODUCTION

2019 was characterized by a general slowdown in the world economy, which had begun in the first half of 2018, and by the response of the world's central banks, which revived expansionary strategies as growth appeared to stall. This confounded previous expectations of a sustained recovery in global growth, a consolidation of monetary policies around a more normalized approach by leading central banks and a return to positive interest rates. That said, despite an environment rife with geopolitical and commercial risks for both developed and emerging economies, it was a good year for all the world's equity markets. It had begun in gloomy fashion. There was concern the turbulence of late 2018, brought on by fears of a recession, would continue and maintain the bearish tone for equities. But stock markets managed to shrug off the gloom, ending 2019 on substantial and widespread gains, close to 30% in advanced economies and around 10% in emerging markets. Meanwhile, we spent the year watching the ebb and flow of US/China trade tensions, the resolution of Brexit, a slowdown in global growth and the return of monetary stimulus packages from the main central banks.

Weakness was generalized throughout advanced economies, affecting the leading blocks - the USA and, particularly, euro zone - and smaller advanced economies in Asia alike. The tail-off in activity was still more marked in emerging and developing economies like Brazil, China, India, Mexico and Russia as well as some plagued by local macro-economic and financial crises. A shared feature of the slackening growth over the past 12 months was a marked and geographically widespread cooling of industrial output.

The world's economy grew at an average of around 3.0% in 2019, the weakest rate since 2009. Except in sub-Saharan Africa, per capita growth in most countries was below their 25-year average. Such a sharp slowdown reflects the hangover from the general slackening seen in the latter half of 2018, despite a modest recovery in the first half of 2019 encouraged in some cases by more accommodative policy, as practised by China and to some extent the USA. The forces underlying the global slowdown in 2018 and 2019, aside from the direct impact of weak growth or the shrinkage of economies under specific pressures, were multiple: US reversion toward a more normal pace of growth; the drying up of external demand and disruption caused by new auto emissions standards in Europe, especially Germany; a weakening macro scenario for mainly local reasons in crucial emerging markets including Brazil, Mexico and Russia; slowing growth in China after a necessary tightening of financial rules and fallout from the US trade war; cooling demand in China and, more widely the negative impacts of uncertainty over international trade policy in East Asian economies; slowing domestic demand in India; and the shadow of a no-deal Brexit which hung over the UK and EU alike.

# Legal Documentation

2019 ended with progress on trade, in the form of an initial agreement between the US and China, and in British politics, where parliament approved an EU exit deal. Central banks meanwhile redoubled their commitment to the accommodative measures of past months. The prospect of uninterrupted backing from macro-economic policy in the world's main economies and a likely stabilisation of some crisis-hit emerging countries should be enough to nudge global growth up somewhat in the latter part of 2019 and early 2020. Growth in 2020 is therefore forecast at 3.4%.

We went into 2020, then, with the global economy already facing substantial headwinds. Despite a recent decline in long-term yields giving governments more room for manoeuvre on fiscal policy, it seemed the scope for economic policy action against the slowdown and weakening trade flows would be relatively limited. In part this was the result of higher tariffs and ongoing uncertainty about trade policies, hampered by an ageing population and miserable productivity growth. IMF forecasts were predicated on a sustainable return to normality by emerging and developing economies that are currently beset by economic problems. The resulting reweighting of the global economy toward the more dynamic emerging and developing economies would then bolster the prospects for world growth over the medium term.

However, any forecast of economic recovery in 2020 was undercut by the eruption of the global pandemic caused by Covid-19. It is still too soon to call the final economic impact. Early estimates are already talking of falls in GDP that could reach -10% in Spain, -8% in the euro zone, -7% in the USA and -4.8% for the world as a whole. In other words, we are looking at a catastrophe that nobody was predicting only a few months ago.

This crisis is going to have massive consequences, not just for the economy and company profits but for society as a whole. Governments and central banks have responded with the biggest monetary and fiscal support measures in history. This should help a rapid bounceback from the crisis but the timing will depend on how long it takes to get the pandemic under control and develop a vaccine for the new virus. Even in a best-case scenario, assuming the disease is brought under control soon, the sharp jump in debt and fiscal deficits in most countries will take time to correct, which will weigh on future economic growth rates.

## 2019 FINANCIAL YEAR

### *GENERAL FINANCIAL SECTOR*

The key points affecting the financial sector as a whole during 2019 were as follows:

- Short rates remain negative as the expected rebound failed to materialise. There is little prospect of any major change to this trend.
- The banking sector is successfully raising net interest income and gross income but profits fell in 2019 due to the additional impact of factors seen as essential to boost future competitiveness and strength.
- Lending to the private sector shrank for yet another year, down 1.5% on 2018 based on data currently available.
- There are signs of a slowdown in economic growth, which could also negatively impact the sector's performance in 2020.
- The sector is under heavy regulatory pressure to improve solvency, governance and transparency, factors that should help reduce the impact of litigation on the sector in recent years.

In this context, the financial sector is one of the most competitive and demanding industries, both as regards institutions and professionals, who are increasingly upskilling their advisory capabilities in what is a complex environment for the bank and for its customers.

The performance of the Bank's key variables in 2019 is set out below:

### *CONSOLIDATED INCOME STATEMENT:*

| CONSOLIDATED INCOME STATEMENT (millions of euros) | 2019 | 2018 | Change % 2019/2018 |
|---|---|---|---|
| Net interest income | 143.6 | 136.0 | +5.6% |
| Gross income | 294.0 | 276.8 | +6.2% |
| Profit for the year | 98.5 | 93.5 | +5.3% |

Caja Rural de Navarra Group posted consolidated profit of **EUR 98.5 million,** a 5.3% increase on the previous year's profit.

In a difficult market environment, the Bank managed to grow **net interest income by 5.6%** year-on-year and **gross income by 6.2%,** underlining the Bank's competitiveness in a year where the wider industry only managed to grow these lines by around 3%.

The rise in profits means the Bank can again apply a criterion of maximum prudence aligned with its usual strategy, **allocating EUR 32 million to provisions for contingencies.**

To **strengthen its historical solvency** the Bank allocated nearly all its profit for the year **(EUR 97 million)** to increase reserves, strengthening its capital and ability to grow in the future.

***SOLVENCY:***

The Bank's **equity** totalled **EUR 1,223 million,** 9.0% more than the previous year.

**Caja Rural de Navarra's solvency measured by its Common Equity Tier 1 (CET1) ratio** was **16.8%,** 0.4 points up on the previous year and, yet again, among the highest in the Spanish financial sector.

***TURNOVER:***

**Customer deposits:**

Private sector customer funds under management on the consolidated balance sheet rose by 9% in 2019 to **EUR 8,729 million** at year-end.

Available figures show that the overall Spanish financial sector grew this measure by 3.91% in 2019, which means Caja Rural de Navarra outperformed the market by nearly **5 percentage points,** gaining market share in all provinces where it operates.

***In Navarre, the Bank's market share in this item was more than 29.4%***

The Bank also maintained the balance of its loan-to-deposit ratio (new loans to customers vs. deposits made by customers), which stood at 93%, once again underlining the great stability of its recurrent business.

**Other savings products:**

Caja Rural de Navarra increased **funds under management in Investment Funds by 7.1%.** The Bank is achieving a high degree of specialisation in this asset class, reflected in a wide range of products, marketed through an **advisory** model that adds considerable value for the customer.

In **Pension Plans** and similar products, **Caja Rural de Navarra increased assets under management by 6.3%** from the prior year.

**Loans And Advances:**

**Loans and advances to customers outstanding at the Bank totalled EUR 8,169 million,** 5.0% more than the previous year. This can be viewed as healthy progress given that outstanding loans to the private sector by Spain's financial sector as a whole fell yet again in 2019, by 1.5% based on available data.

This means that, like last year, the Bank grew its loan book by 6 percentage points more than the market, again improving its market presence. ***The Bank's market share in the Navarre private sector on this measure is 25.77%*** **nearly one point higher than the prior year.**

Caja Rural de Navarra' has a vocation to be a local Bank that is close to people and committed to economic and social development in its community. It achieves this by providing the stable and long-term finance that individuals, the self-employed and our companies and institutions need to realise their projects in a dynamic environment like ours.

***NON-PERFORMING LOANS:***

The Bank's **NPL rate** at end-2019 was **2.0%,** below the 4.99% average for the Spanish financial system based on data available at November.

This is a very low rate that, in the current uncertain climate, the Bank considers to be a positive achievement and will try to maintain or slightly reduce over the next financial year.

***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 always remained in the investment grade band (the others are Banco Santander, BBVA and Caixabank).

The Bank's ratings, among the highest in the sector, were as follows at December 2019: **Baa1** by Moody´s and **BBB+** by Fitch, both with stable outlook.

***INSURANCE:***

The Insurance business has consolidated its position as one of the Bank's key strategic objectives because of its substantial contribution to generating margin and customer loyalty. Its extensive experience in providing insurance solutions for retail customers (bancassurance: home, vehicle, life, death, casualty insurance, etc.), has made the Bank a flagship in the now well-developed insurance market.

***BRANCH NETWORK AND DIGITIZATION:***

**More digitization and more branches**

Caja Rural de Navarra's business model is based on two fundamental strategic points:

- To maintain a branch network that the Bank makes available to its customers to support them and provide high-quality service with a good user experience, that adds value by offering products and services where advice is an essential differentiating factor for their management and sales.
- And the development of digitization as a way to improve the service offered to customers and improve the Bank's productivity.

Regarding digitization, we will be focusing on the following points this year:

- Continuous improvements to our Ruralvía remote banking service and its mobile app, which gives customers ever greater flexibility in their dealings with the Bank and offers more and better functionalities and safer security standards. The result is greater customer satisfaction, an area where scores have substantially improved this year.
- A new fast and fully secure process to sign up as a customer via videoconferencing.
- A new public-facing website, www.cajaruraldenavarra.com which incorporates the latest market trends and a bundle of functionalities to make everyday life easier for our customers such as a loan simulator, home buying handbook, card recommendation function, etc. This helped the Bank increase online consumption by 29.2% over the year.

Regarding the branch network, 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 **253 branches.** In 2019 it opened one new branch and in 2020 it plans to open two more.
- At end-2019 the number of **employees** was 963.
- In 2019 a total of **31,800 new customers** began financial operations with Caja Rural de Navarra, of which 3,560 were legal entities, the vast majority companies.

***SOCIAL RESPONSIBILITY:***

Caja Rural de Navarra publishes an CSR Report and Non-Financial Statements verified by Aenor and awarded the top rating (exhaustive) by the Global Reporting Initiative (GRI), the leading body for developing the content of sustainability reports.

## 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 2019 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 2019***

2019 ended with a reduction in the number of claims and complaints received compared to 2018. This was due to a falloff in the claims about clauses in mortgage contracts that followed various rulings by the Supreme Court and legal opinions issued by the European Court of Justice.

Also, as in previous years, we take the opportunity to explain some basic factors that affect our service. These factors are clearly reflected in the number of claims and complaints submitted to the Customer Services Department in 2019 which, although less numerous than in 2018, remain much higher than in previous years, specifically pre-2013 which marked the start of complaints about mortgage clauses: A sensitivity to and irritation with banks that persists in wider society and among our customers; better-educated customers both financially and legally; easy access to any sort of information about claims and complaints via the internet; easy access to new channels for submitting claims and complaints: websites and email; heavy advertising and media pressure from the "claims industry", national and regional lawyers and consumer associations who encourage the making of claims and continuous press headlines with one-sided information on court rulings, normally unfavourable to the banks.

In these circumstances, which we do not expect to change at least in the short term, we have to maintain the high quality that has always characterised our bank. 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

# Legal Documentation

to customers are differentiating factors and, probably, the key identity markers for the Bank. By offering customers good service and proximity, satisfaction and empathy we can secure their trust and continued loyalty.

In 2018, the Customer Services Department was contacted by 1,571 customers with a total of 1,255 complaints, claims or suggestions. This represents a 34.67% fall compared to 2018. These contacts are broken down by **type** below:

| DISTRIBUTION BY TYPE | | |
|---|---|---|
| **Type** | **2018** | **2019** |
| Complaint | 183 | 153 |
| Claim | 1,606 | 976 |
| Suggestion | 5 | 4 |
| Request | 124 | 118 |
| Congratulations | 3 | 4 |
| **Total** | **1,921** | **1,255** |

By **Autonomous Community:**

| DISTRIBUTION BY REGION | |
|---|---|
| **Autonomous Community** | **2019** |
| Navarre | 646 |
| Basque Country | 494 |
| La Rioja | 115 |
| **Total** | **1,255** |

The **subjects** of these 1,255 claims or complaints broke down as follows:

| DISTRIBUTION BY SUBJECT | |
|---|---|
| **Subject** | **2019** |
| Assets – Loans and mortgages | 731 |
| Assets – Other loans and accounts | 22 |
| Assets – Other | 2 |
| Liabilities – Current accounts | 160 |
| Liabilities – Other | 0 |
| Other loans – Cards, ATMs, POSs | 94 |
| Other loans – Other | 3 |
| Services – Direct debit | 7 |
| Services – Transfers | 33 |
| Services – Bills and cheques | 7 |
| Services – Other | 38 |
| Investments – Funds | 8 |
| Investments – Other investment services | 7 |
| Insurance and plans – Life | 12 |
| Insurance and plans – Property & Casualty | 6 |
| Insurance and plans – Pensions | 2 |
| Insurance and plans – Other insurance | 8 |
| Miscellaneous | 115 |
| **Total** | **1,255** |

# Legal Documentation

Special mention must be made about the processing of the claims dealing with mortgage contract clauses after the publication of Supreme Court Rulings 44/2019, 46/2019, 47/2019, 48/2019, 49/2019 and 566/2019, and the legal opinion published by one of the ECJ lawyers on the mortgage interest rate index (IRPH/IRMH).

The number of claims of this type was lower than in the previous year. Note that, as in the past two years, "floor clause" claims were not managed by the Customer Service Department. Instead they were handled by the body created after publication of Royal Decree Law 1/2017, and are not included in the published data.

Even so, as the table shows, in 2019 the most complained about issue was clauses in mortgage contracts, mainly clauses allocating administration costs, with a total of 583 received, 46.45% of all claims. Many also referred to other clauses, such as those dealing with late-payment interest or debit position collection fees.

Of the 1,255 contacts received, 404 were settled in favour of the customer, 355 were dismissed and 496 were not admitted for consideration.

Also, 21 claims were passed up to the Bank of Spain's Market Conduct and Claims Department. Of these, none related to mortgage administration costs.

The annual average response time from the Customer Services Department was 18 days, in line with the 2018 levels. It reflects the effort by the Service to comply with 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 issues 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 six 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 2019.

## AVERAGE SUPPLIER PAYMENT PERIOD

Payments to suppliers in 2019 were made in an average of 7 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.

## EXPECTATIONS FOR 2020

In 2019, Caja Rural de Navarra completed its 2016-2019 strategic plan having made good progress on all variables and business indicators in the plan, which enabled it to continue winning market share in all regions where it operates and further strengthen its solvency.

The Bank is now focused on its strategic plan for the three years 2020-2022, the key elements of which are:

- Balanced growth that allows the Bank to continue improving its market presence and to strengthen its profitability, efficiency, solvency and liquidity.
- Closeness to customers offering them value-added solutions in any area of their financial relationship with the Bank.
- The Bank's corporate social responsibility, managed via a focus on the Sustainable Development Goals and continued expansion of its social welfare activity. It is intended to allocate EUR 30 million over this period to the Social Welfare Fund, drawn from the profits the Bank expects to make over this period.

## ANNUAL CORPORATE GOVERNANCE REPORT AND CSR REPORT AND NON-FINANCIAL STATEMENTS 2019

In accordance with regulations in force, we annex to the 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, which form part of the Consolidated Management Report, in compliance with its obligations under the regulation. These were published alongside the Corporate Social Responsibility Report (CSR Report) in accordance with international standards.

The non-financial statement forms part of this management report and is available on the website *https://www.cajaruraldenavarra.com/en/information-for-investors under Sustainability - CSR Report.*

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: 31/12/2019

TAX ID NO. (CIF): 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 additional 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 Law, 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 2015 of Caja Rural de Navarra, Sdad. Coop. de Crédito and Subsidiaries making up the Caja Rural de Navarra, Sdad. Coop. de Crédito Group.

6.- Reading and approval, if applicable, of the consolidated non-financial statement

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 2019.

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.- IIndicate 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/es/gobierno-corporativo*

**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** | 15 |
| **Minimum number of directors/board members** | 5 |
| **Number of directors/board members set by the meeting or assembly** | 14 |

One member 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 | | 03/05/2019 |
| CARLOS SANCHEZ DIESTRO | | 05/05/2017 |
| ALBERTO ARRONDO LAHERA | | 03/05/2019 |
| MANUEL GARCÍA DÍAZ DE CERIO | | 05/05/2017 |
| FERNANDO OLLETA GAYARRE | | 23/12/2016 |
| MARCELINO ETAYO ANDUEZA | | 05/05/2017 |
| ROBERTO ZABALETA CIRIZA | | 05/05/2017 |
| GABRIEL URRUTIA AICEGA | | 05/05/2017 |
| PEDRO JESUS IRISARRI VALENCIA | | 03/05/2019 |
| JOSE JOAQUIN RODRIGUEZ EGUILAZZ | | 03/05/2019 |
| PEDRO JOSE GOÑI JUAMPEREZ | | 03/05/2019 |
| FERMIN ESANDI SANTESTEBAN | | 03/05/2019 |
| IGNACIO ZABALETA JURIO | | 03/05/2019 |
| JESUS MARIA DEL CASTILLO TORRES | | 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 |
|---|---|---|
| IGNACIO TERES LOS ARCOS | RIOJA VEGA S.A. | SECRETARY TO THE BOARD AND NON-EXECUTIVE DIRECTOR |
| IGNACIO TERES LOS ARCOS | SERVICIOS EMPRESARIALES AGROINSUSTRIALES S.A. | NON-EXECUTIVE VICE-CHAIRMAN |
| IGNACIO TERES LOS ARCOS | BODEGAS PRINCIPE DE VIANA S.L. | SECRETARY TO THE BOARD AND DIRECTOR |
| MARCELINO ETAYO ANDUEZA | RIOJA VEGA S.A. | DIRECTOR |
| MARCELINO ETAYO ANDUEZA | BODEGAS PRINCIPE DE VIANA S.L. | DIRECTOR |
| PEDRO JESUS IRISARRI VALENCIA | RIOJA VEGA S.A. | DIRECTOR |
| PEDRO JESUS IRISARRI VALENCIA | SERVICIOS EMPRESARIALES AGRO INDUSTRIALES, S.A | DIRECTOR |
| PEDRO JESUS IRISARRI VALENCIA | BODEGAS PRINCIPE DE VIANA S.L. | DIRECTOR |

### 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 2017 | | 2016 | |
| | 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 for years been in the vanguard of pro-equality policy, with a gender-balanced workforce and Equalities Plan in place since 2008 which we renewed in 2019. The Bank is committed to establishing and developing policies that make sure men and women enjoy the same treatment and opportunities and eliminate direct or indirect discrimination on grounds of gender. The policies also address all types of diversity and enshrine equality of opportunity between genders as a strategic principle of our Corporate and Human Resources policy to achieve effective gender equality.

The key targets of the Equality Plan are:

1- To reaffirm Caja Rural de Navarra's Equality Policy to include equality considerations in the new Strategic Plan
2- To strengthen the heavily male- or female-biased teams to create a better gender balance
3- To promote an equality culture among leaders to develop a gender-aware leadership style
4- To inform staff of the results of the Bank's Equality Diagnostic and Equality Plan
5- To use inclusive language and non-sexist imagery in internal communications
6- To engage the Bank's staff in the march toward Equality

7- To maintain a balanced workforce in terms of access to employment
8- To reduce vertical segregation
9- To correct any gender gap in salary
10- To compile data broken down by gender
11- To run a 5-year analysis of termination of temporary contracts to see if there is any gender bias
12- To raise awareness on conciliation and co-responsibility
13- To seek to make sure the composition of Committees reflects the composition of the workforce
14- To encourage monitoring of how the gender equality principle is applied in practice
15- To provide the resources needed to implement the Equality Plan and meet the commitment to equality
16- To incorporate gender issues into customer surveys
17- To draw up gender equal criteria for "personal service"
18- To use inclusive language in oral and written communications
19- To highlight Caja Rural de Navarra's commitment to managing equality
20- To promote equality through the CSR report
21- To encourage suppliers to promote gender equality in their companies when subcontracting

***C.1.6.- Fill out the following table on the aggregate compensation paid to directors in the year:***

| Concept | Thousands of euros | |
|---|---|---|
| | Individual | Grupo |
| 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 | Director, risk department |
| ANGEL LECUMBERRI SEVIGNE | Commercial director |
| JUAN MARIA AYECHU REDIN | Director, business banking |
| FRANCISCO JOSE RODRIGUEZ LASPIUR | Director, management control |
| IGNACIO ARRIETA DEL VALLE | Managing Director |
| CARLOS ALBERTO SAGASETA GARCÍA | Director, Internal Audit |
| MIGUEL GARCIA DE EULATE MARTIN-MORO | Director, treasury operations |
| Ignacio Maeztu Zapatería | Director, sales network |
| FELIX SOLA ARRESE | Director, Compliance Function |
| **Total compensation received by senior management (in Thousands of euros)** | 1,302 |

**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 remit includes 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, PriceWaterhouseCoopers 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 of 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 sets out the 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 | 3 |
| Remuneration Committee | 4 |
| Risk Committee | 3 |

### *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 COMMITTEE AND ITS DELEGATES

| Name | Position | Category |
|---|---|---|
| IGNACIO TERES LOS ARCOS | CHAIRMAN | Other external |
| MARCELINO ETAYO ANDUEZA | SECRETARY | Independent |
| PEDRO JESUS IRISARRI VALENCIA | MEMBER | Independent |
| IGNACIO ZABALETA JURIO | MEMBER | Other external |
| CARLOS SANCHEZ DIESTRO | MEMBER | Independent |
| **% of executive directors** | 0.00 | |
| **% of controlling company members** | 0.00 | |
| **% of independent members** | 60.00 | |
| **% of other external members** | 40.00 | |
| **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. It 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 |
|---|---|---|
| MARCELINO ETAYO ANDUEZA | SECRETARY | Independent |
| PEDRO JESUS IRISARRI VALENCIA | CHAIRMAN | Independent |
| IGNACIO ZABALETA JURIO | MEMBER | Other external |
| CARLOS SANCHEZ DIESTRO | MEMBER | Independent |
| **% of executive directors** | 0.00 | |
| **% of controlling company members** | 0.00 | |
| **% of independent members** | 75.00 | |
| **% of other external members** | 25.00 | |
| **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.

It meets quarterly and may also meet on an extraordinary basis if the Chairman or a majority of its members so request. It is quorate when a majority of its members are present. The workings and functions of the Audit Committee are set out in Article 43 bis of the Bank's Articles of association, which have been approved by the Bank of Spain, and in its Rules of Procedure, approved by the Committee and subsequently by the 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 questions raised by members on matters within its remit.

2.- To propose to the Governing Board for submission to the General Meeting, the appointment of the external auditors to the Bank and Group subsidiaries, as referred to in Article 204 of the Spanish Companies Act, approved by Royal Decree 1564/1989, of 22 December.

3.- To supervise internal audit services, where they exist.

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4.- To approve the annual internal audit plan and 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.

1 0.- 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 follow the financial reporting process and internal control systems.

13.- To liaise with the external auditors to obtain information on matters that may threaten their independence and any other matters related to audit work and processes as well as handling any other communications prescribed by law on audits and audit technical standards.

The head of internal audit is Carlos Sagaseta, who works with the Secretary and advises and reports to the Committee, which he attends on a non-voting basis.

**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** | | IGNACIO ZABALETA JURIO |
| **Date of appointment of the Chairman** | | 13/09/2019 |
| APPOINTMENTS COMMITTEE | | |
| **Name** | **Position** | **Category** |
| MARCELINO ETAYO ANDUEZA | CHAIRMAN | Independent |
| ALBERTO ARRONDO LAHERA | MEMBER | Independent |
| JESUS MARIA DEL CASTILLO TORRES | MEMBER | Independent |
| **% of executive directors** | | 0.00 |
| **% of controlling company members** | | 0.00 |
| **% of independent members** | | 100.00 |
| **% of other external members** | | 0.00 |
| **Number of meetings** | | 3 |

**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 review periodically 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 review periodically 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 |
|---|---|---|
| IGNACIO TERES LOS ARCOS | MEMBER | Other external |
| FERNANDO OLLETA GAYARRE | MEMBER | Other external |
| MARCELINO ETAYO ANDUEZA | MEMBER | Independent |
| PEDRO JESUS IRISARRI VALENCIA | CHAIRMAN | Independent |
| **% of executive directors** | | 0.00 |
| **% of controlling company members** | | 0.00 |
| **% of independent members** | | 50.00 |
| **% of other external members** | | 50.00 |
| **Number of meetings** | | 2 |

**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 rules of procedure approved by the Governing Board. The rules define the composition of the Committee, with four directors including the Chairman of the Governing Board and the workers' representative.

The remuneration policy approved by the Governing Board on proposal of the Remuneration Committee is reviewed in a report drawn up by the external auditor with internal evaluation of policies. This report found the Bank's remuneration policy to be satisfactory. Over the last year, the procedure for designating those employees covered by the policy, as required by regulations, was approved. The Committee's functions are:

- To issue an annual report assessing the general remuneration policy and propose the remuneration for policy for approval by the Governing Board.
- To oversee the remuneration of the heads of functions designated as part of the identified group of employees.
- To report to the Governing Board on the implementation and correct application of the Bank's remuneration policy, ensuring the policy is observed and remunerations are transparently disclosed.

- To include all required information in the corresponding reports. Propose the recommendation to the Governing Board for submission to the General Meeting if required.

In 2019, the rules of procedure were revised. Remuneration policy was analysed in light of the external report and the annual report drawn up. The Bank's remuneration policy was also presented for approval to the Governing Board.

RISK COMMITTEE

| Name | Position | Category |
|---|---|---|
| MARCELINO ETAYO ANDUEZA | CHAIRMAN | Independent |
| IGNACIO TERES LOS ARCOS | MEMBER | Other external |
| FERMIN ESANDI SANTESTEBAN | MEMBER | Independent |
| **% of executive directors** | | 0.00 |
| **% of controlling company members** | | 0.00 |
| **% of independent members** | | 66.67 |
| **% of other external members** | | 33.33 |
| **Number of meetings** | | 5 |

**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 as reflected in the rules of procedure approved by the Committee and ratified by the Governing Board, its most important 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.

  That said, the Governing Board is responsible for risks taken on by the Bank.

- 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. Where necessary, the Risk Committee presents to the Governing Board a remedy plan.

- 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 Director 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.

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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 4/2017, of 27 November, 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 record, 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.

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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 affect 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 handbooks 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:**

The code of conduct for directors and employees expressly establishes the obligation for employees to highlight 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 whistle-blowing channel to personnel specifically dedicated for this purpose by the Ethics and Conduct Committee, which can be used to notify such a situation as well as to the line manager, who must be notified first. 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 oversees 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

- 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
- The fair value of certain financial assets not listed on official secondary markets or estimates for calculating 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 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 handbook of accounting policies as such. Instead the Bank's accounting policies follow Bank of Spain circulars (Circular 4/2017 as amended) and international financial reporting standards (IFRS-EU). The Management Control Department also has documents setting out accounting policies for some significant activities and procedures.

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 systems and all must report accounting information in Spanish GAAP format.

The consolidation process is very straightforward and is carried out half-yearly 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.- 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 Audit 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 procedure 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.
- To 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:

- A Customer Service Department, as required by the Bank of Spain, which handles all claims and suggestions through the different available channels.
- A Regulatory Compliance Unit, which oversees strict compliance by the Bank with laws in force on: Corporate governance, prevention of money-laundering, data protection, criminal liability and customer protection in the marketing of banking and investment product 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 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: 19.2
- Jose Angel Ezcurra Ibarrola: 2.2
- Carlos Sanchez Diestro: 4.3
- Alberto Arrondo Lahera: 3.1
- Pedro Maria Echarte Sevine: 1.5
- Jesus Andres Mauleon Arana: 1.5
- Pedro Jesús Irisarri Valencia: 5.1
- Manuel Garcia Diaz de Cerio: 2.5
- Fernando Olleta Gayarre: 2.2
- Marcelino Etayo Andueza: 5.0
- Roberto Zabaleta Ciriza: 2.3

  -Francisco Javier Artajo Carlos: 1.3
- Jesus Maria del Castillo Torres: 2.2
- Gabriel Urrutia Aicega: 2.0
- Jose Joaquin Rodriguez Eguilaz: 1.1
- Fermín Esandi Santesteban: 1.2
- Pedro José Goñi Juampérez: 1.5
- Ignacio Zabaleta Jurio: 2.2

**NFORMATION 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: 1 person
- Internal audit: 1 person
- Compliance: 1 person
- Sales management: 1 person
- Sales network: 1 person
- Corporate clients management: 1 person
- Treasury: 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 2019 was EUR 1,782 thousand.

Remuneration of the identified personnel 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.

# Legal Documentation

**This Annual Corporate Governance Report was approved by the Company's Board at the meeting held on: 27/03/2020**

**List the directors that voted against or abstained from approving this report:**

# Legal Documentation

**CSR REPORT AND NON-FINANCIAL STATEMENTS 2019**

**CORPORATE SOCIAL RESPONSIBILITY REPORT OF CAJA RURAL DE NAVARRA AND CONSOLIDATED NON-FINANCIAL STATEMENTS OF CAJA RURAL DE NAVARRA GROUP 2019**

**EXTERNAL VERIFICATION DATE 27 MAY 2020**

*This report has been prepared in accordance with the GRI Standards: Comprphensive option. The Corporate Social Responsibility Report has been verified by Aenor as external assurer.*

*Annex II contains the 2019 Non-financial statements in accordance with Law 11/2019 of 28 December.*

# Legal Documentation

## 1. CHAIRMAN'S LETTER

We present the Corporate Social Responsibility Report and Non-Financial Statements for 2019 in a single report containing all the relevant information about Caja Rural de Navarra. We see this as an exercise in transparency and a way to explain to our stakeholders how we interact with our environment. The report also explains how we contribute to the local region and generate value. This is our third annual CSR report and this year we have been able to expand on the financial information it contains, giving details of our sources and how figures are arrived at.

We have once again followed the Global Reporting Initiative (GRI) standards. These give us a structure that helps us continuously refine our reporting of impacts and improvement actions in the four areas where we measure sustainability: economic, social, environmental and corporate governance.

2019 saw completion of the 2016-2019 Strategic Plan with all targets met, an achievement that should inspire us to keep up the good work, pursuing our continuous transformation into a robust, modern and sustainable business. Specifically, the Plan's success shows we can trust our people, technology, experience and knowledge to build a cooperative model for the future, a model that grows in step with its community.

We live in a technological world, where society moves at a vertiginous pace and the pressure for instant gratification is constant. The Bank must react constantly to meet these new needs with local, personalised and high-quality services that put the customer experience first. Equally, in an ever more concentrated financial sector, the Bank remains committed to its on-your-doorstep banking model, where decisions are made locally and customers still feel important. All this while continuing to exploit new communication channels and offering new digital transactions with maximum security and simplicity.

Our banking model must continue to deliver value to society, not only through our financial business but also socially, so we can build a fairer and more coherent society with greater well-being and progress.

True to our origins, we remain committed to the environment, notably through our green investment programme. One example is the Cavar complex of four wind-farms in the municipalities of Cadreita and Valtierra (Navarre), currently under construction in collaboration with Iberdrola.

We are confident this report will answer any questions for those who see Caja Rural de Navarra as a financial institution with a difference, a customer-focused institution with people-centric values. It should also give readers a flavour of the passion we bring to our work.

**IGNACIO TERÉS LOS ARCOS**
**President**

## 2. ABOUT THE REPORT

### *2.1. ABOUT THE REPORT*

This is the third Corporate Social Responsibility Report, based on data at 31 December 2019 and compiled in accordance with GRI standards with a closely drawn focus on the most significant disclosures and the same scope as the first two reports.

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 Communications 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 2019, 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

**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:**
The Customer Service section of the website: cajaruraldenavarra.com/atención-cliente
Email: buzon.crnavarra@cajarural.com

**mail:**
Customer Services Department
CAJA RURAL DE NAVARRA
Plaza de los Fueros 1
31003 Pamplona.

Caja Rural de Navarra prepared its first CSR report in 2017. In 2018, it published its section plus the Non-financial Statements for the Caja Rural de Navarra Consolidated Group, with external assurance by Aenor. Aenor has also assured the 2019 report and non-financial statements for Caja Rural de Navarra.

### *2.2. DIALOGUE WITH STAKEHOLDERS*

**Dialogue with stakeholders** is seen not only as an essential tool to determine what should be included in the report but also as a channel though which the Bank's **different stakeholders could play an active part** in its CSR strategy.

Caja Rural de Navarra has identified the people or groups that impact 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 group, **understand their needs and expectations and make commitments to improve.**

Caja Rural de Navarra has conducted a consultation with all these groups to determine **which CSR issues they see as most pressing** for the Bank. The results have 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 foment dialogue with its stakeholders. All the information collected and analysed through these dialogue processes feeds into future CSR guidelines and initiatives.

| STAKEHOLDERS | COMMUNICATION CHANNELS |
|---|---|
| **CUSTOMERS**<br><br>Retail<br>Corporate<br>Private banking<br>Institutions | Customer services - Social networks<br>Quality reviews – *Te escuchamos*<br>Customer satisfaction assessment<br>Suggestion box<br>Cajaruraldenavarra.com website<br>General commercial relationships<br>Materiality Survey for this report<br>Personal materiality interviews for this report<br>Materiality Focus Group with corporate customers for this report |
| **EMPLOYEES** | Caja Rural de Navarra intranet<br>Internal website: ideas and experiences<br>*Comité de Empresa* (works council)<br>Internal Communication Group<br>Materiality Focus Group for this report<br>Materiality survey of Caja Rural de Navarra employees for this report |
| **SUPPLIERS** | Commercial and contractual relationships<br>Quality surveys<br>Materiality survey of Caja Rural de Navarra's main suppliers for this report |

### *2.3. EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION*

As part of the process of preparing the CSR report in accordance with GRI standards (www.globalreporting.org/standars), Caja Rural de Navarra drew up a materiality analysis of the 2018 CSR report, at Bank (Caja Rural de Navarra) scope only.

