FitchRatings

Banks
Retail & Consumer Banks
Spain

Caja Rural de Navarra, Sociedad Cooperativa de Credito

Key Rating Drivers

Concentrated Franchise, Strong Capital: Caja Rural de Navarra, Sociedad Cooperativa de Credito's (CRN) ratings balance a small regional market presence with strong capitalisation and asset quality and a robust funding profile. They also reflect a low risk appetite and healthy profitability, albeit less diversified than at higher-rated entities.

Part of Institutional Protection Scheme: CRN is a member of the Institutional Protection Scheme (IPS) of the Spanish rural credit cooperative association (Asociacion Española de Cajas Rurales; AECR). Currently, this support mechanism is insufficient to substantially equalise the default risk of group members. However, as the mechanism matures it may materially enhance the cohesion of its members and eventually result in a group rating being assigned.

Strong Regional Position: CRN operates in its wealthy home region of Navarra, the Basque Country and Rioja, where the bank has robust market shares and some pricing power, particularly in customer deposits, which translates into resilient profitability. The business model is stable and skewed towards traditional retail and commercial banking activities.

Conservative Risk Profile: The bank's underwriting standards are more prudent than the domestic industry practice, which is reflected in its more resilient asset quality throughout several credit cycles. CRN's large securities portfolio, mainly invested in Spanish sovereign debt, results in counterparty risk concentration, which Fitch Ratings believes is well managed.

Consistently Strong Asset Quality: CRN's asset-quality indicators have historically been stable and among the best in Spain due to conservative underwriting standards and despite its geographical concentration. We expect CRN's impaired loans ratio to remain low at about 2%. The bank's loan loss allowances coverage of impaired loans is strong, at 127% at end-2024.

Sustainably Higher Profitability: CRN's strong profitability metrics should be seen in light of its high reliance on net interest income (NII), albeit lower than at domestic cooperative bank peers. CRN's operating profit peaked at 4.1% of risk-weighted assets (RWAs) in 2024, benefitting from higher interest rates, stronger fees and contained loan impairment charges. We expect the ratio to moderately weaken due to margin pressure, but to remain strong in 2025 and 2026, at about 3.5%.

Strong Capital Ratios: The bank maintains large capital buffers above its regulatory minimum requirements, given its cooperative structure, resilient profitability and limited profit distribution. Its common equity Tier 1 (CET1) ratio was a high 27.1% at end-2024 and we expect it to continue improving over the medium term, supported by a high earnings retention rate and healthy profitability.

Stable Funding and Liquidity: CRN's funding comfortably exceeds its loan book, supported by a growing and granular customer deposit base and strong client relationships. The bank's funding lacks diversification compared with larger peers. However, this is not a rating weakness given the bank's low loans/deposits ratio and ample liquidity.

Ratings

Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Government Support Rating	ns
Sovereign Risk (Spain)	
Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Business Conditions Support Spanish Banks' Improved Operating Environment (December 2024)

Global Economic Outlook (September 2025)

Fitch Affirms Spain at 'A-'; Outlook Positive (April 2025)

Fitch Affirms Caja Rural de Navarra at 'BBB+'; Outlook Stable (September 2025)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

