Informe de Auditoría de Cuentas Anuales Consolidadas
emitido por un Auditor Independiente

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA
DE CRÉDITO Y SOCIEDADES DEPENDIENTES
Cuentas Anuales Consolidadas e Informe de Gestión Consolidado
correspondientes al ejercicio anual terminado
el 31 de diciembre de 2021

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INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS EMITIDO POR UN AUDITOR INDEPENDIENTE

A la Asamblea General 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 Sociedad dominante) y sus sociedades dependientes (el Grupo), que comprenden el balance a 31 de diciembre de 2021, la cuenta de resultados, el estado del resultado global, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio anual 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 2021, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio anual 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.

Estimación de las pérdidas por deterioro por riesgo de crédito de la cartera de préstamos y anticipos a la clientela a coste amortizado

Descripción La cartera de préstamos y anticipos a la clientela del Grupo al 31 de diciembre de 2021 presenta un valor, neto de ajustes por valoración, de 9.442.417 miles de euros, incluyendo dichos ajustes unas correcciones de valor por deterioro por importe de 212.716 miles de euros (ver nota 10 de la memoria consolidada adjunta). La estimación de las pérdidas por deterioro por riesgo de crédito de la cartera de préstamos y anticipos a coste amortizado es una estimación significativa y compleja.

En la nota 2.g) de la memoria consolidada adjunta se detallan los principios y criterios aplicados por el Grupo para la estimación de las mencionadas pérdidas por deterioro, que se realiza de forma individual o colectivamente.

Los métodos utilizados para la estimación de las pérdidas por deterioro conllevan la aplicación de un elevado grado de juicio, en elementos tales como la clasificación de las operaciones en función de su riesgo de crédito, la identificación y clasificación de las exposiciones deterioradas o en las que se ha producido un incremento significativo del riesgo de crédito, el valor realizable de las garantías asociadas y, en el caso de las estimaciones realizadas de manera individualizada, la evaluación de la capacidad de pago de los acreditados en función de la evolución futura de sus negocios. En este contexto, el Grupo utiliza, para el análisis colectivo, el modelo de estimación de pérdidas por deterioro por riesgo de crédito establecido en la Circular 4/2017 del Banco de España, sobre la base de la experiencia y de la información que el Banco de España tiene del sector, y metodologías de cálculo específicas para la estimación de provisiones individualizadas.

La estimación de las pérdidas por deterioro por riesgo de crédito se ha realizado en un momento en el que la pandemia de la Covid-19 está afectando a la actividad económica en general y, en particular, a las actividades empresariales de los clientes del Grupo, causando un empeoramiento de las previsiones económicas en la mayoría de los sectores. Con el objetivo de mitigar los impactos de la Covid-19 en la economía, el Gobierno de España ha desarrollado iniciativas de ayuda a los sectores más afectados a través de diversas medidas como la concesión de líneas de crédito con garantía del Estado, el aplazamiento de pagos sin penalización (moratorias) o la flexibilización de líneas de financiación y liquidez. Todos estos aspectos incrementan la incertidumbre en torno a las variables consideradas por el Grupo en la cuantificación de la pérdida esperada, tales como la evolución futura de los negocios de sus clientes y el valor realizable de las garantías asociadas a las operaciones concedidas. En consecuencia, el Grupo ha registrado los efectos adversos derivados de esta situación complementando las pérdidas por deterioro que resultan del modelo establecido en la Circular 4/2017 del Banco de España con los ajustes que se han considerado necesarios para recoger las características particulares de determinadas exposiciones (ver nota 10).

Por todo ello, la estimación de las pérdidas por deterioro por riesgo de crédito de la cartera de préstamos y anticipos a la clientela a coste amortizado ha sido considerada como una cuestión clave de nuestra auditoría.

Nuestra Respuesta

Nuestro enfoque de auditoría ha incluido el análisis y evaluación del entorno de control interno asociado a los procesos de estimación de pérdidas por deterioro por riesgo de crédito, así como la realización de procedimientos sustantivos, tanto para las estimadas individualmente, como de forma colectiva.

Nuestros procedimientos relativos al análisis y evaluación del entorno de control interno se han centrado en la realización, entre otros, de los siguientes procedimientos:

- La evaluación de la adecuación de las distintas políticas y procedimientos a los requerimientos normativos aplicables.
- La revisión de los procedimientos establecidos en el proceso de concesión de operaciones para evaluar la cobrabilidad de los préstamos y anticipos en base a la capacidad de pago e información financiera del deudor.
- La revisión de los procedimientos para el seguimiento periódico de los riesgos, principalmente aquellos relacionados con la actualización de información financiera y revisión periódica del expediente del deudor y con las alertas de seguimiento establecidas por el Grupo para la identificación de los activos en vigilancia especial o deteriorados.
- La evaluación del diseño de los controles relevantes establecidos para la gestión y valoración de las garantías asociadas a las operaciones crediticias.

En la realización de estos procedimientos, hemos considerado cómo se han visto modificadas las políticas y procedimientos del Grupo en respuesta a la situación actual derivada de la Covid-19 y de las medidas de ayuda promovidas por el Gobierno.

Adicionalmente, hemos realizado, entre otros, los siguientes procedimientos sustantivos:

- En relación con la estimación de las pérdidas por deterioro determinadas de forma individual, hemos revisado una muestra de operaciones para evaluar su adecuada clasificación y las hipótesis utilizadas por la Dirección para identificar y cuantificar las pérdidas por deterioro, incluyendo la situación financiera del deudor, las previsiones sobre flujos de caja futuros y, en su caso, la valoración de las garantías.
- En relación con la estimación de las pérdidas por deterioro determinadas de forma colectiva, hemos revisado una muestra representativa de operaciones para evaluar la segmentación y correcta clasificación de dichas operaciones, mediante la comprobación con documentación soporte, de ciertos atributos incluidos en las bases de datos como por ejemplo la antigüedad de los impagos, existencia de refinanciaciones o el valor de las garantías, entre otros.
- Hemos analizado una muestra de expedientes de operaciones de moratoria (legales y sectoriales) y de operaciones concedidas con garantía del Estado (Instituto de Crédito Oficial y otros organismos públicos) para evaluar si su concesión se ha llevado a cabo de acuerdo con los criterios establecidos en la normativa vigente y si su clasificación es acorde a la valoración del riesgo de crédito.

- Hemos recalculado la estimación de pérdidas por riesgo de crédito realizada de forma colectiva, replicando el modelo que considera los porcentajes de cobertura, de acuerdo con la segmentación y clasificación de las operaciones establecida por el Grupo, y, en su caso los descuentos a aplicar sobre el valor de las garantías asociadas, establecidos en la Circular 4/2017 de Banco de España.
- Adicionalmente, hemos realizado comprobaciones sobre los criterios e hipótesis utilizadas por el Grupo en el contexto de la pandemia de la Covid-19 para estimar las pérdidas complementarias registradas como ajustes al modelo de estimación de pérdidas por deterioro por riesgo de crédito de la Circular 4/2017.

Además de lo anterior, hemos evaluado si la información detallada en la memoria de las cuentas anuales consolidadas resulta adecuada, de conformidad con los criterios establecidos en el marco normativo de información financiera aplicable al Grupo.

Provisiones por contingencias legales

Descripción

El Grupo se encuentra inmerso en procedimientos de reclamaciones recibidas, algunas de ellas judicializadas, relacionadas con asuntos legales y regulatorios, resultantes del curso de su actividad ordinaria. Asimismo, existen reclamaciones que sin estar sujetas a procedimientos judiciales, requieren, a juicio de la Dirección de la Sociedad dominante del registro de provisiones.

Al 31 de diciembre de 2021, el Grupo tenía reconocidas provisiones asociadas a estas reclamaciones por importe de 36.421 miles de euros (ver nota 18 de la memoria consolidada adjunta).

En la nota 2.m) de la memoria consolidada adjunta se detallan los principios y criterios aplicados por el Grupo para la estimación de las mencionadas provisiones.

Identificamos esta área como una cuestión clave de nuestra auditoría por la repercusión que la variación en las hipótesis utilizadas en la estimación de estas provisiones podría tener sobre los resultados consolidados del Grupo, así como por la subjetividad a la que están sujetas.

Nuestra Respuesta

Como parte de nuestra auditoría hemos obtenido un entendimiento y evaluado los procedimientos de control interno implantados por el Grupo para la gestión de las reclamaciones recibidas.

Asimismo, hemos llevado a cabo, entre otros, los siguientes procedimientos de auditoría:

- Análisis de las distintas tipologías de demandas, reclamaciones y litigios vigentes identificados por el Grupo.
- Evaluación de la metodología e hipótesis empleadas por el Grupo en la estimación de las provisiones por contingencias legales, verificando si las mismas son coherentes con el marco normativo de información financiera aplicable al Grupo.
- Obtención de cartas de confirmación de los abogados y asesores legales que prestan servicios a la Sociedad dominante, así como de la asesoría jurídica de la Sociedad dominante, contrastando su evaluación del resultado esperado de las reclamaciones o litigios con la estimación realizada por la Dirección, y evaluando la integridad de la información empleada por ésta, así como la existencia de posibles contingencias no identificadas.

- Obtención y análisis de las sentencias dictadas durante el ejercicio 2021 en relación con las cláusulas suelo y los gastos de formalización de préstamos hipotecarios.
- Comprobación del registro y movimiento de las provisiones contables.

Asimismo, nuestro trabajo ha incluido la evaluación de si la información incluida en las cuentas anuales consolidadas adjuntas es la requerida por el marco normativo de información financiera aplicable al Grupo.

Sistemas automatizados de información financiera

Descripción	La continuidad de los procesos de negocio de la Sociedad dominante es altamente dependiente de su infraestructura tecnológica, que se encuentra externalizada en un proveedor de servicios. Los derechos de acceso a los distintos sistemas se conceden a los empleados de la Sociedad dominante con el propósito de permitir el desarrollo y el cumplimiento de sus responsabilidades. Estos derechos de acceso son relevantes, pues están diseñados para asegurar que los cambios en las aplicaciones son autorizados, monitorizados e implementados de forma adecuada, y constituyen controles clave para mitigar el riesgo potencial de fraude o error como resultado de cambios en las aplicaciones.
Nuestra **Respuesta**	En el contexto de nuestra auditoría, con la colaboración de nuestros especialistas informáticos, hemos evaluado los controles generales de los sistemas de información relevantes para la elaboración de la información financiera. A este respecto, nuestro trabajo ha consistido, fundamentalmente, en probar controles generales de acceso a los sistemas, gestión de cambios y desarrollos de las aplicaciones, y seguridad de las mismas, así como los controles de aplicación establecidos en los procesos clave para la información financiera. Entre otros procedimientos, hemos revisado el Informe del auditor independiente de la descripción de los controles, diseño y efectividad operativa en el entorno de IT (ISAE 3402) correspondiente al ejercicio 2021, emitido por un experto independiente, del que hemos obtenido confirmación sobre su formación, capacidad técnica y objetividad.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2021 cuya formulación es responsabilidad de los administradores de la Sociedad 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 el informe de gestión consolidado, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en:

a. Comprobar únicamente que el estado de información no financiera consolidado se ha facilitado en la forma prevista en la normativa aplicable y, en caso contrario, informar sobre ello.

b. Evaluar e informar sobre la concordancia del resto de la información incluida en el informe de gestión consolidado con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas, 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 la forma prevista en la normativa aplicable y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2021 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores de la Sociedad dominante y del comité auditoría en relación con las cuentas anuales consolidadas

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

El comité auditoría de la Sociedad 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.

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 Sociedad dominante.

- Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad 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 Sociedad 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 Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría de la Sociedad 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 el comité de auditoría de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para el comité de auditoría de la Sociedad dominante de fecha 4 de mayo de 2022.

Periodo de contratación

La Asamblea General Ordinaria celebrada el 30 de junio de 2020 nos nombró auditores por un período de 3 años, contados a partir del ejercicio que se inició el 1 de enero de 2020.

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

2022 Núm. 01/22/08849
96,00 EUR
SELLO CORPORATIVO:
Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores de Cuentas con el Nº S0530)

Héctor Martín Díaz
(Inscrito en el Registro Oficial de Auditores de Cuentas con el Nº 21679)

4 de mayo de 2022

2021 CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT REPORT

NON BINDING ENGLISH TRANSLATION FROM THE ORIGINAL IN SPANISH.
IN THE EVENT OF DISCREPANCY, THE SPANISH-LANGUAGE VERSION PREVAILS

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated financial statements approved by the Governing Board of
CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO
at its meeting held on 25 March 2022

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of financial position at 31 December 2021
(Thousands of euros)

ASSETS	Note	31.12.2021	31.12.2020 (*)
Cash, cash balances at central banks and other demand deposits (**)	**7**	**1,138,650**	**1,282,136**
Financial assets held for trading	**8**	**5,744**	**6,002**
Derivatives		2,067	3,124
Equity instruments		3,677	2,878
Debt securities		-	-
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**	**4,218**	**7,570**
Debt securities		472	1,975
Loans and advances		3,746	5,595
Memorandum items: lent or given in guarantee with right of sale or pledge		-	-
Financial assets at fair value through other comprehensive income	**9**	**1,410,809**	**1,358,754**
Equity instruments		290,745	248,603
Debt securities		1,120,064	1,110,151
Memorandum items: lent or given in guarantee with right of sale or pledge		-	-
Financial assets at amortized cost	**10**	**13,256,139**	**12,699,450**
Debt securities		3,668,431	3,267,142
Loans and advances		9,587,708	9,432,308
Credit institutions		145,291	123,963
Customers		9,442,417	9,308,345
Memorandum items: lent or given in guarantee with right of sale or pledge		333,213	309,655
Derivatives – hedge accounting	**12**	**7,810**	**13,856**
Investments in joint ventures and associates	**14**	**64,942**	**60,460**
Jointly-controlled entities		-	-
Associates		64,942	60,460
Tangible assets	**15**	**271,518**	**248,925**
Property and equipment		253,071	232,004
For own use		252,405	231,834
Assigned to social projects		666	171
Investment property		18,447	16,920
Of which: assigned under operating leases		1,554	2,402
Memorandum items: acquired under finance leases		173	847
Intangible assets	**15**	**10,297**	**10,801**
Goodwill		8,297	8,301
Other intangible assets		2,000	2,500
Tax assets	**22**	**31,042**	**30,741**
Current tax assets		2,129	3,978
Deferred tax assets		28,913	26,763
Other assets	**16**	**100,628**	**94,716**
Inventories		74,191	67,704
Other		26,437	27,012
Non-current assets and disposal groups held for sale	**13**	**31,321**	**36,388**
TOTAL ASSETS		**16,333,118**	**15,849,799**

(*) Presented for comparison purposes only.
(**) See consolidated cash flow statement for details.

Notes 1 to 45 form an integral part of the consolidated statement of financial position at 31 December 2021.

Entidad Financiera: 3008
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CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of financial position at 31 December 2021

(Thousands of euros)

LIABILITIES AND EQUITY	Note	31.12.2021	31.12.2020 (*)
Financial liabilities held for trading	**8**	**1,362**	**1,732**
Derivatives		1,362	1,732
Financial liabilities at amortized cost	**17**	**14,606,820**	**14,333,854**
Deposits		12,687,580	12,459,613
Central banks		2,113,514	1,936,340
Credit institutions		312,986	325,136
Customers		10,261,080	10,198,137
Debt securities issued		1,764,655	1,770,192
Other financial liabilities		154,585	104,049
Memorandum items: subordinated liabilities		-	-
Derivatives – hedge accounting	**12**	**66,612**	**97**
Provisions	**18**	**51,195**	**34,475**
Pensions and other defined-benefit post-employment obligations	2.t	1,596	1,417
Commitments and guarantees given		13,178	10,809
Other provisions		36,421	22,249
Tax liabilities	**22**	**16,436**	**15,461**
Current tax liabilities		9,112	9,135
Deferred tax liabilities		7,324	6,326
Other liabilities	**16**	**132,225**	**117,392**
Of which: mandatory contributions to Social Welfare Fund		41,339	36,400
TOTAL LIABILITIES		**14,874,650**	**14,503,011**
EQUITY			
Shareholders' equity		**1,409,555**	**1,313,888**
Share capital	20	170,286	169,792
Called up paid capital		170,286	169,792
Memorandum items: uncalled capital		-	-
Retained earnings	21	1,087,278	1,007,564
Other reserves	21	60,605	50,014
Accumulated reserves or losses from joint ventures and associates		13,427	12,303
Other		47,178	37,711
(Treasury shares)		-	-
Profit or (-) loss attributable to owners of the parent		91,386	86,935
(Interim dividends)		-	(417)
Accumulated other comprehensive income	**19**	**48,913**	**32,901**
Items that will not be reclassified to profit or loss		43,732	20,153
Changes in fair value of equity instruments at fair value through other comprehensive income		43,732	20,153
Items that may be reclassified to profit or loss		**5,181**	**12,748**
Changes in fair value of equity instruments at fair value through other comprehensive income		5,181	12,748
Non-controlling interests		**-**	**-**
Accumulated other comprehensive income		-	-
TOTAL EQUITY		**1,458,468**	**1,346,788**
TOTAL LIABILITIES AND EQUITY		**16,333,118**	**15,849,799**
Memorandum items: off-balance sheet exposures			
Contingent commitments given	**23**	**1,611,291**	**1,396,654**
Financial guarantees given	**23**	**68,216**	**60,287**
Other commitments given	**23**	**897,147**	**669,412**

(*) Presented for comparison purposes only.

Notes 1 to 45 form an integral part of the consolidated statement of financial position at 31 December 2021.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated income statement
for the year ended 31 December 2021
(Thousands of euros)

	Note	2021	2020 (*)
Interest income	**25**	**157,789**	**164,897**
Financial assets at fair value through other comprehensive income		4,139	4,515
Financial assets at amortized cost		134,791	145,005
Other interest income		18,859	15,377
(Interest expense)	**26**	**(16,865)**	**(17,890)**
(Expense on share capital redeemable on demand)			
NET INTEREST INCOME		**140,924**	**147,007**
Dividend income	**27**	**15,202**	**13,793**
Profit (loss) of companies accounted for using the equity method	**14**	**3,437**	**79**
Fee and commission income	**28**	**90,091**	**74,078**
(Fee and commission expense)	**29**	**(6,688)**	**(5,308)**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**30**	**1,295**	**2,398**
Gains or (-) losses on financial assets and liabilities held for trading, net	**30**	**2,019**	**341**
Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net		**(1,990)**	**(2,273)**
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**	**154**	**63**
Gains or (-) losses from translation differences, net		**1,089**	**764**
Other operating income	**31**	**383,892**	**327,255**
(Other operating expenses)	**32**	**(322,715)**	**(269,437)**
Of which: mandatory contributions to Social Welfare Fund		*(9,619)*	*(8,857)*
GROSS INCOME		**306,710**	**288,760**
(Administrative expenses)		**(157,598)**	**(152,364)**
(Personnel expenses)	33	(82,146)	(79,185)
(Other operating expenses)	34	(75,452)	(73,179)
(Depreciation and amortization)	**13 and 15**	**(15,640)**	**(15,590)**
(Provisions or (-) reversals)	**35**	**(18,539)**	**58,078**
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	**36**	**(15,853)**	**(78,996)**
(Financial assets at fair value through other comprehensive income)		(1,606)	(357)
(Financial assets at amortized cost)		(14,247)	(78,639)
(Impairment or (-) reversal of impairment on investments in joint ventures and associates)		**-**	**-**
(Impairment or (-) reversal of impairment on financial assets)	**37**	**159**	**(106)**
(Tangible assets)		(3)	(13)
(Intangible assets)		-	-
(Other)		162	(93)
Gains or (-) losses on derecognition of non-financial assets and investments, net		**(128)**	**(901)**
Of which: investments in subsidiaries, joint ventures and associates		-	-
Negative goodwill recognized in profit or loss		**-**	**-**
Gains or (-) losses from non and disposal groups held for sale not classified as discontinued operations	**37**	**2,776**	**241**
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**101,887**	**99,122**
(Tax expense or (-) income on profit from continuing operations)	**22**	**(10,501)**	**(12,187)**
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS		**91,386**	**86,935**
Profit or (-) loss after tax from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR		**91,386**	**86,935**
Attributable to owners of the parent	**38**	**91,386**	**86,935**
Attributable to non-controlling interests		-	-

(*) Presented for comparison purposes only.

Notes 1 to 45 form an integral part of the consolidated income statement for the year ended 31 December 2021.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated statement of recognized income and expense for the year ended 31 December 2021 (Thousands of euros)

	Note	2021	2020 (*)
PROFIT FOR THE YEAR		**91,386**	**86,935**
OTHER COMPREHENSIVE INCOME		**16,012**	**(3,325)**
Items that will not be reclassified to profit or loss		**23,579**	**(9,116)**
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	25,414	(10,685)
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 designated at fair value through profit or loss attributable to changes in credit risk		-	-
Other valuation adjustments		-	-
Income tax on items that will not be reclassified to profit or loss		(1,834)	1,569
Items that may be reclassified to profit or loss	**19**	**(7,567)**	**5,790**
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		**28**	**(28)**
Gains or (-) losses on currency translation recognized in equity		28	(28)
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		**10,126**	**7,757**
Valuation gains or (-) losses recognized in equity		10,126	7,757
Reclassified to profit or loss		-	-
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**	**2,532**	**(1,939)**
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE YEAR		**107,398**	**83,609**
Attributable to non-controlling interests		-	-
Profit or (-) loss attributable to owners of the parent		107,398	83,609

(*) Presented for comparison purposes only.

Notes 1 to 45 form an integral part of the consolidated statement of recognized income and expense for the year ended 31 December 2021.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated comprehensive statement of changes in equity for the year ended 31 December 2021

(Thousands of euros)

<u>At 31 December 2021</u>

<u>Source of changes in equity</u>	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 2021 (*)	**169,792**	**1,007,564**	**50,014**	-	**86,935**	**(417)**	**32,900**	-	**1,346,788**
Adjustments due to error correction	-	-	-	-		-	-	-	
Effects of changes in accounting policies	-	-	-	-		-	-	-	
Balance at 1 January 2021 (*)	**169,792**	**1,007,564**	**50,014**	-	**86,935**	**(417)**	**32,900**	-	**1,346,788**
Total recognized income and expenses for the year	-	-	-	-	**91,386**	-	**16,012**	-	**107,399**
Other changes to equity	**493**	**79,714**	**10,591**	-	**(86,935)**	**417**	-	-	**4,280**
Ordinary shares issued (Note 20)	4,391	-	-	-	-	-	-	-	4,391
Preference shares issued	-	-	-	-	-	-	-	-	
Other equity instruments issued	-	-	-	-	-	-	-	-	
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	
Debt/equity conversion	-	-	-	-	-	-	-	-	
Capital reduction (Note 20)	(3,898)	-	-	-	-	-	-	-	(3,898)
Dividends (or payments to members)	-	-	-	-	-	-	-	-	
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	-	79,714	5,544	-	(86,935)	417	-	-	(1,262)
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-	
Share-based payments	-	-	-	-	-	-	-	-	
Other increases (-) decreases in equity	-	-	5,048	-	-	-	-	-	5,048
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-	
Balance at 31 December 2021	**170,285**	**1,087,278**	**60,605**		**91,386**	-	**48,912**	-	**1,458,468**

(*) Presented for comparison purposes only.

Notes 1 to 45 form an integral part of the consolidated comprehensive statement of changes in equity for the year ended 31 December 2021.

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

Consolidated comprehensive statement of changes in equity for the year ended 31 December 2020 (*)

(Thousands of euros)

At 31 December 2020

Source of changes 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 2020 (*)	**167,659**	**924,087**	**34,747**	**-**	**98,449**	**(1,676)**	**36,226**	**-**	**1,259,492**
Adjustments due to error correction	-	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-	-
Balance at 1 January 2020 (*)	**167,659**	**924,087**	**34,747**	**-**	**98,449**	**(1,676)**	**36,226**	**-**	**1,259,492**
Total recognized income and expenses for the year	**-**	**-**	**-**	**-**	**86,935**	**-**	**(3,326)**	**-**	**83,609**
Other changes to equity	**2,133**	**83,477**	**15,267**	**-**	**(98,449)**	**1,259**	**-**	**-**	**3,687**
Ordinary shares issued	4,042	-	-	-	-	-	-	-	4,042
Preference shares issued	-	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-
Debt/equity conversion	-	-	-	-	-	-	-	-	-
Capital reduction	(1,909)	-	-	-	-	-	-	-	(1,909)
Dividends (or payments to members)	-	-	-	-	-	(417)	-	-	(417)
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	-	83,477	13,299	-	(98,449)	1,676	-	-	-
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-	-
Other increases (-) decreases in equity	-	-	1,968	-	-	-	-	-	1,968
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**169,792**	**1,007,564**	**50,014**	**-**	**86,935**	**(417)**	**32,900**	**-**	**1,346,788**

(*) Presented for comparative 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 cash flow statement for the year ended 31 December 2021

(Thousands of euros)

	Note	2021	2020 (*)
A) CASH FLOW FROM OPERATING ACTIVITIES		**(109,738)**	**896,584**
Profit for the year		**91,386**	**86,935**
Adjustments to obtain cash flows from operating activities		**47,955**	**(20,887)**
Depreciation and amortization	13 and 15	15,640	15,590
Other adjustments		32,315	(36,477)
Net (increase) decrease in operating assets		**(597,634)**	**(1,852,762)**
Financial assets held for trading		258	715
Financial assets not held for trading mandatorily measured at fair value through profit or loss		3,352	4,390
Financial assets at fair value through other comprehensive income		(36,043)	(20,625)
Financial assets at amortized cost		(570,936)	(1,845,672)
Other operating expenses		5,735	8,430
Net (increase) decrease in operating liabilities		**354,919**	**2,688,844**
Financial liabilities held for trading		(370)	878
Financial liabilities at amortized cost		272,966	2,669,223
Other operating expenses		82,323	18,743
Company income tax receipts (payments)		**(6,364)**	**(5,546)**
B) CASH FLOWS FROM INVESTING ACTIVITIES		**(35,330)**	**(29,318)**
Payments		**(44,459)**	**(41,384)**
Tangible assets	15	(39,977)	(40,440)
Investments in subsidiaries, joint ventures and associates	14	(4,482)	(944)
Non-current assets and liabilities held for sale		-	-
Other payments related to investing activities		-	-
Receipts		**9,129**	**12,066**
Tangible assets	15	5,012	2,312
Investments in subsidiaries, joint ventures and associates	14	-	2,126
Non-current assets and liabilities held for sale		4,117	7,628
Other receipts related to investing activities		-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES		493	1,716
Payments		(3,898)	(2,326)
Dividends	20	-	(417)
Subordinated liabilities		-	-
Cancellation of own equity instruments	20	(3,898)	(1,909)
Acquisition of own equity instruments		-	-
Other payments related to financing activities		-	-
Receipts		**4,391**	**4,042**
Subordinated liabilities		-	-
Issue of own equity instruments	20	4,391	4,042
Disposal of own equity instruments		-	-
Other receipts relating to financing activities		-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**1,089**	**764**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(143,486)**	**869,746**
F) CASH AND CASH EQUIVALENTS AT START OF YEAR		**1,282,136**	**412,390**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,138,650**	**1,282,136**
MEMORANDUM ITEMS			
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash		47,815	49,572
Cash, cash balances at central banks		-	-
Other demand deposits		1,090,835	1,232,564
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 the Bank or the Parent Company or the 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 both 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 2021, it had a network of 254 branches (the same as at 31 December 2020), 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 2021 and 2020 was 1% of eligible liabilities (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 (Note 1.i and 21).

- 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 standalone 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 2021 and 2020 are shown in Annex I.

At 31 December 2021, the assets, equity and profit for the year of the Parent Company made up 98%, 96% and 97%, respectively, of the equivalent Group items (compared to 99%, 96% and 94% at 31 December 2020).

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 2021 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 2021 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 2021 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 2021 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 euros, 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 believes that the financial statements will be approved without material modification.

The consolidated annual financial statements for 2020 were approved at the Bank's Annual General Meeting held on 14 May 2021.

c) Effects of the Covid-19 pandemic on the Group's business

On 11 March 2020, the World Health Organisation (WHO) declared an international pandemic, which unfolded into an unprecedented health crisis that heavily impacted the economy and businesses. In 2021 the pandemic continued to evolve and the global economy gradually improved, thanks in large part to the process of vaccination against the coronavirus and substantial economic stimulus packages rolled out by governments. However, uncertainties remain as to the what the ultimate toll of the pandemic will be, particularly given the rise in infections caused by the appearance of new variants of the virus. The Parent Company is continuously monitoring these changes and their impacts on the business.

At the publication date of these consolidated financial statements the pandemic was having no significant impact on the Group's business and the Directors estimate there will be no material impacts in 2022.

d) Accounting principles and measurement bases

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

e) Consolidation principles

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

I. Subsidiaries

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

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

- Power: An investor has power over an investee when it has existing rights that give it the ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.

- Returns: An investor is exposed, or has rights to, variable returns from its involvement in the investee when the returns it derives from its involvement have the potential to vary as a result of the investee's performance. The returns can be positive, negative or both.

- Relationship between power and returns: To control an investee an investor must not only have power over the investee and exposure or rights to variable returns from its involvement with the investee but must also have the ability to use this power to affect its returns from its involvement with the investee.

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

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

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

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

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

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

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

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

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

Any contingent consideration to be transferred by the Group is measured at fair value at the acquisition date. Subsequent changes to the fair value of a contingent consideration treated as an asset or liability are recognized in accordance with IFRS 9 through 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 2021 and 2020 were as follows:

	Thousands of euros			
	% ownership interest		Acquisition cost	
Subsidiaries	2021	2020	2021	2020
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	24,989
Promoción Estable del Norte, S.A.	100.00%	100.00%	85,301	84,046
Haribericas XXI, S.L.	100.00%	100.00%	17,945	17,945
Harivenasa, S.A.	100.00%	100.00%	13,000	11,000
Industrial Tonelera Navarra, S.A.	100.00%	100.00%	1,820	1,820
Tonnellerie de l'Adour, SAS	100.00%	100.00%	2,496	2,496
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
Harinas Selectas, S.L.	100.00%	100.00%	764	764
Espiga I+D Alimentaria, S.L.	100.00%	-	100	-

The activities and registered offices of Group companies included in the scope of consolidation at 31 December 2021 are listed below:

Company	Domicile	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 (Navarra)	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
Harinas Selectas, S.L.	Tardienta (Huesca)	Manufacture and sale of flour Espiga I&D
Alimentaria, S.L.	Pamplona	Research

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 2021 and 2020 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 2021 and 2020 see Note 14.

The accounting principles and standards and measurement criteria used to prepare the Group’s 2021 and 2020 financial statements may differ from those used by certain subsidiaries, jointly controlled entities and associates that fall within its scope. However, any such discrepancies have been eliminated by making the material adjustments and reclassifications required in the process of consolidation.

f) Changes in scope of consolidation

The main changes during 2021 to Caja Rural de Navarra Group’s scope of consolidation were as follows:

In 2021, the Parent Company fully consolidated. Espiga I&D Alimentaria, S.L. for the first time. The cost of incorporating this company was EUR 100 thousand.

Also, on 10 November 2021 the Parent Company as sole shareholder of Harivenasa, S.L. carried out a capital increase totalling EUR 2,000 thousand, EUR 1,350 thousand for share capital and EUR 650 thousand in share premium. This capital increase was fully subscribed and paid by the Parent Company.

The main changes during 2020 to Caja Rural de Navarra Group’s scope of consolidation were as follows:

In 2020, the Parent Company fully consolidated its wholly owned subsidiary Harinas Selectas, S.L. for the first time. The acquisition cost was EUR 764 thousand.

Also, on 24 November 2020, the subsidiary Promoción Estable del Norte, S.A. reduced its capital by EUR 14,845 thousand by cancelling 246,964 shares. In consideration, the Bank received EUR 4,498 thousand in cash and EUR 10,347 thousand of other real estate assets recognized under “Tangible assets – Own use” in the consolidated statement of financial position. Other changes resulted from restating the value of the investment at its carrying amount, the best measure for the fair value of this investment.

g) Accounting estimates and assumptions used

In the preparation of the Group’s 2021 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 17).
- The values and 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 actuarial assumptions used in calculating liabilities and commitments for post-employment benefits (Note 2.t).
- The probability of events considered to be contingent exposures occurring and the provisions required to cover these events if they occur (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).

The above estimates were made using the best data available on the events analysed, allowing for the uncertainties prevalent at the time deriving from the impact of Covid-19 on the current economic environment. It is therefore possible that future events may require significant adjustments (upward or downward) to these estimates in coming years. Any such changes will be made prospectively and their impact recognised in the consolidated income statement for the years concerned.

h) Comparative information

Comparative figures for 2020 are presented alongside the accounting information for the year ended 31 December 2021 according to IFRS-EU criteria. Figures for 2020 are presented for comparative purposes only and do not form part of the Group’s 2021 consolidated financial statements.

i) Equity

The Basel Committee on Banking Supervision is leading the harmonization of international financial regulation. In December 2010, the Committee approved a third set of regulations (Basel III) which tightened capital adequacy requirements, requiring capital to be made up of better-quality instruments, and sought to impose a consistent standardized approach between firms and across countries. The new capital accord improves the transparency and comparability of capital ratios. It also incorporates new prudential tools to monitor liquidity and leverage.

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

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

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

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

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) 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 2017, on the exercise of options and discretions available in Union law by national competent authorities in relation to less significant institutions). It also eliminated the rules on transitional options in force until financial year 2017.

Finally, in 2019 the Bank of Spain published Circular 3/2019, of 22 October, to define the materiality threshold of overdue credit obligations, applicable from December 2020.

However, the economic changes brought on by the Covid-19 pandemic and the exceptional measures taken by the authorities in response significantly affected the main players in the economy.

In June 2020, Regulation EU 2020/873 of the European Parliament and Council came in to force, introducing some changes to both the CRR and CRR II in response to the pandemic.

The most important change was to put a two-year stop on the transitional provisions to IFRS 9, limiting the potential negative impact on bank capital of any rise in expected credit loss provisions. It also created a temporary prudential filter on exposures to sovereign debt, intended to mitigate the consequences of market volatility on banks' solvency.

Other changes included bringing forward application of some measures to ease banks' capital requirements, relating to loans backed by pensions or salaries, loans to SMEs and loans to infrastructure entities.

In December 2020, Commission published Delegated Regulation EU 2020/2176, amending the capital deduction for intangible assets linked to the in-house development of IT programmes. This amendment, introduced to support the transition to a more digital banking sector, means assets made up of IT applications that have been prudently valued and whose value will not be significantly affected by the bankruptcy, insolvency or liquidation of a bank need not be directly deducted from banks' capital.

Under 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 2021 the Bank received a communication from the Bank of Spain regarding its decision on minimum prudential requirements. This requires that Caja Rural de Navarra maintain, as from 1 January 2022, a Total Capital ratio of 11.625% and a Common Equity Tier 1 (CET1) capital ratio of 9.125%, measured on phased-in regulatory capital. The requirements from 1 January 2021 to 31 December 2021 were 11.63% for 2022 Total capital ratio and 8.13% for CET1. These requirements include both the Pillar 1 minimum and the Pillar 2 requirement, including the capital conservation buffer (CCB).

Also the Term Sheet for the total loss-absorbing capacity (TLAC) came into force. This is set internationally for European capital by the Financial Stability Board (FSB) and requires systemically important banks to meet an additional Minimum requirement for own funds and eligible liabilities (MREL) within their Pillar 1 requirements. The same package also changed the Resolution Regulation and Directive (SRMR and BRRD, respectively), which were replaced with SRMR II and BRRD II imposing MRELs for all resolution entities, whether systemically important or not, to be set by the local resolution authority on a case-by-case basis.

On 1 February 2022, the Bank of Spain formally notified the Parent Company of the minimum requirement for own funds and eligible liabilities (MREL). Following this decision, as from 1 January 2024, the Parent Company must hold own funds and eligible liabilities of at least 15.17% of its total risk exposure amount (TREA) and 4.36% of its exposure calculated for the leverage ratio (LRE). The same notification set a binding intermediate target to be met from 1 January 2022 with the same targets as for 1 January 2024. At 31 December 2021, the Parent Company had a MREL ratio of 18.73% of its TREA and 8.88% of its LRE.

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 vehicle 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 companies that come under its scope.

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.

In 2021, the cost of contributions to the fund was EUR 3,166 thousand (EUR 2,516 thousand in 2020, Note 32), 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.

The management committee of the Deposit Guarantee Fund for credit institutions, acting under Article 6 of Royal Decree-Law 16/2011 and Article 3 of Royal Decree 2606/1996, set the contribution for all institutions belonging to the deposit guarantee sub-fund at 1.8 per thousand of guaranteed deposits at 30 June each year. 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 Bank of Spain Circular 5/2016 of 27 May, amended by Circular 1/2018, of 31 January. 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 each year.

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 2021, the Parent Company recorded a commitment of EUR 1,228 thousand (compared to EUR 2,408 thousand at 31 December 2020), 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 2021, total expenses in respect of Fund contributions were EUR 4,154 thousand (EUR 5,825 thousand in 2020, Note 32), 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 breakdowns of specific environmental information have been included in these notes to the financial statements.

l) Framework Agreement with other institutions to establish and constitute a Cooperative Institutional Protection Mechanism.

On 29 December 2017 the Rural Credit Cooperatives belonging to the Spanish Association of Cajas Rurales (the "Banks"), including Caja Rural de Navarra, signed, 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 Spanish Credit Cooperative Institutions Act. The IPS will include the 29 Rural Credit Cooperatives in the Association at the signature date of the Framework Agreement, Grucajrural and Banco Cooperativo (the "IPS members").

  CRR Article 113.7 and Spanish regulations on contributions to the Deposit Guarantee Fund state that the IPM needs Bank of Spain recognition to qualify as an 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. Before this happens, the Association's 29 member Banks will buy out the Grucajrural stake held by the Association as founding partner and transfer their holdings in Banco Cooperativo 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.

The participation of the Parent Company in the Framework Agreement was approved at the meeting of the Governing Board on 24 November 2017. 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 2018.

In 2021 the Parent Company made contributions in kind to the fund to cover any need for financial support in the IPS amounting to EUR 6,192 thousand, which were recognized under "Other operating expenses" in the 2021 income statement (2020: Parent Company contributed EUR 6,792 thousand to the fund, Note 32). At 31 December 2021, the Parent Company had paid this amount in full.

As a result, at 31 December 2021, the Parent Company formed part of a Cooperative Institutional Protection Scheme (IPS) and it also forms part of the regulatory Caja Rural Group of institutions who have come together in partnership and are linked by pacts of solidarity and mutual support.

m) Post-balance sheet events

On 21 January 2022, the Parent Company's management signed an agreement with another investor group, assuming the relevant authorisations were granted, to merge the wheat flour companies in which the Parent Company is invested with other companies engaging in similar activities belonging to another business group. The deal would affect Harinera del Mar Siglo XXI, S.L.U., Hariberícas XXI, S.L., Harivasa 2000, S.A., Harinera de Tardienta, S.A., Harántico, S.L.U, and Harineras Selectas, S.A. (Note 1.e). The aim of the transaction is to create a stronger corporate structure with a presence throughout the Spanish market.

The agreement was ratified by the Parent Company's Governing Board at its meeting of 28 January 2022.

If the transaction goes ahead, the Parent Company will then own 49.99% of the merged company and the other investors group 50.01%. Based on the information currently available, the Parent Company would not control the merged company and would therefore no longer consolidate the assets, liabilities, income and expenses that the abovementioned companies currently contribute to the Group, with the Parent Company instead having significant influence over the new company.

The deal requires authorisation by the Spanish competition authorities, the Comisión Nacional de los Mercados de la Competencia (CNMC), which is still pending at the date of preparation of these consolidated financial statements.

On 24 February 2022 the Russian army invaded Ukraine. Besides the direct implications of the war for trade with these two countries, in response to this invasion the USA, EU, UK, Switzerland and other countries around the world imposed heavy sanctions on Russia, its companies and citizens, which could have consequences for the global economy. Among other measures, the sanctions expelled part of the Russian banking system from the SWIFT international payments network and restricted transactions with Russia's central bank. The Russian government in turn imposed restrictions that affect all foreign currency accounts and foreign transactions.

On 31 December 2021, at the preparation date of these financial statements, the Group had no exposure and conducted no material transactions with the countries directly involved in the conflict.

Except for those set out above, there were no further events that significantly affect the Group and which should be disclosed here between 31 December 2021 and the date of preparation these consolidated financial statements.

2. <u>Accounting principles, policies and measurement bases</u>

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, the 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 against 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 prior 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. The business model is determined based on how a group of financial assets are managed to achieve a specific objective. It does not, therefore, depend on the group's intentions for an individual instrument but on 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, which may change over the life of the asset, if parts of the principal are redeemed for instance. 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 among of the principal outstanding during a specific period, plus a profit margin.

Classification of portfolios for measurement purposes

The Group classifies a financial asset, for measurement purposes:

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

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

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

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

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

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

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

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

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

  b. are part of a group of financial instruments identified and managed jointly 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 portfolio hedges for interest rate risk”, which is the balancing entry to amounts credited to the consolidated income statement for changes in the value of portfolios of financial instruments whose interest rate risk is effectively hedged by fair value hedging derivatives.

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

iv) Non-current assets and disposal groups held for sale which are of a financial nature, 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 reset.

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. Cash flow hedges, 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 has 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 causes, 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. At the same time they are cancelled against the consolidated income statement, recognizing under "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 and "Other reserves", in the case of equity instruments.

In financial assets designated as hedged items and 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 under equity in “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 under equity in “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 portfolio hedges for interest rate risk”, which is the balancing entry to amounts credited to the consolidated income statement for changes in the value of portfolios of financial instruments whose interest rate risk is effectively hedged by fair value hedging derivatives.

vi) "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 those the Group has designated as "Financial liabilities designated at fair value through profit or loss" if they qualify.

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

<u>Recognition and measurement</u>

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 causes, 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 financing 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.

For each of the above portfolios, 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.

In 2021 and 2020 there was no reclassification of financial instruments between portfolios and no 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 Bank 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 Bank 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 2021 and 2020, the Group had no assets transferred prior to 1 January 2004, which, in accordance with previous regulations were derecognized from the consolidated balance sheet.

g) Impairment of financial assets and other credit exposures

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

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

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

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.

<u>Refinancing and restructuring transactions</u>

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 society 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 were 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 they 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 have passed since 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 calculate 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 provides 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. The discounting criteria prescribed in Bank of Spain Circular 4/2017 are applied.

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 realised 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 realised 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 the Social Welfare Fund.

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 exceed their recoverable amount. If so, it writes down the carrying amount accordingly and reduces future depreciation charges to match the new carrying amount and the remaining useful life, where this has been re-estimated. Any such reduction to the carrying amount of property and equipment for own use is charged to "Net impairment/(reversal) of non-financial assets – Tangible assets" in the consolidated income statement.

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

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

j) Leasing

I. <u>Finance leases</u>

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

Factors that the Group considers when deciding whether a lease is a finance lease include the following:

- Whether the lease covers most of the asset's useful life.
- Whether the exercise price of the purchase option is less than the residual fair value of the asset when the lease ends.
- Whether at the inception of the lease the present value of the minimum lease payments amounts to substantially all of the fair value of the asset.
- Whether the use of the asset is confined to the lessee.

When the Group acts as lessor of an asset in a finance 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 "Loans and receivables" on the consolidated statement of financial position, based on the nature of the lessee.

When the Group acts as lessee in a finance lease, the cost of the leased assets is presented 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 property and equipment for the Group's own use (Note 2.i.).

In both cases, the finance income and finance expense generated by the lease contracts are credited or debited to "interest income" or "interest expense", respectively, discounted to present at the effective interest rate of the transactions as prescribed in Bank of Spain Circular 4/2017.

II. Operating leases

Lease accounting differentiates between leases where the Group acts as lessee and those there it acts as lessor:

i. The Group acts as lessee

At the start of any contract the Group assesses whether it is or contains a lease. Where it is found to be or contain a lease, the Group books an asset on its statement of financial position, representing its right to control the use of the leased asset for a set period. At the same time, it recognizes a lease liability representing the Group's obligation to make the outstanding payments for use of the underlying asset.

Exceptions to this treatment apply to short-term leases (with terms of 12 months or less) or those where the underlying assets are of low value. For these two types of lease, the Group recognizes the lease payments as expenses on a straight-line basis over the lease period under "Administrative expenses – Other general administrative expenses" on the consolidated income statement.

At the start date of the lease, the Group recognizes a lease liability on the underlying asset at the present value of the outstanding lease payments at that date, discounted at the lease's implied interest rate, if this can be easily determined. If not, the rate the Group pays on the financing it used to acquire the asset is used. The lease liability is recognized under "Financial liabilities at amortised cost – Other financial liabilities" on the statement of financial position. Meanwhile, the finance expense associated with the lease liability is recognized under "Interest expense – Financial liabilities at amortised cost" on the consolidated income statement. The lease liability is measured initially as the carrying amount plus the present value of the interest payments discounted at the effective interest rate, which then reduces as lease payments are made.

The right-of-use asset is initially recognized under "Tangible assets – Property and equipment" on the statement of financial position, at the value of the lease liability adjusted for any payments made at or before the start date, initial direct expenses or the cost of dismantling or eliminating the underlying asset or returning it to the condition specified in the contract.

Thereafter, the right-of-use asset is adjusted to reflect:

- Accumulated depreciation. The right-of-use asset is depreciated over the shorter of the useful life of the underlying asset and the lease term. Annual depreciation writedowns are recognized with a balancing entry under "Depreciation and amortization" on the consolidated income statement.

- Any impairment losses recognized under "Impairment or (-) reversal of impairment on financial assets" on the consolidated income statement.

- Any change in valuation of the lease liability.

The criteria used for depreciation, estimating useful lives and recognizing any impairment losses are the same as those applied to tangible assets for own use, described in Note 2.i.).

Variable lease payments that are not benchmarked to an index or interest rate are not included when measuring the lease liability or corresponding right-of-use asset. They are instead recognized as an expense for the period under "Administrative expenses – Other general administrative expenses" on the consolidated income statement.

ii. The Group acts as lessor

Leases where the Group acts as lessor are classified as finance or operating leases. Where analysis of the lease conditions indicates that substantially all the risks and benefits of the leased asset are transferred to the lessee, the contract is classified as a finance lease. All other cases are classified as operating leases.

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 position 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 2021 and 2020 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 36,421 thousand at 31 December 2021 (EUR 22,249 thousand at 31 December 2020), 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 amortized 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.

<u>Discontinued operations</u>

The Group classifies as a discontinued activity or operation any Group component that has been sold or otherwise disposed or classified as “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. <u>Functional currency</u>

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

II. <u>Translation criteria for foreign currency balances</u>

Balances receivable and payable in foreign currency are translated to euros 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. <u>Recognition of translation differences</u>

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 2021, the value of assets and liabilities denominated in foreign currencies was EUR 58,471 thousand and EUR 58,004 thousand, respectively (compared with EUR 53,099 thousand and EUR 52,978 thousand at 31 December 2020).

p) Recognition of income and expense

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

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

- The amount can be reliably estimated.

- It is probable that the Bank will receive the economic benefits of the transaction.

- The information must be verifiable.

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

I. Interest and similar income and expense

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

II. Fees, commissions and similar items

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

- Fees related to financial assets and liabilities designated at fair value through profit and loss, which are recognized when paid.

- Fees originating from transactions or services that continue over an extended period, which are recognized over the life of the transaction or service.

- Fees relating to a service rendered in a single act, which are recognized when the single act is carried out.

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

Finance fees and commissions

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

Non-finance fees and commissions

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

III. Non-finance income and expense

These are recognized for accounting purposes on an accrual basis.

q) Swaps of tangible and intangible assets

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

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

r) Social Welfare Fund

The Group recognizes mandatory allocations to the Education and Development 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 Education and Development 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 2021, 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 2021.

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	2021	2020
Interest rate	0.90%	0.40%
Expected return on plan assets	0.90%	0.40%
Mortality tables	PERM/F2000P	PERM/F2000P
Incapacity tables	N/A	N/A
Annual cumulative salary increase	2.50%	2.00%

The discount rate applied to plan commitments is based on the duration of the commitment, 17.1 years for post-employment obligations at a rate of 0.90%, 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 2021).

The percentage sensitivity of the defined benefit obligation to changes in the main assumptions for 2021 is as follows:

n

	Change in assumptio	Increase	Decrease
Discount rate	0.50%	-7.79%	8.69%
Annual salary growth rate	0.50%	8.78%	-7.95%

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	
	2021	2020
Balance sheet assets/liabilities for		
Post-employment obligations	(3,900)	(3,792)
Fair value of plan assets	2,304	2,390
Other	-	(15)
Net asset (provision) recognized on statement of financial position (Note 18)	**(1,596)**	**(1,417)**

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

	Thousands of euros	
	2021	2020
Charged (credited) directly to income		
Personnel expenses:		
- Current service cost	236	218
- Allocation to provisions	-	-
Net income and interest expense	16	9
Total expenses	**252**	**227**

The table below reconciles the amounts reported as present value of defined benefit obligations at the start and end of 2021 and 2020:

	Thousands of euros
Balance at 31 December 2019	**3,513**
Current service cost	218
Interest expense	22
Remeasurements	98
Benefits paid	(59)
Effect of curtailments/settlements	-
Balance at 31 December 2020	**3,792**
Current service cost	236
Interest expense	16
Remeasurements	(36)
Benefits paid	(108)
Effect of curtailments/settlements	-
Balance at 31 December 2021	**3,900**

The table below reconciles the amounts reported as fair value of defined benefit plan assets at the start and end of 2021 and 2020:

	Thousands of euros
Fair value at 31 December 2019	**2,323**
Expected return on plan assets	9
Remeasurements	117
Contributions by the Bank	-
Benefits paid	(59)
Effect of curtailments/settlements	-
Fair value at 31 December 2020	**2,390**
Expected return on plan assets	10
Remeasurements	(81)
Contributions by the Bank	93
Benefits paid	(108)
Effect of curtailments/settlements	-
Fair value at 31 December 2021	2,304

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

	2021	2020
Equities	-	-
Debt instruments	-	-
Property	-	-
Insurance policies	100%	100%
Other assets	-	-
Total	**100%**	**100%**

The Bank expects to contribute EUR 256 thousand to defined post-employment benefit plans in respect of 2022.

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

	2022	2023	2024	2025	2026	2027-2031
Probably post-employment benefits	216,837	84,208	91,095	32,708	66,676	397,427

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.
b) 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 by 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 of a set of assets or liabilities making up a business or activity are reported under "Other business units" in the standalone 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 profit or loss.

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, β = the company’s systemic risk factor, Rm = market rate of return, Rf = risk-free rate and α = an additional premium to take account of future contingencies”.

- 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 2021 underwent changes from those applied in the prior year. The most significant of these changes are detailed below:

a) Standards and interpretations adopted by the European Union and applied for the first time this year

Revised Conceptual Framework for IFRS

The revised Conceptual Framework sets out the fundamental concepts that guide the IASB in developing standards and help ensure the Standards are consistent and that similar transactions are treated the same way. It also assists companies in developing accounting policies when no specific standard applies to a particular transaction.

The revised Conceptual Framework includes a new chapter on measurement, improves definitions and guidance and clarifies key areas such as the concept of prudence and making estimates under conditions of uncertainty.

Amendments to IAS 1 and IAS 8 – Definition of material

Amendments were made to the definition of materiality to make it easier to decide which items are material. The definition of material helps companies decide what information should be included in the consolidated financial statements. These amendments clarify the definition and come with guidance on how it should be applied. They also improve the accompanying explanations and ensure consistency across all standards. These amendments have had no material impact on the Group's consolidated financial statements for the year.

Amendments to IFRS 7, IFRS 9 and IAS: Reform of benchmark interest rate

These amendments provide a series of reliefs, which apply to all hedging relationships directly affected by reforms to benchmark interest rates (IBOR). A hedging relationship is affected if the reform creates uncertainty as to the timing and/or amount of cash flows benchmarked to the interest rate in either the hedged item or hedging instrument. These amendments have had no material impact on the Group's consolidated financial statements for the year.

Amendments to IFRS 3 – Business combinations

The amendments change the definition of business in IFRS 3 to help reporting companies determine whether a transaction should be recognized as a business combination or as an acquisition of a group of assets. This is a key distinction as goodwill is only recognized by the buyer when it acquires a business.

The new definition of a business focuses on its providing goods and services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. The previous definition focused on a business providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members or participants.

Amendments to IFRS 16 – Covid-19-related rent concessions

These amendments permitted lessees, as a practical expedient, not to assess whether particular rent concessions granted in response to Covid-19 are lease modifications. If they so choose, the lessee recognizes the concessions in accordance with IFRS 16 – Leases as if they did not constitute a modification.

This practical expedient can only be applied to rent concessions that are a direct consequence of Covid-19, which means they have to meet the following conditions: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change, (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021, and (iii) there is no substantive change to other terms and conditions of the lease.

These amendments have had no material impact on the Group's consolidated financial statements for the year.

b) Standards and interpretations issued but not applicable this year

Amendments to IAS 1 – Presentation of financial statements: classification of financial liabilities as current or non-current

In January 2020, the IASB issued its amendments to paragraphs 69-76 of IAS 1 – Presentation of financial statements to clarify the requirements when classifying liabilities as current or non-current. Specifically, it clarified:

- What it means to have the right to defer settlement
- That the right to defer settlement must exist at the end of the reporting period

- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- Only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

These amendments are effective for periods starting on or after 1 January 2023 and must be applied retrospectively.

Amendments to IFRS 3 – Business combinations: Reference to the framework

These amendments issued by the IASB in May 2020 replace references to the 1989 Conceptual Framework with a reference to the 2018 version, without any material impact on reporting requirements.

The IASB also added an exemption to IFRS 3 requirements to avoid “day 2” gains or losses arising for liabilities and contingent liabilities (within the scope of IAS 37 or IFRIC 21) if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for the recognition of contingent assets that would not be affected by the references to the Framework.

These amendments are effective for periods starting on or after 1 January 2022 and apply retrospectively. The Group does not expect these amendments to have any impact.

Amendments to IAS 37 – Cost of fulfilling a contact

These amendments, issued by the IASB in May 2020, specify which costs companies must consider when assessing whether a contract is onerous. The amendments propose a “focus on costs that relate directly to the contract”. Costs that directly relate to a contract to deliver goods or services include both incremental costs and allocation of costs directly related to the contract. Administrative and general costs cannot be allocated to a contract and therefore are not counted unless they are explicitly chargeable to the counterparty under the contract.

These amendments are effective for periods starting on or after 1 January 2022.

Annual improvements 2018-2020

As part of the 2018-2020 cycle of annual improvements to the IFRS, the IASB has published an amendment to IFRS 9 and IAS 41.

IFRS 9 “Financial instruments”: fees and costs included in the 10 per cent test

The amendment clarifies which fees and costs should be considered when assessing whether changes to the terms of a financial liability make it substantially different from the original liability. These fees and costs should only include fees paid or received between the entity and the lender, including those paid or received by either on the other’s behalf.

This amendment is effective for periods starting on or after 1 January 2022. Early adoption is permitted.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase 2.

In August 2020, the IASB published amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform – Phase 2. These amendments provide temporary relief from some financial reporting obligations while the interbank offer rates (IBOR) are replaced by risk-free interest rates (RFR).

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 2021 and 2020, 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 2021 that the Parent Company's Governing Board will propose to members for approval at the Annual General Meeting, together with the appropriation for 2020 approved at the General Meeting held on 14 May 2021, is as follows:

	Thousands of euros	
	2021	2020
Profit or (-) loss for the year before mandatory allocation to the Education and Development Fund and after Income Tax	97,881	90,249
To dividends and remuneration (*)	(1,688)	(1,678)
Total retained earnings or surplus available	**96,193**	**88,571**
To the Mandatory Reserve Fund	86,574	79,714
To the Education and Development Fund	9,619	8,857
Total distributed	**96,193**	**88,571**

(*) At 31 December 2021, no interim dividend had been paid. At 31 December 2020, an interim dividend of EUR 417 thousand was recorded.

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 2021 and 2020:

Board members	Thousands of euros 2021	2020
Ignacio Terés Los Arcos	21	19
Pedro Jesús Irisarri Valencia	5	5
Marcelino Etayo Andueza	5	5
Carlos Sánchez Diestro	5	5
Alberto Arrondo Lahera	2	2
Manuel García Díaz de Cerio	2	2
Ana María Eizaguirre Larrañaga	1	-
Ainhize Muratori Irurzun	1	-
Roberto Zabaleta Ciriza	1	1
Fernando Olleta Gayarre	2	2
Jesús María del Castillo Torres	2	2
Gabriel Urrutia Aicega	2	2
Pedro Jose Goñi Juamperez	2	2
Ignacio Zabaleta Jurio	5	4
Jose Joaquín Rodríguez Eguilaz	2	2
Fermín Esandi Santesteban	2	2
Total	**60**	**55**

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 46 thousand and EUR 35 thousand in 2021 and 2020, respectively, and were recognized under "Other administrative expenses" in the 2021 income statement.

Loans

Any credit facilities extended to members of the Parent Company's Governing Board at 31 December 2021 and 2020 are detailed in Note 39.

Remuneration paid to senior executives

Ordinary remuneration accrued by the Parent Company's senior executives in 2021 totalled EUR 2,423 thousand. This amount was shared among 19 persons composing the "identified staff" – executives whose professional activities have a major incidence on the Parent Company's risk profile – including the Managing Director and other managers. Remuneration in 2020 was EUR 1,744 thousand to 14 people. The Bank has no additional commitments with any member of senior management beyond their entitlements as employees of the Parent Company (Note 2.t).

As well as ordinary remuneration, the Bank's employees, including members of senior management also received one-off extraordinary remuneration in 2020 (Note 33).

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 securities

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 2021 and 2020 is as follows:

Credit rating	2021	2020	S&P´s	Moody´s	Fitch	DBRS
1	11.91%	9.33%	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AAL
2	71.86%	73.34%	A+ a-	A1 to A3	A+ a-	AH to AL
3	14.95%	15.97%	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBBH to BBBL
4	0.33%	0.34%	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BBH to BBL
5	0.01%	0.02%	B+ to B-	B1 to B3	B+ to B-	BH to BL
6	0.02%	-	Lower than B-	Lower than B3	Lower than B-	Lower than BL
Unrated	0.92%	1.00%				
	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 approving loans, one of the highest priorities for the Bank is case-by-case analyses, which take account of the type of applicant (individual, company, agricultural sector, etc.), type of facility (working capital, 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 2021 and 2020:

	Thousands of euros	
	2021	2020
Loans and advances – Customers	9,446,163	9,313,938
Loans and advances – Credit institutions	145,291	123,963
Debt securities	4,788,966	4,379,268
Derivatives	9,877	16,980
Guarantees given	965,363	729,699
Total risk	**15,355,660**	**14,563,848**
Credit lines drawable by third parties	1,611,291	1,396,654
Total exposure	**16,966,951**	**15,960,502**

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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Mortgages (guaranteed by real property)	5,149,575	4,685,046
Residential buildings	4,032,163	3,704,415
Commercial buildings	1,117,412	980,631
Other loans with real guarantees	191,708	199,660
Cash	41,247	41,492
Other	150,461	158,168
Financial guarantees received	1,734,107	1,650,214
Total	**7,075,390**	**6,534,920**

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

Sector

	2021	2020
Farming and cattle-raising	3.39%	3.30%
Industry and construction	21.54%	22.32%
Services	22.85%	21.79%
Personal and other	52.22%	52.59%

Impaired assets and impairment adjustments

	2021	2020
Total impaired assets (Note 10)	179,511	176,466
Total loans and advances to customers, gross (before valuation adjustments)	9,628,551	9,497,353
Total loans and advances to customers, gross, excluding balances with financial corporations (before valuation adjustments)	9,595,530	8,961,797
NPL ratio (*)	1.87%	1.97%
Total valuation adjustments for impairment of financial assets	212,716	204,202
NPL coverage	118.50%	115.72%
Coverage of total loans and advances to customers	2.21%	2.15%

(*) The calculation of this ratio does not include balances with financial corporations in order to more accurately reflect the NPL ratio.

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 2021, only three groups are considered to be a “large exposure”, 10% or more of capital. Exposure to these groups totals EUR 606,248 thousand, equivalent to 142.54% of capital. At 31 December 2020, only two groups were considered to be a “large exposure”, 10% or more of capital. Exposure to these groups totals EUR 382,896 thousand, equivalent to 29.08% of capital.