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.**

# Legal Documentation

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. It is planned to conduct this review tri-annually so the next materiality analysis will be in 2020.

| EXTERNAL VIEW | CONSULTANCY METHODS | SAMPLE/ RESPONSES |
|---|---|---|
| Retail customers | Online questionnaire | 2,633 |
| Private banking customers | Focus group with managers<br>Face-to-face interviews with customers<br>Written questionnaire | 24 |
| Corporate customers | Focus group with managers<br>Focus group with customers<br>Face-to-face interviews with customers<br>Written questionnaire | 33 |
| Institutional customers | Online questionnaire | 27 |
| Employees | Focus group with the Internal Communications Committee<br>2018 questionnaire<br>2019 questionnaire | <br>20<br>468 |
| Suppliers | 2018 questionnaire<br>2019 questionnaire | 2<br>6 |
| **INTERNAL VIEW** | **CONSULTANCY METHODS** | **RESPONSES** |
| Management Committee | Online questionnaire | 31 |

After analysing the consultations with stakeholders, the areas of information considered a priority by each stakeholder group and on which Caja Rural de Navarra should therefore report were found to be as follows:

**RETAIL CUSTOMERS**

- Caja Rural de Navarra's CSR policy and social engagement
- Information about the Commercial Model: transparency, marketing channels, ethical behaviour, etc.
- Corporate information: strategy, corporate structure and organization, etc.

**INSTITUTIONAL CUSTOMERS**

- Caja Rural de Navarra's CSR policy and social engagement
- Corporate information: strategy, corporate structure and organization, etc.
- Information about the Commercial Model: transparency, marketing channels, ethical behaviour, etc.

**PRIVATE BANKING CUSTOMERS**

- Information about the Commercial Model: transparency, marketing channels, ethical behaviour, etc.
- Corporate information: strategy, corporate structure and organization, etc.
- Caja Rural de Navarra's CSR policy and social engagement

**PEOPLE**

- Financial strength of the Bank and global risk management
- Caja Rural de Navarra's CSR policy and social engagement
- Marketing transparency
- Quality of service and customer satisfaction
- Work-life balance

**CORPORATE CLIENTS**

- Information about the Commercial Model: transparency, marketing channels, ethical behaviour, etc.
- Corporate information: strategy, corporate structure and organization, etc.
- Caja Rural de Navarra's CSR policy and social engagement

**SUPPLIERS**

- Strategy of the organization
- Corporate structure and organization
- Quality of service and customer satisfaction

Caja Rural de Navarra's process for defining materiality considers both internal and external factors to identify the material scopes.

Once stakeholders' priorities have been identified, the vision and strategy of Caja Rural de Navarra is brought into the process by consultation with members of the Management Committee and product managers.

# Legal Documentation

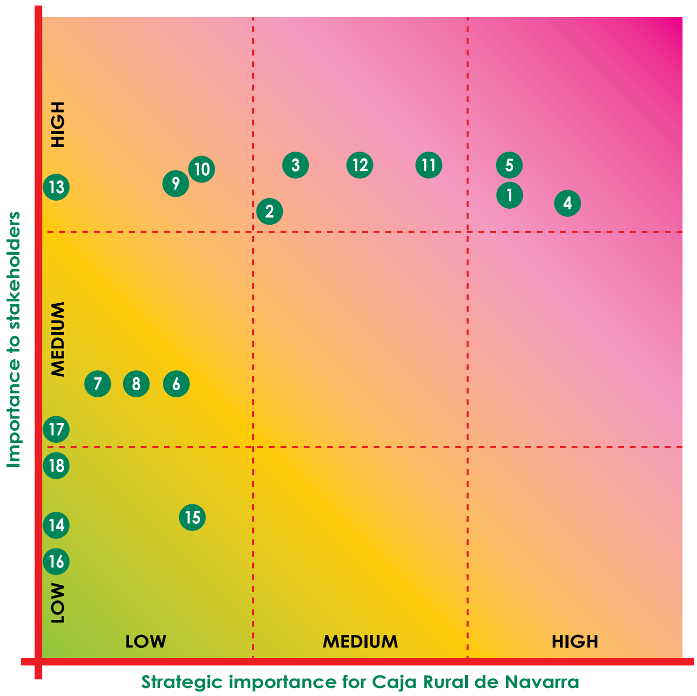
| STAKEHOLDER PRIORITIES **EXTERNAL VIEW** | **ASPECTS:** • ECONOMIC • SOCIAL • ENVIRONMENTAL |
|---|---|
| **HIGH** | • Quality of service and customer satisfaction |
| | • Corporate information: strategy, corporate structure and organization, etc. |
| | • Caja Rural de Navarra's CSR policy and social engagement |
| | • Financial strength of the Bank and global risk management |
| | • Strategy of the organization |
| | • Corporate culture |
| | • Commercial model |
| | • Handling of suggestions, claims and complaints |
| | • Corporate structure and organization |
| | • 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 |

| STAKEHOLDER PRIORITIES **EXTERNAL VIEW** | **ASPECTS:** • ECONOMIC • SOCIAL • ENVIRONMENTAL |
|---|---|
| **HIGH** | • Financial strength of the Bank and global risk management |
| | • Strategy of the organization |
| | • Caja Rural de Navarra's CSR policy and social engagement |
| | • Marketing transparency |
| **MEDIUM** | • Quality of service and customer satisfaction |
| | • Corporate culture |
| | • Corporate structure and organization |
| | • Code of conduct |
| **LOW** | • Marketing channels |
| | • Commercial model |
| | • Personal development |
| | • Equality and diversity |
| | • Work-life balance |
| | • Handling of suggestions, claims and complaints |
| | • Contracting criteria |
| | • Payment systems |
| | • Reduction of consumables |
| | • Environmental education and awareness |

# Legal Documentation

| STAKEHOLDER PRIORITIES **GLOBAL VIEW** | **ASPECTS:** • ECONOMIC • SOCIAL • ENVIRONMENTAL |
|---|---|
| **HIGH** | • Financial strength of the Bank and global risk management |
| | • Caja Rural de Navarra's CSR policy and social engagement |
| | • Strategy of the organization |
| | • Marketing transparency |
| | • Quality of service and customer satisfaction |
| | • Corporate culture |
| **MEDIUM** | • Corporate structure and organization |
| | • Commercial model |
| | • Marketing channels |
| | • Handling of suggestions, claims and complaints |
| | • Code of conduct |
| | • Personal development |
| **LOW** | • Equality and diversity |
| | • Work-life balance |
| | • Environmental education and awareness |
| | • Reduction of consumables |
| | • Payment systems |
| | • Contracting criteria |

**Importance of issues assessed to the bank and its stakeholders.**




1 Strategy
2 Corporate and organizational structure
3 Corporate culture
4 Financial strength of the Bank and global risk management
5 Caja Rural de Navarra's CSR policy and social engagement
6 Personal development
7 Work-life balance
8 Equality and diversity
9 Marketing model
10 Marketing channels
11 Marketing transparency
12 Quality of service and customer satisfaction
13 Management of suggestions, complaints and claims
14 Contracting criteria
15 Code of conduct
16 Payment systems
17 Reduction of consumables
18 Environmental education and awareness

Caja Rural de Navarra's materiality analysis identified the following issues for inclusion in the **CSR Report,** as follows:

**ECONOMIC**

- Financial strength of the Bank and global risk management
- Strategy of the organization
- Marketing transparency
- Quality of service and customer satisfaction

**SOCIAL**

- Caja Rural de Navarra's CSR policy and social engagement
- Corporate culture
- Employee issues were not identified as material. Nevertheless, this report sets out the organization's measures in this field and its management focus.

**ENVIRONMENTAL**

- No environmental issues were identified as material. Unsurprising, given the nature of Caja Rural de Navarra's activity.
- Nevertheless, this report sets out the organization's measures in the environmental field as testimony to the company's commitment to the environment.

The materiality analysis also yielded interesting information on our stakeholders which will feed back into the design of our **Corporate Social Responsibility Plan** during the next few years.

The **materiality analysis** carried out between December 2017 and March 2018 was updated in 2019 to incorporate enhanced consultation with employee and supplier stakeholders. The issues considered material did not change as a result.

### *2.4. MANAGEMENT FOCUS*

Guided by the conclusions of the materiality analysis and following consultation with our stakeholders, Caja Rural de Navarra bases its relationships with 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).**

# Legal Documentation

**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 of 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. SOCIETY

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 and **helps limit the risk of taking decisions on too short term a basis** or prioritising the interests of one group too strongly 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 with detailed direct knowledge of the economic and social realities of the towns and cities in our regions. They must see us as supporting key social groups essential to the long-term development of the community, such as SMEs, entrepreneurs, grass-roots sport, educational and cultural activities, etc. with an inclusive focus on different social groups that is sustained over the long term.

## 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 development, renewable energy, etc.) and by supporting projects to improve the environment through **its financing lines** (sustainable farming, sustainable forest management, waste management, renewable energy and energy efficiency).

**5. SUPPLIERS**

Caja Rural de Navarra seeks to maintain a **close, respectful, trusting and transparent relationship** with its ***suppliers*** and partner companies which fosters 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 listing 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 253 branches in the regions of the Comunidad Foral de Navarra, the Basque Autonomous Region and La Rioja as well as through its virtual channels.

The Bank takes a strategic approach to planning. 2019 marked the end of the 2016-19 Plan. A new 3-year Strategic Plan will be launched in 2020 running from 2020-2022. All plans are backed by detailed annual plans.

The strategic planning is based on the principle of 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. Customers can also access services via its other IT apps (Ruralvía pay, etc.) as well as the ATM network.

The Bank belongs to the 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 draws on shared central services provided by specialist companies set up by the group to meet the needs of the member Rural Credit Cooperatives. The Banco Cooperativo Español (wholesale banking), Seguros RGA (insurance) and Rural Servicios Informáticos (IT services) 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 point of reference, in its natural market. The Bank is an integral part of society and, by virtue of its origins and deep roots in the local community, 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 Caja Rural de Navarra network has grown to 253 branches in Navarre, the Basque Autonomous Region and La Rioja.

### *2.6. CAJA RURAL DE NAVARRA STRATEGIC PLAN*

Strategic planning has long been one of the Bank's key management tools, with a series of plans over several years. The four-year plan drawn up in 2015 ended in 2019. Now that 2019 is over we can say that we are meeting the targets planned. Key targets included:

**Loans and Advances:**

Loans and advances performed slightly below expectations. Total lending grew 1.5% below the budget projections in the Strategic Plan, a shortfall of EUR 100 million each year except 2018, which was only EUR 8 million short. In provinces outside Navarre, growth exceeded 9% in every year except 2019, when it was 4.71%, beating all targets. Across the whole period of the Plan, growth in branches outside Navarre contributed more than 50% of total new lending.

**Liabilities:**

Liabilities outperformed their target budgeted in the Strategic Plan. The Plan expected branches to be holding EUR 8,323 million of funds from customers at end-2019. The actual figures was EUR 8,692 million (growth of 8.10%) beating the full-period growth target of 7% annually. In provinces outside Navarre, annual growth over the course of the Plan averaged 8%, which meant that by the end of the Plan non-Navarre branches were servicing over 38% of total liabilities.

**New customers:**

The Bank hit its growth target in deposit-taking from retail customers in every year of the Plan and over the full four-year period beat its target of 105,283 new customers by more than 13,000. However, we fell short of our target for legal entities of 15,992, attracting just over 13,000 during the period. In both metrics, around 60% of new customers came through branches outside Navarre.

**Non-performing loans:**

NPL volume was better than budget in all years except for an spike in 2019 that took it EUR 35 million above the EUR 145 million target.

Foreclosures were close to a third of those envisaged in the Plan, ending on EUR 51 million rather than the EUR 138 million we had budgeted for.

**Profit:**

Once again, profit targets were beaten in all years of the Plan. Total earnings over the lifetime of the Plan were EUR 43.5 million higher than budget: EUR 6 million in 2016, EUR 13 million in 2017, EUR 20 million in 2018 and EUR 5 million in 2019.

**Solvency:**

The definitive solvency ratio - measured by its Common Equity Tier 1 (CET1) ratio, the highest-quality capital - at 31 December 2019 was 16.74%. The end-Plan objective was 17.66%. Despite falling short of its budgeted ratio, the Bank still enjoys a very robust level of solvency. All capital is of the highest quality. No other instruments are counted toward capital.

Overall, we can report that we hit most of the economic targets set out in the Plan, improved market share and expanded our network in the markets of Vizcaya (7 new branches over the life of the Plan) and Álava (1 new branch).

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 169,507 members (at 31 December 2019) representing a wide diversity of sectors and society. The Company has no majority or controlling members.

Its business originally focused on the agribusinesss 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.

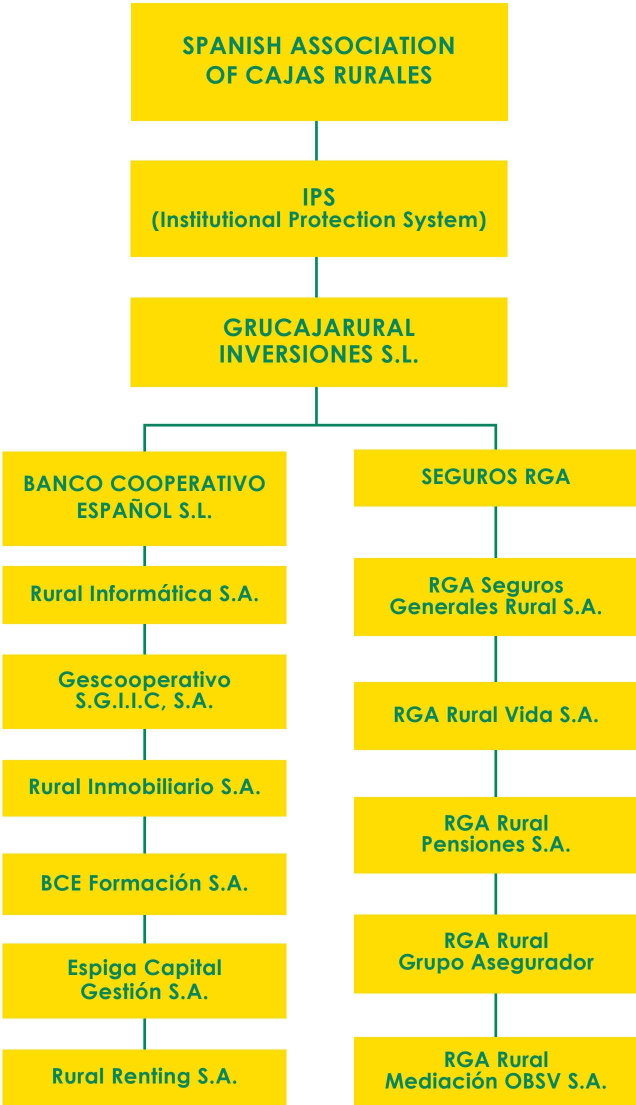
It retains its local focus and, following the tradition of the European cooperative model, its financial activities serve all retail banking segments (individuals, corporate, the self-employed, institutions, etc.) through a network of 253 branches in the regions of the Comunidad Foral de Navarra, Basque Country and La Rioja. This is one more branch than last year. None closed in 2019.

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, 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:

**CORPORATE STRUCTURE OF THE GROUP**




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.

# Legal Documentation

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, 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"), the 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***

Is owned by the member Rural Credit Cooperatives pro rata their average total assets (ATA) in the Group. The 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 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 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/inicio.html*
*www.gescooperativo.es*
*www.grupocajarural.es*

**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 100% of the company's capital.

The component companies of Seguros RGA are as follows:

- **RGA SEGUROS GENERALES RURAL, S.A.** 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, S.A.** and **RGA RURAL VIDA, S.A.** The Board of Directors has 12 members mostly drawn from Caja Rural Group companies.

Links: *www.segurosrga.es*

**4. Rural Servicios Informáticos S.L. (RSI)**

RRural Servicios Informáticos, founded in **1986,** is 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 Caja Rural Group Banks and now also for other customers.

RSI's share capital is wholly owned by the Caja Rural Group Banks. 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 18.22% stake in the company.

# Legal Documentation

***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 chief representative and management body. It currently has a 14.43% stake in the 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 and cheques.

At the moment, it is governed by a Sole Director who acts as its top representative and management body. It currently has an 18.23% stake in the company.

Links:
*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*

# Legal Documentation

| COMPOSITION OF CAJA RURAL GROUP | | | | |
|---|---|---|---|---|
| **GRUPO CAJA RURAL** Rural Credit Cooperatives (AECR members) | 100% | RSI | | |
| | 100% | SEGUROS RGA | | |
| | 88% | BANCO COOPERATIVO ESPAÑOL | 12% | DZ BANK |

| CAJA RURAL GROUP – KEY FIGURES | | | | |
|---|---|---|---|---|
| **EMPLOYEES** | **BRANCHES** | **ATMs** | **MEMBERS** | **CUSTOMERS** |
| 8.434 | 2.314 | 2.994 | + de 1,5 millones | + de 6,5 millones |

### *3.2. PROFILE OF THE ORGANIZATION*

**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**

Its registered office is in Pamplona, Navarre. Plaza de los Fueros, 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 NO.**

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

EBA guidelines on internal governance [EBA/GL/2017/11] empower Caja Rural's Governing Board to set up and oversee an appropriate and effective internal control and governance framework which defines an organizational structure which, among other points, governs the internal functions of risk management, compliance and audit, ensuring they have the independence, authority, range and resources to properly fulfil their duties.

In line with the Company's permanent commitment to best corporate governance practice, the Governing Board of Caja Rural de Navarra, 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:

1. To promote transparent, independent, effective and prudent management of the Company and its Group, in compliance with the requirements of regulators and supervisors;
2. To clearly attribute responsibilities and competences for internal control, including defining audit and internal control units and functions;
3. 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:

A. Promoting efficient and organized functioning of the Governing Board in coordination with its Committees.

B. Defining appropriately the essential bases of the structure, organization and functioning of Caja Rural de Navarra, guaranteeing efficient strategic coordination.

C. Establishing a robust system of supervision and internal control.

D. Implementing a commitment to transparency, fulfilled by defining a System based on clear, transparent and documented decision-making processes.

E. Embedding a corporate culture based on ethical and sustainable action by the Company's governing bodies, control units, management and employees.

F. Overseeing appropriate compliance, ensuring the entity complies at all times with applicable legal regulations and best practice in corporate governance.

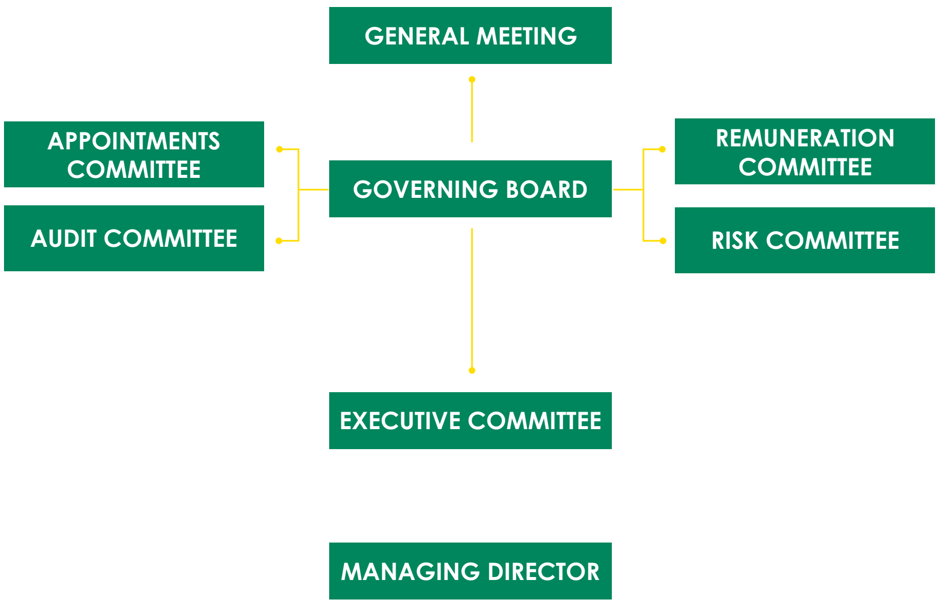
### 3.3.1. GOVERNING BODIES

Caja Rural de Navarra has an appropriate and transparent corporate structure and operating model for management and control that ensures it can act efficiently 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 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:

**CORPORATE STRUCTURE OF CAJA RURAL DE NAVARRA**




### GOVERNING BODIES AND INTERNAL MANGEMENT AND CONTROL STRUCTURE

**Members**

Caja Rural de Navarra is a cooperative bank with 169,507 members at 31 December 2019, contributing EUR 167.6 million to the Bank's share capital. The number of members rose by 4,607 since the previous year and the contribution to capital rose by EUR 279.2 thousand.

# Legal Documentation

## 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.

## Governing Board

The Governing Board is the collegiate body responsible for governance, management and representation of the Bank. 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 conducts its business in accordance with the law, the articles of association and the general policy set by the General Meeting.

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/cms/estatico/rvia/navarra/ruralvia/es/particulares/infoRmacion_institucional/galeria_descargas/Estatutos_Caja_Rural_de_Navarra.pdf*

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. Up to 14 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 permanent-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 representing 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.

# Legal Documentation

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 on suitability and authorize 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"). For full rules of procedure see:
*https://www.cajaruraldenavarra.com/es/gobierno-corporativo*

**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. The functions of the Caja Rural de Navarra's governing bodies mentioned above are:

# Legal Documentation

| Committee | Functions |
|---|---|
| **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 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. |

The rules of these committees are available at:
*https://www.cajaruraldenavarra.com/es/gobierno-corporativo*

***The Bank's Operational structure is as follows;***

## General management

The Bank has 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.

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.

**Areas/Internal Departaments: Operational structure**

The Bank's General Management has consultative and support body in the form of the Management Committee, a Committee with internal scope and no delegated or executive functions.

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.

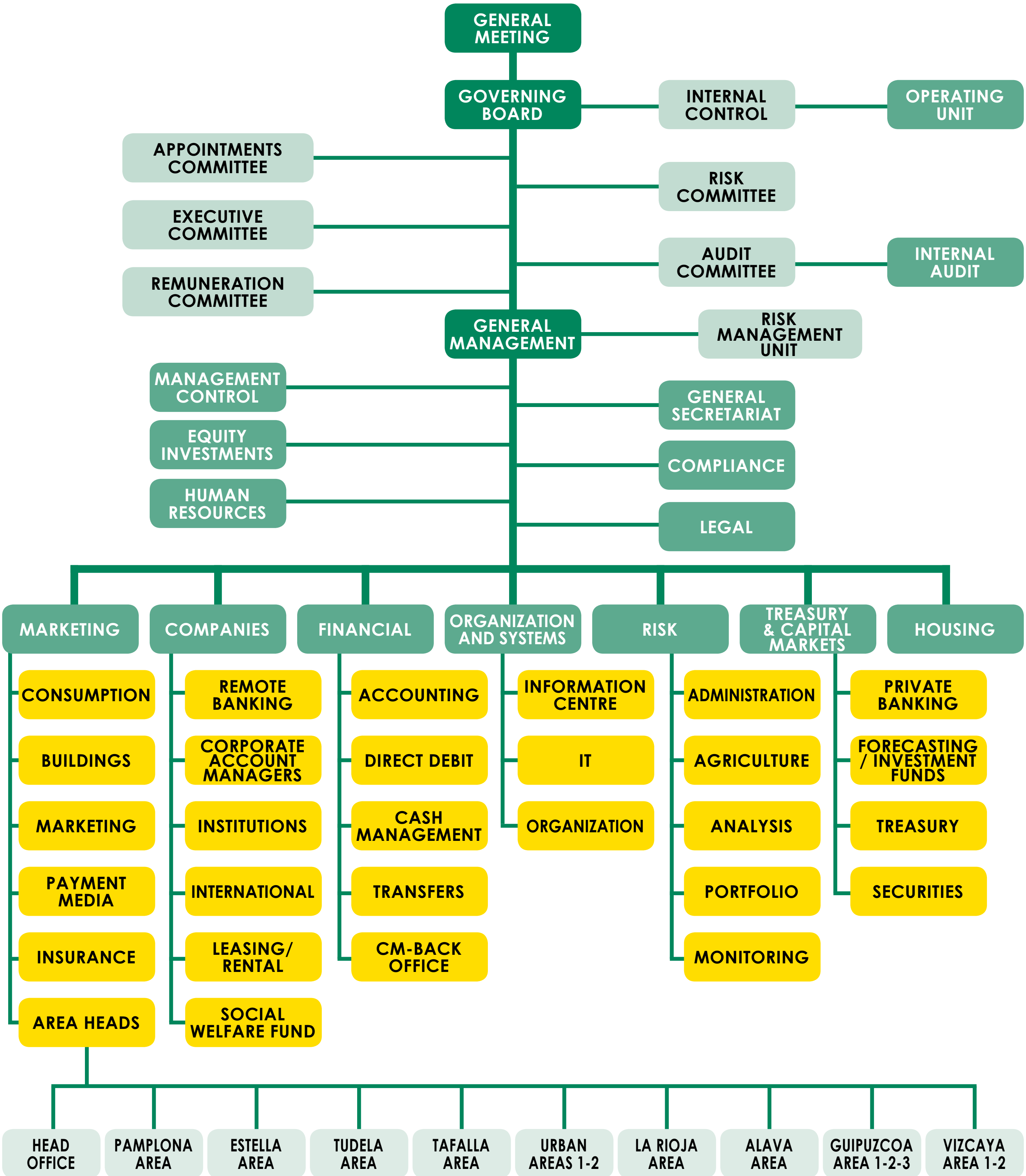
Specifically, Caja Rural de Navarra has created Internal Areas/Departments with responsibilities appropriate to their fields of activity, such as corporate governance (Legal and Tax or Regulatory Compliance Departments), control and risk management (Department of General Intervention and Risks and Internal Audit) or business (Corporate Banking, Sales, Companies and Private Banking Departments) among others.

# Legal Documentation

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.

# Legal Documentation

Structure of the Bank:



### *3.3.2. Internal Control*

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 the Caja Rural Group.

CRN's internal control framework is sustained, among other matters, by the following principles:

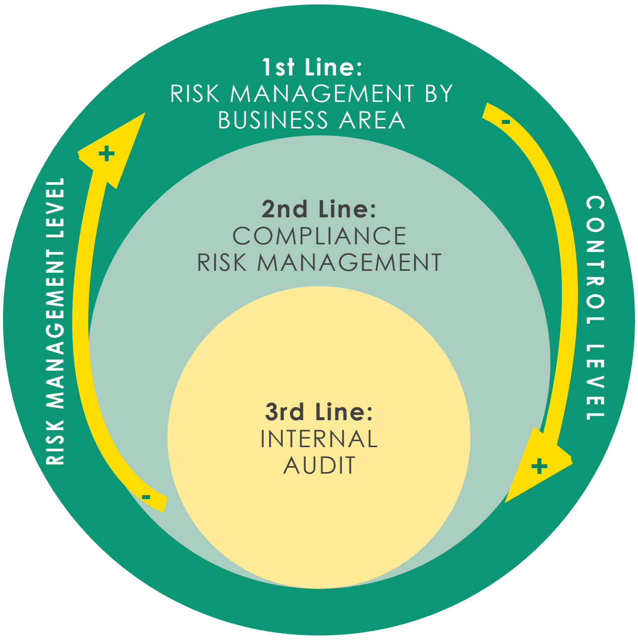
- A well-defined and appropriate organizational and operational structure with an efficient internal control and governance framework.
- The creation of appropriate procedures for exchanging information between the Governing Board and Managing Director on the different business lines and between the 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.
- 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 defence**

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.




- **First line of defence**

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.

- **Second line of defence**

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.

- **Third line of defence**

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.

***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. The unit is headed by a senior independent director of the Bank whose operational functions do not conflict with proper risk management.

The function head supports the Risk Committee, which 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.

To maintain its modest and prudent risk profile Caja Rural de Navarra monitors a set of key metrics based on different risks, the 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 targets 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 monitoring 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.

***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, criminal 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 that apply to areas defined as within the Function's scope of action, acting independently of the services and activities it controls.

To this end, the unit has a Procedural Handbook and follows 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 using "compliance engine" software and reporting on its work quarterly to the Audit Committee and annually to the Governing Board.

The Compliance Function also supports the Governing Board on upcoming regulations to ensure compliance with applicable laws, regulations and standards.

Certain activities to guarantee regulatory compliance within the Function's defined scope of action 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.

***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.

***Operational Risk Committee***

The three main internal control functions described above are notably supported by the Operational Risk Committee, which is responsible for analyzing 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.

***3.3.3. Corporate culture***

**1.- Rules of Conduct**

The Bank'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, which include:

- 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 oversees banks dealing on securities markets.
- The Code of Conduct for executives and employees whose purpose 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.
- The Anti-Corruption Policy Handbook based on the Bank's commitment in its Code of conduct, which forms an integral part of the institution's crime-prevention programme.
- The Suppliers Handbook, which sets out guidelines for selecting suppliers and other procedures for the control and evidencing of the Bank's expenses.

**2.- Model for Prevention of Criminal Risks**

Caja Rural de Navarra has drawn up a model for prevention of criminal risks, whose main aim is to define the controls in place to prevent or, if necessary, mitigate the effects of any crimes committed in the course of the Bank's business which might give rise to criminal liability on its part.

The model includes a Criminal Compliance Policy Handbook, whose main purposes are to:

- Transmit to the Governing Board, Management Committee and all employees of the Bank, as well as to its other stakeholders and business partners, compliance with law and regulations in force and lay out and defend the fundamental values and principles underlying the Bank's actions as well as its Code of Conduct.

- Create a Criminal Compliance Management System in line with the requirements of regulation UNE 19601. The system includes a range of crime prevention measures. These basically consist of identifying activities where crimes are likely to occur, analysing the associated risks and controls and monitoring the implementation of a risk management plan agreed with and approved by the Bank's Governing Board.
- Guarantee to all stakeholders - shareholders, customers, suppliers, legal bodies and wider society - that Caja Rural de Navarra SCC is compliant with its duties of oversight and control of its business and has in place adequate measures to mitigate risks of criminal activity.

**3.- Policy on conflicts of interest**

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.

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 measures apply to three areas:

- Article 48 of the Bank's Articles of association and Article 24 of the Governing Board's rules of procedure, both of which can be found on the website: www.cajaruraldenavarra.com/es/ gobierno-corporativo,
- The Bank's Policy on conflicts of interest, approved by the Governing Board,
- Internal procedures 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 different areas, while avoiding undue interference.

This segregation is complemented by 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 and section 5 of the Bank's Policy on Conflicts of Interest. 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 and procedures on Credit Risk, including definitions and reporting and control requirements for such financing transactions, which in any case must be arranged on an arm's length basis.

### *3.4. 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 is defined by the following:

***MISSION***

To generate sustainable confidence among customers, involving them through our team, to contribute to the economic and social development of our community.

***CORPORATE VALUES***

Our aim is to support the personal development of the people we work with on our corporate project, as well as that of our customers and the communities where we operate.

The values of Caja Rural de Navarra form the basis for progress and achievement and are spread through its wide network of branches, which is complemented by advanced virtual access systems. This makes possible a close and trusting relationship with all customers and a teamwork approach that brings everyone together and considers the needs of its surrounding 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 the Caja Rural style (human qualities, personal treatment, professionalism and modernity), and to be a benchmark for our community.

***ACTION PRINCIPLES***

Everyone at Caja Rural de Navarra draws inspiration from the action principles 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.

***3.5 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.

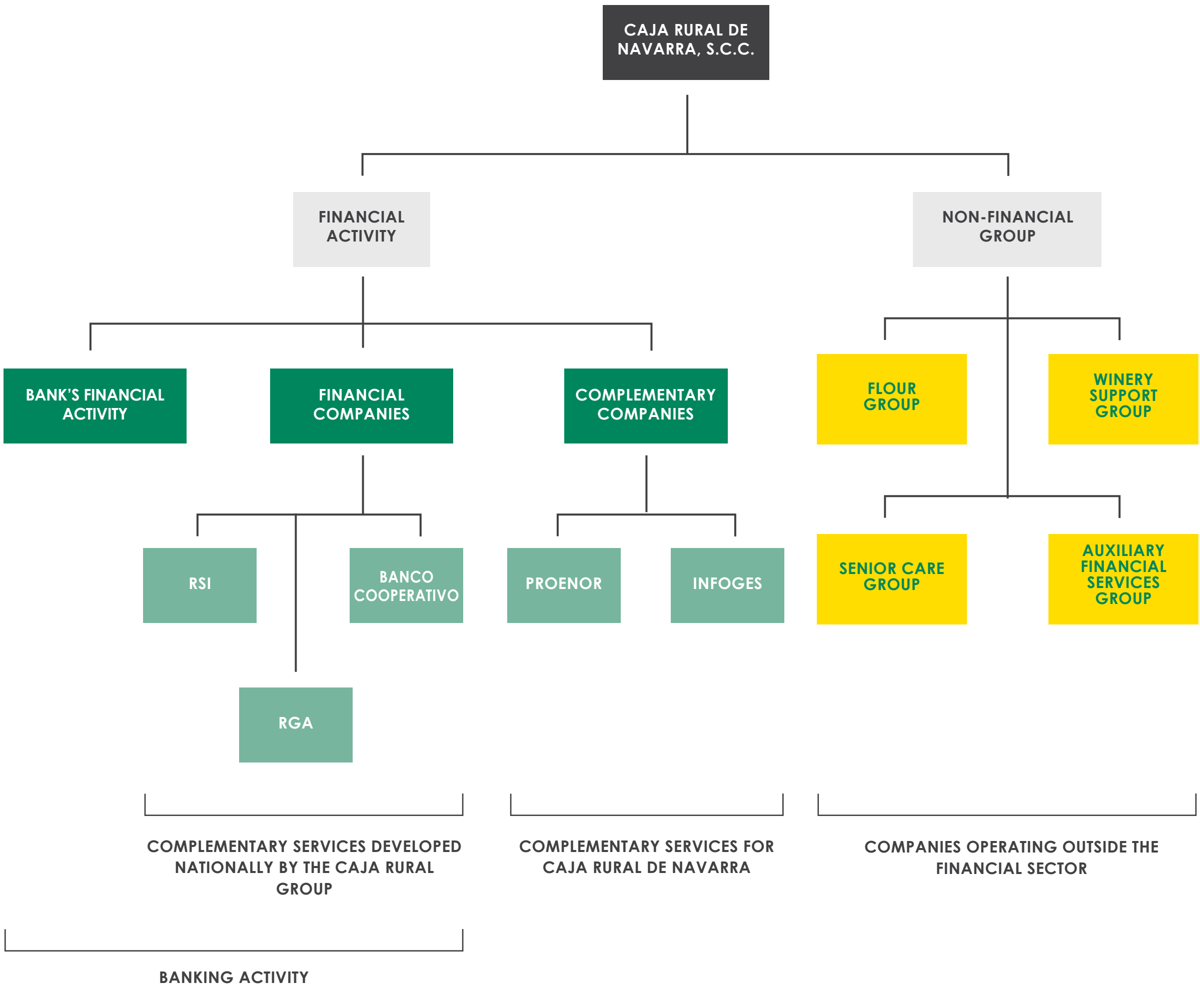
As a financial entity with a dense presence in its community, **Caja Rural de Navarra bases its investment or divestment decisions on the following fundamental criteria:** (i) avoid any distortion of sector competition and recurrent activities of its cooperative members and customers; (ii) support the regional economy in an omnidirectional form, but with special relevance to the agribusiness 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** 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.

# Legal Documentation

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**




According to the Bank of Spain circular, for a company 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 made when the Bank has a policy to support 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.

# Legal Documentation

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 the **Caja Rural de Navarra Group,** which are wholly owned by the Bank and **consolidated in the financial statements:**

| GROUP COMPANY | ID | SECTOR OF ACTIVITY | % INVESTMENT | CRN direct holding |
|---|---|---|---|---|
| HARIVASA 2000 S.A | A31013402 | Flour | 100% | Yes |
| Transnoain S.A | A31870058 | Flour | 100% | No |
| Cerelia I+D S.L | B71312888 | Flour | 100% | No |
| Cerelia S.L | B31949217 | Flour | 100% | No |
| Harinera de Tardienta S.A | A22001499 | Flour | 100% | Yes |
| Harinas Selectas S.A | A50107143 | Flour | 100% | No |
| Comercial Don Obrador, S.A. | B79410742 | Flour | 100% | No |
| Le Moulin de Navarre | FR258138031 | Flour | 100% | No |
| Harántico, S.L. | B36562593 | Flour | 100% | Yes |
| Reyes Hermanos S.L | B36000818 | Flour | 100% | No |
| Harinera del Mar S.L | B97832232 | Flour | 100% | Yes |
| Haribéricas SXXI S.L | B64939341 | Flour | 100% | Yes |
| Harivenasa S.L | B71075774 | Flour | 100% | Yes |
| HRVS Eood | BG203420883 | Flour | 100% | No |
| Industria Tonelera de Navarra S.L | B31688336 | Winery supplies | 100% | Yes |
| Tonnelleries de L'Adour S.A.S | FR96425029972 | Winery supplies | 100% | Yes |
| Oroz Fils STE Exploitation ETS C | FR943797009 | Winery supplies | 100% | No |
| Tonnelleries de L'Adour USA Ind | C3886342 | Winery supplies | 100% | No |
| Bouquet Brands S.A | A31884000 | Winery supplies | 100% | Yes |
| Bahía de Cádiz S.L | B84996743 | Winery supplies | 100% | No |
| Solera Asistencial S.L | B71150866 | Senior care | 100% | Yes |
| Solera Navarra S.L | B71186654 | Senior care | 100% | No |
| Torre Monreal S.L | B31872872 | Senior care | 100% | No |
| SERESGERNA S.A | A31697808 | Senior care | 100% | Yes |
| Preventia Sport S.L | B71008783 | Services to CRN customers | 100% | Yes |
| Promoción Estable del Norte S.A | A31663651 | Services to CRN customers | 100% | Yes |
| Informes y Gestiones Generales S.A. | A31437635 | Services to CRN customers | 100% | Yes |
| Informes Técnicos y Valoraciones Generales, S.L. | B31917305 | Services to CRN customers | 100% | No |
| Administración de Fcas. Informes y Gestiones S.L. | B71054944 | Services to CRN customers | 100% | No |

# Legal Documentation

Caja Rural de Navarra holds a business portfolio, both in financial companies and other activities. Here are the names and the percentage of its participation:

| GROUP COMPANY | ID | SECTOR OF ACTIVITY | % INVESTMENT | CRN direct holding |
|---|---|---|---|---|
| Bodegas Príncipe de Viana S.L. | B31130438 | Winery | 50% | Yes |
| Rioja Vega S.A. | A31002918 | Winery | 50% | Direct & indirect |
| Iparlat S.A. | A31003031 | Dairy | 23,60% | Yes |
| Omegageo S.L.. | B31832314 | Geotechnical and engineering services | 50% | Yes |
| Igeo 2 S.L. | B31854292 | Geotechnical and engineering services | 50% | No |
| Laboratorios Entersa, S.A. | A31536113 | Geotechnical and engineering services | 50% | No |
| Entecsa Bilbao, S.L. | B95200549 | Geotechnical and engineering services | 42,50% | NO |
| Bosqalia S.L. | B31813249 | Timber growing and exploitation | 48,60% | Yes |
| Errotabidea S.L. | B31899271 | Real estate | 46,01% | Yes |
| Servicios Empresariales agroindustriales S.A. | A31139884 | Agroindustrial corporate services | 33,33% | Yes |
| Rural de Energías Aragonesas S.A. | A99225195 | Energy | 25% | Yes |
| Compañía Eólica de Tierras Altas S.A. | A42145912 | Energy | 25% | Yes |
| Rural de Energía de Tierras Altas, S.A. | A42221382 | Energy | 25% | Yes |
| Renovables de la Ribera S.L. | B71032791 | Energy | 25% | Yes |

*Annex II contains details of the Non-Financial Statements for 2019, covering the Group scope, in accordance with Act 11/2018.*

### 3.7. KEY FIGURES

**CAJA RURAL DE NAVARRA KEY FIGURES**

| *(In thousands of euros)* | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **TURNOVER** | | | | | |
| Total assets | 9,728,120 | 10,952,597 | 11,557,130 | 12,038,254 | 12,945,945 |
| Shareholders' equity | 866,295 | 934,022 | 1,018,716 | 1,092,019 | 1,176,846 |
| Customer deposits | 6,493,935 | 7,080,743 | 7,533,517 | 8,020,973 | 8,741,063 |
| Loans and advances to customers | 6,351,615 | 6,832,108 | 7,315,406 | 7,781,407 | 8,127,188 |
| **SERVICES** | | | | | |
| Branches | 246 | 249 | 250 | 252 | 253 |
| ATMs | 291 | 299 | 302 | 312 | 316 |
| **PEOPLE** | | | | | |
| Number of employees | 918 | 933 | 959 | 965 | 963 |
| **PROFIT** | | | | | |
| Net interest income | 148,514 | 147,278 | 142,907 | 138,135 | 145,467 |
| Gross income | 208,396 | 210,704 | 217,372 | 206,911 | 222,115 |
| Administrative expenses | 81,783 | 83,299 | 86,322 | 88,971 | 87,389 |
| Income from operating activities | 75,159 | 79,125 | 90,557 | N/ A (1) | N/ A (1) |
| Profit before tax | 62,274 | 66,460 | 86,792 | 91,250 | 85,153 |
| **DISTRIBUTION OF WEALTH GENERATED** | | | | | |
| **1. Directly generated economic value** | **228,182** | **230,218** | **278,345** | **229,554** | **247,063** |
| Gross income (excluding other operating expenses) | 225,598 | 227,811 | 274,425 | 223,058 | 242,969 |
| Cost of sales, property and equipment and foreclosed assets | 2,584 | 2,407 | 3,920 | 6,496 | 4,094 |
| **2. Distributed economic value** | **108,795** | **108,672** | **143,820** | **118,496** | **119,081** |
| Payments to suppliers (operating expenses) | 45,258 | 44,369 | 83,248 | 43,525 | 47,409 |
| - Other general administrative expenses | 34,717 | 34,418 | 35,620 | 37,340 | 35,831 |
| - Other operating expenses | 10,541 | 9,951 | 47,628 | 6,184 | 11,578 |
| Personnel expenses | 47,065 | 48,881 | 50,702 | 51,631 | 51,558 |
| Income tax | 7,485 | 6,212 | -1,518 | 11,793 | 9,163 |
| Interest on investment capital | 2,327 | 2,055 | 1,963 | 1,585 | 1,676 |
| Investment/Donations to the community | 6,661 | 7,156 | 9,425 | 9,963 | 9,275 |
| - Education and Development Fund (EDF) | 6,661 | 7,156 | 9,425 | 9,963 | 9,275 |
| **3. Retained economic value (1-2)** | **119,386** | **121,546** | **134,525** | **111,058** | **127,981** |

(1) This item was dropped from the income statment published in 2018

Financial information used for key figures has been extracted from the audited annual financial statements, which can be found at: www.cajaruraldenavarra.com (Institutional information).

## CAJA RURAL DE NAVARRA CONSOLIDATED GROUP – KEY FIGURES

| *(In thousands of euros)* | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| **TURNOVER** | | | | | |
| Total assets | 9,860,147 | 11,085,569 | 11,726,238 | 12,202,865 | 13,133,114 |
| Shareholders' equity | 885,803 | 956,620 | 1,049,187 | 1,122,515 | 1,223,266 |
| Customer deposits | 6,480,414 | 7,054,214 | 7,524,305 | 8,011,914 | 8,729,469 |
| Loans and advances to customers | 6,370,613 | 6,849,057 | 7,334,762 | 7,789,185 | 8,176,553 |
| **SERVICES** | | | | | |
| Branches | 246 | 249 | 250 | 252 | 253 |
| ATMs | 291 | 299 | 302 | 312 | 316 |
| **PEOPLE** | | | | | |
| Number of employees | 1,440 | 1,532 | 1,608 | 1,766 | 1,792 |
| **PROFIT** | | | | | |
| Net interest income | 146,150 | 145,437 | 140,947 | 135,957 | 143,634 |
| Gross income | 259,652 | 266,741 | 278,719 | 276,758 | 293,966 |
| Administrative expenses | 126,796 | 132,190 | 141,274 | 150,334 | 151,605 |
| Income from operating activities | 75,820 | 79,788 | 89,304 | N/ A (1) | N/A(1) |
| Profit before tax | 66,091 | 69,512 | 92,418 | 93,502 | 98,449 |
| **DISTRIBUTION OF WEALTH GENERATED** | | | | | |
| **1. Directly generated economic value** | **479,552** | **480,944** | **557,151** | **534,622** | **556,801** |
| Gross income (excluding other operating expenses) | 476,968 | 478,537 | 553,231 | 528,126 | 552,707 |
| Cost of sales, property and equipment and foreclosed assets | 2,584 | 2,407 | 3,920 | 6,496 | 4,094 |
| **2. Distributed economic value** | **354,532** | **352,778** | **416,781** | **415,866** | **422,594** |
| Payments to suppliers (operating expenses) | 273,450 | 268,659 | 334,442 | 316,211 | 324,151 |
| - Other general administrative expenses | 62,795 | 64,019 | 69,355 | 74,806 | 74,685 |
| - Other operating expenses | 210,655 | 204,640 | 265,087 | 241,405 | 249,466 |
| Personnel expenses | 64,001 | 68,171 | 71,919 | 75,528 | 76,920 |
| Income tax | 8,093 | 6,737 | -968 | 12,579 | 10,571 |
| Interest on investment capital | 2,327 | 2,055 | 1,963 | 1,585 | 1,676 |
| Investment/Donations to the community | 6,661 | 7,156 | 9,425 | 9,963 | 9,275 |
| - Education and Development Fund (EDF) | 6,661 | 7,156 | 9,425 | 9,963 | 9,275 |
| **3. Retained economic value (1-2)** | **125,020** | **128,166** | **140,370** | **118,756** | **134,20** |
| Subvenciones públicas recibidas | 526 | 648 | 920 | 1,068 | 1,067 |

(1) This item was dropped from the income statment published in 2018

Companies comprising the Caja Rural de Navarra Group, which are wholly owned by the Bank and consolidated in the financial statements.

## 4. OUR 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 communications 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 2019:**

#### A. Improved channels of communication

One of Caja Rural de Navarra's priorities is continuously to improve our banking channels to offer a good customer experience which will help encourage the digitization of our customers' interactions. Standout improvement projects include:

*Improving functionality:*

- **Continuous improvement of our distance banking unit *Ruralvía*,** which now offers new services such as the C34 (payroll) files with the option to make immediate deposits, check currency forward lines or complete tax residence formalities online.

- **Updating our distance banking unit *Rvía app***. In light of the rise of the mobile, we are providing ever more functionalities for mobile environments. A new search facility to locate ATMs, improved alerts to keep customers permanently informed about their accounts and a Bizum option (Ruralvía Pay) to transfer cash directly via the Ruralvía app.
- Access to **Ruralvía Pay and Ruralvía apps through facial recognition** (depending on the handset).
- 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.
- The **"Hágase Cliente" (become a customer) process through videoconferencing.** Customers can sign up online in just 8 minutes.
- **A new public-facing website, www.cajaruraldenavarra.com** which incorporates latest market trends **a bundle of functionalities to make everyday life easier for our customers** such as a loan simulator, home buying handbook, card recommendation function, etc.
- Partnerships with FinReach, allowing new customers to switch their direct debits online, and Google Pay, offering mobile payments through Google's app.

*Improving communications:*

- Work continued during the year on dissemination of digital articles through our media channels such as the blog and Ruralvía bulletin. **We want to become a source of digital know-how for our customers.**
- To improve our Ruralvía support service **we switched the call centre from a 902 number to a 91 number.**
- The banking product and services marketing policy was updated to comply with new regulations and ensure the Bank's communication was wholly transparent.

*Improving security:*

- Introduction of PSD2, **including OTP verification as from 14 September,** which tightens security when accessing Ruralvía or requesting movements of over 90 days.
- The Bank has decided to **give customers regular reports on cyberfraud,** seeking to minimise the risks these activities pose.

# Legal Documentation

In 2020, we will be doing further work on this front, the main projects in progress being:

- **"The wall"** facility available to some clients. **A new private communication channel within Ruralvía** so that customers can contact their customer manager/contact branch.
- Work is ongoing to roll out the **chatbot, available via the private section of the Ruralvía app and which successfully resolves most customer queries.**
- As required by PSD2 we have **the specific authorisation to provide services as payment initiators (PISP) or aggregators (AISP)** which we will be rolling out in 2020.
- Improved versions of Ruralvía (categorisation) will be included on the app and website so **customers can see itemised details of their accounts,** cash management, savings options for certain targets, etc.

**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 from 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 the Caja Rural Group which provide us with services, mainly the Banco Cooperativo and Rural Servicios Informáticos.

**C. Marketing 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 2019, Caja Rural de Navarra launched 374 new publicity items, of which 294 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.

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**E. Marketing**

To improve transparency and clarity in the way the branch network markets products and services. Customer communications available in-branch were updated every two months.

**F. Product Committee**

The Product Committee continued its work in 2019. It was set up in 2016 to bring all the products and services offered by the Bank under a validation process.

A number of issues were addressed in 2019, including some from the continuous improvement programme such as:

- Definition and drafting of product brochures.
- Approval of marketing or distribution of new products such as guaranteed funds or structured products.
- Update of documents to bring them into line with the models issued by BCE's Compliance Department.
- Update and approval of standard documents such as the banking product and services marketing policy or the Product Committee's own handbook.
- Approval of points needed to correctly apply the new regulations, notably Act 5/2019 of 15 March, regulating property credit agreements in 2019.

The Committee held all its scheduled quarterly meetings but these were supplemented by 13 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 the 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 PROGRAMME**

The training plan was launched in 2017 for employees providing financial advice. The Bank has a good starting level as 95.85% 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 2019, 100% of branches and 778 employees (80.79% of the total), were qualified to give advice.

**I. CODE OF PRACTICE**

As part of the policy of personalised negotiation when customers have difficulties paying their mortgage, the Bank applies Royal Decree-Law 6/2012 of 9 March on urgent measures to protect low-income mortgage debtors, for borrowers that meet the necessary requirements.

Caja Rural de Navarra signed up to the Royal Decree on March 2012 and has conducted 43 transactions since, all on people's guaranteed usual residence, for a total of EUR 4,691,835.30.

In 2019, 5 mortgages on homes guaranteed as usual residence were restructured for a total of EUR 248,940.91.

**J. INVESTMENT FUND MARKETING SERVICES**

- We continued to develop marketing procedures for investment funds in 2019, with actions that added new or improved services to customers in all three modalities through which we offer these products:
- **"Non-independent advisory service":** this offers customers advice* on investment funds managed by Gescooperativo, with a view to recommending the investment best suited to the knowledge, experience, financial resources and investment aims of the client. We also offer our customers the opportunity to judge the suitability of the investment funds they have with us and decide whether they suit their investor profile. We have a continuous commitment to recommend the best product for them.
- **"Discretionary portfolio management service":** customers delegate management of their financial assets to the Bank, following an assessment of their investment profile by Caja Rural de Navarra 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.

- **“Marketing 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.

* *Based on the definitions in Directive 2014/65/EU such advice is given on a “non-independent” basis.*

Also, processes were improved and action taken to increase the amount of pre-contractual, contract and post-contractual information provided to our customers. This has improved the transparency of our marketing relationships with customers and means that customers are better protected when they make their investments.

We believe that in both areas (improved service quality, transparency and investment protection during fund marketing) Caja Rural de Navarra achieves a high level of compliance with regulations in force, matching that of the most compliant institutions in the sector.

**K. Socially Responsible Investment**

Advances in Socially Responsible Investment (SRI) in Spain are being applied to asset management. 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.

As part of its range, the Bank also continued to offer throughout the year two investment funds based on socially responsible investment criteria - Rural Gestión Sostenible I and Rural Gestión Sostenible II. Income and capital growth on these funds has been positive.

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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.

Finally, Caja Rural de Navarra in cooperation with Gescooperativo is looking into extending the range of sustainable investment funds and, when viable, managing the entire range in accordance with socially responsible investment criteria.

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,

**"Sustainability criteria of companies are considered before any investment decision is taken."**

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.

Security selection 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 31 December 2019, Caja Rural de Navarra had a total of 599,094 customers. Of these 50,871 (8.49%) were classed as "Companies, institutions" and 548,223 (91.51%) were "Individuals".

The table below shows the breakdown by customer type:

| SEGMENT | Customers |
|---|---|
| **Individuals** | **548,223** |
| **Legal entities** | **50,871** |
| COMPANIES | 40,434 |
| INSTITUTIONS | 10,174 |
| OTHER | 263 |
| **TOTAL (individuals + legal entities)** | **599,094** |

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 |
|---|---|---|---|
| Navarre | 50.15% | 61.96% | 54.22% |
| Basque Country | 39.95% | 29.15% | 36.53% |
| Rioja | 9.86% | 8.88% | 9.25% |
| Madrid | 0.04% | 0.02% | - |
| **TOTAL** | **100%** | **100%** | **100%** |

*4.3. DIALOGUE WITH CUSTOMERS*

**LISTENING AND PARTICIPATING IN SOCIAL NETWORKS**

Caja Rural de Navarra uses the following channels to communicate with its stakeholders:

- cajaruraldenavarra.com/atencion-cliente
- blog.cajaruraldenavarra.com
- Facebook, Caja Rural de Navarra page
- Facebook, Joven In page – Caja Rural de Navarra
- Twitter, Caja Rural de Navarra account
- Instagram, Caja Rural de Navarra site
- Instagram, Joven In page – Caja Rural de Navarra
- YouTube, youtube.com/CajaRuralNavarra
- LinkedIn Caja Rural de Navarra.

**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 and online forms on its website.

In 2019, this Service received 1,255 complaints or claims. These were resolved as shown in the table below, which includes a comparison with the previous year.

| RESOLUTION OF COMPLAINTS AND CLAIMS | | |
|---|---|---|
| **FORM OF RESOLUTION** | **2019** | **2018** |
| Not accepted | 496 | 600 |
| Dismissed | 355 | 897 |
| Upheld in full | 318 | 324 |
| Upheld in part | 86 | 100 |
| **Claims dealt with** | **1255** | **1921** |

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Unlike in 2018, complaints and claims received in 2019 fell sharply, due to a fall-off in the number of claims for "arrangement costs for mortgages". These had represented 60.85% of all claims in 2018, falling to 46.45% in 2019.

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 2019, 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, which is the forum used to review how complaints and claims were dealt with, identify possible risks, decide on criteria to apply and make appropriate recommendations. The Committee is attended by people from a range of departments.

We analyse a number of specific issues below:

**1.- Fraudulent use of payment media, phishing and product security**

The Customer Services Department received 15 claims for fraudulent use of payment media, 12 relating to credit or debit cards and 3 to fraudulent transfers via the remote banking service. 12 of these were ultimately resolved in the customers' favour.

Those that were not upheld were rejected on the grounds either that the transactions in question had been authorised by the customers and therefore were not a fraudulent use of the payment media in question or that the customer had not kept the payment media sufficiently secure, in which case regulations say claims cannot be accepted.

Unlike 2018, Caja Rural de Navarra was the subject of two complaints to the Bank of Spain for fraudulent use of payment media, phishing and product security. On both occasions the Supervisor's judgements were not unfavourable to the Bank

There were no penalties, warnings or cases of non-compliance in this area in 2019.

**2.- Information on products and services**

The Customer Services Department dealt with one complaint on prior information on products. It related to the purchase of a Pension Plan that was redeemed by the customer before the regulatory term that would have entitled them to a tax exemption.

There were no penalties, warnings or cases of non-compliance in this area in 2019.

**3.- Publicity for products and services**

There was just one claim relating to publicity for products and services. This concerned a promotional free gift, which was delivered but with some changes due to a lack of stock. This was provided for in the terms and conditions. Despite this, the incident was resolved by replacing the gift once new stock of that shown in the promotion came in.

There were no penalties, warnings or cases of non-compliance in this area in 2019.

**4.- Breach of data protection rules**

In 2019, the Bank dealt with 1,229 requests to delete personal data for marketing use. We received 8 complaints, none of which was passed up to the Spanish Data Protection Agency (AEPD).

There were no penalties, warnings or cases of non-compliance in this area in 2019.

### *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 253 branches to serve its business at the end of 2019, distributed among the Autonomous Regions as follows:

| BASQUE COUNTRY | NAVARRE | LA RIOJA |
|---|---|---|
| 90 | 139 | 24 |

One new branch has opened serving customers of Caja Rural de Navarra during the year.

Access to financial services is identified as a fundamental factor in social cohesion. In Spain, the erosion of branch networks in the banking industry over recent years could increase levels of financial exclusion in the regions.

Caja Rural de Navarra stands out against this trend, as the number of branches in locations with fewer than 3,000 inhabitants is 73 and none has closed in recent years. Its 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 Bank's social commitment to the rural world, the market where it began 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.

We can now state that architectural barriers have been almost entirely eliminated from out branches. However, some, due to the features of the building where it is located, do present some minor accessibility problems. In 2019, refurbishment of one branch included work to improve accessibility to the in-branch ATM.

**2. PAYMENT MEDIA (cards, PoS terminals and ATMs)**

At the end of the year, the Bank had 312 ATMs, of which 285 were in branches and 27 elsewhere. It also had 22,317 PoS terminals in 19,228 stores and other businesses.

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 terminals continues to be transferred to Redsys and the project is expected to be completed in 2020.

Progress also continued in modernising payment media. Two new agreements were signed with Google and Samsung, in addition to the existing Apple deal, to include our cards in their payment apps (Apple Pay, Google Pay and Samsung Pay) so customers can pay using their mobiles. The Google app has been up and running since end-2019 and the Samsung app is expected to go live in the first quarter of 2020.

**3. DIGITAL**

Caja Rural de Navarra's remote banking service is branded as 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 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 provides mobile payment and free transfers of small sums via Bizum.
- ***Ruralvía Móvil;*** mobile version of our remote banking "Ruralvía" application. This app offers customers the DIMO option to withdraw cash from ATMs using their mobile number.
- ***Ruralvía Mi Negocio,*** an app to help traders with their day-to-day banking by managing data.
- ***Ruralvía Report,*** an app to help individual customers control their day-to-day banking.

In 2019 the Bank also **revamped the corporate website cajaruraldenvarra.com** to provide a more up-to-date modern image that matches best market practice.

### *4.5. PRODUCTS AND SERVICES*

Caja Rural de Navarra, as a cooperative, retail and regional institution, has always had close ties with the agribusiness sector and supported its responsible development. Over the years, the Bank's business has changed with the increasing industrialization of the regions where it operates, but it has always remained true to its culture of transparency, responsibility and sustainability.

The whole organization is now subject to Environmental, Social and Governance (ESG) standards that determine the focus, targets and policies of the Bank regarding different aspects of sustainability. The ESG rating awarded to Caja Rural de Navarra by Second-Party Opinion provider Sustainalytics ranks the Bank among the best performers in the financial sector in 2019.

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As part of its focus on ESG issues, Caja Rural de Navarra some years ago created a Sustainability Framework[1] in its loan book which aims to develop financing lines that have a greater social and environmental impact on the regions where it is active. These lines are consistent with its principles of commitment to its local social and natural environment.

The framework is dynamic. It is regularly updated as the categories it addresses change, evolving and developing to keep pace with responsible social and environmental practices. Caja Rural de Navarra plans to review the framework in 2020 to include the latest sustainability trends, bringing the nomenclature, for instance, into line with the Taxonomy[2] adopted by the EU in June 2019.

True to these principles, Caja Rural de Navarra has been active in wholesale markets with various issues of "sustainable" financial instruments (bonds or loans) that fit into the sustainability framework:

- **Sustainable mortgage-backed covered bond:** EUR 500 million 7yr Nov-16 https:// *hypo.org/emf/press-release/covered-bond-labelenhances-transparency-sustainable-finance-caja-ruralde- navarra-receives-110th-label/*
- **Sustainable senior bond:** EUR 100 million 5yr Jun-17 *https://sustainabonds.com/crn- reinforces-sustainableshift-gets-label-senior-debut/*
- **Sustainable mortgage-backed covered bond:** EUR 500 million 7yr May-18 *https://sustainabonds.com/spain-positives-liftenhanced-crn-sustainable-cedulas-to- heights/*

[1] https://www.cajaruraldenavarra.com/sites/default/files/202003-CRN-sustainability-bond-framework.pdf
[2] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

- **EUR 90 million European Investment Bank loans** taken out in 2018 and 2019 to fund lending to SMEs whose purpose relates to combatting climate change.

The successive versions of the sustainability framework over the years have been overseen by consultancy Sustainalytics[3] whose "Second-Party Opinion" report[4] covers the Bank's commitments to devote at least the amount raised by these "sustainable" instruments to financing – future or existing – projects identified by the Bank as meeting the criteria for its sustainability framework and to produce a regular sustainability impact report on the projects.

Caja Rural de Navarra's transparency policy meets generally accepted international sustainability criteria for its sector. It requires the regular publication of detailed updates on the sustainability lines and their impact on the Bank's area of operations as well as the Bank's involvement with environmental and social actions under its commitment to support enough projects that meet the Sustainability Framework criteria. The report is verified by a third-party analyst (AENOR[5]) as recommended in the EU's Taxonomy Technical Report[6] of June 2019.

Sustainalytics has ratified that the Bank's framework is aligned with the principles and objectives mentioned above, including the "Green Bond Principles"[7] and "Social Bond Principles"[8] and that Caja Rural de Navarra helps finance projects that contribute to environmental sustainability, social challenges and the United Nations Sustainable Development Goals (SDG)[9] in accordance with their guidelines on transparency, communication and reporting. Categories coming under the loan book sustainability framework are also aligned with the UN Sustainable Development Goals (SDGs) which sets global objectives for all humanity.

All these principles and targets are consistent with the commitments made.

The Green Bond Principles

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.

[3] https://www.sustainalytics.com/
[4] https://www.cajaruraldenavarra.com/sites/default/files/files/Sustainalytics-CRN-Second-Opinion-Caja-Rural-de-Navarra.pdf
[5] https://www.aenor.com/certificacion/certificado/?codigo=187944
[6] https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf
[7] https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/
[8] https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/
[9] https://www.un.org/sustainabledevelopment/sustainable-development-goals/

The Green Bond market will allow and encourage debt markets to play a key role 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

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 where the 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; 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

On 25 September 2015, global leaders adopted a set of 17 global goals to eradicate poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Each goal includes specific targets to be met in 2030. Caja Rural de Navarra has mapped each of the framework's sustainability lines against the UN SDGs.

In the interests of transparency, Caja Rural de Navarra publishes quarterly analyses of its loan book data following the standards set by the Covered Bond Label[10] which guarantees the quality of the investment to investors and allows easy comparison of results against other labelled entities. Current issues of sustainable mortgage-backed covered bonds are tagged by the EMF-ECBC with the green leaf kitemark.

In addition, the ESG teams at DZ Bank[11] analysed the full range of sustainability issues affecting Caja Rural de Navarra and awarded it the DZ Bank Sustainability certification with above-average scores in all four areas considered: Economy, Environment, Social and Governance.

Besides the abovementioned certifications and standards, Caja Rural de Navarra also helps address sustainability issues by supporting a range of initiatives and working groups contributing to the development of green finance:

- EeMAP-EEMI[12] (Energy Efficient Mortgage Action Plan-Energy Efficient Mortgage Initiative).

[10] https://www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/en/portal/segmentos/info_inversiones/prel/Covered-Bond-Label. html?exp=TRUE
[11] 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
[12] https://eemap.energyefficientmortgages.eu/

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- EEFIG[13] (Energy Efficiency Financial Institutions Group).

An institution dedicated to promoting energy-efficient homes that help meet the environmental and social targets set by the UN Paris Agreement (by stimulating investment and creating jobs)

The sustainability framework of the Caja Rural de Navarra loan book consists of 9 different credit lines whose customer base has evolved as shown:

| SUSTAINABLE LOAN BOOK (EUR) | | |
|---|---|---|
| 2019 | 2018 | 2017 |
| 3,144,616,830.92 | 3,148,273,075.93 | 3,054,456,503.91 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| 2019 | 2018 | 2017 |
| 43,608 | 44,121 | 39,356 |

At 31 December 2019 the sustainable portfolio totalled EUR 3,100 million (see table below) assigned as follows:

**CAJA RURAL DE NAVARRA: ASSIGNMENT OF SUSTAINABLE ASSETS AND LIABILITIES***

| SUSTAINABLE PORTFOLIO CATEGORY | ASSETS | LIABILITIES | SUSTAINABLE FINANCE ASSIGNMENT |
|---|---|---|---|
| Sustainable agriculture | 134,713,692.49 | 500,000,000.00 | Sustainable CB: CRUNAV 0.625 12/01/23 |
| Renewable energy | 40,569,767.43 | 100,000,000.00 | Sustainable Sr unsecured CRUNAV Float 06/21/22 |
| Energy efficiency | 463,735,384.36 | 500,000,000.00 | Sustainable CB: CRUNAV 0.875 05/08/25 |
| Sustainable forest management | 1,298,688.36 | 40,000,000.00 | BEI loan for SMEs and Mid-caps (2018) |
| Waste management | 22,889,927.49 | 10,000,000.00 | BEI loan for SMEs and Mid-caps for Climate Change (2018) |
| Social housing | 628,560,131.49 | 40,000,000.00 | BEI loan for SMEs (2019) |
| Social inclusion | 50,888,474.22 | | |
| Education | 24,028,003.28 | | |
| Economic inclusion | 1,777,932,761.83 | 1,954,616,830.92 | Unassigned sustainable portfolio |
| TOTAL SUSTAINABLE LOAN BOOK | 3,144,616,830.92 | 3,147,255,391.86 | MAXIMUM SUSTAINABLE FINANCE |

*Data are sustainable finance granted by Caja Rural de Navarra outstanding at 31 December 2019

[13] http://www.eefig.com/

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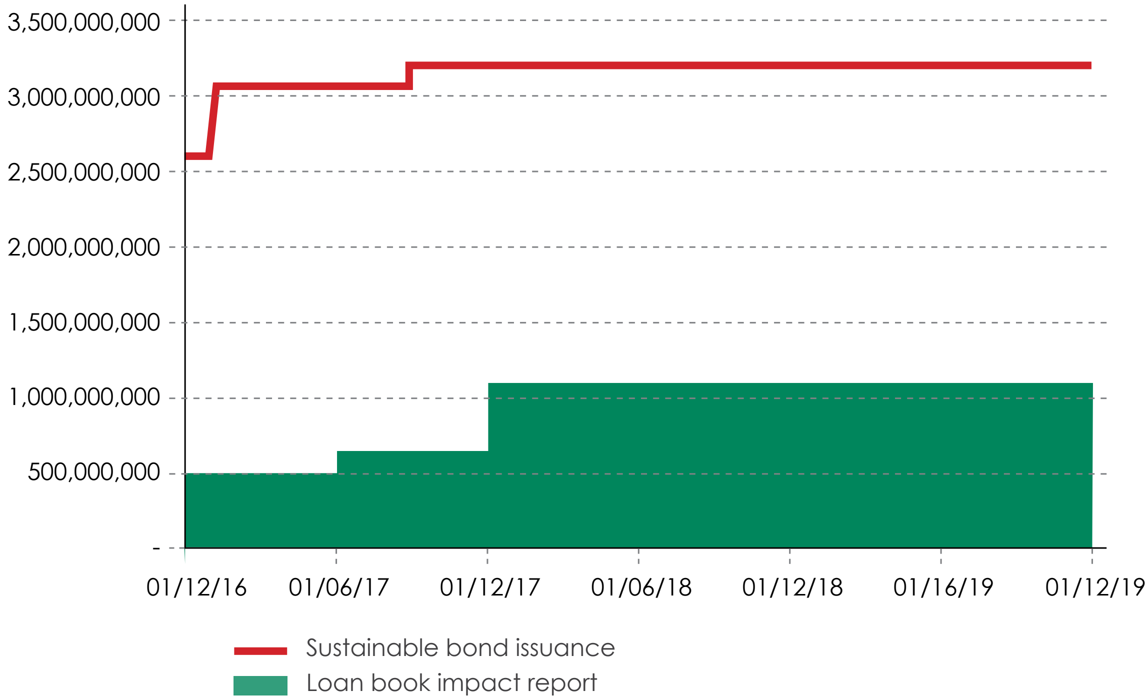
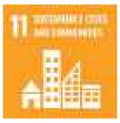
Caja Rural de Navarra is committed to growing its most sustainable credit lines and therefore seeks to improve the "additionality" of its sustainability framework. As a result, total outstanding sustainable loans made by Caja Rural de Navarra since launch of the Sustainability Framework has exceeded its bond issuance.