The table below gives a breakdown of "Loans and advances to customers" in "Financial assets at amortized cost – Loans and advances – Customers" by type of counterparty at 31 December 2021 and 2020, 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)				
31/12/2021 (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	221,890	393	26	404	10	4	-	-
Other financial corporations and self-employed (financial businesses)	75,294	9,215	25	562	4,083	4,124	471	-
Non-financial corporations and self-employed (non-financial businesses) by purpose	4,252,054	1,042,712	173,456	393,238	324,412	255,507	116,454	126,556
- Construction and real-estate development (including land) (d)	452,857	373,802	10,914	117,828	107,955	70,118	39,335	49,481
- Civil engineering	33,396	2,798	5,330	580	517	4,966	2,064	1
- Other	3,765,801	666,112	157,213	274,830	215,941	180,424	75,056	77,075
Large corporates (e)	784,163	30,727	8,612	24,584	3,988	8,073	2,694	-
SMEs and self-employed	2,981,638	635,385	148,600	250,246	211,952	172,351	72,362	77,075
Other households (f) by purpose (g)	4,875,425	4,344,264	33,871	623,580	997,206	1,577,747	739,698	439,903
– Housing	4,320,867	4,172,254	17,023	560,315	948,866	1,537,230	724,094	418,773
– Consumption	84,996	10,864	2,828	5,137	4,374	2,670	1,047	464
– Other	469,562	161,146	14,020	58,128	43,966	37,847	14,557	20,666
TOTAL	**9,424,662**	**5,396,583**	**207,378**	**1,017,785**	**1,325,711**	**1,837,382**	**856,624**	**566,459**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured loans	77,144	47,993	1,217	17,458	13,483	10,927	3,837	3,505

				Secured loans: Carrying amount/last appraised value (loan to value) (c)				
31/12/2020 (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	223,371	776	52	798	-	20	10	-
Other financial corporations and self-employed (financial businesses)	563,544	7,593	513,167	752	2,425	4,433	6	513,145
Non-financial corporations and self-employed (non-financial businesses) by purpose	3,988,771	1,031,936	183,714	393,703	308,390	255,285	106,748	151,526
- Construction and real-estate development (including land) (d)	436,643	348,834	10,533	106,645	94,269	68,682	24,679	65,093
- Civil engineering	46,922	14,240	5,554	5,780	850	8,683	2,469	2,012
- Other	3,505,206	668,862	167,627	281,278	213,271	177,920	79,601	84,421
Large corporates (e)	669,597	20,971	10,462	20,139	4,409	3,769	2,380	736
SMEs and self-employed	2,835,609	647,891	157,165	261,139	208,862	174,150	77,220	83,685
Other households (f) by purpose (g)	4,520,056	4,049,263	28,929	552,241	844,521	1,358,983	724,791	597,656
– Housing	3,987,992	3,870,986	13,583	491,720	795,142	1,318,211	707,931	571,566
– Consumption	85,109	13,033	2,755	5,111	5,368	2,774	1,435	1,102
– Other	446,955	165,243	12,591	55,410	44,011	37,999	15,425	24,988
TOTAL	**9,295,742**	**5,089,568**	**725,863**	**947,493**	**1,155,335**	**1,618,721**	**831,555**	**1,262,327**
MEMORANDUM ITEMS								
Refinancing, refinanced and restructured loans	54,071	39,451	387	13,492	10,239	10,220	2,965	2,924

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

(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 loan, 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 2021 and 2020:

31/12/2021	Total	Spain	Rest of EU	America	Rest of World
Central banks and credit institutions	2,276,859	1,675,345	431,993	55,726	113,794
General governments	3,646,086	3,342,079	288,945	-	15,062
– Central government	3,126,009	2,847,064	278,945	-	
– Other public sector	520,077	495,014	10,000	-	15,062
Other financial corporations and self-employed (financial businesses)	611,699	440,345	106,345	24,739	40,269
Non-financial corporations and self-employed (non-financial businesses)	5,380,297	5,090,566	202,118	54,580	33,033
- Construction and real estate development (including land) (b)	697,804	697,620	-	-	185
– Civil engineering	61,546	61,546	-	--	
- Other	4,620,947	4,331,401	202,118	54,580	32,848
Large corporates (c)	1,351,974	1,130,990	160,953	36,421	23,609
SMEs and self-employed (c)	3,268,973	3,200,410	41,164	18,158	9,240
Other households (d)	4,890,919	4,879,391	4,283	1,516	5,729
– Housing	4,320,867	4,314,671	4,144	847	1,205
– Consumption	84,996	84,931	62	2	1
– Other	485,056	479,788	77	667	4,524
TOTAL	**16,805,860**	**15,427,726**	**1,033,684**	**136,562**	**207,888**

Total Navarre Madrid Basque C. La Rioja Other

31/12/2021 Spain	**Total**	**Navarre**	**Madrid**	**Basque Country**	**La Rioja**	**Other**
			REGIONAL GOVERNMENTS			
Central banks and credit institutions	1,675,345	149,938	1,336,521	63,633	-	125,253
General governments	3,342,079	69,077	87,755	152,077	13,165	3,020,005
– Central government	2,847,064	-	-	-	-	2,847,064
– Other public sector	495,014	69,077	87,755	152,077	13,165	172,940
Other financial corporations and self-employed (financial businesses)	440,345	1,983	387,954	8,516	1,358	40,534
Non-financial corporations and self-employed (non-financial businesses)	5,090,566	1,788,268	380,018	2,040,370	456,930	424,980
– Construction and real estate development (including land) (b)	697,620	221,060	5,061	390,294	52,098	29,107
– Civil engineering	61,546	32,353	6,940	19,617	1,789	847
– Other	4,331,401	1,534,854	368,017	1,630,459	403,043	395,028
Large corporates (c)	1,130,990	294,448	273,374	347,316	42,957	172,895
SMEs and self-employed (c)	3,200,410	1,240,405	94,643	1,283,143	360,086	222,133
Other households (d)	4,879,391	2,276,062	22,956	2,147,382	374,740	58,251
– Housing	4,314,671	1,955,373	19,907	1,984,887	303,614	50,890
– Consumption	84,931	50,021	159	25,862	7,740	1,149
– Other	479,788	270,667	2,889	136,634	63,386	6,212
TOTAL	**15,427,726**	**4,285,328**	**2,215,203**	**4,411,979**	**846,194**	**3,669,022**

31/12/2020	**Total**	**Spain**	**Rest of EU**	**Americas**	**Rest of World**
Central banks and credit institutions	2,272,555	1,740,928	369,998	60,544	101,086
General governments	3,296,478	3,032,808	263,670	-	-
– Central government	2,859,238	2,595,567	263,670	-	-
– Other public sector	437,241	437,241	-	-	-
Other financial corporations and self-employed (financial businesses)	1,091,299	921,144	101,056	31,296	37,803
Non-financial corporations and self-employed (non-financial businesses)	4,905,632	4,682,033	164,868	28,079	30,652
– Construction and real-estate development (including land) (b)	626,379	625,866	59	-	453
– Civil engineering	76,394	76,019	-	375	-
– Other	4,202,859	3,980,148	164,809	27,704	30,199
Large corporates (c)	1,131,286	964,179	131,986	11,449	23,672
SMEs and self-employed (c)	3,071,573	3,015,969	32,822	16,255	6,527
Other households (d)	4,540,306	4,531,135	3,139	1,476	4,556
– Housing	3,987,992	3,982,739	3,019	708	1,527
– Consumption	85,109	85,018	74	14	2
– Other	467,205	463,378	45	755	3,028
TOTAL	**16,106,271**	**14,908,048**	**902,730**	**121,396**	**174,097**

31/12/2020 Spain	REGIONAL GOVERNMENTS Total	Navarre	Madrid	Basque country	La Rioja	Other
Central banks and credit institutions	1,740,928	1,288,345	228,756	94,947	-	128,880
General governments	3,032,808	81,395	80,821	137,641	10,588	2,722,363
– Central government	2,595,567	-	-	-	-	2,595,567
– Other public sector	437,241	81,395	80,821	137,641	10,588	126,796
Other financial corporations and self-employed (financial businesses)	921,144	5,005	867,426	6,156	1,074	41,483
Non-financial corporations and self-employed (non-financial businesses)	4,682,033	1,785,126	252,066	1,848,740	455,362	340,739
– Construction and real-estate development (including land) (b)	625,866	217,241	3,996	323,044	63,565	18,020
– Civil engineering	76,019	29,958	11,585	30,907	3,267	302
– Other	3,980,148	1,537,927	236,486	1,494,789	388,530	322,416
Large corporates (c)	964,179	298,638	177,044	296,960	42,883	148,654
SMEs and self-employed (c)	3,015,969	1,239,289	59,442	1,197,829	345,647	173,762
Other households (d)	4,531,135	2,196,683	17,274	1,910,081	353,196	53,901
– Housing	3,982,739	1,878,839	14,711	1,757,238	284,933	47,018
– Consumption	85,018	50,517	219	25,406	7,546	1,330
– Other	463,378	267,327	2,344	127,437	60,717	5,553
TOTAL	**14,908,048**	**5,356,555**	**1,446,343**	**3,997,565**	**820,220**	**3,287,365**

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

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

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

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

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

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

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

Refinancing

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

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

- Viability of the loan is fundamental. If there is no prospect of viability for the loan and/or customer then there can be no refinancing. If there is no viability the Bank must realize its collateral (foreclosure) or negotiate the taking of assets in lieu of payment to avoid a rise in costs.

- Collateral improvement. No refinancing should lead to a reduction in collateral. All arrangements should tend to increase the collateral already held by the Group.

- Try to reduce the size of the loan. As a rule, the Group's risk to its customer, should not increase unless the increase in collateral reduces the risk to below its previous level.

- Allow for possible problems in the event of insolvency. When dealing with companies, it is essential to be aware of the law on accepting guarantees and the circumstances in which they may be cancelled.

- Improve the Group's position. The aim of these transactions must always be to improve the Group's position relative to the debtor and other creditors.

- Medium/long-term vision. It is essential to seek comprehensive solutions for customers in the medium/long term.

- Approval by central services. These transactions must all be approved by central services.

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

- Individuals

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

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

    - Inclusion of guarantors that could on their own either settle the debt or contribute to its repayment.

- Legal entities

  - A credible viability/repayment plan must be submitted. 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 standard 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 2021 and 2020, of the refinancing, refinanced and restructured loans made by the Bank:

31 December 2021	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	129	92	-	(38)	-	-	1	129	92	-	(38)
Non-financial corporations and self-employed (non-financial businesses)	179	35,791	159	46,262	42,414	1,309	(26,093)	54	15,525	87	26,229	22,963	1,147	(24,528)
Of which: Loans for construction and real estate development (including land)	1	326	26	12,329	10,467	-	(5,320)	-	-	9	6,791	5,344	-	(4,740)
Other households	88	3,526	181	25,449	21,107	255	(7,883)	54	1,383	78	13,995	10,618	-	(7,018)
Total	267	39,317	341	71,841	63,613	1,565	(34,014)	108	16,907	166	40,354	33,674	1,147	(31,584)
NEW INFORMATION														
Loans classified as non-current assets and liabilities and disposal groups held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-

31 December 2020	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	37	37	-	(4)	-	-	1	37	37	-	(4)
Non-financial corporations and self-employed (non-financial businesses)	83	21,401	123	34,997	29,650	330	(19,353)	45	12,668	61	20,438	16,115	330	(17,408)
Of which: Loans for construction and real estate development (including land)	*1*	*18*	*16*	*6,388*	*5,541*	-	*(1,971)*	-	-	*4*	*3,707*	*3,253*	-	*(1,489)*
Other households	62	1,959	153	21,579	17,723	7	(6,508)	38	552	59	11,953	9,087	-	(5,609)
Total	**145**	**23,360**	**277**	**56,576**	**47,410**	**337**	**(25,865)**	**83**	**13,220**	**121**	**32,428**	**25,239**	**330**	**(23,021)**
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 21 October 2021. 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.

Support measures for customers impacted by the Covid-19 pandemic

The economic impact of the Covid-19 pandemic meant that some customers needed adjustments to the repayment schedules on their loans, whether secured or unsecured by mortgages. These support measures were implemented by applying moratoria as provided for in Article 16 bis of Royal Decree-Law 8/2020, of 17 March and Article 27 of Royal Decree-Law 11/2020, of 31 March ("legislative moratoria").

Other measures introduced by Royal Decree-Law 8/2020 addressed the economic difficulties faced by companies and the self-employed in the Covid-19 pandemic, creating a EUR 100,000 million line of state-guaranteed credit to underwrite part of the working capital facilities banks offered companies and the self-employed. Management of the line was entrusted to the Instituto de Crédito Oficial (ICO), which was tasked with channeling enough liquidity to sustain employment and mitigate the economic effects of Covid-19. Organisations could apply for this type of facility until 1 June 2021 provided the limit on the ICO financial guarantees had not been reached.

Similarly, on 3 July 2020 Royal Decree-Law 25/2020 was published, approving the creation of a EUR 40,000 million line of state guarantees to underwrite part of banks' funding to companies and the self-employed for new investment. Organisations could apply for this type of facility until 1 June 2021 provided the limit on the ICO financial guarantees had not been reached.

In addition, the publication of Royal Decree-Law 34/2020, of 17 November, on urgent measures to support business solvency and the energy sector, and in the area of taxation, extended the deadline for applying for these state-backed facilities to 1 June 2021 and also provided for extended maturities and grace periods on these loans for all borrowers who requested them. Specifically, it extended the due date on such transactions by up to three years, provided the maturity of underwritten loan remained no longer than eight years from the date it was initially approved, and increased the grace period for principal repayments by up to an additional twelve months, provided the total grace period, including the initial grace period, was no more than twenty-four months.

Royal Decree-Law 5/2021, of 12 March, on extraordinary measures to support business solvency in response to the COVID-19 pandemic, extended the deadline for applying for ICO Covid-19 credit lines, guaranteed under Royal Decree-Law 8/2020 and Royal Decree-Law 25/2020 to 31 December 2021, and established a series of three actions for dealing with ICO guaranteed financing to strengthen business solvency. The Resolution of the Council of Ministers of 11 May 2021 approved the Code of Practice, to which the Parent Company signed up, that forms the basis for the three types of action possible under this Royal Decree-Law:

- Extension of the maturity date of guarantees
- Conversion of guaranteed financing into participating loans
- Transfers to reduce the outstanding principal on guaranteed loans

Royal Decree-Law 27/2021 and the Agreement of the Council of Ministers of 30 November 2021, approved the extension of ICO financing lines and an expansion of the Code of Practice measures, including extending the application date for new guaranteed financing until 1 June 2022.

In this environment, the Parent Company continued to grant its customers the moratoria supported by the above Royal Decrees (legislative moratoria), and state-backed loans under the ICO Covid-19 line, reaching more people affected by the health crisis.

The legislative moratoria were focused on especially vulnerable groups. These measures involved deferring payments of principal or principal and interest, on a case-by-case basis. The moratoria were focused on individuals, companies and self-employed customers.

The Instituto de Crédito Oficial (ICO) also announced a number of support programmes for the self-employed, SMEs and companies, underwriting between 60% and 80% of new loans for up to 5 years. The amount and term of the guarantee depends on the size of the company and type of product. Customers also took advantage of programmes offered by other public bodies, such as Sociedad de Desarrollo de Navarra, S.L., Compañía de Seguros y Reaseguros, Sociedad Mercantil Estatal (CESCE), and Sociedades de Garantía Recíproca such as Elkargi, S.G.R., which offered support on similar terms and conditions to ICO.

Moratoria and finance with public guarantee granted at 31 December 2020 and 2021:

2021

	Thousands of euros								
	Moratoria				Finance with public guarantee				Guaranteed moratoria and finance
Year granted	Outstanding 31/12/21	Finished 31/12/21	Total	Customers	Outstanding 31/12/21	Finished 31/12/21	Total	Customers	Total
2020	-	60,429	60,429	660	660,383	342,517	1,002,900	6,286	1,063,329
2021	199	9,746	9,945	91	137,757	58,243	196,000	921	196,199
	199	70,175	70,374	751	798,140	400,760	1,198,900	7,207	1,259.528

2020

Thousands of euros						
Moratoria				Finance with public guarantee		Guaranteed moratoria and finance
Outstanding	Finished	Total	Customers	Total	Customers	Total
59,916	513	60,429	660	1,002,900	6,286	1,063,329

The breakdown of guaranteed financing granted by credit risk is as follows:

	Thousands of euros			
	Guaranteed financing			
	Phase 1	Phase 2	Phase 3	Total
Outstanding	765,252	19,863	13,024	798,140
% of total	95.88%	2.49%	1.63%	100.00%
Transactions	5,399	102	54	5,555

At 31 December 2021, the outstanding value of the various ICO-Covid credit lines totalled EUR 798,140 million. The outstanding amount of guaranteed financing transactions granted at 31 December 2020 was EUR 871,734 thousand.

These measures, depending on their type, involve the temporary suspension, in full or in part, of contractual obligations, effectively deferring them for a specified period of time. The moratorium measures granted were not considered substantial changes to the contracts and therefore the amended loans continued to be recognized in the same way as the originals.

Regarding the classification of exposures by credit risk, Caja Rural de Navarra rigorously applied the standards in force at the time the moratoria were granted and strengthened procedures for monitoring credit risk during and at the end of the moratorium period. This means that granting a moratorium does not in itself automatically entail a material increase in risk. Accordingly, transactions subject to moratoria initially continue to be classified in the same category as previously unless their risk profile indicates that they should be downgraded.

Public support for loans does not affect the assessment of a material increase in risk as this is based on the creditworthiness of the instrument and debtor. That said, when estimating expected loss, the level of provisions required may be reduced as the loss on the guaranteed portion of the loan would be measured after the execution of the guarantee. The public guarantees granted by the Spanish government were treated as an integral part of the contractual terms and conditions of the loans on the grounds that the guarantees are granted at the same time as the finance is granted to the customer and the two are therefore inseparable.

b) Market risk

The Group is exposed to market risk due to its banking activities. However, the Parent Company engages in only limited trading on securities markets and mainly controls market risk through a range of limits, 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 2021, it was estimated that a 200 basis point decline in interest rates would reduce net interest income by 6.77% (at 31 December 2020 the impact of such a movement was estimated to be a 8.76% 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 reset 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.

	Thousands of euros								
2021	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Assets									
Loans and advances – Credit institutions	10,617	100,933	33,741	-	-	-	-	-	145,291
Loans and advances – Customers	978,016	1,534,265	3,571,160	842,999	525,788	408,645	247,312	1,337,978	9,446,163
Debt securities	304,483	212,254	410,305	704,776	1,338,985	329,947	377,340	1,110,876	4,788,966
Total	**1,293,116**	**1,847,452**	**4,015,206**	**1,547,775**	**1,864,773**	**738,592**	**624,651**	**2,448,854**	**14,380,420**
	-				-		-		-
Liabilities									
Deposits – Central banks	-	2,113,514	-	-	-	-	-	-	2,113,514
Deposits – Credit institutions	243	144,306	28,143	12,464	10,048	8,611	57,090	52,081	312,986
Deposits– Customers	3,114,994	627,758	1,899,779	316,699	110,656	49,555	19,792	4,121,846	10,261,080
Debt securities issued	-	501,740	99,972	499,613	-	611,765	-	51,565	1,764,655
Total	**3,115,237**	**3,387,318**	**2,027,895**	**828,776**	**120,704**	**669,932**	**76,882**	**4,225,492**	**14,452,235**
Gap	(1,822,121)	(1,539,866)	1,987,311	719,000	1,744,069	68,661	547,769	(1,776,638)	(71,815)
Cumulative gap	(1,822,121)	(3,361,987)	(1,374,676)	(655,676)	1,088,393	1,157,053	1,704,823	(71,815)	(71,815)

	Thousands of euros								
2020	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
Assets									
Loans and advances – Credit institutions	112,420	-	-	11,543	-	-	-	-	123,963
Loans and advances – Customers	1,417,118	1,611,754	3,865,091	658,546	557,631	325,438	200,633	677,728	9,313,939
Debt securities	116,265	423,758	319,336	492,931	688,055	1,245,369	265,987	827,567	4,379,268
Total	**1,645,803**	**2,035,512**	**4,184,427**	**1,163,020**	**1,245,686**	**1,570,807**	**466,620**	**1,505,295**	**13,817,170**
Liabilities									
Deposits – Central banks	-	-	-	346,460	1,589,880	-	-	-	1,936,340
Deposits – Credit institutions	150,027	2,668	11,420	20,727	12,464	10,048	8,611	109,171	325,136
Deposits– Customers	2,305,260	717,668	2,123,229	369,664	184,953	307,674	312,462	3,877,227	10,198,137
Debt securities issued	-	99,910	-	501,225	499,276	-	618,224	51,557	1,770,192
Total	**2,455,287**	**820,246**	**2,134,649**	**1,238,076**	**2,286,573**	**317,722**	**939,297**	**4,037,955**	**14,229,805**
Gap	(809,484)	1,215,266	2,049,778	(75,056)	(1,040,887)	1,253,085	(472,677)	(2,532,660)	(412,635)
Cumulative gap	(809,484)	405,782	2,455,560	2,380,504	1,339,617	2,592,702	2,120,025	(412,635)	(412,635)

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 1,318 thousand at 31 December 2021 (compared with EUR 1,424 thousand at 31 December 2020). 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 2021 and 2020 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						
2021	Demand	Up to 1 month	1 month to 3 months	3 months to 1year	1 year to 5 years	Over 5 years	Total
Assets	-						
Loans and advances – Credit institutions	-	1,159,497	100,885	33,574	58,381	-	1,352,337
Loans and advances – Customers	-	308,206	350,663	970,826	3,922,979	4,750,486	10,303,159
Debt securities	-	303,543	39,497	233,564	2,851,905	1,314,216	4,742,724
Total	-	**1,771,246**	**491,045**	**1,237,964**	**6,833,265**	**6,064,701**	**16,398,221**
Liabilities	-						
Deposits – Central banks	-	-	-	350,000	1,791,300	-	2,141,300
Deposits – Credit institutions	-	82	(3,758)	21,537	95,124	55,041	168,023
Deposits – Customers	-	3,099,445	608,050	1,884,098	529,885	4,131,484	10,252,962
Debt securities issued	- -	-	504,993	105,287	1,119,758	55,511	1,785,549
Total	-	**3,099,527**	**1,109,284**	**2,360,922**	**3,536,068**	**4,242,037**	**14,347,838**
Gap	-	(1,328,281)	(618,239)	(1,122,958)	3,297,197	1,822,665	2,050,383
Cumulative gap	-	(1,328,281)	(1,946,520)	(3,069,479)	227,718	2,050,383	2,050,383

2020	Thousands of euros Demand	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Assets							
Loans and advances – Credit institutions		112,420	-	-	11,543	-	123,963
Loans and advances – Customers		826,950	291,922	986,077	3,779,548	4,183,415	10,067,912
Debt securities		114,465	224,374	347,640	2,851,849	947,414	4,485,742
Total		**1,053,835**	**516,296**	**1,333,717**	**6,642,940**	**5,130,829**	**14,677,617**
Liabilities							
Deposits – Central banks		-	-	-	1,936,340	-	1,936,340
Deposits – Credit institutions		196	(4,149)	(5,322)	192,042	131,961	314,728
Deposits – Customers		2,288,117	698,621	2,089,021	1,226,264	3,887,215	10,189,238
Debt securities issued		-	4,998	5,437	1,725,224	57,347	1,793,006
Total		**2,288,313**	**699,470**	**2,089,136**	**5,079,870**	**4,076,523**	**14,233,312**
Gap		(1,234,478)	(183,174)	(755,419)	1,563,070	1,054,306	444,305
Cumulative gap		(1,234,478)	(1,417,652)	(2,173,071)	(610,001)	444,305	444,305

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.

Also, some 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 2021 and 2020, of the financial assets and liabilities indicated below grouped according to the different measurement methods used by the Group to determine fair value:

2021	Thousands of euros				
			Fair value hierarchy		
	Total balance	Fair value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	1,138,650	1,138,650	1,138,650	-	-
Financial assets held for trading	5,744	5,744	3,677	-	2,067
Financial assets not held for trading mandatorily measured at fair value through profit or loss	4,218	4,218	11	461	3,746
Financial assets at fair value through other comprehensive income	1,410,809	1,410,809	1,135,231	35,373	240,205
Financial assets at amortized cost	13,256,139	14,181,454	3,748,896	10,199,365	233,194
Derivatives – hedge accounting	7,810	7,810	-	7,636	174
Total financial assets	**15,823,370**	**16,748,685**	**6,026,465**	**10,242,835**	**479,386**
Financial liabilities held for trading	1,362	1,362	-	-	1,362
Financial liabilities at amortized cost	14,606,820	14,514,300	-	14,193,546	320,754
Derivatives – hedge accounting	66,612	66,612	-	66,612	-
Total financial liabilities	**14,674,794**	**14,582,274**	**-**	**14,260,158**	**322,116**

2020	Thousands of euros				
			Fair value hierarchy		
	Total balance	Fair value	Level 1	Level 2	Level 3
Cash, cash balances at central banks and other demand deposits	1,282,136	1,282,136	1,282,136	-	-
Financial assets held for trading	6,002	6,002	2,879	-	3,123
Financial assets not held for trading mandatorily measured at fair value through profit or loss	7,570	7,570	1,461	-	6,109
Financial assets at fair value through other comprehensive income	1,358,754	1,358,754	1,114,409	35,478	208,867
Financial assets at amortized cost	12,669,450	13,836,087	3,402,610	10,243,241	190,236
Derivatives – hedge accounting	13,856	13,856	-	13,443	413
Total financial assets	**15,337,768**	**16,504,405**	**5,803,495**	**10,292,162**	**408,748**
Financial liabilities held for trading	1,732	1,732	-	-	1,732
Financial liabilities at amortized cost	14,333,854	14,423,105	-	14,161,729	261,376
Derivatives – hedge accounting	97	97	-	97	-
Total financial liabilities	**14,335,683**	**14,424,934**	**-**	**14,161,826**	**263,108**

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 maturity. 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.

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 reset 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 2021 and 2020. Movements in Level 3 assets during both years were as follows:

	Assets	Liabilities
Balance at 31 December 2019	**383,898**	**218,904**
Valuation adjustments recognized in income	-	-
Valuation adjustments not recognized in income	(10,685)	-
Purchases, sales and settlements	35,535	44,204
Net inflows/(outflows) to Level 3	-	-
Translation and other differences	-	-
Balance at 31 December 2020	**408,748**	**263,108**
Valuation adjustments recognized in income	-	-
Valuation adjustments not recognized in income	25,414	-
Purchases, sales and settlements	45,224	59,008
Net inflows/(outflows) to Level 3	-	-
Translation and other differences	-	-
Balance at 31 December 2021	**479,386**	**322,116**

e) <u>Transparency of information on loans for construction and real estate development, home loans, assets received in settlement of debts and finance requirements and strategies</u>

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:

<u>Information on loans for construction and real estate development</u>

The value of loans for construction and real estate development and associated coverage at 31 December 2021 and 2020 was as follows:

	2021		
	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)	465,876	158,043	(10,667)
Of which: in arrears/doubtful	8,244	3,686	(5,656)
Memorandum items: Write-offs	52,276		
Memorandum items:			
- Loans and advances to customers, excluding public sector (Spanish businesses) (carrying amount)	9,203,994		
- Total assets (all businesses)	16,333,119		
- Impairment and provisions for exposures classified as standard (all business)	102,295		

	2020		
	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)	359,747	180,839	(10,548)
Of which: in arrears/doubtful	6,166	4,569	(4,336)
Memorandum items: Write-offs	52,607		
Memorandum items:			
- Loans and advances to customers, excluding public sector (Spanish businesses) (carrying amount)	9,072,426		
- Total assets (all businesses)	15,847,716		
- Impairment and provisions for exposures classified as standard (all business)	99,985		

The table below shows disclosures of finance for construction, real estate development and home loans at 31 December 2021 and 2020:

	Loans for construction and real estate development. Gross carrying amount	
	2021	**2020**
Unsecured by property	80,642	33,313
Secured by property	385,234	326,434
Buildings and other completed constructions	132,203	96,067
Homes	56,670	86,917
Other	75,533	9,150
Buildings and other constructions under construction	207,752	204,602
Homes	198,766	204,301
Other	8,986	301
Land	45,280	25,765
Consolidated urban land	24,946	17,573
Other land	20,334	8,192
Total	**465,876**	**359,747**

Information on home loans

The breakdown of home loans at 31 December 2021 and 2020, is as follows:

	2021		2020	
	Gross carrying amount	**Of which: in arrears/doubtful**	**Gross carrying amount**	**Of which: in arrears/doubtful**
Home loans	4,191,363	28,235	3,861,642	29,101
Unsecured by mortgages	116,685	317	91,390	563
Secured by mortgages	4,074,677	27,918	3,770,252	28,538

At 31 December 2021 and 2020 the breakdown of home loans secured by mortgages according to the percentage loan to latest available value is as follows:

	LTV					
	2021					
	LTV under 40%	**LTV 40-60%**	**LTV 60-80%**	**LTV 80-100%**	**LTV over 100%**	**Total**
Gross carrying amount	517,606	921,381	1,509,886	717,448	408,356	4,074,677
Of which: in arrears/doubtful	2,936	4,854	7,895	6,028	6,205	27,918

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	LTV					
	2020					
	LTV under 40%	LTV 40-60%	LTV 60-80%	LTV 80-100%	LTV over 100%	Total
Gross carrying amount	449,438	765,053	1,290,434	696,517	568,810	3,770,252
Of which: in arrears/doubtful	3,720	3,128	6,361	5,874	9,455	28,538

Information on assets acquired in settlement of debt

The detail of assets acquired in settlement of debt at 31 December 2021 and 2020 is as follows:

	Thousands of euros			
	2021		2020	
	Gross carrying amount	Cumulative impairment	Gross carrying amount	Cumulative impairment
Real estate assets acquired from construction and real estate development loans	37,933	15,470	40,774	15,733
Buildings and other completed constructions	5,236	417	6,506	701
Homes	2,405	175	3,138	503
Other	2,831	242	3,368	198
Buildings and other constructions under construction	49	49	49	49
Homes	-	-	-	-
Other	49	49	49	49
Land	32,647	15,004	34,219	14,983
Consolidated urban land	13,070	6,578	14,324	6,921
Other land	19,578	8,426	19,895	8,062
Real estate assets originating from loans to individuals to fund home purchases	4,219	623	5,119	875
Other real estate assets foreclosed or received in settlement of debt	7,114	2,032	9,641	2,533
Equity instruments foreclosed or received in settlement of debt	945	765	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	**50,211**	**18,890**	**56,479**	**19,141**

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 2021 and 2020 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 2021 and 2020 was EUR 19,764 thousand and EUR 20,599 thousand, respectively, and the net carrying amount of the company at these two dates was EUR 10,327 thousand and EUR 10,780 thousand, respectively. At 31 December 2021 the balance of capital or member contributions transferred to the company was EUR 85,301 thousand (EUR 84,046 thousand at 31 December 2020), against a revaluation for impairment of EUR 76,024 thousand (EUR 76,863 thousand at 31 December 2020).

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, including those that can be used to meet the requirements of regulations or prudential supervision, subordinated or unsubordinated, 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 2021 and 2020 is as follows:

	Thousands of Euros	
	2021	**2020**
Cash	47,815	49,572
Cash balances at central banks	-	-
Other demand deposits	1,090,835	1,232,564
	1,138,650	**1,282,136**

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 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 141,806 thousand and EUR 54,672 thousand at 31 December 2021 and 2020, 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 2021 was -0.18%
(-0.18% in 2020). Interest accrued on the financial assets included in this portfolio in 2021 totalled a negative EUR 3,058 thousand compared with a negative EUR 2,248 thousand in 2020 (Note 26).

8. Financial assets and liabilities held for trading

The breakdown of this line of the statement of financial position at 31 December 2021 and 2020 by type of counterparty and type of instrument is as follows:

	Thousands of euros			
	Assets		Liabilities	
	2021	2020	2021	2020
By counterparty				
Credit institutions	2,301	2,556	553	1,319
Other resident sectors	3,443	3,446	829	413
Other non-resident sectors	-	-	-	-
Total	**5,744**	**6,002**	**1,362**	**1,732**

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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Shares in credit institutions	825	752
Shares in other resident companies	2,852	2,126
Shares in other non-resident companies	-	-
Total	**3,677**	**2,878**

All securities classified as "Equity instruments" at 31 December 2021 and 2020 were shares listed for trading on official markets.

Financial assets held for trading. Derivatives

This line includes, at 31 December 2021 and 2020:

- 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		Fair value		Fair value	
	2021	2020	2021	2020	2021	2020
By type of market						
Bilateral (OTC) markets	314,856	295,951	2,067	3,124	1,362	1,732
TOTAL	**314,856**	**295,951**	**2,067**	**3,124**	**1,362**	**1,732**
By type of product						
Swaps	109,460	178,142	657	1,553	-	-
Futures	107,661	68,752	1,294	1,571	1,362	1,556
Options	97,735	49,057	116	-	1,362	176
TOTAL	**314,856**	**295,951**	**2,067**	**3,124**	**1,362**	**1,732**
By counterparty						
Resident credit institutions	210,986	212,483	1,476	1,805	533	1,319
Other resident sectors	103,870	83,468	591	1,319	829	413
TOTAL	**314,856**	**295,951**	**2,067**	**3,124**	**1,362**	**1,732**
By residual term to maturity						
Less than 1 year	126,299	87,390	1,323	1,648	1,362	1,556
1 to 5 years	79,097	79,288	87	99	-	176
More than 5 years	109,460	129,273	657	1,377	-	-
TOTAL	**314,856**	**295,951**	**2,067**	**3,124**	**1,362**	**1,732**
By type of risk						
Interest rate risk	109,460	178,142	657	1,553	-	-
Equity risk	97,735	49,057	116	-	116	176
Currency risk	107,661	68,752	1,294	1,571	1,246	1,556
TOTAL	**314,856**	**295,951**	**2,067**	**3,124**	**1,362**	**1,732**

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.

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	
	2021	**2020**
By counterparty		
Spanish public sector	142,935	278,817
Non-resident General governments	26,656	5,682
Credit institutions	574,104	501,126
Other resident sectors	338,534	322,188
Other non-resident sectors	328,580	250,941
Total	**1,410,809**	**1,358,754**
By type of instrument		
Debt securities	1,120,063	1,110,151
Spanish government debt	142,935	278,817
Non-resident General governments	26,656	5,682
Issued by credit institutions	565,762	495,666
Other Spanish fixed-income securities	94,731	94,141
Other non-resident fixed-income securities	289,979	235,845
Equity instruments	290,746	248,603
Shares in credit institutions	8,342	6,108
Shares in Spanish companies	242,690	226,311
Shares in foreign companies	27,782	11,351
Units and shares in investment funds	11,932	4,833
Total	**1,410,809**	**1,358,754**

The average annual interest rate for debt securities included in “Financial assets at financial assets at fair value through other comprehensive income” in 2021 was 0.38% (0.48% in 2020), while interest accrued in 2021 on these financial assets was EUR 4,139 thousand (EUR 4,515 thousand in 2020) (Note 25).

A breakdown by residual term to maturity at 31 December 2021 and 2020 is given in Note 6.

At the close of 2021 and 2020, 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:

	2021		2020	
	Thousands of euros	**% of Total**	**Thousands of euros**	**% of Total**
Listed for trading	49,747	17.11%	39,084	15.72%
Not listed for trading	240,999	82.89%	209,519	84.28%
	290,746	**100.00%**	**248,603**	**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	
	2021	2020
Company		
Banco Cooperativo Español, S.A. (*)	5	5
Seguros Generales Rural, S.A. de Seguros y Reaseguros (*)	1	1
Grucajrural Inversiones, S.L. (**)	214,941	183,682
Espiga Equity Fund, Fondo de Capital Riesgo de Régimen Simplificado	344	506
Rural Servicios Informáticos, S.C. (*)	16,248	12,653
Docalia, S.L. (*)	2,307	2,003
Nessa Global Banking Solutions, S.A.	279	279
DZ Bank A.G.	1,285	1,176
Minicentrales Canal de las Bardenas A.I.E.	180	180
Start-Up Capital Navarra, S.A.	137	137
Caja Rural de Jaén, S.C.C.	648	648
Caja Rural de Burgos, Fuentepelayo, Segovia y Castelldans, S.C.C.	654	819
Caja Rural de Teruel, S.C.C.	-	71
Guuk Telecom, S.A.	-	3,200
Other reserves	3,970	4,159
Total	**240,999**	**209,519**

(*) Due to agreements between existing shareholders, the Group considered that the best evidence to establish the fair value of these companies was its ownership interest in these companies on the basis of its share in their equity at 31 December 2021 and 2020.

(**) The Group derived the fair value of this investment at 31 de December 2021 and 2020 from the appraisal value of an independent third party.

On 12 May 2020, the Board of Directors of Grucajrural Inversiones, S.L. approved the scrip dividend, paid for by a capital increase charged against the share premium of Grucajrural Inversiones, S.L., and the payment of a EUR 13.2 million interim dividend.

The General Meeting of Partners de Grucajrural Inversiones, S.L. held on 27 May 2021 agreed to pay the scrip dividend as a EUR 51 million capital increase charged against the share premium of Grucajrural Inversiones, S.L. accompanied by an offer to acquire free allotment rights.

The scrip dividend was funded by a capital increase via the issue of 2,225,569,000 new shares at a ratio of 1,000 new shares for each 17,411 existing shares. Face value was EUR 0.01 per share, with no share premium. It took the form of a EUR 22,255,569 capital increase by Grucajrural Inversiones, S.L with a fair value per share of EUR 0.022930, equivalent to the fair value per share at 31 December 2020. Grucajrural Inversiones, S.L. also offered to buy back free allotment rights at EUR 0.001317 per right.

Accordingly, the Parent Company, as a partner in Grucajrural Inversiones, S.L., both in 2021 and 2020, opted to subscribe for its full allotment of shares pro rata its stake in the share capital and sell the surplus free rights.

Following these transactions, the Parent Company recognised EUR 10,596 thousand (2020: EUR 6,241 thousand under "Dividend income" in the income statement (Note 27).

Also, on 12 May 2020, in order to transfer EUR 13.2 million in respect of the ordinary dividend received by Rural Servicios Generales corresponding to net income for 2020, the Bank was paid an interim dividend of EUR 2,696 thousand. In 2021, RGA paid no dividend.

The main differences in 2021 from previous years were as follows:

- The value of the investment in Grucjarural Inversiones, S.L. increased by EUR 31,259 thousand as a result of carrying the company at fair value and the abovementioned scrip dividend.

- Regarding the investment in Rural Servicios Informáticos, S.C., on 27 May 2021, its General Meeting of Partners voted to hold a EUR 11,958 thousand capital increase, by issuing 810,711 new shares with nominal value of EUR 14.75, and associated share premium of EUR 1,993 thousand. The capital increase was structured as a conversion of debt. As a result, the Bank subscribed for 154,426 new shares charged to the conversion of an existing EUR 2,657 thousand debt. On 16 July 2021, the Bank also acquired 14,447 new shares. The acquisition cost was EUR 258 thousand. Finally, at the end of 2021, the Bank recognised EUR 680 thousand of positive valuation adjustments.

The breakdown of "Accumulated other comprehensive income" shown under equity at 31 December 2021 and 2020 resulting from changes in the fair value of the assets in this portfolio is as follows:

	Thousands of euros	
	2021	**2020**
Debt securities	5,181	12,747
Equity instruments	43,732	20,153
	48,913	**32,900**

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 2021 and 2020 accounting close due to the impairment of debt securities included in "Financial assets at fair value through other comprehensive income" are as follows:

	Thousands of euros	
	2021	**2020**
Opening balance	1,940	1,582
Net additions charged/(credited) to income	133	358
Balances for the year	-	-
Other movements	-	-
Opening balance	**2,073**	**1,940**

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	
	2021	**20120**
Loans and advances		
Credit institutions	145,291	123,963
Customers	9,442,417	9,308,345
Debt securities	3,668,431	3,267,142
Total	**13,256,139**	**12,699,450**

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	
	2021	**2020**
By type		
Term deposits	145,276	109,736
Other assets	-	14,184
Total	**145,276**	**123,920**
Valuation adjustments	15	43
Total	145,291	123,963
By currency		
Euro	107,127	112,377
US dollar	36,222	9,768
Other	1,942	1,818
Total	**145,291**	**123,963**

In accordance with Article 10 of European Central Bank Regulation (EC) 1745/2003 of 12 September 2003, concerning the application of minimum reserves, the Parent Company uses the services of Banco Cooperativo Español, S.A. to indirectly maintain its minimum reserves through an intermediary. Accordingly, the Bank holds a deposit in the Banco Cooperativo Español, S.A. for the purpose of indirect compliance with the minimum reserves rate, registered under “Term accounts”, with a balance at 31 December 2021 of EUR 100,933 thousand, compared with EUR 98,193 thousand at 31 December 2020.

A breakdown by residual term to maturity in 2021 and 2020 is given in Note 6.

The average annual interest rate applied to deposits with credit institutions in 2021 was 0.04% (0.43% in 2020). Interest accrued on the financial assets included in this portfolio in 2021 totalled EUR 49 thousand compared with EUR 495 thousand in 2020 (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	
	2021	**2020**
Gross risk	9,628,551	9,497,353
Of which doubtful assets (Note 6.a)	179,511	176,466
Valuation adjustments	(186,134)	(189,008)
Total	**9,442,417**	**9,308,345**
By product		
On demand and short notice	1,093	798
Credit cards	48,625	41,003
Trade debtors	503,975	429,797
Finance leases	171,973	184,671
Reverse repurchase agreements	-	513,145
Other term loans	8,699,852	8,124,170
Non-loan advances	16,899	14,762
Total	**9,442,417**	**9,308,345**
By borrower sector		
General governments	223,190	225,820
Other financial corporations	74,379	562,546
Non-financial corporations	3,923,336	3,642,698
Home loans	5,221,512	4,877,281
Total	**9,442,417**	**9,308,345**
By guarantee		
Mortgages (guaranteed by real property)	5,149,575	4,685,046
Other loans with real guarantees	191,671	712,805
Financial guarantees received	1,734,107	1,650,214
Unsecured loans	2,367,064	2,260,280
Total	**9,442,417**	**9,308,345**
By interest rate type		
Floating	7,045,720	7,615,890
Fixed	2,396,697	1,692,455
Total	**9,442,417**	**9,308,345**

The average annual interest rate applied to the financial instruments included in this item in 2021 was 1.26% (1.42% in 2020) and the interest accrued was EUR 113,054 thousand (EUR 119,517 thousand in 2020) (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 112,525 thousand and EUR 131,516 thousand at 31 December 2021 and 2020, respectively.

In addition, a liability of EUR 28,426 thousand was recognized in "Financial liabilities at amortized cost – Deposits – Customers" at 31 December 2021 (EUR 2,600 thousand at 31 December 2020) (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.

On 3 December 2021 the Parent Company signed with Europea de Titulización, S.G.F.T.A., manager of the Rural Hipotecario VII fund, and other transferers, an agreement to liquidate the portfolio assets early and therefore to early redeem the securitisation bonds. This agreement had no significant impact on the Bank's financial statements.

In addition, the Group had subordinated loans in the amount of EUR 25,899 thousand outstanding with the aforementioned securitization funds at 31 December 2021 (EUR 27,375 thousand at 31 December 2020).

The detail of the valuation adjustments made in relation to transactions classified as "Loans and advances – Customers" is as follows:

Valuation adjustments	Thousands of euros 2021	2020
Valuation adjustments for impairment of financial assets	(212,716)	(204,202)
Accrued interest	7,740	8,418
Fees and commissions	(15,106)	(11,623)
Transaction costs	33,948	18,399
	(186,134)	**(189,008)**

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

The table below shows financial assets at amortized cost, detailing the credit risk, gross value and associated impairment losses, at 31 December 2021 and 31 December 2020:

	Thousands of euros 31/12/2021	31/12/2020
Gross (*)		
Phase 1 – Normal risk	9,260,584	9,170,248
Phase 2 – Normal risk on special watch	188,456	150,638
Phase 3 – Doubtful risk	179,511	176,466
	9,628,551	9,497,353
Valuation adjustments for impairment		
Phase 1 – Normal risk	(85,454)	(85,605)
Phase 2 – Normal risk on special watch	(12,718)	(13,428)
Phase 3 – Doubtful risk	(114,544)	(105,169)
	(212,716)	(204,202)
Net carrying amount		
Phase 1 – Normal risk	9,175,130	9,084,643
Phase 2 – Normal risk on special watch	175,738	137,210
Phase 3 – Doubtful risk	64,968	71,298
	9,415,836	**9,293,151**

(*) Not including "Other valuation adjustments".

The summary of movements by phase in the Parent Company portfolio Loans and advances – Customers in 2021 and 2020, is as follows:

	Phase 2 from Phase 1	Phase 1 from Phase 2	Phase 3 from Phase 2	Phase 2 from Phase 3	Phase 3 from Phase 1	Phase 1 from Phase 3
2021	81,054	14,237	11,399	2,777	16,998	2,692
2020	78,037	17,703	16,215	2,705	41,426	4,373

Details of the movement in 2021 and 2020 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 2021	85,605	13,428	105,169	204,202
Increases from origination/(Reductions from derecognition)	2,243	(45)	2,533	4,731
Changes in credit risk (net)	(5,514)	3,417	20,613	18,516
Changes without derecognition (net)	-	24	(95)	(71)
Decreases due to derecognized write-offs	-	-	(6,573)	(6,573)
Other movements	(224)	(768)	935	(57)
Opening balance 2021	**85,454**	**12,718**	**114,544**	**(212,716)**

	Phase 1	Phase 2	Phase 3	Total
Opening balance 2020	34,009	12,296	83,267	129,572
Increases from origination/(Reductions from derecognition)	4,810	(937)	164	2,037
Changes in credit risk (net)	46,949	8,771	21,539	77,259
Changes without derecognition (net)	-	-	(2)	(2)
Decreases due to derecognized write-offs	-	-	(6,566)	(6,566)
Other movements	(163)	(6,702)	6,767	(98)
Opening balance 2020	**85,605**	**13,428**	**105,169**	**204,202**

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 2021 and 2020, is as follows:

	Thousands of euros	
	2021	2020
Net impairment in the period	16,536	85,515
Suspense items recovered	(3,695)	(7,047)
Assets directly derecognized	1,607	358
Other items	-	-
Total (Note 36)	**14,448**	**78,826**

The impairment losses recognized at 31 December 2021 and 2020 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	
	2021	**2020**
Counterparty		
Spanish public sector	2,911,207	2,463,460
Non-resident General governments	270,351	257,988
Credit institutions	310,517	337,385
Other resident sectors	123,039	131,882
Other non-resident sectors	54,067	77,378
Total	**3,669,181**	**3,268,093**
Valuation adjustments for impairment of financial assets	(750)	(951)
Total	**3,668,431**	**3,267,142**

The average annual interest rate for debt securities included in “Available-for-sale financial assets” in 2021 was 0.63% (0.81% in 2020), while interest accrued in 2021 on these financial assets was EUR 21,532 thousand (EUR 24,932 thousand in 2020) (Note 25).

At 31 December 2021 and 2020, securities lent to other credit institutions totalled EUR 333,213 thousand and EUR 309,655 thousand, respectively.

A breakdown by residual term to maturity at 31 December 2021 and 2020 is given in Note 6.

Details of the valuation adjustments for asset impairment recognized by the Group at the close of 2021 and 2020 for “Debt securities” included in “Financial assets at amortized cost” are as follows:

	2021	**2020**
Closing balance at end of the prior year	951	1,138
Net additions charged/(credited) to income (Note 36)	(201)	(187)
Balances for the year	-	-
Other movements	-	-
Closing balance	**750**	**951**

Impaired assets

Details of financial assets classified as "Financial assets at amortized cost" and considered impaired due to credit risk at 31 December 2021 and 2020:

- Impaired assets

	2021	2020
Up to 6 months overdue or not due	86,902	76,164
6 to 9 months overdue	7,092	7,340
9 to 12 months overdue	3,346	15,418
12 to 15 months overdue	6,084	4,328
15 to 18 months overdue	4,733	8,335
18 to 21 months overdue	3,689	16,475
More than 21 months overdue	67,666	48,406
	179,511	**176,466**

Accumulated finance income from impaired financial assets not recognized in income at 31 December 2021 and 2020 amounted to EUR 4,419 thousand and EUR 4,427 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	
	2021	2020
Opening balance	**250,110**	**246,802**
Additions	13,046	12,250
Charged to valuation adjustments for impairment of financial assets	6,527	6,083
Charged directly to income	698	790
Receivables past-due but not collected	5.81	5,377
Recoveries	(3,695)	(7,047)
Collected in cash	(3,695)	(7,047)
Definitively derecognized	(1,344)	(1,895)
Due to write-offs	(1,344)	(1,895)
Closing balance	**258,117**	**250,110**

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 2021 and 2020 is as follows:

	2021	2020
Debt securities	472	1,975
Loans and advances	3,746	5,595
	4,218	**7,570**

The breakdown of these instruments by rating, in order of the highest rating awarded by any of the rating agencies, at 31 December 2021 and 2020, 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 2021 and 2020 was as follows:

	Thousands of euros			
	Assets		Liabilities	
	2021	2020	2021	2020
Micro-hedging				
Fair value hedges	7,810	13,856	66,460	-
Cash flow hedges	-	-	152	97
	7,810	**13,856**	**66,612**	**97**

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	
By type of market	2021	2020	2021	2020	2021	2020
Bilateral (OTC) markets	552,827	338,869	7,810	13,856	66,612	97
TOTAL	**552,827**	**338,869**	**7,810**	**13,856**	**66,612**	**97**
By type of product	552,827	338,869	7,810	13,856	66,612	97
Swaps						
TOTAL	**552,827**	**338,869**	**7,810**	**13,856**	**66,612**	**97**
By counterparty						
Resident credit institutions	552,827	338,869	7,810	13,856	66,612	97
Other resident sectors	-	-	-	-	-	-
TOTAL	**552,827**	**338,869**	**7,810**	**13,856**	**66,612**	**97**
By residual term to maturity						
Less than 1 year	18,638	58,638	34	192	-	97
1 to 5 years	38,215	280,231	234	13,664	71	-
Over 5 years	495,974	-	7,542	-	66,541	-
TOTAL	**552,827**	**338,869**	**7,810**	**13,856**	**66,612**	**97**
By type of risk						
Interest rate risk	552,827	338,869	7,810	13,856	66,612	97
Equity risk	-	-	-	-	-	-
TOTAL	**552,827**	**338,869**	**7,810**	**13,856**	**66,612**	**97**

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) and inflation-linked debt securities.

- Equity swap, to hedge customer deposits bearing interest at a rate indexed to the price of securities or market indices.

At 31 December 2021, the Group recognized net losses of EUR 29,001 thousand as a result of changes in the fair value of hedging transactions (compared with a net gain of EUR 2,749 thousand in 2020). With regard to the hedged items, a net loss of EUR 29,156 thousand attributable to the hedged risk was recognized in 2021 (versus a net loss of EUR 2,686 thousand in 2020). The net amount of gains from hedges and losses on hedged items was recognized under “Net gain/(loss) from hedge accounting” in the consolidated income statement for 2021 and 2020.

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 2021 and 2020 is as follows:

	2021	2020
Tangible assets	31,321	36,388
Investment property	256	261
Foreclosed property and equipment	49,462	55,730
Valuation adjustments for impairment of financial assets	(18,397)	(19,603)
	31,321	**36,388**

Movements in “Investment property” and “Foreclosed tangible assets” included in “Non-current assets held for sale” in 2021 and 2020 were as follows:

	Thousands of euros	
	Investment property	Foreclosed tangible assets
Cost -		
Balance at 31 December 2019	442	61,153
Additions	-	1,967
Retirements in writedowns	-	(7,387)
Transfers	-	-
Other movements	-	-
Balance at 31 December 2020		
Additions	442	55,730
Retirements and writedowns	-	1,341
Transfers	-	(7,609)
Other movements	-	-
Balance at 31 December 2021	**442**	**49,462**
Accumulated depreciation-		
Balance at 31 December 2019	175	-
Provisions	5	-
Retirements and writedowns	-	-
Transfers	-	-
Balance at 31 December 2020	180	-
Provisions	6	-
Retirements and writedowns	-	-
Transfers	-	-
Balance at 31 December 2021	**186**	**-**
Property and equipment, net -		
Balance at 31 December 2020	**261**	**55,730**
Balance at 31 December 2021	**256**	**49,462**

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, taking into account the parameters set out by Bank of Spain Circular 4/2017 for each type of foreclosed asset and, for real estate development assets existing at 31 December 2011, the criteria set out in Royal Decree-Law 2/2012 of 3 February. 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. The main appraisal companies used by the Bank in 2021 and 2020 were Sociedad de Tasación, S.A., Krata, S.A., Zehazki, S.A., Técnicos en Tasación, S.A., Gestión de Valoraciones y Tasaciones, S.A., Tinsa Tasaciones Inmobiliarias, S.A.U. and Instituto de Valoraciones, S.A..

Asset sales were done on an arm’s length basis. In 2021, EUR 2,740 thousand of finance was granted for sales transactions equivalent to an average of 29.06% of the sale price. This compares to EUR 1,652 thousand and 18.68% in 2020.

The net impact of such sales in 2021 was to add EUR 2,781 thousand to net income (2020: +EUR 494 thousand).

Movements in "Valuation adjustments for impairment of financial assets" in "Non-current assets and disposal groups held for sale" in 2021 and 2020 were as follows:

	2021	2020
Opening balance	19,603	18,639
Net additions charged to income (Note 36)	1,604	1,796
Reversals or sales	-	-
Transfers	(2,810)	(832)
Closing balance	**18,397**	**19,603**

14. Investments in joint ventures and associates

The detail of the Bank's equity investments at 31 December 2021 and 2020, by company, was as follows:

	Thousands of euros					
	% Ownership interest		Acquisition cost		Net carrying amount	
	2021	2020	2021	2020	2021	2020
Associates						
Bodegas Príncipe de Viana, S.L.	50.00%	50.00%	11,015	11,015	13,268	13,451
Omegageo, S.L.	50.00%	50.00%	1,092	1,092	1,439	1,397
Renovables de la Ribera, S.L.	50.00%	50.00%	10,820	10,820	14,068	11,065
Rural de Energía de Tierras Altas, S.A.	50.00%	50.00%	30	30	242	24
Bosqalia, S.L.	48.40%	48.40%	1,452	1,452	435	627
Errotabidea, S.L.	46.01%	46.01%	8,431	8,431	13,309	11,025
Servicios Empresariales Agroindustriales, S.A.	33.33%	33.33%	30	30	183	138
Rioja Vega, S.A.	25.07%	25.07%	4,491	4,491	2,393	2,342
Rural de Energías Aragonesas, S.A.	25.00%	25.00%	475	475	145	342
Compañía Eólica de Tierras Altas, S.A.	23.75%	23.75%	3,184	3,184	4,865	4,802
Iparlat, S.A.	21.54%	21.54%	4,836	4,836	11,233	12,958
Iberjalón, S.A.	20.00%	20.00%	2,222	2,222	3,362	2,289
Total			48,078	48,078	64,942	60,460

At 31 December 2021, EUR 149 thousand of implied goodwill was recognized in the carrying amount of subsidiaries (31 December 2020: EUR 149 thousand).

The activities, registered offices and key performance indicators of companies accounted for by the equity method at 31 December 2021 are as follows:

Company	Domicile	Business	Thousands of euros		
			Total assets	Equity	Income
Bodegas Príncipe de Viana, Ltd. co.	Pamplona	Production and sale of wine	41,285	26,566	(641)
Omegageo, S.L.	Pamplona	Civil engineering and building projects	1,854	2,872	-
Renovables de la Ribera, S.L.	Pamplona	Construction and operation of wind farms	117,408	24,543	5,032
Bosqalia, S.L.	Pamplona	Forestry	3,786	753	(111)
Errotabidea, S.L.	Pamplona	Development and management of rent-controlled housing	42,324	7,758	6,684
Servicios Empresariales Agroindustriales, S.A.	Pamplona	Management of cooperative services	1,172	450	63
Rioja Vega, S.A.	Viana (Navarre)	Production and sale of wine	14,159	9,322	(18)
Rural de Energías Aragonesas, S.A.	Zaragossa	Production and sale of renewable energy	579	579	(1,557)
Compañía Eólica de Tierras Altas, S.A.	Soria	Construction and operation of wind farms	23,125	20,063	(337)
Iparlat, S.A.	Urnieta (Guipúzcoa)	Production of dairy products	142,258	57,282	(901)
Iberjalón, S.A.	Zaragossa	Construction and operation of wind farms	28,771	11,658	2,074

The activities, registered offices and key performance indicators of companies accounted for by the equity method at 31 December 2020 were as follows:

Company	Domicile	Business	Thousands of euros		
			Total assets	Equity	Income
Bodegas Príncipe de Viana, Ltd. co.	Pamplona	Production and sale of wine	43,469	27,520	(459)
Omegageo, S.L.	Pamplona	Civil engineering and building projects	3,993	2,792	(4)
Renovables de la Ribera, S.L.	Pamplona	Construction and operation of wind farms	113,651	22,129	600
Bosqalia, S.L.	Pamplona	Forestry	4,460	1,295	(13)
Errotabidea, S.L.	Pamplona	Development and management of rent-controlled housing	40,609	23,883	1,219
Servicios Empresariales Agroindustriales, S.A.	Pamplona	Management of cooperative services	1,102	415	12
Rioja Vega, S.A.	Viana (Navarre)	Production and sale of wine	15,499	9,397	(384)
Rural de Energías Aragonesas, S.A.	Zaragossa	Generation and sale of renewable energy	1,368	1,368	42
Compañía Eólica de Tierras Altas, S.A.	Soria	Construction and operation of wind farms	23,975	20,219	(163)
Iparlat, S.A.	Urnieta (Guipúzcoa)	Production of dairy products	6,553	63,798	(2,612)
Iberjalón, S.A.	Zaragossa	Construction and operation of wind farms	26,927	10,376	345

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 2021 and 2020, 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 2021 and 2020 were as follows:

	Thousands of euros
Balance at 31 December 2019	**60,502**
Altas	-
Profit or (-) loss of companies accounted for using the equity method	(42)
Retirements	-
Transfers	-
Balance at 31 December 2020	**60,460**
Altas	1,045
Profit or (-) loss of companies accounted for using the equity method	3,437
Retirements	-
Transfers	-
Balance at 31 December 2021	**64,942**

In accordance with the criterion in Note 2.g, no impairment losses were recorded against investments in these companies at 31 December 2021 and 2020.

15. Tangible assets, intangible assets and business combinations

Tangible assets

Movements in "Tangible assets" on the consolidated statement of financial position in 2021 and 2020 were as follows:

	Thousands of euros			
	Property and equipment			
	For own use	Allocated to Social Welfare Fund	Investment property	Total
Cost -				
Balance at 31 December 2019	451,706	416	14,544	466,666
Additions	30,003	-	10,438	40,440
Retirements and writedowns	(9,564)	-	(621)	(10,185)
Additions/(retirements) in business combinations	1,009	-		1,009
Transfers	185	-	(185)	-
Balance at 31 December 2020	473,339	416	24,176	497,930
Additions	7,909	495	4	8,408
Retirements and writedowns	(3,412)	-	(1,441)	(4,853)
Additions/(retirements) in business combinations	26,013	-	5,556	31,569
Transfers	-	-	-	-
Balance at 31 December 2021	**503,849**	**911**	**28,295**	**533,055**
Accumulated depreciation				
Balance at 31 December 2019	233,568	245	2,402	236,215
Provisions	15,505	-	85	15,590
Retirements and writedowns	(7,568)	-	-	(7,568)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2020	241,505	245	2,487	244,237
Provisions	6,375	-	46	6,421
Retirements and writedowns	(3,158)	-		(3,158)
Additions/(retirements) in business combinations	6,722	-	60	6,782
Transfers	-	-	-	-
Balance at 31 December 2021	**251,444**	**245**	**2,593**	**254,282**
Valuation adjustments for impairment				
Balance at 31 December 2019	-	-	5,020	5,020
Provisions (Note 37)	-	-	(251)	(251)
Additions/(retirements) in business combinations	-	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2020	-	-	4,769	4,769
Provisions (Note 37)	-	-	(639)	(639)
Additions/(retirements) in business combinations	-	-	3,125	3,125
Transfers	-	-	-	-
Balance at 31 December 2021	-	-	**7,255**	**7,255**
Property and equipment, net -				
Balance at 31 December 2020	**231,834**	**171**	**16,920**	**248,924**
Balance at 31 December 2021	**252,405**	**666**	**18,447**	**271,518**

Payments in 2021 as a result of the application of IFRS 16 totalled EUR 997 thousand (2020: 952 thousand).