Loans made under the sustainability framework grew 3% since 2017, benefiting 43,877 people and companies in 2019.

Below we map the categories used by the Bank's sustainability framework against the UN Sustainable Development Goals (SDGs), breaking down the categories by the different SDGs promoted by Caja Rural de Navarra.

| | 2019 | 2018 | 2017 |
|---|---|---|---|
|  | 504,305,151.79 | 482,853,903.95 | 281,168,595.16 |
|  | 2,481,409,370.82 | 2,533,004,109.00 | 2,685,353,502.36 |
|  | 158,902,308.31 | 132,415,062.98 | 87,934,406.39 |

***BREAKDOWN OF SUSTAINABILITY LINES***[14]

**1. SUSTAINABLE FARMING**

***"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 farming, 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 Cooperative Bank operates.

The Cooperative Bank tested each loan included in this category for compliance with the above aims. Based on an analysis of information collected, we calculate that at 31 December 2019 the current sustainable farming line totals EUR 134.7 million, spread across 1,688 loans to 1,284 borrowers.

The historic key figures in this category are detailed in the attached tables:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 134,713,692.49 | 103,319,406.27 | 69,902,508.31 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 1.284 | 963 | 671 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 1,688 | 1,220 | 808 |

The Bank's philosophy is to support the new generation that will sustain a vigorous primary sector and rural environment in the future. So 21.47% of loans went to young farmers under 40. Another 29.1% went to cooperatives, *Sociedades Agrarias de Transformación* (SATs, agri-development partnerships) and other agricultural associations, maintaining the Bank's traditional support for collective initiatives in the world of agriculture and stock raising.

[14] Information from available data

Caja Rural de Navarra's customers in the agribusiness sector are also committed to sustainable farming. As proof of this, 16.36% of loans from the sustainable farming line have European ecological certification for organic production.

The table below breaks down the loans made by purpose as a percentage of the Category total:

**PURPOSE OF LOANS**

| | |
|---|---|
| Farm consolidation and guarantees | 24.5% |
| Improvements to stock-raising facilities and animal welfare | 17.0% |
| Improvements to agricultural transportation (energy efficiency) | 12.2% |
| Irrigation systems and improvements (energy and carbon efficiency) | 6.4% |
| Construction of buildings and greenhouses | 13.0% |
| Financing support for climate events | 2.0% |
| Investments linked to European rural development plans | 2.7% |
| Set-up of new farmers and stock-raisers | 10.3% |
| Other | 11.9% |

**CASE STUDY**

*https://www.ekolo.uk/?xdomain_data=WYg0TE6QZKYZA2zWvJez%2FXLdko8CHC4NFGGpnJi8wPlm3dQ%2BWgeh6Ldqb%2Fo%3D*

CRN funded ekolo to expand its production facilities. The company makes olive oil, conserves and juices from organically farmed ingredients.

## 2. 2. RENEWABLE 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 total sustainable energy credit line totals EUR 40.6 million at 31 December 2019, spread across 87 loan transactions to 53 borrowers

The historic figures in this categories are detailed in the tables:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 40,569,767.43 | 39,763,525.99 | 29,480,250.49 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 53 | 53 | 52 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 87 | 80 | 71 |

The Cooperative Bank also analysed loans in this category individually, classifying them into the following types based on their purpose:

- **Renewable energy generators:** mostly the solar-PV sector.
  Loans outstanding: EUR 32.7 million
  Number of transactions: 52
- **Builders of renewable energy plants:**
  Loans outstanding: EUR 7.9 million
  Number of transactions: 35

### CASE STUDY

*https://www.grupoenhol.es/en/*

CRN backed this renewable energy company by helping finance wind farms.

### 3. ENERGY EFFICIENCY

***"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 in 2019 the current loan book for these purposes totalled EUR 466.3 million, spread across 3,987 loans to 3,086 borrowers.

The energy Efficiency key figures evolution is shown in the attached tables:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 463,735,384.36 | 443,090,377.96 | 251,688,344.67 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 3,086 | 3,024 | 1,537 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 3,968 | 3,711 | 1,224 |

The Cooperative Bank analysed loans in this category individually, classifying them into the following types based on their purpose:

- **Fleet renewal:** less polluting vehicles, emission reductions:
  Loans outstanding: EUR 40.6 million
  Number of transactions: 983
- **Modernisation of industrial facilities to reduce their environmental footprint, improving insulation and reducing $CO_2$ and NOX emissions)**
  Loans outstanding: EUR 27.1 million
  Number of transactions: 73
- **Modernisation of production processes to reduce inputs and make more efficient use of raw materials and energy:**
  Loans outstanding: EUR 51.6 million
  Number of transactions: 138

- **Renewing equipment to use materials with a lower ecological impact and/ or reduce consumption by the equipment produced:**
  Loans outstanding: EUR 19.9 million
  Number of transactions: 90
- **Renewal of transport fleets:**
  Loans outstanding: EUR 6.6 million
  Number of transactions: 81
- **Cogeneration or combined-heat-and-power plants that improve overall energy efficiency:**
  Loans outstanding: EUR 2.4 million
  Number of transactions: 3
- **Electric bikes for urban mobility schemes:**
  Loans outstanding: EUR 255,000
  Number of transactions: 1
- **Engineering, consultancy and manufacture of energy efficiency equipment:**
  Loans outstanding: EUR 873,000
  Number of transactions: 5
- **Energy efficient homes:**
  Loans outstanding: EUR 317 million
  Number of transactions: 2,594

Caja Rural de Navarra's energy efficiency framework included 2,594 homes at 31 December 2019. Together, these CRN-financed energy-efficient homes[15] save 14,003.70 tonnes/year compared to the average home in Spain[16]-

This section includes financing for the European SmartEnCity[17] project where three pilot cities - Vitoria-Gasteiz in Spain, Tartu in Estonia and Sondeborg in Denmark - seek to implement the European strategy for creating smart cities that are free of $CO_2$. In Vitoria-Gasteiz, which comes within Caja Rural de Navarra's region of operation, the project involved the energy renovation of one of its districts.

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[15] Eligible energy-efficient homes are defined as purchased residences (buildings, apartments, family homes) with energy efficiency scores in the top 15%. CRN's sustainability framework is more demanding as it only includes purchased homes with an A or B energy rating. It also includes home renovation loans that deliver at least a 30% energy efficiency saving.
[16] Based on a benchmark of newbuild homes, in a block, with $90m^2$ average floorspace and average emissions of 69.80 kg $CO_2eq/m^2$ annually. If only the emissions rating is known rather than the figure, the highest emissions figure for that band is assumed.
[17] https://smartencity.eu/news/detail/?rx_call=238

### CASE STUDY

Caja Rural de Navarra finances better thermal insulation for buildings that improves energy efficiency by at least 30%.

Renovations to some of these homes was financed as part of the SmartEnCity initiative

*https://smartencity.eu/*

New façades in Aldave Street 5 and 7 (Vitoria-Gasteiz)
Source: VISESA

### 4. SUSTAINABLE FOREST MANAGEMENT

***"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 totalled EUR 1.3 million in 2019, spread across 4 loan transactions to 3 borrowers.

The trend of the sustainable forest management key figures are shown in the attached tables:

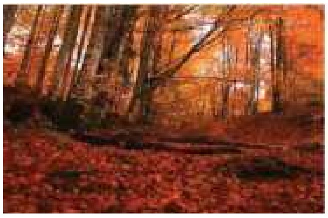
| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 1,298,688.36 | 3,261,341.83 | 2,147,988.71 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 3 | 5 | 4 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 4 | 8 | 6 |

All the loans in this category were for sustainably managed woodlands certified by the PEFC (Programme for the endorsement of forest certification) which verifies that forests around the world are being sustainably and responsibly managed and that their many functions are being safeguarded for current and future generations or by the FSC (Forest Stewardship Council) which guarantees that products are sourced from well-managed woodland that provides environmental, social and economic benefits.

**CASE STUDY**



*https://uk.egoin.com/*

Caja Rural de Navarra supports the company with capital equipment loans.

**5. WASTE MANAGEMENT**

***"12.2 By 2030, achieve sustainable management and efficient use of natural resources"***

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 totalled EUR 22.9 million at 31 December 2019, spread across 70 loans to 42 borrowers.

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 22,889,927.46 | 25,834,314.88 | 15,883,909.37 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 42 | 51 | 32 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 70 | 74 | 46 |

The Cooperative Bank analysed loans in this category individually, classifying them into the following types based on their purpose:

- **Recycling of industrial waste (metal, tyres):**
  Loans outstanding: EUR 12.8 million
  Number of transactions: 36
- **Manufacture of commercial products from recycled materials:**
  Loans outstanding: EUR 4.1 million
  Number of transactions: 19
- **Clean-up of waste:**
  Loans outstanding: EUR 6 million
  Number of transactions: 15

### CASE STUDY

**Trasa (Tratamiento de Subproductos Agroalimentarios S.L.)**

*http://www.trasa.es*

Caja Rural de Navarra financed the expansion of its facilities in a project that was also part-funded by the European Regional Development Fund (ERDF).

### 6. SOCIAL HOUSING

***"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:

# Legal Documentation

- **PEOPLE** taking out a mortgage to buy a VTO/VPT home.
- **DEVELOPERS** who take out a mortgage to build 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 628.6 million.
  - Spread across 7,165 loans.
  - To 6,930 borrowers, of whom: 6,872 are individuals and 58 are legal entities.

The lending history in this category is detailed as follows:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 628,560,131.49 | 644,039,548.50 | 723,084,685.02 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 6.930 | 6.882 | 7.742 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 7,165 | 7,127 | 8,178 |

B. Regarding the current status of these loans, only 0.9% of the loan book is more than 90 days past due, very similar to the ratio for other housing mortgages granted by the Bank. 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:
  - 99.2% were to individuals (of which 38.6% had two or more signatories and 61.4% had a single signatory).
  - 0.8% were to legal entities.

# Legal Documentation

D. The age distribution of borrowers (at the time they take out the mortgage) according the credit amount, is as follows:

| AGE | |
|---|---|
| Under 25 | 0.4% |
| 25-30 | 5.9% |
| 30-35 | 20.4% |
| 35-40 | 29.2% |
| 40-45 | 20.7% |
| 45-50 | 12.7% |
| Over 50 | 10.8% |

More than 25% of the amount 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 10% 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. Nearly 70% have no children at the time they sign the mortgage.

| NUMBER OF CHILDREN | |
|---|---|
| None | 69.7% |
| 1 | 15.1% |
| 2 | 12.6% |
| 3 | 2.1% |
| 4 | 0.3% |
| More than 4 | 0.2% |

F. Also, data collected means we can show (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 LOCATION | |
|---|---|
| Less than 5,000 | 16.2% |
| 5,000-10,000 | 11.9% |
| 10,000-25,000 | 29.6% |
| 25,000-50,000 | 7.5% |
| 50,000-100,000 | 1.6% |
| 100,000-150,000 | 1.1% |
| 150,000-200,000 | 19.8% |
| More than 200,000 | 12.4% |

G. Finally, the table below shows the average income per person in the family unit taking out the mortgage. More than 60% of the amount granted to these families have below-average incomes per head for the Autonomous Region where they live, underlining the social character of such financing.

| AVERAGE INCOME PER PERSON (EUR ) | |
|---|---|
| Less than 18,000 | 62.7% |
| 5,000-10,000 | 19.9% |
| 18,000-25,000 | 16.7% |
| More than 50,000 | 0.8% |

## CASE STUDY

For further details of the criteria and requirements for accessing social housing see the websites of the Navarre, La Rioja and Basque regional governments below:

**Navarre:**

*http://www.navarra.es/home_es/Temas/Vivienda/Ciudadanos/Censo+de+vivienda/Que+es+el+censo/*

**La Rioja:**

*https://www.larioja.org/vivienda/es*

**Basque Country:**

*https://www.etxebide.euskadi.eus/x39-contgen/es/contenidos/informacion/presentacion_etxebide/es_etxecont/presentacion.html*

## 7. SOCIAL INCLUSION

***"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 bodies working for social and economic integration and social and economic development in the areas where it is active. Caja Rural's involvement with these bodies 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 the activities it is promoting. Specifically, we can break down promotion of social and economic development into several categories:

- **Different abilities:** training, rehabilitation and employment. Caja Rural de Navarra has for many years supported organizations that bring together people with a disability (physical or mental). These organizations run training and rehabilitation centres as well as special employment centres to support people into work. Caja Rural de Navarra devotes EUR 6.4 million to this financing line, which allows 13 organizations 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 disabilities in Navarra.

- **Sport:** Caja Rural de Navarra has an important commitment to sport and the personal development and inclusion of people through sport. We fund 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. Actions focus on grass-roots sport, which is where our financing has most impact. This financing line has lent a total of EUR 18.6 million to fund 46 bodies serving more than 70,000 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. We currently support 5 residential homes that look after more than 250 elderly people. Total financing for this segment is EUR 3.8 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 environment by financing the infrastructure they need to develop their activities. These associations help ensure that small businesses and the self-employed are permanently informed on tax, employment, legal and financial matters. They also have representative bodies speaking to the government and other private organizations. We have invested EUR 5.4 million to support a total of 37 professional associations whose membership includes more than 3,000 professionals and organizations 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 we firmly support organizations working to support and include groups at risk of social exclusion: immigrants, the gypsy community, young people, drug users and the elderly unemployed. We provide EUR 6.2 million in financing to support 26 associations supporting the social inclusion of more than 3,000 people.

Based on an analysis of information collected, we calculate that the current loan book for these purposes totals EUR 50.9 million, spread across 257 loans.

The historic data are as follows:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 50,888,474.22 | 50,328,066.54 | 42,095,813.00 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 257 | 280 | 257 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 436 | 489 | 379 |

## CASE STUDY
### ECO- INTEGRA

*https://www.aspacenavarra.org/planta-de-tratamiento-de-raees-ecointegra-aoiz*

The link below presents a real-life example of a loan granted by Caja Rural de Navarra to support a social integration, recycling and circular economy project with a company whose corporate purpose is to recycle electronic and electrical waste.

*https://www.youtube.com/watch?v=zLnKsXPRsNM*

## 8. EDUCATION

***"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. The Bank's involvement with these bodies takes a variety of forms, not limited to financing their education projects, and in some cases involving the Bank meeting part of the costs of their educational activities:

- **Financing investments:** new buildings, new equipment and other infrastructure (sports, cultural, etc.). Caja Rural de Navarra currently has EUR 24 million committed to financing investments by 58 training centres with more than 35,000 students between them.
- **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 currently fund a total of 545 students.

Education key figures:

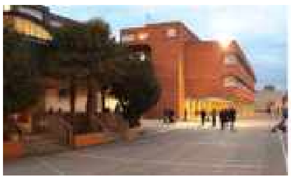
| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 24,028,003.28 | 27,930,703.92 | 23,280,715.94 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 58 | 88 | 81 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 92 | 207 | 166 |

## CASE STUDY

**Pedagógica San Prudencio Sdad. Coop. Ltda.**



*https://colegiosanprudencio.net/es*

Caja Rural de Navarra supports this educational institution in financing its energy efficiency project.

**9. ECONOMIC INCLUSION**

***"11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums"***

Based on the analysis of information collected, we calculated that this category sums up EUR 1,177.9 million at 31 December 2019, spread across 31,895 borrowers. The main historic figures are as follows:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 1,777,932,761.83 | 1,810,705,790.04 | 1,896,892,288.40 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 31,895 | 32,771 | 28,980 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 37,329 | 38,274 | 34,556 |

This item 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 Autonomous 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 loan book for these purposes totals EUR 376.6 million, consisting of 30,302 loans to 27,054 borrowers.

The small loans section key figures are:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 376,533,839.60 | 598,220,987.08 | 676,957,061.26 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 27.054 | 29.480 | 26.775 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 30.302 | 33.556 | 30.796 |

As a result this is a highly diversified line comprising many loans with an average amount of EUR 12,426, reaching a great many people, particularly in rural areas and small population clusters.

Specifically, 65% of financing in this segment goes to populations at risk of financial exclusion.

**B. Entrepreneurship.**

Ever since it was founded, Caja Rural de Navarra has stood out for the support it gives to entrepreneurs, particularly those starting out in the world of business, taking a risk to help create jobs and wealth for the region and driving the development of their local area. We have always believed supporting today's entrepreneurs is supporting the businessmen of tomorrow. Our aim is to promote sustainable job creation, bringing to the table our know-how and advice on financing.

This is why Caja Rural de Navarra though it was important to create a specific line to support new entrepreneurial endeavours: the INICIA line, which provides loans to entrepreneurs on good terms tailored to the needs of their business. Any viable enterprise with committed entrepreneurs who know their sector is welcome to apply for INICIA funding. We have cooperation agreements with the biggest enterprise support bodies in the regions where CRN operates and talk to them continuously about access to finance for such new entrepreneurial ventures.

For more than 10 years the line has been running, more than 1,900 new businesses have been supported in a wide range of sectors mainly focused on: services, industry, food and technology. More than 3,300 jobs have been created, including 391 (226 and 165 women) in 2019. Geographically, they break down as follows.

| Region | Jobs created |
|---|---|
| Navarre | 144 |
| Basque Country | 135 |
| La Rioja | 31 |

The new projects started in 2019 included the following sectors:

| Sectors | % |
|---|---|
| Services | 67.7 |
| Industrial | 11.8 |
| Health/sport | 9.2 |
| Retail | 8.7 |
| CIT | 2.6 |

Average financing per entrepreneur is EUR 56,099 with an average investment per project in the last year of EUR 86,076 and a low NPL ratio of 1.1% in 2019.

The average age of project "partners" financed in 2019 is: 38.8 years The businesses supported in 2019 are spread geographically throughout the Bank's area of operations:

| Region | No. businesses |
|---|---|
| Navarre | 75 |
| Basque Country | 135 |
| La Rioja | 19 |

The current success rate of supported businesses – 3-year survival, i.e. in business for at least 2016, 2017 and 2018 – is 82%.

## C. Financing SMEs.

The basic data for this item show an accumulated amount of EUR 1,344.4 million, with 5,775 loans to 3,914 borrowers.

Financing SMEs key figures:

| TOTAL AMOUNT (€) | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 1,344,410,162.00 | 1,159,764,802.96 | 1,179,053,227.14 |

| NUMBER OF BORROWERS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 3.914 | 3.221 | 2.549 |

| NUMBER OF LOANS | | |
|---|---|---|
| **2019** | **2018** | **2017** |
| 5.775 | 4.539 | 3.759 |

The following data series, based on our analysis, show a significant number of positive social impacts:

1. Regarding the current state of these loans, 3.5% of the total amount is more than 90 days in arrears. This is a good figure given the average for the financial sector.
2. Second, we break down the number of transactions by micro-enterprises, mid-sized companies and SMEs. These classifications are defined in Article 5/2015, on promotion of business finance, by headcount and annual billings or total assets:

| | No. employees | Sales | Total assets |
|---|---|---|---|
| **Micro-enterprise** | Less than 10 | Less than EUR 2m | Less than EUR 2m |
| **Small business** | 10-49 | Less than EUR 10m | Less than EUR 10m |
| **Medium-sized business** | 49-249 | Less than EUR 50m | Less than EUR 43m |
| **Large business** | More than 250 | More than EUR 50m | More than EUR 43m |

We can see that more than 77% of the amount granted in this category went to micro-enterprises (48.9%) and small companies (28.2%), underlining the penetration and the Bank's concern to maintain the local business network.

| SIZE OF COMPANY | |
|---|---|
| MICRO | 48.9% |
| SMALL | 28.2% |
| MEDIUM | 23.0% |

# Legal Documentation

3. Caja Rural de Navarra has always supported SMEs, building up the essential business fabric so that the regions where it is active can develop and their productive capacity can be competitive. This is evidenced by the fact that over 40% of companies have been loyal customers of the Bank for more than 10 years. In addition, the Bank continues to support new companies. More than 5.6% of companies initiated their relationship with the Bank in the last year.

| INITIATED RELATIONSHIPO WITH CRN | |
|---|---|
| 1-5 years | 34.0% |
| 5-10 years | 18.7% |
| 10-20 years | 29.3% |
| More than 20 years | 12.4% |
| +20 años | 12,4% |

4. The Cooperative Bank's involvement in rural development is an important strand of its work. Nearly 40% of the amount was granted to companies located in populations of less than 10,000 people, which means it is not only developing the local economy but also successfully revitalising the social environment and rejuvenating agricultural areas.

| POPULATION PER LOCATION | |
|---|---|
| Less than 5,000 | 29.7% |
| 5,000-10,000 | 9.9% |
| 10,000-25,000 | 17.2% |
| 25,000-50,000 | 7.1% |
| 50,000-100,000 | 3.0% |
| 100,000-150,000 | 0.3% |
| 150,000-200,000 | 18.0% |
| More than 200,000 | 14.8% |

5. Also, regarding type of customer, the amount granted confirm that most are limited companies (consistent with the points made above) and more than 3% are cooperatives (mostly in the primary sector). The figures are in line with our origins as a cooperative credit institution and business philosophy.

| TYPE OF COMPANY | |
|---|---|
| PUBLIC LIMITED | 20.6% |
| LIMITED | 75.6% |
| COOPERATIVE | 3.6% |
| OTHER | 0.1% |

6. For a deeper analysis of the current state of companies we have financed under this line, we attach two tables showing turnover and number of workers in each:

| SALES | |
|---|---|
| LESS THAN EUR 1M | 42.2% |
| EUR 1-10M | 35.2% |
| EUR 10-20M | 10.3% |
| EUR 20-30M | 4.4% |
| EUR 30-45M | 5.6% |
| MORE THAN EUR 45M | 2.4% |

| EMPLOYEES | |
|---|---|
| LESS THAN 10 | 47.3% |
| 10-50 | 35.4% |
| 50-100 | 10.1% |
| 100-150 | 3.8% |
| 150-200 | 2.1% |
| MORE THAN 200 | 1.3% |

These two tables show the small scale of most companies financed by this line. More than 75% have turnover of less than EUR 10 million and more than 80% have less than 50 employees. Our financing, therefore, contributes to maintaining this important business fabric and the employment it generates. The average headcount was 23. This line has sustained at least 51,814 jobs in the regions where the Caja is present.

7. It should also be emphasised that, despite the size of these companies, we are in one of the most industrialised regions of Spain. This is reflected in a substantial international outlook by many of the companies supported, as illustrated by the percentage of companies that export, import or both (32% of the companies we finance through this line).

| EXPORTS/IMPORTS | |
|---|---|
| IMPORT | 6.1% |
| EXPORT | 6.7% |
| BOTH | 19.2% |
| NEITHER | 68.0% |

8. Finally, to illustrate the diversification of financing granted, we include below a table of the different sectors to which the companies we have financed belong.

| SECTORS | |
|---|---|
| Agriculture, livestock, forestry and fisheries | 3.8% |
| Manufacturing | 40.4% |
| Construction | 20.0% |
| Wholesale and retail distribution | 0.0% |
| Transport and warehousing | 5.7% |
| Hotels and restaurants | 5.4% |
| Property | 11.9% |
| Professionals, scientific and technical | 7.1% |
| Administration and auxiliary Services | 3.1% |
| Other | 2.6% |

## CASE STUDY

VisionQuality

*https://www.visionquality.es/*

Caja Rural de Navarra supported the creation of Vision Quality which, helped by funds in EFRD, launched in 2016 offering automated inspection and classification systems.

## 5. THE TEAM

### 5.1. THE TEAM

People are at the heart of the Bank's activity, those in the team and those we deal with as customers, suppliers, the community and wider society.

We live in times of high-impact technological change, which is transforming the way companies act, communicate and do business and what we demand as customers.

The financial sector is investing ever more heavily in technology to keep abreast of these changes and meet its customers' needs.

However, technology alone will not be enough transform the business or quickly match market demands. To do this requires human talent.

At Caja Rural de Navarra, what drives transformation is people. We therefore see the human team as a differentiating factor and competitive advantage.

### 5.2. DISTRIBUTION OF STAFF AND TYPES OF CONTRACT

#### 5.2.1. TOTAL HEADCOUNT AND BREAKDOWN BY SEX, AGE, COUNTRY AND PROFESSIONAL CLASSIFICATION

**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 includes heads of department and other executives responsible for carrying through the day-to-day business of the different areas. **Group III,** support staff, includes employees doing tasks that are not specifically related to banking but are support roles, such as drivers, qualified staff 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.

| TOTAL EMPLOYEES 2018 |
|---|
| **965** |

| BY SEX | | |
|---|---|---|
| Men | 496 | **51%** |
| Women | 469 | **49%** |

| BY AGE | Men | | Women | | TOTAL |
|---|---|---|---|---|---|
| 20 to 24 years | 33 | **3.42%** | 53 | **5.49%** | 86 |
| 25 to 29 years | 78 | **8.08%** | 102 | **10.57%** | 180 |
| 30 to 34 years | 45 | **4.66%** | 62 | **6.42%** | 107 |
| 35 to 39 years | 95 | **9.48%** | 128 | **13.26%** | 223 |
| 40 to 45 years | 104 | **10.78%** | 70 | **7.25%** | 174 |
| 46 to 50 years | 50 | **5.18%** | 26 | **2.69%** | 76 |
| 51 to 64 years | 89 | **9.22%** | 28 | **2.90%** | 117 |
| Over 65 years | 2 | **0.21%** | 0 | **0.00%** | 2 |

| BY PROFESSIONAL CLASSIFICATION | Hombres | | Mujeres | | TOTAL |
|---|---|---|---|---|---|
| Group I | 1 | **0.1%** | 0 | **0.00%** | 1 |
| Group II Grade 1 | 13 | **1.35%** | 0 | **0.00%** | 13 |
| Group II Grade 2 | 8 | **0.83%** | 0 | **0.00%** | 8 |
| Group II Grade 3 | 1 | **0.1%** | 0 | **0.00%** | 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 | **11.40%** | 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 | **0.00%** | 3 |

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| TOTAL EMPLOYEES 2019 |
|---|
| **963** |

| BY SEX | | |
|---|---|---|
| Men | 498 | **52%** |
| Women | 465 | **48 %** |

| BY AGE | | | | | |
|---|---|---|---|---|---|
| | Men | | Women | | TOTAL |
| 20 to 24 years | 33 | **3.43%** | 38 | **3.95%** | 71 |
| 25 to 29 years | 81 | **8.41%** | 112 | **11.63%** | 193 |
| 30 to 34 years | 47 | **4.88%** | 51 | **5.30%** | 98 |
| 35 to 39 years | 78 | **8.10%** | 110 | **11.42%** | 188 |
| 40 to 45 years | 110 | **11.42%** | 90 | **9.35%** | 200 |
| 46 to 50 years | 61 | **6.33%** | 36 | **3.74%** | 97 |
| 51 to 64 years | 86 | **8.93%** | 28 | **2.91%** | 114 |
| Over 65 years | 2 | **0.21%** | 0 | **0.00%** | 2 |

| BY PROFESSIONAL CLASSIFICATION | | | | | |
|---|---|---|---|---|---|
| | Men | | Women | | TOTAL |
| Group I | 1 | **0.10%** | 0 | **0.00%** | 1 |
| Group II Grade 1 | 11 | **1.14%** | 0 | **0.00%** | 11 |
| Group II Grade 2 | 8 | **0.83%** | 0 | **0.00%** | 8 |
| Group II Grade 3 | 1 | **0.10%** | 0 | **0.00%** | 1 |
| Group II Grade 4 | 12 | **1.25%** | 3 | **0.31%** | 15 |
| Group II Grade 5 | 15 | **1.56%** | 3 | **0.31%** | 18 |
| Group II Grade 6 | 164 | **17.03%** | 61 | **6.33%** | 225 |
| Group II Grade 7 | 88 | **9.14%** | 118 | **12.25%** | 206 |
| Group II Grade 8 | 50 | **5.19%** | 85 | **8.83%** | 135 |
| Group II Grade 9 | 29 | **3.01%** | 22 | **2.28%** | 51 |
| Group II Grade 10 | 116 | **12.05%** | 173 | **17.96%** | 289 |
| Group III Support staff | 3 | **0.31%** | 0 | **0.00%** | 3 |

### 5.2.2. TOTAL HEADCOUNT AND BREAKDOWN BY TYPE OF EMPLOYMENT CONTRACT

| TOTAL EMPLOYEES 2018 |
|---|
| **965** |

| TYPE OF CONTRACT | | | |
|---|---|---|---|
| Code | Contract | Employees | % Total |
| 001 | Permanent full-time | 720 | 74.61% |
| 200 | Permanent part-time | 0 | 0.00% |
| 401 | Specific task or service full-time | 5 | 0.52% |
| 402 | Production contingencies full-time | 53 | 5.49% |
| 502 | Production contingencies part-time | 1 | 0.10% |
| 410 | Temporary replacement full-time | 22 | 2.28% |
| 420 | Work experience full-time | 163 | 16.89% |
| 520 | Work experience part-time | 1 | 0.10% |
| | **Total** | **965** | **100.00%** |

| TOTAL EMPLOYEES 2019 |
|---|
| **963** |

| TYPE OF CONTRACT | | | |
|---|---|---|---|
| Code | Contract | Employees | % Total |
| 001 | Permanent full-time | 733 | 76.12% |
| 200 | Permanent part-time | 2 | 0.21% |
| 401 | Specific task or service full-time | 5 | 0.52% |
| 402 | Production contingencies full-time | 51 | 5.30% |
| 502 | Production contingencies part-time | 1 | 0.10% |
| 410 | Temporary replacement full-time | 16 | 1.66% |
| 420 | Work experience full-time | 154 | 15.99% |
| 520 | Work experience part-time | 1 | 0.10% |
| | **Total** | **963** | **100.00%** |

### 5.2.3. ANNUAL AVERAGE OF PERMANENT/TEMPORARY CONTRACTS

| TOTAL PERMANENT CONTRACTS | 2019 | 2018 |
|---|---|---|
| | **733** | **759** |

| Code | Contract | Employees 2019 | Employees 2018 |
|---|---|---|---|
| 001 | Permanent full-time | 733 | 759 |
| 200 | Permanent part-time | 2 | |

| BY SEX | Employees 2019 | % total 2019 |
|---|---|---|
| Men | 403 | 54.83% |
| Women | 332 | 45.17% |

| BY AGE | Employees 2019 | % total 2019 |
|---|---|---|
| 20 to 24 years | 4 | 0.54% |
| 25 to 29 years | 60 | 8.16% |
| 30 to 34 years | 75 | 10.20% |
| 35 to 39 years | 185 | 24.17% |
| 40 to 45 years | 199 | 27.07% |
| 46 to 50 years | 97 | 13.20% |
| 51 to 64 years | 113 | 15.37% |
| Over 65 years | 2 | 0.27% |

| BY PROFESSIONAL CLASSIFICATION | Employees 2019 | % total 2019 |
|---|---|---|
| Group I | 1 | 0.14% |
| Group II Grade 1 | 11 | 1.50% |
| Group II Grade 2 | 8 | 1.09% |
| Group II Grade 3 | 1 | 0.14% |
| Group II Grade 4 | 15 | 2.04% |
| Group II Grade 5 | 18 | 2.45% |
| Group II Grade 6 | 225 | 30.61% |
| Group II Grade 7 | 206 | 28.03% |
| Group II Grade 8 | 135 | 18.37% |
| Group II Grade 9 | 50 | 6.80% |
| Group II Grade 10 | 62 | 8.44% |
| Group III Support staff | 3 | 0.41% |

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| TOTAL TEMPORARY CONTRACTS | 2019 | 2018 |
|---|---|---|
| | **228** | **245** |

| Code | Contract | Employees 2019 | Employees 2018 |
|---|---|---|---|
| 401 | Specific task or service full-time | 5 | 5 |
| 402 | Production contingencies full-time | 51 | 53 |
| 410 | Temporary replacement full-time | 16 | 22 |
| 420 | Work experience full-time | 154 | 163 |
| 502 | Production contingencies part-time | 1 | 1 |
| 520 | Work experience part-time | 1 | 1 |

| BY SEX | Employees | % total |
|---|---|---|
| Men | 95 | 41.67% |
| Women | 133 | 58.33% |

| BY AGE | Employees | % total |
|---|---|---|
| 20 to 24 years | 67 | 29.39% |
| 25 to 29 years | 133 | 58.33% |
| 30 to 34 years | 23 | 10.09% |
| 35 to 39 years | 3 | 1.32% |
| 40 to 45 years | 1 | 0.44% |
| 46 to 50 years | 1 | 0.44% |
| 51 to 64 years | 1 | 0.44% |
| Over 65 years | 2 | 0.27% |

| BY PROFESSIONAL CLASSIFICATION | Employees | % total |
|---|---|---|
| Group II Grade 9 | 1 | 0.44% |
| Group II Grade 10 | 227 | 99.56% |

### 5.2.4. DEPARTURES BY SEX, AGE, COUNTRY AND PROFESSIONAL CLASSIFICATION

| 2018 | Total departures | 10 |
|---|---|---|

| BY SEX | Employees | % Total |
|---|---|---|
| Men | 8 | 80.00% |
| Women | 2 | 20.00% |

| BY AGE | Employees | % Total |
|---|---|---|
| 35 to 39 years | 1 | 10.00% |
| 40 to 45 years | 1 | 10.00% |
| 46 to 50 years | 2 | 20.00% |
| 51 to 64 years | 6 | 60.00% |

| BY PROFESSIONAL CLASSIFICATION | Employees | % Total |
|---|---|---|
| Group II Grade 2 | 1 | 10.00% |
| Group II Grade 4 | 3 | 30.00% |
| Group II Grade 7 | 3 | 30.00% |
| Group II Grade 9 | 3 | 30.00% |

| 2019 | Total departures | 10 |
|---|---|---|

| BY SEX | Employees | % Total |
|---|---|---|
| Men | 6 | 60.00% |
| Women | 4 | 40.00% |

| BY AGE | Employees | % Total |
|---|---|---|
| 35 to 39 years | 2 | 20.00% |
| 40 to 45 years | 2 | 20.00% |
| 46 to 50 years | 2 | 20.00% |
| 51 to 64 years | 4 | 40.00% |

| BY PROFESSIONAL CLASSIFICATION | Employees | % Total |
|---|---|---|
| Group II Grade 2 | 1 | 10.00% |
| Group II Grade 4 | 5 | 50.00% |
| Group II Grade 7 | 1 | 10.00% |
| Group II Grade 9 | 3 | 30.00% |

### 5.2.5. EMPLOYEES AT END-2018, BY PROVINCE

| 2018 | |
|---|---|
| Navarre | 580 |
| Bizkaia | 118 |
| Gipuzkoa | 128 |
| La Rioja | 82 |
| Alava | 57 |
| Madrid | 0 |
| **TOTAL** | **965** |

| BY REGION AND SEX | | | | | | |
|---|---|---|---|---|---|---|
| | Alava | Gipuzkoa | La Rioja | Madrid | Navarre | Bizkaia |
| Men | 33 | 58 | 45 | 0 | 305 | 59 |
| Women | 24 | 70 | 62 | 0 | 275 | 59 |
| **Total** | **57** | **128** | **82** | **0** | **580** | **118** |
| **Total** | **965** | | | | | |

| BY REGION AND AGE RANGE | | | | | | |
|---|---|---|---|---|---|---|
| | Alava | Gipuzkoa | La Rioja | Madrid | Navarre | Bizkaia |
| 20 to 24 years | 6 | 16 | 10 | 0 | 47 | 7 |
| 25 to 29 years | 18 | 26 | 15 | 0 | 89 | 32 |
| 30 to 34 years | 12 | 11 | 7 | 0 | 55 | 22 |
| 35 to 39 years | 14 | 31 | 26 | 0 | 117 | 35 |
| 40 to 45 years | 6 | 31 | 14 | 0 | 107 | 16 |
| 46 to 50 years | 1 | 9 | 7 | 0 | 53 | 6 |
| 51 to 64 years | 0 | 4 | 3 | 0 | 110 | 0 |
| Over 65 years | 0 | 0 | 0 | 0 | 2 | 0 |
| **Total** | **57** | **128** | **382** | **0** | **580** | **118** |
| **Total** | **965** | | | | | |

| 2019 | |
|---|---|
| Navarre | 568 |
| Bizkaia | 125 |
| Gipuzkoa | 132 |
| La Rioja | 83 |
| Alava | 54 |
| Madrid | 1 |
| **TOTAL** | **963** |

| BY REGION AND SEX | | | | | | |
|---|---|---|---|---|---|---|
| | Alava | Gipuzkoa | La Rioja | Madrid | Navarre | Bizkaia |
| Men | 29 | 66 | 43 | 1 | 297 | 62 |
| Women | 25 | 66 | 40 | 0 | 271 | 63 |
| **Total** | **54** | **132** | **83** | **1** | **568** | **125** |
| **Total** | **963** | | | | | |

| BY REGION AND AGE RANGE | | | | | | |
|---|---|---|---|---|---|---|
| | Alava | Gipuzkoa | La Rioja | Madrid | Navarre | Bizkaia |
| 20 to 24 years | 2 | 19 | 2 | 0 | 37 | 11 |
| 25 to 29 years | 18 | 25 | 23 | 0 | 92 | 35 |
| 30 to 34 years | 11 | 13 | 7 | 0 | 49 | 18 |
| 35 to 39 years | 13 | 25 | 21 | 0 | 100 | 29 |
| 40 to 45 years | 7 | 31 | 17 | 0 | 121 | 24 |
| 46 to 50 years | 3 | 14 | 11 | 1 | 61 | 7 |
| 51 to 64 years | 0 | 5 | 2 | 0 | 106 | 1 |
| Over 65 years | 0 | 0 | 0 | 0 | 2 | 0 |
| **Total** | **54** | **132** | **83** | **1** | **568** | **125** |
| **Total** | **963** | | | | | |

### 5.2.6. INTEGRATED REPORT 2019

| | |
|---|---|
| EXPERIENCE (AVERAGE YEARS OF SERVICE) 2018 | 12.85 |
| EXPERIENCE (AVERAGE YEARS OF SERVICE) 2019 | 11.62 |

| DIVERSITY | Employees 2019 | % total 2019 | * % 2018 |
|---|---|---|---|
| Men | 498 | 51.71% | 51.40% |
| Women | 465 | 48.29% | 48.60% |

| Graduates | Employees 2019 | % total 2019 | * % 2018 |
|---|---|---|---|
| Non-graduates | 40 | 4.15% | |
| Graduates | 923 | 95.85% | 91.86% |
| Total | 963 | | |

### 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 in other issues that matter to 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 products 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 Cooperative Back 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.

### *A. REMUNERATION SYSTEM*

Caja Rural de Navarra structures its remuneration system to achieve internal coherence between the elements of remuneration and the posts and responsibilities being rewarded, which is tailored to the realities of the market and offers its staff a path to professional advancement and promotion.

| DISTRIBUTION OF ELEMENTS OF REMUNERATION | |
|---|---|
| National collective agreement salary | **70.62%** |
| Additional salary | **19.78%** |
| Incentives | **9.60%** |

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.

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- 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.

| | | | |
|---|---|---|---|
| **Average employee salary 2018** | EUR 37,336.61 | **Gross pay 2018** | EUR 2,229.05 |
| **Average employee salary 2019** | EUR 37,129.42 | **Gross pay 2019** | EUR 2,216.68 |

| Category | Ref. to Average Salary 2019** |
|---|---|
| Group II Grade 1 | 2.98 |
| Group II Grade 2 | 2.32 |
| Group II Grade 4 | 1.97 |
| Group II Grade 5 | 1.85 |
| Group II Grade 6 | 1.37 |
| Group II Grade 7 | 1.01 |
| Group II Grade 8 | 0.88 |
| Group II Grade 9 | 0.79 |
| Group II Grade 10 | 0.57 |
| Group III Support staff | 0.85 |
| Total | 1.00 |

** To protect confidentiality, any groups that only have one member are merged into the nearest group with more than one member.
** Data based on average labour index

| 2018 | | |
|---|---|---|
| **Minimum starting salary (salary, working hours, euro/hour)** | | |
| 22,056.74 € | 1,700 | 12.97 € |

| Minimum starting salary / legal minimum 2018 | | |
|---|---|---|
| 22,056.74 € | 10,302.60 € | 2.14 |

*SMI= Legal minimum = Interprofessional Minimum Salary for the year

| 2019 | | |
|---|---|---|
| **Minimum starting salary (salary, working hours, euro/hour)** | | |
| 22,634.18 € | 1,700 | 13.31 € |

| Minimum starting salary / legal minimum 2019 | | |
|---|---|---|
| 22,634.18 € | 12,600.00 € | 1.80 |

*SMI= Legal minimum = Interprofessional Minimum Salary for the year

Data based on Average Labour Index.

### B. AVERAGE REMUNERATION AND BREAKDOWN BY SEX AND AGE

| By sex: | AVERAGE SALARY 2018 | AVERAGE SALARY 2019 |
|---|---|---|
| **MEN** | 1,16 | 1,16 |
| **WOMEN** | 0,81 | 0,83 |

| By age | AVERAGE MEN 2018 | AVERAGE MEN 2019 | AVERAGE WOMEN 2018 | AVERAGE WOMEN 2019 |
|---|---|---|---|---|
| Up to 29 years | 0,56% | 0,57% | 0,54% | 0,58% |
| 30 to 39 years | 1,01% | 1,04% | 0,85% | 0,85% |
| 40 to 50 years | 1,40% | 1,40% | 1,09% | 1,06% |
| 51 to 60 years | 1,54% | 1,59% | 1,03% | 1,02% |

Data based on Average Labour Index.

***THE AVERAGE LABOUR INDEX AT CAJA RURAL DE NAVARRA IS: EUR 2,218.46 /GROSS PAY***

### C. AVERAGE SALARY GAP BY FUNCTION, MEN vs. WOMEN

| By function | AVERAGE SALARY MEN 2018 | AVERAGE SALARY MEN 2019 | AVERAGE SALARY WOMEN 2018 | AVERAGE SALARY WOMEN 2019 |
|---|---|---|---|---|
| Area/regional manager | 2.56 | 2.61 | 2.36 | 2.42 |
| Branch/central services manager | 1.38 | 1.39 | 1.14 | 1.12 |
| Admin-sales/central services | 0.91 | 0.91 | 0.74 | 0.75 |

Data based on Average Labour Index.

### D. SALARY DISTRIBUTION 2019

Data on the annual total compensation ratio (GRI 102-38) and percentage increase in annual total compensation ratio (GRI 102-39).

| | 2019 | 2018 |
|---|---|---|
| **Ratio of best-paid person's salary vs. mean employee salary** | 7.94 | 7.41 |
| **Ratio of % increase in best-paid person's salary vs. mean % increase** | 0.35 | 0.95 |

### E. AVERAGE REMUNERATION OF DIRECTORS AND MANAGERS

Total gross remuneration of the board in 2019 was: EUR 60,373.93

| BOARD MEMBERS 2019 | |
|---|---|
| IGNACIO TERES LOS ARCOS | |
| JOSÉ JOAQUÍN RODRÍGUEZ EGUILAZ | |
| FERMÍN ESANDI SANTESTEBAN | |
| JOSÉ ANGEL EZCURRA IBARROLA | |
| CARLOS SÁNCHEZ DIESTRO | |
| ALBERTO ARRONDO LAHERA | |
| MANUEL GARCÍA DÍAZ DE CERIO | |
| FERNANDO OLLETA GAYARRE | |
| MARCELINO ETAYO ANDUEZA | |
| ROBERTO ZABALETA CIRIZA | |
| FRANCISCO JAVIER ARTAJO CARLOS | |
| PEDRO MARÍA ECHARTE SEVINE | |
| JESÚS ANDRÉS MAULEON ARANA | |
| PEDRO JOSÉ GOÑI JUAN PÉREZ | |
| JESÚS MARÍA DEL CASTILLO TORRES | |
| GABRIEL URRUTIA AICEGA | |
| PEDRO JESÚS IRISARRI VALENCIA | |
| IGNACIO ZABALETA JURIO | |
| **AVERAGE ANNUAL REMUNERATION PER PERSON:** | **3,354.11 €** |

Total gross remuneration of **management team** was EUR 1,782,000

| PERSONAS QUE FORMAN PARTE DEL EQUIPO DIRECTIVO EN 2018 | |
|---|---|
| ALBERTO UGARTE ALBERDI | RISK DEPARTMENT DIRECTOR |
| ANGEL LECUMBERRI SEVIGNE | COMMERCIAL DIRECTOR |
| JUAN MARIA AYECHU REDIN | BUSINESS BANKING DIRECTOR |
| FELIX SOLA ARRESE | COMPLIANCE DIRECTOR |
| FRANCISCO JOSE RODRIGUEZ LASPIUR | MANAGEMENT CONTROL DIRECTOR |
| IGNACIO ARRIETA DEL VALLE | MANAGING DIRECTOR |
| CARLOS ALBERTO SAGASETA GARCIA | INTERNAL AUDIT DIRECTOR |
| 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 |
| IGNACIO MAEZTU ZAPATERÍA | COMMERCIAL DIRECTOR, BRANCHES |
| **AVERAGE ANNUAL REMUNERATION PER PERSON:** | **127,285.71 €** |

### 5.4. CORPORATE PROFIT FOR THE YEAR

Caja Rural de Navarra employees can enjoy a number of benefits, as follows:

| | |
|---|---|
| PROFITS FROM FINANCIAL PRODUCTS | • Subsidised loans<br>• Free or preferential conditions on accounts, cards, securities, insurance, etc. |
| WORK-LIFE BALANCE | • Digital disconnect policies<br>• Flexible working hours<br>• Paid and unpaid leave<br>• Maternity leave<br>• Shorter working day<br>• Medical support<br>• Additional payments and childcare payments for under-3s |
| OTHER BENEFITS | • Support for children's studies<br>• Support for employee studies<br>• Family support for children<br>• Supplementary pensions for widows/widowers of employees deceased before retirement<br>• Accident and life insurance for employees<br>• Right to 100% of real salary for 18 months of temporary disability |

### 5.5. EVALUATION OF PERFORMANCE

Talent management is the Bank's commitment and strategic objective to attract, contract, retain and provide career development for employees.

Professional and personal development within the company is a motivating factor and a key source of employee loyalty.

To incorporate personal development management in the Bank, we have implemented the Talento Success Factors tool.

Talento makes it possible to analyse the skills development of all employees, improve productivity, promote career development, manage motivation, align the Bank's strategy, adapt to the environment and encourage behaviour that serves the Bank's corporate values.

The following competences are analysed:

**CEA competences.**

These are competences common to the whole organization, irrespective of the role and responsibility of the employee concerned.

| COMPETENCE | *ASSOCIATED VALUE* |
|---|---|
| Commitment | *Commitment* |
| Effectiveness | *Professionalism* |
| Adaptability | *Localism* |

**FOCUSED competences.** These are competences specific to the role of the employee.

| COMPETENCE | ASSOCIATED VALUE |
|---|---|
| Business generation – Business support | Localism |
| Leadership – Development of People and Talent | Leadership |
| Entrepreneurship | Leadership |

### 5.6. 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, making the branch office the company's core operational unit. Second, 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 communications 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 a forum for exchange of ideas on training, which is followed up by regular quarterly meetings.

Other aspects of employee relations have their own established channels for communications 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 national collective agreement governing terms and conditions in the sector is negotiated for all credit cooperatives by the UNACC, which includes the Bank, and 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 agreement for the sector, 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.

**5.7 TRAINING POLICIES**

Our personal development strategy makes use of the diversity in Caja Rural de Navarra's workforce. Employees range in age between 22 and 70. Those with experience in different aspects of the profession pass on their know-how to less experienced employees via internal training that we encourage and manage as permanent continuous learning and efficient knowledge management.

Training last year focused on Compliance with regulations affecting the financial sector. This was a considerable challenge which we met successfully. A high percentage of the workforce are now certified to give advice and we have a subset of highly trained people with specific technical knowledge. To achieve this required greater dedication to training on the part of employees. This, coupled with the digital transformation we are undergoing has led to a considerable increase in the number of staff training hours.

In 2019, a total of 148,828.50 training hours were delivered as follows:

# Legal Documentation

## 1- HOURS BY PROFESSIONAL CATEGORY

| CATEGORY | TOTAL HOURS |
|---|---|
| Group II Grade 1 | 838.0 |
| Group II Grade 2 | 731.5 |
| Group II Grade 3 | 129.5 |
| Group II Grade 4 | 2,007.5 |
| Group II Grade 5 | 2,809.5 |
| Group II Grade 6 | 30,251.5 |
| Group II Grade 7 | 27,201.5 |
| Group II Grade 8 | 18,043.0 |
| Group II Grade 9 | 6,254.5 |
| Group II Grade 10 | 60,557.0 |
| **Total** | **148,828.5** |

## 2- HOURS BY SEX

| SEX | TOTAL HOURS | % |
|---|---|---|
| Men | 75,263.5 | 50.57% |
| Women | 73,565.0 | 49.43% |
| **Total** | **148,828.5** | |

## 3- HOURS BY AGE RANGE

| Age | Hours |
|---|---|
| 20 to 24 years | 17,184.5 |
| 25 to 29 years | 38,902.5 |
| 30 to 34 years | 13,483.5 |
| 35 to 39 years | 25,513.5 |
| 40 to 45 years | 26,890.0 |
| 46 to 50 years | 13,510.0 |
| 51 to 64 years | 13,321.0 |
| **Total** | **148,828.5** |

This was a major milestone in the hours dedicated to staff training, to deliver 154.55 training hours per person and make sure the workforce is kept constantly updated. In the last 5 years the commitment per employee to recycle their knowledge has almost tripled.

#### 4- AREAS OF TRAINING BY HOURS

Esta formación regulada ha supuesto un salto importante en la preparación This regulated training programme gave many more staff the knowledge to upgrade from customer managers to financial advisors, thereby achieving our strategic aim. Out of the total training hours, 106,137.5 were related to regulatory compliance, especially, in descending order, the Spanish Insurance Brokerage Act, Mortgage Act and MiFID II.

| | TOTAL HOURS | % |
|---|---|---|
| Regulatory hours | 106,137.5 | 71.3% |
| Other training | 42,691.0 | 28.7% |
| Total | 148,828.5 | |

#### 5.8. MEASURES TO PROMOTE GENDER EQUALITY OF TREATMENT AND OPPORTUNITIES

At Caja Rural de Navarra we have for years been in the vanguard of pro-equality policy, with a gender-balanced workforce and Equalities Plan in place since 2008 which we renewed in 2019. The Bank's progress on Equality is evidenced by the figures. For instance women make up more than 34% of branch managers, one of the key roles in the organization. This is one of the highest ratios in the sector.

We are committed to establishing and developing policies that make sure men and women enjoy the same treatment and opportunities and eliminate direct or indirect discrimination on grounds of gender. The policies also address all types of diversity and enshrine equality of opportunity between genders as a strategic principle of our Corporate and Human Resources policy to achieve effective gender equality.

We apply the principle of gender equality of opportunity to every aspect of the Bank's activities, including human resources management, leadership, policy and strategy, process management and our relationship with the community.

The key targets of the Equality Plan are:

1- To reaffirm Caja Rural de Navarra's Equality Policy
2- To include equality considerations in the new Strategic Plan
3- To strengthen the heavily male- or female-biased teams to create a better gender balance
4- To promote an equality culture among leaders to develop a gender-aware leadership style
5- To inform staff of the results of the Bank's Equality Diagnostic and Plan

6- To use inclusive language and non-sexist imagery in internal communications
7- To engage the Bank's staff in the march toward Equality
8- To maintain a balanced workforce in terms of access to employment
9- To reduce vertical segregation
10- To correct any gender gap in salary
11- To compile data broken down by gender
12- To run a 5-year analysis of termination of temporary contracts to see if there is any gender bias
13- To raise awareness on conciliation and co-responsibility
14- To seek to make sure the composition of committees reflects the composition of the workforce
15- To encourage monitoring or how the gender equality principle is applied in practice
16- To provide the resources needed to implement the Equality Plan and meet the commitment to equality
17- To incorporate gender issues into customer surveys
18- To draw up gender equal criteria for "personal service"
19- To use inclusive language in oral and written communications
20- To highlight Caja Rural de Navarra's commitment to managing Equality
21- To promote equality through the CSR report
22- To encourage suppliers to promote gender equality in their companies when subcontracting

**5.9. MEASURES TO PROMOTE EMPLOYMENT**

***1. SUPPORT FOR UNIVERSITY STUDIES***

The practical programmes in 2019 provided 184 training scholarships (116 in the summer and 68 at other times of year). Training scholarships offer participants work experience and the chance to develop their skills and employability.

In this way we fulfil our commitment to support the employment of young people in our community and the scheme also provides an opportunity to identify Junior Talent for subsequent hiring.

***2. WORK ENVIRONMENT THAT SUPPORTS DEVELOPMENT***

At Caja Rural de Navarra, we take responsibility for the professional development of newly hired employees. We promote a culture that offers them support and guidance. We show confidence, give early responsibility and demand effort and commitment.

This two-way process helps mould Caja Rural employees, creating value for the organization and enhancing the employees' career development and employability.

In 2019, we put 135 newly hired people through our professional development programme.

### *3. SUSTAINABLE GROWTH*

We are following a positive trend when converting temporary into permanent contracts, based on circumstances in the sector and the need to keep a good balance of age at Caja Rural de Navarra. This year, 30 people were put onto permanent contracts: 18 women and 12 men. This is 25% more than last year.

### 5.10. 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.

### 5.11. PREVENTING WORK-RELATED RISKS

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 and embraces the specialist areas of Safety, Ergonomics and Applied Psychosociology. The specialist areas of Industrial Health and Safety are overseen with support from external risk prevention provider Prevenna, 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 at Caja Rural de Navarra
- Risk evaluation at workstations
- 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
- Health monitoring: certificates of standards and medical protocols applied

To achieve the objectives in the annual plans within the PRWP, the following actions were taken in 2019:

- The PRWP was reviewed and updated
- All new employees were trained using the virtual classroom
- Health monitoring actions were carried out, introducing new dedicated tests
- Internal controls of our branches with, in some cases, new furniture or refurbishment
- Regular maintenance of fire detection systems and air conditioning/heating systems
- A defibrillator was installed in one of our branches. We now have two defibrillators and staff trained to use them

Key indicators for the year:

**Accidents resulting in time off work:** 1

**Travelling accidents resulting in time off work:** 3

**There are no recognised occupational illnesses for the industry.**

The incidence rate was 7,330 and the severity rate 0.042

In 2020, the most significant actions planned are as follows:

- Training of new staff members
- Continued development of coordination across business.
- Meeting the targets in the annual plan.
- The Bank's inclusion of the Caja Rural de Navarra as a Healthy Company, to help safeguard the health of employees, creating a healthier working environment and healthier habits among the workforce both at and outside work. As a result, in January it was awarded Mutua Navarra's Blue Label health certification in recognition of its health promotion policy.

The Health and Safety Committee which represents all workers is a joint committee which meets quarterly to deal with issues affecting the prevention of work-related risks.

### 5.12. HUMAN RIGHTS

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 socially embedding our values through different channels of communications with employees.

For this to be effective, we must all be aware and work together to prevent situations occurring and correct them if they arise.

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 well-deserved reputation among its members, who are also the Bank's main customers. However, 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 such ethical behaviour is good for the Bank's growth and profitability over the long term. Therefore, besides the moral and human imperative, ethics must be included as a basic part of our business policies and objectives.

## 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 also has a Suppliers Handbook, approved by the Governing Board, which, among other internal rules, sets 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 suppliers' compliance with 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 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 EUR 10,000:** at least one quotation or invoice
- **EUR 10,001 to EUR 50,000:** at least two quotations
- **EUR 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 the 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 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.

At 31 December 2019 the number of people with a disability in Caja Rural de Navarra's workforce was: 3.

### *6.3. FUTURE PLANNING*

Caja Rural de Navarra has a policy to move toward paperless offices. This is an objective that should improve the productivity of employees while simultaneously reducing the volumes of paper and toner used. Production of both comes with environmental costs.

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 2019) we find that: 50.76% of purchases were billed to local suppliers. Total spending (2019 billings) was EUR 131 million, of which EUR 66.5 million were purchases from suppliers in Navarre, the Basque Country and La Rioja.

# 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.

Caja Rural de Navarra conducted its business in 2019 with a sense of responsibility toward the environment. It has set a series of general targets that can be summarised as follows:

- Direct actions to improve the environment (generation of renewable energy, planting trees, etc.)
- Supporting our customers in their 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 farming sector, which sustains the rural population and ensures farming is done in a way that respects nature.
- We do not see rural communities as an unchanging bucolic place for tourists to visit at weekends but as a place where people want to live with dignity and adequate services. This requires sensible and sustainable human impacts.
- Optimising resource consumption (energy, plastics, paper, etc.). Reduce, remove and recycle.

## *7.2. RESOURCE CONSUMPTION AND IMPROVEMENT PLANS*

Banking is usually thought of as running bureaucratic and largely inflexible structures. This is not true of Caja Rural de Navarra.

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. Although, for regulatory reasons, we are still far from being a paperless organization, over the year we have continued and intensified our strategy of digitizing document management internally between the Bank’s departments and branches and with customers. This process has many advantages, making management faster and more efficient while reducing storage space and the need for meetings and travel. It has additional environmental benefits such as less fuel used for travel and less consumption of paper.

We believe we are developing an increasingly efficient and sustainable branch model with lower energy use.

With this in mind, the Bank has acted to minimise its environmental impact in the following areas:

**1. RESOURCE CONSUMPTION**

**PAPER AND TONER**

At Caja Rural de Navarra, we have had for ten years a document management system in the branches that digitizes internal and customer processes, significantly reducing the volume of paper used by branches. In 2019, this process was introduced in 34 branches. The forecast for 2020 is 35 branches and we expect to complete the programme in 2021.

Paper is the main consumable used in providing financial services, both in terms of cost and in its environmental impact, especially A4 paper printouts. For many years now, all paper has had Forestry Stewardship Council certification FSC C015403, which guarantees it has been made using a more environmentally respectful production process.

Over the year, we have continued to roll out procedures to save paper in internal communications and with customers, with a huge increase in virtual mailbox use by customers.

**Paper consumption** fell this year (see table; not including PoS terminal paper which we no longer buy directly):

| CONSUMPTION | KG/YEAR 2016 | KG/YEAR 2017 | KG/YEAR 2018 | FORECAST 2019 | ACTUAL 2019 | FORECAST 2020 |
|---|---|---|---|---|---|---|
| Chlorine-free sheets of paper | 65,656 | 63,278 | 58,349 | 58,000 | 50,800 | 50,000 |
| Thermal PoS terminal paper | 340 | 332 | 0 | 0 | 0 | 0 |
| ATM paper | 294 | 148 | 277 | 250 | 5,740 | 5,700 |
| Envelopes | 4,214 | 3,568 | 3,767 | 3,700 | 2,576 | 2,500 |
| Brochures and posters | 4,565 | 4,300 | 4,200 | 4,100 | 1,195 | 1,1150 |
| **TOTAL** | **75,069** | **70,894** | **66,593** | **66,050** | **60,311** | **59,350** |

**Paper consumption per employee** in 2019 (based on the 31 December headcount of 963) was 62.62, below the level of 66.59 in 2018.

Toner use has continued to decline, but not very 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 in an easily legible format. 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 communications channels.

Toner consumption figures:

| CONSUMPTION (CARTRIDGES) | 2016 | 2017 | 2018 | FORECAST 2019 | ACTUAL 2019 | FORECAST 2020 |
|---|---|---|---|---|---|---|
| Recycled toner | 3.199 | 3.276 | 3.368 | 3.310 | 1.957 | 1.900 |
| Original toner | 231 | 251 | 229 | 240 | 106 | 100 |

T**oner consumption per employee** in 2019 (based on the 31 December headcount of 963) was 2.03 in recycled toner and 0.11 in original toner, compared to 2018 figures of 3.49 recycled toner and 0.23 original toner.

**ENERGY**

Caja Rural's branch network consumes no fossil fuels directly. The only energy supply is electricity which means it has no direct emissions. For the first time in 2019, all electricity was supplied from renewable sources.

2019 consumption data shows a steady decline thanks to the energy efficiency measures in place:

Consumption is as follows:

| CONSUMPTION (KW/H) | 2016 | 2017 | 2018 | FORECAST 2019 | Actual 2019 | FORECAST 2020 |
|---|---|---|---|---|---|---|
| | 5,771,985 | 5,557,303 | 5,814,696 | 5,850,000 | 5,307,239 | 5,250,000 |

**Energy consumption per employee** during the year was 5,511 KWh, compared to 5,758 KWh in 2018. The fall reflects energy efficiency measures put in place.

There is another minor 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, in 2018 4,280 Gj and in 2019 4,026 Gj.
(based on a conversion rate of 1 KWh= 0.0036 Gj, and 1 litre of diesel = 10kwh)

The main energy efficiency measures put in place in 2019 were:

***- Air conditioning***

Replacement of the oldest and least efficient units by inverter heat pumps using variable refrigerant volume technology, which have a nominal consumption 40-50% lower than traditional heat pumps.

In 2019, we replaced units in 10 branches

***- Lighting***

We continued to replace fluorescent with LED lighting, which is much more efficient and lower consumption. In 2019, 9 branches switched to LED lighting.

***- External signage***

Traditional signs use fluorescent tubes. For more than 10 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, 9 signs were replaced.

***- Computers and ATMs***

We have planned no actions on this point as it is immaterial.

***- Travel***

We continued 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.

**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 | 2018 | FORECAST 2019 | ACTUAL 2019 | FORECAST 2020 |
|---|---|---|---|---|---|---|
| | 12,924 | 12,810 | 12,220 | 12,150 | 9,830 | 9,700 |

2019 data was derived by adding actual consumption of central service offices to an estimate of consumption in the branch network. The estimate was extrapolated from the actual consumption of a typical branch in each of six branch sizes, measured by number of employees.

**Water consumption per employee** in 2019 (based on the 31 December headcount of 963) was 10.2 $m^3$, compared to 12.66 $m^3$ in 2018.

***2. WASTE MANAGEMENT***

Caja Rural de Navarra conducts its business through its branch network and the waste it generates is managed in accordance with current best practice, considering both mandatory regulations and ways of reducing, reusing or recycling waste.

This is an extensive network of 253 branches which 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 | 2018 | FORECAST 2019 | ACTUAL 2019 | FORECAST 2020 |
|---|---|---|---|---|---|---|
| | 2,788 | 2,280 | 684 | 2,500 | 1,917 | 1,900 |

*(The 2019 increase is due to a reduction in the 2018 collection figure as collection took place after year end).*

There is a steady reduction in the collection of toner, which is logical given that less toner is being used.

**3. ATMOSPHERIC EMISSIONS**

The activity in branches does not generate direct atmospheric emissions. Branches do not cause lighting or noise emissions, so no specific measures need be taken.

Emissions of tonnes of $CO_2$ equivalent due to electricity consumption should be zero in 2019 as electricity was the only energy used and this was all bought from renewable sources with the corresponding certificates of origin. The certificates relate to the wind farms of Compañía Eólica de Tierras Altas (CETASA) located in the north of Soria province (2,236.53 $tCO_2eq$ in 2018). The 2018 figure was obtained based on electricity consumption in 2018, multiplied by a conversion mix factor of 0.39 kg $CO_2$/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.

**4. 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.

**5. 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.
- Also, our employees tend to live in the same village or nearby, which again reduces travel. This is an important point, particularly as the current trend in the banking industry is to close branches, particularly in rural areas.

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.

**6. INITIATIVES TO REDUCE WASTE AND CONSUMABLES IN 2020**

- 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 ten more branches in 2020.
- New signage. There are plans to change 8 luminous displays, replacing them with lower-consumption LED displays.
- Digitization of branches to eliminate the use of physical paper. This year, 35 branches are expected to go fully paperless.

***7.3. Direct relation with sustainable environmental activities***

The sections above deal with the direct impact of Caja Rural de Navarra's activities. In addition to these, the Bank invests in a number of companies who we consider make a significant positive contribution to the environment:

a) **Compañía Eólica de Tierras Altas, S.A..** This company has developed and operates four wind farms in the north of Soria province. They were installed between 2001 and 2005 and generate a total of 99 MW with annual production of between 2.3 and 2.7 times the power consumed by the whole of Caja Rural de Navarra Group. It generated a total of 260,000 MWh in 2019.

b) **Renovables de la Ribera, S.L.** The company was building four wind farms in Navarre in 2019, due to come on-stream in the first quarter 2020. Together these will add 111 MWh to output, taking its annual estimated power generation to 325,000 MWh.

The two companies produce enough energy to power 167,000 average households, saving 270,000 $tCO_2eq$ of atmospheric emissions if the energy was produced in combined cycle power stations (these are used as comparators for wind power as they fulfil a similar function as load regulators).

c) **Bosqalia.** This company grows and exploits poplars. At end-2017 it managed 272.3 hectares of forest, more than 90,000 feet.

According to Carlos A. Noverto in a report recently compiled for the FAO, to produce 446 grams of wood a tree requires 650 grams of $CO_2$ and releases 477 grams 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 (tCe). For poplar or cottonwood forest this equates to 41.28 tonnes of $CO_2$/ha/year.

The carbon absorbing effect of our plantations, based on the most common use of the wood which is for planks is 11,240 t$CO_2$eq. Assuming planks have a limited life and can decay in a tip or be burnt in a kiln the cultivation of poplars has a zero carbon cycle. The Spanish Ministry of the Environment calculates the absorption effect in its 2015 "Guide to estimating carbon dioxide absorption" at 10.5 kg $CO_2$/year/foot. This equates to 947 tonnes per year.

All Bosqalia's cultivations have, before they are cut, PEFC sustainable wood chain of custody certification.

d) **Flour group** (see Equity investments Annex). For the years 2019-2028, plants producing wheat flour that are subsidiaries of Caja Rural de Navarra signed a long-term contract for electricity supply under which around 80% will come from renewable sources, specifically the new Dehesa de Mallén and Campoliva II wind farms, both in Zaragoza and not owned by Caja Rural de Navarra.

### *7.4. 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. – 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 current sustainable energy credit line totals EUR 40.6 million, spread across 87 loan transactions to 53 borrowers (the same analysis produced figures for 2018/2017 of EUR 39.7 million/29.5 million, 80/71 transactions and 57/52 borrowers).

***b) Energy efficiency***

This category includes loans whose purpose is to develop products and technologies that reduce energy consumption or manufacture components that contribute to this aim. These loans totalled EUR 463.7 million, distributed among 3,968 loans to 3,086 borrowers (2018/2017 figures were EUR 443.1 million/251.7 million, 3,711/2,132 loans and 3,024/1,537 borrowers).

Also, at the end of 2019, Caja Rural de Navarra has identified active loans in its mortgage book for 2,594 homes with energy rankings of A, B or C, which therefore qualify for the "energy efficient home" rating in the sustainability framework (1,220 homes in 2018).

***c) Waste management***

Loans to develop equipment and technology that make more efficient use of resources and/or reduce waste. These totalled EUR 22.9 million, distributed among 70 loans to 42 borrowers (2018/2017 figures were EUR 25.8 million/15.9 million, 74/46 loans and 51/32 borrowers).

***7.5. 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 farming, 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 Cooperative Bank operates.

The cumulative total was EUR 134.7 million, distributed among 1,688 loans to 1,284 borrowers (2018/2017 figures were EUR 103.3 million/69.9 million, 1,220/808 loans and 963/671 borrowers).

## 8. CAJA RURAL DE NAVARRA AND SOCIETY

### *8.1. Commitment to local region*

Caja Rural de Navarra is a regional financial institution with 253 branches and employing 963 people at 31 December 2019. Legally constituted as a credit cooperative, it is strongly rooted in the regions where it is active, comprising 5 provinces in 3 Autonomous Communities.

Its local presence and strong commitment to the local community is mirrored in a powerful base of 169,507 members and 599,094 customers (548,223 people 50,871 legal entities). This social footprint embeds the Bank in the real life of the local community, making it an active player in the social and economic fabric of the region. It is a clear competitive advantage, providing a direct line to the real demands and needs of the community. Equally, having local decision centres mean we can offer a swift and flexible response thanks to our knowledge of the territory and its people.