At 31 December 2021 and 2020 the Group had no property and equipment that was temporarily out of service or had been withdrawn from active use.

At 31 December 2021 and 2020 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 125,836 thousand and EUR 130,524 thousand, respectively, at 31 December 2021 and 2020.

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 arising on consolidation

Goodwill arising on consolidation at 31 December 2021 was EUR 8,301 thousand, of which EUR 8,297 thousand related to subsidiary Harantico, S.L. and EUR 4 thousand to Harinas Selectas, S.A. (31 December 2020: EUR 8,301 thousand, of which EUR 8,297 thousand related to subsidiary Harantico, S.L. and EUR 4 thousand to Harinas Selectas, S.A..

Until 11 July 2014, the Parent Company directly owned 50% of the share capital in Harantico, S.L. At that date, the Parent Company acquired an additional 50% of the share capital of Harantico, S.L. securing 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 7 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 seventh year (2029) 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 (5.04% and 5.87% at 31 December 2021 and 2020, 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 2021 and 2020. 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 2021 or 2020.

Other intangible assets – Goodwill

Other goodwill at 31 December 2021 was EUR 2,000 thousand and related in its entirety to subsidiary Harinera del Mar Siglo XXI, S.L. (31 December 2020: EUR 2.500 thousand also related to Harinera del Mar Siglo XXI, S.L.).

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-2021 the Group carried out impairment tests on both these intangible assets acquired in the Harinera del Mar Siglo XXI takeover and the company's business by estimating its recoverable amount.

The valuation methodology used to test for impairment was the same as for the Harántico, S.L. goodwill, with a discount rate of 5.87% and 6.40% in 2020 and 2019, 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 2021 and 2020. 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 2021 or 2020.

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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Assets:		
Inventories relating to non-financial activities	74,191	67,704
Of which: Real estate business	2,256	4,774
Agricultural business	62,538	54,251
Other	9,397	8,679
Transactions in transit	16,205	16,797
Accruals	532	358
Other items	9,700	9,857
	100,628	**94,716**
Liabilities:		
Social Welfare Fund	41,339	36,400
Transactions in transit	50,045	35,194
Accruals	20,801	17,320
Other items	20,040	28,478
	132,225	**117,392**

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 2021 and 2020, 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	
	2021	2020
Consultancy, training and promotion of the cooperative business model	1,924	1,788
Teaching and research	1,050	769
Sports aid	301	84
Charity work	147	380
Cultural, recreational and other activities	363	412
Economic and social development	579	713
Strategic projects	215	-
	4,579	**4,146**

Tangible assets assigned to the Education and Development Fund at 31 December 2021 totalled EUR 666 thousand (31 December 2020: EUR 171 thousand) (Note 15).

The breakdown by item of the balances assigned to the Parent Company's Education and Development Fund at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Application of Education and Development Fund		
Maintenance costs incurred in the year	(4,579)	(4,146)
Financial income	-	-
Applied to property and equipment	171	171
Applied to other investments	24,183	21,458
TOTAL	**19,775**	**17,483**
Amount committed	9,518	7,380
Amount not committed (Note 32)	9,619	8,857
Amount committed for investments	2,427	2,680
TOTAL	**21,564**	**18,917**
Education and Development Fund (Social Welfare Fund)	**41,339**	**36,400**

The Governing Board of Caja Rural de Navarra at its meetings on 31 January 2020 and 29 January 2021 approved the investment of EUR 2,174 thousand and EUR 2,753 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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Deposits	12,687,580	12,459,613
Central banks	2,113,514	1,936,340
Credit institutions	312,986	325,136
Customers	10,261,080	10,198,137
Debt securities issued	1,764,655	1,770,192
Other financial liabilities	154,585	104,049
Total	**14,606,820**	**14,333,854**

Deposits – Central banks

The breakdown of "Deposits – Central banks" in the consolidated statement of financial position at 31 December 2021 and 2020 is as follows:

	Thousands of euros	
	2020	2019
Other central banks	2,141,300	1,947,700
Valuation adjustments	(27,786)	(11,360)
Total	**2,113,514**	**1,936,340**

At 31 December 2021 and 2020, the Bank had various deposits with the ECB totalling EUR 2,141 and EUR 1,948 million, respectively.

The average interest rate on these deposits in 2021 and 2020 was -0.80% in both years, and interest expense accrued on financial liabilities on this portfolio was, respectively, -EUR 16,426 thousand and -EUR 3,886 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	
	2021	**2020**
Type of deposit		
Term deposits	312,718	310,820
Other accounts	-	14,050
Valuation adjustments	268	266
Total	**312,986**	**325,136**
Currency		
Euro	297,605	315,978
US dollar	14,833	8,608
Other currencies	548	550
Total	**312,986**	**325,136**

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

“Term deposits” also included EUR 65,987 thousand at 31 December 2021 corresponding to funds from the Instituto de Credito Oficial (ICO) relating to intermediation loans (EUR 76,513 thousand at 31 December 2020).

The average interest rate of these securities was 0.63% in 2021 (1.33% in 2020) and the accrued interest in 2021 on the financial liabilities included in this portfolio came to EUR 1,048 thousand (EUR 1,327 thousand in 2020) (Note 26).

Deposits – Customers

The breakdown of customer deposits by type of deposit, type of counterparty, type of interest rate and currency of denomination is as follows:

	Thousands of euros	
	2021	**2020**
Type of deposit		
Demand deposits	9,195,190	8,654,353
Term deposits	1,065,663	1,543,164
Reverse repurchase agreements	-	-
Valuation adjustments	227	620
Total	**10,261,080**	**10,198,137**
Type of counterparty		
General governments	528,861	478,579
Other financial corporations	78,152	65,178
Other non-financial corporations	2,601,519	2,512,689
Home loans	7,052,548	7,141,691
Total	**10,261,080**	**10,198,137**
Type of interest rate		
Floating	408,316	423,148
Fixed	9,852,764	9,774,989
Total	**10,261,080**	**10,198,137**
Currency		
Euro	10,218,734	10,154,499
US dollar	38,459	33,420
Other currencies	3,887	10,218
Total	**10,261,080**	**10,198,137**

The average interest rate of these securities was 0.0002% in 2021 (0.004% in 2020) and the accrued interest in 2021 on the financial liabilities included in this portfolio came to EUR 634 thousand (EUR 1,349 thousand in 2020) (Note 26).

Pursuant to prevailing legislation, term deposits include the liability corresponding to the securitisation transactions mentioned in Note 10, amounting to EUR 28,426 thousand at 31 December 2021 (versus EUR 2,600 thousand at 31 December 2020).

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	
	2021	**2020**
Mortgage covered bonds	1,647,449	1,647,449
Other non-convertible securities	99,798	99,798
Valuation adjustments	17,408	22,945
Total	**1,764,655**	**1,770,192**

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

Issue	31/12/2021	31/12/2020	Date of Issue	Date of Maturity	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	0.628%
Issue VII – Mortgage covered bonds	498,910	498,910	01/12/2016	01/12/2023	0.694%
Issue VIII – Mortgage covered bonds	496,700	496,700	08/05/2018	08/05/2025	1.010% (*)
Issue VIII – Mortgage covered bonds ("Tap")	104,949	104,949	01/10/202	08/05/2025	-0.169%
	1,647,449	**1,647,449**			

(*) 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 2021 and 2020 the Parent Company also held other issues of mortgage covered bonds, which were retained in their entirety on its books with a debit balance of EUR 800,000 thousand in both years, 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 40 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 0.59% in 2021 (0.68% in 2020) and the accrued interest on the financial liabilities included in this portfolio in 2021 is EUR 13,470 thousand (EUR 13,745 thousand in 2020) (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	
	2021	2020
Payment obligations	16,216	11,481
Tax revenue collection accounts	47,062	41,098
Payable for purchases and non-financial services	76,642	40,219
Other items	14,665	11,251
Total	**154,585**	**104,049**

"Payment obligations" at 31 December 2021 and 2020 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 2021 and 2020 is as follows:

	2021	2020
Pensions and other post-employment benefit obligations (Note 2.t) Other	1,596	1,417
long-term employee benefits	-	-
Provisions for taxes and other legal contingencies	-	-
Commitments and guarantees given	13,178	10,809
Other provisions	36,421	22,249
	51,195	**34,475**

The balance recognized under "Provisions for guarantees given" and "Other provisions" of the consolidated statement of financial position at the close of 2021 and 2020 and movements in those years were as follows:

	Commitments and Guarantees given	Other provisions
At 31 December 2020		
Opening balance	10,497	83,800
Increases from origination/(Reductions from derecognition)	932	-
(Provisions used)	-	(2,853)
(Unused provisions reversed during the year)	-	(58,654)
Changes in credit risk (net)	(941)	-
Other movements	321	46
Closing balance	10,809	22,249
At 31 December 2021		
Opening balance	10,809	22,249
Increases from origination/(Reductions from derecognition)	5,281	16,383
(Provisions used)	(2,912)	(2,146)
(Unused provisions reversed during the year)	-	-
Changes in credit risk (net)	-	-
Other movements	-	-
Opening balance	**13,178**	**36,421**

Other provisions

At 31 December 2021 and 2020 this item includes provisions to cover the estimated cost of various legal proceedings and claims brought against the Parent Company relating to the marketing of products and mortgage floor clauses and administration costs, among other items. The Directors consider that, based on the information currently available and provisions taken against these proceedings, the outcome would have no material impact on the Group's assets. To arrive at this estimate, the Parent Company took into account the information available at the date of preparation of the annual financial statements, including a legal assessment of the various proceedings and claims, an estimate of the number of future claims, and their likely outcome based on historical precedent. That said, the assumptions used are subject to uncertainties which could affect the estimates made. Any such changes would be recognised as explained in Note 2.1, unless specified otherwise.

Regarding pension commitments and the possible need to recognise additional provisions, Note 2.t) of these financial statements sets out the movements for 2021 and 2020 under “Pensions and other defined-benefit post-employment obligations” on the statement of financial position.

19. Accumulated other comprehensive income

The breakdown of this line of the statement of financial position at 31 December 2021 and 2020 is as follows:

	2021	2020
Items that will not be reclassified to profit or loss:	43,732	20,153
Changes in fair value of equity instruments at fair value through other comprehensive income	43,732	20,153
Items that may be reclassified to profit or loss:	5,181	12,748
Changes in fair value of equity instruments at fair value through other comprehensive income	5,181	12,748
	48,913	**32,901**

The equity item “Accumulated other comprehensive income – Items that may be reclassified to profit or loss” reflects the net change in the fair value of fixed-income instruments recognized in the Group’s equity. Changes are taken to consolidated income when the financial assets are sold.

The equity item “Accumulated other comprehensive income – Items that will not be reclassified to profit or loss” reflects the net change in the fair value of equity instruments recognized Group’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 2021 and 2020, and changes in capital occurring in those years, are shown in the table below.

	Thousands of euros
Balance at 31 December 2019	**167,659**
Subscriptions	4,042
Redemptions	(1,909)
Balance at 31 December 2020	**169,792**
Subscriptions	4,391
Redemptions	(3,898)
Balance at 31 December 2021	**170,285**

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 2021 and 2020 were represented by 2,832,899 and 2,824,691 fully paid-up registered shares, respectively, with a nominal value of EUR 60.11 each. At 31 December 2021 and 2020 the Parent Company 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 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 General Meeting each year, where members authorise the Governing Board to set the rate of remuneration and the payment schedule. In 2021 and 2020 remuneration paid to cooperative members in respect of capital contributions made came to EUR 1,688 thousand and EUR 417 thousand, respectively. In 2020, we booked EUR 417 thousand in respect of remuneration paid in 2020. In 2021, the Bank booked EUR 1,261 thousand for pending remuneration in respect of 2021 approved at the General Meeting of 14 May 2021 (Note 4). Also, as stated in Note 4, the Governing Board will propose to the General Meeting that the rate of remuneration for contributions in respect of 2021 should be EUR 1,688 thousand. This amount will be paid, if approved, in 2022.

In accordance with prevailing regulations, the sum of capital 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 2021 and 2020.

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 2021 and 2020 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 2020	**924,087**	**23,814**	**10,933**	**958,834**
Appropriation of prior year's profit	83,477	13,481	1,491	98,449
Transfers	-	-	-	-
Other movements	-	416	(121)	295
Balance at 31 December 2020	**1,007,564**	**37,711**	**12,303**	**1,057,578**
Appropriation of prior year's profit	79,714	7,142	79	86,935
Transfers	-	-	-	-
Other movements	-	2,325	1,045	3,370
Balance at 31 December 2021	**1,087,278**	**47,178**	**13,427**	**1,147,883**

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 2021 and 2020 is as follows:

	Thousands of euros			
	Other reserves		Accumulated reserves or losses from joint ventures and associates	
	2021	2020	2021	2020
Parent institution, after consolidation adjustments	79,314	71,256	-	-
Informes y Gestiones Navarra, S.A.	1,728	1,607	-	-
Harivasa 2000, S.A.	11,058	9,932	-	-
Harinera de Tardienta, S.A.	(2,109)	(2,082)	-	-
Promoción Estable del Norte, S.A.	(46,436)	(47,059)	-	-
Industrial Tonelera Navarra, S.A.	3,635	3,238	-	-
Solera Asistencial, S.L.	2,315	2,708	-	-
Bouquet Brands, S.A.	(1,668)	(1,903)	-	-
Preventia Sport, S.L.	(549)	(517)	-	-
Harantico, S.L.	5,401	4,791	-	-
Harinera del Mar Siglo XXI, S.L.	(4,101)	(1,168)	-	-
Haribericas XXI, S.L.	(7,312)	(5,681)	-	-
Harivenasa, S.A.	6,196	2,233	-	-
Tonnellerie de l'Adour, SAS	(277)	356	-	-
Harineras Selectas, S.A.	(17)	-	-	-
Bodegas Príncipe de Viana, S.L.	-	-	2,430	2,665
Rural de Energía de Tierras Altas, S.A.	-	-	214	(1)
Bosqalia, S.L.	-	-	(1,061)	(819)
Renovables de la Ribera, S.L.	-	-	1,890	(55)
Omegageo, S.L.	-	-	352	308
Servicios Empresariales Agroindustriales, S.A.	-	-	109	104
Rioja Vega, S.A.	-	-	(2,151)	(2,052)
Errotabidea, S.L.	-	-	2,702	1,957
Iberjalón, S.A.	-	-	52	(1)
Rural de Energías Aragonesas, S.A.	-	-	(136)	(144)
Compañía Eólica de Tierras Altas, S.A.	-	-	861	1,657
Iparlat, S.A.	-	-	8,165	8,684
Total	**47,178**	**37,711**	**13,427**	**12,303**

Shareholders' equity and capital management

In managing its capital the Parent Company has since 1 January 2014 followed the conceptual definitions set out in the solvency regulations described in the CRD-IV and CRR (Note 1.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 standalone 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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Common equity tier 1 capital ratio (CET1) (I)	1,425,151	1,316,522
Eligible capital	170,285	169,792
Eligible reserves	1,090,845	1,010,515
Qualifying profit	86,574	79,714
Accumulated other comprehensive income	48,913	32,900
Deductions and transitional adjustments	28,534	23,601
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)	1,425,151	1,316,522
Total minimum capital requirement	(609,067)	(576,099)
Surplus (*)	816,084	740,323
Risk-weighted assets	7,613,344	7,202,493
Capital ratios		
Common equity tier 1 ratio (minimum 4.5%)	18.72%	18.28%
Tier 1 ratio (minimum 6%)	18.72%	18.28%
Capital ratio (minimum 8%) (*)	18.72%	18.28%

(*) The Bank of Spain notified the Bank (Note 1.i), as part of its supervisory review and evaluation process (SREP) that as from 1 January 2022 the Parent Company must maintain a total capital ratio of 11.625% and a CET1 ratio of 8.125%, measured against regulatory phased-in capital. At 31/12/2021 the Bank calculated it had surpluses over these minimums of EUR 540,100 thousand of total capital and EUR 806,567 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 2021 and 2020 consolidated income statement is given below:

	Thousands of euros	
	2021	**2020**
Income tax expense accrued in the year	8,873	10,756
Tax expense to subsidiaries	1,514	1,419
Positive adjustments to Company income tax	-	-
Other taxes on income	114	12
TOTAL	**10,501**	**12,187**

Under Navarre Regional Law 26/2016, of 28 December, the Parent Company is subject to a 25% tax rate for the tax years 2021 and 2020.

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 2021 and 2020 is included below:

	Thousands of euros					
	2021			2020		
	Increases	Reductions	Total	Increases	Reductions	Total
Consolidated profit before accrued tax and after mandatory allocation to the Education and Development Fund			106.867			101.005
Permanent differences	3,380	(70,710)	(67,330)	7,778	(63,009)	(55,231)
Adjusted accounting profit			**39,537**			**45,774**
Temporary differences						
- Arising in the year	16,495	(8)	16,487	54,899	(60,876)	(5,977)
- Arising in prior years	484	(2,235)	(1,751)	473	(2,886)	(2,413)
Taxable profit for the year			**54.273**			**37.384**

In 2021 and 2020, the permanent differences reflect reductions in taxable income, mainly due to mandatory contributions to the Mandatory Reserve Fund (Note 21) and the Social Welfare Fund (Note 16), and interest on capital contributions (Note 4).

Applying the Parent Company's effective income tax rate for 2021 to adjusted accounting profit and taxable profit, the amounts of income tax expense accrued and payable for the year were EUR 8,873 thousand and EUR 7,032 thousand, respectively (2020: EUR 10,765 thousand and EUR 4,601 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 1,324 thousand of assets at 31 December 2021 (compared with EUR 2,021 thousand, respectively at 31 December 2020).

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 2021 and 2020 arose from the following sources:

	Thousands of euros	
	2021	2020
Deferred tax assets arising from:		
Allocations to pension funds	189	178
Deductions pending application	-	-
Other unallowable provisions	22,638	19,384
Tax loss carryforwards of the Parent Company	685	4,077
Equity instruments at fair value through other comprehensive income	403	2,237
Deferred tax of subsidiaries	4,998	5,145
Debt securities at fair value	-	(4,528)
Total	**28,913**	**26,763**
Deferred tax liabilities arising from:		
Debt securities at fair value	1,727	-
Remeasurement of property	3,192	3,619
Deferred tax of subsidiaries	2,405	2,707
Total	**7,324**	**6,326**

At 31 December 2021 and 2020, 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	2021	2020
Tax loss carryforwards	2012	2027	685	4,077
			685	**4,077**

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 2021, the directors of the Parent Company considered it reasonable to recognize tax loss carryforwards of EUR 685 thousand (EUR 4,077 thousand at 31 December 2020) as they expect these amounts to be offset against taxable income generated by the Parent Company 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 2021 and 2020, 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	
	2021	**2020**
Financial guarantees	68,216	60,287
Guarantees and other sureties	733,928	605,963
Irrevocable documentary credits issued	21,414	8,777
Other guarantees given (Note 7)	141,805	54,672
Total	**965,363**	**729,699**

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" at 31 December 2021 and 2020, includes the Group's formal guarantee to cover the activities in the interbank market of Banco Cooperativo Español, S.A. for EUR 141,806 and EUR 54,672 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 2021 and 2020 is as follows:

	Thousands of euros	
	2021	**2020**
Drawable by third parties	1,611,291	1,396,294
Subscribed but unpaid capital	-	360
Other contingent commitments	-	-
	1,611,291	**1,396,654**

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 2021 and 2020 was as follows:

	Thousands of euros	
	2021	2020
Credit institutions	11	12
General governments	270,240	144,349
Other resident sectors		
Credit cards	279,388	274,493
Demand accounts	1,059,376	976,909
Other	3	3
Non-resident	2,273	528
Total	**1,611,291**	**1,396,294**

24. Off-balance sheet customer funds

The breakdown of funds from customers managed by the Group off the balance sheet at the close of 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Companies and investment funds	2,219,778	1,714,969
Pension funds and endowment policies	716,004	720,521
Total	**2,935,782**	**2,435,490**

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 2021 and 2020, which are included in "Sale of non-banking products" (Note 28), is as follows:

	Thousands of euros	
	2021	2020
Investment companies and funds	17,289	13,344
Pension funds and endowment policies	19,837	18,199
	37,146	**31,543**

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 2021 and 2020 came to EUR 610,961 thousand and EUR 592,236 thousand respectively.

25. Interest income

The breakdown by source of interest income accrued in 2021 and 2020 was as follows:

	Thousands of euros	
	2021	2020
Financial assets held for trading	8	1
Financial assets not held for trading mandatorily measured at fair value through profit or loss, net	-	44
Financial assets at fair value through other comprehensive income (Note 9)	4,139	4,515
Financial assets at amortized cost (Note 10)	134,635	144,954
Debt securities	21,532	24,942
Loans and advances	113,103	120,012
Credit institutions	49	495
Customers	113,054	119,517
Other assets	1,933	753
Interest income on liabilities (Note 17)	17,074	14,630
Total	**157,789**	**164,897**

26. Interest expense

The breakdown by source of interest expense accrued in 2021 and 2020 was as follows:

	Thousands of euros	
	2021	2020
Financial liabilities at amortized cost (Note 17)	16,802	18,090
Deposits	3,332	4,345
Central banks	-	-
Credit institutions	2,699	3,347
Customers	633	998
Debt securities	13,470	13,745
Derivatives – hedge accounting, interest rate risk	(3,134)	(2,485)
Other liabilities	139	37
Interest income on liabilities (Note 7)	3,058	2,248
Total	**16,865**	**17,890**

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	
	2021	2020
Financial assets held for trading	91	128
Financial assets at fair value through other comprehensive income	15,111	13,665
Total	**15,202**	**13,793**

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	
	2021	2020
For guarantees given	6,212	6,132
For contingent commitments given	2,243	1,991
For exchange of foreign currencies and notes	149	215
For collection and payment services	33,163	24,667
For securities services	7,023	5,206
For sale of non-banking products	37,189	31,575
Other fees and commissions	4,112	4,292
Total	**90,091**	**74,078**

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	
	2021	2020
Fees and commissions assigned to other entities and correspondents	5,926	4,667
Fees and commissions paid on securities transactions	584	431
Other fees and commissions	178	210
Total	**6,688**	**5,308**

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	
	2021	**2020**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1,295	2,398
Financial assets at fair value through other comprehensive income	504	-
Financial assets at amortized cost	773	1,135
Financial liabilities at amortized cost	18	1,263
Gains or (-) losses on financial assets and liabilities held for trading, net	2,019	341
Total	**3,314**	**2,739**

31. Other operating income

The breakdown of this line of the income statement in 2021 and 2020 was as follows:

	Thousands of euros	
	2021	**2020**
Rental income	606	439
Accrued income for the period	3,664	3,120
Other operating income from subsidiaries	379,622	323,696
Total	**383,892**	**327,255**

32. Other operating expenses

The breakdown of this line of the income statement in 2021 and 2020 was as follows:

	Thousands of euros	
	2021	**2020**
Contribution to the Deposit Guarantee Fund (Note 1.j)	4,154	5,825
Contribution to the Single Resolution Fund (Note 1.j)	3,166	2,516
Contribution to the Institutional Protection Scheme (Note 1. l)	6,192	6,792
Mandatory contribution to Social Welfare Fund (Note 16)	9,619	8,857
Other items	918	1,108
Other operating expenses from subsidiaries	298,666	244,339
Total	**322,715**	**269,437**

33. 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	
	2021	**2020**
Wages and salaries	43,372	41,243
Social security contributions	11,158	11,169
Transfers to defined benefits plans (Note 2.t)	236	233
Other personnel expenses	468	755
Personnel expenses of subsidiaries	26,912	25,785
Total	**82,146**	**79,185**

In 2020, an extraordinary, one-off incentive payment of EUR 2,894 thousand was paid, of which EUR 182 thousand went to members of senior management of the Parent Company.

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

	2021		2020	
	Men	**Women**	**Men**	**Women**
Senior managers	212	69	208	67
Executives	143	202	139	201
Administrative staff	126	194	165	184
Messengers	3	-	3	-
Staff of subsidiaries	400	461	391	372
Total	**884**	**926**	**906**	**824**

Of the total headcount at 31 December 2021 and 2020, respectively 5 and 4 employees of the Parent Company had a recognized disability of 33% or more. One is a senior manager and the others are executives. In addition, another 4 employees of the subsidiaries have the same recognized level of disability at 31 December 2021 (2 at 31 December 2020).

34. Other operating expenses

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

	Thousands of euros	
	2021	2020
Property and equipment	3,356	3,178
Computer hardware and software	15,507	15,241
Communications	1,150	1,179
Advertising and marketing	3,691	2,946
Legal	4,310	4,647
Staff travel and agency costs	1,094	886
Security guards and cash transportation	710	736
Subcontracted administrative services	1,115	1,422
Contributions and taxes	3,763	3,519
Other general expenses	3,080	2,293
Other expenses of subsidiaries	37,676	37,132
Total	**75,452**	**73,179**

Fees paid to Ernst & Young, S.L. for the audit of the Bank's and its subsidiaries' financial statements in 2021 amounted to EUR 154 thousand (2020: EUR 152 thousand). Ernst & Young, S.L. billed fees for non-audit services totalling EUR 27 thousand in respect of the Customer Asset Protection Report, Limited Assurance Report and agreed procedures report (2020: EUR 13 thousand billed for the same reports).

In 2021 and 2020, fees for auditing subsidiaries paid to auditors other than the statutory auditors totalled EUR 9 thousand and EUR 10 thousand, respectively.

35. Provisions and reversals

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

	Thousands of euros	
	2021	2020
Provisions for commitments and guarantees given (Note 18):	2,156	576
For contingent liabilities	850	(372)
For contingent commitments	1,306	948
Other provisions (Note 18)	16,383	(58,654)
Total	**18,539**	**(58,078)**

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

36. 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	
	2021	2020
Financial assets at amortized cost	14,247	78,639
Customers (Note 10)	14,448	78,826
Debt securities (Note 10)	(201)	(187)
Financial assets at fair value through other comprehensive income	1,606	357
Total	**15,853**	**78,996**

37. (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	
	2021	2020
(Impairment or (-) reversal of impairment on financial assets)	(159)	106
Tangible assets (Note 15)	-	13
Other	(159)	93
Gains or (-) losses from non-current assets and disposal groups held for sale not classified as discontinued operations	2,776	241
(Impairment) reversal (Note 13)	(1,604)	(1,796)
Gains or (-) losses on derecognition	4,380	2,037
Total	**2,617**	**347**

38. 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	
	2021	2020
Parent Company (after consolidation adjustments)	82,424	86,448
Subsidiaries (after consolidation adjustments)	3,379	408
Associates	5,583	79
	91,386	**86,935**

39. 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 2021 and 2020 and in the consolidated income statements for 2021 and 2020 that arise from transactions with related parties are as follows:

	Associates		Governing Board and Senior Management		Other related parties (*)	
	2021	2020	2021	2020	2021	2020
Assets						
Loans and advances to customers	26,924	32,429	780	768	4,650	6,245
Liabilities						
Customer deposits	31,395	16,063	1,265	844	21,782	21,683
Other						
Contingent exposures	34,290	30,712	-	-	1,054	1,054
Commitments	4,810	1,243	62	128	4,226	4,385
Income						
Interest income	373	361	9	9	55	76
Interest expense	-	5	-	-	1	4
Income from equity investments	2,387	717	-	-	-	-
Fee and commission income	156	86	1	2	18	22

(*) "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.

40. 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 2021 and 2020, 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 2021 and 2020 was EUR 5,422,846 thousand and EUR 5,106,728 thousand, respectively, of which EUR 3,939,570 thousand and EUR 3,683,968 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	
	2021	2020
Total loans (a)	**5,422,845**	**5,106,728**
Mortgage securities in issue (b)	**6,617**	**10,508**
Of which: loans recognized as assets (c)	6,617	10,508
Mortgage transfer certificates in issue (b)	**105,677**	**120,688**
Of which: loans recognized as assets (c)	105,677	120,688
Mortgage loans pledged as security for funds received	**-**	**-**
Loans covering issues of mortgage bonds and mortgage covered bonds	**5,310,551**	**4,975,532**
Non-eligible loans (e)	1,370,981	1,291,564
Meet all eligibility requirements except the limit in article 5.1 of RD 716/2009	1,370,981	1,291,564
Other non-eligible loans	-	-
Eligible loans (f)	3,939,570	3,683,968
Loans used to back issues of mortgage bonds	-	-
Loans eligible for cover pool of mortgage covered bonds	3,939,570	3,683,968
Non-qualifying portions (g)	185,552	155,671
Qualifying portions	3,754,018	3,528,297

(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 2021 and 2020:

	Thousands of euros			
	2021		2020	
	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	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
1 ORIGIN OF LOAN	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
1.1 Originated by Bank	4,580,113	3,475,243	4,267,781	3,241,406
1.2 Transferred to other entities	730,438	464,327	707,751	442,562
1.3 Other	-		-	
2 CURRENCY OF DENOMINATION	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
2.1 Euro	5,310,551	3,939,570	4,975,532	3,683,968
2.2 Other currencies	-	-	-	
3 PAYMENT POSITION	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
3.1 Standard	5,085,496	3,830,098	4,755,052	3,578,280
3.2 Other	225,055	109,472	220,480	105,688
4 AVERAGE RESIDUAL TERM	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
4.1 Up to 10 years	2,320,318	1,801,095	2,217,212	1,717,324
4.2 10 to 20 years	2,983,735	2,133,044	2,751,519	1,960,628
4.3 20 to 30 years	170	56	240	57
4.4 Over 30 years	6,328	5,375	6,561	5,959
5 INTEREST RATE	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
5.1 Fixed rate	1,286,246	806,045	558,215	351,606
5.2 Floating	4,024,305	3,133,525	4,417,317	3,332,361
5.3 Split fixed/floating			-	-
6 BORROWER	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
6.1 Legal entities and self-employed (business activities)	1,115,004	674,553	1,091,976	669,524
Of which: construction and real estate development (including land)	*81,798*	*32,015*	*122,287*	*67,161*
6.2 Other households	4,195,547	3,265,017	3,883,556	3,014,443
7 TYPE OF COLLATERAL	**5,310,551**	**3,939,570**	**4,975,532**	**3,683,968**
7.1 Assets/buildings	5,301,532	3,936,119	4,948,221	3,659,197
7.1.1 Housing	4,304,273	3,295,204	3,990,075	3,043,830
Of which: State-subsidized housing	703,499	531,055	695,890	512,244
7.1.2 Offices and commercial premises	21,223	10,133	20,016	5,809
7.1.3 Other buildings and constructions	976,036	630,782	938,130	609,558
7.2 Assets/buildings under construction	3,156	1,707	10,399	9,169
7.2.1 Housing	1,692	686	1,988	1,120
Of which: State-subsidized housing	75	75	386	386
7.2.2 Offices and commercial premises	464	21	576	216
7.2.3 Other buildings and constructions	1,000	1,000	7,835	7,833
7.3 Land	5,863	1,744	16,912	15,602
7.3.1 Consolidated urban land	4,973	1,394	4,297	3,593
7.3.2 Other land	890	350	12,615	12,009

(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.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

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 2020 and 2020 was
EUR 5,310,551 thousand and EUR 4,975,532 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 2021 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 2021 and 2020 was EUR 112,525 thousand and EUR 131,516 thousand, respectively.

The nominal value of all non-eligible mortgage loans and advances was EUR 1,370,981 thousand and EUR 1,291,564 thousand at 31 December 2021 and 2020, 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 1,370,981 thousand and EUR 1,291,564 thousand at end-2021 and end-2020, 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 2021 and 2020 is as follows:

At 31 December 2021

	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)	**693,804**	**1,090,554**	**1,551,727**	**603,485**	**3,939,570**
- On homes	489,063	882,314	1,321,028	603,485	3,295,890
- On other real property	204,741	208,240	230,699	-	643,680

At 31 December 2020

	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)	**579,424**	**911,733**	**1,403,967**	**788,843**	**3,683,967**
- On homes	409,039	712,492	1,134,575	788,843	3,044,949
- On other real property	170,385	199,241	269,392	-	639,018

(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) 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.

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 2021 and 2020, is as follows:

	Thousands of euros	
	Eligible loans (a)	Non-eligible loans (b)
1 Opening balance 2020	**3,511,678**	**1,328,983**
2 Eliminations in period	**483,645**	**424,357**
2.1 Principal past-due paid in cash	373,001	142,424
2.2 Repaid before maturity	12,064	5,949
2.3 Transferred to other entities	-	-
2.4 Other eliminations	98,580	275,984
3 Additions in the period	**655,935**	**386,938**
3.1 Originated by Bank	47,911	207,610
3.2 Transferred from other entities	16	55,662
3.3 Other additions	608,008	123,666
4 Closing balance 2020	**3,683,968**	**1,291,564**
1 Opening balance 2021	**3,683,968**	**1,291,564**
2 Eliminations in period	**542,202**	**355,749**
2.1 Principal past-due paid in cash	465,778	133,627
2.2 Repaid before maturity	13,889	4,109
2.3 Transferred to other entities	-	-
2.4 Other eliminations	62,535	218,012
3 Additions in the period	**797,804**	**435,166**
3.1 Originated by Bank	72,329	294,522
3.2 Transferred from other entities	99	50,677
3.3 Other additions	725,376	89,967
4 Closing balance 2021	**3,939,570**	**1,370,981**

(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 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 2021 and 2020 are as follows:

	Thousands of euros	
	2021	2020
	Amounts available. Nominal value (a)	Amounts available. Nominal value (a)
Mortgage loans covering issues of mortgage bonds and mortgage covered bonds	**554,456**	**459,780**
- Potentially eligible (b)	456,509	372,107
- Non-eligible	97,947	87,673

(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 2021 and 2020, the Parent Company did not consider it necessary to identify replacement assets for outstanding mortgage covered bonds as these represented only 62.19% and 66.50% 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 2021 and 2020 are given below:

	Thousands of euros			
	2021		2020	
Mortgage backed securities	**Nominal value**	**Average residual term to maturity (in months)**	**Nominal value**	**Average residual term to maturity (months)**
1 Mortgage bonds in issue (a)	**-**		**-**	
2 Mortgage covered bonds in issue (a)	**2,450,000**		**2,450,000**	
Of which: recognized as liabilities	1,650,000		1,650,000	
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	2,450,000		2,460,000	
2.2.1 Residual term up to 1 year	500,000		-	
2.2.2 Residual term 1 to 2 years	500,000		500,000	
2.2.3 Residual term 2 to 3 years	-		1,100,000	
2.2.4 Residual term 3 to 5 years	900,000		300,000	
2.2.5 Residual term 5 to 10 years	550,000		550,000	
2.2.6 Residual term more than 10 years	-		-	
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)	**6,617**	**122**	**10,508**	**134**
3.1 Issued via public offering	-	-	-	-
3.2 Other issues	6,617	122	10,508	134
4 Mortgage transfer certificates in issue (b)	**105,677**	**123**	**120,688**	**135**
4.1 Issued via public offering	-	-	-	-
4.2 Other issues	105,677	123	120,688	135

(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).

41. 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 2021 and 2020 balance sheet close or at any time in the course of those years.

42. Abandoned balances and deposits

Pursuant to the provisions of Article 18 of Act 33/2003, of 3 November, on the Property of Institutions (Ley del Patrimonio de las Administraciones Públicas), at end-2021 and end-2020 the Parent Company had balances in accounts that qualify as abandoned in the meaning of the aforesaid article, of EUR 4 thousand and EUR 33 thousand, respectively.

43. Customer service

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 2021, as required under Ministry for the Economy Order ECO/734/2004, of 11 March.

44. 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.

45. 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 2021 and 2020 are as follows:

	2021	**2020**
	Days	
Average supplier payment period	25.88	28.36
Ratio of transactions paid	25.88	28.36
Ratio of transactions outstanding	33.94	25.48
	Amount (thousands of euros)	
Total payments made	119,851	122,568
Total payments outstanding	1,136	616

CAJA RURAL DE NAVARRA

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

ANNEX I

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO
Statement of financial position at 31 December 2021
(Thousands of euros)

ASSETS	31.12.2021	31.12.2020
Cash, cash balances at central banks and other demand deposits (**)	**1,129,885**	**1,266,843**
Financial assets held for trading	**5,744**	**6,002**
Derivatives	2,067	3,124
Equity instruments	3,677	2,878
Debt securities	-	-
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	**4,218**	**7,570**
Equity instruments	-	-
Debt securities	472	1,975
Loans and advances	3,746	5,595
Memorandum items: lent or given in guarantee with right of sale or pledge	-	-
Financial assets at fair value through other comprehensive income	**1,410,809**	**1,358,754**
Equity instruments	290,746	248,603
Debt securities	1,120,063	1,110,151
Memorandum items: lent or given in guarantee with right of sale or pledge	-	-
Financial assets at amortized cost	**13,185,058**	**12,651,947**
Debt securities	3,668,431	3,267,142
Loans and advances	9,516,627	9,384,805
Credit institutions	145,291	123,963
Customers	9,371,336	9,260,842
Memorandum items: lent or given in guarantee with right of sale or pledge	333,213	309,655
Derivatives – hedge accounting	**7,810**	**13,856**
Investments in subsidiaries, joint ventures and associates	**132,112**	**125,970**
Group companies	85,992	81,263
Associates	46,120	44,707
Tangible assets	**113,651**	**112,720**
Property and equipment	98,751	96,976
For own use	98,085	96,805
Assigned to social projects	666	171
Investment property	14,900	15,744
Of which: assigned under operating leases	1,554	2,402-
Memorandum items: acquired under finance leases	-	-
Intangible assets		
Tax assets	**26,044**	**25,596**
Current tax assets	2,129	3,978
Deferred tax assets	23,915	21,618
Other assets	**26,362**	**26,643**
Other	26,362	26,643
Non-current assets and disposal groups held for sale	**31,321**	**36,388**
TOTAL ASSETS	**16,073,014**	**15,632,289**

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Statement of financial position at 31 December 2021

(Thousands of euros)

LIABILITIES AND EQUITY	31.12.2021	31.12.2020
Financial liabilities held for trading	**1,362**	**1,732**
Derivatives	1,362	1,732
Financial liabilities designated at fair value through profit or loss	-	-
Memorandum items: subordinated liabilities	-	-
Financial liabilities at amortized cost	**14,409,200**	**14,171,723**
Deposits	12,566,602	12,337,700
Central banks	2,113,514	1,936,340
Credit institutions	171,636	189,987
Customers	10,281,452	10,211,373
Debt securities issued	1,764,655	1,770,192
Other financial liabilities	77,943	63,831
Memorandum items: subordinated liabilities	-	-
Derivatives – hedge accounting	**66,612**	**97**
Provisions	**51,195**	**34,410**
Pensions and other defined-benefit post-employment obligations	1,596	1,417
Commitments and guarantees given	13,178	10,809
Other provisions	36,421	22,184
Tax liabilities	**14,031**	**12,754**
Current tax liabilities	9,112	9,135
Deferred tax liabilities	4,919	3,619
Share capital redeemable on demand	-	-
Other liabilities	**132,309**	**117,390**
Of which: mandatory contributions to Social Welfare Fund	*41,440*	*36,400*
TOTAL LIABILITIES	**14,674,709**	**14,338,106**
EQUITY		
Shareholders' equity	**1,349,392**	**1,261,282**
Share capital	170,285	169,792
Called up paid capital	170,285	169,792
Memorandum items: uncalled capital	-	-
Retained earnings	1,087,278	1,007,564
Other reserves	3,567	2,951
(Treasury shares)	-	-
Profit for the year	88,262	81,392
(Interim dividends)	-	(417)
Accumulated other comprehensive income	**48,913**	**32,901**
Items that will not be reclassified to profit or loss	43,732	20,153
Changes in fair value of equity instruments at fair value through other comprehensive income	43,732	20,153
Items that may be reclassified to profit or loss	5,181	12,748
Changes in fair value of debt instruments at fair value through other comprehensive income	5,181	12,748
TOTAL EQUITY	**1,398,305**	**1,294,183**
TOTAL LIABILITIES AND EQUITY	**16,073,014**	**15,632,289**
Memorandum items: off-balance sheet exposures		
Contingent commitments given	**1,614,162**	**1,400,611**
Financial guarantees given	**68,216**	**60,287**
Other commitments given	**901,081**	**672,666**

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Income statement for the year ended 31 December 2021

(Thousands of euros)

	2021	2020
Interest income	**157,935**	**165,197**
Financial assets at fair value through other comprehensive income	4,139	4,515
Financial assets at amortized cost	134,937	145,305
Other interest income	18,859	15,377
(Interest expense)	**(15,226)**	**(16,221)**
(Expense on share capital redeemable on demand)	-	-
NET INTEREST INCOME	**142,709**	**148,976**
Dividend income	**17,590**	**14,510**
Fee and commission income	**93,281**	**76,344**
(Fee and commission expense)	**(6,688)**	**(5,308)**
Gains or (-) losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	**1,295**	**2,397**
Gains or (-) losses on financial assets and liabilities held for trading, net	**2,019**	**341**
Gains or (-) losses on financial assets not held for trading mandatorily measured at fair value through profit or loss, net	**(1,990)**	**(2,273)**
Gains or (-) losses on financial assets or liabilities designated at fair value through profit or loss, net	**-**	**-**
Gains or (-) losses from hedge accounting, net	**154**	**63**
Gains or (-) losses from translation differences, net	**1,089**	**759**
Other operating income	**4,505**	**3,559**
(Other operating expenses)	**(24,049)**	**(25,098)**
Of which: mandatory contributions to Social Welfare Fund	*(9,619)*	*(8,857)*
GROSS INCOME	**229,915**	**214,270**
(Administrative expenses)	**(93,010)**	**(89,447)**
(Personnel expenses)	(55,234)	(53,400)
(Other operating expenses)	(37,776)	(36,047)
(Depreciation and amortization)	**(6,436)**	**(6,401)**
(Provisions or (-) reversals)	**(18,539)**	**58,078**
(Impairment or (-) reversal of impairment on financial assets not measured at fair value through profit or loss)	**(20,444)**	**(79,812)**
(Financial assets at fair value through other comprehensive income)	(1,607)	(358)
(Financial assets at amortized cost)	(18,837)	(79,454)
(Impairment/reversal of investments in subsidiaries, joint ventures and associates)	**2,787**	**(4,957)**
(Impairment or (-) reversal of impairment on financial assets)	**192**	**(93)**
(Tangible	-	-
assets)	192	(93)
(Others)		
Gains or (-) losses on derecognition of non-financial assets and investments, net	**2**	**28**
Of which: investments in subsidiaries, joint ventures and associates	2	28
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	**2,781**	**494**
PROFIT OR (-) LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**97,248**	**92,160**
(Tax expense or (-) income on profit from continuing operations)	**(8,986)**	**(10,768)**
PROFIT OR (-) LOSS AFTER TAX FROM CONTINUING OPERATIONS	**88,262**	**81,392**
Profit or (-) loss after tax from discontinued operations	**-**	**-**
PROFIT FOR THE YEAR	**88,262**	**81,392**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Statement of Recognized Income and Expense for the year ended 31 December 2021
(Thousands of euros)

	2021	2020
PROFIT FOR THE YEAR	**88,262**	**81,392**
OTHER COMPREHENSIVE INCOME	**16,012**	**(3,326)**
Items that will not be reclassified to profit or loss	**23,579**	**(9,116)**
Actuarial gains or (-) losses on defined benefit pension plans	-	-
Changes in fair value of equity instruments at fair value through other comprehensive income, net	25,414	(10,685)
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	-	-
Income tax on items that will not be reclassified to profit or loss	(1,835)	1,569
Items that may be reclassified to profit or loss	**(7,566)**	**5,790**
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	**28**	**(28)**
Gains or (-) losses on currency translation recognized in equity	28	(28)
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	**(10,125)**	**7,757**
Valuation gains or (-) losses recognized in equity	(10,125)	7,757
Reclassified to profit or loss	-	-
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	**2,532**	**(1,939)**
TOTAL RECOGNIZED INCOME AND EXPENSES FOR THE YEAR	**104,274**	**78,066**

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Teléfono: 948 168 100

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Comprehensive statement of changes in equity for the year ended 31 December 2021
(Thousands of euros)

At 31 December 2021

Source of changes 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 2020	**169,792**	**1,007,564**	**2,951**	-	**81,392**	**(417)**	**32,901**	**1,294,183**
Adjustments due to error correction	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
Balance at 1 January 2020 (*)	**169,792**	**1,007,564**	**2,951**	-	**81,392**	**(417)**	**32,901**	**1,294,183**
Total recognized income and expenses for the year	-	-	-	-	**88,262**	-	**16,012**	**104,274**
Other changes to equity	**493**	**79,714**	**616**	-	**(81,392)**	**417**	-	**(152)**
Ordinary shares issued	4,391	-	-	-	-	-	-	**4,391**
Preference shares issued	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-
Debt/equity conversion	-	-	-	-	-	-	-	-
Capital reduction	(3,898)	-	-	-	-	-	-	(3,898)
Dividends (or payments to members)	-	-	-	-	-	-	-	-
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	-	79,714	-	-	(81,392)	417	-	(1,261)
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-
Share-based payments	-	-	-		-	-	-	-
Other increases (-) decreases in equity	-	-	616		-	-	-	616
Of which: discretionary allocation to social projects and funds	-	-	-		-	-	-	-
Balance at 31 December 2021	**170,285**	**1,087,278**	**3,567**	-	**88,262**	-	**48,913**	**1,398,305**

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CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Comprehensive statement of changes in equity for the year ended 31 December 2020

(Thousands of euros)

At 31 December 2020

Source of changes 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 2020 (*)	**167,659**	**924,087**	**1,623**	**-**	**85,153**	**(1,676)**	**36,226**	**1,213,072**
Adjustments due to error correction	-	-	-	-	-	-	-	-
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
Balance at 1 January 2020 (*)	**167,659**	**924,087**	**1,623**	**-**	**85,153**	**(1,676)**	**36,226**	**1,213,072**
Total recognized income and expenses for the year	-	-	-	-	**81,392**	-	**(3,326)**	**78,066**
Other changes to equity	**2,133**	**83,477**	**1,328**	**-**	**(85,153)**	**1,259**	**-**	**3,044**
Ordinary shares issued	4,042	-	-	-	-	-	-	4,042
Preference shares issued	-	-	-	-	-	-	-	-
Other equity instruments issued	-	-	-	-	-	-	-	-
Exercise or maturity of other equity instruments issued	-	-	-	-	-	-	-	-
Debt/equity conversion	-	-	-	-	-	-	-	-
Capital reduction	(1,909)	-	-	-	-	-	-	(1,909)
Dividends (or payments to members)	-	-	-	-	-	(417)	-	(417)
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	-	83,477	-	-	(85,153)	1,676	-	-
Increase (-) decrease in equity due to business combinations	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-	-	-
Other increases (-) decreases in equity	-	-	1,328	-	-	-		1,328
Of which: discretionary allocation to social projects and funds	-	-	-	-	-	-	-	-
Balance at 31 December 2020	**169,792**	**1,007,564**	**2,951**	**-**	**81,392**	**(417)**	**32,901**	**1,294,183**

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CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO

Cash flow statement for the year ended 31 December 2021

(Thousands of euros)

	2021	2020
A) CASH FLOW FROM OPERATING ACTIVITIES	**(138,223)**	**849,688**
Profit for the year	**88,262**	**81,392**
Adjustments to obtain cash flows from operating activities	**39,098**	**(27,021)**
Depreciation and amortization	6,436	6,401
Other adjustments	32,662	(33,422)
Net (increase) decrease in operating assets	**(578,625)**	**(1,863,726)**
Financial assets held for trading	258	715
Financial assets not held for trading mandatorily measured at fair value through profit or loss	3,352	4,389
Financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(53,662)	(20,625)
Financial assets at amortized cost	(534,452)	(1,848,351)
Other operating expenses	5,879	146
Net (increase) decrease in operating liabilities	**319,406**	**2,664,589**
Financial liabilities held for trading	(370)	878
Financial liabilities at amortized cost	237,477	2,645,016
Other operating expenses	82,299	18,695
Company income tax receipts (payments)	**(6,364)**	**(5,546)**
B) CASH FLOWS FROM INVESTING ACTIVITIES	**(317)**	**8,248**
Payments	**(11,763)**	**(6,498)**
Tangible assets	(8,408)	(5,554)
Investments in subsidiaries, joint ventures and associates	(3,355)	(944)
Non-current assets and liabilities held for sale	-	-
Receipts	**11,446**	**14,746**
Tangible assets	1,056	2,339
Investments in subsidiaries, joint ventures and associates	-	4,526
Non-current assets and liabilities held for sale	10,390	7,881
C) CASH FLOWS FROM FINANCING ACTIVITIES	**493**	**1,716**
Payments	**(3,898)**	**(2,326)**
Dividends	-	(417)
Subordinated liabilities	-	-
Cancellation of own equity instruments	(3,898)	(1,909)
Acquisition of own equity instruments	-	-
Other payments related to financing activities	-	-
Receipts	**4,391**	**4,042**
Subordinated liabilities	-	-
Issue of own equity instruments	4,391	4,042
Disposal of own equity instruments	-	-
Other receipts relating to financing activities	-	-
	-	-
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS	**1,089**	**759**
E) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(136,958)**	**860,411**
F) CASH AND CASH EQUIVALENTS AT START OF YEAR	**1,266,843**	**406,432**
G) CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,129,885**	**1,266,843**
MEMORANDUM ITEMS		
CASH AND CASH EQUIVALENTS AT END OF YEAR	**1,129,885**	**1,266,843**
Cash	47,815	49,572
Cash, cash balances at central banks	-	-
Other demand deposits	1,080,0	1,217,2
Other financial assets	70	71
Less: Bank overdrafts repayable on demand	-	-
	-	-

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ANNEX II – ANNUAL BANKING REPORT

Information at 31 December 2021 of the Caja Rural de Navarra Group provided in accordance with Act 10/2014 and Directive 2013/36/EU of the European Parliament and Council.

The information below has been prepared in compliance with article 87 and the twelfth transitional provision of Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions, published in the Spanish Official State Bulletin on 27 June 2014, transposing Article 89 of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC ("CRD IV").

CRD IV requires credit institutions to file with the Bank of Spain and publish an annual country-by-country breakdown of the following information on a consolidated basis:

a) Name, nature and geographical location of activities.

b) Turnover.

c) Number of employees on a full time equivalent basis.

d) Profit or loss before tax.

e) Tax on profit or loss.

f) Public subsidies received.

Detailed information on these points is set out below:

a) Name, nature and geographical location of activities: Caja Rural de Navarra (the "Bank"), with registered office in Pamplona (Navarre), first opened for business on 23 January 1946. The Bank's articles of association state that its activity is national and its corporate purpose is to meet the financial needs of its members and third-parties by carrying on the activities typical of a credit institution. The Bank may therefore engage in all kinds of lending, deposit and service activities in which other credit institutions are permitted to engage, prioritizing the financial needs of its members in the exercise of such activities. Caja Rural de Navarra is the Parent Company of a group of investees that together make up Caja Rural de Navarra and Subsidiaries (the "Group"). The entities making up the Group carry out a range of activities.

b) Turnover: EUR 306,710 thousand. For the purposes of this report, turnover is taken to be the gross income reported in the 2021 consolidated income statement.

c) Number of employees on a full time equivalent basis: 947 in the Caja Rural de Navarra parent company and 810 in its non-financial subsidiaries. FTE employee data was based on the headcount at each entity at end-2021.

d) Profit or loss before tax: EUR 101,887 thousand. Return on consolidated assets was 0.56% at 31 December 2021.

e) Tax on profit or loss: EUR 10,500 thousand

f) Public subsidies received: Public subsidies received: The amount of public subsidies received by the Group in 2021 was EUR 252 thousand, all of which was paid to non-financial subsidiaries.

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CONSOLIDATED MANAGEMENT REPORT

INTRODUCTION

2021 was a year of recovery – health-wise, economically and financially – from the impacts of the Covid-19 global pandemic that struck humanity in 2020. Economic and financial activity bounced back strongly in 2021, thanks mainly to the massive vaccination campaigns run in the vast majority of countries, but also to the large-scale monetary and fiscal support measures taken by central banks and governments and a revival in household and business confidence. Although the worst effects of the crisis have been successfully overcome, longer term effects and implications have now started to emerge in the shape of spikes in inflation, primarily in commodities and energy, rising debt, particularly in the public sector, disruptions to supply chains with a squeeze on global transportation, and rising levels of precarity among those social groups hit hardest by the pandemic, to mention but a few.

The OECD's December Economic Outlook expected the world economy to grow by 5.6% in 2021 and 4.5% in 2022, a slight downgrade on its 2021 forecasts made in May. The revised figure was a response to fresh outbreaks and variants of Covid around the world, supply chain bottlenecks and rising fears that inflation could prove more persistent than first thought. The economic recovery has been patchy, as has the pace of vaccination around the world. Developed countries have managed to fully immunise more than 60% of their populations and embarked on campaigns of third dose vaccination. In stark contrast, developing countries have currently achieved vaccination rates of less than 10% on average, creating dangerous divergences in economic outlooks and worsening rates of inequality and poverty between countries. Reflecting this, developed countries will probably return to the growth rates forecast before the pandemic and could even beat them in 2024.

The euro zone has bounced back brilliantly, with growth accelerating in the second half of 2021 as vaccination rates in most leading zone countries topped half the target population, allowing restrictions to be eased and inspiring a recovery in business and consumer confidence. Spain has one of the world's best vaccination rates at over 80% and is among the countries spearheading the continent's recovery. The IMF expected Spanish GDP to grow 5.7% in 2021 and 6.4% in 2022, powered by recovering consumption and confidence, the ramp-up of investment from the EU Next Generation funds, and strongly expansionary fiscal policies in the 2021 budget and the 2022 draft budget. However, the recovery in recent quarters has been less brilliant and GDP growth forecasts were subsequently cut back to less than 5%, for 2021 with 2022 left unchanged.

One of the most striking effects of the pandemic was the disruption of many international production and distribution chains which has resulted in major dysfunctions in the supply of products. Most notably, a shortage of intermediate manufactured goods has slowed the production of crucial parts in major sectors of the economy. Meanwhile, geopolitical tensions have helped push up commodity prices (especially oil and gas) and triggered a surge in energy prices across the world. On this point, in 2021 oil and natural gas prices rose by around 50% and, at certain points during the year, went much higher. Another key factor driving the rise was the mismatch between limited capacity for production and supply, after years of weak investment in infrastructure and outbreaks of Covid-19 in some producer countries, and a sharp spike in demand as restrictions were lifted in the world's leading countries.

In this scenario, central banks responsible for the big countries or trade blocks looked to encourage economic recovery and left their expansionary policies virtually unchanged until the last few weeks of the year. The Fed and ECB kept interest rates at 0-0.25% and 0%, respectively. On unconventional measures, the Fed maintained its asset purchase programme at USD 120,000 million per month, only starting to taper it down in November, while the ECB continued buying EUR 100,000 million in assets a month. In November, the Fed started tentatively to wind down its asset buying by USD 15,000 million a month and the ECB also eased back on its purchase programme. Governments, particularly in developed economies, have continued to shape fiscal policies to consolidate the recovery. Prominent among these are the US investment programme and the European Union's approval and roll-out in 2021 of its "Next Generation" Recovery and Resilience Fund, which will deliver EUR 750,000 million of investment capital funded by the issue of common community debt.

Key uncertainties emerging after the health and economic crisis include the massive rise in levels of public debt and the surge in inflation. Debt has reached record levels in both developed and emerging economies. Developed economies have public sector debt running at around 100% of GDP and emerging economies are not far off these levels after the leap in borrowing in 2020 and 2021. Inflation, meanwhile, has become the other great headache of the recovery. Developed economies are experiencing year-on-year price rises of between 4% and 7%, figures unseen for decades, raising uncertainties about how long inflation could persist and casting doubt on current central bank policies.

The scenario of economic recovery has since been undermined by Russia's invasion of Ukraine. Aside from the tragic cost of the war in terms of human life, the repercussions for the world, and particularly European, economy are now becoming clear. The economic impacts of the conflict will be greater or lesser depending on how long it lasts, driving a massive rise in uncertainty about the outlook for 2022.

2021 FINANCIAL YEAR

The key figures for the Bank's performance in 2021 were as follows:

- Caja Rural de Navarra has 254 branches(139 in Navarre), with 947 employees.
- The NPL ratio was 2%, well below the sector average of 4.22% and one of the best ratios in Spain.
- Caja Rural de Navarra confirmed its status as one of the most solvent banks in the market, with a CET1 ratio of 18.7%.
- Caja Rural de Navarra had consolidated equity totalled EUR 1,410 million, a 7.3% increase on the previous year.

In a market where many banks are closing branches and cutting staff numbers, Caja Rural de Navarra remains faithful to a business model based on local service and advice to customers, in which the branch is the hub for conducting relationships. The aim is to add value for customers who continue to demand personal service for some decisions, delivered by trained employees who are ready to help and advise our more than 330,000 customers in Navarre.

As an institution embedded in its home territory, Caja Rural de Navarra's development is intimately tied to that of the region where it works and its commitment to the region is therefore absolute. Today, this commitment is if anything even more important, and is most clearly seen in our determination to maintain employment and the branch network, and in the energy we put into developing companies and the businesses of the self-employed, retailers and entrepreneurs in our communities.

The section below describes Caja Rural de Navarra Group's development over the year and key business metrics for 2021.

CONSOLIDATED INCOME STATEMENT

The financial landscape was again dominated by negative interest rates which tended to undermine the classic banking business. Nevertheless, Caja Rural de Navarra posted a consolidated net profit of EUR 91.4 million, up EUR 4.5 million on the prior year.

INCOME STATEMENT (Millions of euros)	2021	2020	Chg. % 2021/2020
Net interest income	140.9	147.0	-4.1%
Gross income	306.7	288.8	+6.2%
Profit for the year	91.4	86.9	+5.1%

Most of the consolidated net profit earned in the year (EUR 89.7 million) will be allocated to increase reserves in order to bolster that Bank's financial strength and hence its capacity for future growth.

SOLVENCY

The Group's equity totalled EUR 1,410 million, 7.3% more than the previous year.

The Caja Rural de Navarra Group's solvency measured by its Common Equity Tier 1 (CET1) ratio was 18.7%, a 1.5 percentage point increase on the previous year and, once again, among the highest in the Spanish financial sector.

NON-PERFORMING LOANS

The Caja Rural de Navarra Group's NPL ratio at the end of 2021 was 2%, an improvement of 2.1% on 2020 and well below the national NPL ratio of 4.3% based on latest Bank of Spain figures from end-November 2021.

TURNOVER

Customer deposits:

The Group manages EUR 10,261 million in deposits from customers, an increase of 0.6% on the previous year. In Navarre, Caja Rural de Navarra's share of the private sector deposits market is 29.89%.

Other savings products:

In Investment Funds, Caja Rural de Navarra grew its funds under management by 29.4%. This product class is developing a high degree of specialisation, reflected in a wide range of products, marketed through an advisory model that adds considerable value for the customer.

This growth figure of 29.4% means Caja Rural de Navarra continues to grow faster than the market. Data compiled by collective investment trade body INVERCO shows the Spanish market grew by an average of 14.84% over the period.

Loans and Advances:

Loans and advances to Group customers outstanding at the Bank totalled EUR 9,368 million, not including balances with other financial corporations, up 7.1% on the previous year. In Navarre, the Bank's market share on this measure is 28.12%, more than two points higher than the previous year.

This growth is all the more impressive as, based on year-on-year figures available at end-September 2021, the wider market where Caja Rural de Navarra is active shrank by 2.34%.

The Caja Rural de Navarra Group also maintained the balance of its loan-to-deposit ratio (new loans to customers vs. deposits made by customers), which stood at 92% at year-end, underlining once again the stability of its recurrent business.

NEW CUSTOMERS

Another key issue is the ability to attract new customers, which is how Caja Rural de Navarra can continue to expand its penetration and market presence. In 2021, the Bank signed up 30,500 new customers, of which 3,800 were legal entities.

RATING

Caja Rural de Navarra is rated by the international rating agencies Fitch and Moody's. The Bank's ratings, among the highest in the sector, were as follows at December 2021: BBB+ by Fitch and Baa1 by Moody's.

These ratings are the result of prudent and balanced management over many years, reflecting a moderate policy on risk-taking and the economic solidity in the region where the Bank is active.

SUSTAINABILITY

In 2021, Caja Rural de Navarra continued to base its relationship with its local environment on a long-term vision that keeps pace with the demands of our community. Today, this is known as "sustainability".

The Bank is focused on financing activities that have positive environmental or social benefits, such as constructing or upgrading the energy efficiency of buildings, social housing, sustainable farming and, this year, has continued the different funding lines for SMEs designed to mitigate the pandemic's impact on jobs and the economy.