All of which makes it easier for the Bank to maintain close relationships with economic and social agents. It strives always to deal with people in line with Corporate Social Responsibility principles set out in its articles of association.

### *8.2. Social action*

Caja Rural de Navarra uses its **Education and Development Fund (EDF)** as the main channel for its social action. This is used to return part of its profits from its financial activity to the community as what we consider to be a social dividend. Each year, a major part of the budget is earmarked to support value-generating projects which help improve quality of life in our community, providing solutions to different social, environmental, sporting and cultural needs.

***PRINCIPLES AND GUIDELINES***

The EDF follows these guidelines according to its articles of association:

- 10 per cent of the available surplus (profit) each year is donated to the Fund.
- Support activities that fulfil one of the following aims:
  a) Training and education of Caja Rural members and employees 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.
  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.

- Working in conjunction with other companies and entities in pursuit of the Fund's objectives, in such cases providing either full or partial funding.
- Any resources in the Education and Development Fund that have not been allocated or committed must 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.

***BUDGET ALLOCATION***

The basic guidelines for use of the Education and Development Fund are agreed annually by members at the General Meeting. The following guidelines were set for allocation of the amounts set out in this document during 2019:

| (In thousands of euros) | 2019 | | 2018 | |
|---|---|---|---|---|
| Consultancy, training and promotion of the cooperative model | 1,737 | 41.15% | 1,783 | 43.39% |
| Teaching and research | 1,291 | 30.59% | 1,142 | 27.78% |
| Sports aid | 152 | 3.60% | 136 | 3.31% |
| Charity work | 132 | 3.13% | 85 | 2.06% |
| Cultural, recreational and other activities | 263 | 6.23% | 306 | 7.44% |
| Economic and social development | 645 | 15.28% | 658 | 16.01% |
| **TOTAL** | **4,221** | | **4,110** | |

Each year, we renew our commitment and provide continuity to many projects we have worked with for years. It is a source of great satisfaction that we continue to organize, sponsor and work with hundreds of institutions and initiatives that are now achieving a scale unimaginable just a few years ago. Caja Rural de Navarra works tirelessly to adapt to new social needs, channelling its contributions to the most in-demand projects at any time. Over the last year, for instance, teaching and research, charity and sports received more support than in previous years.

Through the EDF, Caja Rural de Navarra does its bit to help create a fairer society with greater solidarity. To achieve this, we often partner with established institutions that have for decades been working for the most disadvantaged segments of society, such as the Red Cross, Proyecto Hombre, Cáritas, Aspace and others.

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***INITIATIVES AND PROJECTS SUPPORTED***

The most prominent projects supported in 2019 under each of the Fund's guidelines were as follows:

**COOPERATIVE MOVEMENT AND LOCAL DEVELOPMENT:**

- Support for the cooperative movement, especially in the primary sector, by signing collaboration agreements with cooperatives and their representative bodies to develop effective training and professionalisation programmes.
- Entrepreneurship Day to encourage young people into the farming sector, run jointly with the public sector company INTIA. The primary aim was to address the problem of next-generation farmers, prevent rural depopulation and promote the empowerment of women.
- Advice to customers on processing PAC aid, through a dedicated team of experts. In 2019, 5,060 applications were dealt with under this scheme.
- Advice and processing services for 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 2019, 22,456 applications were dealt with under this scheme.
- Collaboration agreements with a range of professional groups to help develop employment and the local economy. Prominent partners include the Asociación de Comerciantes del Casco Antiguo de Pamplona (store owners in Pamplona's old town), and the Colegio de Arquitectos, Colegio de Graduados Sociales and Colegio de Enfermería de Gipuzkoa (trade associations).

***SOCIAL, CHARITY AND SPORTING PROJECTS:***

- **Asociación Navarra de Autismo (ANA):** Placement of 684 awareness-raising pictograms for children with autism in Pamplona (one either side of the city's 342 traffic-lighted pedestrian crossings). The scheme was developed in tandem with the Pamplona local authority and ANA.
- **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 help maintain sponsored children's homes in Spain and abroad.
- **Proyecto Hombre:** partnering with programmes to attend and support people suffering from addiction problems.
- **Aspace:** support for care and protection of people with cerebral palsy.

- **Cáritas:** caring for vulnerable and disadvantaged groups.
- **Social and leisure activities** for various groups and organizations of older people.
- **Día de la Camiseta Solidaria:** the latest Solidarity T-shirt Day was held on 5 September 2019. As part of the initiative, 10% of income from Seguros RGA insurance policies sold in the Bank's branches during the day went to support projects of the Spanish Red Cross. This year, all the projects supported were themed around "childhood at risk".
- **Development of and support for environmental education projects:** Support for the Aula de la Naturaleza de Fundación Ilundain – Haritz Berri. This is an educational resource visited by more than 5,000 schoolchildren each year.
- **Issue, management and promotion of the Carné Joven Project in Navarre and La Rioja.** Caja Rural de Navarra partners with the Navarre and La Rioja regional governments to provide the Carné Joven. Through this initiative we help thousands of young people between 14 and 30 access services and discounts on accommodation, 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 over EUR 600,000 as a result of its commitment to this project.
- **Development of and collaborations with social activities for children and young people:** summer and urban camps, sports camps, music and leisure events, financial education projects.
- **Support for hundreds of sporting events during the year.** The aim is to promote grass roots sport and participation as a way to enhance quality of life. This often takes the form of promoting different popular sporting events with a high social element.

***RESEARCH, EDUCATION AND EMPLOYMENT:***

- **CIMA scholarships:** cash grants to support additional researchers at CIMA, a research centre with a national and international reputation, promoted by the University of Navarre, helping it build up its research activities year on year.
- **Universities:**
  - **University of Navarre:** a programme of mobility scholarships that helps students study in countries around the world. In 2019, 45 new scholarships were awarded, making nearly 600 over the last 10 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.

  - **Public University of Navarre:** a scholarship programme to promote international mobility among students so they can study abroad. In 2019, scholarships were awarded to 427 students, giving them the opportunity to study in more than 39 countries. Nearly 3,500 such scholarships have been granted over the last decade. Most are through programmes such as Erasmus, Palafox, Martín de Rada, ISEP USA, ISEP Internacional and bilateral agreements.
  - Creation and support of an area of enterprise, which can finance special activities that drive and develop enterprise and start-ups throughout the university community.
- **Professional training:**
  - **Support and development of Erasmus+,** through international scholarships in collaboration with the Government of Navarre. 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.
  - **Work Experience Programmes at Caja Rural de Navarra:** these are part of our commitment to Training and Employment and are 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. Through these programmes, we have helped train more than 1,600 students in these last ten years.

***CULTURE AND SOCIETY:***

- **Local culture:** events to support the Basque language and culture (sponsoring Nafarroa Oinez in Navarre and Kilometroak in Guipúzcoa) and actions promoted by schoolchildren.
- **Encouraging reading with the Diario Escolar,** in collaboration with Diario de Navarra. Sponsoring the Club de Lectura, and various local community events.
- **Caja Rural de Navarra photography competition:** this initiative was run again in 2019 with entry open to everyone.
- **Huertas Solidarias Project:** in this project the Bank deploys resources so that retired people with the requisite skills can cultivate allotments, donating the produce to social projects.
- **Bodas de Oro Navarra:** an event for all married couples in Navarre who celebrated their 50th wedding anniversary in 2019. It was a moving event for the couples and their families.

***ENTREPRENEURSHIP:***

- Support for entrepreneurs via **INICIA.** This is an exclusive credit facility for financing and advising young entrepreneurs, through which the Bank gives preferential treatment to people dreaming of starting their own enterprise, so giving their business a leg up.

  The Caja Rural's **Línea Inicia** advisors analyse the viability of the business, the experience of the workers and their commitment. As well as technical considerations, they gauge the level of enthusiasm and commitment to the projects.

  Through **INICIA,** we advise on finance and propose customised solutions, adapting them to the specific needs of each project and making sure they are eligible for all types of support and subsidies. To facilitate this programme, 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 tailored to each enterprise project.

  In the 13 years the line has been running it has supported a range of different projects which have helped economic and social development in the areas where they operate.

  Caja Rural de Navarra's aim is that everyone presenting a sound project should get the initial support and 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 tomorrow.

By these and other actions, Caja Rural de Navarra fulfils its commitment to local economic development, now and in the future, contributing to the region's sustainability.

### *8.3. Our relationship to the public and private institutional sectors*

Caja Rural de Navarra's business puts us in constant direct contact with wider society. In order to act we therefore need to agree policies with different public and private players in the region.

The most important agreements we have with such institutions are as follows:

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**AGREEMENTS WITH PUBLIC AUTHORITIES AND OTHER AGENCIES**

*GOVERNMENT OF NAVARRE - MANAGEMENT OF THE NAVARRE CARNÉ JOVEN SCHEME*
*GOVERNMENT OF NAVARRE VAT PAYMENTS ON ACCOUNT - TAX*
*GOVERNMENT OF NAVARRE - INCOME TAX AND PAC*
*GOVERNMENT OF NAVARRE - NASUVINSA*
*GOVERNMENT OF NAVARRE - EDUCATION DEPARTMENT*
*LA RIOJA GOVERNMENT - MANAGEMENT OF THE LA RIOJA CARNÉ JOVEN SCHEME*
*LA RIOJA GOVERNMENT - DRIVING LICENCE FOR CARNET JOVEN HOLDERS*
*BASQUE GOVERNMENT - R&D&I*
*BASQUE GOVERNMENT - VISESA*
*BASQUE GOVERNMENT - LANGUAGE RIGHTS*
*BASQUE GOVERNMENT - SENDOTU SMES AND SELF-EMPLOYED WORKERS IN THE AGRICULTURAL, FORESTRY AND FISHING SECTORS*
*GOVERNMENT OF ARAGON - PAC*
*REGIONAL GOVERNMENT OF BIZKAIA – VIA T REMOTE TOLL SYSTEM*
*FEDERACIÓN RIOJANA DE MUNICIPIOS Y CONCEJOS*
*FEDERACIÓN NAVARRA DE MUNICIPIOS Y CONCEJOS*
*LOGROÑO LOCAL AUTHORITY - LOGROÑO SPORT*
*UNIVERSITY OF NAVARRE*
*PUBLIC UNIVERSITY OF NAVARRE*
*FUNDACIÓN PARA LA INVESTIGACIÓN MÉDICA APLICADA*
*ALTUBE UNIVERSITY ASSOCIATION*
*OFFICIAL CHAMBER OF COMMERCE AND INDUSTRY IN NAVARRE*
*ELKARGI SDAD. GARANTÍA RECÍPROCA*
*IBERAVAL, SDAD. DE GARANTÍA RECÍPROCA*
*SPANISH SOCIAL ECONOMY TRADE CONFEDERATION (CEPES)*
*ASSOCIATION OF WORKERS SOCIETIES OF EUSKADI (ASLE)*
*EUROPEAN INVESTMENT FUND'S SME INITIATIVE*
*ENISA – ENTREPRENEURS / YOUNG ENTREPRENEURS / SMES COMPETITIVENESS*
*CONFEDERATION OF COOPERATIVES OF EUSKADI (ERKIDE)*
*GARAPEN – DEVELOPMENT AGENCIES OF EUSKADI*
*FOMENTO DE SAN SEBASTIÁN - ENTREPRENEURS*
*UEMA (MANCOMUNIDAD DEL EUSKERA) - GIA*
*AUTOCONTROL*
*IDAE PAREER PROGRAMME WITH NEIGHBOURHOOD ASSOCIATIONS*

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The aims underlying 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.

**Objective 2019:** To align the Bank with best practice in the sector for training new employees to give investment advice and maintain continuous training for all employees qualified to advise customers.

**Degree Of Compliance:** Most of the Bank's employees are qualified to provide investment advice in accordance with the criteria set by the Supervisor.

**Objective 2020:** To maintain the programme of training new employees to give investment advice and maintain continuous investment in all employees qualified to advise customers.

**Strategy:** Customer services department.

**Objective 2019:** Test customers on their perceptions of service quality, and their user experience of the Bank's main products and services.

**Degree Of Compliance:** Continuous dialogue with customers through the Bank's active listening channels.

**Objective 2020:** 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.

**Objective 2019:**
Continuation of the Sustainability Framework and Sustainalytics second-party 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")

**Degree Of Compliance:**
Objective in progress. The Bank continues with its plan for sustainable issuance under the sustainability framework endorsed by the second-party opinion report by Sustainalytics.

**Objectives 2019:**

1. Quantification of $CO_2$ reductions compared to the Spanish average in homes included in the Energy Efficiency in Buildings category of the Impact Report (loan book sustainability framework).

2. 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 (the energy ratings of homes bought by individuals using direct financing from the Bank are "labelled" in our systems).

3. 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.

**Degree of compliance:**

1. Objective achieved. A significant number of homes were labelled allowing measurement of $CO_2$ reductions.

2. Objective achieved. The impact report includes data on Energy Efficiency in Buildings labelling (amount, number of loans, number of borrowers, etc.).

3. Objective achieved. The Bank's systems for collecting labelling data on all homes financed was updated.

**Objective 2019:** Improvement and inclusion of new quantitative indicators on Sustainable Farming/Stockraising in the Impact Report (loan book sustainability framework)

**Degree Of Compliance:** Objective achieved. New indicators were included in the Sustainable farming category in the Impact Report, such as the percentage of borrowers with official sustainable farming certification.

**Objectives 2020:**

Update the sustainability framework by including in the impact report (loan book sustainability framework) information on how far it aligns with the EU taxonomy and, in greater detail, with the UN PRI, which will probably involve a more detailed identification of additional goals beyond the 3 currently considered (12 -"Responsible production and consumption"-, 7-"Affordable and clean energy"- and 11 -"Sustainable cities and communities").

Update again the Sustainalytics second-party opinion report on the new sustainability framework.

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1. Complete the process of identifying energy efficient homes following the guidelines of the EU taxonomy.

2. Within the provision of Energy Efficiency in Housing information (loan book sustainability framework) it is intended to extend the data collection process to include renovation loans.

**Strategy:** Sustainable products.

**Objective 2019:** To develop this type of sustainable investments vehicle for our customers through communications and internal training.

**Degree Of Compliance:** Sustainable funds 1 and 2 were successfully launched which were highly appreciated by customers as reflected in the high subscription volume.

**Objective 2019:**
Development of a specific financing line for improving buildings' energy efficiency.

**Degree Of Compliance:** Objective in progress. All necessary steps are being taken to analyse, define, approve and launch the project

**Objectives 2020:**

Development of a specific financing line for improving homes' energy efficiency.

Analysis of legislation applying to different sustainable investment vehicles to adapt them to the demands of the new sustainability regulations.

**Strategy:** Sustainable management of suppliers.

**Objective 2019:** Introduction of improvements to traceability and reporting processes in contracting and monitoring suppliers.

**Degree Of Compliance:** We continue monitoring based on the Bank's current Suppliers Handbook.

**Objective 2020:** Continue with improvements to traceability, reporting and monitoring processes for suppliers.

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**Strategy:** Regulatory compliance, corporate governance and transparency.

**Objective 2019:**
Renew Sustainalytics ESG report on Caja Rural de Navarra this year

**Degree Of Compliance:**
Objective achieved: The second-opinion provider Sustainalytics reviewed Caja Rural de Navarra's ESG report, rating it 71, one of the best scores in the financial sector.

**Objective 2019:**
Work to improve the Regulatory Compliance platform being developed jointly with the members of the Caja Rural Group at national level.

**Degree Of Compliance:**
Objective achieved. The first phase in the joint platform on Regulatory compliance was implemented.

**Objectives 2019:**
1. 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.

2. Compilation of the annual Corporate Social Responsibility Report and mandatory Non-Financial Information report.

**Grado cumplimiento Objectives 2019:**
1. Objective achieved: The Bank participated in various days and events to reach out to investors and keep up to date with sustainability trends in the market.

2. Objective achieved. Reports published on time.

**Objectives 2020:**
Maintain communication with the second opinion provider Sustainalytics to improve Caja Rural de Navarra's sustainability management.

Continue to improve the Regulatory Compliance platform being developed jointly with the members of the Caja Rural Group at national level.

### 9.2. MAIN CHALLENGES FOR IMPROVEMENT AND OBJECTIVES/ SOCIAL ISSUES

**Strategy:** Financial inclusion.

**Objective 2019:** Maintain communication with wider society on financial education and the risks and benefits of financial products and services.

**Degree Of Compliance:** Various communications and events were promoted supporting areas related to financial education and banking products and services.

**Objective 2020:** Continue financial education initiatives in the school environment.

**Strategy:** Personnel management (equality and diversity, health and safety etc.)

**Objective 2019:** Finalise updates to the equality plan and measurement of variables.

**Degree Of Compliance:** In progress: the Bank is working on a plan that will instil its values and commitment to gender equality throughout all areas of activity via a group-wide approach to managing equality in all Bank policies.

**Objective 2020:** Healthy company: promote a programme of mindfulness to improve staff health with the aim of giving employees methods to relax and confront conflict situations in a considered and responsible way. We also seek to enhance the sense of belonging and external dissemination of the Caja Rural de Navarra brand through inter-company sports competitions.

**Strategy:** Social Welfare Fund.

**Objective 2019:** Maintain awareness-raising actions on re-use of resources and recycling.

**Degree Of Compliance:** Objective in progress.

**Objective 2020:** Continue awareness-raising actions on re-use of resources and recycling.

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**Strategy:** Volunteering.

**Objective 2019:** Continue developing the Volunteering Strategy. Identification and diversification of activities. Permanent volunteering group. Employee participation survey.

**Degree Of Compliance:** Continuous improvement Objective in progress.

**Objectives 2020:**

1. Creation of the Mueve-T blog to raise awareness, motivate and integrate employees into long-term sustainability projects.

2. Promote volunteering initiatives involving Caja Rural de Navarra employees.

**Strategy:** Contribution to society.

**Objective 2019:** Continue to prepare and publish the annual CSR Report.

**Degree Of Compliance:** Objective achieved on time.

**Objective 2020:** Continue to prepare and publish the Corporate Social Responsibility Report.

**Strategy:** Alignment with the UN sustainable development goals (SDG).

**Objective 2019:** Maintain in greater detail the information on the alignment of our Sustainability Framework with the UN PRI.

**Degree Of Compliance:** Objective in progress. Preliminary analysis complete and pending implementation in the loan book sustainability framework.

**Objective 2020:** Spread and raise awareness in the organization of the concept of sustainability and SDGs.

**Strategy:** Dialogue with and development of local communities.

**Objective 2019:** Strengthen dialogue with stakeholders and economic and social development of local communities.

**Degree Of Compliance:** We have maintained the materiality analysis done for the 2018 report.

**Objective 2020:** Launch a new dialogue with stakeholders and extend the materiality analysis to include all companies in the Caja Rural de Navarra Group.

**Strategy:** Training.

**Objective 2020:** Increase training of new recruits, encouraging digitization and virtual media as well as an advanced system for skill-sharing and development.

**Strategy:** Working hours register.

**Objective 2020:** Introduce a working hours register to comply with regulations and as a self-regulation system with the flexibility we already have in place to support work-life balance.

### *9.3. MAIN CHALLENGES FOR IMPROVEMENT AND OBJECTIVES/ ENVIRONMENT*

**Strategy:** Climate change strategy.

**Objective 2019:**
Coordination of our participation in EeMAP with the development of a specific financing line for improving buildings' energy efficiency.

**Degree of compliance:**
Objective in progress. The Bank continues to participate in the EeMAP initiative, making sure the views of credit cooperatives on the market are heard.

**Objectives 2020:**
1. Continue cooperation with the EeMAP initiative.
2. Analyse, design and implement a specific financing line for improving homes energy efficiency.

**Strategy:** Volunteering.

**Objective 2020:** Continue developing the Volunteering Strategy, encouraging environmental and social activities that help improve our environment, creating a standing group of volunteers to carry out actions and form a motivating group when proposing actions, innovation and development.

ANNEX I: GRI INDICATOR TABLE (MANDATORY AND MATERIAL)

# Legal Documentation

## 1. GRI Standards - Mandatory Indicators

| INDICATOR | | | COMMENT |
|---|---|---|---|
| Profile of The organization | 102-1 | Organization name | **CAJA RURAL DE NAVARRA, Sociedad Cooperativa de Crédito**<br>**ABOUT US, page 16**<br>**PROFILE OF THE ORGANIZATION, page 23** |
| | 102-2 | Activities, brands, products and services | **ABOUT US, page 16**<br>**PROFILE OF THE ORGANIZATION, page 23** |
| | 102-3 | Location of headquarters | **PROFILE OF THE ORGANIZATION, page 23** |
| | 102-4 | Location of operations | **ABOUT US, page 16**<br>**PROFILE OF THE ORGANIZATION, page 23** |
| | 102-5 | Ownership and legal form | **PROFILE OF THE ORGANIZATION, page 23** |
| | 102-6 | Markets served | **PROFILE OF THE ORGANIZATION, page 23** |
| | 102-7 | Scale of the organization | **KEY FIGURES, page 43** |
| | 102-8 | Information on employees and other workers | **THE TEAM, page 87** |
| | 102-9 | Supply chain | **SUPPLIERS, page 107**<br>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. |
| | 102-10 | Significant changes to the organization and its supply chain | There were no significant changes to the organization and its supply chain in 2019 |
| | 102-11 | Precautionary principle or approach | The development and launch of new products by the Bank does not generate risk or serious or irreversible damage to the environment. |
| | 102-12 | External initiatives | **ABOUT US, page 16**<br>**CAJA RURAL DE NAVARRA CORPORATE CULTURE, page 39**<br>**CUSTOMERS, page 45**<br>**CAJA RURAL DE NAVARRA AND SOCIETY, page 120** |
| | 102-13 | Membership of associations | **CAJA RURAL DE NAVARRA AND SOCIETY, page 120**<br>**ABOUT US, page 16** |

# Legal Documentation

| INDICATOR | | | COMMENT |
|---|---|---|---|
| Strategy | 102-14 | Statement from senior decision-makers | **CHAIRMAN'S LETTER, page 3** |
| | 102-15 | Key impacts, risks, and opportunities | **ABOUT THE REPORT, page 13**<br>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 norms of behaviour | **ABOUT US: STRUCTURE OF THE BANK, page 16** |
| | 102-17 | Mechanisms for advice and concerns about ethics | **CONFIDENTIAL CHANNELS FOR 'WHISTLEBLOWING' AND COMMUNICATION:** To instil 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 reviewed by the competent bodies. This is in addition to the ordinary internal control and review work instituted by the Company. |
| Governance | 102-18 | Governance structure | **GOVERNANCE BODIES, page 25**<br>**GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, page 25** |
| | 102-19 | Delegation of authority | **ABOUT US: STRUCTURE OF THE BANK, page 25** |
| | 102-20 | Executive-level responsibility for economic, environmental, and social topics | **ABOUT US: STRUCTURE OF THE BANK, Governing Board page 26** |
| | 102-21 | Consulting stakeholders on economic, environmental, and social topics | **ABOUT THE REPORT, page 4** |
| | 102-22 | Composition of the highest governance body and its committees | 2019 Annual Corporate Governance Report, link: *www.cajaruraldenavarra.com/sites/default/files/2020-04/2019-Informe%20Gobierno%20Corporativo.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 25-30** |

# Legal Documentation

| INDICATOR | | | COMMENT |
|---|---|---|---|
| Governance | **102-25** | Conflicts of interest | Caja Rural de Navarra's Governing Board is obliged to define a system for corporate governance that guarantees sound and prudent management and addresses the issue of conflicts of interest.<br>Caja Rural de Navarra has put in place a series of measures to identify different types of conflict of interest. The mechanisms are set out in three areas:<br>- Article 48 of the Bank's Articles of association.<br>- Article 24 of the Governing Board's Rules of Procedure. Both these documents can be found at: www.cajaruraldenavarra.com (News).<br>- 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. |
| | **102-26** | Role of the highest governance body in selecting objectives, values and strategy | **ABOUT US: STRUCTURE OF THE BANK, page 26** |
| | **102-27** | Collective knowledge of highest governance body | **ABOUT US: STRUCTURE OF THE BANK, page 26** |
| | **102-28** | Performance evaluation of the highest governance body | **GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, page 25** |
| | **102-29** | Identifying and managing economic, environmental, and social impacts | **ABOUT THE REPORT, page 4**<br>**GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE, page 25** |
| | **102-30** | Effectiveness of risk management processes | **INTERNAL CONTROL FRAMEWORK FOR CAJA RURAL DE NAVARRA, page 31** |
| | **102-31** | Review of economic, environmental, and social topics | 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** | Highest governance body's role in sustainability reporting | **ABOUT THE REPORT: page 4** |
| | **102-33** | Communication of critical concerns | **CUSTOMERS: page 53** |
| | **102-34** | Nature and total number of critical concerns | **CUSTOMERS: page 53** |

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| INDICATOR | | | COMMENT |
|---|---|---|---|
| Governance | 102-35 | Remuneration policy | **THE TEAM: page 93**<br>With summary of the remuneration policy in the link: *www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/es/interface/contenido_pie/Tablon_de_anuncios/pdf_tablon_anuncios/POLITICA-DE-REMUNERACIONES.pdf* |
| | 102-36 | Process for determining remuneration | |
| | 102-37 | Stakeholders' involvement in remuneration | Stakeholders do not participate in determining remuneration. |
| | 102-38 | Annual total compensation ratio | **THE TEAM: page 95**<br>CRN REMUNERATION POLICY (SUMMARY): *https://www.cajaruraldenavarra.com/cms/estatico/rvia/navarra/ruralvia/es/interface/contenido_pie/Tablon_de_anuncios/pdf_tablon_anuncios/POLITICA-DE-REMUNERACIONES.pdf* |
| | 102-39 | Total annual compensation percentage increase ratio | |
| Stakeholder engagement | 102-40 | List of stakeholder groups | **ABOUT THE REPORT, page 6** |
| | 102-41 | Collective bargaining agreements | **THE TEAM, page 97** |
| | 102-42 | Identification and selection of stakeholders | **ABOUT THE REPORT, page 5**<br>**EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, page 6** |
| | 102-43 | Approach to stakeholder engagement | **ABOUT THE REPORT, page 5**<br>**EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, page 6** |
| | 102-44 | Key topics and concerns raised | **EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VIEW, pages 8-10** |
| Reporting practice | 102-45 | Entities included in the consolidated financial statements | **ABOUT US: STRUCTURE OF THE BANK– EQUITY INVESTMENTS, page 41** |
| | 102-46 | Defining report content and topic boundaries | **EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION 6** |
| | 102-47 | List of material topics | **ABOUT THE REPORT, page 8-10** |
| | 102-48 | Restatement of information | There are no restatements resulting from:<br>• Mergers or acquisitions;<br>• Changes in base years or periods;<br>• The nature of the business;<br>There are some restatements in Annex II, relating to the methods used to measure headcount and remuneration in companies comprising the consolidated Group. |

# Legal Documentation

| INDICATOR | | | COMMENT |
|---|---|---|---|
| Reporting practice | 102-49 | Changes in reporting | **EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION, page 8**<br>In 2019, the materiality analysis was again based on the stakeholder consultations conducted in 2017 and 2018 and the material aspects therefore remain unchanged. |
| | 102-50 | Reporting period | **ABOUT THE REPORT, page 4** |
| | 102-51 | Date of most recent report | **CHAIRMAN'S LETTER, page 3** |
| | 102-52 | Reporting cycle | **ABOUT THE REPORT, page 4** |
| | 102-53 | Contact point for questions regarding the report | **ABOUT THE REPORT, page 4** |
| | 102-54 | Claims of reporting in accordance with the GRI Standards. | **CHAIRMAN'S LETTER, page 3**<br>**ABOUT THE REPORT, page 4** |
| | 102-55 | Table of GRI contents | **ANNEX II, page 131** |
| | 102-56 | External assurance | Caja Rural de Navarra is publishing its second Corporate Social Responsibility Report and the 2019 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. |

# Legal Documentation

## 2. GRI Standards - Material Indicators

| KEY ISSUE | | | COMMENT |
|---|---|---|---|
| **Financial strength of the Bank and global risk management.** | **GRI 103:** Management focus | **103-1** Explanation of the material topic and its boundary | **ABOUT THE REPORT, pages 6-10** The materiality analysis was carried out by the parent Bank (Caja Rural de Navarra). Work is ongoing to create dialogue with different groups of stakeholders in the Bank's consolidated subsidiaries and equity investments. |
| | | **103-2** The management approach and its components | **ABOUT US, pages 24-32 (page 28)** |
| | | **103-3** Evaluation of the management approach | **ABOUT THE REPORT, pages 10-15** |
| | **GRI 201:** Economic performance | **201-1** Direct economic value generated and distributed | **ABOUT US, page 43** |
| | | **201-2** Financial implications and other risks and opportunities due to climate change | Caja Rural de Navarra provides financial services and the key climate change risks and opportunities arise not from the Bank's own activities but from its customers' businesses, particularly those conducted by its borrowers using the Bank's loans.<br>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.<br>These lines are consistent with its principles of commitment to its local social and natural environment. The framework is dynamic. It evolves and develops over time in tandem with responsible social and environmental practices.<br>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 the Bank has obligations under the national collective agreement to provide life and accident insurance and widow/er and orphan supplementary benefits. |
| | | **201-4** Financial assistance received from government | **ABOUT US, page 28** |
| | | **202-2** Proportion of senior executives hired from the local community | All the senior executives come from the local community. |

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| KEY ISSUE | | | COMMENT |
|---|---|---|---|
| **Financial strength of the Bank and global risk management.** | **GRI 203:** Indirect economic impacts | **203-1** Infrastructure investments and services supported | **pages 58-86**<br>As a provider of financial services, the Bank's main impact as an investor in infrastructure and services comes from our customers' projects, particularly those carried out by the Bank's borrowers.<br>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 its principles of commitment to its local social and natural environment. The framework is dynamic. It evolves and develops over time in tandem with responsible social and environmental practices.<br>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. |
| **Financial strength of the Bank and global risk management.** | **GRI 203:** Indirect economic impacts | **203-2** Significant indirect economic impacts | **pages 58-86**<br>As a provider of financial services, the Bank's main economic impact is indirect and comes from our customers' projects , particularly those carried out by the Bank's borrowers.<br>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 its principles of commitment to its local social and natural environment. The framework is dynamic. It evolves and develops over time in tandem with responsible social and environmental practices.<br>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. |
| **Financial strength of the Bank and global risk management.** | **GRI 204** Procurement practices | **204-1** Proportion of spending on local suppliers | The Bank does not have this information. It is planning to work, firstly, on defining its suppliers, and secondly on measuring its spending on local suppliers. |

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| KEY ISSUE | | | COMMENT |
|---|---|---|---|
| **Strategy of the organization** | **GRI 103**: Management focus | **103-1** Explanation of the material topic and its boundary | **ABOUT THE REPORT, pages 6-10** |
| | | **103-2** The management approach and its components | **ABOUT THE REPORT, pages 13-15** |
| | | **103-3** Evaluation of the management approach | **ABOUT THE REPORT, pages 13-15** *Stakeholders did not participate in the strategic planning process for the plan (2016-2019).* |
| **Transparency in marketing** | **GRI 103**: Management focus | **103-1** Explanation of the material topic and its boundary | **ABOUT THE REPORT, pages 6-10** |
| | | **103-2** The management approach and its components | **ABOUT US, pages 33-36** **CUSTOMERS, pages 45-50** |
| | | **103-3** Evaluation of the management approach | **ABOUT THE REPORT, pages 6-10** |
| | **GRI 206:** Anti-competitive behaviour | **206-1** Legal actions related to anti-competitive behaviour, anti-trust and monopoly practices | In 2019, there was no legal action in relation to anti-competitive behaviour or infringements of the applicable monopoly practices and anti-trust legislation. |
| | **GRI 417** Marketing y Etiquetado | **417-1** Requirements for product and service information and labelling | **CUSTOMERS, page 48** |
| | | **417-2** Incidents of non-compliance concerning product and service information and labelling | **CUSTOMERS, pages 45-50** |
| | | **417-3** Incidents of non-compliance concerning marketing communications | **CUSTOMERS, page 47** |
| | **GRI 418** Privacidad del cliente | **418-1** Substantiated complaints regarding breaches of customer privacy and losses of customer data | **CUSTOMERS, page 54** |

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| KEY ISSUE | | | COMMENT |
|---|---|---|---|
| **Quality of service and customer satisfaction** | **GRI 103**: Management focus | **103-1** Explanation of the material topic and its boundary | **ABOUT THE REPORT, pages 6-10** |
| | | **103-2** The management approach and its components | **ABOUT THE REPORT, page 6**<br>**CUSTOMERS, pages 47-53** |
| | | **103-3** Evaluation of the management approach | **ABOUT THE REPORT, pages 6-10** |
| | | **FS15** Description of policies for the fair design and sale of financial services and products | **STRUCTURE OF THE BANK, pages 33-36**<br>**CUSTOMERS, pages 58-86** |
| **Caja Rural de Navarra's CSR policy and social engagement** | **GRI 103**: Management focus | **103-1** Explanation of the material topic and its boundary | **ABOUT THE REPORT, pages 6-10** |
| | | **103-2** The management approach and its components | **CUSTOMERS, pages 58-86** |
| | | **103-3** Evaluation of the management approach | **ABOUT THE REPORT, pages 6-10** |
| **Corporate culture** | **GRI 103**: Management focus | **103-1** Explanation of the material topic and its boundary | **ABOUT THE REPORT, pages 6-10** |
| | | **103-2** The management approach and its components | **STRUCTURE OF THE BANK, page 30** |
| | | **103-3** Evaluation of the management approach | **ABOUT THE REPORT, pages 6-10** |
| **Management focus** | **GRI 205** Management focus | **205-1** Operations assessed for risks related to corruption | *There were no transactions assessed in this area in 2019* |
| | | **205-2** Communications 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 2019, and through the employee website available to all employees. |
| | | **205-3** Confirmed incidents of corruption and actions taken | There were no cases of corruption in 2019. |

**ANNEX II NON-FINANCIAL STATEMENTS OF COMPANIES COMPRISING THE CAJA RURAL DE NAVARRA CONSOLIDATED GROUP**

# Legal Documentation

### *1. GENERAL INFORMATION*

This Annex covers the companies that make up the Caja Rural de Navarra Consolidated Group but not the activity of the parent financial institution (Caja Rural de Navarra). 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 Communications 2017/C 215/01, Guidelines on Non-financial Reporting.

This statement takes a concise approach by disclosing the most relevant information. Information is presented in accordance with the standards of the Global Reporting Initiative (GRI), on which Caja Rural de Navarra bases its CSR Report.

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) at 31 December 2019:

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| GROUP COMPANY | ID | SECTOR OF ACTIVITY | % INVES-TMENT | CRN direct holding |
|---|---|---|---|---|
| HARIVASA 2000 S.A | A31013402 | Flour | 100% | Yes |
| Transnoain S.A | A31870058 | Flour | 100% | No |
| Cerelia I+D S.L | B71312888 | Flour | 100% | No |
| Cerelia S.L | B31949217 | Flour | 100% | No |
| Harinera de Tardienta S.A | A22001499 | Flour | 100% | Yes |
| Harinas Selectas S.A | A50107143 | Flour | 100% | No |
| Comercial Don Obrador, S.A. | B79410742 | Flour | 100% | No |
| Le Moulin de Navarre | FR258138031 | Flour | 100% | No |
| Harántico, S.L. | B36562593 | Flour | 100% | Yes |
| Reyes Hermanos S.L | B36000818 | Flour | 100% | No |
| Harinera del Mar S.L | B97832232 | Flour | 100% | Yes |
| Haribéricas SXXI S.L | B64939341 | Flour | 100% | Yes |
| Harivenasa S.L | B71075774 | Flour | 100% | Yes |
| HRVS Eood | BG203420883 | Flour | 100% | No |
| Industria Tonelera de Navarra S.L | B31688336 | Winery supplies | 100% | Yes |
| Tonnelleries de L'Adour S.A.S | FR96425029972 | Winery supplies | 100% | Yes |
| Oroz Fils STE Exploitation ETS C | FR943797009 | Winery supplies | 100% | No |
| Tonnelleries de L'Adour USA Ind | C3886342 | Winery supplies | 100% | No |
| Bouquet Brands S.A | A31884000 | Winery supplies | 100% | Yes |
| Bahía de Cádiz S.L | B84996743 | Winery supplies | 100% | No |
| Solera Asistencial S.L | B71150866 | Senior care | 100% | Yes |
| Solera Navarra S.L | B71186654 | Senior care | 100% | No |
| Torre Monreal S.L | B31872872 | Senior care | 100% | No |
| SERESGERNA S.A | A31697808 | Senior care | 100% | Yes |
| Preventia Sport S.L | B71008783 | Services to CRN customers | 100% | Yes |
| Promoción Estable del Norte S.A | A31663651 | Services to CRN customers | 100% | Yes |
| Informes y Gestiones Generales S.A. | A31437635 | Services to CRN customers | 100% | Yes |
| Informes Técnicos y Valoraciones Generales, S.L. | B31917305 | Services to CRN customers | 100% | No |
| Administración de Fcas. Informes y Gestiones S.L. | B71054944 | Services to CRN customers | 100% | No |

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We also show the sectors and regions where each company offers its products and services.

| Company | Regions |
|---|---|
| ***Flour sector*** | |
| HARIVASA 2000 S.A. | Spain, south of France |
| TRANSNOAIN | Spain, south of France |
| CEREALIA I+D | Spain |
| HRVS EOOD | Bulgaria, Rumania |
| CEREALIA | Spain |
| HARINERA DE TARDIENTA | Spain, south of France, exports to Africa |
| HARINAS SELECTAS | Spain |
| LE MOULIN DE NAVARRE | France |
| REYES HERMANOS | Spain, Portugal |
| HARINERA DEL MAR | Spain |
| HARIBÉRICAS SXXI | Spain, Portugal |
| HARIVENASA | Spain, exports to twenty countries |
| DON OBRADOR | Madrid |
| ***Winery supplies*** | |
| INDUSTRIA TONELERA DE NAVARRA | Spain |
| TONNELLERIE DE L'ADOUR | Global |
| OROZ FILS STE EXPLOITATION ETS OROZ | France |
| TONNELLERIE DE L'ADOUR USA, INC | USA |
| BOUQUET BRANDS | Navarre |
| BAHIA DE CADIZ | Cádiz |
| ***Senior care*** | |
| SOLERA ASISTENCIAL | Navarre |
| SOLERA NAVARRA | Navarre |
| TORRE MONREAL | Navarre |
| SERESGERNA | Navarre |
| ***Support for Caja Rural de Navarra customers*** | |
| INFORMES Y GESTIONES GENERALES, S.A. | Navarre. Rioja, Basque Country |
| INFORMES TECNICOS Y VALORACIONES GENERALES, S.L. | Navarre. Rioja, Basque Country |
| ADMINISTRACION DE FINCAS INFORMES Y GESTIONES S.L. | Navarre |
| PROMOCION ESTABLE DEL NORTE | Navarre. Rioja, Basque Country |
| PREVENTIA SPORT | Navarre |

### *1.1. BUSINESS MODEL DESCRIPTION*

***Flour Group***

The Flour group comprises companies that manufacture wheat flour, semolina, oat flakes and mixes of flours and cereals for human consumption. There are six production centres (factories) located throughout Spain and eleven companies, among which we include 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, where cakes and pastries are less important. In Spain, consumption of bread and other flour derivatives per head has been declining for decades, as it has moved from being a staple food to an optional extra which is not always highly valued.

As a consequence, traditional bakers are disappearing, with industrial bakers taking over. Spanish industrial producers (mainly biscuit and pre-baked bread manufacturers by production volumes) 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, 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.

Spain produces less wheat than it consumes: 4,200 thousand tonnes of common wheat and 800,000 tonnes of durum wheat were harvested in 2019 (compared to 6,800 and 1,300 thousand tonnes in 2018). It therefore imports between 4,500 and 6,000 thousand tonnes from abroad, mostly from other EU countries.

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 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”.

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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. This is important in a net wheat importing country like Spain, with customers who are very demanding on product standards
- 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 organization and on implementing across-the-board values and strategies.

Basic TQM (Total Quality Management) methodologies are used as working tools, while the 5S Project (focused on organization, 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.

The mission, vision and values of the companies in this group can be summarised as follows:

**Mission:** to be a benchmark in flour production for the regions and products where it operates, controlling the whole of the cereal's value chain with the aim of offering a product tailored to each of our customers, with maximum assurance of food safety.

**Vision:** to be a national benchmark in developing comprehensive solutions tailored to each customer, which meet their needs in the bread, cakes and pastries sectors; to be a leader in the craft and industrial segments for our regions.

# Legal Documentation

**Values:** the customer comes first. Products and services must maintain impeccable quality. People are at the core of the company and we must work in collaboration with colleagues and customers. Continuous improvement of products and processes.

Le Moulin de Navarre, Don Obrador and Harántico have no commercial activity and no employees on the payroll.

***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 procurement of raw materials, 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 when pitching to winemakers and their oenologists the origin - species - of the oak and the working methods used - combining traditional craft with modern methods of wood selection, quality and production control - are just as important as the business case on offer.

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 of oak wine casks in Spain, some of which are owned by French cooperage groups. INTONA competes with these on an equal footing and alternates yearly between being the second or third largest producer by units produced.

# Legal Documentation

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 note the following:

**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 (non-Group scope).

**Bouquet Brands' Mission:** to market the products from our suppliers, providing our customers with prestigious wines, beers 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.

The key issues in wine and spirits distribution are: a wide portfolio of products to meet customer demand; close customer attention and service.

***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, tailoring services to their own organizational constraints.

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 have been created to provide the care they need. The current network of services is sufficient for their needs, but perhaps the sector's greatest weakness is that the cost of the services is beyond the reach of many people.

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 in the hope they could run the service over the long term as a conventional business. Many of them have not achieved the returns they anticipated and 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 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-guaranteed services, leaving other necessary services outside the basic portfolio of publicly funded services.

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.

# Legal Documentation

Our two old people's homes, La Vaguada and Torre Monreal, focus on providing a high level of service 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 have grown thanks to the social appreciation of their structured and professional organization.

The group is structured as follows:

- **Solera Asistencial:** central services in the areas of Planning, Marketing, Administration, Human Resources and Maintenance
- **Seresgerna:** Residential Service developed in the La Vaguada home.
- **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

**Mission:**

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.

**Vision:**

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.

# Legal Documentation

The core action principles to ensure quality of service are:

- Individual attention to users and residents.
- Attention to families, with 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.
- Innovation in services and management models, seeking excellence in processes and activities. Versatility and adaptation to new needs and demands.
- Clarity, transparency and trust in the institution, with regular communications.
- 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.

***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.** In its current form, this company has built 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.

**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.

# Legal Documentation

It has professional teams in Pamplona, San Sebastian, Bilbao, Vitoria and Logroño giving it the footprint to 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. It has also sold small amounts of cycling equipment.

GROUP COMPANY WEBSITES

| COMPANY | WEBSITE |
|---|---|
| HARIVASA 2000 S.A | www .harivasa.es |
| HRVS Eood | |
| Transnoain S.A | |
| Cerelia I+D S.L | |
| Cerelia S.L | |
| Harinera de Tardienta S.A | www.harineradetardienta.es |
| Harinas Selectas S.A | |
| Comercial Don Obrador, SA | |
| Le Moulin de Navarre | |
| Harántico, S.L | |
| Reyes Hermanos S.L | www.harinasreyes.com |
| Harinera del Mar S.L | www.nanneradelmar.es |
| Haribéricas SXXI S.L | |
| Harivenasa S.L | www.harivenasa.es |
| Industria Tonelera de Navarra S.L | www.toneleriaintona.com |
| Tonnellerie de L'Adour SAS | www.adour.fr |
| Oroz Fils STE Explortation ETS Oroz | |
| Tonnellerie de L'Adour USA Inc | |
| Bouquet Brands S.A | www.bouquetbrandspamplona.com |
| Bahia de Cádiz S.L | |
| Solera Asistencial S.L | www.soleraasistencial.es |
| Solera Navarra S.L | |
| Tarre Monreal S.L | |
| SERESGERNA S.A | |
| Preventia Sport S.L | |
| Promoción Estable del Norte S.A | www.crnavarra.ruralvia.com |
| Informes y Gestiones Generales, SA | www.informesygestiones.com |
| Informes Técnicos y Valoraciones Generales, S.L. | www.informesyvaloraciones.com |
| Administración De Fincas Informes Y Gestiones S.L. | |

### *1.2. DESCRIPTION OF THE GROUP'S POLICIES*

The Group's companies have the following processes for risk analysis, control and monitoring:

**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's management.

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 employees of 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.

**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 a chief administration-finance officer, a production manager 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 meet with their manager at least weekly.

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.

**Senior care group**

The Solera Asistencial group has a Sole Director at its head, who is an executive at Caja Rural de Navarra.

At least once a month, the Quality Committee and Management Committee meet, with a membership comprising the 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 dieticians who all interact with each other.

**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 targets. These meetings are attended by the management from Promoción Estable del Norte 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. It therefore holds meetings with the Bank's Head of Institutions.

### *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.

Grupo Cooperativo, and Caja Rural de Navarra within it, have civil liability insurance for managerial positions. This covers their activity as both employees and directors of the subsidiaries.

### *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 agribusiness and care sectors as well as supporting the Bank's activities.

The agribusiness sector has traditionally had a significant strategic weighting in Caja Rural de Navarra's financial operations. Its share in gross domestic product is falling, 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 ameliorate 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 in its own terms to back initiatives that help sustain our farming and stockraising fabric and encourage cooperativism as a driver of economic sustainability in the sector. Part of the Social Welfare Fund is dedicated to this purpose.

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 began by compiling 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.

It was planned to carry out a more detailed materiality analysis in 2019 for all the Group's companies based on a definition of its main stakeholders. However, the multiple sectors in which these companies operate and their wide geographic footprint have delayed completion of this analysis.

As a result, in 2019 we are not going to set new strategic aims for CSR at Group level.

We are confident of delivering the materiality analysis and definition of stakeholders in 2020. This will give them the intended voice in procedures for setting CSR policy and hence the Group's sector objectives. In coming years, building on this analysis, we will be drawing up the Caja Rural de Navarra **Group's CSR Roadmap.**

### *1.6. MAIN SECTOR RISKS*

Group companies face the following sector risks, which can be mitigated in the following ways. This analysis does not look at economic risks, which are reflected in the companies' respective annual reports, but corporate social responsibility risks:

**Flour Group**

**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 trigger allergies in some people who work with it. The cause is breathing in flour dust suspended in the air. Even in ancient Rome the slaves who worked in grinding and handling flour wore masks. The same system, updated with modern filters and protective clothing to cover skin and eyes is the best way to mitigate the effects. Periodic medical check-ups are also carried out.

**Explosion and/or fire (due to explosive atmospheres).**

Atmospheres saturated with wheat flour and powder are classified as an explosion hazard. The process and procedures have been adjusted to minimise this risk. This is one of the key points of focus to achieve year-on-year improvements.

**Conventional risks of any industrial environment.**

Working at height, getting caught in machinery, electric shocks, etc. Like the abovementioned risks, these are analysed by the health and safety manager in each factory, and advice is sought from external consultants leading to action plans for each factory.

**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.

**Senior care group**

**Risks for personnel derive from the physical nature of the job.**

Musculoskeletal disorders are the most frequent. These can be mitigate by measures to reduce the effort used, varying between standing and sitting positions, having processes and equipment in place to avoid excessive physical loads, and training employees in best practice.

**Emotional risk for staff derived from working in shifts and due to the condition of certain residents.**

Actions to alleviate these risks include allowing breaks, sufficient rest between working days, dynamics that allow the sharing of experiences and training in how to deal with these situations.

**Risks of transmitting illnesses between staff and patients** or within these groups, more acute for infectious diseases

**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.

**Winery supplies group**

This business is exposed to the risks of both a manufacturing environment and a distribution.

**Conventional risks of any industrial environment.**

Working at height, getting caught in machinery, electric shocks, etc. These are analysed by external consultants leading to action plans for each factory.

**Risks derived from the continuous movement of freight.**

Organization of the warehouse and routes. Optimal packaging. Use of auxiliary methods. Time off between working days and weekly.

**Risks derived from urban mobility.**

Correct vehicle maintenance. Sensible and balanced routes. Management of distribution schedules. Rest between work days.

**Auxiliary financial services group to Caja Rural de Navarra**

These are essentially office-based companies, therefore, their main risks are:

**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.

**Deriving from work stress.**

These risks are alleviated by adjusting workload and a policy of recognising work done.

## Key risks and materiality

The key risks to the equity investments, both in absolute terms and as they affect Caja Rural de Navarra, are (not in order of importance): (i) food safety, (ii) proper treatment of seniors, (iii) poor management systems involving unethical practice and (iv) economic downturn affecting the parent company.

As far as possible, some risks may be mitigated by taking out specific insurance policies, such as civil liability insurance. Nonetheless, these risks pose the dual threat of impacting the subsidiary's activities and reputational harm to the parent company, which is why we opt to prioritise some risks over others.

| Risk | Mitigation actions |
|---|---|
| **Food safety** | Integrated process control |
| | Quality metrics |
| | Staff training |
| | Insurance |
| **Transmission of disease** | Cleaning and work protocols |
| | Use of collective and personal protective equipment |
| **Treatment of residents** | Selection process |
| | Staff training |
| | Quality metrics |
| **Employee ethics** | Selection process |
| | Working environment and training plans |
| | Internal and external audits of Caja Rural de Navarra |
| **Economic downturn** | Regular business reporting |
| | Internal audit |

### *1.7. DISPUTES AND COMPLAINTS*

The next section looks at customer complaints, by sector:

## 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 category which can be grouped into functional (product fails to meet customer needs), logistical or administrative (incorrect shipments, shipping note mix-ups, torn sacks on pallets, etc.), and relating to food safety (broken threads in sacks, metal filings from piping, etc.). In addition, they are classified as Serious or Minor. Almost all those that affect food safety are considered serious.

Flour plants handle large volumes of products:

| UNITS | 2018 | 2019 |
|---|---|---|
| Baker's sack | 8,509,896 | 7,657,840 |
| Tanker/Big Bag | 46,918 | 67,713 |
| 1/5/10 kg packet | 30,146,993 | 21,469,600 |

Incidence was less than 32 (40 in 2018) per million units delivered. Percentage of total incidents classed as serious: 20.9% (23.5% in 2018).

Breakdown by type:

Family use (1kg/5kg packet): Incidence of 1.77 per million packets

Industrial use (25bk sack/tanker/big bag): Incidence of 115.5 per million. Of these, 22 were due to food safety issues and 53 to functional or quality issues.

Industrial customers naturally analyse all deliveries individually.

**Senior care group**

Quality policies are a key element in the group's management. The approach taken is multi-faceted and includes:

a) Surveys of residents and relatives

b) Multi-year targets

c) Specific annual improvement targets

d) External audits, conducted by the Social Welfare Department

The section below looks at the focus and outcomes of these working methods.

a) The annual satisfaction survey asks residents to score from 0 (terrible) to 5 (excellent) various aspects of their day-to-day experience and is broken down by activity and even by floor in residences. They are also asked for comments or suggestions of improvements.

   The overall score this year was 3.97 vs. 3.95 in 2018 with a much higher number of responses than last year.

   The family survey achieved a score 10% above target, albeit at 2.67/3.

b) Multi-year targets. 13 general objectives were set, to measure one or other of the associated indicators. These are maintained over several years to allow progress tracking.

One target relates to complaints. The 2019 indicator showed complaints running at 71% of what was considered a tolerable level, half of the volume received in 2018. In other words, although the scoring for specific aspects of residents' daily life fell slightly, the number of complaints also reduced.

c) 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, 26 improvement actions were identified (compared to 56 in 2018). Of these, 15 were directly related to improving the quality of services provided.

d) The Government of Navarre's Social Welfare Department conducts an annual audit. All comments are transposed into annual improvement plans and followed up. In 2019, there were five.

COVID-19 was not an issue in 2019. But at the time of writing society is riven with anxiety at the spread of illness resulting from the coronavirus. It makes little sense to list complaints about the wifi or cold soup, even if these are issues covered by the regulatory standards. Service quality depends, accidents aside, and very much more importantly than other reasons, on the training and motivation of the human team. At times such as those we are living today, we wish to use this section to congratulate all the staff in these companies for their professionalism, stamina and human qualities, which is allowing them to continue their day-to-day work despite the massive pressure they are under.

**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, particularly regarding late deliveries and logistical errors.

Complaints are not reported at the corporate level in this sector.

**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.

In 2019, complaints were received regarding 0.02% of actions and, of these, 96% were resolved to the customer's satisfaction.

## 2. ENVIRONMENTAL ISSUES

The **Flour group** uses the most energy in the Caja Rural Group. Flour milling is a power-intensive process and the Flour group consumed around 66 GWh in 2019 (down 7% on 2018)

Of this, in 2019 nearly 11 GWh was derived from renewable sources, with certificate of origin (i.e. outside the grid mix), enough to cover the production of organically sourced flour and bran, wholemeal flours and production of certain specific products.

Also, the heat treatment and softening process of oat flakes used 7.3 GWh piped natural gas in 2019.

In addition, the group's raw materials and product transport fleet consumed approximately 12 GWh of fuel in 2019, unchanged from 2018.

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. Nevertheless, as part of the process of continuous improvement, targets were set that directly impact consumption.

In order to reduce the environmental impact due to energy consumption, in December 2018 the Flour 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, the highest possible environmental rating.

In the **Winery Supplies group,** we would highlight the actions of INTONA, which works with PEFC[18]-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.

Energy consumption in 2019 was 0.5 GWh of electricity and 0.18 GWh of natural gas. The companies' vehicles used 38,600 litres of diesel (equivalent to 0.44 GWh)

In the **Senior Care Group,** energy consumption in 2019 was 1 GWh of electricity and 2.1 GWh of piped natural gas. Transport of people and goods required 12,300 litres of diesel (equivalent to 0.14 GWh)

Power consumption by the Bank's Auxiliary Financial Services Group is counted as part of Caja Rural de Navarra's own consumption, whose branch offices it shares.

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 impacts of other investee companies that are not consolidated (equity investments of 25-50%).

- Compañía Eólica de Tierras Altas, SA produces between 240 GWh and 280 GWh of renewable electricity per year
- Renovables de la Ribera is building four wind farms in southern Navarra with combined capacity of 111 MW. They are expected to come on-stream in the first quarter 2020.
- Bosqalia maintains plantations of the "Populus" genus that, in December 2018, covered 272 hectares.

Environmental Management at each of the Group's companies is included with other production issues considered by the Management Committee. No specific committee has been appointed to date.

[18] Certified timber from sustainable plantations

The resources dedicated to reducing environmental risks are the following:

| **FLOUR GROUP** | | |
|---|---|---|
| **Direct expenses charged to the EMS (EUR )** | **2018** | **2019** |
| Maintaining the Environmental Management System | 22,836 | 18,960 |
| Waste management | 55,384 | 37,326 |
| **Total (EUR )** | **78,220** | **56,286** |
| **SENIOR CARE GROUP** | | |
| **Direct expenses charged to the EMS (EUR )** | **2018** | **2019** |
| Maintaining the Environmental Management System | 0 | 0 |
| Waste management | 7,994 | 4,036 |
| **Total (EUR )** | **7,994** | **4,036** |
| **WINERY SUPPLIES** | | |
| **Direct expenses charged to the EMS (EUR )** | **2018** | **2019** |
| Maintaining the Environmental Management System | 3,669 | N/A |
| Waste management | 3,740 | N/A |
| **Total (EUR )** | **7,409** | **N/A** |

As noted above, the Auxiliary Financial Services Sector does not report separate figures. Figures are instead included in those for Caja Rural de Navarra.

### *2.1. ENERGY AND POLLUTION METRICS*

Below are the values for energy and water consumption and the implied pollution levels.

The conversion factor for energy units into $CO_2$ was taken from the document "Emission factors, carbon footprint, offsetting and $CO_2$ absorption projects" issued by the Ministry for the Ecological Transition and Demographic Challenge and the Catalan Climate Change Office

## 1. Flour Group.

This activity accounts for 90% of the Caja Rural Group's total consumption and nearly all its consumption of gas and diesel.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Units | $CO_2$ Eq, T | Units | $CO_2$ Eq, T |
| **Water** | | | | |
| Consumption in $m^3$ | 79,970 | | 77,709 | |
| **Gas** | | | | |
| MWh | 7,337 | 1,481 | 7,620 | 1,538 |
| **Electricity** | | | | |
| Non-renewable consumption, MWh | 54,909 | 13,233 | 70,774 | 22,718 |
| Renewable consumption, MWh | 10,993 | 0 | | |
| **Fuel consumption, own fleet** | | | | |
| Diesel, litres | 1,064,632 | 2,768 | 1,170,150 | 3,042 |
| **Total $CO_2$ equivalent emissions (T)** | | **17,482** | | **27,299** |

**SOURCES:**

*Electricity ratio:*
2019. https://canviclimatic.gencat.cat/es/actua/factors_demissio_associats_a_lenergia/

*Gas ratio:*
Emission factors issued by the Ministry for Ecological Transformation and Demographic Challenge, version 12 April 2020.

As the table shows, $CO_2$ equivalent emissions by the flour sector fell by more than a third compared to 2018. There were improvements in all factors: physical unit consumption, $CO_2$ emissions per kWh consumed from the national grid and acquisition of renewably sourced energy for specific uses.

**2. Other sectors (Senior Care, Auxiliary Financial Services and Winery Supplies)**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Units | $CO_2$ Eq, T | Units | $CO^2$ Eq, T |
| **Water** | | | | |
| Consumption in m$^3$ | 25,901 | | 77,709 | |
| **Gas** | | | | |
| MWh | 2,296 | 463 | 1,444 | 291 |
| **Electricity** | | | | |
| Non-renewable consumption, MWh | 1,517 | 366 | 1,142 | 367 |
| **Fuel consumption, own fleet** | | | | |
| Diesel, litres | 29,415 | 77 | 12,677 | 33 |
| **Total $CO_2$ equivalent emissions (T)** | | **905** | | **691** |

Note that in 2018 certain areas of consumption were not included in the figures as data was unavailable.

### *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 emission into the atmosphere in 2018 amounted to approximately 1,944 tonnes in 2019 (1,830 reported in 2018).

We should also add emissions from transport of people and goods, based on fuel consumption which showed direct emissions of 4,844 $tCO_2eq$ in 2019 (4,904 in 2018)

There are also indirect emissions, derived from generating electricity, and these change 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 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 published grid mix on the Iberian peninsula for 2019 gives a figure of 241g of $CO_2$/kWh (321g in 2018).

This means indirect $CO_2$ emissions by Group companies are around 13,600 tonnes in 2019 compared to 23,085 in 2018.

As we noted, part of the reduction in emissions is due to the acquisition of renewable energy, from wind farms run by one of the Group's subsidiaries. Also, 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.

## 3. 3. SOCIAL AND PERSONAL ISSUES

At the time of writing, Spain has been declared in a "state of alarm" and the healthcare system is close to being overrun. Those who can are working from home and hundreds of thousands of workers from many sectors have been provisionally laid off until people recover their freedom of action and we can return to the normal interplay of demand and supply.

Most employees in the Bank's equity investments work in essential basic sectors (health/care, food, energy) which have to continue. They are working in solidarity with the community and their colleagues, under heavy workloads and great pressure. We offer them our thanks, proud to know that everyone is striving their utmost and doing everything asked of them and more. The group most affected and subject to unrelenting pressure are workers in the care sector. They deserve special recognition in this CSR report for what they have achieved and for their determination and sense of responsibility.

We continue below with the regulatory information.

### *3.1. EMPLOYMENT*

Employment per work centre, summarised by country and region:

| COUNTRY | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Total | Men | Women | Total | Men | Women |
| Spain | 813 | 398 | 415 | 763 | 374 | 389 |
| France | 16 | 12 | 4 | 21 | 18 | 3 |
| **Total active employees at 31/12** | **829** | **410** | **419** | **784** | **392** | **392** |

| Spain | 2019 | | |
|---|---|---|---|
| | Total | Men | Women |
| Navarre | 549 | 194 | 355 |
| Valencia | 95 | 74 | 21 |
| Andalusia | 65 | 52 | 13 |
| Aragon | 62 | 48 | 14 |
| Galicia | 36 | 28 | 8 |
| Euskadi | 5 | 2 | 3 |
| La Rioja | 1 | 0 | 1 |

The following is a breakdown of selected statistics relating to the staff in subsidiaries, grouped by activities:

### A. Flour group

| Contractual relationship (situation to 31/12) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Total | Men | Women | Total | Men | Women |
| "Active" | 389 | 317 | 72 | 363 | 293 | 70 |
| Leave | 4 | 3 | 1 | 2 | 0 | 2 |
| Service commission (working for other companies but we pay the salary) | 0 | 0 | 0 | 0 | 0 | 0 |
| Early retirees | 6 | 6 | 0 | 5 | 5 | 0 |
| Company contracts | 399 | 326 | 73 | 370 | 298 | 72 |
| Temporary Contracts | 27 | 20 | 7 | 24 | 15 | 9 |
| Temporary full-time | 26 | 19 | 7 | | | |
| Temporary part-time | 1 | 1 | 0 | | | |
| Permanent Contracts | 372 | 306 | 66 | 339 | 278 | 61 |
| **Total active employees at 31/12** | **389** | **317** | **72** | **363** | **293** | **70** |

Below we give details of employees who worked for sector subsidiaries during the year but not all year. Figures are not given as an annual average but show the contracts of everyone who worked this year for however short a time. In 2019, the table gives greater detail than last year:

| | No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| General and Area Management | 37 | 31 | 7.6% | 6 | 1.5% |
| Engineers and graduates, reporting to a function area manager | 16 | 14 | 3.4% | 2 | 0.5% |
| Administrative, workshop and shift managers, Sales | 49 | 45 | 11.0% | 4 | 1.0% |
| First-grade managers, administrators and production or quality | 82 | 45 | 11.0% | 37 | 9.1% |
| Second-grade managers, administrators and production or quality | 141 | 115 | 28.2% | 26 | 6.4% |
| Administrative assistants, third-grade workers, assistants, labourers. | 81 | 73 | 17.9% | 7 | 2.0% |
| Trainees and work experience | 2 | 1 | 0.2% | 1 | 0.2% |
| **Total** | **407** | **324** | **79.4%** | **83** | **20.6%** |

Of these, one person was reported with a recognised disability (two people in 2018).

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In 2018:

| Active employees by sex and professional category | 2018 | | | |
|---|---|---|---|---|
| | Men | | Women | |
| | No. | % | No. | % |
| Directors | 23 | 8% | 5 | 7% |
| Managers | 22 | 7% | 2 | 3% |
| Technicians | 28 | 9% | 26 | 36% |
| Administrative personnel | 2 | 1% | 23 | 32% |
| Other | 221 | 75% | 16 | 22% |
| **Total** | **296** | **80%** | **72** | **20%** |
| **Of this total, disabled** | **2** | | | |

By age range:

| No. of people, 2019 | | | | | Average workforce | |
|---|---|---|---|---|---|---|
| Age | Men | | Women | | 2019 | 2018 |
| Less than 30 years | 34 | 8.3% | 18 | 4.4% | 39 | 48 |
| 31 to 40 years | 92 | 22.5% | 35 | 8.6% | 110 | 102 |
| 41 to 50 years | 111 | 27.2% | 22 | 5.4% | 118 | 132 |
| 51 to 60 years | 74 | 18.1% | 6 | 1.5% | 73 | 73 |
| Over 60 | 13 | 3.2% | 2 | 0.5% | 10 | 11 |
| **Total** | **324** | **79.4%** | **83** | **20.3%** | **350** | **366** |

The movements corresponding to the departure of personnel during the year have been:

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| Losses and annual turnover of workers | 2019 | 2018 |
|---|---|---|
| Departures in the year: | | |
| Unpaid and statutory leave | 2 | 0 |
| Leave to care for children or family members | 1 | 2 |
| Retirement | 0 | 1 |
| Death and disability | 0 | 1 |
| Voluntary resignation | 13 | 16 |
| End of contract | 23 | 16 |
| Early retirees | 4 | 2 |
| Dismissals of Women in the year | 6 | 3 |
| Dismissals of Men in the year | 11 | 19 |
| Departures of Women in the year | 15 | 23 |
| Departures of Men in the year | 42 | 38 |
| **Total departure rate** | **15%** | **17%** |
| **Women's departure rate** | **21%** | **32%** |
| **Men's departure rate** | **13%** | **13%** |

### B. SENIOR CARE GROUP

| Contractual relationship (situation to 31/12) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Total | Men | Women | Total | Men | Women |
| "Active" | 339 | 35 | 304 | 307 | 25 | 282 |
| Leave | 1 | 0 | 1 | 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 | 340 | 35 | 305 | 307 | 25 | 282 |
| Temporary Contracts | 121 | 20 | 101 | 127 | 11 | 116 |
| Temporary full-time | 59 | 15 | 44 | | | |
| Temporary part-time | 62 | 5 | 57 | | | |
| Permanent Contracts | 219 | 15 | 204 | 180 | 14 | 166 |
| **Total active employees at 31/12** | **339** | **35** | **304** | **307** | **25** | **282** |

The table below covers all people who have had a contract during the year:

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| | 2019 No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| General and area managers | 5 | 2 | 0.4% | 3 | 0.6% |
| Doctors, psychologists | 7 | 1 | 0.2% | 6 | 1.2% |
| Nurses, nutritionists and physiotherapists | 79 | 7 | | 72 | |
| Nursing and geriatric assistants | 327 | 30 | 5.8% | 297 | 57.6% |
| Administrators and technical staff in socio-cultural activities | 4 | 2 | 0.4% | 2 | 0.4% |
| Administrative assistants, cleaners, ward staff | 94 | 6 | 1.2% | 88 | 17.1% |
| **Total** | **516** | **48** | **9,3%** | **468** | **90,7%** |

By contract type:

| | 2019 No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| Permanent full-time | 184 | 13 | 2.5% | 171 | 33.1% |
| Permanent part-time or discontinuous | 35 | 3 | 0.6% | 32 | 6.2% |
| Work experience, trainees and apprentices | 0 | 0 | 0.0% | 0 | 0.0% |
| Temporary contract (replacing those on parental, sickness or holiday leave) | 172 | 15 | 2.9% | 157 | 30.4% |
| Temporary full-time contracts for time-limited work or services | 21 | 6 | 1.2% | 15 | 2.9% |
| Temporary part-time contracts for time-limited work or services | 104 | 11 | 2.1% | 93 | 18.0% |
| **Total** | **516** | **48** | **9,3%** | **468** | **90,7** |

2018 data was given as an annual average. Comparable data is therefore as follows:

| Employees by sex and professional category Annual average staff | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Women | | Men | | Women | | Men | |
| | No. | % | No. | % | No. | % | No. | % |
| Directors | 2 | 1% | 2 | 1% | 1 | 0% | 0 | 0% |
| Healthcare workers (nutritionists, doctors and nurses) | 4 | 1% | 47 | 16% | 1 | 0% | 44 | 18% |
| Nursing assistants | 19 | 6% | 184 | 61% | 6 | 2% | 147 | 61% |
| Ward staff and cleaners | 0 | 0% | 31 | 11% | 0 | 0% | 26 | 11% |
| Administrative personnel | 2 | 1% | 9 | 3% | 2 | 1% | 7 | 3% |
| Full-time | 22 | 81% | 244 | 88% | 16 | 7% | 137 | 57% |
| Part-time | 5 | 19% | 31 | 12% | 1 | 0% | 87 | 36% |
| **Total** | 27 | 9% | 276 | 91% | 17 | 7% | 227 | 93% |
| **Of this total, disabled** | 0 | | | | 0 | | | |

# Legal Documentation

By age range (2019, all staff, 2018, annual average):

| | 2019 | | | 2018 average |
|---|---|---|---|---|
| | Total | Men | Women | |
| Less than 30 years | 137 | 22 | 115 | 66 |
| 31 to 40 years | 131 | 11 | 120 | 53 |
| 41 to 50 years | 137 | 8 | 129 | 71 |
| 51 to 60 years | 92 | 7 | 85 | 47 |
| Over 60 | 19 | 0 | 19 | 3 |
| **Total staff** | **516** | **48** | **468** | **241** |