A key milestone in this area was Caja Rural de Navarra's ranking no. 179 out of 14,465 Spanish and international companies rated by the specialist ESG rating agency Sustainalytics in 2021, making it one of the top-performing banks for sustainability.

CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL ACTION

Caja Rural de Navarra prepares an annual CSR Report and Non-Financial Statements verified by Aenor as external assurer, which are based on the comprehensive criteria published by the Global Reporting Initiative (GRI), the leading international standard for developing the content of sustainability reports.

Worth noting is the Bank's stress on projects in the social sphere (culture, sport, research, training, senior care, etc.) through its social action, to which it dedicates 10% of annual profit each year. Over the last 5 years, Caja Rural has devoted EUR 47 million to projects that benefit in one way or another the region where it is active.

BUSINESS MODEL

At Caja Rural de Navarra, we are committed to maintaining the branch network and the jobs that go with it. As a result, we provide services to customers through 254 branches (139 in Navarre) and employ 947 people. This is a business model that works, as it adds value for customers who still want personal service for some decisions.

At Caja Rural de Navarra we continue to defend the idea of personal face-to-face service in-branch. At the same time, the Bank is adapted to the digital environment, providing complementary services to customers who use Ruralvía, our online bank, the ATMs or computerised channels to quickly access a wide range of everyday banking transactions. But these same customers still want, and value, face-to-face advice from a professional when making decisions on loans, finance, savings/investment or insurance products.

Over the last few years the Bank has invested to provide competitive digital media so that customers have 24-hour access to all information, services and can even subscribe for new products. But the biggest investment has been in the branch network and in training the Caja Rural de Navarra team so they can continue to deliver a business model based on trust and proximity to the customer alongside the digital world.

Highlights in this area in 2021:

- Continuous improvements to Ruralvía, the digital banking service and its mobile app, which mean customers can deal with the Bank with ever greater flexibility, enjoying better functionalities and safer security standards.

- 2021 saw increasing use of "Maia", the virtual assistant chatbot for the Ruralvía app, which can resolve most of our customers' common issues. The same was true for "Mis Finanzas", a Ruralvía tool which allows individuals and corporate customers to keep track of all their everyday finances. "Mis Finanzas" lets customers classify their income and expenditure, make forecasts, generate cash-flows, set savings targets, etc..

- Digital tools on the cajaruraldenavarra.com website make day-to-day life easier for users in different ways, such as providing home insurance quotes and mortgage and personal loan simulators. In Business Banking, there is now an online recommender for leasing and rental products and a specialist blog dealing with economic news and analysis and currency reports. Some existing digital developments have also expanded to become a standard part of the Bank's offering, such as the "become a customer" (*hazte cliente*) process which allows users to sign up online.

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SUMMARY OF THE ANNUAL REPORT OF THE CUSTOMER SERVICES DEPARTMENT 2021

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 2021 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 2021.

2021 ended with an increase in the number of claims and complaints received compared to 2020. This was due to an rise in complaints about clauses in mortgage contracts, particularly regarding admin costs, following a string of rulings by the Spanish Supreme Court, Court of Justice of the European Union and the press release by the Consumer Ministry.

That said, as in previous years, we should point out the fundamental factors affecting our service, factors that are clearly reflected in the number of claims and complaints submitted to the Customer Services Department in 2021: a sensitivity 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: website and email; heavy advertising and media pressure from the "claims industry".

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 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 custom.

In 2021, the Customer Services Department received a total of 3,616 complaints, claims, suggestions and congratulations. This represents a 75% increase compared to 2020. These contacts are analysed below using different criteria. By type they broke down as follows:

Type	2021	2020
Complaint	160	215
Claim	3,278	1,687
Suggestion	6	14
Request	168	140
Congratulation	4	3
Total	3,616	2,059

Of these 3,616 submissions, 894 were resolved in favour of the customer, 363 not admitted and the remaining 2,359 rejected. Payouts to customers this year totalled EUR 688,489.69.

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By Autonomous Region, they broke down as follows:

Region	2021	2020
Navarre	1,729	1,059
Basque Country	1,679	822
La Rioja	208	178
TOTAL	3,616	2,059

The ratio of claims by Autonomous Region where the Bank is active weighted by the number of branches in each Region is as follows:

	Navarre	Basque Country	La Rioja
2021	12.44	18.66	8.67
2020	7.62	9.13	7.42

By subject matter the 3,616 complaints and claims broke down as follows:

Subject	2021	2020	Chg.
Assets - Loans and mortgages	2,710	1,342	102%
Assets - Other loans and accounts	29	32	-9%
Assets - Other	0	8	-100%
Liabilities - Current accounts	358	144	149%
Liabilities - Other	0	2	-100%
Other loans - Cards, ATMs, POSs	138	163	-15%
Other loans - Other	1	2	-50%
Services - Direct debits	7	10	-30%
Services - Transfers	61	53	15%
Services - Bank drafts and cheques	11	4	175%
Services - Other	79	53	49%
Investments - Funds	16	4	300%
Investments - Other investment services	4	21	-81%
Insurance and plans - Life insurance	19	13	46%
Insurance and plans - Casualty insurance	3	10	-70%
Insurance and plans - Pensions	2	2	0%
Insurance and plans - Other insurance	11	6	83%
Other	167	190	-12%
TOTAL	**3,616**	**2,059**	**76%**

Special mention must be made of the processing of the claims dealing with mortgage contract clauses after the publication of Supreme Court Ruling 555/2020, and the ruling by the Court of Justice of the European Union on mortgage administration costs.

This type of claim jumped compared to the previous year, due to the abovementioned rulings and the looming end-date for claims following the amendment to Act 42/2015, of 5 October, which set a shorter time-limit for bringing personal actions, where limits have not been otherwise specified. Note that, as in the past three 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.

As mentioned and as the table shows, the most complained-about issue in 2021 was mortgages, mainly clauses allocating administration costs, with a total of 2,308 received, 63.82% of all claims. Many of these also referred to other clauses, such as those dealing with late-payment interest, the commission for overdraft claims or account-opening fees.

Another issue that gave rise to a large number of customer claims in 2021 was maintenance fees for current and savings book accounts.

Also, 31 claims were passed up to the Bank of Spain's Banking Conduct Department. Of these, 11 related to administration costs. This represents a substantial rise on the 23 complaints received by this body in 2020.

The annual average response time of the Customer Services Department was 21 days, less than the 18 days average for 2020. Given the leap in claims filed, it reflects the effort by the department 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, by good service and effective complaints management at branch level, avoid issues being passed up to this department and damaging the Bank's image in the eyes of the regulator. Also, following the reduction in response times and with a view to meeting them, it has become more essential than ever to make documents available to the Customer Services Department as soon as possible.

Regularly, ideally each six months, the head of the Customer Services Department, acting as Secretary, convenes the Quality Committee where members are given a detailed presentation of the complaints and claims received over the previous period. He/she comments on and analyses 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 of the conclusions and adopts appropriate preventative or improvement measures in the departments and products that were complained about, and make recommendations and suggestions based on the department's experience to better achieve its underlying purpose.

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 2021.

AVERAGE SUPPLIER PAYMENT PERIOD

Payments to suppliers in 2020 were made in an average of 9 days, below the 60-day legal term required by Act 15/2010, of 5 July, on measures to combat bad debt in commercial transactions, amended by Act 31/2014, of 3 December, itself amending the Capital Companies Act on the improvement of corporate governance. The average payment period was calculated using the method set out in this law.

OUTLOOK FOR 2022

2022 marks the last year in the three-year strategic plan drawn up by the Bank. Caja Rural de Navarra expects to continue gaining market share, strengthen its solvency and be a benchmark for banking that is close and committed to the region where it operates.

The environment remains difficult, particularly after recent international events that will, in one way or another, affect our economy. But the Bank still expects to improve on this year's results while retaining its healthy solvency and market presence.

CSR REPORT AND NON-FINANCIAL STATEMENTS 2021

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 statements form part of this consolidated management report and are available on the website: https://www.cajaruraldenavarra.com/en/information-investors under Sustainability – CSR Report.

CSR REPORT

AND NON-FINANCIAL STATEMENTS

2021

CORPORATE SOCIAL RESPONSIBILITY REPORT OF CAJA RURAL DE NAVARRA AND CONSOLIDATED NON-FINANCIAL STATEMENTS OF THE CAJA RURAL DE NAVARRA GROUP 2021

EXTERNAL VERIFICATION DATE: 28 April 2022

WWW.CAJARURALDENAVARRA.COM

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In this Corporate Social Responsibility Report Caja Rural de Navarra has comprehensively applied GRI Standards and responded to Act 11/2018 of 28 December, which have been verified by AENOR as external assurer.
Annex II reports information for the Non-Financial Statements 2021 on the equity investments comprising the Caja Rural de Navarra Consolidated Group, in accordance with Act 11/2018 (applying international GRI standards).

CONTENTS

1. CHAIRMAN'S LETTER

It gives me great pleasure once again to present Caja Rural de Navarra's Corporate Social Responsibility Report and the Caja Rural de Navarra Consolidated Group's Non-financial Statements for 2021.

They set out, in a straightforward way, what we have been doing during the year and how the Bank has maintained its close relationship with the wider economy and society in fulfilment of its local banking vocation. All of this has happened in a complex global environment. We are still dealing with the pandemic and its fallout and now also find ourselves confronting geopolitical uncertainty, with a war in Europe, a major shock to international supply chains and spiralling energy and commodity prices.

In these circumstances, we feel we must act with exemplary responsibility and inject a degree of optimism while living up to our corporate commitment to serve our customers, employees and wider society. This commitment translates into action in three specific areas: contributing to the economic and competitive transformation of the region, creating and sustaining local employment, and progressing toward greater social cohesion. A key point to understand is that we are facing a new paradigm, not only to restart the economy, but also to reinvent it and migrate toward more sustainable growth models.

We are also convinced that, to be sustainable over the long term, we must be sensitive as an organization, listening and responding to the needs of the local community. We understand social responsibility, which is part and parcel of the cooperative model, as inseparable from our business of financial intermediation and something that must be maintained through the long term if we are really to contribute to the common good. At the same time, it needs to be embedded in the Bank's different business areas as an everyday responsibility for all of us who make up the Bank. All of this is rooted in the conviction that this model is a reaffirmation of our values and consistent with the values we bring to our daily life and work. Only in this way can we deliver value to our local community and return in kind some of what the community gives to us. It is something our customers always stress and inspires a sense of pride, which is why we all need to cherish it as one of our biggest assets.

The total commitment to meeting the needs of our customers, aligning our actions with environmental priorities and helping decarbonise our local physical environment, requires both the launch of new financial products and services and a responsible approach to our own consumption, energy efficiency and sustainable mobility. The future will bring new opportunities and new challenges. We must be ready to adapt to meet them.

Finally, I want to express my gratitude to everyone and all the institutions and organizations that have put their faith in Caja Rural de Navarra Group, and to encourage everyone who has helped sustain our business mission and put into practice our corporate social responsibility to continue doing so in the future with the same firm determination.

2. ABOUT THE REPORT

2.1 ABOUT THE REPORT

This is the fifth Corporate Social Responsibility Report, based on data at 31 December 2021 and compiled in accordance with GRI standards with a closely drawn focus on the most significant disclosures and the same scope as the reports published in previous years.

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 2021, 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 material by 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: info@crnavarra.com

mail:
Servicio de Atención al Cliente
CAJA RURAL DE NAVARRA
Plaza de los Fueros 1
31003 Pamplona.

In 2017, Caja Rural de Navarra prepared its first CSR report. In 2018, it published the second CSR report for Caja Rural de Navarra and the Non-financial Statements for the Caja Rural de Navarra Consolidated Group, with external assurance by Aenor. Aenor has also assured the 2021 report and Non-financial Statements for Caja Rural de Navarra for the fourth year.

2.2 DIALOGUE WITH STAKEHOLDERS

Dialogue with stakeholders was 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 participate actively** in its CSR strategy.

Caja Rural de Navarra has identified the people or groups of people which have an impact on or are affected by its activities, products and services and which therefore have a stake in Caja Rural de Navarra.

It is important to embed a commitment to stakeholders. This means initiating a range of actions and efforts to understand and involve these groups in the Bank's activities and decision-making.

The participating stakeholders were:

- Retail customers.

- Companies and self-employed customers.

- Private Banking customers.

- Institutional customers.

- Employees.

- Suppliers.

- Partner social organizations.

Caja Rural de Navarra’s management of its stakeholders is based on **trust and open dialogue**, which allows us to forge close relationships with each of them, **understand their needs and expectations and make commitments to improve**.

The abovementioned groups have been consulted by Caja Rural de Navarra to determine which CSR issues they see as most pressing for Caja Rural de Navarra and this has been distilled into a single priority list of relevant material issues for the stakeholders consulted.

Channels for communication with stakeholders:

Caja Rural de Navarra has set up a number of channels and mechanisms to generate dialogue with its stakeholders. All the information collected and analysed through these dialogue processes feeds into future CSR guidelines and initiatives.

The materiality analysis is run every three years to coincide with Caja Rural de Navarra's strategic planning cycle.

CUSTOMERS: retail, companies, private banking, institutional customers

- Customer services department
- Social networks
- Customer satisfaction survey
- Suggestion box
- cajaruraldenavarra.com website
- General business relationships
- Materiality survey conducted to prepare this Report
- Materiality focus group conducted to prepare this Report.

EMPLOYEES

- Employee portal
- Caja Rural de Navarra intranet
- Works Council (Comité de Empresa)
- Internal Communications Group
- Materiality focus group conducted to prepare this Report.
- Weekly business meeting
- Area meetings
- Business coordination through management committee

SUPPLIERS

- Business and contractual relationships
- Quality surveys
- Materiality survey conducted with the Bank's biggest suppliers

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/standards), Caja Rural de Navarra has conducted a new materiality analysis for the 2021 CSR report, based on information covering two scopes: the Bank itself (Caja Rural de Navarra) and its equity investments.

The work was outsourced to AFI (Analistas Financieros Internacionales), consultants specializing in the preparation of these reports.

The aim is to identify those issues that most impact the organization and its stakeholders and which it is therefore essential to report on.

The guidelines state that sustainability reporting should be based on the following principles**: stakeholder inclusiveness, sustainability context, materiality and completeness.**

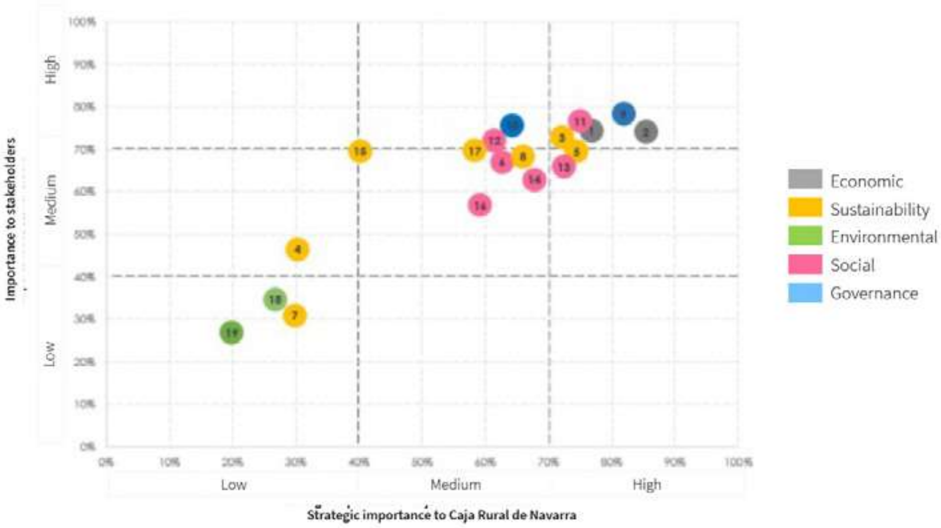
In applying these principles to report content, Caja Rural de Navarra has defined and applied a number of methodologies to identify which issues are material.

This document summarises the main conclusions of Caja Rural de Navarra’s materiality analysis, carried out in March 2022 based on information covering the whole of financial year 2021.

The materiality analysis seeks to identify and rank the economic, environmental, social and governance priorities for customers, employees, suppliers, partner social organizations and authorities (external materiality) and for the Bank's strategy based on their potential impact on the Bank (internal materiality).

This new materiality analysis by Caja Rural de Navarra identified **19 material issues**:

Caja Rural de Navarra Materiality Matrix



PRIORITY		ISSUE	AREA
High	2	Profitability, solvency and risk management	
	9	Ethics, integrity and good governance	
	1	Strategy	
	11	Responsible and transparent marketing	
	3	Mission, vision and values of the Bank	
	5	Digitization	
Medium-High	10	Transparency and responsible communications	
	12	Customer services department	
	17	Contribution to economic growth and development	
	13	Personal development	
Average	8	Marketing channels	
	6	Range of products and services	
	14	Equality, diversity and work-life balance	
	16	Social action	
Medium-Low	15	Responsible purchasing	
Low	4	Sustainability strategy	
	18	Support for environmental protection initiatives	
	7	Sustainable finances	
	19	Reducing the environmental footprint	

Materiality involves identifying the Bank's most relevant stakeholders and which economic, environmental, social and governance issues were most relevant or material for them (external materiality) and for the corporate strategy and actions (internal materiality). This gives a picture of the Bank's impacts on these stakeholders paving the way for reflections on how best to manage them.

Results of the materiality analysis

Identification and classification of stakeholders

An essential prior step before analysing the results of the opinion survey of Caja Rural de Navarra's stakeholders is to profile the groups that responded and their key features.
We summarise below the system used to identifying and classify the main stakeholder groups surveyed for the materiality analysis.

A. Customers

A total of 6,155 Caja Rural de Navarra customers responded to the survey. Most of its customers are individuals (98%), split between retail and Private Banking customers. The remaining 2% are companies, self-employed or institutional customers. **Three focus groups** were also conducted with up to 8 members in each, comprising individuals, companies, self-employed and institutional customers, to provide more detailed information and calibrate the results of the surveys.

- **Individual customers**: the number of individual customers responding was 5,894 (95.8% of total customer responses). By gender, 56.4% of respondents were men, 43.3% women and 0.2% preferred not to identify a gender. By age, the largest segment of respondents were 55-64 (30.3%), followed by 45-54 year olds (29.8%) and 35-44 year olds (18.1%). Note that 78% of customers have been with the Bank for more than 5 years and, by region, 56% live in the province of Navarre, followed by Vizcaya (15%), Guipúzcoa (13%) and Álava (8%). A focus group was also arranged for this stakeholder group, composed of 5 adults.

- **Companies and self-employed customers**: the number of companies and self-employed customers responding was 88 (1.4% of total customer responses). By legal status, 96.6% of responses were from companies, the other 3.4% from self-employed customers. Of the companies, 81% have been working with the Bank for more than 5 years and 69% have annual turnover of between EUR 2 million and EUR 50 million, while 67% of the self-employed customers have been with the Bank for more than 5 years. By geographical region, the largest percentage are active in multiple provinces (41%), and 5% are active abroad. Note that 25% conduct their activity only in Navarre and 10% only in La Rioja. A focus group was also organized with 6 adults representing their respective businesses.

- **Private Banking customers**: the number of Private Banking customers responding was 118 (1.9% of total customer responses). By gender, 77% of Private Banking customers are men, all older than 45, the remainder being women, of whom 3% are younger than 35. Note that 96% of respondents have been customers of the Bank for more than 5 years. By region, 71% of Private Banking customers live in Navarre, followed by Guipúzcoa (9%) and Vizcaya (8%). A focus group was also organized, attended by XX of the Bank's Private Banking customers.

- **Institutional customers**: the number of institutional customers responding was 55 (0.9% of total customer responses). By legal status, 36% of responding institutional customers are private or state-assisted organizations of which 90% are non-profits, while 25% are public educational establishments and 38% other types of institution such as charities or sports clubs. Note that 69% of institutional customer respondents have been working with the Bank for more than 5 years. They mainly operate in the provinces of Navarre, Vizcaya, La Rioja and Guipúzcoa. A focus group was also organized with 6 adults attending.

B. Employees

There were 262 responses from Bank employees. These fell into three groups: executives, non-executives and employees of auxiliary services. There was also a **focus group for executives and non-executives**, to calibrate the results from the surveys.

- **Executives**: 4 executives responded (1.5% of all employee responses). Of these, 3 work in central services and 1 in a branch, all in Navarre. By gender, all executive respondents were men and 3 of them had worked with the Bank for more than 25 years. In terms of qualifications, 3 are university graduates and one of them also has a postgraduate qualification. The other respondent has second-grade professional training. A focus group was conducted among executives with 8 executive employees taking part.

- **Non-executives**: 244 responses were received from non-executive employees (93.1% of all employee responses). This was a gender balanced sample, with 50% women and 50% men. Of these, 78% work in branches and 22% in central services. 84% of the employees have a permanent employment contract, 47% being men and 38% women. Of the women, 16% are on work experience contracts. In terms of qualifications, 95% of employees are university graduates and 26% also have a postgraduate qualification. A focus group was conducted among non-executives with 8 non-executive employees taking part.

- **Auxiliary services staff**: 14 responses were received from non-executive employees working in auxiliary services (5.3% of all employee responses). Note that all the responses from auxiliary services were from non-managerial staff. By gender, 79% were women and 21% men. Of the men, 100% have a permanent contract, while of the women 64% are on permanent contracts, 27% on work experience contracts and 9% on temporary contracts. By age, note that 29% of auxiliary employee respondents are under 30, 57% are 31-50 and only 14% older than 51.

C. Suppliers

A total of 6 responses were received from suppliers. Of these, 83% have had a relationship with the Bank for more than 5 years, while the other 17% have supplied the Bank for between 1 and 5 years. All of the latter are international suppliers. As for the type of service supplied to the Bank, 33% provide cleaning, 17% financial consultancy and the remaining 50% provide insurance, advertising equipment and furniture sales.

D. Partner social organizations

The number of partner social organizations responding was 5. Of these, 100% are institutions and private or state schools. 40% have worked with the Bank for more than 5 years and the remaining 60% for less than 5 years, of which 67% started working with the Bank this year. None of the partner social organizations responding to the survey were for-profit. Regarding the form of collaboration, the vast majority (80%) receive financing from the Bank while the remainder work with the Bank in other ways. Note that for 40% of the social organizations, the collaboration with the Bank is the only or one of the most important such relationship they have. A **focus group** was also organised with eight partner social organizations.

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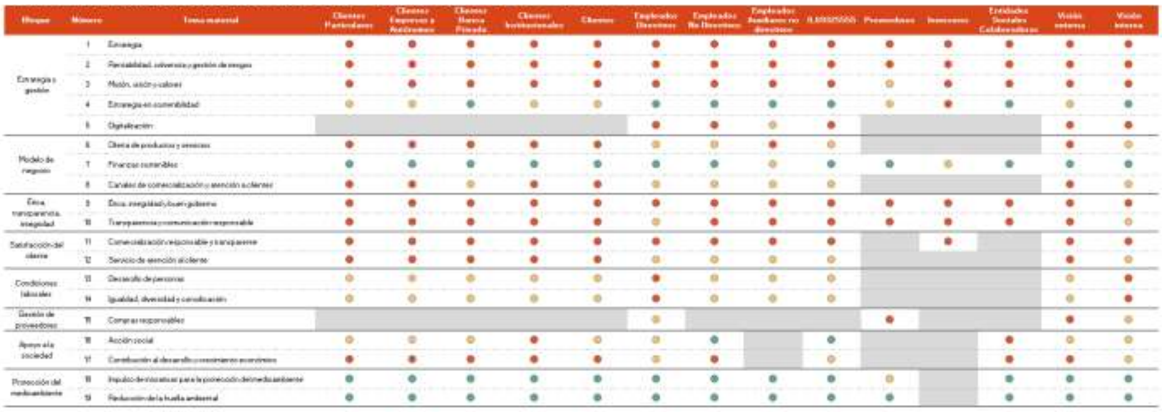
2.4 Prioritization of stakeholder issues

The section below shows, first, the importance stakeholders give to each of the 8 main blocks[1] and, second, their importance for all stakeholders (external vision) and for the Bank (internal vision).

The table further shows how significant each stakeholder group considers each of the 19 specific issues derived from the consultation and which comprise the materiality matrix.



[4] The block concerning the Bank's strategy and management by its directors and employees covers strategy and management and the Bank's business model. Also, the management of Covid-19, although analysed in this project, was not included as a material block in the materiality matrix.

Legend Importance for stakeholder group
High priority (scores of 70% or above)
Average priority (scores of 40% or above and less than 30% and 70%)
Low priority (scores of less than 40% and less than 30% and 70%)
Question not answered

2.3 Materiality matrix

As well as consulting stakeholders, the Group conducted a comprehensive benchmarking exercise of the level of sustainability achieved by comparable institutions in the sector and the economic, environmental, social and governance priorities in their respective materiality matrices. The Bank's materiality matrix has been compiled in light of both this sector report and the ranking of material issues for each stakeholder group. The materiality matrix (detailed in section 1 of this chapter) considers 19 issues ranked in order of their importance to the Bank's stakeholders and to the Bank itself.

Caja Rural de Navarra also conducted an internal materiality analysis, in which the area managers of all Departments involved quantified the potential impact and likelihood of key ESG risks occurring. The results of this self-assessment are set out in **Section 3.7 "Materiality self-assessment"**.

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2.4 MANAGEMENT FOCUS

Guided by the conclusions of the materiality analysis following consultation with our stakeholders, Caja Rural de Navarra bases its relationship with its stakeholders on the following criteria:

1. CUSTOMERS

The Bank focuses overwhelmingly on local and retail banking. Little surprise then that the main points identified in our materiality matrix have to do with how we relate to our customers (retail, private banking, corporate and institutional).

The Bank prioritises responsible banking with a long-term view of its customers' needs regarding products (transparency and advice on investment and financing products) and in its marketing processes, emphasising local connections and quality of service.

See the "Customers" section below for further details of the Bank's activities in this area.

2. THE TEAM

Regarding employees, the materiality analysis identified a number of key points to which the Bank is paying special attention. Particularly important were the issues of involving the team in strategy, career management plans, training and a policy on professional selection and development based on merit and effort.

All this is being implemented over a long-term horizon, something we believe is fundamental to avoid conflicts of interest and make sure the work being done by our teams aligns with the aims of our different stakeholder groups, a crucial point for a services company if it is to flourish over the long term.

3. THE COMPANY

Our relationship with wider society is a differentiating factor for Caja Rural de Navarra. Our structure as a regional cooperative bank inevitably implies a **close relationship with the region where we operate** and a longer term vision. This reflects its cooperative ownership and business structure, which **helps limit the risk of taking decisions on too short term a basis** or where the interests of one group take excessive precedence over the rest.

On this point, it is essential for the Bank that society in the regions where we operate continues to see us as a local institution, supporting local initiatives, which has a far more direct knowledge of the economic and social realities of the towns and cities in our regions, and which supports key social groups to support long-term community development, such as SMEs, entrepreneurs, grass-roots sport, educational and cultural activities, etc. with an inclusive focus for the different social groups that is sustainable over time.

4. ENVIRONMENT

As a financial services institution, the Bank has limited direct material impact on environmental issues. Nonetheless, the Bank is developing multiple initiatives not only by reducing the negative impact of its own activities but also by supporting initiatives designed to improve the environment in our regions through training, awareness-raising, direct investment in environmental business projects (forest development, renewable energy, etc.) and by supporting projects to improve the environment through its financing lines (sustainable farming, sustainable forestry, waste management, renewable energy and energy efficiency).

5. SUPPLIERS

Caja Rural de Navarra seeks to maintain with its suppliers and partner companies a close, respectful, trusting and transparent relationship which promotes in-depth knowledge of the companies we contract with and confidence in the quality of the services provided, as we explain in greater detail below.

In its selection processes, the Bank measures suppliers against its own set of ethical principles, which besides including quality and financial costs, also requires that companies respect workers' rights, behave transparently and have a clean record on social and environmental issues.

2.5 STRATEGY

Caja Rural de Navarra is a cooperative institution specialising in retail and regional banking, which serves its customers through a network of 254 branches in the regions of Comunidad Foral de Navarra, the Basque Autonomous Region and La Rioja as well as through its virtual channels.

The Bank is drawing up a new three-year strategic plan. We are currently immersed in delivering the 2020-2022 Plan. The three-year plan is always accompanied by specific annual plans.

The key principles of strategic planning are based on balanced growth which allows the Bank to keep growing market share in all areas where it operates while maintaining its differentiating model of a regional retail cooperative bank, consistently seeking to provide added value for its customers backed by local high-quality advice.

The aim is 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, with a mixed model of branches to deliver the local high-quality advice and alternative channels that customers can use. An important tool for this is the service the Bank offers its customers through Ruralvía, its digital banking facility, accessible through a range of devices including computers, smart phone, tablet and other IT apps (Ruralvía pay, etc.) as well as the ATM network.

The Bank also belongs to 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 relies on shared central services provided by the companies set up by the group and covering each of the main business areas of the member Rural Credit Cooperatives. The Banco Cooperativo Español, Seguros RGA and Rural Servicios Informáticos give the group a competitive edge in meeting the challenges of an increasingly innovative and demanding market.

The main challenges and strategies of the Bank can be summed up as achieving the profitability to guarantee its future sustainability through a high-quality financial offer and a cost structure that provides the necessary competitiveness.

The strategy is to be a leader, or a benchmark institution, in its natural market. The Bank is an integral part of society and, by virtue of its origins and deep roots in local communities, is an important and energizing contributor to social development.

It is also fully committed to its environment, on which the Bank is completely dependent for its own development, while always taking a long-term view.

The Bank has been developing its own sustainability strategy for some time. Nevertheless, in 2021 its Governing Board, as a member of the nationwide Caja Rural group, approved the adoption of the Guiding Plan for sustainability prepared by group member Banco Cooperativo Español as its benchmark for strategy and the actions the Bank pursues in this area.

The Caja Rural de Navarra network has grown to 254 branches in Navarre, the Basque Autonomous Region and La Rioja (including a commercial office in Madrid).

CAJA RURAL DE NAVARRA STRATEGIC PLAN

As for the current 2020-2022 Plan, now in its second year and heavily affected by the Covid pandemic nearly from the outset, we can say that targets have generally been met although with some shortfalls in various areas, as follows:

- Loans and advances:

In both years, the Bank fell slightly short of its targets and is currently missing its Strategic Plan target by -EUR 122 million. We have set a slightly more ambitious target for 2022 than that originally defined in the Strategic Plan, of 8.80% growth (EUR 800 million) to bring performance more into line with the original Strategic Plan target of EUR 10,010 million.
In terms of regional share of the loan book, Navarre fell back in relative terms, with constant sustained growth by the rest of the provinces, which now make up 55% between them.

- Liabilities:

After heavily outperforming its target in 2020, liabilities growth in 2021 was very low, just 0.62% (EUR 62 million) reflecting a drive to rationalise the different types of liabilities and cut surplus cash costs, resulting in a shortfall versus the 2021 budget target of EUR 459 million. Even so, liabilities remain above the Strategic Plan target for this date.
We have trimmed the initial growth target for 2022 from EUR 700 million (7.01%) to EUR 436 million (4.32%), as the policy is to continue growing in Investment Funds. This will leave us slightly below the Strategic Plan target but with a better cash position.
By province, Navarre contributed more than half of total liabilities (60%). Other provinces are growing their share but more slowly than in loans and advances.

- New customers:

This is where we saw the biggest effects of the pandemic. In both years the pace of new customer capture fell off, especially individual customers, leaving us short of target by around 7,000 new customers in both years. The same was true for Legal Entities in 2021, with 603 fewer new captures than expected. In 2020 performance was nearer to its annual target.
In 2022, we maintain the targets set in the Strategic Plan: 33,706 new individual customers (up 6.67% on the base) and 4,852 legal entities (up 9.04% on the base). It will be a key target for next year.

- Non-performing loans:

Despite the pandemic, budgeted NPLs were close to the actual outturn in 2020 and 2021. However, the situation is expected to deteriorate in 2022 due to current economic pressures, especially the rising prices of raw materials, electricity and fuel.

- Profit:

We ended 2021 with profit of EUR 88.3 million, EUR 6.9 million more than the prior year, slightly beating the target.

- Solvency:

The definitive solvency ratio – measured as the fully loaded Common Equity Tier 1 (CET1) ratio, the highest-quality capital – at 31/12/2021 was 18.13%. The end-Plan target was 17.66%. The phase-in CET1 ratio at the same date was 18.72%. The basic difference between the two ratios is that during the transitional phase extraordinary provisions taken for Covid can be counted as capital.
The Bank therefore continues to enjoy a very high level of solvency as all the capital considered is of the highest quality. No other instruments are counted toward capital.
We can claim we are broadly in line with most of the economic targets set in the Plan, having improved market share and expanded our network in the Álava market (1 new branch).

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 Guarantees Fund and registered in the Special Register of Banks and Bankers under number 3008.

Caja Rural de Navarra has 178,182 members (at 31/12/2021) representing a wide diversity of sectors and society. The Company has no majority or controlling members.

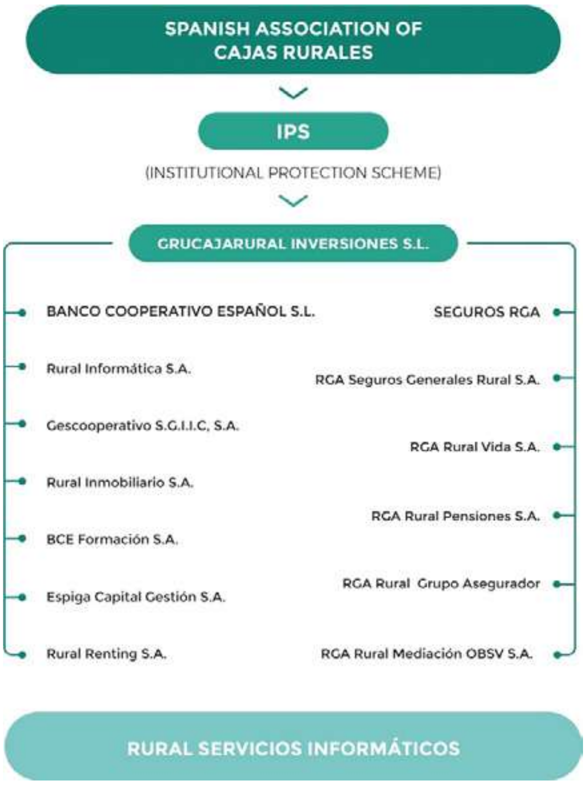
Its business originally focused on the agri-foods and fisheries sector but developed over the years as the region became increasingly industrialized. Now, Caja Rural de Navarra operates a universal banking model, with members and customers giving it a presence in all sectors of the economy, and with a culture based on transparency, responsibility, austerity and risk management.

It retains its local focus and, following the tradition of the European cooperative model, its financial activities serve all retail banking segments (retail, corporate, the self-employed, institutions, etc.) through a network of 254 branches in the regions of the Comunidad Foral de Navarra, Basque Country and La Rioja. There is one more branch than last year. None closed in 2021.

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 based its business model on pursuing continued growth over time and has proved successful in improving its market position, financial statements, solvency and liquidity.

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. It should be clarified, however, that this association is not 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 independence and autonomy, enabling them to fulfil the essential prerequisites of banking activity and business efficiency, while overcoming the potential limitations of small scale and regional scope. Currently, the Group’s corporate structure looks as follows:



This model is based on the European cooperative banking model (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.

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. Caja Rural de Navarra currently has a 21.16% 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 87.98% 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 members 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 15 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.bancocooperativo.es
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**, SA de Seguros y Reaseguros.
- **RGA RURAL VIDA**, S.A. de Seguros y Reaseguros.
- **RGA RURAL PENSIONES**, S.A. Entidad Gestora de Fondos de Pensiones.
- **RGA MEDIACIÓN**, Operador de Banca-Seguros Vinculado, S.A.
- **RGA GRUPO ASEGURADOR**, Agrupación de Interés Económico.

The Bank's Managing Director sits on the Boards of Directors of **RGA SEGUROS GENERALES RURAL, SA** and **RGA RURAL VIDA, SA**. The board of directors has 15 members mostly drawn from Caja Rural Group companies. Links:

www.segurosrga.es

4. Rural Servicios Informáticos (RSI)

Rural Servicios Informáticos, created 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 institutions. 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 a 19.45% stake in the company.

A. Nessa Global Banking Solutions

Created in 2011, Nessa Global Banking Solutions is the vehicle through which RSI does business in international markets with companies outside the Caja Rural Group. It gives RSI a presence in four continents: Asia, America, Africa and Europe.

At the moment, it is governed by a Sole Director who acts as its top representative and management body.

Caja Rural de Navarra currently has a 14.43% stake in the company.

In 2021 Nessa GBS was liquidated through a merger by absorption of assets and liabilities, which resulted in all its obligations and receivables being incorporated into RSI.

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.

Caja Rural de Navarra currently has an 19.44% 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 42 cooperatives that are currently members and a 14-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 2,700 affiliated cooperative banks and 87 million members, in European institutions.

Links:

www.unacc.com
www.eacb.coop

COMPOSITION OF CAJA RURAL GROUP

CAJA RURAL GROUP – KEY FIGURES:

9,230 employees

2,330 branches

Over 3,000 ATMs

+ 1.5 million members

+ 6.5 million customers

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 Navarre Companies Register in 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, Madrid, Guipúzcoa, Álava and Vizcaya.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

3.3 GOVERNING BODIES

EBA Guidelines on internal governance [EBA/GL/2021/05] require that the Governing Board of Caja Rural assumes ultimate and overall responsibility for the institution and defines, oversees and is accountable for the implementation of the governance arrangements within the institution that ensure effective and prudent management of the institution.

In line with the Company's permanent commitment to best corporate governance practice, the Governing Board of Caja Rural de Navarra, defined a System for Internal Governance for Caja Rural de Navarra (the "System"). Its implementation and development is 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 Caja Rural de Navarra and hence its members 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 organised 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. 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.

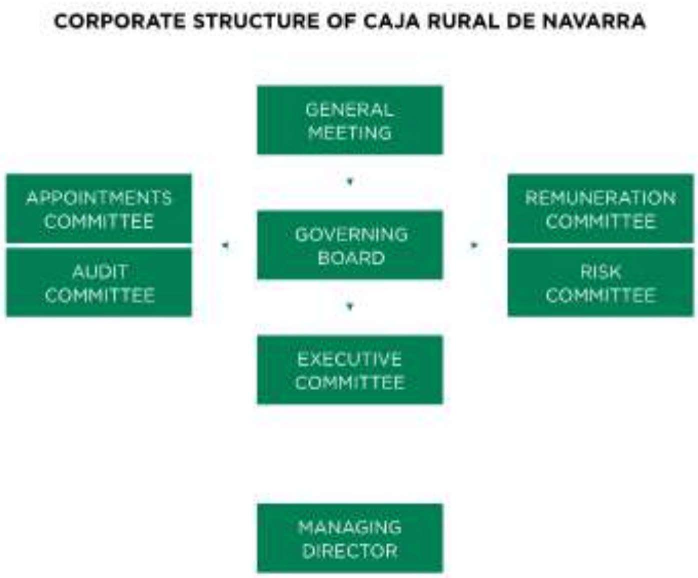
F. Appropriate regulatory compliance, ensuring the Bank complies at all times with applicable legal regulations and best practice in corporate governance.

3.3.1 Governing Bodies

Caja Rural de Navarra has a solid, appropriate and transparent corporate structure and management and control model, designed to deliver efficient performance that complies with the principles of good corporate governance. It is a core role of the Governing Board to ensure the Company's structure is aligned with its business and risks model. To this end it conducts regular reviews of the organization and how its changes affect the Company, amending its structure and operations as 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:



Members

Caja Rural de Navarra is a cooperative bank with 178,182 members at 31/12/2021, contributing EUR 170.3 million to the Bank's share capital. The number of members rose by 2,140 since the previous year and the contribution to capital rose by EUR 493 thousand.

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 shall conduct 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, 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 fixed-contract employees. It currently has 15 members.

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.

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 authorise the Board member's registration in the Register of Senior Officers kept by its supervisor.

Also, each year, the Appointments Committee assesses the suitability of the members of the Governing Board as a whole to verify that this body has the knowledge and experience to understand the Bank's business, including the main risks, and confirm that there is nothing to prevent the free expression of opinion and decision-making by any of its members with complete independence.

The Governing Board has rules of procedure setting out measures and guidance for its actions and basic organizational and functional rules and codes of conduct for its members, to improve efficiency, transparency and unity of criteria in the management of Caja Rural de Navarra (the "Bank" or "CRN"). 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

Membership of the committees is as follows: Appointments and Risk Committees: 3 directors, Remuneration and Audit Committees: 4 directors, Executive Committee: 5 directors. Currently, 10 of the 14 directors sit on at least one of these Delegated Committees.

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

Committee/Body	Duties
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 Compliance.
Appointments Committee	A delegated body of the Governing Board. It identifies candidates for the Governing Board, assesses the suitability of its members and the balance of expertise, capacities, diversity and experience of the Board as a whole. It defines targets for improving the representation of the gender least represented on the Board.
Remuneration Committee	A delegated body of the Governing Board. It proposes the general remuneration policy to the Governing Board, carries out an independent annual review of its application and reports on the remuneration policy for executives classed as "identified staff"
Risk Committee	A delegated body of the Governing Board. It advises the Board on management and supervision of all relevant risks and on correct application of the global risk appetite in light of the Bank's strategy.

The rules of procedure for these committees are available at:

https://www.cajaruraldenavarra.com/es/gobierno-corporativo

The Bank has 3 control functions, reporting functionally and hierarchically to their respective governing bodies: the risk management unit, reporting to the Risk Committee; the internal audit unit, reporting to the Audit Committee; and the Compliance Function reporting to the Governing Board.

The Bank also has an Internal Control unit, set up by and reporting hierarchically to the Governing Board, with representation from various areas of the business. This body oversees implementation of the Bank's policies and procedures to combat money laundering and terrorist financing.

- The Bank's executive and operational structure is as follows;

General management

The Bank has a General Management structure, whose head is 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 Bank. 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.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

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.

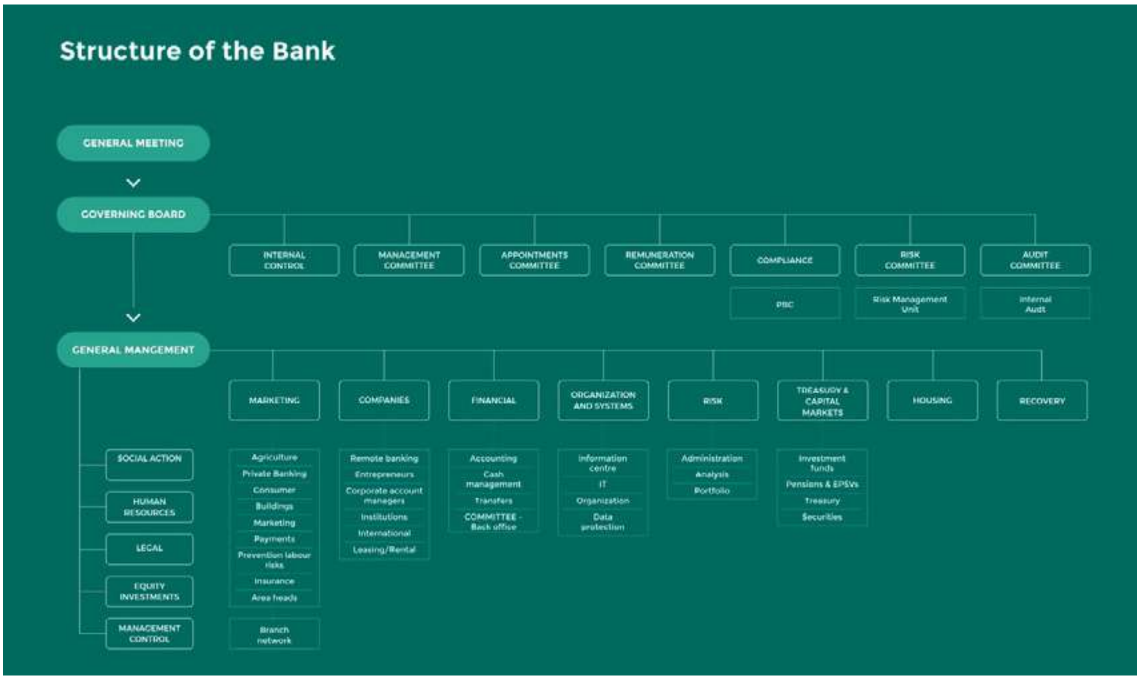
Internal Areas/Departaments: Operating structure

The Bank's General Management has a 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, covered by the Legal and Tax Department, control and risk management, covered by the Department of General Intervention and Management Control, or business, covered by the Corporate Banking, Sales, Companies and Private Banking Departments, among others.

The chart below summarises the Bank's structure:



The Bank also has separate support units addressing these functional areas, such as Human Resources, Organization and Technology, Credit Risk Management, Equity Investments, Treasury and Markets and Housing and Property Assets.

Control

Caja Rural de Navarra has a clear organizational structure and an appropriate 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 on oversight of efficiency and internal control, internal audit and liaising with the auditor on potential material 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.

The role of the Compliance Function is to advise and report to the Board on how the Bank is managing and mitigating the risks of legal or regulatory sanctions and of financial, material or reputational loss due to deficiencies in the standards being applied.

2.- The Bank's three internal lines of defence

The Bank's Compliance Risk management is based on a decentralised structure that applies the ***three lines of defence*** model recommended by the Basel Committee on Banking Supervision (see diagram below). The functions and responsibilities of each line of defence are as follows:

1st Line of defence -> Business unit

- Responsible for operational risk management in business areas.
- Reinforced by the separation of risk management from business areas.
- Associated functions:
  - Responsible for the identification, measurement or assessment, management, mitigation and communication of the key risks affecting the Bank in the course of its business.
  - Responsible for day-to-day risk management, especially of risks derived from its day-to-day operations.
  - Development of first level of control for risk management.

2nd line of defence -> Risk management, Compliance, etc.

- Responsible for management and supervision of their respective areas of risk.
- Associated functions:
  - Responsible for setting up the Bank's Internal Control Framework and overseeing compliance with it.
  - Risk measurement and monitoring to ensure appropriate control and internal/external reporting.
  - Review of compliance with policies and their integration into management practice.
  - Validation of procedures implemented for risk management areas.
  - Advises the 1st line of defence.

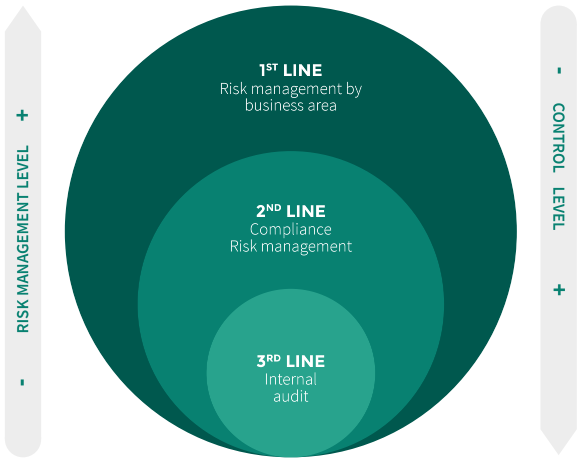
3rd line of defence -> Internal Audit

- Responsible for independent supervision of the application of controls and Internal Control Systems.
- The Internal Audit Function assesses and checks:
  - Whether the Internal Control Framework is efficient and effective.
  - Compliance with the policies and procedures associated with all activities.
  - Validation of procedures implemented for risk management areas.

4th line of defence -> External Auditors and Supervisors

- External auditors determine the Bank's compliance with required regulatory standards.
- Regulator: Bank of Spain, CNMV (stock market regulator), DGS (insurance regulator)

The chart below illustrates the interplay between these three lines of defence:



3.- Internal control functions

Caja Rural de Navarra's internal control functions (risk management, regulatory compliance and internal audit) act separately and independently. They report functionally and hierarchically to the Internal Committees of the Banks' Governing Board or to the Board itself, 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 and hierarchically 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 attends and 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 Recovery 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 for different risks, quality and recurrence of earnings, liquidity and solvency. Specific risk tolerance levels are defined for each of these metrics. The most important metrics also include long-term targets. These aims and levels are updated and approved at least annually by the Governing Board on proposal of the Risk Committee.

All metrics come with an assigned target, tolerance and limit. In each metric, the target is the value achieved at a defined risk appetite. Tolerance is the (alert) threshold at which the Bank starts taking additional management, control and follow-up measures to get back onto target. The limit is the level that the Bank never wants to breach and, if attained, triggers decisive measures to get back to the Board's guidelines.

Regular reports are prepared for the Governing Board on risks taken and their breakdown, Caja Rural de Navarra's capitalization, risk measurement and control and the internal control system and whether it can guarantee orderly and prudent management of the Company's business and risks, with special focus on indicators and metrics approved under the Risk Appetite Framework and Recovery 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 Compliance Function is to manage prevention and, where applicable, mitigate risks including financial, penal and reputational risks arising from regulatory compliance if they do not meet the standards required of a credit institution.

Regulatory compliance is conducted by the Compliance unit which, reporting functionally and hierarchically to the Bank's Governing Board 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 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 with dedicated "compliance engine" software and reporting on its work quarterly to the Audit Committee and annually to the Governing Board.

In turn, the Compliance Function supports the Governing Board on upcoming regulations to guarantee compliance with applicable laws, regulations and standards.

Certain activities to guarantee regulatory compliance 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 and the Bank's Criminal Risk Management System.

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 and hierarchically 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.

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 covers 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 an independently certified model for prevention of criminal risks, whose main aim is to set limits on the controls in place to prevent or, if necessary, mitigate the commission of each of the crimes that might by committed in the conduct of the Bank's business and which might give rise to criminal liability on its part.

The model 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. This system is certified by Aenor.
- 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 mechanisms are set out in the following places:

- 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 with an accompanying internal procedure for actioning the policy.
- 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.
- Caja Rural de Navarra's Internal Rules of Conduct for securities markets.

In this way, the organizational and functional structure of the Bank provides appropriate segregation of functions which allows it to conduct activities that could potentially give rise to conflicts of interest, by persons or segregated areas, while avoiding undue interference.

This segregation is complemented by the establishment of barriers to information between the functional departments or areas vulnerable to the potential conflicts of interest identified.

The main areas where it was felt likeliest conflicts of interest could occur are as follows:

• Relationships of Governing Board members with the Bank. To address this risk, the Governing Board's Rules of Procedure specify the duties and prohibitions that Board members must comply with to exercise their role in accordance with the Bank's good governance guidelines.

• Employees and Executives with the interests of customers and the Bank. Both groups must tailor their actions to the policies and procedures that govern the different areas/departments and comply with the principles in the Code of Conduct for Executives and Employees referred to in section A above 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 done 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.

In the last two years Caja Rural de Navarra has conducted an exhaustive investigation into its brand, with a qualitative and quantitative study involving customers, non-customers and employees of the organization. The Bank has developed a new Brand Centre to provide integrated definition for the two brands (Caja Rural de Navarra and Rural Kutxa), coordinate strategy, define the corporate offering, mission, vision and values, brand personality, its archetype and the pillars that make up the brand.

The four pillars on which brand transformation has been based are:

1. Local

Caja Rural de Navarra/Rural Kutxa remain focused on their **local model** and the human factor. We count on the **trust and transparency** of being a local institution offering personal advice, because ***we are people who work for people.***

2. Modernise without losing the essential

Caja Rural de Navarra/Rural Kutxa continues to follow its **local model** and advisory service, its **social commitment** to our environment and the **security** of a stable and solvent bank.

3. Accessible

Personal advice and **social commitment** are key pillars of the Bank's operations and it offers **digital channels** that simplify and digitise processes to support growth and development in all the communities where it is active.

4. Promote future growth and development

Life evolves and changes and Caja Rural de Navarra/Rural Kutxa offers **new ways and new ideas to make life easier for their customers.** All predicated on delivering **consistency over time and social responsibility.**

The elements contributing to Corporate culture are:

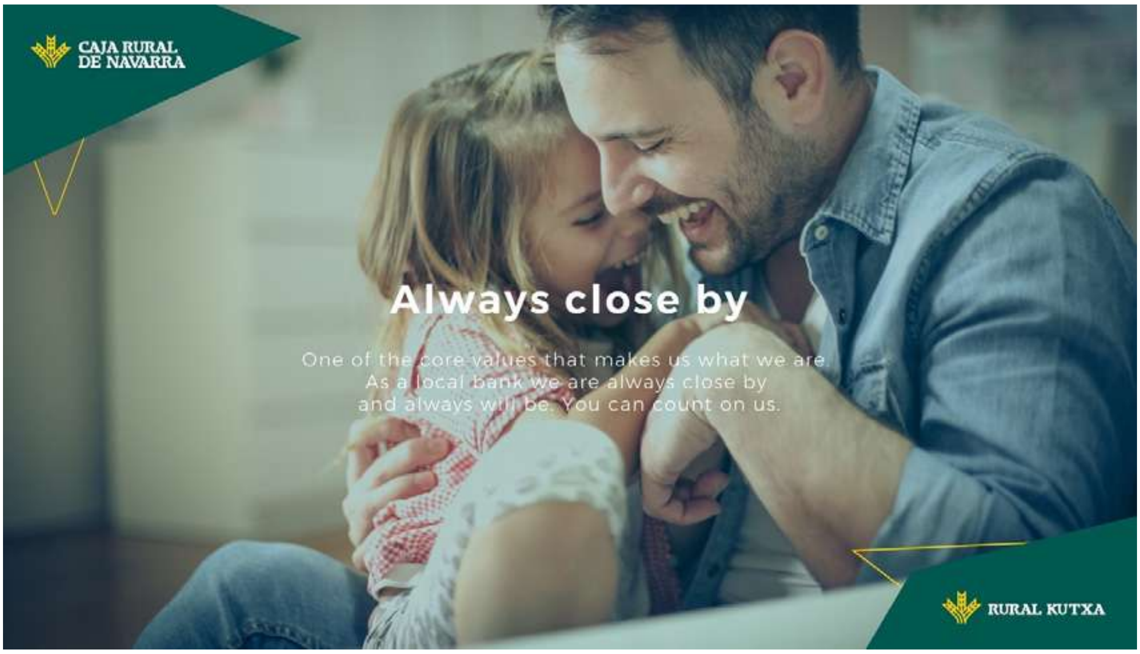
Our offering:

The offering of Caja Rural de Navarra/Rural Kutxa is its reason for existence and the guiding light for the Bank's strategy.

"Construct relationships of trust and transparency with our customers to support them in their growth and economic and social well-being"

Our **tagline**:

The "**tagline**" of Caja Rural de Navarra/Rural Kutxa embodies our philosophy and the values that sum up the Bank's essence. It is intrinsic to our existence.



<u>Our Mission, Vision and Values</u>

The mission, vision and values of Caja Rural de Navarra/Rural Kutxa determine its business model, working philosophy and how we build relationships with the surrounding community.
They are the key elements in its culture. The principles influence its business strategy and business model and determine its working philosophy and how it relates with its internal and external stakeholders.

<u>Mission:</u>

To improve people's future, with best-in-class personal advisory and digital service to the customer, being a benchmark in socially responsible banking.

<u>Vision:</u>

Support our customers' financial and social development, showing we are a solid and solvent financial institution that is always there for you, because behind Caja Rural de Navarra/Rural Kutxa are people you can trust.

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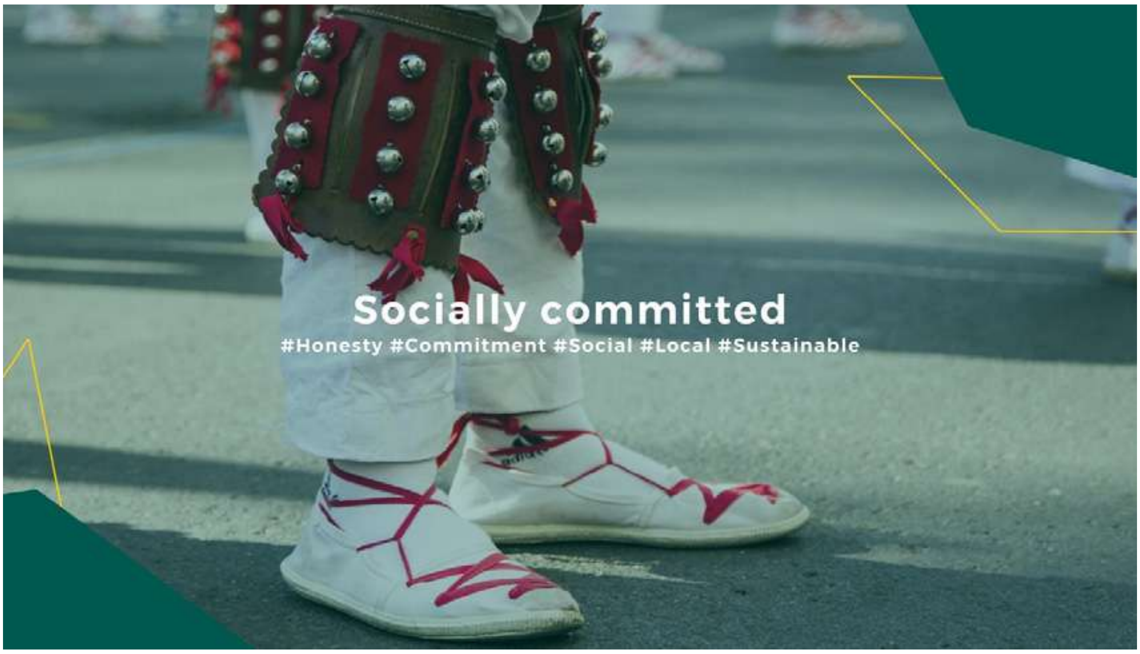
Values:

1. Reliable and stable

We are a solvent financial institution in the Spanish financial system licensed to administer government lending package which provides stability and credibility for customers and members.

2. Socially committed

We take seriously our social responsibility and how we can support the environment and help develop our region, as we know that the community and culture is a valuable asset that needs preserving.



3. Local

Our fundamental value is proximity and familiarity to our customers, getting to know them as people and dealing with them on a personal basis, thanks to our deep roots in the local community.

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.

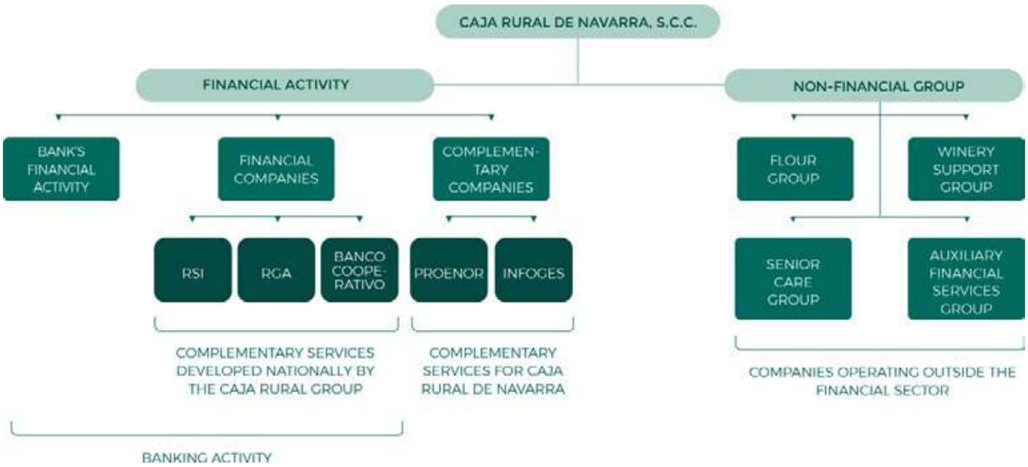
One of Caja Rural de Navarra's defining features is the rooting of its financial activities in its regional environment, with its proximity to cooperative members and customers as the nucleus of its operations.

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 agri-food 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.

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):



According to the Bank of Spain circular, to qualify as an equity investment an institution must own at least 10% of its capital or voting rights. Exercising significant influence over management is defined as appointing at least 20% of the Board. Caja Rural de Navarra has equity investments in different percentages. But its investments in its complementary services and non-financial businesses **are usually controlling**. Exceptions to this rule are attributable to policies to support a newly emerging area, an also in companies that are jointly owned by the Grupo Cooperativo de Cajas Rurales to provide shared services (A single company, Rural de Servicios Informáticos, runs the data processing centre for all the Rural Credit Cooperatives, and also provides the same services to third parties, such as shared insurer RGA).

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 offer their services to other small-scale or foreign financial firms.

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.