The movements corresponding to the departure of personnel (total movements) during the year have been:

| Losses and annual turnover of workers | 2019 | 2018 |
|---|---|---|
| **Departures in the year:** | **782** | **829** |
| Unpaid and statutory leave | 0 | 2 |
| Leave to care for children or family members | 1 | 4 |
| Retirement | 0 | 0 |
| Death and disability | 0 | 0 |
| Voluntary resignation | 40 | 34 |
| End of contract | 819 | 786 |
| Early retirees | 0 | 0 |
| Dismissals of Women in the year | 4 | 3 |
| Dismissals of Men in the year | 2 | 0 |
| Departures of Women in the year | 779 | 769 |
| Departures of Men in the year | 87 | 60 |
| **Total departure rate** | **255%** | **270%** |
| **Women's departure rate** | **256%** | **273%** |
| **Men's departure rate** | **249%** | **240%** |

### C. Winery supplies group

| Contractual relationship (situation to 31/12) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Total | Men | Women | Total | Men | Women |
| "Active" | 63 | 49 | 14 | 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 | 1 | 1 | 0 | 1 | 1 | 0 |
| Company Contracts | 64 | 50 | 14 | 74 | 64 | 10 |
| Temporary Contracts | 7 | 6 | 1 | 16 | 15 | 1 |
| Temporary full-time | 6 | 6 | 1 | 0 | 2 | 0 |
| Temporary part-time | 0 | 0 | 0 | 18 | 17 | 1 |
| Permanent Contracts | 57 | 44 | 13 | 55 | 46 | 9 |
| **Total active employees at 31/12** | **63** | **49** | **14** | **73** | **63** | **10** |

In 2019 the workers employed by the company for periods less than a full year were working in the following occupations:

| | 2019 No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| General and Area Management | 5 | 5 | 6.8% | 0 | 0.0% |
| Engineers, architects and graduates, reporting to a function area manager | 1 | 1 | 1.4% | 0 | 0.0% |
| Administrative, workshop and shift managers Sales | 11 | 10 | 13.7% | 1 | 1.4% |
| First-grade managers, administrators and production or quality | 2 | 2 | 2.7% | 0 | 0.0% |
| Second-grade managers, administrators and production or quality | 13 | 11 | 15.1% | 2 | 2.7% |
| Administrative assistants, third-grade workers, assistants, labourers. | 41 | 35 | 47.9% | 6 | 8.2% |
| Trainees and work experience | 0 | 0 | 0.0% | 0 | 0.0% |
| | **73** | **64** | **87.7%** | **9** | **12.3%** |

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By contract type:

| | Nº No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| 1. Permanent full-time | 47 | 40 | 54.8% | 7 | 9.6% |
| 2. Permanent part-time or discontinuous | 3 | 1 | 1.4% | 2 | 2.7% |
| 3. Work experience, trainees and apprentices | 0 | 0 | 0.0% | 0 | 0.0% |
| 4. Temporary contract (replacing those on parental or sick leave, departure or political activity) | 0 | 0 | 0.0% | 0 | 0.0% |
| 5. Temporary full-time contracts for time-limited work or services | 22 | 22 | 30.1% | 0 | 0.0% |
| 6. Temporary part-time contracts for time-limited work or services | 1 | 1 | 1.4% | 0 | 0.0% |
| **Total** | **73** | **64** | **87,7%** | **9** | **12,3%** |

In 2018 the same information was given as an annual average

| | Average 2019 | | | | Average 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Men | | Women | | Men | | Women | |
| General and Area Management | 5 | 9% | 0 | 0% | 3 | 4% | 0 | 0% |
| Engineers, architects and graduates, reporting to a function area manager | 1 | 2% | 0 | 0% | 0 | 0% | 0 | 0% |
| Administrative, workshop and shift managers Sales | 8 | 14% | 1 | 2% | 4 | 6% | 1 | 1% |
| First-grade managers, administrators and production or quality | 2 | 4% | 0 | 0% | 15 | 21% | 1 | 1% |
| Second-grade managers, administrators and production or quality | 10 | 18% | 2 | 4% | 9 | 13% | 3 | 4% |
| Administrative assistants, third-grade workers, assistants, labourers. | 23 | 40% | 5 | 9% | 29 | 41% | 6 | 8% |
| Trainees and work experience | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% |
| **Total** | **49** | **86%** | **8** | **14%** | **60** | **85%** | **11** | **15%** |
| **Full-time** | **1** | | **6** | | **58** | | **11** | |
| **Part-time** | **48** | | **2** | | **2** | | **0** | |

By age range:

| | 2019 | | | | | Average 2018 |
|---|---|---|---|---|---|---|
| | Total | Men | | Women | | |
| Less than 30 years | 10 | 10 | 13.7% | 0 | 0.0% | 6 |
| 31 to 40 years | 15 | 12 | 16.4% | 3 | 4.1% | 21 |
| 41 to 50 years | 31 | 27 | 37.0% | 4 | 5.5% | 28 |
| 51 to 60 years | 14 | 12 | 16.4% | 2 | 2.7% | 15 |
| Over 60 | 3 | 3 | 4.1% | 0 | 0.0% | 1 |
| | **73** | **64** | **87.7%** | **9** | **12.3%** | **71** |

The movements corresponding to the departure of personnel during the year have been:

| Losses and annual turnover of workers | 2019 | 2018 |
|---|---|---|
| **Departures in the year:** | 17 | 16 |
| Unpaid and statutory leave | 0 | 0 |
| Leave to care for children or family members | 0 | 0 |
| Retirement | 1 | 2 |
| Death and disability | 0 | 1 |
| Voluntary resignation | 3 | 7 |
| End of contract | 11 | 2 |
| Early retirees | 0 | 0 |
| Dismissals of Women in the year | 0 | 1 |
| Dismissals of Men in the year | 2 | 3 |
| Departures of Women in the year | 0 | 2 |
| Departures of Men in the year | 16 | 6 |
| **Total departure rate** | **16** | **6** |
| **Women's departure rate** | **0** | **38%** |
| **Men's departure rate** | **33%** | **20%** |

### D. Auxiliary financial services group

| Contractual relationship (situation to 31/12) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Total | Men | Women | Total | Men | Women |
| "Active" | 38 | 9 | 29 | 37 | 10 | 27 |
| Leave | 1 | 0 | 1 | 1 | 0 | 1 |
| Services committee | 0 | 0 | 0 | 2 | 0 | 2 |
| Early retirees | 0 | 0 | 0 | 0 | 0 | 0 |
| Company Contracts | 4 | 1 | 3 | 40 | 10 | 30 |
| Temporary Contracts | 12 | 2 | 10 | 0 | 0 | 0 |
| Temporary full-time | 10 | 2 | 8 | 1 | 0 | 3 |
| Temporary part-time | 2 | 0 | 2 | 10 | 0 | 10 |
| Permanent Contracts | 26 | 7 | 19 | 28 | 10 | 18 |
| **Total active employees at 31/12** | **38** | **9** | **29** | **38** | **10** | **28** |

The table below shows occupations and type of contract/ 2019 figures include everyone who worked for the company at any time. 2018 figures are annual averages.

| | No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| General and area managers | 3 | 3 | 6.3% | 0 | 0.0% |
| Engineers, architects and graduates, reporting to a function area manager | 0 | 0 | 0.0% | 0 | 0.0% |
| Administrative heads | 1 | 0 | 0.0% | 1 | 2.1% |
| First-grade managers, administrators | 14 | 6 | 12.5% | 8 | 16.7% |
| Second-grade managers, administrators | 21 | 2 | 4.2% | 19 | 39.6% |
| Administrative assistants | 5 | 0 | 0.0% | 5 | 10.4% |
| Trainees and work experience | 4 | 0 | 0.0% | 4 | 8.3% |
| | **48** | **11** | **22.9%** | **37** | **77.1%** |

By contract type

| | No. of people | | | | |
|---|---|---|---|---|---|
| | Total | Men | | Women | |
| Permanent full-time | 28 | 9 | 18.8% | 19 | 39.6% |
| Permanent part-time or discontinuous | 0 | 0 | 0.0% | 0 | 0.0% |
| Work experience, trainees and apprentices | 6 | 0 | 0.0% | 6 | 12.5% |
| Temporary contract (replacing those on parental or sick leave, departure or political activity) | 0 | 0 | 0.0% | 0 | 0.0% |
| Temporary full-time contracts for time-limited work or services | 9 | 2 | 4.2% | 7 | 14.6% |
| Temporary part-time contracts for time-limited work or services | 5 | 0 | 0.0% | 5 | 10.4% |
| **Total** | **48** | **11** | **22.9%** | **37** | **77.1%** |

2018 figures are averages:

| | 2019 Average | | | | 2018 Average | | | |
|---|---|---|---|---|---|---|---|---|
| | Men | | Women | | Men | | Women | |
| General and area managers | 3 | 8% | | 0% | 3 | 9% | | |
| Engineers, architects and graduates, reporting to a function area manager | 0% | | 0% | | | | | 0% |
| Administrative heads | 0% | 1 | 3% | 3 | 9% | 2 | 6% | 6% |
| First-grade managers, administrators | 0% | 8 | 21% | | | | | 0% |
| Second-grade workers, administrators | 5 | 13% | 14 | 37% | 5 | 14% | 25 | 71% |
| Administrative assistants | 2 | 5% | 3 | 8% | | | | |
| Trainees and work experience | 0% | 2 | 5% | | | | | 0% |
| **TOTAL** | **10** | **26%** | **28** | **74%** | **11** | **31%** | **27** | **77%** |
| **Full-time** | **10** | | **26** | | **11** | | **24** | |
| **Part-time** | **0** | | **2** | | **0** | | **3** | |

By age range:

| | 2019 No. of people | | | | | Average 2018 |
|---|---|---|---|---|---|---|
| | Total | Men | | Women | | |
| Less than 30 years | 8 | 0 | 0.0% | 8 | 16.7% | 6 |
| 31 to 40 years | 18 | 4 | 8.3% | 14 | 29.2% | 21 |
| 41 to 50 years | 18 | 6 | 12.5% | 12 | 25.0% | 8 |
| 51 to 60 years | 4 | 1 | 2.1% | 3 | 6.3% | 3 |
| Over 60 | 0 | 0 | 0.0% | 0 | 0.0% | 0 |
| | **48** | **11** | **22.9%** | **37** | **77.1%** | **38** |

The movements corresponding to the departure of personnel during the year have been:

| Losses and annual turnover of workers | 2019 | 2018 |
|---|---|---|
| **Departures in the year:** | | |
| Unpaid and statutory leave | 0 | 1 |
| Leave to care for children or family members | 1 | 0 |
| Retirement | 2 | 0 |
| Death and disability | 0 | 0 |
| Voluntary resignation | 3 | 1 |
| End of contract | 6 | 3 |
| Early retirees | 0 | 0 |
| Dismissals of Women in the year | 1 | 0 |
| Dismissals of Men in the year | 0 | 0 |
| Departures of Women in the year | 8 | 3 |
| Departures of Men in the year | 1 | 2 |
| **Total departure rate** | **23.7%** | **13%** |
| **Women's departure rate** | **27.6%** | **11%** |
| **Men's departure rate** | **11.1%** | **20%** |

## 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.

In 2019, there are two comparisons. The first is with the official sector agreement applicable to each category. The second is with the average of all workers who have been active in any Caja Rural Group company in the different sectors during 2019 compared to the 2018 figures.

### A. Flour group

The sector benchmark is taken to be a person classed as lab assistant in the collective agreement for the sector (Collective Agreement for Companies in the Bread Flour and Semolina Sector), which is column 2019C. Columns 2019M and 2018M compare figures with the average of Caja Rural de Navarra subsidiaries in the sector. The statistics are as follows:

| Average salary | 2019C | 2019M | 2018M |
|---|---|---|---|
| Women | 2.04 | 0.97 | 0.86 |
| Men | 2.72 | 1.29 | 1.04 |
| **Difference M/W** | **0.68** | **0.32** | **0.18** |

| Age | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| Less than 30 years | 1.75 | 2.36 | 0.83 | 1.12 | 0.82 | 0.76 |
| 31 to 40 years | 3.87 | 1.99 | 1.84 | 0.95 | 0.95 | 0.89 |
| 41 to 50 years | 2.28 | 1.75 | 1.08 | 0.83 | 1.08 | 0.89 |
| 51 to 60 years | 2.47 | 2.49 | 1.18 | 1.18 | 1.11 | 0.95 |
| Over 60 | 2.23 | 1.64 | 1.06 | 0.78 | 1.34 | 0.69 |
| **Total** | **2.72** | **2.04** | **1.29** | **0.97** | **1.04** | **0.86** |

| Professional category. Annual average staff | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| General and area managers | 3.80 | 3.66 | 2.14 | 1.74 | 2.00 | 1.12 |
| Engineers and graduates, reporting to an area manager | 2.39 | 1.63 | 1.14 | 0.77 | | |
| Administrative, workshop and shift managers Sales | 2.27 | 1.73 | 1.08 | 0.82 | 1.34 | 1.19 |
| First-grade managers, administrators and production or quality | 5.59 | 2.35 | 2.66 | 1.12 | 1.04 | 0.87 |
| Second-grade managers, administrators and production or quality | 2.09 | 1.65 | 0.99 | 0.78 | 0.92 | 0.79 |
| Administrative assistants, third-grade workers, assistants, labourers. | 1.55 | 1.04 | 0.74 | 0.50 | 0.91 | 0.84 |
| Trainees and work experience | 1.08 | 1.56 | 0.51 | 0.74 | | |

**B. Senior care group**

The dual comparison is also made here. 2019 figures are compared to the collective agreement - official state collective agreement on personal care of dependent people and development of the promotion of personal autonomy (private residences for the elderly and home care services), working in geriatric care - in column 2019C, and to the companies of Caja Rural de Navarra sector subsidiaries, under 2019M and 2018M. The calculation is based on average daily salary.

| Average salary | 2019C | 2019M | 2018M |
|---|---|---|---|
| Women | 1.48 | 0.99 | 0.97 |
| Men | 1.71 | 1.13 | 1.35 |
| **Difference M/W** | **0.33** | **0.14** | **0.38** |

| Professional category. Annual average staff | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| General and functional area managers | 5.15 | 2.28 | 3.42 | 1.51 | | |
| Doctors, psychologists | 1.74 | 3.01 | 1.16 | 2.00 | 1.86 | 2.14 |
| Administrative heads, nurses, nutritionists and physiotherapists. | 2.81 | 2.21 | 1.87 | 1.47 | | |
| First-grade managers, administrators and technical staff in socio-cultural activities. Head cook. | 1.24 | 1.59 | 0.82 | 1.06 | 1.42 | 1.43 |
| Second-grade managers, nursing assistants, drivers, assistant cooks. | 1.35 | 1.35 | 0.90 | 0.89 | | |
| Administrative assistants, cleaners, ward staff. | 1.21 | 1.22 | 0.80 | 0.81 | 0.88 | 0.86 |
| Trainees and work experience | | | | | | |

| Remuneration by age | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| Less than 30 years | 1.81 | 1.40 | 1.20 | 0.93 | 1.00 | 0.88 |
| 31 to 40 years | 1.31 | 1.68 | 0.87 | 1.12 | 1.23 | 0.98 |
| 41 to 50 years | 2.21 | 1.45 | 1.47 | 0.97 | 1.60 | 1.01 |
| 51 to 60 years | 1.45 | 1.37 | 0.96 | 0.91 | 2.18 | 0.96 |
| Over 60 | | 1.44 | 0% | 0.96 | | 1.16 |

### C. Winery supplies group

Comparisons are with the post of lab assistant in the Collective agreement for the wine, alcohol, spirits and cider sector of Navarre. Data are given in 2019C and companies in this sector are compared with averages in 2019M and 2018M.

| Average salary | 2019C | 2019M | 2018M |
|---|---|---|---|
| Women | 1.49 | 0.93 | 0.90 |
| Men | 1.62 | 1.01 | 1.02 |
| **Difference M/W** | **0.13** | **0.08** | **0.11** |

| Professional category. Annual average staff | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| General and functional area managers | 4.00 | | 2.50 | | 2.61 | |
| Administrative, workshop and shift managers Sales | 1.94 | N/I | 1.21 | N/I | 1.74 | 1.56 |
| First-grade managers, administrators and production or quality | 1.74 | | 1.08 | | | |
| Second-grade managers, administrators and production or quality | 1.30 | 0.96 | 0.81 | 0.60 | 0.78 | 0.87 |
| Administrative assistants, third-grade workers, assistants, labourers. | 1.31 | 1.65 | 0.81 | 1.03 | | 1.04 |
| Trainees and work experience | N/A | N/A | N/A | N/A | | |

N/I: no information as those concerned would be easily identifiable

| Remuneration by age | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| Less than 30 years | 1.22 | | 0.76 | 0 | 0.80 | |
| 31 to 40 years | 1.22 | 1.80 | 0.76 | 1.12 | 0.85 | 1.09 |
| 41 to 50 years | 1.99 | 1.40 | 1.24 | 0.87 | 1.33 | 0.87 |
| 51 to 60 years | 1.69 | 1.20 | 1.05 | 0.75 | 1.11 | 0.72 |
| Over 60 | 1.00 | | 0.63 | | 1.01 | |

### D. Financial services group

For this group comparisons are with the Group V post (tasks carried out under supervision but under own initiative, with professional knowledge or trial period) under the Navarre Collective agreement for Offices. Data are given in 2019C and compared against averages for companies in this sector in 2019M and 2018M.

| Average salary | 2019C | 2019M | 2018M |
|---|---|---|---|
| Women | 0.99 | 0.88 | 0.84 |
| Men | 1.56 | 1.39 | 1.39 |
| **Difference M/W** | **0.57** | **0.51** | **0.55** |

| Professional category | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| General and Area Management | 2.45 | | 2.19 | | 2.06 | |
| Administrative heads | | N/I | | N/I | 1.08 | 1.17 |
| Skilled workers administrators | 1.34 | 1.21 | 1.19 | 1.08 | | |
| Second-grade workers administrators | 0.98 | 1.04 | 0.88 | 0.93 | 0.93 | 0.81 |
| Administrative assistants | | 0.92 | | 0.82 | | |
| Trainees and work experience | | 0.61 | | 0.55 | | |

N/I: no information as those concerned would be easily identifiable

| Age | 2019C | | 2019M | | 2018M | |
|---|---|---|---|---|---|---|
| | Men | Women | Men | Women | Men | Women |
| Less than 30 years | | 0.72 | | 0.64 | | 0.66 |
| 31 to 40 years | 1.13 | 1.05 | 1.01 | 0.94 | 1.11 | 0.92 |
| 41 to 50 years | 1.51 | 1.05 | 1.35 | 0.94 | 2.19 | 0.98 |
| 51 to 60 years | 3.53 | N/I | 3.15 | N/I | 3.00 | N/I |
| Over 60 | | | | | | |

## ORGANIZATION OF WORK 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 analysing these figures may give indications as to where improvements can be made.

The data on accidents and resulting time off work are presented below.

### A. Flour group

| Workplace accidents | 2019 | 2018 |
|---|---|---|
| Accidents | 48 | 24 |
| Accident incidence(1) | 0.074 | 0.0336 |
| Accident severity(2) | 5.66 | 8.357 |

(1) Accidents resulting in time off work per 1,000 hours worked.
(2) Hours lost per accident per 1,000 theoretical working hours.

Half the accidents recorded in 2019 required medical time off.

| Hours off work and absenteeism rate | 2018 | 2018 Men | 2018 Women |
|---|---|---|---|
| Accident and illness | 38,264 | 32,623 | 5,641 |
| Maternity | 5,416 | 0 | 5,422 |
| Paternity | 1,505 | 1,505 | 0 |
| Childcare | 0 | 0 | 0 |
| Care of the sick | 0 | 0 | 0 |
| Total hours off work | 45,185 | 34,128 | 11,063 |
| **Absenteeism rate** | **7.1%** | **6.6%** | **8.8%** |

In 2019:

| Hours off work and absenteeism rate | Hours 2019 | | Total |
|---|---|---|---|
| | Men | Women | |
| Accidents | 3,684 | 0 | 3,684 |
| Common illness | 17,805 | 1839 | 19,644 |
| Maternity | 0 | 4,080 | 4,080 |
| Paternity | 3,307 | 0 | 3,307 |
| Childcare | 0 | 0 | 0 |
| Care of the sick | 552 | 384 | 224 |
| Other personal motives | 128 | 776 | 512 |
| Jury service, union work, etc. | 208 | 0 | 208 |
| Total hours off work | 25,940 | 6,271 | 32,211 |
| | **5.01%** | **4.69%** | **4.95%** |

### B. Senior care group

| Workplace accidents | 2018 | 2019 |
|---|---|---|
| Accidents without time off work | 21 | 11 |
| Accidents resulting in time off work | 25 | 27 |
| Total accidents | 46 | 38 |
| Accident incidence(1) | 0.06 | 0.075 |
| Accident severity(2) | 7.83 | 15.65 |

(1) No. accidents resulting in time off work per 1,000 hours worked.
(2) Hours lost per accident per 1,000 theoretical working hours.

The breakdown in 2018 was as follows:

| Hours off work and absenteeism rate | 2018 | 2018 Men | 2018 Women |
|---|---|---|---|
| Accident and illness | 27,896.82 | 88.23 | 27,808.59 |
| Maternity | 6,477.12 | 0.00 | 6,477.12 |
| Paternity | 0.00 | 0.00 | 0.00 |
| Childcare | | | |
| Care of the sick | | | |
| Total hours off work | 34,373.94 | 88.23 | 34,285.71 |
| **Absenteeism rate** | **0.09** | | |

In 2019:

| Hours off work and absenteeism rate | Hours 2019 | | Total |
|---|---|---|---|
| | Men | Women | |
| Accidents | | 6,332 | 6,332 |
| Common illness | 878 | 22,252 | 23,130 |
| Maternity | | 10,577 | 10,577 |
| Paternity | 0 | 0 | 0 |
| Childcare | 0 | 0 | 0 |
| Care of the sick | 0 | 0 | 0 |
| Other personal motives | 0 | 0 | 0 |
| Jury service, union work, etc. | | 3,696 | 3,696 |
| Total hours off work | 878 | 42,857 | 43,735 |
| **Absenteeism rate (1)** | | | **10.81** |

(1) No. accidents resulting in time off work per 1,000 hours worked.

### C. Winery supplies group

| Workplace accidents | 2019 | 2018 |
|---|---|---|
| Accidents | 10 | 10 |
| Accident incidence(1) | 0.114 | 0.099 |
| Accident severity(2) | 15.8 | 39.8 |

(1) No. accidents resulting in time off work per 1,000 hours worked.
(2) Hours lost per accident per 1,000 theoretical working hours.

| Hours off work and absenteeism rate | 2018 | 2018 Men | 2018 Women |
|---|---|---|---|
| Accident and illness | 3,021 | 2,809 | 212 |
| Maternity | 0 | 0 | 0 |
| Paternity | 512 | 512 | 0 |
| Childcare | 24 | 20 | 4 |
| Care of the sick | 153 | 70 | 83 |
| Total hours off work | 3,710 | 3,411 | 299 |
| **Absenteeism rate** | **3.48%** | **3.8%** | **1.9%** |

| Hours off work and absenteeism rate | Hours 2019 | | Total |
|---|---|---|---|
| | Men | Women | |
| Accidents | 1,347 | 0 | 1,347 |
| Common illness | 1,684 | 740 | 2,424 |
| Maternity | 0 | 0 | 0 |
| Paternity | 2,300 | 0 | 2,300 |
| Childcare | 0 | 0 | 0 |
| Care of the sick | 93 | 32 | 125 |
| Other personal motives | 9 | 0 | 9 |
| Jury service, union work, etc. | 0 | 0 | 0 |
| Total hours off work | 5,433 | 772 | 6,196 |
| **Absenteeism rate** | **7.50** | **6.06** | **7.28** |

## D. Financial services group

| Workplace accidents | 2019 | 2018 |
|---|---|---|
| Accidents | 0 | 0 |
| Accident incidence(1) | 0 | 0 |
| Accident severity(2) | 0 | 0 |

(1) No. accidents resulting in time off work per 1,000 hours worked.
(2) Hours lost per accident per 1,000 theoretical working hours.

2018:

| Hours off work and absenteeism rate | 2018 | 2018 Men | 2018 Women |
|---|---|---|---|
| Accident and illness | 1,602 | 42 | 1,560 |
| Maternity | 784 | 0 | 784 |
| Paternity | 196 | 196 | 0 |
| Childcare | 216 | 0 | 216 |
| Care of the sick | 0 | 0 | 0 |
| Total hours off work | 2,798 | 238 | 2,560 |
| **Absenteeism rate** | **4%** | **1%** | **5%** |

2019:

| Hours off work and absenteeism rate | Hours 2019 | | Total |
|---|---|---|---|
| | Men | Women | |
| Accidents | 0 | 0 | 0 |
| Common illness | 14 | 536 | 550 |
| Maternity | 0 | 441 | 441 |
| Paternity | 0 | 0 | 0 |
| Childcare | 0 | 216 | 216 |
| Care of the sick | 0 | 0 | 0 |
| Other personal motives | 0 | 0 | 0 |
| Jury service, union work, etc. | 0 | 0 | 0 |
| Total hours lost | 14 | 1,193 | 1,207 |
| Total working hours | 16,043 | 47,330 | 63,373 |
| Total hours off work | **14** | **1,193** | **1,207** |
| **Absenteeism rate** | **0.08%** | **2.5%** | **1.9%** |

### 3.2. SOCIAL RELATIONSHIPS

Each group of companies identified in each sector has its own collective agreement, as follows:

- **Flour Group:** national collective agreement for the bread flour and semolina sector
- **Senior Care group:** subject to the state collective framework agreement for care services for dependent persons
- **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 Tonnellerie de L'Adour and, for Bouquet Brands, the agreement relating to the Navarre food storage sector.
- **Auxiliary financial services group:** Navarre regional agreement for offices.

### 3.3. TRAINING

The following tables summarise training delivered during the year.

**A. Grupo Harinero**

| 2019 | | Hours | | Attendees | | 2018 |
|---|---|---|---|---|---|---|
| Courses taken by employees | | Men | Women | Men | Women | Hours |
| | Administration | 233 | 161 | 10 | 15 | 750 |
| | Sales | 354 | 42 | 36 | 6 | |
| | Quality | 176 | 107 | 18 | 19 | |
| | R&D | 90 | 201 | 11 | 17 | |
| | Management | 81 | 29 | 13 | 5 | 113 |
| | Production | 893 | 79 | 164 | 2 | 1,045 |
| Total | | 1,827 | 619 | 252 | 64 | 1,908 |
| | external costs | | | | 52,624 | |
| | costs attributed to personal attendance | | | | 41,398 | |

### B. Senior care group

| 2019 | | Hours | | Attendees | | 2018 |
|---|---|---|---|---|---|---|
| Courses taken by employees | | Men | Women | Men | Women | Hours |
| | Administration | 12 | 18 | 2 | 3 | 135 |
| | Sales | | 6 | | 1 | |
| | Face-to-face | 48 | 968 | 7 | 155 | 379 |
| | external costs | | | | 19,398 | |
| | costs attributed to personal attendance | | | | 12,624 | |

### C. Winery supplies group

| 2019 | | Hours | | Attendees | | 2018 |
|---|---|---|---|---|---|---|
| Courses taken by employees | | Men | Women | Men | Women | Hours |
| | Administration | | 97 | 0 | 3 | 28 |
| | Sales | 6 | 6 | 1 | 1 | |
| | Management | 86 | 0 | 3 | 0 | 22 |
| | Production | 360 | 56 | 24 | 4 | 71 |
| | external costs | | | | 4,561 | |
| | costs attributed to personal attendance | | | | 9,150 | |

### D. Auxiliary financial services group to Caja Rural de Navarra

| 2019 | | Hours | | Attendees | | 2018 |
|---|---|---|---|---|---|---|
| Courses taken by employees | | Men | Women | Men | Women | Hours |
| | Administration | 314 | 1,538 | 10 | 55 | 109 |
| | Management | 79 | | 2 | | 0 |

### *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 company values 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 this is the way we understand 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 are high volume, 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.

## 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. This requires some explanation. In certain cases, our investee company is an important part of the industrial development of a region and a major employer in the region, such as Harinera de Tardienta or Harinera del Mar. Sustaining high levels of activity and employment is far more important to its community than the collaboration of NGOs in the local area.

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.**

- Products and services produced must meet the customer's needs and be of the highest quality.
- R&D 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
- Ownership interest in the organization 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 whose areas of focus is food hygiene, generally in collaboration with the Ministry.

Our factories carry out periodic training workshops with 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 residences, 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:

- Global satisfaction survey
- Response time in resolving complaints
- Aspects related to cleaning, laundry, food, diets, time taken to formalise an admission, etc.
- Health care, medication Administration, punctuality of treatments, etc.
- Entertainment activities
- Physiotherapy and cognitive stimulation activities.
- Staff training, absenteeism.
- 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. 2019 and 2018 figures for all the subsidiaries are the following:

| | ES | FR | Total 2019 | ES | FR | Total 2018 |
|---|---|---|---|---|---|---|
| IAE | 256,086 | 8,543 | 264,629 | | | |
| Contributions | 530,002 | 23,212 | 553,214 | 746,632.67 | 70,884.00 | 817,516.67 |
| Income tax | 1,248,395 | 5,165 | 1,253,560 | 713,414.46 | 20,160.00 | 733,574.46 |
| VAT | -393,065 | -444,365 | -837,430 | 237,627.22 | -393,935.00 | -156,307.78 |

The figures for Value Added Tax are negative because flour production pays a reduced rate of 4% (both cereals and flour) which its consumption of inputs, investment and outsourced services are taxed at the standard rate. Also, some activities are for export.

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.

There are no data on subsidies received in 2019 and 2018.

The subsidiaries located in the Common Tax Territory are consolidated into a single tax group for the purposes of Company Income Tax.

ANNEX III: AENOR CERTIFICATE

# Legal Documentation

## AENOR

### VERIFICACIÓN DE LA MEMORIA DE SOSTENIBILIDAD

**VMS-2020/0019**

AENOR ha verificado la Memoria de la organización

### CAJA RURAL DE NAVARRA, S. COOP. DE CREDITO

**TITULADA: MEMORIA DE RESPONSABILIDAD SOCIAL CORPORATIVA DE CAJA RURAL DE NAVARRA Y ESTADO DE INFORMACIÓN NO FINANCIERA DEL GRUPO CAJA RURAL DE NAVARRA CONSOLIDADO 2019**

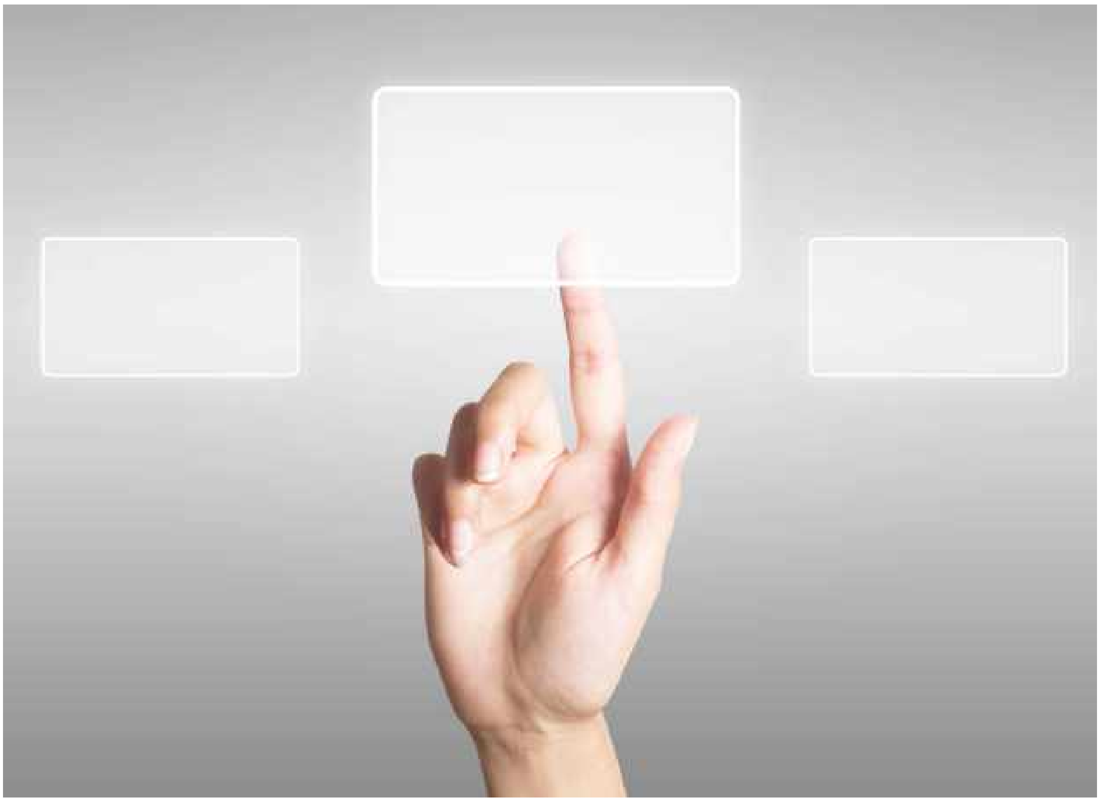
| | |
|---|---|
| Conforme con: | Estándares GRI |
| Opción GRI aplicada: | Exhaustiva |
| Proceso de Verificación: | Para conceder este Documento de Verificación, AENOR ha comprobado la adecuación de la memoria a lo requerido por GRI y ha trazado los datos e información contenidos en dicha memoria. |
| Fecha de emisión: | 2020-06-01 |

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





CAJA RURAL DE NAVARRA

# REPORT ON SOCIAL ACTIVITIES

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 2019 in accordance with criteria approved at the General Meeting. a total of EUR 4,110.29 thousand was appropriated from the net surplus for 2018 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 | 1,737.29 | 41.16% |
| 2.-Teaching work and research | 1,290.87 | 30.58% |
| 3.-Sports aid | 151.57 | 3.59% |
| 4.-Welfare projects | 132.25 | 3.13% |
| 5.-Cultural. recreational and other activities | 263.47 | 6.25% |
| 6.-Economic and social development | 645.31 | 15.29% |
| TOTAL | 4,220.76 | 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 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 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 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 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 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 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 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 2019 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 |

## 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 |

# Other Information

## 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 |