Of the companies comprising the **Caja Rural de Navarra Group**, we distinguish between those wholly owned by the Bank and **fully consolidated in the annual financial statements**, and subsidiaries in financial and other business sectors which the bank does not control and which are reported in the financial statements by other methods. Here are the names grouped by business area:

AREA	COMPANY	Status in Group
FOOD		
	Cereal transformation	
	HARINERA DEL MAR, S.L.	subsidiary
	HARIBERICAS XXI, S.L.	subsidiary
	HARANTICO, S.L.	subsidiary
	REYES HERMANOS, S.L.	subsidiary
	HARINERA DE TARDIENTA, S.A.	subsidiary
	HARIVASA 2000, S.L.	subsidiary
	HARIVENASA, S.L.	subsidiary
	HRVS Eood	subsidiary

HARINAS SELECTAS	subsidiary
CERELIA AGRO	subsidiary
ESPIGA I&D ALIMENTARIA	subsidiary
Vineyards and wineries	
RIOJA VEGA , S.A.	associate
PRINCIPE DE VIANA, S.L.	associate
BOUQUET BRANDS, S.A.	subsidiary
INDUSTRIA TONELERA DE NAVARRA	subsidiary
TONNELLERIE DE L'ADOUR	subsidiary
MERRANDERIE DE L'ADOUR	subsidiary
Dairy	
IPARLAT	associate
Support for Cooperatives, Farmers and Stock-raisers	
SERVICIOS EMPRESARIALES AGRO INDUSTRIALES, S.A. – SENAI	associate
ECOLOGICAL TRANSITION, RENEWABLE ENERGY	
Renewable energy generation	
COMPAÑÍA EOLICA DE TIERRAS ALTAS	associate
RENOVABLES DE LA RIBERA	associate
MINICENTRALES CANAL BARDENAS	equity investment
RURAL ENERGIAS ARAGONESAS, S.A.	associate
IBERJALON	associate
RURAL DE ENERGIA DE TIERRAS ALTAS, S.A.	associate
Poplars	
BOSQALIA	associate
REAL ESTATE	
Rental of state-subsidized housing	
ERROTABIDEA	associate
REGIONAL ECONOMIC DEVELOPMENT	
Venture capital and seed finance	
START UP	equity investment
Mutual guarantee societies (Sociedades de garantía recíproca)	
SONAGAR	equity investment
ELKARGUI	equity investment
IBERAVAL	equity investment

CARE		
	Senior care	
	SOLERA ASISTENCIAL	subsidiary
ENGINEERING		
	Civil engineering and testing	
	LABORATORIOS ENTECSA	associate
	IGEO2	associate
AREA OF SUPPORT SERVICES FOR CAJA RURAL'S BUSINESS		
	Real estate	
	PROMOCION ESTABLE DEL NORTE	subsidiary
	Complementary services	
	INFORMES Y GESTIONES GENERALES	subsidiary
	INFORMES TECNICOS Y VALORACIONES GENERALES	subsidiary
	ADMINISTRACION DE FINCAS INFORMES Y GESTIONES	subsidiary
	BANCO COOPERATIVO ESPAÑOL	equity investment
	SEGUROS GENERALES RURAL, S.A. DE SEGUROS Y REASEGUROS	equity investment
	GRUCAJRURAL INVERSIONES	equity investment
	ESPIGA CAPITAL INVERSIÓN	equity investment
	ESPIGA CAPITAL INVERSIÓN II	equity investment
	ESPIGA EQUITY FUND	equity investment
	RURAL SERVICIOS INFORMÁTICOS	equity investment
	DOCALIA	equity investment

Annex II contains details of the Non-Financial Statements for 2021, covering the Group scope (full consolidation), in accordance with Act 11/2018.

In 2020, the Governing Board of Caja Rural de Navarra approved the “Policy and procedures for investing in equity investments” which defines issues relating to the following actions in this group:

1. Scope and general principles
2. Limits on equity investments
3. Approval
4. Planning and monitoring
5. Management and control
6. Dividend policy
7. Divestment procedure

Each quarter, the Governing Board receives a report on key figures and management of the equity investments, and further reports whenever significant events of any kind so require. The General Management is responsible for more detailed management oversight.

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3.6 KEY FIGURES

CAJA RURAL DE NAVARRA KEY FIGURES

	2016	2017	2018	2019	2020	2021
VOLUMEN DE NEGOCIO						
Total assets	10,952,597	11,557,130	12,038,254	12,945,945	15,632,289	16,073,014
Shareholders' equity	934,022	1,018,716	1,092,019	1,176,846	1,261,282	1,349,392
Customer deposits	7,080,743	7,533,517	8,020,973	8,741,063	10,211,373	10,281,452
Loans and advances to customers	6,832,108	7,315,406	7,781,407	8,127,188	9,266,436	9,375,082
SERVICIOS						
Branches	249	250	252	253	254	254
ATMs	299	302	312	316	322	316
PERSONAS						
Number of employees	933	959	965	963	948	947
PROFIT						
Net interest income	147,278	142,907	138,135	145,467	148,976	142,709
Gross income	210,704	217,372	206,911	222,115	214,270	229,915
Administrative expenses	83,299	86,322	88,971	87,389	89,447	93,010
Income from operating activities	79,125	90,557	N/A (1)	N/A (1)	N/A (1)	N/A (1)
Profit before tax	66,460	86,792	91,250	85,153	81,392	88,262
DISTRIBUTION OF WEALTH GENERATED						
1. Directly generated economic value	**230,218**	**278,345**	**229,554**	**247,063**	**241,767**	**258,364**
Gross income (excluding other operating expenses)	227,811	274,425	223,058	242,969	239,368	253,964
Proceeds of sales, property and equipment and	2,407	3,920	6,496	4,094	2,399	4,400
2. Distributed economic value	**108,672**	**143,820**	**118,496**	**119,081**	**126,991**	**127,733**
Payments to suppliers (operating expenses)	44,369	83,248	43,525	47,409	52,288	52,206
- Other general administrative expenses	34,418	35,620	37,340	35,831	36,047	37,776
- Other operating expenses	9,951	47,628	6,184	11,578	16,241	14,430
Personnel expenses	48,881	50,702	51,631	51,558	53,400	55,234
Income tax	6,212	-1,518	11,793	9,163	10,768	8,987
Interest on investment capital	2,055	1,963	1,585	1,676	1,678	1,688
Investment/Donations to the community	7,156	9,425	9,963	9,275	8,857	9,619
- Education and Development Fund (EDF)	7,156	9,425	9,963	9,275	8,857	9,619
3. Retained economic value (1-2)	121,546	134,525	111,058	127,981	114,777	130,631
"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

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

	2016	2017	2018	2019	2020	2021
TURNOVER						
Total assets	11,085,569	11,726,238	12,202,865	13,133,114	15,849,799	16,333,118
Shareholders' equity	956,620	1,049,187	1,122,515	1,223,266	1,313,888	1,409,555
Customer deposits	7,054,214	7,524,305	8,011,914	8,729,469	10,198,137	10,261,080
Loans and advances to customers	6,849,057	7,334,762	7,789,185	8,176,553	9,313,939	9,446,163
PROFIT						
Net interest income	145,437	140,947	135,957	143,634	147,007	140,924
Gross income	266,741	278,719	276,758	293,966	288,760	306,710
Administrative expenses	132,190	141,274	150,334	151,605	152,364	157,598
Income from operating activities	79,788	89,304	N/A (1)	N/A (1)	N/A (1)	N/A (1)
Profit before tax	69,512	92,418	93,502	98,449	86,935	91,386
DISTRIBUTION OF WEALTH GENERATED						
1. Directly generated economic value	**480,944**	**557,151**	**534,622**	**556,801**	**560,597**	**633,825**
Gross income (excluding other operating expenses)	478,537	553,231	528,126	552,707	558,197	629,425
Proceeds of sales, property and equipment and	2,407	3,920	6,496	4,094	2,399	4,400
2. Distributed economic value	**352,778**	**416,781**	**415,866**	**422,594**	**435,666**	**492,501**
Payments to suppliers (operating expenses)	268,659	334,442	316,211	324,151	333,759	388,548
- Other general administrative expenses	64,019	69,355	74,806	74,685	73,179	75,452
- Other operating expenses	204,640	265,087	241,405	249,466	260,580	313,096
Personnel expenses	68,171	71,919	75,528	76,920	79,185	82,146
Income tax	6,737	-968	12,579	10,571	12,187	10,501
Interest on investment capital	2,055	1,963	1,585	1,676	1,678	1,688
Investment/Donations to the community	7,156	9,425	9,963	9,275	8,857	9,619
- Education and Development Fund (EDF)	7,156	9,425	9,963	9,275	8,857	9,619
3. Retained economic value (1-2)	**128,166**	**140,370**	**118,756**	**134,207**	**124,930**	**141,323**
(1) This item was dropped from the income statment published in 2018						
Public Subsidies received	648	920	1,068	1,067	161	252

3.7 INFORMATION PROVIDED IN COMPLIANCE WITH REGULATION EU 2020/852 CONCERNING ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

In accordance with European Commission Delegated Regulation EU 2021/2178 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation, Caja Rural de Navarra presents below the required disclosures including key quantitative results indicators and qualitative information to support this information and help the market understand the indicators.

In any event, the present section must be read alongside the rest of the information contained in this CSR Report and Non-financial Statements.

3.7.1 Proportion in total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities.

Methodology used: To measure total eligible assets, the Nomenclature of Economic Activities (NACE) codes used by the European Taxonomy have been converted into Spain's National Classification of Economic Activities (CNAE) and counterparties with these CNAEs have been considered to be Taxonomy-eligible exposures. Also included as eligible was the whole portfolio of loans and advances for property purchases. Exposures to counterparties that would have been eligible based on their activity but are excluded from eligibility as they are not obliged to publish non-financial information under European law have been deducted from the total eligible assets based on the above criteria. Similarly, exposures to sovereign issuers, the trading book, Central Banks and supranational issuers (Delegated Regulation EU 2021/2178 7.1) have been excluded from the numerator and denominator (as shown in the exclusions column).

LINE		TOTAL (by value)	EXCLUSIONS	EXCLUSIONS (by value)	ELIGIBLE (by value)	INELIGIBLE (by value)	% ELIGIBLE/ ASSETS COVERED	% ELIGIBLE/ TOTAL ASSETS
1	Financial assets not held for trading mandatorily measured at fair value through profit or loss	4,218	0	4,218	0	4,218	0.00%	0.00%
2	Financial assets designated at fair value through profit or loss	0	0	0	0	0	0.00%	0.00%
3	Financial assets at fair value through other comprehensive income	1,410,809	141,154	1,269,655	175,696	1,093,959	1.52%	1.09%
4	Financial assets at amortized cost	13,185,058	2,937,118	10,247,940	4,539,805	5,708,135	39.40%	28.24%
5	**TOTAL exposures analysed**	**14,600,085**	**3,078,272**	**11,521,813**	**4,715,501**	**6,806,312**	**40.93%**	**29.34%**
6	Other exposures (essentially trading book and cash and central banks)	1,472,929	0	0	0	0		
7	**TOTAL ASSETS**	**16,073,014**	**3,078,272**	**11,521,813**	**4,715,501**	**6,806,312**		

(Thousands of euros)

Items included: The table below details the Bank balance sheet items that have been analysed, and their eligibility based on the above-mentioned criteria. Off-balance sheet exposures were not included.

3.7.2 Proportion in total assets of the exposures to central government, central banks and supranational issuers and derivatives.

Proportion: 19.66 %

Methodology used: This figure was calculated by adding together exposures in the Bank's following asset items:

- Central government
- Central banks
- Supranational issuers
- Derivatives

3.7.3 Proportion in total assets of exposures to undertakings that are not obliged to publish non-financial information pursuant to Article 19a or 29a of Directive 2013/34/EU.

Proportion: 21.59%

Methodology and criterion: This figure is derived by adding together exposures to legal entities with fewer than 250 employees in the last year on which data is available.

3.7.4. Proportion of trading portfolio and on demand inter-bank loans in total assets.

Proportion: 6.77%

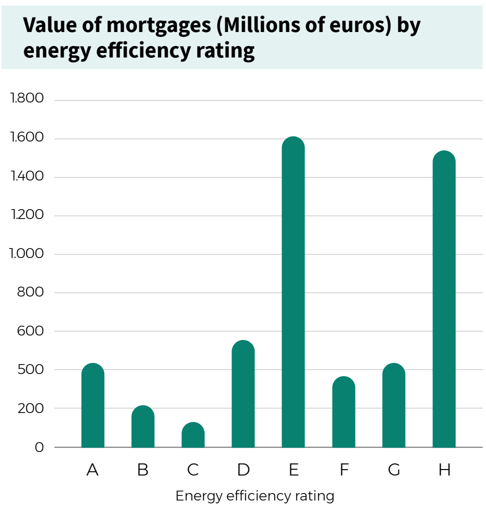
Methodology: This figure was calculated by adding together exposures in the Bank's following asset items: "On-demand interbank loans" and "Trading portfolio".

To channel capital flows into sustainable investments, the Bank has designed a range of investment and financing products which the Bank considers will promote sustainable and inclusive growth. These products vary widely in terms of their particular features, but all serve one the Bank's primary aims: to promote the development of the region where it operates, thereby contributing actively to inclusive growth by facilitating access to banking services for populations and customers at risk of social exclusion. Meanwhile, to help manage the financial risks of climate change, natural disasters, environmental degradation and social problems, the Bank has developed a range of initiatives, including the following:

- **Obtaining energy efficiency certificates for almost the whole of the mortgage portfolio.** Mortgages make up around 50% of the Bank's total loan book and the Bank considers it important to certify how far the collateral underlying the mortgage portfolio meets European Taxonomy criteria on monitoring and managing potential climate risks, both physical and transitional, and specifically that the Bank develops in areas such as funding rehabilitation of buildings to improve energy efficiency. These certificates are based either on direct information provided by customers, and automatically analysed by the Bank's systems since 2019, or on official records searched under an agreement with appraisal company Sociedad de Tasación. Sociedad de Tasación also provides (for certifiable classes of property) a certification simulator to estimate the energy efficiency status of buildings lacking official certification.

Using the above information, the Bank has ranked its mortgage portfolio (48,996 at end-December 2021) by the energy efficiency classification of the underlying properties, having obtained information on 75% of the portfolio. Of this, 61% of rankings are based on estimates made by Sociedad de Tasación and 39% on data obtained individually from the borrower or searches of official records.

The rankings of the mortgage portfolio by energy efficiency certificates are as follows:



The Bank also assesses the impact of physical risks on its mortgage portfolio, again using Sociedad de Tasación data, from river and sea flooding, fire, earthquakes and desertification.

RISK OF RIVER FLOODING	NO.	%
No reported risk of flooding	40,703	89.5%
Zone at high risk of flooding (10 years)	540	1.2%
Zone at frequent risk of flooding (50 years)	978	2.2%
Zone at average or occasional risk (100 years)	1,365	3.0%
Zone at low or exceptional risk (500 years)	1,868	4.1%
Total	**45,454**	

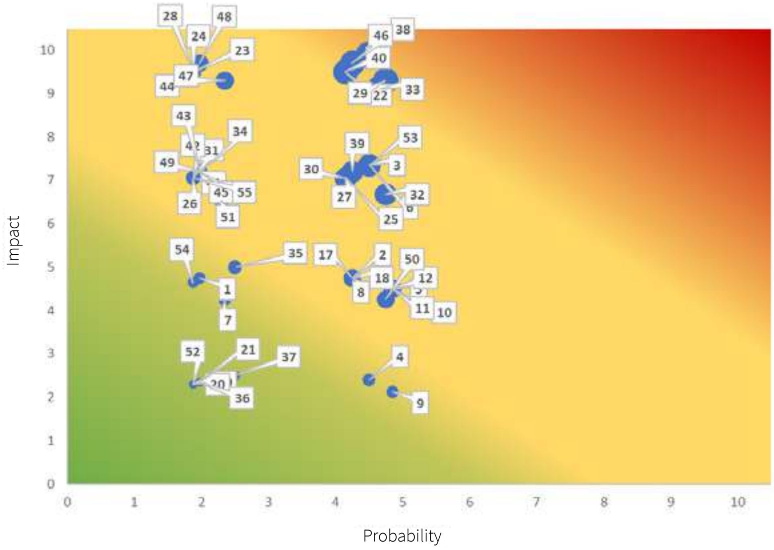
SEISMIC RISK	NO.	%
Very high	121	0.3%
High	25,325	55.7%
Average	12,737	28.0%
Low	7,271	16.0%
Total	**45,454**	

RISK OF SEA FLOODING	NO.	%
No risk of flooding	45,135	99.3%
Zone at average or occasional risk (100 years)	303	0.7%
Zone at low or exceptional risk (500 years)	16	0.0%
Total	**45,454**	

RISK OF DESERTIFICATION	NO.	%
Very high	29	0.1%
High	1,072	2.4%
Average	1,86	4.1%
Low	6,427	14.1%
Water layers		0.0%
Urban	3,154	6.9%
Wetlands	32,912	72.4%
Total	**45,454**	

RISK OF FIRES	NO.	%
1 to 5	10,426	22.9%
6 to 10	7,825	17.2%
11 to 25	11,872	26.1%
26 to 50	11,287	24.8%
51 to 100	1,949	4.3%
101 to 500	2,086	4.6%
501 to 1,000	6	0.0%
1,001 to 1,511	3	0.0%
Total	**45,454**	

- **Materiality self-assessment:** the Bank carries out regular materiality self-assessments through a questionnaire that quantifies the potential impact and probability of the key ESG risks.



Categoría		N1	IMPACTO	N2	IMPACTO
E	Medio ambiente y cambio climático	1	Incumplimiento regulatorio o normativo	1	Incumplimiento de las exigencias regulatorias / best-practices sectoriales en materia ambiental y/o climática
				2	Lenta adaptación a los nuevos requisitos regulatorios en materia ambiental y/o climática
		2	Ausencia de un sistema de gestión de riesgo consolidado en materia medioambiental y climática	3	Falta de inclusión de los riesgos de cambio climático y medioambientales en la estimación de diferentes ratios financieros y de riesgos
				4	Ausencia o escasa integracion de una estrategia de eficiencia operativa ambiental
				5	Ausencia o escaso entorno de control para la adaptación y mitigación de los impactos derivados del cambio climático
				6	Ausencia de factores medioambientales o de cambio climático en las políticas de financiación e inversión de la compañía
				7	Depreciación de los activos en balance como consecuencia de cambios físicos o regulatorios
		3	Cambios en las condiciones de mercado derivadas de impactos medioambientales o climáticos	8	Imposibilidad de respuesta a los cambios en las preferencias de los clientes a una opción de productos más sostenibles por falta de estos en la oferta de la entidad
				9	Aumento de los activos varados en el balance debido una transición hacia una economía baja en carbono
				10	Cambios en las tendencias de los mercados debido a los impactos derivados del cambio climático
		4	Financiaciones e inversiones en entidades con un mal desempeño ambiental	11	Cambio en la valoración de un cliente por parte de los proveedores de datos que tengan como consecuencia un impacto en la cartera
				12	Aumento del riesgo de impago a clientes financiados por su elevada exposición a las consecuencias ambientales y/o climáticas

Categoría		N1	IMPACTO	N2	IMPACTO
S	Empleados	5	Actuación inadecuada o malentendidos en las relaciones laborales	13	Falta de promoción de la diversidad e igualdad de oportunidades
				14	Falta de atención al desarrollo y bienestar del empleado que conlleve una disminución de la productividad
				15	Incumplimiento de los derechos humanos y laborales fundamentales basados en los convenios de la OIT o similares
				16	Despidos masivos (EREs, ERTEs, etc.)
				17	Dificultades para la atracción y retención de talento
				18	Falta de acuerdo entre la entidad y los representantes de los empleados
		6	Deficiencias en las políticas o actuaciones de RRHH	19	Inexistencia o ineficiencias en las políticas de conciliación, igualdad y diversidad
				20	Inexistencia o ineficiencias en las políticas de salud y seguridad laboral, etc.
				21	Falta de adaptación de las políticas corporativas a las demandas de los empleados
	Cliente	7	Diseño y comercialización de productos inadecuada y/o poco transparente	22	Poca claridad en la descripción del producto y su clausulado
				23	Productos complejos no ajustados al perfil de cliente
				24	Impulsar una cultura comercial agresiva que motive ventas inadecuadas
				25	No respeto a la diversidad y discriminación de clientes
				26	Ausencia de garantías en los productos comercializados
		8	Políticas y procesos ineficientes y/o poco operativos en el servicio postventa y atención al cliente	27	Equipos / procesos ineficientes en la atención y resolución de quejas / reclamaciones de clientes y/o indisponibilidad de los sistemas necesarios para prestar servicio a los clientes
		9	Incapacidad para dar respuesta a las necesidades de los clientes	28	Incapacidad para ofrecer productos y líneas de negocio atractivas para el cliente
				29	Falta de oferta ante cambios en el perfil social y/o demográfico de los clientes
				30	Ausencia de soluciones dirigidas a clientes en riesgo de exclusión social (clientes vulnerables por bajos ingresos u otras situaciones socioeconómicas, etc.).
				31	Dificultad de adaptación a las necesidades de los clientes con dificultades de acceso a los servicios bancarios (inclusión financiera)
				32	Despoblación (éxodo rural) en los territorios donde opera la entidad que suponga una pérdida de clientes tanto retail como empresa.
				33	Envejecimiento de la población local que conlleve a una pérdida de clientes debido a la incapacidad para adaptarse a sus necesidades.
	Sociedad / Comunidades locales	10	Deficiencias en las relaciones con las comunidades locales	34	Ausencia de políticas y procedimientos para la identificación y evaluación de las necesidades de las comunidades locales en las que opera la entidad
				35	Falta de contribución o inadecuada contribución a las necesidades del entorno social (ej.: necesidades educativas, sanitarias, etc.)
				36	Falta de dialogo con las comunidades locales en las áreas donde opera la entidad
				37	Pérdida de la legitimidad social para operar en los distintos territorios (licencia social)

Categoría		N1	IMPACTO	N2	IMPACTO
G	Gobierno, ética y transparencia	11	Deficiencias en la estructura y gestión de los órganos de gobierno y la alta dirección	38	Estructura del Consejo no acorde con las buenas prácticas: independencia, diversidad, etc.
				39	Desaciertos a la hora de diseñar la estrategia ESG de la organización (proveedores, inversiones, etc.)
				40	Deficiencias en la gestión y protección de datos y ciberseguridad
				41	Bajo nivel de responsabilidades de la Alta Dirección con relación a aspectos de gobernanza en los asuntos ESG
		12	Escándalos vinculados a la alta dirección	42	Realización de operaciones con fines abusivos o de evasión fiscal (paraísos fiscales).
				43	Falta de acción por parte de la alta dirección frente a escándalos o controversias relacionadas con la entidad
				44	Políticas o procesos de la alta dirección inadecuadas, poco éticas o no ejemplarizantes.
				45	Falta de transparencia en el modelo de gobierno de la entidad
				46	Actuación o declaraciones inadecuadas en contra de los valores éticos de la Entidad (comportamiento no íntegro, referente y ejemplar)
				47	Relación o vinculación de la alta dirección con algún escándalo de corrupción, fraude u otras actividades ilegales.
				48	Casos confirmados de corrupción, fraude, soborno e incumplimiento fiscal por parte de la alta dirección
				49	Relación de la alta dirección con el poder político
	Relación con terceros	13	Relaciones con terceros	50	Prácticas indebidas, controvertidas o escándalos por parte de proveedores
				51	Vinculación con actividades indebidas o controvertidas por parte de clientes asociados con la compañía
				52	Gestión no responsable de la cadena de suministro (pago a proveedores, prácticas discriminatorias en la selección y operación, cláusulas abusivas, etc.).
				53	Cuestionamientos por vinculación de la organización, cierta o no, a partidos o líderes políticos o movilizaciones sociales con carácter político. Posiciones activas y visibles de la organización y de sus líderes en la agenda política.
				54	Deficiencias en la comunicación y relación con supervisores
				55	Falta de atracción de inversores debido a un mal desempeño en indicadores ESG

- **Quarterly report valuing the wholesale fixed-income portfolio.** These reports are based on the scoring by an external provider of recognised prestige in the industry and give a detailed analysis of each issuer/counterparty (ESG scores, Sustainable Development Goals).

Caja Rural de Navarra has an internal control framework for investment in its wholesale portfolio which prioritises issues with better ESG performance.

In December 2021, the EUR 5,009 million securities portfolio scored as follows on a scale of 1 (worst) to 100 (best):

- Environment (E): 68
- Social (S): 72
- Corporate Governance (G): 69
- TOTAL ESG: 70

At the same date, the Bank's fixed-income portfolio had invested EUR 235.3 million in securities rated as “Social bonds” (EUR 23 million), “Green bonds” (EUR 135.7 million) and “Sustainable bonds” (EUR 76.5 million).

- On integrating ESG risks into its processes, the Bank is working on an action plan to strengthen the consideration given to ESG risks and criteria in its processes for managing credit risk: approvals, pricing, collateral, monitoring and reporting.

- On operational risk, the Bank considers ESG risks when designing and implementing contingency and business continuity plans. These are reviewed and approved annually by the Governing Board. The contingency and business continuity plans prescribe and assign functions, responsibilities and delegated powers for all Bank departments and areas involved or affected, and include details of the corresponding activation procedures.

- In accordance with the Spanish Climate Change and Energy Transition Act, the Bank is currently analysing all available information, and its alignment with the EU Taxonomy, in preparation for setting its **decarbonisation strategy and targets.**

- **Also, regarding qualitative information on the trading books**, these portfolios are immaterial for the Bank as there is no methodology for scoring them by ESG criteria for the purposes of the Taxonomy. Nevertheless, the Bank monitors all issuers of fixed-income securities and equities based on the ESG scores assigned by a reputable external provider.

4. CUSTOMERS

4.1CAJA RURAL DE NAVARRA CUSTOMERS

The Bank’s business revolves around its customers and, particularly, its members in their dual role as both owner and customer. For this reason, customer focus has always been one of the Bank’s core principles and has always run through the conduct of its business.

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, and 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 2021:

A. Improving communication channels

One of Caja Rural de Navarra's priorities is to constantly improve our digital channels, without sacrificing our principals of local service and proximity to our customers. A big part of this is the Bank's investment in technology to make it easier for customers who wish to conduct any transaction through digital channels.

Notable advances in 2021 include:

A new version of the Ruralvía digital banking service, available as an app and website. The new digital banking service was developed in the second and third quarters 2021. Since then, both versions have been gradually rolled out to customers in small tranches with a view to completing the switchover to the new versions in 2022.

Improvements in the new service include a better navigating experience for users, new functionalities and new security systems. The app is attracting high scores in the market, rated 4.3 in Apple environments and 4 in Android environments.

As well as the new digital banking service, we have continued to work on integrating various digital tools into the public-facing website (cajaruraldenavarra.com) to make day-to-day life easier for our customers.

Digital tools for individuals:

- The online "become a customer" process, an easy, agile and simple way for users to sign up as a Caja Rural customers in just five minutes. Available on the website and on the app.
- Personal loan and mortgage simulator in the relevant sections of our public website: cajaruraldenavarra.com
- Home insurance price calculator with online subscription option (via phone call).

Digital tools for companies and the self-employed:

- Search engine for subsidies and other support available to companies and the self-employed, with a special focus on the European Next Generation funds.
- Online card and PoS terminal recommendation engine, available on our public website: cajaruraldenavarra.com.
- Recommendation engine for loans, leasing and rental products in the companies section of the website: cajaruraldenavarra.com
- A blog for companies including weekly articles on current events in the economy, and weekly reports on news in the currency markets.

We also offer customers all the new payment systems that have recently come onstream: Bizum, Pay Gold, e-commerce in all its possibilities and, thanks to deals struck with Apple, Google, Samsung and Ruralvía Pay, our customers can make payments using their mobiles.

On cybersecurity, the Bank continues working on a cybersecurity communication line that keeps customers updated on how to minimise the risk of fraud.

Internal training sessions have been held to make sure colleagues were familiar with these digital tools and knew how best to use them in their relationships with customers.

Digital Transformation

The Bank's digital transformation has two aims: first, to make the banking system more accessible and easy to use for customers by any channel, and, second, to combine this with the provision of personal advice services through its branch staff.
For this reason, a special Digital Transformation manager is charged with coordinating this task across all Bank areas and for all Caja Rural Group companies.

Transparency in marketing

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 2021, Caja Rural de Navarra launched 43 communication projects, including 128 new publicity items, of which 87 were approved by Autocontrol. The rest had been through the Bank's internal regulation process.

Image

In 2021, Caja Rural de Navarra defined its communication strategy and aims. It produced a new Corporate Identity Handbook attuned to the corporate values that make the Bank distinctive in the market. The strategy is backed by a visual system that harmonizes all communication codes, bringing them up to date and in line with the current branding system, foregrounding the values that set the Bank apart.

Marketing

To improve transparency and clarity in the way the branch network markets products and services, in-branch customer communications were updated every three months in 2021.

Product Committee

The Product Committee continued its work in 2021. It was set up in 2016 to bring all the products and services offered by the Bank under a validation process.

The Bank also continued to revise documents designed by BCE's Compliance Department to match the Bank's requirements, and to update and approve standard documents such as the "Banking Product and Services Marketing Policy", and the Product Committee's own handbook.

This Committee met quarterly as planned, and there were also 22 sessions of the Permanent Committee to approve one-off measures that were subsequently ratified in a full Product Committee meeting. Overall, 167 internal product brochures and 10 other documents were approved and/or revised.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

G. Quality surveys and Mystery Shopping

In January 2018, the Bank launched its "Measuring customer service in branches" project. The project involves all Banks in the Caja Rural Group and has two aims:

• To ensure compliance 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 that include quality factors.

• 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 aspects tested, each with a separate weighting in the overall score are: physical aspects of the branch, speed, treatment, explanation of products, sales approach. Scores from recent years are as follows:

	2018	2019	2020	2021
Sales approach	43.70	47.93	62.93	67.70
Physical aspects	92.16	96.91	98.46	97.52
Explanation of products	41.30	51.90	57.80	63.22
Speed	80.67	95.97	94.63	93.34
Treatment	84.44	95.14	95.43	96.51
Total	**68.45**	**66.25**	**72.84**	**76.17**

• Satisfaction/Recommendation questionnaire: The aspects tested, each with a separate weighting in the overall score are: emotional value = 20% service + 20% explanations + 20% documentation + 40% NPS recommendation.
The Bank's results in 2021 and comparison with 2019 and 2020 are as follows:

	2019	2020	2021
Service	9.1	9.2	9.2
Explanation of products	8.9	9.1	9.0
Documentation provided	8.8	8.9	8.9
NPS recommendation	61%	66%	63%
Emotional value	77.90%	80.70%	79.70%

A working group coordinated by the Bank is gradually incorporating improvements to both methodologies. These improvements focus on finding out first-hand from customers what they think and listening to what they have to say, to try and improve the experience of the Bank's customers.

H. CODE OF PRACTICE

As part of the policy of personalized 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 in danger of exclusion that meet the necessary requirements.

Caja Rural de Navarra signed up to the Royal Decree in March 2012 and has conducted 57 transactions since, all with people’s principal residence posted as guarantee, for a cumulative total of EUR 5,989,007.17. In 2021, 6 mortgages on homes with principal residence guarantees were restructured.

Customers can access all the information related to the Code in the branch network and on the noticeboard of the Bank's website: www.cajaruraldenavarra.com

I. SALES OF INVESTMENT FUNDS THROUGH INVESTMENT SERVICES MARKETED BY CAJA RURAL DE NAVARRA

In 2021, Caja Rural de Navarra continued to market Investment Funds through the same services as in 2020 and continued to improve in the areas of service quality, transparency and investor protection. It pursues continuous improvement by taking any action that adds to or improves the service for Caja Rural de Navarra customers.

The following services within the bank offer investments funds:

- <u>Non-independent advisory* service</u> 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 customer, following a suitability test and corresponding investment proposal. As part of our commitment to offer the best service, subscribers to investment funds recommended by our advisory* services also have an annual opportunity to review the suitability of their investments in the recommended funds to make sure their investment remains appropriate to their risk profile based on information provided through the suitability test. Accordingly, once a year, all investors in funds recommended by advisory services are sent a communication with the Bank's proposal on the best allocation of assets to suit their profile and the current state of the markets.

In this Caja Rural de Navarra service, all investment funds are marketed through a face-to-face channel (in branch).

The Bank's non-independent advisory service also continued to market the investment funds of third-party managers in 2021. As in the non-independent advisory* service for in-house funds, we commit to recommending to our customers the investment best suited to their knowledge, experience, financial resources and investment aims, following a suitability test and corresponding investment proposal. The managers responsible for these customers also send them an annual reallocation proposal.

This service is only available to Private Banking customers through face-to-face meetings (with Private Banking managers).

- Based on the definitions in Directive 2014/65/EU advice is given on a "non-independent" basis.

- Discretionary Portfolio Management service. Using this service, Caja Rural de Navarra customers can delegate management of their assets to the Bank, following an assessment of their investor profile by the Bank's professionals. Once they have subscribed for investment funds through this service, customers remain in continuous contact with Caja Rural to monitor the investments and check any changes to the instructions and limits in the investment management contract.

In this Caja Rural de Navarra service, all investment funds are marketed face-to-face.

- Marketing or RTO service. Through this service, Caja Rural de Navarra customers can access a wide range of investment funds offered by well-known third-party managers unconnected to the Bank. 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.

In this Caja Rural de Navarra service, all investment funds are marketed through the digital channel.

Transparency and investor protection in subscribing for investment funds

In 2021, Caja Rural de Navarra continued working to make sure that any funds offered through the various investment services are marketed with the maximum possible transparency and protection for the investor. It provides all necessary resources to improve precontractual, contractual and post-contractual information for our customers and ensures customers receive this information within the regulatory time limits.

Improvements to contracting and information on investment funds via digital channels

As mentioned in the previous section, during 2021 Caja Rural de Navarra introduced measures and mobilised resources, first, to make it easier for our customers to carry out fund transactions without needing to go into a branch and, second, in compliance with MiFID II, to make sure customers can get all the information on their fund digitally by default, unless the customer specifies otherwise.

J. Socially Responsible Investment

In 2021, Caja Rural de Navarra continued to make progress in applying socially responsible investment policies to its catalogue of investment products and services, including the following advances on 2020:

- All pension plans and voluntary social provision plans (*Entidades de Previsión Social Voluntaria* or EPSVs) sold by Caja Rural de Navarra are managed according to socially responsible investment (SRI) criteria.

- The range of sustainable investment funds was extended with the launch of Rural Futuro Sostenible. This fund manages its investments based on SRI considerations and seeks investment opportunities in major current trends such as improving quality of life, digital transformation and decarbonisation of the economy. The fund also includes a solidarity element in that the manager donates 2% of investment fees to non-profit foundations.

This represents another step forward in the sustainability agenda of the Caja Rural Group in general and Caja Rural de Navarra in particular. At end-2021, the Bank's sustainable fund offering comprised the following:

- Rural Rendimiento Sostenible, FI
- Rural Sostenible Conservador, FI
- Rural Sostenible Moderado, FI Fondo Sostenible y Solidario
- Rural Sostenible Decidido, FI
- Rural Futuro Sostenible, FI Fondos Sostenible y Solidario

We note that the range has made positive gains in both profits and assets under management. The range held 24% of all assets under management by the Bank’s investment funds at the end of 2021.

- Implementation of all obligations under the Sustainable Finance Disclosure Regulation (SFDR) EU 2019/2088 for financial advisors. The regulation came into force in March 2021 and Caja Rural de Navarra made all necessary changes to comply with it.

Also, in 2021 Caja Rural de Navarra continued to offer a portfolio managed according to SRI criteria under its discretionary portfolio management service.

Finally, throughout the year the Bank continued to work on various projects relating to sustainable investment which we hope to implement during the first half of 2022:

- Marketing of the Bank's first Impact investment fund (an SFDR “Article 9” fund). The fund will invest in international equities of all capitalisations/sectors, in companies whose activities align with the United Nations Sustainable Development Goals (SDGs). Specifically, the fund has identified four priority SDGs connected with caring for and preserving the environment:
  - SDG 6. Clean Water and Sanitation
  - SDG 7. Affordable and Clean Energy
  - SDG 13. Climate Action.
  - SDG 12. Responsible Consumption and Production

- Gescooperativo and RGA signing up to the principles for responsible investment (PRIs).

- Publicising our sustainable fund range internally, among the sales force, and externally, to customers, with the creation of specific marketing brochures and videos for sustainable funds. These media explain the characteristics of this range of funds, the criteria underlying SRI investment and the importance of sustainable investment.

4.2. PROFILE AND DISTRIBUTION OF CUSTOMERS

At 31/12/2021, Caja Rural de Navarra had a total of 610,648 customers. Of these 54,402 (8.91%) were classed as "Companies, institutions" and 556,246 (91.09%) were "Individuals".

The table below shows the breakdown by customer type:

SEGMENT	CUSTOMERS
Individuals	**556,246**
Legal entities	**54,402**
COMPANIES	43,539
INSTITUTIONS	10,557
OTHER	306
TOTAL (individuals + legal entities)	**610,648**

The distribution of customers between the different provinces where the Bank operates and the associated business volumes are as follows:

GEOGRAPHICAL AREA	LOANS AND ADVANCES	DEPOSITS	CUSTOMERS
Navarre	60.80%	44.82%	53.54%
Basque Country	29.98%	43.45%	36.88%
La Rioja	9.03%	10.59%	9.55%
Madrid	0.19%	1.14%	0.02%
TOTAL	**100.00%**	**100.00%**	**100%**

4.3 DIALOGUE WITH CUSTOMERS

LISTENING AND PARTICIPATING IN SOCIAL NETWORKS

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

- cajaruraldenavarra.com/atencion-cliente
- blog.cajaruraldenavarra.com
- Facebook, Caja Rural de Navarra and Rural Kutxa pages
- Facebook, Joven In page – Caja Rural de Navarra
- Twitter, Caja Rural de Navarra and Rural Kutxa pages
- Instagram, Caja Rural de Navarra and Rural Kutxa pages
- Instagram, Joven In page – Caja Rural de Navarra
- YouTube, youtube.com/CajaRuralNavarra and Rural Kutxa channel
- LinkedIn, Caja Rural de Navarra and LinkedIn Rural Kutxa pages
- email: info@crnavarra

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.

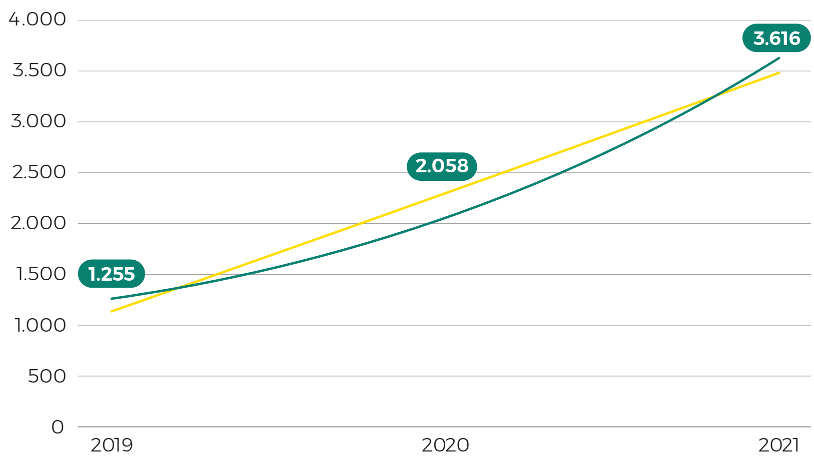
There are several channels that customers can use to make submissions to this Service: post, burofax, fax, email, official forms of the Autonomous Regions in which Caja Rural de Navarra operates or through the Bank's official documents and online forms on its.

In 2021, this Service received 3,616 complaints or claims. These were resolved as shown in the table below, which includes a comparison with the 2019 and 2020.

CONCLUSION OF COMPLAINTS AND CLAIMS

Type of conclusion	2121	2020	2019
Not accepted	363	986	496
Rejected	2,359	496	355
Fully upheld	709	378	318
Partly upheld	185	199	86
Claims addressed	**3,616**	**2,059**	**1,255**

Claims and Complaints



2021 ended with an increase in the number of claims and complaints received compared to 2020, as occurred the year before. This was due to an increase throughout the year in claims for "mortgage administration costs" and "account management fees", following changes to the committee's rules of procedure, on savings books and current accounts at the start of the year.

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.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

In addition, any critical concerns identified in the year are brought to the attention of the Governing Board. In 2021, no critical complaint or claim was identified as having to be reported up to the Board.

There are regular meetings of the Quality Committee, which is the forum the Customer Services Department uses to review how complaints and claims were dealt with for the benefit of the Bank, identify possible risks, decide on criteria to apply and make appropriate recommendations to the Bank. The Committee is attended by people from a range of departments and Areas of the Bank.

We analyse a number of specific issues below:

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

The Customer Services Department received 52 claims for fraudulent use of payment media, 33 relating to credit or debit cards, 16 to fraudulent transfers via the digital banking service and another 3 on other payment media or other types of fraud. Of these 24 were fully upheld and 5 partly upheld. One complaint was not accepted as it lacked supporting documentation for the charges being claimed. Those that were not upheld were rejected on the grounds either that the transactions in question had been authorized 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 circumstances regulations say claims cannot be accepted.

In 2021, Caja Rural de Navarra was the subject of 3 complaints to the Bank of Spain's Department of Bank Conduct for fraudulent use of payment media, phishing or product security.

There were no penalties, warnings or cases of non-compliance in this area in 2020.

2.- Information on products and services

The Customer Services Department dealt with one request for information about the continuing settlement of profit-sharing in a Savings Plan marketed by the Bank.

There were no penalties, warnings or cases of non-compliance in this area in 2021.

3.- Publicity for products and services

Regarding publicity for products and services, the Customer Services Department received one complaint or suggestion regarding the image used to publicise an insurance product marketed by Caja Rural de Navarra in 2021. It was, however, a product by the insurance company Rural Grupo Asegurador.

There were no penalties, warnings or cases of non-compliance in this area in 2021.

4.- Breach of data protection rules

In 2021 the Department dealt with 6,925 requests not to receive marketing communications and 12 customers asked to delete and cancel their personal data held by the Bank. One claim was also received in November 2021 from the Spanish Data Protection Agency which was settled in favour of Caja Rural de Navarra in January 2022. However, the customer then filed a new claim about the resolution which is ongoing.

There were no penalties, warnings or cases of non-compliance in this area in 2021.

4.4 CUSTOMER RELATION CHANNELS

1. BRANCH NETWORK

The branch is the usual place for conducting relationships with the customer in accordance with a business model based on local service and advice. Caja Rural de Navarra had 254 branches to serve its business at the end of 2021, distributed among the Autonomous Regions as follows (aside from the one in Madrid):

139 in Navarra; 90 in the Basque Country, 24 in La Rioja

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. The Bank's presence in these locations is fundamental to its provision of a full financial service, which unquestionably helps sustain economic activity and so over the medium term helps prevent depopulation in these areas. This is part of the Bank’s social commitment to the rural world, the market where it began many decades ago.

Architectural barriers to accessibility: At Caja Rural de Navarra we have long been aware of the need to have an accessible network of branches, not only to comply with Accessibility Regulations but also to benefit our employees and customers.

There are now no architectural barriers in most branches. However, some, due to the features of the building where it is located, do present some minor accessibility problems. Whenever a branch undergoes renovation work, we take the opportunity to make improvements designed to improve its accessibility. In 2021, we carried out such work on 4 branches.

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

At the end of the year, the Bank had 317 ATMs, of which 300 were in branches and 17 elsewhere.

It also had 25,246 PoS terminals in 21,800 stores and other businesses.

We have begun installing PoSs running on Android, which will allow customers to install value-added apps and, in the future, text or email paperless receipts to their customers.

The Bank continues to modernise its ATMs so that they can accept deposits, issue receipts for cash deposits (customers and non-customers) and handle “contactless” transactions.

During the year the Bank continued to issue cards in recycled plastic, taking forward our CSR policy.

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, tablet or smartphone (Ruralvía móvil).

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;

Rvía Pay: lets customers make payments on Android devices and make small transfers free of charge using 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.

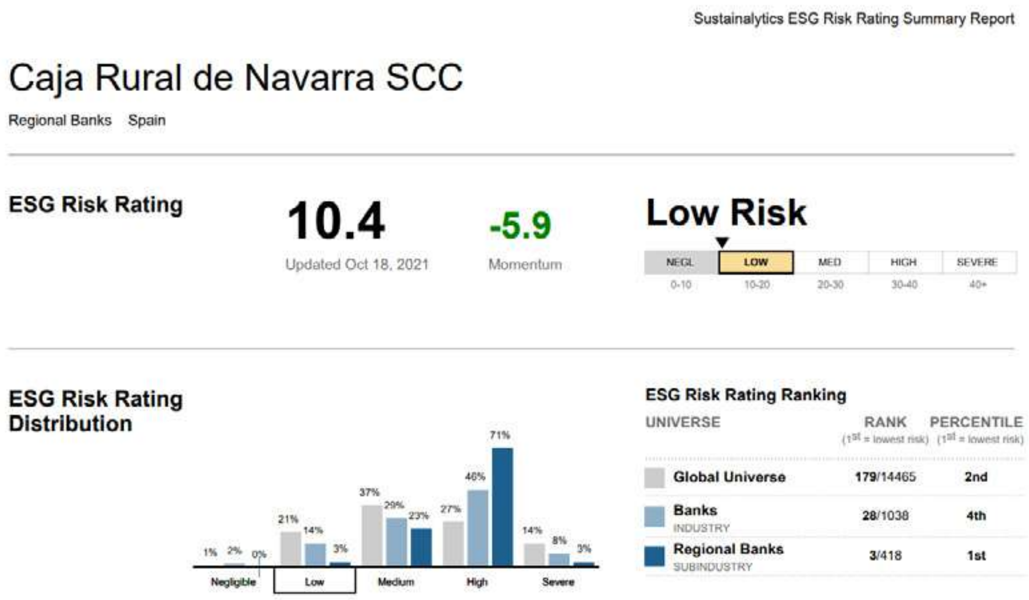
Mi Negocio; an app to help traders with their day-to-day banking by managing data.

4.5 PRODUCTS AND SERVICES

2021 LOAN PORTFOLIO IMPACT REPORT

SUSTAINABLE BONDS

Caja Rural de Navarra, as a cooperative, retail and regional institution, has always had close ties with the agri-food 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 as documented in the Corporate Social Responsibility Report[2].
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 Environmental, social and governance rating awarded to Caja Rural de Navarra by ESG rating agency Sustainalytics in 2021 ranks the Bank among the best performers in the financial sector, offering a low level of ESG risk.



As part of its focus on ESG issues, Caja Rural de Navarra some years ago created a sustainability framework[3] (the "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.

[2] https://www.cajaruraldenavarra.com/es/informacion-inversores
[3] https://www.cajaruraldenavarra.com/sites/default/files/files/2017-Sustainability-Bond-Framework-Caja-Rural-de-Navarra.pdf

It is regularly updated as the categories it addresses change, evolving and developing to keep pace with responsible social and environmental practices. In 2021, in fact, Caja Rural de Navarra revised the framework to incorporate the latest developments in sustainability, including bringing it into line with the most recent version of the EU's taxonomy of sustainable activities[4] and with the United Nationals Sustainable Development Goals (SDGs)[5].

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:

- EUR 90 million in European Investment Bank loans taken out in 2018 and 2019 to fund lending to SMEs whose purpose relates to combating climate change by improving energy efficiency.
- EUR 100 million extension ("TAP") of the May 2018 sustainable covered bonds (maturing 2025).
- Sustainable mortgage-backed covered bonds: EUR 500 million 7yr May-18
- Sustainable senior bond: EUR 100 million 5yr Jun-17
- Sustainable mortgage-backed covered bonds: EUR 500 million 7yr Dec-16

The different versions of the framework over the years have been supervised by Sustainalytics[6] whose "Second-Party Opinion"[7] (last issued in 2021) looks at the Bank's commitments to devote at least the amount raised by these sustainable issues 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 criteria for defining such activities. It also requires the regular publication of the allocation report with updated details on the sustainability lines, and of the impact report covering the Bank's area of operations, as well as the Bank's involvement in environmental and social actions in fulfilment of its commitment to support enough projects that meet the Sustainability Framework criteria. These publications are verified by third-party standards agency AENOR[8].

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" and that Caja Rural de Navarra helps finance projects that contribute to environmental sustainability, social challenges and the United Nations Sustainable Development Goals (SDG) in accordance with their guidelines on transparency, communication and reporting. Categories cited in the loan book sustainability framework are aligned with the UN Sustainable Development Goals (SDGs) which sets global objectives for all humanity. The local focus that is at the heart of Caja Rural de Navarra's mission thus closely correlates with the UN's basic goals to promote social prosperity while protecting the planet.

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.

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.

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https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en
[5] https://sdgs.un.org/goals
[6] https://www.sustainalytics.com/
[7] https://www.cajaruraldenavarra.com/sites/default/files/info-inversores/Sostenibilidad/Sustainalytics/crn-sustainability-bond-framework-second-party-opinion-2021.pdf
[8] https://www.aenor.com/certificacion/certificado/?codigo=187944

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

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 Refinancing 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.

OBJETIVOS DE DESARROLLO SOSTENIBLE

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 the next 15 years. Caja Rural de Navarra has mapped each of the framework’s sustainability lines against the UN SDGs.

In the interests of transparency, in the case of its mortgage covered bonds, Caja Rural de Navarra publishes quarterly analyses of its loan book data following the standards set by the Covered Bond Label[9] which guarantees transparency 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 the head office of German cooperative banking group DZ Bank 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 adhering to the abovementioned certifications and standards, Caja Rural de Navarra takes part in a range of international initiatives and working groups to develop green finance and to promote energy efficient homes which meet the environmental and social goals set out in the UN Paris Agreement, including stimulating investment and creating employment:

- **EeMAP-EEMI**[10] ("Energy Efficient Mortgage Action Plan-Energy Efficient Mortgage Initiative")
- Energy efficient mortgage label
- **EEFIG**[11] (the European Commission "*Energy Efficiency Financial Institutions Group*")

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

Sustainable portfolio – Loans outstanding			
2021	2020	2019	2018
4,422,381,157	4,159,965,114	3,144,616,830	3,148,273,075
Number of borrowers			
2021	2020	2019	2018
53,186	52,064	43,608	44,121

https://coveredbondlabel.com/issuer/147/
[10] https://energyefficientmortgages.eu/
https://ec.europa.eu/eefig/index_en

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

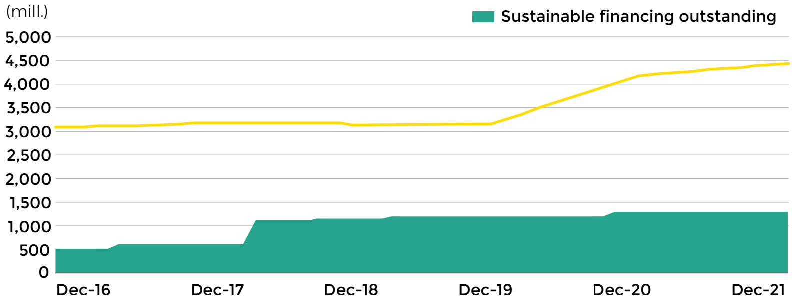
As the table above shows, at 31 December 2021 the sustainable portfolio totalled more than EUR 4,400 million allocated as follows:

ASSIGNMENT OF CAJA RURAL DE NAVARRA'S SUSTAINABLE ASSETS AND LIABILITIES*

SUSTAINABLE PORTFOLIO CATEGORIES	ASSETS	LIABILITIES AND EQUITY	ALLOCATION OF SUSTAINABLE FINANCE
Sustainable farming	126,098,091	500,000,000	Mortgage covered bond CRUNAV 0.625 01/12/23
Renewable energy	20,674,175	100,000,000	Senior bond CRUNAV Float 21/06/22
Energy efficiency	909,720,377	600,000,000	Mortgage covered bond CRUNAV 0.875 08/05/2025
Sustainable forestry	1,681,489	40,000,000	EIB loan to SMEs (2018)
Waste management	20,283,058	10,000,000	EIB climate change loan to SMEs (2018)
Social housing	519,940,487	40,000,000	EIB loan to SMEs (2019)
Social inclusion	50,905,439		
Education	25,041,131		
Economic inclusion	2,748,036,910		
		3,132,381,157	Unassigned sustainable portfolio
TOTAL SUSTAINABLE PORTFOLIO	**4,422,381,157**	**4,422,381,157**	**MAXIMUM POTENTIAL SUSTAINABLE FINANCE**

* Figures are in euros and correspond to sustainable lending made by Caja Rural de Navarra and outstanding at 31 December 2021

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



Loans made under the sustainability framework grew 45% since the framework was established in 2016, benefiting 60,573 people and companies in 2021.

The sustainable loans portfolio grew again in 2021, as the Bank pulled out all the stops to support companies in our region struggling with the impacts of Covid-19. The Bank took part in all public programmes to support companies, helping retain jobs and sustain the business fabric that is fundamental to social and economic development.

Other major elements in growing the sustainable portfolio were better internal identification of energy efficient homes (in line with the EU taxonomy), and financing building renovations to improve their energy efficiency.
Below we give an overview of the categories used by the Bank's sustainability framework set against the UN Sustainable Development Goals (SDGs), followed by a breakdown of which of the SDGs promoted by Caja Rural de Navarra apply to each of its sustainable investment categories.

Entidad Financiera: 3008
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4 QUALITY EDUCATION

2021	**EUR 25,041,130.92**
2020	EUR 26,747,945.70
2019	EUR 24,028,003.28
2018	
2017	-

11 SUSTAINABLE CITIES AND COMMUNITIES

2021	**EUR 519,940,486.52**
2020	EUR 595,814,907.55
2019	EUR 628,560,131.49
2018	EUR 2,533,004,109.00
2017	EUR 2,685,353,502.36

7 AFFORDABLE AND CLEAN ENERGY

2021	**EUR 930,394,551.91**
2020	EUR 623,854,030.22
2019	EUR 504,305,151.79
2018	EUR 482,853,903.95
2017	EUR 281,168,595.16

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

2021	**EUR 146,381,149.70**
2020	EUR 130,044,118.07
2019	EUR 157,603,619.95
2018	EUR 132,415,062.98
2017	EUR 87,934,406.39

8 DECENT WORK AND ECONOMIC GROWTH

2021	**EUR 2,748,036,910.11**
2020	EUR 2,725,578,704.70
2019	EUR 1,777,932,761.83
2018	-
2017	-

15 LIFE ON LAND

2021	**EUR 1,681,488.85**
2020	EUR 1,274,623.08
2019	EUR 1,298,688.36
2018	-
2017	-

10 REDUCED INEQUALITIES

2021	**EUR 50,905,439.03**
2020	EUR 56,650,785.16
2019	EUR 50,888,474.22
2018	-
2017	-

TOTAL

2021	**EUR 4,422,381,157.04**
2020	EUR 4,159,965,114.48
2019	EUR 3,144,616,830.92
2018	EUR 3,148,273,075.93
2017	EUR 3,054,456,503.91

BREAKDOWN OF SUSTAINABILITY LINES[12]

1. SUSTAINABLE FARMING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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 Bank operates.

The 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 2021 the current sustainable farming line totals EUR 126 million, spread across 2,001 loans to 1,435 borrowers.

[12] Figures are derived from internal data following the generally accepted principles set out in Caja Rural de Navarra's Sustainability framework for the loan book and sustainable bond issues and European regulations and guidance. That said, it is not always possible to obtain detailed information on each loan exposure, which means the sustainable portfolio (understood as loans meeting the Framework criteria) could be substantially larger than indicated here, as the above figures exclude loans where full information was unavailable.

Sustainable farming loans:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	69.9	103.3	134.7	108.4	126.1
Number of loans	808	1,220	1,688	1,653	2,001
Number of borrowers	671	963	1,284	1,265	1,435

The Bank's is committed to supporting the new generation that will sustain a vigorous primary sector and rural environment in the future. So 20.17% of loans to individual customers went to young farmers under 40. Another 24.93% of loans went to cooperatives, Sociedades Agrarias de Transformación (SATs, agri-development partnerships) and other agricultural associations, maintaining the Bank's traditional support for collective initiatives and cooperatives in the world of agriculture and stock raising.

Caja Rural de Navarra's customers in the agri-food sector are also committed to sustainable farming. As proof of Amount 16.0% of the sustainable farming line has 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	
Consolidation and strengthening of farms	36.3%
Improved agricultural transportation (energy efficiency)	14.5%
Irrigation and improved watering systems (energy efficiency and reduction of CO_2 emissions)-irrigation associations.	5.9%
Construction of buildings and greenhouses	13.7%
Financial support for adverse weather conditions	1.2%
Investments under European rural development plans	2.8%
New farmer and stock-raiser start-ups	9.5%
Other	16.0%

CASE STUDY

https://www.ekolo.es/
https://www.ekolo.uk/
https://www.youtube.com/watch?v=sqecewGbRzw

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

2. RENEWABLE ENERGY

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

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. – 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 amounted to EUR 20.7 million at 31 December 2021, spread across 57 loan transactions to 44 borrowers.
Renewable energy key figures:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	29.4	39.7	40.5	30.4	20.7
Number of loans	71	80	87	68	57
Number of borrowers	52	57	53	49	44

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

- *Renewable energy generators: solar-PV and wind operators being the most important in this sector.*

  Loans outstanding: EUR 18.7 million
  Number of loans: 37
- Builders of renewable energy plants.

  Loans outstanding: EUR 1.9 million
  Number of loans: 20

CASE STUDY

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

CRN backed this company's renewable energy division, involved in developing wind farms.

3. ENERGY EFFICIENCY

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

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 2021 the current loan book for these purposes totalled EUR 909.7 million, spread across 6,194 loans to 6,018 borrowers.

Energy efficiency key figures:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	251.6	443	463.7	593.4	909.7
Number of loans	2,132	3,711	3,968	4,575	6,194
Number of borrowers	1,537	3,024	3,086	3,892	6,018

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

- *Modernization of industrial facilities to reduce their environmental footprint, improving insulation and reducing CO_2 emissions).*

  Loans outstanding: EUR 60.2 million
  No. of transactions: 87

- *Modernization of production processes to reduce inputs and make more efficient use of raw materials and energy:*

  Loans outstanding: EUR 43 million
  No. of transactions: 138
- *Renewing equipment to use materials with a lower ecological impact and/or reduce consumption by the equipment produced.*

  Loans outstanding: EUR 12.9 million
  No. of transactions: 105

- *Cogeneration or combined-heat-and-power plants that improve overall energy efficiency:*

  Loans outstanding: EUR 1.7 million
  No. of transactions: 3
- *Electric bikes for urban mobility schemes:*

  Loans outstanding: EUR 115,257
  No. of transactions: 1
- *Engineering, consultancy and manufacture of energy efficiency equipment:*

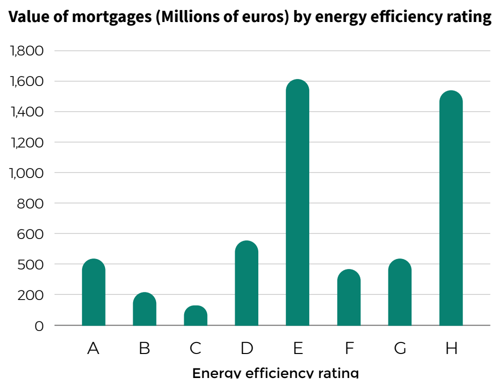
  Loans outstanding: EUR 550,209
  No. of transactions: 2
- *Energy efficient homes:*

  Loans outstanding: EUR 788.6 million
  No. of transactions: 5,674

Caja Rural de Navarra's energy efficiency framework included 5,674 outstanding loans at 31 December 2021 financing the purchase or renovation of buildings. Together, these CRN-financed energy-efficient buildings[13] save 30,552 tonnes/year compared to the average home in Spain[14]-

The framework includes buildings with an energy rating compliant with the EU Taxonomy (Activities 7.1, 7.2 and 7.7):
- 15% more efficient for acquisition and ownership
- 30% energy efficiency improvement for renovation

Applying these criteria, the Bank has automatically recorded energy efficiency data for all mortgages in its systems since 2019, and also used a third-party appraiser to review the whole of its mortgage book. This identified the following proportion of energy efficiency ratings:



This section includes financing for the European SmartEnCity[15] 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.

<u>CASE STUDY</u>

[13] Eligible energy-efficient homes are defined as purchased residences (buildings, apartments, family homes) with energy efficiency scores in the top 15%. It also includes home renovation loans that deliver at least a 30% energy efficiency saving. All of this met the criteria set by the EU Taxonomy.
[14] Source: Internal data, calculated assuming a 90 m^2 newbuild apartment (in apartment blocks) with annual emissions of 69.80 kg CO_2/m^2 compared to the average emissions of existing Spanish properties.
[15] https://smartencity.eu/news/detail/?rx_call=238

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

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

https://smartencity.eu/

New façades in Calle Aldabe 5 and 7 (Vitoria-Gasteiz)
Source: VISESA

4. SUSTAINABLE FORESTRY

15.2 ***"By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally."***

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 1.7 million in 2021, spread across 5 loan transactions to 2 borrowers.

Sustainable forestry key figures:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	2.1	3.2	1.2	1.2	1.7
Number of loans	6	8	4	4	5
Number of borrowers	4	5	3	3	2

All the loans in this category were for sustainably managed woodlands certified by the PEFC (*Programme for the Endorsement of Forest Certification*)[16] 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.

[16] https://www.pefc.org/

<u>CASE STUDY</u>

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

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 20.3 million at 31 December 2021, spread across 65 loans to 39 borrowers as follows:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	15.8	25.8	22.8	21.6	20.3
Number of loans	46	74	70	67	65
Number of borrowers	32	51	42	33	39

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

- *Recycling of industrial waste (metal, tyres, etc.).*

  <u>Loans outstanding</u>: EUR 13.5 million
  <u>Number of loans</u>: 33

- *Manufacture of commercial products from recycled materials.*

  <u>Loans outstanding</u>: EUR 2.6 million
  <u>Number of loans</u>: 16

- *Clean-up of waste.*

  <u>Loans outstanding</u>: EUR 4.1 million
  <u>Number of loans</u>: 16

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 authorization from the local authority which guarantees to us that the borrower meets all necessary requirements. In general, loans included of this type are to:

- 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 519.9 million.
- To 6,410 borrowers, of whom 55 are legal entities and the rest are individuals.

Lending history:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	723	644	628	595.8	519.9
Number of loans	8,178	7,127	7,165	7,047	6,410
Number of borrowers	7,742	6,882	6,930	6,827	6,224

B. Regarding the current status of these loans, only 0.6% 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. Regarding the distribution of these loans:

- 89.82% 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.

D. The age distribution of amounts lent (at the time they take out the mortgage) is as follows:

0.2%	Younger than 25
3.5%	25 to 30
12.6%	30 to 35
24.5%	35 to 40
25.3%	40 to 45
16.7%	45 to 50
16.5%	Over 50

More than 16% of lending granted to individuals went 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 16% 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.

67.8%	None
15.8%	1 child
13.2%	2 children
2.1%	3 children
0.3%	4 children
0.1%	More than 4 children

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 20% going to villages of less than 5,000 inhabitants, helping sustain small populations and counter the risk of rural depopulation.

20.6%	< 5,000
9.5%	5,000 to 10,000
31.5%	10,000 to 25,000
4.8%	25,000 to 50,000
0.6%	50,000 to 100,000
0.9%	100,000 to 150,000
5.4%	150,000 to 200,000
26. 7%	more than 200,000

G. Finally, the table below shows the average income per person in the family unit taking out the mortgage. More than 33% of such families have below-average incomes per head for the Autonomous Region where they live, underlining the social character of such financing.

33.3%	< EUR 18,000
35.0%	EUR 18,000 to 25,000
29.6%	EUR 25,000 to 50,000
2.1%	More than 50,000

ADDITIONAL INFORMATION ON OFFICIAL REQUIREMENTS

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

1. SOCIAL INCLUSION

10 REDUCED INEQUALITIES

10.2 "***By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.***"

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:

- Disability: training, rehabilitation and employment. Caja Rural de Navarra has for many years supported organizations that bring together people with a disability. These organizations run training and rehabilitation centres as well as special employment centres to support people into work. Caja Rural de Navarra devotes EUR 6.3 million to this financing line, which allows 13 organizations to do their work managing Special Employment Centres, residential facilities and day centres. Altogether they offer training and rehabilitation to over 7,000 people and employ more than 6,000. In this way they support a substantial proportion of those with disabilities in Navarre, the Basque Country and La Rioja.

- 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 23.1 million to fund 55 bodies helping more than 100,000 people of all ages.

- Culture: Rural de Navarra also provides EUR 10.9 million of funding for investments designed to foster social integration through culture. The money goes to 125 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 4 residential homes that look after more than 160 elderly people. Total financing for this segment is EUR 2.3 million.

- Socio-economic: The social and economic background in which Caja Rural de Navarra operates is rich in charities, professional associations and research centres. Caja Rural de Navarra firmly supports this social fabric by financing the essential infrastructure such groups rely on. These associations help ensure that small businesses and the self-employed are kept permanently informed on tax, employment, legal and financial matters. They also have representative bodies speaking to the government and different private organizations. We have invested EUR 3.9 million to support a total of 38 professional associations whose membership includes more than 3,000 professionals and organizations from various sectors of the economy.

- Inclusiveness: 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 include groups at risk of social exclusion: immigrants, the gypsy community, young people, drug users and the older unemployed. We provide EUR 9.7 million in financing to support 30 social organizations 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 to 250 borrowers

7. EDUCATION

4.4 ***"By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship"***

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 28.7 million committed to financing investments by 69 training centres with more than 35,000 students between them.

- Eskola Digitala programme: support for digitization of state-aided educational institutions in the Basque Country. The programme subsidises 10% of any investment in digitising schools up to a maximum of EUR 3,000. EUR 237,777 was allocated to the programme, which helped fund total investments of EUR 3.3 million in 113 schools, benefiting 50,432 students and 4,170 teachers.

- 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. Despite continuing low levels of mobility in response to Covid-19, this form of support continued helping 277 students (417 at the Public University of Navarre, 18 Erasmus Plus and 23 Global Scholarships by Caja Rural de Navarra).

8. ECONOMIC INCLUSION

8.3 ***"Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services"***

The Covid-19 pandemic took a heavy toll on the economic fabric of the regions where Caja Rural de Navarra operates in recent years. A key economic policy measure taken by regional governments and the Spanish national government was to work with lending institutions to offer companies, particularly SMEs, financing lines that would avoid a tightening of access to credit and consequent destruction of employment and the business fabric.

Caja Rural de Navarra was particularly active in all these "Covid" loans, channelling a total of EUR 871 million in loans to 5,313 companies and self-employed workers.[17]

The Bank's local roots and neighbourhood presence in the region's population centres, large and small, meant that companies, particularly small and mid-sized enterprises, were able to get agile access to these lines of finance.

Overall, including Covid financing, the category includes 45,403 loans with a total amount of EUR 2,748 million spread across 39,109 borrowers. Economic inclusion key figures:

	2017	2018	2019	2020	2021
Loans outstanding (millions of euros)	1,896.8	1,810.7	1,777.9	2,725.5	2,748.0
Number of loans	34,556	38,274	37,329	46,370	45,403
Number of borrowers	28,980	32,771	31,895	39,682	39,109

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 special presence). To qualify, a loan 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[18]

D. **Covid-19 lines**, under different government schemes to support and maintain economic activity and jobs in the face of the Covid-19 pandemic.

[17] Data includes financing to all classes of company.
[18] Commission Regulation (EU) 651/2014

CAJA RURAL DE NAVARRA

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

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 433 million, consisting of 31,721 loans to 28,555 borrowers.

"Small loans and remote areas" over the last four years:

	2017	2018	2019	2020	2021
Loans outstanding	676.9	598.2	376.5	406.5	433.6
Number of loans	30,796	33,556	30,302	32,718	31,721
Number of borrowers	26,775	29,48	27,054	29,191	28,555

As a result this is a highly diversified line comprising many loans with an average amount of EUR 13,669, reaching a great many people, particularly in rural areas and small population clusters. Specifically, 23% of financing in this segment goes to populations at risk of financial exclusion.

B. Entrepreneurship

Caja Rural de Navarra's Línea Inicia is targeted at entrepreneurs and has been used to support 2,306 projects since 2007. These projects were headed by 3,956 entrepreneurs of both genders and required a total of EUR 83 million.

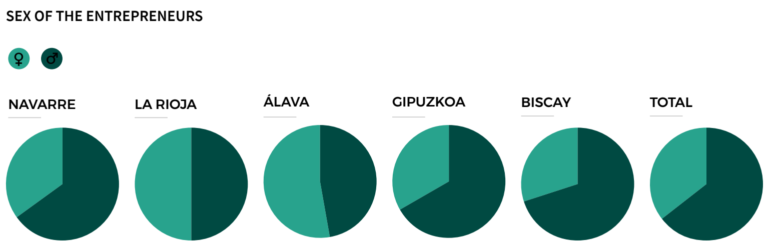
The support for entrepreneurship has been a key element in Caja Rural de Navarra's strategy from the start, helping create new and stable jobs. It targets people committed to and rooted in the region, and who usually have long experience in the sector involved.

On many occasions, these entrepreneurs are initially supported by business organisations active in their regions. These play a fundamental role in stimulating and taking forward the projects, which is why we continue to have working agreements with many of them.

After a year dominated by the pandemic in 2020, 2021 was the year of a return to the "new normal", with the pace of new businesses being set up back to the level of previous years. A total of 197 projects were supported, developed by 367 highly qualified entrepreneurs with strong track records. Of those backed in 2021, 77% had university and/or professional qualifications. Their average age was around 40.

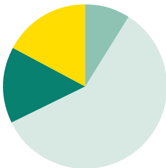
PROFILE OF ENTREPRENEURS/COMPANIES CREATED

	PROJECTS SUPPORTED	JOBS CREATED
NAVARRE	72	126
LA RIOJA	10	14
ÁLAVA	20	36
GIPUZKOA	38	81
BISCAY	58	110
TOTAL	**198**	**367**



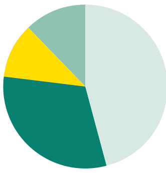
SECTOR OF ACTIVITY

- industry
- services
- commerce
- health/sport



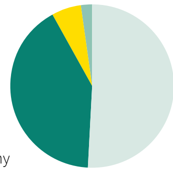
QUALIFICATIONS OF APPLICANTS

- university
- professional
- high school diploma
- basic



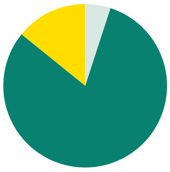
LEGAL FORM

- LTD
- self-employed
- cooperative
- unregistered company



REASON FOR STARTING COMPANY

- unemployment
- better job
- diversification



SEX: ♂ = 66% | ♀ = 34%   AVERAGE AGE: 40,09

FINANCE DATA

	TOTAL (EUR)	AVERAGE PER PROJECT (EUR)	%
INVESTMENT	17,193,500	90,322	**100%**
FINANCE	11,449,730	58,120	64%
EQUITY CONTRIBUTION	6,421,770	32,201	36%

REGION	TOTAL INVESTMENT (EUR)	EQUITY (EUR)	%	FINANCE (EUR)	%
NAVARRE	6,226,800	2,026,300	33%	4,227,800	68%
LA RIOJA	1,953,000	554,000	28%	1,399,000	72%
ÁLAVA	1,914,000	711,100	37%	1,202,900	63%
GIPUZKOA	4,811,000	2,352,000	49%	2,459,000	51%
BISCAY	2,888,700	727,670	25%	2,161,030	75%
TOTAL	**17,793,500**	**6,371,070**	**36%**	**11,449,730**	**64%**

TYPICAL PROFILE BY REGION

REGION	SEX	AGE	QUALIFICATIONS	REASON FOR STARTING COMPANY	LEGAL FORM	SECTOR OF ACTIVITY
NAVARRE	Men	41.1	University	Better job	Self-employed	Services
LA RIOJA	Men	37.8	University	Better job	Ltd. co.	Commerce
ÁLAVA	Men	38.1	Professional training	Better job	Self-employed	Services
GIPUZKOA	Men	37.7	University	Better job	Ltd. co.	Services
BISCAY	Men	42.1	University	Better job	Ltd. co.	Services

We have enough information to profile a “typical” customer that starts their business with the help of Línea Inicia: a man, around 40 years old, with university degree or professional training, focused on the service sector and looking for around EUR 60,000 in finance. The most interesting trait, perhaps, is that these are people who are looking to “improve” on their previous employment status (generally working for someone else before starting their own business).

ADDITIONAL DATA

- Línea Inicia NPL ratio:
  - Doubtful/Asset + Guarantees
  - NPL ratio at end-2021: =0.77%
  - Survival rate of projects supported (in years, at 3 years and 5 years):

	2020	2019	2018	2017	2016
PROJECTS SUPPORTED	156	228	220	197	195
DISCONTINUED	13	17	31	46	76
SURVIVAL RATE (%)	92%	93%	86%	77%	61%

	2020	2019	2018	2017	2016
PROJECTS SUPPORTED	156	228	220	197	195
DISCONTINUED	13	17	31	46	76
SURVIVAL RATE (%)	92%	93%	86%	77%	61%

Loans outstanding under the line at year-end were EUR 50.7 million, spread over 1,057 loans to 843 borrowers.

C. Financing SMEs

The basic data for this item show an accumulated amount of EUR 1,393 million, with 6,399 loans to 4,406 borrowers, including special Covid financing.
Financing SMEs – key figures:

	2017	2018	2019	2020	2021
Loans outstanding (Millions of euros)	1,179	1,159.7	1,344.4	1,448.4	1,393
Number of loans	3,759	4,539	5,775	6,572	6,399
Number of borrowers	2,549	3,221	3,914	4,466	4,406

The following data, based on our analysis, show a significant number of positive social impacts:

1. Regarding the current state of these loans, 2.3% of the total amount is more than 90 days in arrears. This is a good figure given the average for the financial sector.

2. Secondly, we present below the number of transactions in micro-enterprises, Mid-sized Companies and SMEs. These categories are classified under Commission Regulation (EU) 651/2014, which categorises firms by headcount and annual revenue or total assets:

	NO. EMPLOYEES	SALES	TOTAL ASSETS
Micro	Less than 10	< 2 mill.	< 2 mill. €
Small	10 to 49	< 10 mill. €	< 10 mill. €
Mid-sized	50 to 249	< 50 mill. €	< 43 mill. €
Large	Over 250	> 50 mill. €	> 43 mill. €

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

The table below shows that more than 87% of financing in this category went to micro-enterprises (68.2%) and small companies (18.6%), underlining the penetration and the Bank's concern to maintain the local business network.

COMPANY SIZE BY AMOUNT LENT	
Micro	68.2%
Small	18.6%
Mid-sized	13.2%

3. Caja Rural de Navarra has always supported SMEs, building up the essential business fabric for the regions to develop and remain competitive in their production. This is evidenced by the fact that over 44% 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 2.2% of companies initiated their relationship with the Bank in the last year.

LENGTH OF RELATIONSHIP WITH CRN	
Less than 1 year	2.2%
1-5 years	31.4%
5-10 years	21.8%
10-20 years	26.3%
More than 20 years	18.2%

4. The Bank's involvement in rural development is an important strand of its work. Nearly 36% of sums lent went to companies based in populations of less than 10,000 people, which means the scheme is not only developing the local economy but also reinforcing the social fabric in rural zones.

POP. PER TOWN/VILLAGE	
less than 5,000	25.4%
5,000 to 10,000	10.3%
10,000 to 25,000	14.4%
25,000 to 50,000	5.4%
50,000 to 100,000	4.0%
100,000 to 150,000	0.4%
150,000 to 200,000	10.5%
More than 200,000	29.6%

5. Also, regarding type of customer, figures show that most are limited companies (consistent with the points made above) and more than 6% are cooperatives (mostly in the primary sector), figures in line with our origins as a cooperative credit institution and business philosophy.

TYPE OF COMPANY	
Public limited companies	14.4%
Limited companies	68.7%
Cooperatives	6.3%
Other	10.6%

6. For a deeper analysis of the real state of companies we have financed under this line, we attach two tables showing sales and number of employees in each:

SALES	
Less than 1 million	60.9%
1 to 10 million	25.6%
10 to 20 million	5.7%
20 to 30 million	2.6%
30 to 45 million	3.2%
45 million or more	2.0%

NUMBER OF EMPLOYEES	
Less than 10	70.0%
10 to 50	19.0%
50 to 100	5.7%
100 to 150	2.3%
150 to 200	1.7%
More than 200	1.2%

These two tables show the small scale of most companies financed by this line. More than 86% of funds went to firms with turnover of less than EUR 10 million and more than 89% to firms with less than 50 employees. Our financing, therefore, contributes to maintaining this important business fabric and the employment it generates. The average headcount was 24.

7. It should also be emphasised that, despite the size of these companies, we are in one of the most industrialized 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: in total 20.6% of the companies we finance through this line.

EXPORT/IMPORT	
Importing	3.9%
Exporting	5.0%
Both	11.7%
Neither	79.4%

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, by financing granted.

SECTORS OF ACTIVITY	
Water supply, sanitation, waste management and depollution	0.5%
Agriculture, livestock, forestry and fisheries	2.4%
Manufacturing	18.7%
Construction	16.8%
Wholesale and retail commerce	7.6%
Transport and warehousing	3.9%
Hospitality	6.0%
Property	11.5%
Professionals, scientific and technical	8.7%
Administration and auxiliary services	5.4%
Other/NA	18.5%

CASE STUDY

https://www.visionquality.es/

Caja Rural de Navarra supported the creation of Vision Quality which, helped by funds from the ERDF (European Regional Development Fund), launched in 2016 offering automated inspection and classification systems.

A. Covid-19 financing

Through its different financing lines, working in collaboration the central and regional governments, Caja Rural de Navarra has provided substantial funds, keeping many companies of all sizes in business and supporting self-employed workers, so helping maintain employment throughout the crisis brought on by the Covid-19 pandemic.

Specifically, its Covid-related loans outstanding at 31 December 2021 totalled EUR 871 million, supporting 5,313 companies with 6,237 loans.

The supply of this finance had a massive positive impact of this action to mitigate the pandemic's impact and sustain jobs in our regions, particularly in small and medium-sized enterprises.

5. THE TEAM

5.1 THE TEAM

At Caja Rural de Navarra, people are the soul of our organization. The people in the team, the people who are our customers and the people who in one way or another surround our business.

The people who work in our branches are our core team for service, advice and added value.

The values we want to contribute and promote guide us through every project, every meeting and every visit. The values we consider key are proximity, responsibility and commitment.

Proximity means keeping branches open, so we can be closer to everyone and serve them face to face. Responsibility means giving high-quality advice tailored to each person's individual circumstances. Commitment means being partners with our team and partners with our customers and working hand-in-hand with wider society.

We are a diverse and egalitarian team, with people of all ages. We value the enthusiasm of our new recruits and have an onboarding programme to help them integrate. Equally, we value the experience and collaboration of those who have spent ten, twenty and thirty years giving their best to the Bank. A team evolves and develops through everyone working together and we have a strategy to support everyone's personal development, the development of the team as a whole and the development of the wider community we live and work in every day.

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5.2 DISTRIBUTION OF STAFF AND TYPES OF CONTRACT

5.2.1. TOTAL HEADCOUNT AND BREAKDOWN BY SEX, AGE, COUNTRY AND PROFESSIONAL CLASSIFICATION

2019 TOTAL EMPLOYEES **963**

1. BY SEX

	Men %	Women %	Men	Women
Total	51.71%	48.29%	498	465

2. BY AGE

	TOTAL	Men %	Women %	Men	Women
Under 30	264	11.84%	15.58%	114	150
30 to 50	583	30.74%	29.80%	296	287
Over 50	116	9.14%	2.91%	88	28

3. BY PROFESSIONAL CLASSIFICATION

	TOTAL	Men %	Women %	Men	Women
Group I	1	0.10%		1	0
Group II - Grade 1	11	1.14%		11	0
Group II - Grade 2	8	0.83%		8	0
Group II - Grade 3	1	0.10%		1	0
Group II - Grade 4	15	1.25%	0.31%	12	3
Group II - Grade 5	18	1.56%	0.31%	15	3
Group II - Grade 6	225	17.03%	6.33%	164	61
Group II - Grade 7	206	9.14%	12.25%	88	118
Group II - Grade 8	135	5.19%	8.83%	50	85
Group II - Grade 9	51	3.01%	2.28%	29	22
Group II - Grade 10	289	12.05%	17.96%	116	173
Group III (assistants)	3	0.31%		3	0

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2020

TOTAL EMPLOYEES
948

1. BY SEX

Men	Women
52.32%	47.68%
496	**452**

2. BY AGE

Under 30 — TOTAL **262**

Men	Women
12.03%	15.61%
114	**148**

30 to 50 — TOTAL **573**

Men	Women
31.22%	29.22%
296	**277**

Over 50 — TOTAL **116**

Men	Women
9.07%	2.85%
89	**27**

3. BY PROFESSIONAL CLASSIFICATION

Group I — TOTAL **1**

Men	Women
0.11%	
1	**0**

Group II - Grade 1 — TOTAL **10**

Men	Women
1.05%	
10	**0**

Group II - Grade 2 — TOTAL **8**

Men	Women
0.84%	
8	**0**

Group II - Grade 3 — TOTAL **1**

Men	Women
0.11%	
1	**0**

Group II - Grade 4 — TOTAL **13**

Men	Women
1.05%	0.32%
10	**3**

Group II - Grade 5 — TOTAL **18**

Men	Women
1.58%	0.32%
15	**3**

Group II - Grade 6 — TOTAL **224**

Men	Women
17.19%	6.43%
163	**61**

Group II - Grade 7 — TOTAL **238**

Men	Women
10.44%	14.66%
99	**139**

Group II - Grade 8 — TOTAL **102**

Men	Women
4.22%	6.54%
40	**62**

Group II - Grade 9 — TOTAL **75**

Men	Women
3.69%	4.22%
35	**40**

Group II - Grade 10 — TOTAL **255**

Men	Women
11.71%	15.19%
111	**144**

Group III (assistants) — TOTAL **3**

Men	Women
0.32%	
3	**0**

CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO. Inscrita en Registro Mercantil, Tomo 11, Folio 175, Hoja NA-183. C.I.F.: F31021611

CAJA RURAL DE NAVARRA

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

2021

TOTAL EMPLOYEES
947

1. BY SEX

Men	Women
51.00%	49.00%
483	**464**

2. BY AGE

Category	TOTAL	Men %	Women %	Men	Women
Under 30	**248**	10.56%	15.63%	**100**	**148**
30 to 50	**583**	31.05%	30.12%	**294**	**289**
Over 50	**116**	9.40%	2.85%	**89**	**27**

3. BY PROFESSIONAL CLASSIFICATION

Category	TOTAL	Men %	Women %	Men	Women
Group I	**1**	0.11%		**1**	**0**
Group II - Grade 1	**9**	0.95%		**9**	**0**
Group II - Grade 2	**8**	0.84%		**8**	**0**
Group II - Grade 3	**1**	0.11%		**1**	**0**
Group II - Grade 4	**12**	1.06%	0.21%	**10**	**2**
Group II - Grade 5	**18**	1.58%	0.32%	**15**	**3**
Group II - Grade 6	**230**	17.53%	6.76%	**166**	**64**
Group II - Grade 7	**276**	12.35%	16.79%	**117**	**159**
		2.85%	4.65%	**27**	**44**
Group II - Grade 9	**84**	3.38%	5.49%	**32**	**52**
Group II - Grade 10	**234**	9.93%	14.78%	**94**	**140**
Group III (assistants)	**3**	0.32%		**3**	**0**

Professional classification has three groups: **Group I** is the Managing Director, who prepares for and works with the Governing Board in its decision-making when defining and proposing the business strategy, drawing up the Annual Operating Plan, setting targets for the income statement and expansion of the Bank and monitoring budgets.

Group II is administrative and management personnel. This group involves heads of department and other executives responsible for carrying through the day-to-day business in the different areas. **Group III**, support staff, includes employees doing tasks that are not specifically related to banking but are support roles, such as qualified staff drivers and maintenance personnel.

Group II is divided into a number of pay grades. There are 10 pay grades for different functions within the same group. In addition to these 10 grades there are two starting grades, first-year entry and second-year entry. There is a professional promotion system within the **Group II** grades that means workers pass from grade 10 to 9, 9 to 8 and 8 to 7, and in the case of managers from 7 to 6 based on time served and the completion of commercial tasks.

5.2.2. TOTAL HEADCOUNT AND BREAKDOWN BY TYPE OF EMPLOYMENT CONTRACT

2019
TOTAL EMPLOYEES
963

CONTRACT		EMPLOYEES	% OF TOTAL
1	Permanent F/T	733	76.12%
200	Permanent P/T	2	0.21%
401	F/T fixed-term work or services	5	0.52%
402	F/T circumstances of production	51	5.30%
502	P/T circumstances of production	1	0.10%
410	Temporary F/T	16	1.66%
420	Apprenticeship F/T	154	15.99%
520	Apprenticeship P/T	1	0.10%
Total		**963**	**100.00%**

2020
TOTAL EMPLOYEES
948

CONTRACT		EMPLOYEES	% OF TOTAL
1	Permanent F/T	740	78.06%
200	Permanent P/T	2	0.21%
401	F/T fixed-term work or services	7	0.74%
402	F/T circumstances of roduction	57	6.01%
502	P/T circumstances of production	0	0.00%
410	Temporary F/T	10	1.05%
420	Apprenticeship F/T	131	13.82%
520	Apprenticeship P/T	1	0.11%
Total		**948**	**100.00%**

2021
TOTAL EMPLOYEES
947

CONTRACT		EMPLOYEES	% OF TOTAL
1	Permanent F/T	772	81.52%
200	Permanent P/T	2	0.21%
401	F/T fixed-term work or services	0	0.00%
402	F/T circumstances of production	40	4.22%
502	P/T circumstances of production	0	0.00%
410	Temporary F/T	11	1.16%
420	Apprenticeship F/T	121	12.78%
520	Apprenticeship P/T	1	0.11%
Total		**947**	**100.00%**

F/T: Full time
P/T: Part time

The breakdown by sex and number of contracts is similar for both full-time and part-time contracts.

5.2.3. ANNUAL AVERAGE OF PERMANENT/TEMPORARY CONTRACTS

TOTAL EMPLOYEES 2021 **947**

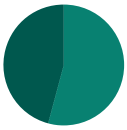
TOTAL PERMANENT CONTRACTS

2021	2020	2019
774	742	735

CODE	DESCRIPTION	2021	2020	2019
001	Permanent F/T	772	740	733
200	Permanent P/T	2	2	2

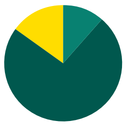
BY SEX

Men	420
Women	354



BY AGE

Under 30 años	90
30 to 50 años	568
Over 50 años	116



BY PROFESSIONAL CLASSIFICATION

	EMPLOYEES 2021	% OF 2021 TOTAL
Group I	1	0.13%
Group II Grade 1	9	1.16%
Group II Grade 2	8	1.03%
Group II Grade 3	1	0.13%
Group II Grade 4	12	1.55%
Group II Grade 5	18	2.33%
Group II Grade 6	230	29.72%
Group II Grade 7	276	35.66%
Group II Grade 8	71	9.17%
Group II Grade 9	83	10.72%
Group II Grade 10	62	8.01%
Group III Assistants	3	0.39%

BY REGION

Álava	44	5.68%
Guipúzcoa	100	12.92%
La Rioja	62	8.01%
Madrid	2	0.26%
Navarra	466	60.21%
Biscay	100	12.92%

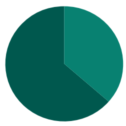
TOTAL TEMPORARY CONTRACTS

2021	2020	2019
173	206	228

CODE	DESCRIPTION	2021	2020	2019
401	F/T fixed-term work or services	0	7	5
402	F/T circumstances of production	40	57	51
410	Temporary F/T	11	10	16
420	Apprenticeship F/T	121	131	154
502	P/T circumstances of production	0	0	1
520	Work experience P/T	1	1	1

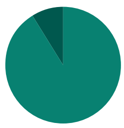
BY SEX

Men	63
Women	110



BY AGE

Under 30 años	158
30 to 50 años	15
Over 50 años	0



POR BY PROFESSIONAL CLASSIFICATION

	EMPLOYEES 2021	% OF 2021 TOTAL
Group II Grade 9	1	0.58%
Group II Grade 10	172	99.42%

BY REGION

Álava	11	6.36%
Guipúzcoa	35	20.23%
La Rioja	20	11.56%
Madrid	1	0.58%
Navarra	87	50.29%
Biscay	19	10.98%

Entidad Financiera: 3008
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Teléfono: 948 168 100

5.2.4. DEPARTURES BY SEX, AGE, COUNTRY AND PROFESSIONAL CLASSIFICATION

2019
TOTAL DEPARTURES
10

	DEPARTURES	% OF TOTAL
BY SEX		
Men	6	60.00%
Women	4	40.00%
BY AGE		
Under 30 años	2	20.00%
30 to 50 años	4	40.00%
Over 50 años	4	40.00%
BY PROFESSIONAL CATEGORY		
Group II Grade 6	1	10.00%
Group II Grade 7	5	50.00%
Group II Grade 8	1	10.00%
Group II Grade 10	3	30.00%

2020
TOTAL DEPARTURES
10

	DEPARTURES	% OF TOTAL
BY SEX		
Men	6	60.00%
Women	4	40.00%
BY AGE		
Under 30 años	2	20.00%
30 to 50 años	3	30.00%
Over 50 años	5	50.00%
BY PROFESSIONAL CATEGORY		
Group II Grade 6	5	50.00%
Group II Grade 7	2	20.00%
Group II Grade 9	2	20.00%
Group II Grade 10	1	10.00%

2021
TOTAL DEPARTURES
4

	DEPARTURES	% OF TOTAL
BY SEX		
Men	3	75.00%
Women	1	25.00%
BY AGE		
Under 30 años	1	25.00%
30 to 50 años	1	25.00%
Over 50 años	2	50.00%
BY PROFESSIONAL CATEGORY		
Group II Grade 6	1	25.00%
Group II Grade 7	1	25.00%
Group II Grade 8	1	25.00%
Group II Grade 10	1	25.00%

5.2.5. EMPLOYEES AT YEAR-END, BY PROVINCE

ÁLAVA

	2019	2020	2021
TOTAL EMPLOYEES	54	52	55
BY SEX: Men	29	29	22
BY SEX: Women	25	23	23
BY AGE: Under 30 años	20	17	15
BY AGE: 30 to 50 años	34	34	39
BY AGE: Over 50 años	0	1	1

GUIPÚZCOA

	2019	2020	2021
TOTAL EMPLOYEES	132	126	135
BY SEX: Men	66	64	69
BY SEX: Women	66	62	66
BY AGE: Under 30 años	44	38	42
BY AGE: 30 to 50 años	83	82	88
BY AGE: Over 50 años	5	6	5

BISCAY

	2019	2020	2021
TOTAL EMPLOYEES	125	124	119
BY SEX: Men	62	58	52
BY SEX: Women	63	66	67
BY AGE: Under 30 años	46	44	35
BY AGE: 30 to 50 años	78	78	82
BY AGE: Over 50 años	1	2	2

NAVARRA

	2019	2020	2021
TOTAL EMPLOYEES	568	564	553
BY SEX: Men	297	301	289
BY SEX: Women	271	263	264
BY AGE: Under 30 años	129	139	133
BY AGE: 30 to 50 años	331	323	313
BY AGE: Over 50 años	108	102	107

LA RIOJA

	2019	2020	2021
TOTAL EMPLOYEES	83	81	82
BY SEX: Men	43	43	37
BY SEX: Women	40	38	45
BY AGE: Under 30 años	25	24	22
BY AGE: 30 to 50 años	56	55	59
BY AGE: Over 50 años	2	2	1

MADRID

	2019	2020	2021
TOTAL EMPLOYEES	1	1	3
BY SEX: Men	1	1	3
BY SEX: Women			
BY AGE: Under 30 años	0	0	1
BY AGE: 30 to 50 años	1	1	2
BY AGE: Over 50 años	0	0	0

5.2.6 INTEGRATED REPORT 2021

EXPERIENCE (AVERAGE SENIORITY)

2019	12.85 años
2020	13.32 años
2021	13.66 años

DIVERSITY

	Men	Women
2019	51.71%	48.29%
2020	52.32%	47.68%
2021	51%	49%

UNIVERSITY GRADUATES

	Non-graduates	Graduates
2019	5.91%	94.09%
2020	6.75%	93.25%
2021	4.15%	95.85%

At 31/12/2021 the number of Caja Rural de Navarra employees with a disability was: 5

PEOPLE WITH SPECIAL NEEDS

2019	4
2020	4
2021	5

5.3. REMUNERATION POLICY

The core aim of remuneration policy is to align the actions of teams with the long-term aims of the Bank.

The Legal Representation of Employed People (LREP) is involved in designing and planning remuneration policy through the National Collective Agreement for Credit Cooperatives, management of the Bank and has the approval of the Remuneration Committee and, finally, the Governing Board.

Long-term aims include the need to generate financial profit but also take account of other key issues for a cooperative organization with strong local roots, such as growing its customer base, increasing the number of products held by each customer, building customer loyalty and fostering a positive market image of the services and value we provide.

The basic criteria that flow from this core aim are as follows:

A. 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. Discretionary variable remuneration shall take account of employees' performance, results achieved by their team and results achieved by the Bank as a whole. It should create no direct incentives to sell specific projects, such as discounts or fee reversals to employees.

C. Variable remuneration must be capped as a proportion of fixed income and can never be more than 100 % of fixed remuneration, as required by regulations in force.

D. It should always be based on the qualitative issues most closely related to long-term performance (maintenance of the customer base, customer satisfaction, balanced growth, etc.).

E. Part of variable remuneration shall be deferred for between 3 and 5 years, tied to completion of the Strategic Plan for this period.

F. Customer satisfaction data feeds into the design of remuneration policy.

G. Variable remuneration shall include a clawback clause allowing the 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.

In accordance with Caja Rural de Navarra's Equality Plan and applicable regulations, the salary gap is analysed and conclusions drawn on reducing gender pay gaps. Also, a new Equality Plan is being negotiated through the Negotiating Committee.

Data from individual pay awards are aggregated to check they match the Bank’s budget and ensure there is no overrun during the year.

1. REMUNERATION SYSTEM

Caja Rural de Navarra structures its remuneration system to achieve an internal coherence between the elements of remuneration and the posts and responsibilities being rewarded, and gender equality, which is tailored to the realities of the market and provides a path of professional progress and promotion for its staff.

DISTRIBUTION OF ELEMENTS OF REMUNERATION

	2021	2020	2019
Collectively negotiated salary	69.99 %	65.51 %	70.62 %
Voluntary salary	20.71 %	19.1 %	19.78 %
Incentives	9.3 %	15.38 %	9.6 %

* 2020 includes incentive payments on the Strategic plan

Caja Rural de Navarra has approved its Remuneration Policy linked to Risk management which fulfils its established obligations.
The Policy is based on a number of principles, including the following:

• Fixed individual remuneration shall fairly reflect each employee’s responsibility and professional career. It must be reviewed regularly (at least annually) and changed where appropriate.

• Variable remuneration shall take account of employees’ performance, results achieved by their team and results achieved by the Bank as a whole. It consists of a qualitative evaluation, taking into account aspects relating to the quality and performance of their work.

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All salary information refers to the average labour index. THE AVERAGE LABOUR INDEX AT CAJA RURAL DE NAVARRA IS: EUR 2,313.73/GROSS PAY

Average remuneration by professional classification:

CATEGORY	AVERAGE SALARY 2021	AVERAGE SALARY 2020	AVERAGE SALARY 2019
Group II Grade 1	2.91	3.00	2.98
Group II Grade 2	2.28	2.29	2.32
Group II Grade 4	1.98	1.97	1.97
Group II Grade 5	1.85	1.83	1.85
Group II Grade 6	1.35	1.36	1.37
Group II Grade 7	0.99	0.99	1.01
Group II Grade 8	0.89	0.89	0.88
Group II Grade 9	0.74	0.76	0.79
Group II Grade 10	0.55	0.57	0.57
Group III Assistants	0.83	0.84	0.85

* Data based on average labour index

CATEGORY	AVERAGE SALARY 2021	AVERAGE SALARY 2020	AVERAGE SALARY 2019
Group II Grade 1	3.16	3.26	3.26
Group II Grade 2	2.47	2.49	2.53
Group II Grade 4	2.15	2.14	2.16
Group II Grade 5	2.00	1.98	2.02
Group II Grade 6	1.46	1.48	1.50
Group II Grade 7	1.07	1.08	1.11
Group II Grade 8	0.96	0.97	0.96
Group II Grade 9	0.80	0.83	0.87
Group II Grade 10	0.60	0.61	0.62
Group III Assistants	0.90	0.91	0.92

** Data based on average labour index

** For reasons of confidentiality, where a group contains only one person it has been merged in the table with the nearest multi-person group.

	MINIMUM STARTING SALARY EUR/H		
2019	22,634,18 €	1,700	13.31 €
2020	22,634,18 €	1,700	13.31 €
2021	22,917,18 €	1,700	13.48 €

	MINIMUM STARTING SALARY EUR/NMW 2019		
2019	22,634,18 €	12,600,00 €	**1.8**

2. AVERAGE REMUNERATION AND BREAKDOWN BY SEX AND AGE

2019

AVERAGE SALARY		H	M
	BY SEX		
		1.16	0.83
	BY AGE		
	Under 30 años	0.57	0.58
	30 to 50 años	1.24	0.94
	Over 50 años	1.64	1.02

2019

AVERAGE SALARY/ MEAN		H	M
	BY SEX		
		1.27	0.90
	BY AGE		
	Under 30 años	0.63	0.63
	30 to 50 años	1.36	1.03
	Over 50 años	1.79	1.11

2020

AVERAGE SALARY		H	M
	BY SEX		
		1.15	0.84
	BY AGE		
	Under 30 años	0.58	0.58
	30 to 50 años	1.24	0.95
	Over 50 años	1.62	1.03

2020

AVERAGE SALARY/ MEAN		H	M
	BY SEX		
		1.25	0.91
	BY AGE		
	Under 30 años	0.63	0.63
	30 to 50 años	1.34	1.03
	Over 50 años	1.76	1.12

2020

AVERAGE SALARY		H	M
	BY SEX		
		1.16	0.83
	BY AGE		
	Under 30 años	0.58	0.57
	30 to 50 años	1.21	0.94
	Over 50 años	1.64	1.11

2021

AVERAGE SALARY/ MEAN		H	M
	BY SEX		
		1.26	0.90
	BY AGE		
	Under 30 años	0.63	0.61
	30 to 50 años	1.31	1.02
	Over 50 años	1.78	1.21

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

3. AVERAGE SALARY GAP BY FUNCTION, MEN vs. WOMEN

AVERAGE

BY FUNCTION	2019		2020		2021	
	M	W	M	W	M	W
Head of Area/Zone	2.61	**2.20**	2.60	**2.22**	2.57	**2.05**
Manager of Branch/CS	1.39	**1.12**	1.39	**1.13**	1.38	**1.13**
Administration-Sales/CS	0.91	**0.75**	0.90	**0.75**	0.92	**0.75**

* CS: Cen-tral Ser-vices * Data based on aver-age labour index

GAP

BY FUNCTION	2019		2020		2021	
	M	W	M	W	M	W
Head of Area/Zone	2.85	**2.41**	2.82	**2.41**	2.78	**2.22**
Manager of Branch/CS	1.52	**1.22**	1.51	**1.23**	1.50	**1.22**
Administration-Sales/CS	0.99	**0.82**	0.98	**0.82**	1.00	**0.81**

* CS: Cen-tral Ser-vices * Data based on aver-age labour index

4. SALARY DISTRIBUTION 2021

	2021	2020	2019
Ratio of best-paid person’s salary vs. mean employee salary	6.31	5.89	7.94
Mean % pay rise	1.25	0.31	2.62
Ratio of % increase best-paid person’s salary vs. mean % increase	0.95	3.21	0.35

5. AVERAGE REMUNERATION OF DIRECTORS AND MANAGERS

Gross total remuneration of the board in 2021 was:

Gross total remuneration	60,176.63 €

ID NO.	POST	AREA	DIRECTOR
15792687J	CHAIRMAN	CRN	IGNACIO TERÉS LOS ARCOS
72670523E	VICE-CHAIRMAN	CRN	PEDRO JESÚS IRISARRI VALENCIA
18200324X	SECRETARY	CRN	MARCELINO ETAYO ANDUEZA
15832795D	DIRECTOR 1	MERINDAD DE ESTELLA	FERMÍN ESANDI SANTESTEBAN
16521346D	DIRECTOR 2	MERINDAD DE ESTELLA	MANUEL GARCÍA DÍAZ DE CERIO
72671752D	DIRECTOR 3	MERINDAD DE OLITE	IGNACIO ZABALETA JURIO
36771454Z	DIRECTOR 4	MERINDAD DE OLITE	AINHIZE MURATORI IRURZUN
29152125Q	DIRECTOR 5	MERINDAD DE PAMPLONA	PEDRO JOSÉ GOÑI JUAMPÉREZ
72658318F	DIRECTOR 6	MERINDAD DE PAMPLONA	GABRIEL URRUTIA AICEGA
15831821R	DIRECTOR 7	MERINDAD DE SANGÜESA	JOSÉ JOAQUÍN RODRÍGUEZ EGUILAZ
29155901C	DIRECTOR 8	MERINDAD DE SANGÜESA	JESÚS MARÍA DEL CASTILLO TORRES
16021493S	DIRECTOR 9	MERINDAD DE TUDELA	ALBERTO ARRONDO LAHERA
16017561Q	DIRECTOR 10	MERINDAD DE TUDELA	CARLOS SÁNCHEZ DIESTRO
72434273M	DIRECTOR 11	FUERA DE NAVARRA	ANA MARÍA IZAGUIRRE LARRAÑAGA
17145405D	DIRECTOR 12	EMPLEADOS	FERNANDO OLLETA GAYARRE
18205636D	*Director of la merin-dad de olite to march 2021		ROBERTO ZABALETA CIRIZA

Annual average remuneration per person:	3,761.04 €

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

Gross total remuneration of the identified personnel was:
Identified Personnel in 2021

ARRIETA DEL VALLE IGNACIO (A.D.)
LECUMBERRI SEVIGNE ANGEL M (A.D.)

MAEZTU ZAPATERIA IGNACIO (A.D.)
AYECHU REDIN JUAN MARIA (A.D.)
GARCIA DE EULATE MARTIN MORO M (A.D.)
RODRIGUEZ LASPIUR FRANCISCO J. (A.D.)
UGARTE ALBERDI ALBERTO (A.D.)
TURRILLAS RECARI ALBERTO (A.D.)
SOLA ARRESE FELIX (A.D.)
SAGASETA GARCIA CARLOS ALBERTO (A.D.)
SOTRO BELZARENA RODOLFO (F.D.)
BERAZALUCE MINONDO FRANCISCO J. (F.D.)
CAMPOS JIMENEZ FERNANDO (F.D.)
TABOADA PLATAS SERGIO (F.D.)
MORIONES ARAMENDIA MARIA (F.D.)
MENA SOLA IGNACIO (F.D.)
URDANGARIN TOLOSA MIKEL (F.D.)
SORBET LAMPEREZ IÑAKI (F.D.)
VERTIZ SUBIZAR JAVIER (O.F.)
IBAÑEZ CORCUERA ANE (O.F.)
SANZ NICUESA ALBERTO JOSE (O.F.)

Gross total remuneration	**2,422.812 €**

Annual average remuneration per person:	**115,372 €**

5.4 CORPORATE PROFIT FOR THE YEAR

BENEFITS IN KIND – FINANCIAL PRODUCTS

- Subsidised loans:
  - Employee primary home loan (personal guarantee or mortgage)
  - Home loan under collective agreement (personal guarantee or mortgage)
  - Employee payments (personal guarantee)
  - Loans for other purposes (personal guarantee or mortgage)
  - Second home loans (personal guarantee or mortgage)
  - Pledges
  - Advances on contributions
  - Loans
- Subsidised current or savings account
- Subsidised cards and Via-T cards
- Special conditions on international transactions.
- Regular free transfers
- Securities: special terms for employees, spouses and non-adult children
- Car and home insurance with special discounts for employees
- Employee discount on Guuk basic package

WORK-LIFE BALANCE BENEFITS

- Digital disconnection policies
- Flexible working hours
- Paid and unpaid permits and licenses
- Maternity leave
- Shorter working day
- Medical support
- Voluntary leave and leave for care of children under 3

OTHER BENEFITS

- Support with children's studies
- Support with employees' studies
- Family support for children
- Additional orphan's pension for children of deceased employees
- Life and casualty insurance for employees
- Right to receive 100% of real salary for 18 months temporary disability leave

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5.5 RIGHT TO DISCONNECT

Disconnecting digital devices is a right that supports the health of workers. Digital disconnection is also essential to create a healthy work/life balance, goldplating statutory requirements in this area.
Accordingly, in line with the regulations in Article 20 bis of the Labour Code, the Bank and employees' representatives signed an agreement recognising that workers have the right to digital disconnection to make sure that, outside legal or negotiated working hours, their free time, leave and holidays and their personal and family life are respected.
Article 69.1 of the National Collective Agreement for Credit Cooperatives sets out the agreements regarding the right to disconnect digitally and from work.

5.6 DEVELOPING PROFESSIONALS

At Caja Rural de Navarra, we accept the challenge of supporting the personal and professional development of the team.

Employees are mostly recruited as recent graduates and personal development initially means adapting their skills to the profession. As they mature, they develop to meet the needs and demands of a changing environment. In both cases, development improves their employability either in the Bank or elsewhere.

Key development targets include:

- Increasing productivity
- Continuous adaptation to the employee

Diagnostic of the professional development of Caja Rural de Navarra's human capital, part of a scorecard that gives a snapshot of the *capabilities and potential for personal development*. This analysis allows us to balance the team to meet current needs but also to plan for future needs.

TALENT MAP

The model has three levels and indicators:
- A strategic consideration for any sustainable model is to have the **initial talent that can grow** and take on future responsibilities in the Bank.
- We must have **professionals who are ready to take on new responsibilities**.
- A solid management structure, that provides balance and **leads the development of the business and teams**

In designing the team balance scorecard, we rely on two information- gathering exercises:
- Improvement Plan Review
- Cross-functional Review

The results will feed into action plans designed to bring new profiles into the Bank, and to develop groups where we consider we need to take action.

IMPROVEMENT PLAN/TALENT

Talent is the tool we use to manage the Bank's human potential and the channel through which we execute the annual Improvement Plan or assessment of competence-based development.

Competences assessed during the process are linked to the Bank's values. Proximity, commitment and responsibility. And we lay special emphasis on Leadership, as we consider that the managerial function is key in the personal development of Bank employees.

The Improvement Plan defines targets that help develop competences, which can be met through specific actions. This allows us to monitor the development process as it unfolds.

CROSS-FUNCTIONAL REVIEW

Another of the processes providing information on growth and development is the annual review by Branch Managers and Regional Managements on the functioning of the central services departments and vice versa.

Central Services review:
• Sales support
• Service quality
• Closeness
• Creativity and innovation

Branch review
• Sales dynamism
• Product knowledge/business criteria
• Compliance with Area/Bank guidelines
• Creativity and innovation

5.7. STRUCTURES FOR DIALOGUE WITH EMPLOYEES

As a Credit Cooperative, Caja Rural de Navarra is overseen by its Governing Board and this body includes one person representing workers, who therefore takes part in corporate governance decisions and has access to all the Bank's management and strategic information.

He/she also sits on the Remuneration Committee, where the Bank's remuneration policy is analysed before being passed on to the Governing Board for approval.

Similarly, the way the Bank organises its human resources means employees have a voice in their day-to-day activities. First, it promotes teamwork so that the branch office is the company's core operational unit. Accordingly, 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 those involved. All the committees and meetings feed into the branch meeting, which is the core team and requires the collaboration of the whole group.

Relations with the workers' representation bodies are continuous, providing consultation and participation in decisions. They are conducted via permanent structures such as the Health and Safety Committee and the Equality Plan Negotiating Committee, and through ongoing communications as part of the Bank's normal conduct of its business.

The collective agreement governing terms and conditions in the sector is negotiated for all credit cooperatives by the UNACC, which includes the Bank, and by ASEMEC on the management side and by the unions Comisiones Obreras (CC.OO.) and Unión General de Trabajadores (UGT) on the workers' side. This sets the basic regulations for the activity of cooperative credit institutions and as such applies directly to 100% of Caja Rural de Navarra employees.

However, in addition to the above negotiation and application of the collective sector agreement, there are other areas which are regulated by internal agreements between employees' legal representatives and management, addressing specific issues that improve on the terms in the collective agreement or regulate matters not covered by the general regulations.

Current agreements in force cover, first, distribution of working hours in light of work-life balance and employees' right to decide some of their working hours, so that work is done at the best time for the business and the employee and coordinated with the working team. It also covers extra holidays.

Secondly, employee benefits such as loans for various purposes, various types of insurance protection and support for families with children.

5.8 TRAINING POLICIES

The Bank has an annual Training Plan whose aim is to support the development of all staff members, responding as necessary with appropriate training actions for each group, and passing on know-how from person to person through a well-funded internal training programme that we implement systematically.

One factor that has a positive effect on our in-house training culture is the generational spread of our staff, where people from different generations work alongside each other. This makes it easier to pass on a range of knowledge and skills and chimes with our values of proximity, commitment and responsibility. We make a particular effort with people who join the Bank on the work experience programmes that we help run with Universities every year, investing time and resources to support their personal development and financial education that will be useful in their future lives.

The Training Areas addressed in 2021 covered a wide range, but the biggest focus was on regulations supporting the Bank's commitment to Advisory services, which requires the certification of the whole workforce, plus an Experience Programme that includes two of the three official certifications (MiFID 2 and Mortgage Act) for new recruits. We also support continuous training each year to recycle these certificates and keep the knowledge of all staff up to date. The training programmes in 2021 covered Insurance, Anti-Money Laundering, Compliance and Data Protection.

In the digital field, we have been involved in raising awareness of cybersecurity and introducing people to the "To do" software, which helps them make better use of time and improve their personal efficiency.

Elsewhere, we have our own Virtual Classroom with a wide range of e-learning programmes that are open to the whole workforce.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

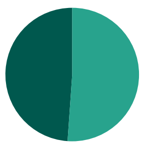
In 2021, a total of 113,676.00 training hours were delivered as follows:

1- HOURS BY PROFESSIONAL CATEGORY

Professional category	Training hours	% Total hours
Group I Grade 1	13.00	0.01%
Group II Grade 1	1,258.75	1.11%
Group II Grade 2	1,253.75	1.10%
Group II Grade 3	63.00	0.06%
Group II Grade 4	1,350.00	1.19%
Group II Grade 5	2,091.50	1.84%
Group II Grade 6	26,435.50	23.26%
Group II Grade 7	33,478.25	29.45%
Group II Grade 8	8,384.75	7.38%
Group II Grade 9	11,218.25	9.87%
Group II Grade 10	28,094.25	24.71%
Group III Assistants	35.00	0.03%
Total	113,676.00	100.00%

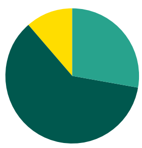
BY SEX

Men	**58,159.50**
Women	**55,517**



BY AGE

< 30 years	**31,840.75**
30-50 years	**69,133.25**
> 50 years	**12,702.00**



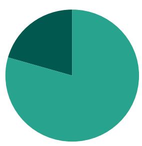
Despite the extraordinary circumstances of the pandemic, more hours' training were delivered in 2021 than in 2020, an average 120.04 hours per person, ensuring the workforce was kept constantly updated.

4- AREAS OF TRAINING BY HOURS DELIVERED

Out of the total training hours, 90,530.00 were related to compliance, especially, in descending order, the Spanish Insurance Brokerage Act, MiFID II and the Mortgage Act.

TYPE OF TRAINING

Regulations	**90,530.00**
Other	**23,146**



Entidad Financiera: 3008
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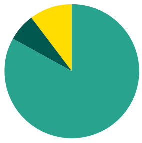
5- FORMAT OF TRAINING HOURS

Finally, we would point out that over 93% of training hours in 2021 were delivered via video-conferencing or e-learning, improving work-life balance and, by reducing travel time, sustainability.

TRAINING FORMAT

e-learning	**94.684.5**
Face-to-face	**7.524.5**
Video-conferencing	**11.467**



5.9 ABSENTEEISM INDEX AT CAJA RURAL DE NAVARRA

TYPE OF ABSENTEEISM	2019	2020	2021
Common illness	33,592.50	32,190.00	26,077.50
Covid-19 illness	-	17,805.00	17,085.00
Non-work accident	3,097.50	1,267.50	1,605.00
Accident at work/Work-related illness	450.00	555.00	1,807.50
Maternity	14,977.50	12,667.50	12,705.00
Paternity/full or part time	4,672.50	7,230.00	10,785.00
Paid leave	N/A	N/A	6,187.50
TOTAL HOURS OFF WORK	**56,790.00**	**71,715.00**	**76,252.50**
ABSENTEEISM INDEX	**3.47%**	**4.45%**	**4.33%**

* The absenteeism index rose in 2020 and 2021 due to the incidence of Covid-19.

5.10 MEASURES TO PROMOTE GENDER EQUALITY OF TREATMENT AND OPPORTUNITIES

At Caja Rural de Navarra we are committed to developing policies that ensure equality of treatment and opportunity between men and women, a strategic principle in our Corporate and Human Resources Policy. Not just by the Bank itself but also in the community of people and companies with whom we do business, and through the values and actions we spread and promote.

The Bank's Equality Plan is currently being rolled out. However, at the end of 2021 we began negotiations with the workers' legal representatives on a new Equality Plan that will put in place measures that reaffirm our equality policy, promote an egalitarian culture among the staff and establish the Bank as an equalities trailblazer in its community.
As required by regulations, we analysed the gender salary gap in 2020 and found no average overall salary gap for groups doing work of similar value. We then used this date to conduct an audit of salaries to help support further progress in this area. The analysis for 2021 is currently pending.

The workforce is evenly split between men and women, and 36.25 % of branch managers, a key role in the Bank, are women. This is one of the highest ratios in the sector.

5.11 INTEGRATION OF TALENT AND COMMITMENT TO EMPLOYMENT

The University is our main source of talent and as a result we are continuously present and working with this area.
In 2021 we attended the following jobs fairs: Empleogune in Vitoria, the Cámara de Gipuzkoa's employment meeting in San Sebastián, the Universidad de Navarra's Pamplona Career Forum and UPNA's Encuentro de Empleo y Emprendimiento.

Also, in Bilbao, we took part in the Industry Conferences organised by the University of the Basque Country and its Masters course in Portfolio Management and Private Banking.

Access to the world of work

Our commitment to the wider community is evidenced by our Work Experience Programmes which give 251 young people the opportunity to get practical experience at Caja Rural de Navarra.

Not only does the experience improve the participants' employability, but the programme is also the Bank's main source for recruiting new Talent.

In 2021, 93 students took part in the summer work experience programme, *Introduction to the Financial Sector, from* all the universities in our region.

	Students
DEUSTO	2
ESIC	1
UNAVARRA	4
UNIVERSIDAD DE LEÓN	1
UNIVERSIDAD DE VIGO	1
UPNA	44
UPV	19
URIOJA	11
UNIR	1
UZARAGOZA	9
TOTAL	93

Advice professionals school

Our commitment to personal development and financial training are reflected in our welcoming of 135 students to the Experience Programme targeted at Young Talents.

Through a twin-track training programme, recent graduates looking for a career in the financial world can learn about MiFID 2 and the Mortgage Act, while studying for a qualification as a Customer Experience Expert, and can put what they learn into practice in our teams.

Tutoring and support

Guidance and feedback are key to personal development processes, particularly so when onboarding inexperienced young people into the Bank. To provide this, we assign an experienced internal tutor whose functions include:

- Welcoming new recruits
- Organizing their work
- Supporting them in the conduct of their role
- Overseeing, guiding and controlling the development of their work experience

We have a training pathway that supports the training department and provides management tools.

Sustainable growth

Caja Rural de Navarra continues to consolidate talent, maintaining our positive trend in converting temporary to permanent contracts. This year, 54 people were recruited into the Caja Rural de Navarra team, 22 more than the previous year.

Caja Rural de Navarra Alumni

ALUMNI

In 2021 we set up the Alumni project. This is intended to create a community of talent, who can come together and stay in touch with others who have worked for Caja Rural de Navarra.

They can track trends in the financial sector and in Caja Rural de Navarra, receive opportunities that enrich their personal and professional development and join in networking meetings.

We want to continue growing and innovating as a company, involving our former colleagues, while continuing to maintain our commitment to professional development.

At its launch, Alumni has 66 members.

5.12 PROTOCOL ON SEXUAL AND GENDER HARASSMENT AND AGAINST ANY KIND OF DISCRIMINATION

As indicated in Article 7.1 of Act 3/2007 on the effective equality of men and women, sexual harassment consists of any type of sexual behaviour intended to violate a person's dignity, especially when such attitudes create an offensive, degrading or intimidating effect for the victim. Caja Rural de Navarra has gone further, introducing a protocol to combat 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.

The Bank has set up a whistleblowing channel to receive complaints, investigate and respond to any workplace problems of this kind to deal with any conflict in a quick and effective manner. Confidentiality is guaranteed for the content of any complaint by the victim of harassment or any other employee who becomes aware of such behaviour. It is vital to remember that a workplace culture that respects people's right to physical and psychological integrity is the responsibility of all employees of the Bank, particularly when it comes to reporting such behaviour.

5.13 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 has an In-house Prevention Service which works on prevention and embraces the specialist areas of Safety, Ergonomics and Applied Psychosociology. Industrial Hygiene and health monitoring are coordinated with the external prevention consultants Preving Consultores.

The system for management and prevention of work-related risks is based on the Prevention of Work-related Risks Plan as regards procedures and associated record-keeping. The purpose of the system 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.

<u>The key elements are as follows:</u>

Prevention structures at Caja Rural de Navarra.

Risk evaluation at workstations and other work areas.

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.

<u>To achieve the objectives in the annual plans within the Prevention plan, the following actions were taken in 2021:</u>

The Prevention plan was revised and updated.

Health monitoring actions were carried out.

Internal checks were carried out on branches. In some cases, furniture was changed or workstations were overhauled. There was a Regulatory Audit of the Department for the Prevention of Work Related Risks.

In addition, in response to Covid-19, from March 2020, Caja Rural de Navarra drew up an Action protocol, which is continually updated, following the recommendations and standards laid down by the health authorities and providing the necessary measures and means to safeguard the health of employees and customers at all times.

In 2021, there were a total of 8 workplace accidents at Caja Rural de Navarra, involving 5 women and 3 men, of whom 4 required time off work. Of these, 5 resulted in time off work. Of the accidents resulting in time off work, 3 took place in the usual workplace during the working day and 3 when travelling to or from work. There are no recognised occupational illnesses for the industry

2021 indicators are as follows:

Frequency rate: 4.96
Severity rate: 0.20
The following actions are planned for 2022:
Training of new staff members.
Continued coordination across business.
Meeting the targets in the annual plan.
Continuation of the Healthy Company group.
Continuation of the actions set out in the Covid-19 action protocol for as long as necessary.

At Caja Rural de Navarra we have a Health and Safety at Work Committee representing all employees. It meets quarterly to deal with all actions designed to prevent work-related risks.

5.14 HUMAN RIGHTS

At Caja Rural de Navarra we have a Code of Conduct that governs how we go about our business. Compliance with the Code of Conduct is how we address Human Rights in our business. We ensure compliance, implementing our values of proximity, commitment and responsibility in the different fields of communication with our employees.

To achieve this, it is important we all be aware and work together to avoid and correct any type of inappropriate conduct.

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, and which is available to all for consultation as necessary.

The Bank's 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.

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. Again, at the Bank we seek to support various projects to promote cooperation on international development, so fomenting respect for human rights.

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 sets, among other internal rules, the criteria for selecting suppliers. In general, supplier selection procedures must meet criteria of objectivity, impartiality and equality of opportunities.

Processes must also give due weight to the qualities imposed by the following ethical principles defined by the Bank:

1. FIT AND PROPER PERSON PRINCIPLE

In no circumstances shall the Bank contract with third-parties which are known to be under investigation for, charged with or guilty of criminal activities.

2. MORALITY AND ETHICS AT WORK

Suppliers shall be eliminated from the selection process if they are known or widely reputed to breach workers' rights recognised in the labour standards or their legal obligations as a business.

3. RECOGNISED EXPERIENCE AND QUALITY

Before being contracted, any new supplier must provide accreditation of their technical qualifications and experience in providing the services to be contracted. Accreditation may be by quality standards certificates (ISO) or similar, or by any other means that the Bank finds acceptable in the circumstances. To this end, a supplier may be contracted without providing the documentation indicated above when their experience and quality has been publicly recognised in the course of trade.

Caja Rural 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 the Procurement and Outsourcing of Services Committee.

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 Procurement and Outsourcing of Services Committee.

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.

In the services the Bank considers most significant, including outsourced services overseen by the Bank of Spain, it requires audits and meetings between the parties, which review service quality and the flow and clarity of communications, to ensure the satisfactory delivery of final tasks and provide for business continuity for the Bank where services are outsourced. 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 General Disabilities Act (LGD). It contracts services from special employment companies to promote the social inclusion of these persons in line with its commitment to Corporate Social Responsibility.

6.3. FUTURE PLANNING

Caja Rural de Navarra has implemented a paperless office policy. 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.

Caja Rural de Navarra has drawn up a document that is systematically sent out with any request to the service provider. The document is a brief survey about suppliers' commitment to social, gender equality, environmental and workforce issues. Caja Rural de Navarra's corporate governance standards ensure this requirement is passed on to bought-in services improving the general quality of suppliers working with the Bank. The effect is wealth-generating, as suppliers deliver a higher quality of service.

Caja Rural de Navarra checks that its critical suppliers are aligned with the Bank's commitments on CSR issues.

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).

Looking at the figures for local suppliers, the total expense (2021 billings) is EUR 121.6 million, of which 65.3 million are purchases from suppliers in Navarre, the Basque Country and La Rioja (53.7%).

7. 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.

We view the natural environment as the place where we live, where our parents lived and where we want future generations to live. We are aware of the changing nature and fragility of the environment and the need to make our contribution, with sensitivity and the right focus.

For the first time in 2021, Caja Rural de Navarra has commissioned a detailed analysis of its carbon footprint which appears in this chapter.

Caja Rural de Navarra conducted its business in 2021 with a sense of responsibility toward the environment, successfully meeting a series of general targets that can be summarised as follows:

- Direct actions to improve the environment (generation of renewable energy, planting trees, etc.)
- for our customers in sustainability projects: renewing transport fleets, energy renovation of buildings, production of renewable energy, design and manufacture of equipment to produce renewable energy, etc.
- Support for cooperativism and the traditional 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.
- Provision of essential services to customers by opening and providing face-to-face services in all branches throughout the Covid-19 crisis. This is most important in small communities, where there is a higher proportion of older people.

We expand on these points below.

A. 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 digitising 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 sincerely believe that 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 digitises internal and customer processes, significantly reducing the volume of paper used by branches. In 2021 this process was implemented in the last remaining 21 branches, successfully concluding the programme of branch digitization. Paper is the main commodity used in providing financial services, both in terms of cost and in its environmental impact, especially A4 paper printouts. For many years now, this paper has had Forestry Stewardship Council certification FSC C015403, which guarantees it has been made using a more environmentally respectful production process.

Over the year, we have continued to roll out procedures to save paper consumption in internal communications and with customers, with a huge increase in virtual mailbox use by customers. The general circumstances created by the onset of Covid-19 have tended to accelerate this process, accelerating adoption of digital banking channels.

For instance, total paper consumption continued the general downward trend of recent years, although it increased in 2021 compared to the previous year as Covid-19 kept many customers away from branches (terminal paper is not included in the figures as we do not buy it directly):

Paper consumption	kg/yr 2016	kg/yr 2017	kg/yr 2018	kg/yr 2019	kg/yr 2020	Forecast kg/2021	Actual kg/2021	Forecast kg/2022
Chlorine-free paper (sheets)	65,656	63,278	58,349	50,800	45,825	48,000	49,387	49,000
PoS thermal paper	340	332	0	0	0	0	0	0
ATM paper	294	148	277	1,533	1,415	1,400	1,428	1,400
Envelopes	4,214	3,568	3,767	2,576	3,618	3,000	3,692	3,500
Brochure and poster paper	4,565	4,300	4,200	1,195	416	1,100	435	450
Total paper consumption	75,069	70,894	66,593	56,104	51,274	53,500	54,942	54,350

Paper consumption per employee in 2021 (at 31 December the headcount was 947) was 58.01, more than the ratio of 54.08 in 2020, but still lower than those for prior years (62.62 in 2019).

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. 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:

Toner consumption (units)	2016	2017	2018	2019	Actual 2020	Forecast 2021	Actual 2021	Forecast 2022
Recycled toner	3,199	3,276	3,368	1,957	3,183	3,050	3,378	3,100
Original toner	231	251	229	106	82	70	78	80

Toner consumption per employee in 2021 was 3.56 in recycled toner and 0.08 in original toner, compared to 2020 figures of 3.35 recycled toner and 0.08 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 2021, all electricity was supplied from renewable sources.

2021 consumption data show a declining trend thanks to the energy efficiency measures in place.

Consumption was as follows:

Electricity consumption kw/h.	2016	2017	2018	2019	Actual 2020	Forecast 2021	Actual 2021	Forecast 2022
	5,771,985	5,557,303	5,814,696	5,307,239	4,870,619	5,100,000	4,567,736	4,900,000

Energy consumption per employee during the year was 4,823 KWh, compared to 5,137 KWh in 2020.

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, in 2019 4,026 Gj and in 2020 2,282.50 Gj. The figure in 2021 was 2,411.98 Gj, an increase on 2020 but one which can be viewed as a one-off uptick caused by Covid in a general downtrend lasting many years (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 2020 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 2021, we replaced units in 7 branches

- Lighting

We continued to replace fluorescent with LED lighting, which is much more efficient and lower consumption. In 2021, 5 branches switched to LEDs.

- 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 2021, 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. Covid-19 gave a huge boost to videoconferencing between employees, at training meetings and even when dealing with customers.

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:

Water consumption m³	2016	2017	2018	2019	Actual 2020	Forecast 2021	Actual 2021	Forecast 2022
	12,924	12,810	12,220	9,830	8,519	9,800	7,428	8,000

Water consumption per employee in 2021 (at 31 December the headcount was 947) was 7.84 m3 compared to 8.98 m3 in 2020.

This consumption data was derived from adding up the real consumption of the 7 Central Services offices, plus an estimate of consumption by the branch network based on their real consumption, classifying branches into different types according to the number of employees and extrapolating the branch consumption to all offices of this type.

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 254 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. In this sense, to help cleaning services with separating waste, this year special bins for each type of waste were installed in all branches.

Most of the waste generated is managed as follows:

Waste paper generated in the branches, and organic, plastic and packaging waste are deposited by cleaning services in special containers outside 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 (units)	2016	2017	2018	2019	Actual 2020	Forecast 2021	Actual 2021	Forecast 2022
Toner removed	2,788	2,280	684	3,162	3,277	2,800	3,035	2,950

4 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 CO2 equivalent due to electricity consumption should be zero in 2021 as, as in the previous year, electricity was the only energy used and was all bought from renewable sources with the corresponding certificates of origin. The certificates are provided as part of a long-term supply agreement struck by the Caja Rural Group’s flour companies with an energy supplier, which guarantees to supply all the consumption of the Group’s centres and plants with renewably sourced electricity, and supports the building of the Campoliva II and Dehesa de Mallén wind farms, located in Aragon and owned by third parties.

This has prevented the emission of 11,000 tonnes of CO2 (average emission factor of our electricity supplier: 0.20). Of these savings, 920 tonnes correspond to Caja Rural de Navarra and the rest to its equity investments

The vast majority of air-conditioning units in branches 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.

5 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.

6 EMISSIONS AND CARBON FOOTPRINT

Aware of the need to improve our environment, Caja Rural de Navarra decided to map the GHG emissions generated by its business activities and investigate ways of reducing them.

The mapping process involved the following steps:

- Calculate the carbon footprint
    - Define which activities generate most emissions
    - Calculate the footprint based on the GHG protocol
    - Issue the emissions report
    - Register it with the Ministerial register

- Draw up plan for reducing the carbon footprint

- Draw up offsetting plan to be implemented in the next few years.

The carbon footprint was calculated using the GHG Protocol methodology on the following scopes:

Scope 1: This includes direct emissions due from the Bank’s own business, which basically means emissions from the Bank's own vehicles and air-conditioning units

Scope 2: Indirect emissions generated by consumption of electricity

Scope 3: Emissions induced by the Bank's business. In detail this means:

Emissions caused by employees travelling to work. This figure was obtained through a mobility survey of employees.

Emissions caused by employees travelling for work purposes. This figure is for travel reported by the company's workers.

Emissions caused by the IT processing by in-house and subcontracted systems. This figure is derived from the carbon footprint study carried out by Rural de Servicios Informáticos in 2020.

Emissions caused by third parties in transporting goods for the Bank: couriers and cash delivery services, based on an estimate made by the courier company.

We are unable to calculate a number of types of emissions that come under scope 3, such as the energy consumed by Caja Rural de Navarra customers communicating with the Bank or conducting e-banking transactions, by outsourced services dealing with IT incidents and by the work-related travel of outsourced services (legal, cleaning, etc.).

It is reckoned that these uncalculated emissions would not exceed 2% of the total calculated footprint.

Caja Rural de Navarra's carbon footprint for 2021 is calculated at 1,728 tonnes of CO2, equivalent to 1.83 tonnes per employee. Of these, 1,200 tonnes correspond to travel to or from work.

Scope 1 and 2 carbon footprints were also calculated for associates more than 50% owned by Caja Rural de Navarra. These are the companies in Annex I of this Report.

In total, these companies had a carbon footprint in scopes 1 and 2 of 10,813 tonnes in 2021.

Scope 1: Emissions and particulates emitted into the atmosphere, waste from the Bank's own activities, including owned vehicles used to transport people (healthcare) and goods (flour companies)

Scope 2: Indirect emissions generated by consumption of electricity

Scope 3 was not measured. The biggest difficulty is in calculating the carbon footprint of supplying cereal to wheat-flour producers.

If we compare these figures to those for 2020, based on near-identical scopes 1, 2 and 3, we find:

Carbon footprint	2021		2020	
T CO_2 Eq.	Caja Rural de Navarra	Subsidiaries	Caja Rural de Navarra	Subsidiaries
Scope 1	30	6,004	30	4,747
Scope 2	0	4,809	0	11,110
Scope 3	1,698	N/A	N/A	N/A
Total	1,728	10,813	30	15,857
Total	12,541	-21.1%	15,887	

Note that the calculation of the carbon footprint for Caja Rural de Navarra and its equity investments has not been externally verified.

The carbon footprint reduction plan sets a number of targets:

Caja Rural de Navarra, parent company, financial activity:

- A 5% reduction in carbon footprint by 2024
- A 2% annual reduction in emissions from travel to/from work
- A doubling of the kilometres travelled in electric vehicles in 2022 (vs. 2021)

Caja Rural de Navarra, subsidiaries:

- A 5% reduction in carbon footprint by 2024 compared to 2022 (scopes 1, 2 and 3)
- A 3% reduction in carbon footprint in 2022 compared to 2021

To achieve this, Caja Rural de Navarra intends to introduce the following measures against its employees: Incentivise urban mobility by bicycle. There has already been a campaign to make use of the Pamplona urban network, coinciding with its relaunch.

Incentivise the acquisition of plug-in hybrid and pure electric vehicles. Incentivise employees to install photovoltaic panels on the roofs of their homes, although this will have no impact on the Bank's carbon footprint, by offering them cheap financing conditions.

7 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 mobility. This is an important point, particularly as the current trend in the banking industry is to close more branches every year, 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.

8 INITIATIVES TO REDUCE WASTE AND CONSUMABLES IN 2022

Key initiatives within Caja Rural de Navarra were, briefly, as follows:

7 air-conditioning units in branches replaced. By installing new units with VRV technology, we achieved better results with less electricity usage. Note that new and renovated branches are all rated A for energy and emissions.

Replacement of fluorescent lighting with LEDs in branches. This generates better lighting with less electricity. It is planned to re-equip 8 more branches in 2022.

New signage. There are plans to change 6 luminous displays, replacing them with lower-consumption LED displays. Monitoring of guidelines and recommendations in the carbon footprint reduction plan,

Digitization of branches to eliminate the use of physical paper. This year, the last 21 branches are expected to go fully paperless. In 2022 there are plans for the central services departments to digitise the documentation of the last 9 remaining departments, which will conclude the digitization of the whole of Caja Rural de Navarra's network.

In the equity investments majority owned by the Bank, the following actions are planned for 2022:

- Industria Tonelera de Navarra, S.L.: installation of a PV roof in its plants supplying much of its own consumption

- Solera Asistencial: Installation of integrated equipment on the roofs of La Vaguada and Torre Monreal to supply both hot water to reduce gas consumption and photovoltaic electricity to reduce the need to buy in power.

These integrated devices combine both functionalities in each panel and, while not matching the efficiency of panels dedicated to just one of these functions, manage to deliver efficient results for places that rely on both types of energy but where space is limited. Also, these panels are made in Spain.

These actions are explained in more detail in the Annex.

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. In 2021 and 2020 they output 231 and 229 GWh, respectively.

b) Renovables de la Ribera, S.L.: owner of four wind farms in Navarre, whose construction was completed in 2020. Their total capacity is 111 MW and their production in 2021 was 272 GWh. This company received investment finance from the European Investment Bank.

c) Iberjalón, S.A.: owner of a 22.5 MW wind farm in Aragon, which came into service in 2020 and generated 64 GWh of power in 2021

Generation attributable to Caja Rural de Navarra in 2021 was 207 GWh.

This would be enough to power 63,900 average households, saving 76,590 tCO_2eq of atmospheric emissions if the energy was produced in combined cycle power stations (comparable to wind as such plants also act as load regulators).

Until 2021, Caja Rural de Navarra, in tandem with another three Rural Credit Cooperatives working through the equity investment Bosqalia also grows and exploits poplar trees. At end-2020 it managed 284 hectares of woodland, more than 90,000 trees. In 2021 nearly all of these plantations were sold.

Finally, the Flour Group (see the annex on Equity Investments), the umbrella for the wheat flour producing subsidiaries of Caja Rural de Navarra, has a long-term contract for electricity supply, covering the years 2019-2028, under which around 80% will come from renewable sources, specifically the Dehesa de Mallén and Campoliva II wind farms, both in Zaragossa and not owned by Caja Rural de Navarra. These plants came onstream in 2020.

Summarising these metrics, renewable generation attributable to Caja Rural de Navarra is 2.6 times the total electricity consumption of the Caja Rural Group, and this rises to 8.6 if we strip out wind-generated power bought in from third-party suppliers.

8. CAJA RURAL DE NAVARRA AND SOCIETY

8.1. Regional value

Caja Rural de Navarra is a regionally based financial institution with 254 branches and employing 947 people at 31 December 2021. Legally constituted as a credit cooperative, it is strongly rooted in the regions where it is active, Navarre, the Basque Country and La Rioja.
Its activity has a direct and indirect impact in developing the local communities where it operates and the well-being of wider society, as well as supporting the social, economic, cultural and linguistic environments.

The local presence and strong commitment to the local community is part of the powerful base formed by its members and customers. The social footprint allows the Bank to interact with the social reality, making it an important social actor. 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, which it always seeks to deal with fairly by applying the Corporate Social Responsibility principles in its articles of association.

8.2. Social and environmental value

Caja Rural de Navarra uses its **Education and Development Fund (EDF)** as the main driver 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, it mounts a major effort 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.

Our **social commitment** seeks to address the needs of the community and is channelled through the **four areas of activity**:

1. The promotion of people's health and quality of life.
2. The drive for education and technology, supporting different processes of digitization.
3. Support for entrepreneurship and innovation to help drive progress.
4. Protection of the environment and development of local communities wherever the Bank is active.

ALLOCATION OF BUDGET

(In thousands of euros)	2021		2020		2019		2018	
Consultancy, training and promotion of the cooperative model	1,924	44.09%	1,788	41.15%	1,783	43.39%	1783	43,39%
Teaching and research	1,05	24.06%	769	30.59%	1,142	27.78%	1.142	27,78%
Sports aid	301	6.91%	84	3.60%	136	3.31%	136	3,31%
Charity work	147	3.36%	380	3.13%	85	2.06%	85	2,06%
Cultural, recreational and other activities	363	8.31%	412	6.23%	306	7.44%	306	7,44%
Economic and social development	579	13.27%	739	15.28%	658	16.01%	658	16,01%
TOTAL	**4,364**	**100%**	**4,172**	**100%**	**4,11**	**100%**	**4.110**	**100%**

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 organise, 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.

Through the EDF, Caja Rural de Navarra does its bit to help create a fairer society with greater solidarity. To achieve this, it is a reassuring to work with institutions that have for decades been working for the most disadvantaged segments of society, such as Cáritas, the Asociación Nuevo Futuro, Proyecto Hombre, Aspace, etc.

INITIATIVES AND PROJECTS SUPPORTED

The most prominent projects supported in 2021 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 such as UCAN, the Navarre agricultural cooperatives union, to develop effective training and professionalisation programmes.

- **Entrepreneurship Days**, to encourage young people into the farming sector, run jointly with the public sector company INTIA. The primary aim is 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 2021, 4,686 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), using a specially assigned team of professionals.

SOCIAL, CHARITY AND SPORTING PROJECTS

- **Tour of Pamplona with Solera and Caja Rural**: a company volunteering programme in which Bank employees offer to take older people for rides on electric tricycles around Pamplona. This not only relieves the pressure of loneliness and isolation but also helps them to rediscover their city.

- **Aspace**: support to ensure care and protection of people with cerebral palsy.

- **La Rioja Association of family and friends of children with cancer (FARO)**: support for the programme "*Integrated healthcare for young people with cancer and their families*".

- **Proyecto Hombre**: partnering with programmes to attend and support people suffering from addiction problems.

- **Día Más Solidario**: this initiative directed 10% of the income from Seguros RGA policies sold on solidarity day into the "Right to Food" project, financing the social canteen run by Cáritas in Barakaldo.

- Issue, management and promotion of the Carné Joven Project in Navarre and La Rioja. Caja Rural de Navarra renewed its partnership agreement with the Navarre and La Rioja regional governments to provide the Carné Joven for another year. Through this initiative, we provide thousands of young people between 14 and 30 with access to services and discounts on accommodation, transport, culture, stores and insurance among other things, through deals struck in Spain and more than 40 other countries which together give them discounts at more than 50,000 establishments.

- Support for grass level sport and sporting activity through cooperation agreements with clubs in our region, helping boost quality of live and healthy habits.

- Social and leisure activities for various groups and organizations of older people.

RESEARCH, EDUCATION, TECHNOLOGY AND EMPLOYMENT

- **Eskola Digitala**: a new programme to support investment in digitization by educational centres in the Basque Country. A total of EUR 235,359 was distributed among 113 colleges in direct subsidies, to guarantee that no school should go without the right investment for lack of resources.

- **CIMA scholarships**: EUR 45,000 contributed to the Centre for Applied Medical Research to help build up the research activities of this leading national and international centre of the University of Navarre.

- **Universities**:
  - **International scholarships**: despite Covid-19 restrictions on travel, Caja Rural de Navarra continued to support students at the Universidad de Navarra and Universidad Pública de Navarra through its scholarship programmes, helping them pursue their studies and research in countries around the world. Programmes included Erasmus, Palafox, Martín de Rada, ISEP USA, ISEP Internacional, bilateral arrangements and Alumni UN.
  - **Other activities**: the Bank also promotes activities with the university community in the fields of sustainability, dissemination of scientific knowledge, volunteering, sport and health.
  - **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 Plus, through various 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.

- **Work Experience 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 financial world, enhancing their knowledge, developing skills and making them more employable. Through these programmes, we have contributed to training more than a thousand students in these last ten years.

CULTURE AND SOCIETY

- **I. Navarre Book Fair**: working with the Asociación de Librerías de Navarra to organise this event which holds a series of cultural activities in Pamplona, Tudela, Estella-Lizarra and Elizondo.

- **Kilometroak and Nafarroa Oinez**: support for the ikastolas festival in Gipuzkoa and Navarre, that works to promote euskera (the Basque language) and defend people's linguistic diversity.

- **La Experiencia Cinematográfica**: an integrated cultural project the seeks to improve students’ personal and professional skills through cinematographic training.

- **Comparsa de Gigantes and Cabezudos del Valle de Larraun**: start-up support for this social and cultural project designed to enhance community cohesion in the Larraun Valley and foster relationships between generations at fun events.

- **Music and cinema festivals**: support the cultural sector through hard times by sponsoring new initiatives and festivals such as Flamenco On Fire, Clásica Plus, Confluencias de Estella-Lizarra and the Navarra International Film Festival.

- Huertas Solidarias Project: in this project the Bank deploys resources so that retired people with the knowledge can cultivate allotments, donating the produce to social projects.

- Bodas de Oro Navarra: recognition for all married couples in Navarre who celebrated their 50th wedding anniversary in 2021 and are customers of CRN.

- **VII. Caja Rural de Navarra photography competition**: the latest competition was held in 2021 attracting hundreds of entries.

ENVIRONMENT

- **Navarre food bank**: development of the “Foods that aren't eaten” digital programme, a graphic adventure that seeks to raise awareness among schoolchildren on food wastage, while educating them on sustainability, responsible consumption and combating poverty.

- **Aula de la Naturaleza de Fundación Ilundain – Haritz Berri**: environmental education project, helping sustain it. This is an educational resource visited by 5,000 schoolchildren each year.

- **Pamplona electric bicycle service**: support for sustainable mobility in the city, contributing EUR 45,000 to develop a range of actions that introduce 1,000 new users a year to this service.

- **Iniciativa Equinoccio 2030 en la Mejana de Tudela**: a day of celebration through the planting of vegetables and pulses, as well as shrub species to protect the plants by acting as natural windbreaks and barriers against infestation. The initiative involved 125 schoolchildren from three local colleges.

- **Acción forestal in Lerín**: project to plant 1.5 hectares of woodland in and around the Lerín municipality. The project involves a total of 1,556 shrubs, a contribution that will partly offset CO_2 emissions by the Lerín local authority and create a new woodland area to encourage biodiversity.

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 business, to give their business a boost.

The Caja Rural’s Línea Inicia advisors analyse the viability of the business, the experience of the workers and their commitment. Besides more technical points, they gauge enthusiasm and commitment to the projects.

Through Inicia, we advise on finance and propose customised solutions, adapting to the specific needs of each project and making sure they are eligible for all types of support and subsidies. To facilitate this action, there are collaboration agreements with development agencies, other business organizations and universities.

Línea Inicia solutions are as diverse as people’s needs and the forms of finance are adapted to each enterprise project. In the 15 years that the line has been running it has supported 2,306 projects which have helped economic and social development in the areas where they operate.

Over this time, 3,956 direct jobs have been created. In 2021, 367 direct jobs were created. They were taken by 241 men and 126 women (66% and 34%, respectively) with an average age of 40.09 years.

Caja Rural de Navarra’s aim is that everyone presenting a sound project should have initial support and the finance they need to start developing their business. Enterprise is one of the engines of the Navarre economy and in this way

Caja Rural de Navarra is supporting the entrepreneurs and SMEs of the near future.

By these and other actions, Caja Rural de Navarra is keeping its commitment to local economic development, now and in the future, contributing to the region's sustainability.

8.3. Institutional value

Caja Rural de Navarra's business puts us in constant direct contact with society. This means, we need to agree policies with different public and private players in the region, so we can put these actions into effect. As a result, the Bank has a host of different agreements with public and private sector institutions. The most important agreements we have with such institutions are as follows:

AGREEMENTS WITH PUBLIC AUTHORITIES AND OTHER AGENCIES

GOVERNMENT OF NAVARRE – MANAGEMENT OF THE NAVARRE CARNÉ JOVEN SCHEME
GOVERNMENT OF NAVARRE – INCOME TAX AND PAC
GOVERNMENT OF NAVARRE – EDUCATION DEPARTMENT (PROFESSIONAL TRAINING)
GOVERNMENT OF NAVARRE – MANAGEMENT OF THE LA RIOJA CARNÉ JOVEN SCHEME
BASQUE GOVERNMENT – R&D&I
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 VIZCAYA – VIA T REMOTE TOLL SYSTEM
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
ANEL
ASSOCIATION OF WORKERS SOCIETIES OF EUSKADI (ASLE)
CONFEDERATION OF COOPERATIVES OF EUSKADI (ERKIDE)
GARAPEN – DEVELOPMENT AGENCIES OF EUSKADI
GRUPO INTEGRA SOCIAL
UEMA (MANCOMUNIDAD DEL EUSKERA) – GIA

CSR REPORT – ROAD MAP (EXCEL FILE ATTACHED)

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

ANNEX I: ANNEX GRI INDICATOR TABLE (MANDATORY AND MATERIAL)
FILE ATTACHED

ANNEX II: NON-FINANCIAL STATEMENT OF COMPANIES
COMPRISING THE CAJA RURAL DE NAVARRA CONSOLIDATED GROUP

ANNEX III: AENOR VERIFICATION CERTIFICATE

CAJA RURAL DE NAVARRA

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

GRI STANDARDS – MANDATORY INDICATORS			
		INDICATOR	COMMENT
Profile of the organization	102-1	Organization name	CAJA RURAL DE NAVARRA, Sociedad Cooperativa de Crédito ABOUT US PROFILE OF THE ORGANIZATION
	102-2	Activities, brands, products and services	ABOUT US PROFILE OF THE ORGANIZATION
	102-3	Location of headquarters	PROFILE OF THE ORGANIZATION
	102-4	Location of operations	ABOUT US PROFILE OF THE ORGANIZATION
	102-5	Ownership and legal form	PROFILE OF THE ORGANIZATION
	102-6	Markets served	PROFILE OF THE ORGANIZATION
	102-7	Scale of the organization	KEY FIGURES
	102-8	Information on employees and other workers	THE TEAM
	102-9	Supply chain	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
	102-10	Significant changes to the organization and its supply chain	There were no significant changes to the organization and its supply chain in 2021
	102-11	Precautionary principle or approach	There were no significant changes to the organization and its supply chain in 2021
	102-12	External initiatives	ABOUT US CORPORATE CULTURE CAJA RURAL DE NAVARRA AND SOCIETY
	102-13	Membership of associations	CAJA RURAL DE NAVARRA AND SOCIETY ABOUT US
Strategy	102-14	Statement from senior decision-makers	CHAIRMAN'S LETTER
	102-15	Key impacts, risks, and opportunities	STRATEGY 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: CORPORATE STRUCTURE
	102-17	Mechanisms for advice and concerns about ethics	CONFIDENTIAL CHANNELS FOR 'WHISTLEBLOWING' AND COMMUNICATION COMMUNICATION: To promote its values throughout the organization and create a structured path for the resolution of ethical dilemmas that may arise, the Bank has created a Whistle-blowing channel for employees. Employees can use this to securely and confidentially report any potential irregularities so that they can be investigated and studied by the competent bodies. This is in addition to the ordinary internal control and review work instituted by the Company.
Governance	102-18	Governance structure	GOVERNING BODIES GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE
	102-19	Delegation of authority	ABOUT US: CORPORATE STRUCTURE
	102-20	Executive-level responsibility for economic, environmental, and social topics	ABOUT US: CORPORATE STRUCTURE, Governing Board
	102-21	Consulting stakeholders on economic, environmental, and social topics	ABOUT THE REPORT
	102-22	Composition of the highest governance body and its committees	https://www.cajaruraldenavarra.com/sites/default/files/gobierno-coorporativo/composicion-consejo.pdf https://www.cajaruraldenavarra.com/sites/default/files/2021-11/2021-11nov-17-nota-web-comite-de-riesgos.pdf https://www.cajaruraldenavarra.com/sites/default/files/2021-11/2021-11nov-17-nota-web-comite-de-remuneraciones-cm-2021.pdf https://www.cajaruraldenavarra.com/sites/default/files/2021-11/2021-11nov-17-nota-web-comite-de-nombramientos.pdf https://www.cajaruraldenavarra.com/sites/default/files/2021-11/2021.11.22-nov-17-nota-web-comite-de-auditoria.pdf
	102-23	Chair of the highest governance body	

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

GRI STANDARDS - MANDATORY INDICATORS			
INDICATOR			COMMENT
Governance	102-24	Nominating and selecting the highest governance body	ÓRGANOS DE GOBIERNO Y ESTRUCTURA INTERNA DE DIRECCIÓN Y CONTROL
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. 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: Article 48 of the Bank's Articles of association. Article 8.4 of the Governing Board's Rules of Procedure. Both these documents can be found at: www.cajaruraldenavarra.com 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. To this end, the Bank has a procedure to follow when making any loans to its directors and general management. Approved by the Governing Board in September 2021. Caja Rural de Navarra's oversight of the Compliance Function has a section on conflicts of interest, including the policy on conflicts of interest whose latest update was approved by the Bank's Governing Board in October 2021. The policy sets out details on the following issues: Definition of a conflict of interest, scope of application, situations likely to generate conflicts of interest, measures to prevent, remedy or mitigate conflicts of interest, notification and registration of a conflict of interest, register of conflicts of interest, and review and maintenance of the policy on Conflicts of Interest.
Governance	102-26	Role of the highest governance body in selecting objectives, values and strategy	ABOUT US: CORPORATE STRUCTURE
Governance	102-27	Collective knowledge of highest governance body	ABOUT US: CORPORATE STRUCTURE
Governance	102-28	Performance evaluation of the highest governance body	GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE
Governance	102-29	Identifying and managing economic, environmental, and social impacts	ABOUT THE REPORT GOVERNING BODIES AND INTERNAL MANAGEMENT AND CONTROL STRUCTURE
Governance	102-30	Effectiveness of risk management processes	INTERNAL CONTROL FRAMEWORK FOR CAJA RURAL DE NAVARRA NAVARRE
Governance	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.
Governance	102-32	Highest governance body's role in sustainability reporting	ABOUT THE REPORT
Governance	102-33	Communication of critical concerns	CUSTOMERS
Governance	102-34	Nature and total number of critical concerns	CUSTOMERS
Governance	102-35	Remuneration policy	THE TEAM
Governance	102-36	Process for determining remuneration	With summary of the remuneration policy: https://www.cajaruraldenavarra.com/es/gobierno-corporativo-politica-remuneraciones
Governance	102-37	Stakeholders' involvement in remuneration	Stakeholders do not participate in determining remuneration
Governance	102-38	Annual total compensation ratio	THE TEAM CRN REMUNERATION POLICY (SUMMARY) https://www.cajaruraldenavarra.com/es/gobierno-corporativo-politica-remuneraciones
Governance	102-39	Total annual compensation percentage increase ratio	
Stakeholder engagement	102-40	List of stakeholder groups	ABOUT THE REPORT
Stakeholder engagement	102-41	Collective bargaining agreements	THE TEAM
Stakeholder engagement	102-42	Identification and selection of stakeholders	ABOUT THE REPORT EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION
Stakeholder engagement	102-43	Approach to stakeholder engagement	ABOUT THE REPORT EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

GRI STANDARDS - MANDATORY INDICATORS			
INDICATOR			COMMENT
Stakeholder engagement	102-44	Key topics and concerns raised	EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION
	102-45	Entities included in the consolidated financial statements	ABOUT US: CORPORATE STRUCTURE, EQUITY INVESTMENTS
	102-46	Defining report content and topic boundaries	EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION
	102-47	List of material topics	ABOUT THE REPORT
Reporting practice	102-48	Restatement of information	There are no restatements resulting from: - Mergers or acquisitions; - Changes in base years or periods; - The nature of the business; There are some restatements in Annex II, relating to the methods used to measure employees and remuneration in companies comprising the consolidated Group. Age range data in permanent and temporary contracts have also been restated to bring the report into line with GRI guidance. They remain comparable having been adjusted for all reporting periods.
	102-49	Changes in reporting	EXTERNAL MATERIALITY ANALYSIS AND INTERNAL VISION A new materiality analysis was carried out for both the parent, Caja Rural de Navarra, and the equity investments referring to financial year 2021.
	102-50	Reporting period	ABOUT THE REPORT
	102-51	Date of most recent report	CHAIRMAN'S LETTER
	102-52	Reporting cycle	The reporting cycle is prepared each year.
	102-53	Contact point for questions regarding the report	ABOUT THE REPORT
Reporting practice	102-54	Claims of reporting in accordance with the GRI Standards.	CHAIRMAN'S LETTER ABOUT THE REPORT
	102-55	Table of GRI contents	ANNEX I
	102-56	External assurance	Caja Rural de Navarra is publishing its fourth Corporate Social Responsibility Report and the 2021 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.
Profitability, solvency and risk management. Sustainable finances	GRI 103: age-ment focus	103-1 Explanation of the material topic and its boundary	ABOUT THE REPORT The materiality analysis was conducted covering the parent Bank (Caja Rural de Navarra), and its equity investments.
		103 -2 The management approach and its components	ABOUT US
		103-3 Evaluation of the management approach	ABOUT THE REPORT

GRI STANDARDS - MANDATORY INDICATORS			
INDICATOR			COMMENT
Profitability, solvency and risk management Sustainable finances	**GRI 201: Desempeño económico**	201-1 Direct economic value generated and distributed	ABOUT US
		201-2 Financial implications and other risks and opportunities due to climate change	Caja Rural de Navarra provides financial services and the key risks and opportunities due to climate change arise not from the Bank's own activities but from the businesses carried on by its customers, particularly those mounted by its borrowers using the Bank's loans. 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. The latest update to the Framework was conducted in December 2021. The consultancy Sustainalytics has ratified through its Second-Party Opinion (SPO) that the Bank's framework is aligned with the principles and objectives mentioned above, including the Green Bond Principles (GBP) and Social Bond Principles (SBP) 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. The latest SPO published by Sustainalytics on the Bank's Sustainability Framework is dated 2021. The Framework and SPO are available on the investors' website: https://www.cajaruraldenavarra.com/en/information-investors
Profitability, solvency and risk management Sustainable finances	**GRI 201: Economic development**	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 on life and accident insurance and widow/er and orphan supplements.
		201-4 Financial assistance received from government 202 -2 Proportion of senior executives hired from the local community	ABOUT US All the senior executives come from the local community.
	GRI 203: Impactos económicos indirectos	203-1: Infrastructure investments and services supported	Caja Rural de Navarra provides financial services and the key risks and opportunities due to climate change arise not from the Bank's own activities but from the businesses carried on by its customers, particularly those mounted by its borrowers using the Bank's loans. 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. The latest update to the Framework was conducted in December 2021. The consultancy Sustainalytics has ratified through its Second-Party Opinion (SPO) that the Bank's framework is aligned with the principles and objectives mentioned above, including the Green Bond Principles (GBP) and Social Bond Principles (SBP) 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. The latest SPO published by Sustainalytics on the Bank's Sustainability Framework is dated 2021. The Framework and SPO are available on the investors' website: https://www.cajaruraldenavarra.com/en/information-investors

GRI STANDARDS MATERIAL INDICATORS			
KEY ISSUE			COMMENT
Profitability, solvency and risk management Sustainable finances	GRI 203: Indirect economic impacts	203 -2 Significant indirect economic impacts	Caja Rural de Navarra provides financial services and the key risks and opportunities due to climate change arise not from the Bank's own activities but from the businesses carried on by its customers, particularly those mounted by its borrowers using the Bank's loans. 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. The latest update to the Framework was conducted in December 2021. The consultancy Sustainalytics has ratified through its Second-Party Opinion (SPO) that the Bank's framework is aligned with the principles and objectives mentioned above, including the Green Bond Principles (GBP) and Social Bond Principles (SBP) 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. The latest SPO published by Sustainalytics on the Bank's Sustainability Framework is dated 2021. The Framework and SPO are available on the investors' website: https://www.cajaruraldenavarra.com/en/information-investors
	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.
Strategy of the organization.	GRI 103: Management focus	103-1 Explanation of the material topic and its boundary	ABOUT THE REPORT
		103 -2 The management approach and its components	ABOUT THE REPORT
		103-3 Evaluation of the management approach	ABOUT THE REPORT Stakeholders did not participate in the strategic planning process.
Responsible and transparent marketing.	GRI 103: Management focus	103-1 Explanation of the material topic and its boundary	ABOUT THE REPORT
		103 -2 The management approach and its components	ABOUT US CUSTOMERS
		103-3 Evaluation of the management approach	ABOUT THE REPORT
	GRI 206: Anti-competitive behaviour	206-1. Legal actions related to anti-competitive behaviour, anti-trust and monopoly practices	In 2021, there was no legal action in relation to anti-competitive behaviour or infringements of the applicable monopoly practices and anti-trust legislation.

GRI STANDARDS MATERIAL INDICATORS			
KEY ISSUE			COMMENT
Responsible and transparent marketing. Transparency in marketing. Digitization. Marketing channels.	**GRI 417: Marketing and Labelling**	417 -1 Requirements for product and service information and labelling	CUSTOMERS
		417 -2 Incidents of non-compliance concerning product and service information and labelling	CUSTOMERS
		417 -3 Incidents of non-compliance concerning marketing communications	CUSTOMERS
	GRI 418: Customer privacy	418-1: Substantiated complaints regarding breaches of customer privacy and losses of customer data	CUSTOMERS
Customer services department Publicity for products and services	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	ABOUT THE REPORT
		103 -2 The management approach and its components	ABOUT THE REPORT CUSTOMERS
		103-3 Evaluation of the management approach	ABOUT THE REPORT
Social Action Contribution to economic growth and development Sustainability strategy Support for environmental protection initiatives	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	CAJA RURAL DE NAVARRA AND SOCIETY CUSTOMERS
		103 -2 The management approach and its components	CAJA RURAL DE NAVARRA AND SOCIETY CUSTOMERS
		103-3 Evaluation of the management approach	CAJA RURAL DE NAVARRA AND SOCIETY CUSTOMERS
Ethics, integrity and good governance	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	ABOUT THE REPORT
		103 -2 The management approach and its components	ABOUT THE REPORT
		103-3 Evaluation of the management approach	ABOUT THE REPORT
Management focus	**GRI 205: Management focus**	205 -1 Operations assessed for risks related to corruption	There were no transactions assessed in this area in 2021
		205 -2 Communications and training on anti-corruption policies and procedures	The Bank has introduced a Code of Conduct, communicating to all employees, whose latest version is dated 18 June 2020. This Code of Conduct in general is also available on the employee portal. The Bank has introduced a Criminal Compliance Management System that meets the requirements of the Spanish UNE 19601 standard which all employees are familiar with. Employees and the general public can access an Ethics Channel to report any kind of conduct they detect.
		205 -3 Confirmed incidents of corruption and actions taken	There were no cases of corruption in 2021

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

GRI STANDARDS MATERIAL INDICATORS			
KEY ISSUE			COMMENT
The Bank's mission, vision and values	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	ABOUT US: CORPORATE STRUCTURE
		103 -2 The management approach and its components	ABOUT US: CORPORATE STRUCTURE
		103-3 Evaluation of the management approach	ABOUT US: CORPORATE STRUCTURE
Personal development Equality, diversity and work-life balance	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	THE TEAM
		103 -2 The management approach and its components	THE TEAM
		103-3 Evaluation of the management approach	THE TEAM
		404-1 Average annual training hours per employee 404-2 Programmes to improve staff aptitudes and programmes to support the transition 404-3 Percentage of employees that receive regular assessments of professional achievement and development 405-1 Diversity in governance and employee bodies 405-2 Ratio of basic salary and women's compared to men's remuneration	THE TEAM
Responsible purchasing	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	SUPPLIERS
		103 -2 The management approach and its components	SUPPLIERS
		103-3 Evaluation of the management approach	SUPPLIERS
Reducing the environmental footprint	**GRI 103: Management focus**	103-1 Explanation of the material topic and its boundary	CAJA RURAL DE NAVARRA AND THE ENVIRONMENT
		103 -2 The management approach and its components	CAJA RURAL DE NAVARRA AND THE ENVIRONMENT
		103-3 Evaluation of the management approach	CAJA RURAL DE NAVARRA AND THE ENVIRONMENT
		302-1 Energy consumption within the organization 302-4 Reduction of energy consumption 303-1 Water withdrawal by source 305-1 Direct GHG emissions 305-2 Indirect GHG emissions 305-5 Reduction of GHG emissions	CAJA RURAL DE NAVARRA AND THE ENVIRONMENT CUSTOMERS ABOUT US: CORPORATE STRUCTURE

ANNEX II

NON-FINANCIAL STATEMENTS OF COMPANIES COMPRISING THE CAJA RURAL DE NAVARRA CONSOLIDATED GROUP

2021

1. GENERAL INFORMATION

This Annex refers to the companies that make up the Caja Rural de Navarra Consolidated Group with the exception of the activity of the parent financial institution (Caja Rural de Navarra). The information is presented in accordance with Law 11/2018 of 28 December on non-financial information and diversity and also takes into account European Commission Communication 2017/C 215/01, Guidelines on Non-financial Reporting.

The statement takes a concise approach by disclosing only the most relevant information. This information is presented in accordance with the standards of the Global Reporting Initiative (GRI), on which Caja Rural de Navarra bases its CSR Report.

The story of 2021 was one of stop-go recovery from 2020. Covid was a constant presence but came in irregular waves of intensity and continued to affect the global economy. Spain was hit via foreign tourism and, to a lesser extent, its home industries.

Caja Rural de Navarra maintains a stable 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 2021:

Company	Location	TAX ID	% ownership interest	External audit
HARIVASA 2000 S.A.	Noain (Navarre)	A31013402	100%	Yes
Transnoain S.A	Noain (Navarre)	A31870058	100%	No (*)
Cerelia I+D S.L	Noain (Navarre)	B71312888	100%	No (*)
Cerelia Agro, S.L.	Almenara (Castellón)	B44539682	100%	No
Cerelia S.L	Noain (Navarre)	B31949217	100%	No
Harinera de Tardienta S.A	Tardienta (Huesca)	A22001499	100%	Yes
Harinas Selectas S.A	Tardienta (Huesca)	A50107143	100%	No
Le Moulin de Navarre	Bayonne (France)	FR25813803103	100%	No (*)
Harántico, S.L.	Marcon (Pontevedra)	B36562593	100%	No
Reyes Hermanos S.L	Marcon (Pontevedra)	B36000818	100%	Yes
Harinera del Mar S.L	Almenara (Castellón)	B97832232	100%	Yes
Haribéricas SXXI S.L	Seville (Seville)	B64939341	100%	Yes
Harivenasa S.L	Noain (Navarre)	B71075774	100%	Yes
HRVS Eood	Sofia (Bulgaria)	BG203420883	100%	No
Espiga I&D Alimentaria, S.L.	Pamplona (Navarre)	B71434427	100%	No
Explotación Agrícola Las Limas	Tudela (Navarre)	J71085179	100%	No
Industria Tonelera de Navarra S.L	Monteagudo (Navarre)	B31688336	100%	No
Tonnellerie de L’Adour S.A.S	Plaisance du Gers (France)	FR96425029972	100%	No
Merranderie de L’Adour (formerly Oroz Fils STE Exploitation)	Plaisance du Gers (France)	FR94379700966	100%	No
Tonnellerie de L’Adour USA Inc	Sunland, California (USA)	C3886342	100%	No
Bouquet Brands S.A	Esquiroz (Navarre)	A31884000	100%	No
Bahia de Cádiz S.L	Pamplona (Navarre)	B84996743	100%	No
Solera Asistencial S.L	Pamplona (Navarre)	B71150866	100%	Yes
Solera Navarra S.L	Pamplona (Navarre)	B71186654	100%	Yes
Torre Monreal S.L	Tudela (Navarre)	B31872872	100%	Yes
SERESGERNA S.A	Pamplona (Navarre)	A31697808	100%	Yes
Preventia Sport, S.L.	Pamplona (Navarre)	B71008783	100%	No

Promoción Estable del Norte, S.A.	Pamplona (Navarre)	A3l663651	100%	Yes
Informes y Gestiones Generales, S.A.	Pamplona (Navarre)	A31437635	100%	No
Informes Técnicos y Valoraciones Generales, S.L.	Pamplona (Navarre)	B31917305	100%	No
Administración de Fincas Informes y Gestiones S.L.	Pamplona (Navarre)	B71054944	100%	No

No (*): The company does not undergo a formal audit but is analysed in the audit of its parent company

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
CERELIA	Spain
CERELIA Agro	Spain
ESPIGA I&D ALIMENTARIA	No activity in 2021
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

In addition to these subsidiaries controlled by CRN, the Bank also has a number of investments where it shares control or that it does not control, in a range of sectors. Financial reporting lists all investments but the purpose of this document is to highlight the Group's businesses and how and why they are run.

Caja Rural de Navarra's investments are stable. There have over the course of time been investments and divestments, but the aim of this activity is not speculative and many of the companies we mention have been consolidated in CRN since the last century.

Any new equity investment in a new or existing company – we are excluding here any short-term portfolio investments in the stock market – must be approved by the Governing Board. Factors considered will include whether:

- It has a reasonable expectation of generating adequate returns, either directly from the investee company or indirectly through business induced by the new equity investment.

- It adheres to corporate and managerial values consistent with those of the Bank.

- Caja Rural de Navarra's presence will not have a negative impact on other participants in the market, either by significantly diminishing competition or by creating an unbalanced competitive situation.

Below we lay out a formal list of the Group's investee companies and their business activities in accordance with the regulatory guidelines. This annex includes non-financial reporting information for the companies listed as subsidiaries below but not for those companies over which they do not exercise financial control, listed as associates or equity investments. We list the activity of all companies comprising our equity investment area by sector of activity. For associates and equity investments we only include the parent or, in a few cases, biggest company, omitting some of their functional subsidiaries:

AREA	COMPANY	Status in Group
FOOD		
	Cereal transformation	
	HARINERA DEL MAR, S.L.	subsidiary
	HARIBERICAS XXI, S.L.	subsidiary
	HARANTICO, S.L.	subsidiary
	REYES HERMANOS, S.L.	subsidiary
	HARINERA DE TARDIENTA, S.A.	subsidiary
	HARIVASA 2000, S.L.	subsidiary
	HARIVENASA, S.L.	subsidiary
	HRVS Eood	subsidiary
	HARINAS SELECTAS	subsidiary
	CERELIA AGRO	subsidiary
	ESPIGA I&D ALIMENTARIA	subsidiary
	Vineyards and wineries	
	RIOJA VEGA , S.A.	associate
	PRINCIPE DE VIANA, S.L.	associate
	BOUQUET BRANDS, S.A.	subsidiary
	INDUSTRIA TONELERA DE NAVARRA	subsidiary
	TONNELLERIE DE L'ADOUR	subsidiary

	MERRANDERIE DE L’ADOUR	subsidiary
	Dairy	
	IPARLAT	associate
	Support for Cooperatives, Farmers and Stock-raisers	
	SERVICIOS EMPRESARIALES AGRO INDUSTRIALES, S.A. – SENAI	associate
ECOLOGICAL TRANSITION, RENEWABLE ENERGY		
	Renewable energy generation	
	COMPAÑÍA EOLICA DE TIERRAS ALTAS	associate
	RENOVABLES DE LA RIBERA	associate
	MINICENTRALES CANAL BARDENAS	equity investment
	RURAL ENERGIAS ARAGONESAS, S.A.	associate
	IBERJALON	associate
	RURAL DE ENERGIA DE TIERRAS ALTAS, S.A.	associate
	Poplars	
	BOSQALIA	associate
REAL ESTATE		
	Rental of state-subsidized housing	
	ERROTABIDEA	associate
PROMOCION ECONOMICA REGIONAL		
	Venture capital and seed finance	
	START UP	equity investment
	Mutual guarantee societies (Sociedades de garantía recíproca)	
	SONAGAR	equity investment
	ELKARGUI	equity investment
	IBERAVAL	equity investment
CARE		
	Senior care	
	SOLERA ASISTENCIAL	subsidiary
ENGINEERING		
	Civil engineering and testing	
	LABORATORIOS ENTECSA	associate
	IGEO2	associate

AREA OF SUPPORT SERVICES FOR CAJA RURAL'S BUSINESS	
Real estate	
PROMOCION ESTABLE DEL NORTE	subsidiary
Complementary services	
INFORMES Y GESTIONES GENERALES	subsidiary
INFORMES TECNICOS Y VALORACIONES GENERALES	subsidiary
ADMINISTRACION DE FINCAS INFORMES Y GESTIONES	subsidiary
BANCO COOPERATIVO ESPAÑOL	equity investment
SEGUROS GENERALES RURAL, S.A. DE SEGUROS Y REASEGUROS	equity investment
GRUCAJRURAL INVERSIONES	equity investment
ESPIGA CAPITAL INVERSIÓN	equity investment
ESPIGA CAPITAL INVERSIÓN II	equity investment
ESPIGA EQUITY FUND	equity investment
RURAL SERVICIOS INFORMÁTICOS	equity investment
DOCALIA	equity investment

A glance at this list makes clear that these are companies embedded in their markets, but with a focus on thee additional aims: the sustainability of the primary sector – farming, climate change and renewable energy are all converging towards the ecological transition, to use the vogue term, and we are including clean energy here as well – senior care and support for the economic and social environment.

Finally, note that investee companies must themselves be viable, even as many of them pursue aims that go beyond the merely financial, as this is the only way to sustain their activity consistently over the long-term.
The rest of this chapter and the two following focus in detail on the subsidiaries.

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 seven production centres (factories) located throughout Spain and fifteen companies, among which we include factory-owning companies and those that provide services or auxiliary activities. Also, two of these companies focus on farming of high-quality wheat and oats, in Spain and abroad.

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 changed 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 (whose production is concentrated on biscuits and pre-baked bread) have a strong presence in foreign markets and this has helped keep demand and manufacturing reasonably steady in recent years.

By way of a final comment on the market, there are three large flour groups with a nationwide presence that account for around 60% 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.

We would also point out that Spain consumes more wheat than it produces. An average of 20-25 million tonnes of cereals are produced annually, of which about 35% is wheat. An additional 10-15 million tonnes of cereals are imported to make up the total domestic consumption - animal and human - of 35-38 million tonnes.

Looking at wheat alone, 6-7 million tonnes are produced each year and around 4.5-6 million tonnes imported, most of it from EU. This represents domestic consumption of around 11 million tonnes. Of this, around 4.2 million is eaten by humans with the rest going to animal feed, biofuels and seeds for re-sowing crops.

Oat flakes, pearls, flour and bran go into pastry products, biscuits, drinks and breakfasts, as well being consumed directly. These are traditional products in Anglo-Saxon countries that have now established a strong foothold in Spain.

As this is a mature market, with a significant overcapacity in milling, the key issues are efficient production and food safety.

The Group's mission has been defined as "transforming cereals through an integrated food chain, providing value solutions to our customers".

Our mission statement summarises the Group's business model:

- Careful selection of raw materials, along with in-house or outsourced production of specialist 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 values and strategies across the board.

Basic TQM (Total Quality Management) methodologies are used as working tools, while the 5S Project (focused on organization, order and hygiene) has been running since 2016. The project instils the need to keep workstations in good condition as a basic discipline that has 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 seven 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 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:

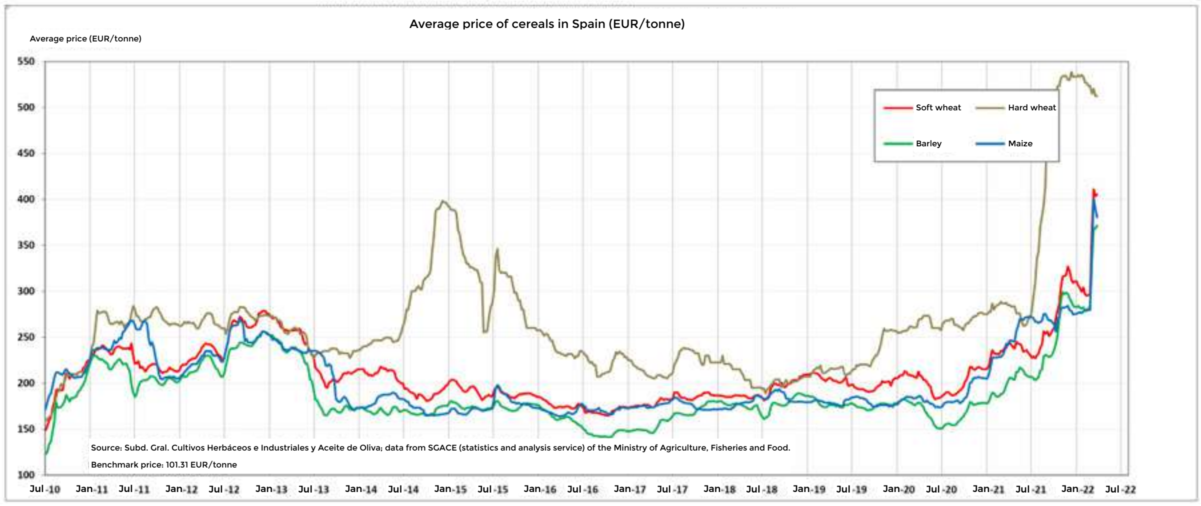
Mission: To be a benchmark in flour production for the regions and products where it operates, controlling the whole of the cereal's value chain with the aim of offering a product tailored to each of our customers, with the greatest possible guarantees of food safety.

Vision: To be a national benchmark in developing comprehensive solutions, individually tailored to each customer, which meet our customers' needs in the bread, cakes and pastries sectors, and to lead both the craft and industrial segments in our regions.

Values: The customer comes first. Products and services must maintain impeccable quality. People are the at the core of the company and we must work in collaboration with colleagues and customers. Continuous improvement of products and processes.

We also note that prices on the global cereals market shot up during the year. As well as the usual factors of supply/storage and demand, we also had problems with international transport, the poor harvest in North America, the effect of hedge funds in the commodities market and production imbalances in China.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD



For several years Caja Rural de Navarra has been producing specialist wheats for specialist flours in Spain and Bulgaria, and oats in Spain. It has also been striking agreements with farmers and cooperatives to grow and then buy certain varieties of wheat and oats. Since 2020, this business has been headed by Cerelia Agro (and its subsidiary HRVS Eood in the rest of the EU).

These actions meant that while the volatility of the cereals market still took its toll, we were able to keep supplying certain high-quality varieties to our factories and continue developing the area of sustainable farming and crop traceability.

The Group is involved alongside some of its customers in projects that take an end-to-end approach to sustainability – from planting to the customer – considering all factors, applying environmentally friendly practices and taking great care of food safety. Such initiatives remain in a minority, but a phase of formal certification is under way which brings together farmers, cooperatives and production plants.

The impact of prices on exports to African countries has been enormous. These countries simply cannot pay for these products and are restricting themselves to locally produced goods, mainly rice.

At the end of March 2022 a request was filed with the Spanish National Markets and Competition Commission (CNMC) to approve the merger of the wheat-producing companies with the flour-producing companies that make up Grupo de Harinera la Meta.

The Commission will give its decision at the end of the second quarter. If approved, Caja Rural de Navarra would retain a major stake in the new merged company which would include all the production plants, so remaining active in the sector, but the new company would then be reported as an associate rather than a subsidiary as the current companies are.

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 customers.

The barrel adds characteristic notes to the products it contains, and since wood is a natural product its influence on the wine is so notable that for winemakers and their oenologists the origin – species – of the oak and the working methods used – combining traditional craft with modern methods of wood selection, quality and production control – are a vital part of business case they offer wineries.

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 also explains the differences in mission and business vision between the French and Spanish companies.

There are seven main manufacturers of oak wine casks in Spain, some of which are owned by French cooperage groups. INTONA competes on an equal footing and alternates yearly between being the second or third largest producer by units produced.

INTONA has to differentiate itself by the consistency and quality of its products and its service.

There are around one hundred French cooperages, but four groups account for 70% of global sales, so L'Adour is among the smaller firms. However, it does have a recognised product, which allows it to maintain a selling price above the average for the French market.

Adour's business model is therefore to manufacture and market French oak barrels, in the French style. Its strength lies in working from the origin, producing its own staves (via Merranderie de L'Adour), and with a wide range of products thanks to its vocation as a retail-scale 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, that allows its customers to achieve 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 local customer service. Standing out on 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 tight 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

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 strong 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. Plus 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 focus and service.

We will now take a look at how the business developed in 2021. Spain's' domestic hospitality and tourism industries had another lacklustre year, improving slightly on 2020 but still well off the levels seen in 2019. Against this backdrop, wine production continued at low levels and investment in new barrels contracted.

Bouquet Brands, which supplies bars and restaurants, had a mixed year including expanding its services - on a limited scale to begin with - to Madrid and Málaga.

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 meets their economic needs and the physical and cognitive needs of the elderly person, with services tailored 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 the national level, the insufficient budget allocated to these activities has resulted in public under-funding of places, a smaller number of people covered by the benefits system – only dependent persons have the right to the benefits, with delays between the need for assistance being recognized and the start of payment – and the elimination of non-guaranteed services, leaving other essential 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, offering a full range of welfare services. It is dependent on government policies, but in recent years, it has identified and set up a number of services that do not depend on the public purse.

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, 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 community's appreciation of their structured and professional organization.

The group has developed 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 encasa"
  -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, specialization in high value-added care services and capacity to respond to all the needs that seniors may have.

The core action principles to ensure quality of service are:

- Individual attention to users and residents
- Attention to families, advice, support and facilitating their participation in the daily life and activities of our residences and centres
- Professional and personal development of the team, maintaining a high level of motivation and professional qualifications

- 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 communication
- Measurement, monitoring and control of our services to maximize their quality
- Investment in technical resources to support therapeutic programmes and a high level of comfort for our users and their relatives

In this sector too, a massive effort was made by residents, staff and families in 2021. Without the dramas of 2020 and with faster hospital response times, helped too by the experience of the previous year, the sector had a difficult and intense year but managed to avoid the extreme pressures of 2020 (see 2020 annual report)

We are aware that the pandemic forced these centres to completely rethink their configuration. The next few years will undoubtedly bring changes in regulations. However, in Solera Group staff working units we have already begun a review into how we should plan and implement this reconfiguration.

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.

First, we look at Promociones Estable de Norte. This company used to build 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 on 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. This latter company was sold to another property management company in Pamplona early in 2022 but was fully consolidated for all purposes throughout 2021.

Informes y Gestiones has professional teams in Pamplona, San Sebastian, Bilbao, Vitoria and Logroño and can therefore serve all customers of Caja Rural de Navarra and third parties.

Finally, "Preventia Sport" is the nucleus of 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 made some small-scale sales of cycling equipment.

Entidad Financiera: 3008
Domicilio Social: Plaza de los Fueros, 1 31003 Pamplona (Navarra)
Teléfono: 948 168 100

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 in which all areas are represented.

The committee 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 also 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.

Each company also has a managing director, reporting to these Sole Directors, who runs the operational dynamics for their company. These, in turn, always have a manager for each operational area.

The cooperages have an chief administration-finance officer and a production manager, who is in charge of managers for 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, attended by all the different 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 employing its own staff 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 tied into the Bank's institutional life and involved in training the cycling team. It therefore holds regular meetings with the Bank's Head of Institutions.

1.3 ADMINISTRATIVE BODY REMUNERATION

As we said, 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 agri-food and welfare sectors as well as supporting the Bank's activities.

The agri-food sector has traditionally had significant strategic weight in Caja Rural de Navarra's financial operations. Its share in gross domestic product is falling, but the sector's professionalisation and initiatives to produce frozen and pre-prepared convenience foods are pushing to maintain the economic importance of these activities, meaning it can offer sustained value added over time so helping halt the decline in rural population and reduce the population drift toward provincial and county capitals.

For an institution like Caja Rural de Navarra, which was born alongside agricultural cooperatives in small and medium-sized population centres, it is both consistent with its values and rewarding to back initiatives that help sustain our farming and stock-raising 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, etc.) 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. The materiality analysis was updated in preparation for this document.

In preparation for these 2021 non-financial statements, a materiality analysis was conducted, focusing for these corporate sub-groups on their individual definitions of stakeholders, giving their voices the weight prescribed in the procedures.

The materiality analysis had external support in the form of a specialist consultancy. It seeks to identify and prioritise the economic, environmental, social and governance priorities for customers, employees and suppliers (external materiality) and the companies' strategy based on its potential impact for the Bank (internal materiality).

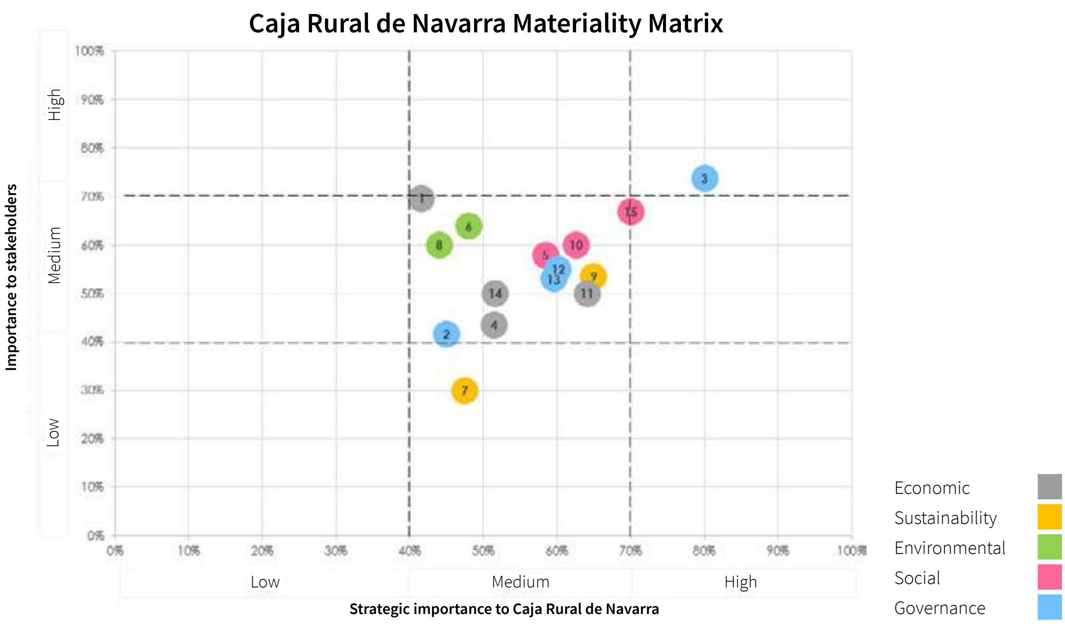
Surveys and focus groups, which worked as follows:

- Flour group: a survey focused on three opinion groups: customers, suppliers and employees, plus focus groups
- Elderly services group: not done because it would have overlapped with quality questionnaires being completed by residents and their relations
- Winery supplies group: a survey focused on three opinion groups: customers, suppliers and employees, plus focus groups
- Auxiliary financial services group to Caja Rural de Navarra: as their customers and other stakeholders are identical with those of the parent, the analysis used the same surveys and focus groups as for the Bank.
- Energy companies group: in this case, the only stakeholders were workers and suppliers.

We detail the conclusions of the materiality analysis below:

a) Flour Group

This new materiality analysis by Caja Rural de Navarra identified 15 material issues:

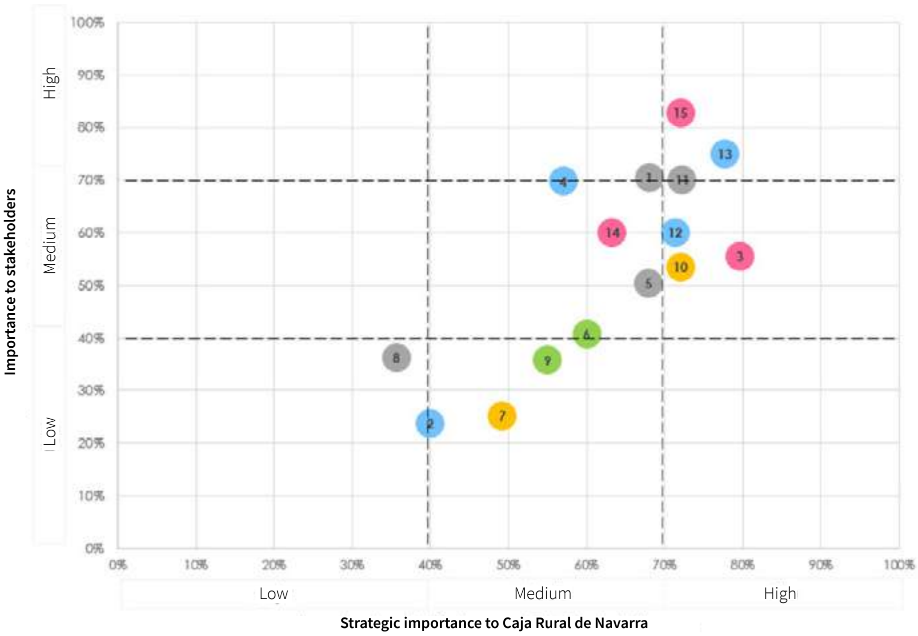


PRIORITY		ISSUE	AREA
High	3	Sales and customer service channels	
Medium-High	1	Range of products and services	
	15	Relations with suppliers	
Average	8	Reducing the environmental footprint	
	6	Environmental protection	
	5	Contribution to economic growth and development	
	10	Working conditions	
	14	Staff training	
	12	Transparency and responsible communications	
	13	Internal communications	
	9	Responsible purchasing	
	11	Product management	
	2	Ethics, integrity and good governance	
	4	Strategy	
Medium-Low	7	Social and environmental sustainability	

One surprisingly low priority for stakeholders was social and environmental sustainability in general, which is consistently the main plank of CSR policies, although individual aspects of environmental issues were a concern.

b) Winery supplies group

Caja Rural de Navarra Materiality Matrix



PRIORITY		ISSUE	AREA
High	15	Relations with suppliers	
	13	Internal communications	
	11	Staff training	
Medium-High	1	Range of products and services	
	4	Sales and customer service channels	
	3	Contribution to economic growth and development	
	12	Transparency and responsible communications	
	10	Responsible purchasing	
Average	14	Working conditions	
	5	Strategy	
	6	Environmental protection	
	9	Reducing the environmental footprint	
Medium-Low	7	Social and environmental sustainability	
	2	Ethics, integrity and good governance	
	8	Product management	

c) Area of services for the elderly

The external consultant reviewed the following documents from the previous year, with Covid as a core issue:

- “Solera Residencias annual review of the quality system 2020”
- “Satisfaction survey on departure 2020”
- “Satisfaction survey during stay 2020”
- “Staff survey 2020”

Based on this information, the consultant conducted a preliminary non-financial materiality analysis (assessing the importance of various issues for stakeholders).

- The stakeholders covered by these methods and the analysis of the Group's services for the elderly are: customers (relatives of service users), users themselves and employees. The big stakeholder group omitted was suppliers.
- The material issues identified in these methods and analysis of the Senior Care Group services related to Social issues. The material issues that were omitted were: Environmental and Governance.

The consultant thus focused the questions on the material issues and analysed the results, management targets, comments by interviewees and change in indicators.

- Management targets: Management has set a series of targets relating to different areas and reports back on progress or otherwise in each area year-on-year and whether or not the targets were met.
- Comments by interviewees: The report includes a number of comments by employees, which add depth to its findings.
- Change in indicators: The responses in surveys and management targets have evolved over time, with possible positive or negative effects on the record.

Based on this analysis it was concluded that the following issues were material for each stakeholder group:

		CUSTOMERS		
Scope	**Material issue**	**Individuals**	**Institutions**	**Employees**
1. Business model	Innovation and digitization	•	•	•
2. Corporate Governance	Corporate governance		•	
	Good governance and transparency	•		•
	Ethics and anti-corruption	•	•	•
3. Relations with customers/ customer satisfaction	Service quality and user satisfaction	•	•	•
	Service accessibility	•		
	Privacy and data security	•	•	
	Communication with main parties	•		
4. Workforce management	Working environment			•
	Equality and non-discrimination			•
	Work-life balance			•
	Job creation and stability			•
	Staff turnover			•
	Employee training	•		•
	Personal development	•		•
	Equal pay			•
5. Environmental management	Energy consumption	•	•	•
	Waste management and food waste	•	•	•
	Impact on climate change	•	•	•
6. Health and safety	Health and safety at work			•
	Sustainable architecture and facilities	•		
	Covid-19	•	•	•
7. Protection of human rights				
8. Community commitment	Growth and environmental sustainability	•	•	

1.6. MAIN SECTOR RISKS

Group companies face the following sector risks, which can be mitigated in the following ways. The analysis here is not based on economic risks, which are reflected in their respective annual reports, but on corporate social responsibility issues:

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 protection covering skin and eyes, is the right 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 minimize this risk. This is one of the key points of focus to achieve year-on-year improvements.

- Usual 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 factor, and advice is sought from external consultants leading to action plans for each factory.

- Coronavirus infection

- 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 mitigated by measures to reduce the effort used, varying 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 them include allowing breaks, sufficient rest between working days, dynamics to allow the sharing of experiences and training in how to deal with these situations.

- 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.

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Winery supplies group

This business is exposed to the risks of both a manufacturing environment and a distribution company

- Usual 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 each week

- Risks derived from urban mobility

  Proper vehicle maintenance. Sensible and balanced routes. Management of distribution schedules. Rest between work days

- Coronavirus infection

Auxiliary financial services group to Caja Rural de Navarra

These are essentially office-based companies, therefore, their main risks are:

- Coronavirus infection

- Risks deriving from the work environment

  These risks are essentially related to posture and lighting. Rules relating to comfort are updated periodically and devices that improve postural comfort are provided

- Risks deriving from stress at work

These risks are alleviated by adjusting workload and a policy of recognizing work done

Key risks and significance

The key risks to the equity investments, both in absolute terms and as they affect Caja Rural de Navarra, are: (i) food safety, (ii) proper treatment of seniors, (iii) health of employees, suppliers and customers, (iv) poor management systems involving unethical practice and (v) 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 prioritize 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 channel to make comments, complaints and claims changes from sector to sector, but we think each is appropriate and accessible for customers, consumers or our service users:

a) In the Flour Group, each company has a general phoneline to deal with claims and comments, reporting to the quality control department.

This group works with street-front stores, who receive most of the complaints from the craft bakery and technical staff working with industrial customers, which are usually dealt with via the general complaints channel.

Complaints from final consumers, such as complaints about a kilo of flour bought in a supermarket, the complaint is always dealt with through the customer service department of the chain concerned. Some also submit dummy complaints to test the response.

b) In the care sector, although there is a phone line, complaints are usually dealt with through two fundamental channels: the manager of the institution or day centre, in the case of a complaint that needs to be resolved on the spot, and through customer satisfaction surveys when dealing with less urgent or less specific issues.

Many centres have a suggestion box and comments and complaints can be registered at reception, but this is usually a secondary channel.

c) In the winery supplies sector, there is a public relations phone number but, given the nature of the clientele, complaints and comments are always received by the sales team.

d) For companies providing support services to Caja Rural de Navarra, complaints are generally made directly by phone. Occasionally, they are made through the Caja Rural branch network or in person.

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 issues (product fails to meet customer needs for moisture, kneadability, protein, etc.), logistical or administrative issues (incorrect shipments, shipping note mix-ups, torn sacks on pallets, etc.), and issues relating to food safety (broken threads in sacks, metal filings from piping, etc.). In addition, they are classified as Serious or Minor. All those that affect food safety are considered serious. Minor incidents only include administrative or logistics incidents that do not result in a product being returned.

That said, a product can still trigger an incident even if it has not been returned. To take a simple example, a customer who orders 20 sacks of one type and 8 of another, and receives 19 and 8, respectively, will generate a logistics incident but probably no returns. An industrial flour can have 4 to 12 parameters and if one of them falls even minimally short, for instance with moisture being 0.1% too high or low, it always generates a functional incident, whether or not the sack is returned.

Flour plants handle large volumes of products:

Units	2021	2020	2019
Baker's sack	10,006,075	8,874,250	8,942,842
Tanker/Big Bag	20,9	24,2	21,0
1/5/10 kg packet	19,164,056	33,311,752	23,938,236

Incidence was 36 in 2021, (23 in 2020), per million units delivered. Percentage of total incidents classed as serious: 40.1% (18.9% in 2020).

Breakdown by type:

Household use (0.5kg/1kg/5kg packet): Incidence of 4.4 per million packets in 2021 (1.38 in 2020)

Industrial use (25bk sack/tanker/big bag): Incidence of 531.1 per million packets in 2021 (104.3 in 2020). Of these, 68 were considered serious (18 in 2020) as they related directly or indirectly to food safety and 128 (40 in 2020) related to functional or quality issues.

Industrial customers will obviously check 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

Despite the strange year, perceived quality measurements were maintained, with surveys of relatives when a resident's stay ends and of families and residents during their stay.

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 for improvements.

The target was 4.0/5. In 2021, the score was 3.97 compared to 4.04 in 2020 and 3.97 in 2019, respectively.

Responses are subjective – i.e., assessed by each resident or relative – and the percentage of residents completing the survey improved on 2020 (68% vs. 60%).

There are always areas for improvement and our duty is to identify and work on them, but we are now at scores that will be very difficult to beat year on year.

b) End-of-stay surveys of relatives

Stays may end in other ways than death. Sometimes due to illness or an accident, and other times because the resident has recovered and can go back to their former life.

The target to beat is 4.45/5 and this year's score was 4.81 (4.87 in 2020).

Also, Solera has set some 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 of these objectives relates to complaints and numbers fell by 12% between 2020 and 2021. All complaints are recorded, whether made formally in writing or verbally.

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 2021, 106 actions for improvement were identified all told, irrespective of their scale or complexity, and of these 71% were deemed to be successfully concluded.

We also repeated in 2021 the internal assessment survey of employees, first carried out in December 2020, measuring stress and effort, especially in the elderly care groups. The general satisfaction score improved by 10% in 2021 compared to 2020 and, as last year, routes for improvement were identified.

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.

This sector reported a number of complaints about administration (wrong shipping note, wrong products) and also three complaints about the functional performance of the barrels.

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 2021, complaints were received about 0.016% of actions (0.04% in 2020).

Cost of quality

In 2021 and 2020, the following costs of maintaining the quality of products and services were identified in all companies:

	2021	2020
Internal quality costs	EUR 1,281,315.64	EUR 1,058,490.45
External quality spending	EUR 323,043.57	EUR 415,999.34
Food defence spending	EUR 176,922.73	EUR 161,486.84
Quality audits (customers, FSC, etc.)	EUR 53,167.93	EUR 39,287.58

2. ENVIRONMENTAL ISSUES

The activities carried out by the Group's companies are not considered to be a special source of direct pollution.
We will try to provide a qualitative analysis of the different forms of pollution and what can be done about them, given the processes and activities being carried out. We will not go into the production of raw materials or the use of products here. These will be briefly analysed later in this document.

Type of pollution	Flour-producing companies(1)	Winery supplies companies(1)	Senior care services	CRN auxiliary services
Waste water	Draining only (pumps, cooling units) Sewage to sanitation network	Draining only (pumps, cooling units) Sewage to sanitation network	Corresponding to sewage network	Corresponding to sewage network
Waste	Packaging and scrap metal, etc.	Packaging and scrap metal, etc.	Packaging and food waste, etc.	Paper, etc.
Emissions	Essentially derived from heat used in some processes, silos and cereal cleaning Leaks from air conditioning units	Leaks from air conditioning units	Leaks from air conditioning units	Leaks from air conditioning units
Indirect emissions	Electricity consumption Travel by employees and for product delivery	Electricity consumption Travel by employees and for product delivery	Electricity consumption Travel by employees and services to residents	Electricity consumption Travel by employees
Noise	24h million process Trucks coming and going Location in industrial estate	Trucks coming and going Manufacturing location in industrial esta	Minimal, residential business	Minimal, office business
Light	Lighting of 24h plants only	None	None	None

(1) These industrial activities are subject to national, regional and sector environmental standards.

For more information on this point see section 2.2 in this Annex.

The flour-producers take in more than million tonnes of wheat a year, which are converted into three-quarters of a million tonnes of wheat for food and a quarter of a million tonnes of by-products used for animal feed.

The principles of the circular economy require us to prioritise proximity, reduced need for products, re-use and recycling. Each of the four business groups achieves this to different degrees and we expect that in future reports we can provide more details on actions taken in these areas and the pollution metrics that we have sought to set out above.

We will also be trying to collect data on waste generated and its ultimate destination (recycling or landfill).

Quantitatively, the Flour group uses the most energy in the Caja Rural Group. Wheat milling is a power intensive process and in 2021 the Flour group consumed approximately 73 GWh (compared to 68 GWh in 2020), an absolute terms rise mitigated by a 3.6% rise in flour production compared to 2020, which meant consumption per unit produced rose by 2.5%.

Of this, in 2021 50.4 GWh (compared to 28.6 GWh in 2020) was attributable to renewable sources with certificate of origin (i.e. irrespective of the grid mix) 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 7.8 GWh of piped natural gas (7.6 GWh in 2020).

As indicated in Chapter 7, this year scopes 1 and 2 carbon footprints were calculated for subsidiaries covered in this Annex. Equity investments emitted a total of 10,816 tCO_2eq in 2021, measured across the scopes indicated.

All the factories work to ISO 14.001 procedures and have their respective certifications. Waste levels are very low in this sector and generally related to non-hazardous waste.

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 order to reduce the environmental impact due to energy consumption, in December 2018 the Group entered into a long-term power purchase contract that, among other objectives, aims to support the construction of two wind farms. Since the second half of 2020, these wind farms 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-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.

In the Senior Care Group, energy consumption in 2021 was 1.1 GWh of electricity (0.8 in 2020 and 1.0 in 2019) and 0.9 GWh of mains natural gas (1.6 in 2020 and 2.1 in 2019). 12,700 litres of diesel were consumed in the transport of people and goods (8,600 in 2020 and 12,300 in 2019). The return to normality after Covid was in evidence here. In 2020 day centres were temporarily closed and there were far less movements between centres.

Power consumption by the Bank's Auxiliary Financial Services Group are counted as part of Caja Rural de Navarra's own consumption, whose branch offices it shares.

On actions to limit the environmental impact, it was planned to implement the following improvements in 2022:

- Industria Tonelera de Navarra, S.L.; installation of 100 kWh of rooftop photovoltaic panels in Monteagudo, which will deliver around 80% self-consumption.

- Solera Asistencial: Installation of integrated hybrid equipment on the roofs of La Vaguada and Torre Monreal that supply both hot water to reduce gas consumption and photovoltaic electricity to reduce the need to buy in power.

At La Vaguada it is expected to generate 200 MWh of thermal energy and 65 MWh of electricity, which will prevent around 100 tCO_2eq annually and self-consumption of 66% of thermal energy and 20% of electricity.

At Torre Monreal, it is expected to generate 153 MWh of thermal energy and 40 MWh of electricity, which will prevent around 67 tCO_2eq annually and self-consumption of 25% of thermal energy and 10% of electricity.

Finally, we would point out that a large part of the environmental impact of the activities by Caja Rural and its equity investments are offset by the results of other investee companies that are not consolidated (equity investments of 25-50%).

- Compañía Eólica de Tierras Altas, SA produces between 240 GWh and 260 GWh of renewable electricity per year.
- Renovables de la Ribera launched four wind farms in the south of Navarre in August 2020, with total capacity of 111 MW and production of 270 GWh in 2021.

In each of the Group's companies is integrated into production considerations by the Steering Committee. No special committee has been appointed to date.

The costs of reducing environmental risks break down as follows:

FLOUR GROUP	2021	2020
Removing urban waste and waste water	24,714	31,907
Removing hazardous waste	3,106	8,954
Removing non-hazardous waste	47,421	34,221
Environmental management audits	8,628	18,805
Spending on energy efficiency	7,5	1,406
Environmental consultancy	5,093	3,27
Total	**96,462**	**98,563**

SENIOR CARE GROUP

Direct expenses charged to the EMS (EUR)	2021	2020
Maintaining the Environmental Management System	0	0
Waste management	50638	5,048
Total (EUR)	**50638**	**5,048**

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Teléfono: 948 168 100

WINERY SUPPLIES

Direct expenses charged to the EMS (EUR)	2021	2020
Maintaining the Environmental Management System	3488	3,532
Waste management	8072	3,059
Total (EUR)	**11560**	**6,541**

As noted above, the Auxiliary Financial Services Sector does not report separate figures. These figures are 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, comparable between 2020 and 2021. We would stress that these values do not cover the full carbon footprint of these companies, but do provide a fair view of the progress from year to year.

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.

FLOUR-PRODUCING COMPANIES	2021		2020	
	Uds.	CO_2 Eq, T	Uds.	CO_2 Eq, T
Water				
Consumption in m³	68,771	-	72,0	-
Natural Gas				
MWh	7,789	1,418	7,6	1,39
Propane	5,658	12	-	-
Electricity				
Non-renewable consumption, MWh	22,31	4,462	40,2	10,847
Renewable consumption, MWh	50,399	0	28,7	0
Fuel consumption				
Process (litres)	115,202	309	128,8	349
Diesel – own fleet (litres)	823,338	2,211	1,044,339	2,604
Total CO_2 equivalent emissions (T)	**8.412**		**15,190**	

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Teléfono: 948 168 100

2) Other sectors (Senior Care, Auxiliary Financial Services and Winery Supplies)

	2021		2020	
	Uds.	CO_2 Eq, T	Uds.	CO_2 Eq, T
Water				
Consumption in m3	52,238	-	36,824	-
Natural Gas MW,h				
Natural MW,h	10,523	1,915	1,765	321
Electricity				
Non-renewable consumption, MWh	1,630	349	974	263
Renewable consumption, MWh				
Fuel consumption	51,641	140	33,118	83
Total CO_2 equivalent emissions (T)	**2,404**		**667**	

Note that 2020 was highly atypical for the senior care and winery businesses due to Covid-19 restrictions.
As for consumption of paper and toner, the following cumulative figures were reported for all companies in this Annex:

	2021	2020
Paper, Kg	10,891	6,64
Toner, units	381	258

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 of primary and replacement materials, which are segregated and removed by waste collection companies.

Other items are also sorted and collected including plastics, packaging, waste pallets, scrap from maintenance and, when it happens, small ground spillages of fuel and its impregnation material.

As indicated, a calculation was made of the carbon footprint of these companies, limited to scopes 1 and 2 with an outcome of 10,816 tCO_2eq.

These figures do not include the attributable generation of renewable energy in Group investee companies.

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3. SOCIAL AND PERSONAL ISSUES

Last year, we gave only a brief summary of Covid's impacts, in terms of the effort and commitment by staff in senior care services, the response of the food sector and the effects on other businesses. Covid continued in 2021, putting constant pressure on services which we were nevertheless better able to cope with, as we had more experience and were less short of resources and hospital capacity than the previous year.
We will now focus on descriptive information.

3.1. EMPLOYMENT

Employment per work centre, summarised by country and region:

Country	2021			2020		
	Total	Men	Women	Total	Men	Women
Spain	881	413	468	813	393	420
France	22	16	6	17	12	5
Total active employees at Dec. 31	**903**	**429**	**474**	**830**	**405**	**425**

Spain	2021			2020		
	Total	Men	Women	Total	Men	Women
Navarre	581	186	395	551	189	362
Valencia	90	69	21	88	70	18
Andalusia	73	57	16	64	50	14
Aragon	87	66	21	67	54	13
Galicia	37	28	9	36	28	8
Basque Country	6	3	3	7	2	5
La Rioja	2	0	2	1	0	1

The following is a breakdown of selected statistics relating to the staff in subsidiaries, grouped by activities:

a) Flour group

Bajas voluntarias	2021			2020		
Bajas por excedencia	Total	Men	Women	Total	Men	Women
Bajas por jubilación (y prejubilación)	394	315	79	393	316	77
Bajas por fin de contrato	403.1	321.9	81.3	379.962	307.865	72.097
Bajas por despido	91	58	33	68	35	33
Bajas de contratos en el año	55	35	20	66	35	31
Bajas voluntarias	34	24	10	11	7	4
Bajas por excedencia	0	0	0	3	2	1
Bajas por jubilación (y prejubilación)	5	4	1	3	3	0
Bajas por fin de contrato	24	15	9	36	16	20
Bajas por despido	6	2	4	13	7	6
Total de plantilla a 31/Diciembre	416	329	87	395	316	79
Tasa de salidas	**13.6%**	**10.9%**	**24.6%**	**17.4%**	**11.4%**	**43.0%**

Contractual relationship (situation to 31/12)	2021			2020		
	Total	Men	Women	Total	Men	Women
"Active"	416	329	87	395	316	79
Leave	0	0	0	3	2	1
Temporary Contracts, annual average	8	7	1	16	13	3
Permanent Contracts, annual average	394	314	80	379	303	77
Total active employees at Dec. 31	416	329	87	395	316	79

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.

It is particularly important to deal with all contracts, of whatever duration, to give a clear picture of salary relativities by activity and gender.

Accordingly, the figures for 2021 and 2020 were as follows:

By age range

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Less than 30 years	42	8.9%	29	6.2%	38	8.5%	23	5.1%
31 to 40 years	89	18.9%	36	7.7%	91	20.3%	35	7.8%
41 to 50 years	128	27.2%	28	6.0%	122	27.2%	28	6.2%
51 to 60 years	88	18.7%	7	1.5%	91	20.3%	4	0.9%
Over 60	20	4.3%	3	0.6%	14	3.1%	3	0.7%
Total	**367**	**78.1%**	**103**	**21.9%**	**356**	**79.3%**	**93**	**20.7%**

There was one person with recognised disability in 2020 and three in 2021, all men.

By professional category:

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area management	48	40	8	39	33	6
Engineers and graduates, reporting to a function area manager	25	20	5	18	13	5
Administrative, workshop and shift managers Sales	36	34	2	20	18	2
First-grade managers, administrators and production or quality	77	47	30	152	125	27
Second-grade managers, administrators and production or quality	213	168	45	105	92	13
Administrative assistants, third-grade workers, assistants, labourers.	68	57	11	113	73	40
Trainees and work experience	3	1	2	2	2	0

Figures by education are as follows:

	2021			2020		
	Total	Men	Women	Total	Men	Women
PhD	1	1	0	1	1	0
Graduate	97	52	45	88	54	34
Higher professional qualification or long working experience	106	90	16	92	83	9
Professional training 2	100	76	24	128	95	33
High school or Professional training 1	128	114	14	113	97	16
No qualifications	38	34	4	27	26	1

By type of contract:

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Permanent full-time	349	74.3%	88	18.7%	331	73.7%	73	16.3%
Permanent part-time or discontinuous	2	0.4%	8	1.7%	0	0.0%	7	1.6%
Work experience, trainees and apprentices	2	0.4%	3	0.6%	3	0.7%	2	0.4%
Temporary contract (replacing those on parental or sick leave, departure or political activity)	1	0.2%	1	0.2%	1	0.2%	1	0.2%
Temporary full-time contracts for time-limited work or services	13	2.8%	3	0.6%	21	4.7%	10	2.2%
Temporary part-time contracts for time-limited work or services	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	**367**	**78.1%**	**103**	**21.9%**	**356**	**79.3%**	**93**	**20.7%**

b) Senior care group

	2021			2020		
	Total	Men	Women	Total	Men	Women
Total headcount at 1 January	336	30	306	332	35	297
Average headcount in the year	285	25	260	284.82	26.05	258.77
New contracts in the year	975	99	876	940	78	862
Contracts terminated in the year	936	96	840	933	82	851
Voluntary resignation	31	-	31	58	6	52
Voluntary leave	4		4	10		10
Retirement (and early retirement)	1		1	2		2
End of contract	893	96	797	851	76	775
Dismissal	7		7	12		12
Total headcount at 31 December	**377**	**33**	**344**	**343**	**31**	**312**
Departure rate	**328.6%**	**386.0%**	**323.1%**	**327.6%**	**314.8%**	**328.9%**

Contractual relationship (situation to 31/12)	2021			2020		
	Total	Men	Women	Total	Men	Women
"Active"	377	33	344	343	31	312
Leave	4	0	4	10	0	10
Temporary Contracts, annual average	66	5	61	83	10	73
Permanent Contracts, annual average	219	20	199	202	16	186
Total active employees at Dec. 31	377	33	344	343	31	312

Among the personnel, one person was reported as having a disability in 2020 and none in 2021.

Below we give details of employees who worked in the sector 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. Accordingly, the figures for 2021 and 2020 were as follows:

By age range:

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Less than 30 years	19	3.3%	124	21.6%	23	4.0%	125	21.9%
31 to 40 years	13	2.3%	123	21.4%	14	2.5%	128	22.5%
41 to 50 years	17	3.0%	135	23.5%	12	2.1%	140	24.6%
51 to 60 years	6	1.0%	105	18.3%	7	1.2%	94	16.5%
Over 60	0	0.0%	33	5.7%	0	0.0%	27	4.7%
Total	**55**	**9.6%**	**520**	**90.4%**	**56**	**9.8%**	**514**	**90.2%**

By professional category:

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area managers	1	1	0	5	3	2
Doctors, psychologists	8	0	8	10	2	8
Nurses, nutritionists and physiotherapists	90	12	78	92	6	86
Nursing and geriatric assistants	4	2	2	21	4	17
Administrators and technical staff in socio-cultural activities	311	28	283	319	30	289
Administrative assistants, cleaners, wardens	161	12	149	123	11	112
Total	**575**	**55**	**520**	**570**	**56**	**514**

By academic qualifications:

	2021			2020		
	Total	Men	Women	Total	Men	Women
PhD	0	0	0	0	0	0
Graduate	98	13	85	114	11	103
Higher professional qualification or long working experience	319	32	287	334	35	299
No qualifications	158	10	148	122	10	112
Total	**575**	**55**	**520**	**570**	**56**	**514**

By contract type:

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Permanent full-time	17	3.0%	183	31.8%	1	0.2%	178	32.0%
Permanent part-time or discontinuous	4	0.7%	42	7.3%	3	0.5%	44	7.9%
Work experience, trainees and apprentices	0	0.0%	1	0.2%	0	0.0%	0	0.0%
Temporary contract (replacing those on parental or sick leave, departure or political activity)	23	4.0%	176	30.6%	18	3.2%	174	31.3%
Temporary full-time contracts for time-limited work or services	3	0.5%	29	5.0%	7	1.3%	34	6.1%
Temporary part-time contracts for time-limited work or services	8	1.4%	89	15.5%	13	2.3%	84	15.1%
Total	**55**	**9.6%**	**520**	**90.4%**	**42**	**7.6%**	**514**	**92.4%**

c) Winery supplies group

	2021			2020		
	Total	Men	Women	Total	Men	Women
Total headcount at 1 January	72	57	15	62	50	12
Average headcount in the year	65.70	52.33	13.37	38.98	28.89	10.09
New contracts in the year	21	17	4	13	10	3
Contracts terminated in the year	12	10	2	13	11	2
Voluntary resignation	10	8	2	5	4	1
Voluntary leave	0	0	0	0	0	0
Retirement (and early retirement)	0	1	0	0	0	0
End of contract	0	1	0	6	5	1
Dismissal	1	1	0	2	2	0
Total headcount at 31 December	**75**	**59**	**16**	**62**	**49**	**13**
Departure rate	**18.3%**	**19.1%**	**15.0%**	**33.4%**	**38.1%**	**19.8%**

Contractual relationship (situation to 31/12)	2021			2020		
	Total	Men	Women	Total	Men	Women
"Active"	75	59	16	62	49	13
Leave	0	0	0	0	0	0
Temporary Contracts, annual average	4	3	1	3	2	1
Permanent Contracts, annual average	61	49	12	59	47	12
Total active employees at Dec. 31	75	59	16	62	49	13

Below we give details of employees who worked in the sector 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. Accordingly, the figures for 2021 and 2020 were as follows:

By age range:

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Less than 30 years	5	5.4%	2	2.2%	9	8.5%	2	5.1%
31 to 40 years	17	18.5%	8	8.7%	10	20.3%	9	7.8%
41 to 50 years	23	25.0%	7	7.6%	38	27.2%	8	6.2%
51 to 60 years	15	16.3%	4	4.3%	18	20.3%	3	0.9%
Over 60	4	4.3%	0	0.0%	5	3.1%	0	0.7%
Total	**71**	**77.2%**	**21**	**22.8%**	**80**	**79.3%**	**22**	**20.7%**

By professional category:

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area management	7	6	1	8	8	0
Engineers and graduates, reporting to a function area manager	0	0	0	0	0	0
Administrative, workshop and shift managers Sales	19	17	2	19	14	5
First-grade managers, administrators and production or quality	1	1	0	2	2	0
Second-grade managers, administrators and production or quality	27	25	2	43	40	3
Administrative assistants, third-grade workers, assistants, labourers.	37	21	16	29	15	14
Trainees and work experience	1	1	0	1	1	0

By academic qualifications

	2021			2020		
	Total	Men	Women	Total	Men	Women
PhD	0	0	0	0	0	0
Graduate	10	3	7	19	7	12
Higher professional qualification or long working experience	43	40	3	46	44	2
Professional training 2	3	0	3	7	1	6
High school or Professional training 1	36	28	8	30	28	2
No qualifications	0	0	0	0	0	0
Totales	**575**	**55**	**520**	**570**	**56**	**514**

By contract type:

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Permanent full-time	53	57.6%	14	15.2%	61	59.8%	15	14.7%
Permanent part-time or discontinuous	3	3.3%	3	3.3%	6	5.9%	4	3.9%
Work experience, trainees and apprentices	1	1.1%	0	0.0%	1	1.0%	0	0.0%
Temporary contract (replacing those on parental or sick leave, departure or political activity)	8	8.7%	4	4.3%	0	0.0%	0	0.0%
Temporary full-time contracts for time-limited work or services	6	6.5%	0	0.0%	12	11.8%	3	2.9%
Temporary part-time contracts for time-limited work or services	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	**71**	**77.2%**	**21**	**22.8%**	**80**	**78.4%**	**22**	**21.6%**

Figures included one person with a recognized disability in 2021 and 2020.

d) Auxiliary financial services group

	2021			2020		
	Total	Men	Women	Total	Men	Women
Total headcount at 1 January	35	9	26	36	9	27
Average headcount in the year	36.38	9.34	27.04	34.83	9.16	25.67
New contracts in the year	14	3	11	5	1	4
Contracts terminated in the year	10	5	5	7	1	6
Voluntary resignation	2	0	2	1	0	1
Voluntary leave	0	0	0	0	0	0
Retirement (and early retirement)	0	0	0	0	0	0
End of contract	7	5	2	5	1	4
Dismissal	1	0	1	1	0	1
Total headcount at 31 December	**35**	**8**	**27**	**35**	**9**	**26**
Departure rate	**27.5%**	**53.5%**	**18.5%**	**20.1%**	**10.9%**	**23.4%**

Contractual relationship (situation to 31/12)	2021			2020		
	Total	Men	Women	Total	Men	Women
"Active"	35	8	27	35	9	26
Leave	0	0	0	1	0	1
Temporary Contracts, annual average	6	0	6	12	2	10
Permanent Contracts, annual average	30	9	21	26	8	19
Total active employees at Dec. 31	35	8	27	35	9	26

Below we give details of employees who worked in this business during the year but not all year. Figures are not given as an annual average that shows the contracts of everyone who worked this year for however short a time. Accordingly, the figures for 2021 and 2020 were as follows:

By age:

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Less than 30 years	0	0.0%	12	26.7%	1	2.4%	6	14,3%
31 to 40 years	4	8.9%	7	15.6%	3	7.1%	12	28,6%
41 to 50 years	5	11.1%	12	26.7%	5	11.9%	11	26,2%
51 to 60 years	1	2.2%	4	8.9%	1	2.4%	3	7,1%
Over 60	0	0.0%	0	0.0%	0	0.0%	0	0,0%
Total	**10**	**22.2%**	**35**	**77.8%**	**10**	**23.8%**	**32**	**76,2%**

By category:

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area management	2	2	0	2	2	0
Engineers and graduates, reporting to a function area manager	0	0	0	2	0	2
Administrative, workshop and shift managers Sales	1	0	1	14	5	9
First-grade managers, administrators and production or quality	14	5	9	20	3	17
Second-grade managers, administrators and production or quality	20	3	17	1	0	1
Administrative assistants, third-grade workers, assistants, labourers.	8	0	8	3	0	3
Trainees and work experience	0	0	0	42	10	32

By academic qualifications

	2021			2020		
	Total	Men	Women	Total	Men	Women
PhD	0	0	0	0	0	0
Graduate	29	10	19	28	10	18
Higher professional qualification or long working experience	0	0	0	1	0	1
Professional training 2	16	0	16	11	0	11
High school or Professional training 1	0	0	0	2	0	2
No qualifications	0	0	0	0	0	0

By contract type

	2021				2020			
	Men	%	Women	%	Men	%	Women	%
Permanent full-time	9	20.0%	21	46.7%	7	59.8%	21	14.7%
Permanent part-time or discontinuous	0	0.0%	0	0.0%	0	5.9%	0	3.9%
Work experience, trainees and apprentices	0	0.0%	4	8.9%	0	1.0%	3	0.0%
Temporary contract (replacing those on parental or sick leave, departure or political activity)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Temporary full-time contracts for time-limited work or services	1	2.2%	10	22.2%	3	11.8%	7	2.9%
Temporary part-time contracts for time-limited work or services	0	0.0%	0	0.0%	0	0.0%	1	0.0%
Total	**10**	**22.2%**	**35**	**77.8%**	**10**	**78.4%**	**32**	**21.6%**

In this sub-sector there was no-one with a recognized disability.

Regarding the introduction of policies and procedures to disconnect from work, a common Group procedure is currently being drawn up for all equity investments in line with those applying in Caja Rural de Navarra.

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 and also to cast light on the remuneration in each sector.

To arrive at these comparative figures, we took the total remuneration received by each worker on the payroll in 2021 or 2020, irrespective of type or duration of their contract, divided by the number of hours worked. For the sector figures, we took the value assigned to a worker in a specific category of each collective agreement, shown for each sub-sector, divided by the number of annual working hours stated in the agreement.

So, if the value was greater than one, the group being analysed earned more per hour on average than the benchmark worker in the collective agreement, and vice versa.
Group averages are calculated weighted by the total number of hours worked by all workers in this group in the comparison year.

a) Flour-producing group

The sector benchmark is taken to be a person classed as lab assistant in the sector collective agreement (National Collective Agreement for Companies in the Bread Flour and Semolina Sector). A new Collective Agreement was signed in June 2020 which will remain in force until the end of 2022

Average figures by gender of worker, compared to the sector benchmark and the average for companies in this sub-sector of the Caja Rural Group are as follows:

	VS. collective agreement base		Of companies in sub-group	
	2021	2020	2021	2020
Men	1.78	1.81	01.04	01.04
Women	1.45	1.38	0.84	0.80
Sub-sector average	1.73	1.73	1.00	1.00
Difference M/W	0.33	0.43	0.19	0.25
ESO o FP1	0	0	2	2
Sin cualificación	0	0	0	0

We repeat that this comparison is based on everyone on the payroll during the year, even if they were only temporary workers, and for the comparative figures we analyse the resulting hourly salary per person.

The following breakdowns are compared to the benchmark salary in the collective agreement for the sector:

	2021			2020		
	Total	Men	Women	Total	Men	Women
Less than 30 years	1.39	1.45	1.30	1.36	1.43	1.24
31 to 40 years	1.54	1.57	1.45	1.56	1.60	1.44
41 to 50 years	1.79	1.84	1.53	1.78	1.86	1.38
51 to 60 years	1.89	1.90	1.62	1.99	02.01	1.61
Over 60	2.13	2.25	1.25	02.09	2.24	1.20
Total	**1.71**	**1.78**	**1.45**	**1.73**	**1.81**	**1.38**

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By category

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area management	3.17	3.35	2.26	3.35	3.47	2.42
Engineers and graduates, reporting to a function area manager	1.86	1.95	1.44	1.74	1.86	1.35
Administrative, workshop and shift managers Sales	1.94	1.93	02.04	1.42	1.44	1.28
First-grade managers, administrators and production or quality	1.37	1.37	1.37	1.55	1.57	1.42
Second-grade managers, administrators and production or quality	1.59	1.64	1.34	1.82	1.86	1.29
Administrative assistants, third-grade workers, assistants, labourers.	1.11	1.11	1.11	1.42	1.50	1.25
Trainees and work experience	1.22	0.76	1.26	0.84	0.84	-
Total	**1.71**	**1.78**	**1.45**	**1.73**	**1.81**	**1.38**

By training:

	2021			2020		
	Total	Men	Women	Total	Men	Women
PhD	More than 2	More than 2	∉	More than 2	More than 2	∉
Graduate	2.33	2.90	1.61	2.46	2.99	1.60
Higher professional qualification or long working experience	1.86	1.93	1.47	1.81	1.86	1.34
Professional training 2	1.55	1.61	1.29	1.54	1.63	1.21
High school or Professional training 1	1.34	1.36	1.13	1.41	1.44	1.23
No qualifications	1.41	1.43	0.80	1.43	1.43	0.74
Total	**1.71**	**1.78**	**1.45**	**1.73**	**1.81**	**1.38**

The doctor multiplier figure has been removed as there is only on person with this qualification

By contract type:

	2021			2020		
	Total	Men	Women	Total	Men	Women
Permanent full-time	1.73	1.79	1.46	1.76	1.84	1.39
Permanent part-time or discontinuous	1.46	∉	1.38	1.51	∉	1.51
Work experience, trainees and apprentices	1.41	1.48	1.37	0.95	1.18	0.68
Temporary contract (replacing those on parental or sick leave, departure or political activity)	1.17	N/I	N/I	1.13	N/I	N/I
Temporary full-time contracts for time-limited work or services	1.18	1.19	01.04	1.16	1.15	1.20
Total	**1.71**	**1.78**	**1.45**	**1.73**	**1.81**	**1.38**

The same was done with the figure for people on temporary contracts, where no information is given for their individual salary

b) Senior care group

In this case, we also prepared a comparison with the collective agreement – VII 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, Group C. Figures refer all those on the payroll in each year, for however short a time.

	VS. collective agreement base		in Care Group companies	
	2021	2020	2021	2020
Men	1.88	1.95	1.26	1.26
Women	1.46	1.50	0.98	0.97
Sub-sector average	1.53	1.54	1.00	1.00
Difference M/W	0.42	0.45	0.28	0.29

By age

	2021			2020		
	Total	Men	Women	Total	Men	Women
Less than 30 years	1.44	1.57	1.43	1.56	1.79	1.53
31 to 40 years	1.46	1.54	1.45	1.49	1.53	1.48
41 to 50 years	1.62	2.43	1.54	1.66	2.58	1.57
51 to 60 years	1.39	2.37	1.36	1.44	2.12	1.41
Over 60	1.54	∉	1.54	1.55	∉	1.55
Total	**1.50**	**1.88**	**1.46**	**1.54**	**1.95**	**1.50**

By professional category

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area managers	N/I	N/I	∉	3.90	4.30	2.83
Doctors, psychologists	3.31	∉	3.31	3.12	2.90	3.13
Nurses, nutritionists and physiotherapists	1.89	1.77	1.90	02.02	2.27	2.00
Nursing and geriatric assistants	2.30	2.58	02.01	1.69	1.91	1.66
Administrators and technical staff in socio-cultural activities	1.33	1.44	1.32	1.35	1.48	1.34
Administrative assistants, cleaners, wardens	1.26	1.55	1.24	1.25	1.29	1.25
Total	**1.50**	**1.88**	**1.46**	**1.54**	**1.95**	**1.50**

Data that could be easily used to identify a specific person have been eliminated

By qualification

	2021			2020		
	Total	Men	Women	Total	Men	Women
PhD	∉	∉	∉	2.16	2.16	∉
Graduate	2.13	2.74	2.05	2.46	2.99	1.60
Higher professional qualification or long working experience	1.88	1.67	2.23	1.81	1.86	1.34
Professional training 2	2.65	3.12	2.42	1.54	1.63	1.21
High school or Professional training 1	1.34	1.45	1.33	1.41	1.44	1.23
No qualifications	1.23	1.91	1.22	1.43	1.43	0.74
Total	**1.50**	**1.88**	**1.46**	**1.73**	**1.81**	**1.38**

By contract mode

	2021			2020		
	Total	Men	Women	Total	Men	Women
Permanent full-time	1.55	2.05	1.50	1.58	7.81	1.54
Permanent part-time or discontinuous	1.41	1.59	1.40	1.54	∉	1.54
Work experience, trainees and apprentices	2.75	∉	2.75	∉	∉	∉
Temporary contract (replacing those on parental or sick leave, departure or political activity)	1.39	1.57	1.37	1.44	2.05	1.40
Temporary full-time contracts for time-limited work or services	1.26	1.20	1.26	1.40	1.52	1.37
Temporary part-time contracts for time-limited work or services	1.48	1.40	1.49	1.40	1.52	1.37
Total	**1.50**	**1.88**	**1.46**	**1.54**	**1.95**	**1.50**

c) Winery supplies group

Comparisons are with the post of lab assistant in the Collective Agreement for Wood-workers of Navarre. As explained above, the comparison is based on the hourly salary of all workers who appeared on the payroll at any time.

	VS. Collective agreement base		Of companies in sub-group	
	2021	2020	2021	2020
Men	1.76	2.00	1.01	1.02
Women	1.71	1.84	0.98	0.94
Sub-sector average	1.86	1.96	1.00	1.00
Difference M/W	0.05	0.15	0.03	0.08

By age

	2021			2020		
	Total	Men	Women	Total	Men	Women
Less than 30 years	1.55	1.55	1.57	1.57	1.64	1.25
31 to 40 years	1.34	1.21	1.60	1.68	1.37	2.12
41 to 50 years	2.12	2.17	1.92	02.12	2.19	1.84
51 to 60 years	1.70	1.74	1.51	1.94	02.04	1.42
Over 60	1.16	1.16	∉	1.93	1.93	∉
Total	**1.75**	**1.76**	**1.71**	**1.96**	**2.00**	**1.84**

By professional category

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area management	4.14	4.22	2.66	4.03	4.03	∉
Administrative, workshop and shift managers Sales	1.79	1.66	2.82	2.30	2.18	2.62
First-grade managers, administrators and production or quality	N/I	N/I	∉	1.70	1.70	∉
Second-grade managers, administrators and production or quality	1.17	1.17	1.15	1.43	1.44	1.22
Administrative assistants, third-grade workers, assistants, labourers.	1.61	1.70	1.54	1.60	1.58	1.63
Trainees and work experience	N/I	N/I	∉	N/I	N/I	∉
Total	**1.75**	**1.76**	**1.71**	**1.96**	**2.00**	**1.84**

By qualification

	2021			2020		
	Total	Men	Women	Total	Men	Women
Graduate	2.34	2.89	02.04	2.68	3.35	2.16
Higher professional qualification or long working experience	1.66	1.70	0.98	2.06	2.07	1.51
Professional training 2	1.74	∉	1.74	1.65	1.94	1.59
High school or Professional training 1	1.64	1.66	1.52	1.35	1.37	1.22
Total	**1.75**	**1.76**	**1.71**	**1.96**	**2.00**	**1.84**

By contract mode

	2021			2020		
	Total	Men	Women	Total	Men	Women
Permanent full-time	1.82	1.81	1.86	2.02	2.04	1.97
Permanent part-time or discontinuous	1.13	1.14	1.12	1.79	2.15	1.36
Work experience, trainees and apprentices	N/I	N/I	∉	N/I	N/I	∉
Temporary contract (replacing those on parental or sick leave, departure or political activity)	1.38	1.39	1.37	∉	∉	∉
Temporary full-time contracts for time-limited work or services	1.44	1.44		1.16	01.04	1.43
Total	**1.75**	**1.76**	**1.71**	**1.96**	**2.00**	**1.84**

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 Collective agreement of office of Navarre.

	Respecto valor base convenio		Entre estas empresas de este subgrupo	
	2021	2020	2021	2020
Men	1.72	1.67	1.37	1.33
Women	1.10	1.11	0.88	0.88
Sub-sector average	1.25	1.25	1.00	1.00
Difference M/W	0.62	0.57	0.49	0.45

By worker’s age

	2021			2020		
	Total	Men	Women	Total	Men	Women
Less than 30 years	0.82	∉	0.82	0.80	0.79	0.80
31 to 40 years	1.16	1.31	1.08	1.18	1.17	1.18
41 to 50 years	1.31	1.59	1.19	1.29	1.53	1.17
51 to 60 years	N/I	N/I	1.23	N/I	N/I	1.17
Total	**1.25**	**1.72**	**1.10**	**1.25**	**1.67**	**1.11**

By professional category

	2021			2020		
	Total	Men	Women	Total	Men	Women
General and area management	3.26	3.26	∉	3.42	3.42	∉
Administrative, workshop and shift managers Sales	1.69	∉	1.69	1.48	∉	1.48
First-grade managers, administrators and production or quality	1.30	1.36	1.27	1.24	1.28	1.22
Second-grade managers, administrators and production or quality	1.03	1.08	1.02	1.06	1.00	1.07
Administrative assistants, third-grade workers, assistants, labourers.	0.82	∉	0.82	1.89	∉	1.89
Trainees and work experience	∉	∉	∉	0.66	∉	0.66
Total	**1.25**	**1.72**	**1.10**	**1.25**	**1.67**	**1.11**

Some work experience employees in 2020 were kept on after them and now work as administrative assistants.

By qualification

	2021			2020		
	Total	Men	Women	Total	Men	Women
Graduate	1.35	1.72	1.15	1.36	1.67	1.19
Higher professional qualification or long working experience	∉	∉	∉	N/I	∉	N/I
Professional training 2	1.02	∉	1.02	0.97	∉	0.97
High school or Professional training 1	∉	∉	∉	0.99	∉	0.99
Total	**1.25**	**1.72**	**1.10**	**1.25**	**1.67**	**1.11**

By contract mode

	2021			2020		
	Total	Men	Women	Total	Men	Women
Permanent full-time	1.36	1.74	1.19	1.38	1.87	1.20
Work experience, trainees and apprentices	0.60	∉	0.60	0.66	∉	0.66
Temporary full-time contracts for time-limited work or services	0.94	1.07	0.93	1.00	1.04	0.97
Temporary part-time contracts for time-limited work or services	∉	∉	∉	N/I	∉	N/I
Total	**1.25**	**1.72**	**1.10**	**1.25**	**1.67**	**1.11**

In all tables "N/I" is used to mean no information, where those concerned would be easily identifiable.

ORGANIZATION OF WORK. HEALTH AND SAFETY

All group companies table working time is 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 to all areas, but the continuation of Covid measures has required different procedures to be put in place in all companies.

Accident statistics are collected in all manufacturing centres, even for accidents that do not require medical attention or time off since improvements can be made if these figures are analysed.

The data on accidents and resulting time off work are presented below.

a) Flour-producing group

Workplace accidents	2021	2020
Accidents without time off work	40	27
Accidents resulting in time off work	36	25
Total accidents	76	52
Accident incidence	63	42
Accident severity	13.60	8.68

Hours off work and absenteeism rate	Hours 2021		Total	Hours 2021		Total
	Men	Women		Men	Women	
Accidents	9,728	0	9,728	5,311	112	5,423
Common illness	37,896	14,892	52,788	17,736	2,788	20,524
Covid (1)	4,560	904	5,464	1,720	88	1,808
Maternity	0	3,384	3,384	0	4,536	4,536
Paternity	4,016	0	4,016	2,672	0	2,672
Childcare	0	0	0	384	0	384
Care of the sick	64	0	64	0	0	0
Other personal motives	384	64	448	278	128	406
Jury service, union work, etc.	216	120	336	368	36	404
Total hours lost	**56,864**	**19,364**	**76,228**	**28,469**	**7,688**	**36,157**
Total working hours	**568,958**	**139,079**	**708,037**	**521,250**	**103,718**	**624,968**
Total hours off work	**47,136**	**19,364**	**66,500**	**23,158**	**7,576**	**30,734**
Absenteeism rate	**9.99**	**13.79**	**10.74**	**5.46**	**7.41**	**5.79**

(1) In cases where Covid has been separately recorded.

Time off includes all hours lost except for those due to accident

b) Senior care group

Workplace accidents	2021	2020
Accidents without time off work	18	15
Accidents resulting in time off work	29	38
Total accidents	47	53
Accident incidence	0.066	0.091
Accident severity	13.19	9.66

Hours off work and absenteeism rate	Hours 2021		Total	Hours 2021		Total
	Men	Women		Men	Women	
Accidents	28	5,944	5,972	0	4,770.00	4,770
Common illness	2,659	32,720	35,379	802.27	35,624.73	36,427
Covid	285	2,465	2,750	776.72	23,425.28	24,202
Maternity	0	7,780	7,780	0	9,807.00	9,807
Paternity	0		0	0	0	0
Childcare	0		0	0	0	0
Care of the sick	0		0	0	0	0
Other personal motives		120	588	708	0	0
Jury service, union work, etc.	0	1,260	1,260	0		
Total hours lost	3,092	50,757	53,849	1,578.99	73,627.01	75,206
Total working hours	43,100	450,580	493,680	45,151.58	448,459.42	493,611
Total hours off work	3,092	48,909	51,881	1,578.99	68,857.01	70,436.00
Absenteeism rate			**10.91**			**15.24**

c) Winery supplies group

Data reported for 2020 and 2021:

Workplace accidents	2021	2020
Accidents without time off work	4	1
Accidents resulting in time off work	9	9
Total accidents	13	10
Accident incidence	0,08	0,13
Accident severity	28,21	9,79

The table below includes a more detailed comparison between 2021 and 2020, although it is important to note that 2020 figures do not include data for the French subsidiary Tonnellerie de L'Adour:

Hours off work and absenteeism rate	Hours 2021		Total	Hours 2021		Total
	Men	Women		Men	Women	
Accidents	3,087.45	7.75	3,095	660	0	660
Common illness	1,301.50	2,140.76	3,442	986	656	1642
Covid	88.00	74.00	162	1201	0	1201
Maternity	.	504.00	504	0	720	720
Paternity	950.50	.	951	528	0	528
Childcare	4.00	4.00	8	0	0	0
Care of the sick	42.25	.	42	76	0	76
Other personal motives	35.75	.	36	3	0	3
Jury service, union work, etc.	.	.	0	0	0	0
Total hours lost				13739	3370	17109
Total working hours	5,509.45	2,730.51	8,240	3454	1376	4830
Total hours off work	88,265.81	21,447.62	109,713	49,980	17,455	67,435
Absenteeism rate	**6.24**	**12.73**	**7.51**	**5.58**	**8.84**	**6.24**

d) Financial services group

Workplace accidents	2021	2020
Accidents without time off work	0	0
Accidents resulting in time off work	1	5
Total accidents	1	5
Accident incidence	0.016	0.091
Accident severity	0	2,00

Hours off work and absenteeism rate	Horas 2021			Horas 2021		
	Men	Women	Total	Men	Women	Total
Accidents	0	0	0	37	73	110
Common illness	0	468	468	176	469	644
Covid	0	435	435	113	688	801
Maternity	0	0	0	0	359	359
Paternity	820	0	820	0	0	0
Childcare	0	0	0	0	0	0
Care of the sick	0	0	0	0	0	0
Other personal motives	0	0	0	0	0	0
Jury service, union work, etc.	0	0	0	0	0	0
Total hours lost	0	0	0	0	0	0
Total working hours	820	903	1,723	325	1,588	1,914
Total hours off work	15,630	47,186	62,816	14,116	40,879	54,995
Absenteeism rate	820	903	1.723	288	1.515	1.804
Tasa de absentismo	**5.25**	**1.91**	**2.74**	**2.31**	**3.89**	**3.48**

3.2. EMPLOYEE RELATIONS

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
- The Senior Care group is subject to the state collective framework agreement for care services for dependent persons
- In the Winery Supplies group, each of the three companies is subject to its own agreement. For INTONA this is the agreement relating to the wood industries, the French equivalent in the case of Tonnellerie de L'Adour and, for Bouquet Brands, the agreement relating to the Navarre food storage sector.
- The auxiliary financial services group is governed by the regional agreement for branches and offices.

3.3. TRAINING

Although in 2020, face-to-face training became extremely difficult and the Group embraced the trend toward online training, which is now the usual format in all Group companies. In the flour-producing companies, training for customers and other stakeholders also restarted. The following tables summarise training delivered during the year

Flour Group

2021						
TRAINING	Hours			No. of attendees		
Courses taken by employees	Men	Women	Total	Men	Women	Total
Administration	87	91	178	3	12	15
Sales	400	46	446	19	13	32
Quality	238	183.5	421.5	10	14	24
R&D	10.5	8	18.5	24	15	39
Management	0	1	1	0	16	16
Production	0	100	100	0	17	17
Total	735.5	429.5	1165	56	87	143
External training costs				15,305		

Senior care group

In 2021, the following courses were delivered:

TRAINING 2021	Hours		No. of attendees	
Courses taken by employees	Men	Women	Men	Women
Administration	2	-	-	-
Sales	1	-	-	-
Quality	2	-	-	-
Management	1	-	-	-
Face-to-face	54	726	-	-
Total courses	60	726	6	80
Total external training costs		15,109		

Entidad Financiera: 3008
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Teléfono: 948 168 100

In 2020, training was given in all aspects of the pandemic and caring for residents in this environment. However, these costs were not separated out from other essential operating costs of care and we therefore cannot give them separately

In the previous year:

TRAINING 2019	Hours		No. of attendees	
Courses taken by employees	Men	Women	Men	Women
Administration	12	18	2	3
Sales		6		1
Face-to-face	48	968	7	155
Total external training costs		**19398**		

Winery supplies group

In 2021 we recorded the following training courses

TRAINING 2021	Hours		No. of attendees	
Courses taken by employees	Men	Women	Men	Women
Administration		18		4
Sales	51.5	3	7	1
Management	17		3	
Total	68.5	21	10	5
Training costs		**6.168**		

In 2020, there were no structured training activities

Auxiliary financial services group to Caja Rural de Navarra

In 2021 and 2020, there were no structured training activities

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.

As from March 2022, all companies with more than fifty employees are required to draft an equalities plan. Not all Caja Rural Group companies had the equalities plan in place at 31 December 2021. Some already have a plan and others will either sign up to Caja Rural de Navarra's equalities plan or draft their own.

4. RESPECT FOR HUMAN RIGHTS

Caja Rural de Navarra's corporate securities policies extend to the companies controlled via equity stakes. Human and labour rights are respected not only because this is required by law, but because 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. Let's explain that a little. 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.

All plants have IFS certification.

Our Group is an active member of the Spanish Flour and Semolina Manufacturers' Association (AFHSE), one of its areas of focus is food hygiene, generally in collaboration with the Ministry.

Our factories carry out periodic training workshops 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.

Harinera de Tardienta and Harinas Selectas were both granted the RSA "Social Responsibility of Aragon" award in 2020, which continues to apply.

6.4. SENIOR CARE

Service quality metrics have been defined for Solera Asistencial's residential Days 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.

A quality model is in the course of preparation, based on the UNE 158101 standard (covering services for the promotion of personal autonomy) and ISO 9001, tailored to its needs and services. The system is being incorporated at all levels of the organization, particularly into the Care model and the Social Work Department.

6.5. COVID-19

Most employees in Caja Rural de Navarra Group subsidiaries work in the food and care sectors and are therefore considered essential workers.

As last year, we must extend our deepest thanks to all our staff for their hard work. They maintained safety procedures at every level of the organizations and everyone remained committed to their work, despite the ongoing effects of the pandemic.

They again sustained excellent levels of professionalism and dedication and we want to focus particularly on those working in the care sector due to its nature.

Employees continued to work to a human scale, taking on responsibility to customers and colleagues.

6.6. TAX INFORMATION

The Group complies with its local, regional and state tax obligations. 2020 and 2019 figures for all the subsidiaries are the following:

	2021			2020		
	ES	FR	Total	ES	FR	Total
Accrued company income tax	1,307,558.10	0.00	1,307,558.10	421,012.77	0.00	421,012.77
Economic activities tax	314,683.74	5,034.00	319,717.74	301,379.47	9,949.00	311,328.47
Property tax	165,707.35	9,592.00	175,299.35	125,603.54	9,254.00	134,857.54
VAT (Reclaimed.due=VAT paid)	-235,948.18	0.00	-235,948.18	565,053.72	0.00	565,053.72
Other taxes and levies (except waste)	243,680.73	9,721.45	253,402.18	199,423.82	12,592.14	212,015.96

2020 figures show some discrepancies from those published last year where information has been updated (data for 2020 received in 2021 and some reclassifications).

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 2021 and 2020.

The subsidiaries located in the Common Tax Territory are consolidated into a single tax group for the purposes of Company Income Tax.

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Certification of the Preparation of the financial statements of Caja Rural de Navarra, Sociedad Cooperativa de Crédito and Subsidiaries

APPROVAL BY THE GOVERNING BOARD OF

THE 2021 CONSOLIDATED FINANCIAL STATEMENTS OF CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO AND SUBSIDIARIES

The Governing Board of Caja Rural de Navarra, Sociedad Cooperativa de Crédito, at its meeting of 25 March 2022, prepared the consolidated financial statements and the consolidated management report in 2021.

As evidence that this copy of the consolidated financial statements and consolidated management report for 2021 is a true copy of the original, the undersigned sign the corresponding consolidated financial statements for the year ended 31 December 2021, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and associated notes, and the consolidated management report for 2021, signed and sealed by the Secretary to the Board, individually signed by each Board member on each of the 15 following pages of this certification. They declare that, to the best of their knowledge, the consolidated financial statements for 2021, approved at the meeting of 25 March 2022, prepared in line with applicable accounting standards, provide a true and fair view of the consolidated net assets and liabilities, financial position and consolidated results of Caja Rural de Navarra and subsidiaries and that the consolidated management report includes an accurate analysis of the performance and business earnings and the position of Caja Rural de Navarra and subsidiaries, along with the description of the main risks and uncertainties the organisation faces.

The Secretary of the Board attests that the Board members attending the meeting on 25 March 2022 were those that approved the consolidated financial statements and management report and has accordingly signed the individual pages of this certification, numbered so as to constitute a single document, which will be included in the corresponding consolidated financial statements.

Marcelino Etayo Andueza
Secretary

Entidad Financiera: 3008
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