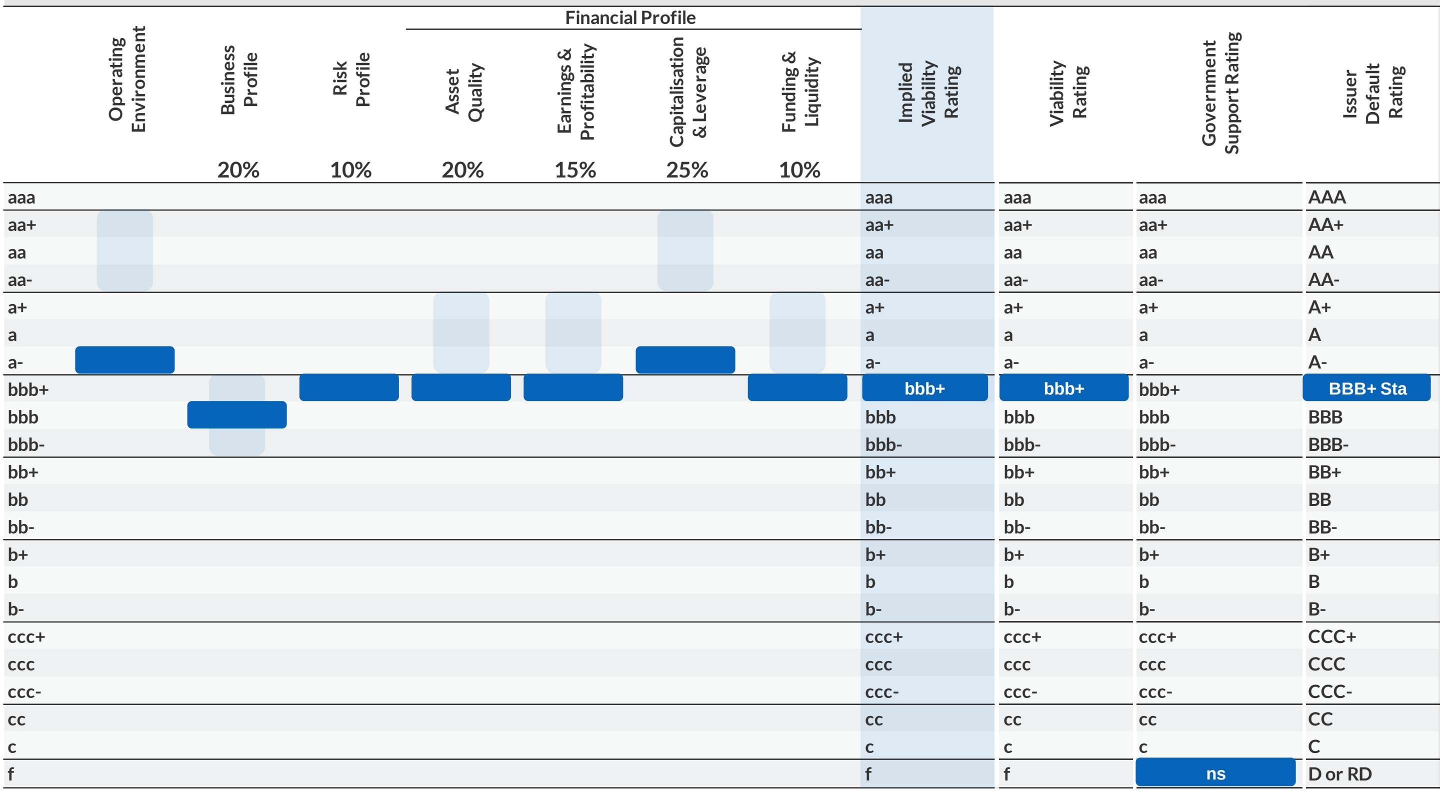
CRN has significant headroom at the current rating. Its ratings could be downgraded if the bank deviated from its cautious risk-taking and conservative capital management, which Fitch does not expect. This could be manifested in a consistent deterioration of its impaired loans ratio to well above 6%, operating profit towards 1.5% of RWAs and CET1 ratio towards 16% without a credible plan to restore it in a timely manner.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Rating upside is limited by the bank's franchise compared with higher-rated banks. An upgrade would require a significantly strengthened nationwide presence and earnings diversification, without structurally altering CRN's current conservative risk appetite. The bank would also need to sustainably maintain its impaired loans ratio comfortably below 2%, operating profit/RWAs above 3% and CET1 ratio above 16%.

Ratings Navigator

Caja Rural de Navarra, Sociedad Cooperativa de Credito ESG Relevance: | Banks Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied Viability Rating (VR) are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘a-’ is below the ‘aa’ category implied score due to the following adjustment reason: sovereign rating (negative).

The asset quality score of ‘bbb+’ is below the ‘a’ category implied score due to the following adjustment reason: concentrations (negative).

The earnings and profitability score of ‘bbb+’ is below the ‘a’ category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation and leverage score of ‘a-’ is below the ‘aa’ category implied score due to the following adjustment reason: capital flexibility and ordinary support (negative).

The funding and liquidity score of ‘bbb+’ is below the ‘a’ category implied score due to the following adjustment reason: non-deposit funding (negative).

Company Summary and Key Qualitative Factors

Business Profile

CRN is Spain's third-largest credit cooperative, with a presence in wealthy northern regions. The bank has high market shares in its core market of Navarra (about 30% of loans and deposits at end-2024) and has longstanding client relationships. CRN also has a meaningful presence in neighbouring regions, particularly the Basque Country and Rioja, where it continues to gain market share. However, CRN's franchise is small by national standards, with market shares below 1% at end-2024. The bank's business model is stable and focused on serving households and SMEs. CRN also offers wealth-management and insurance products from the AECR group's subsidiaries, but NII continues to be the main source of revenue.

Part of Institutional Protection Scheme

CRN is a member of AECR, which comprises 30 credit cooperatives that share common cooperative values. The group owns a bank (Banco Cooperativo Espanol, S.A. (BBB/Positive), which acts as the group's central treasurer) and an insurance company and IT company that provide centralised services to members. These services include wealth management and insurance products, IT services, and treasury and liability management services that help the group to achieve economies of scale.

The AECR banks established a more cohesive cross-support mechanism under an IPS in 2018. This includes an ex-ante recovery fund to address liquidity and solvency problems among group members. In Fitch's view, this strengthens cross-support for members undergoing severe liquidity or solvency problems. The mechanism does not imply the mutualisation of solvency, liquidity or profits.

The IPS members are supervised individually but have lower regulatory requirements, such as capital relief on intragroup lending, higher allowances for single-borrower exposures if they are to fellow group members, and lower contributions to the Deposit Guarantee Fund. The IPS also led to the adoption of a uniform definition of standards and methodologies for risk management. Members share a common digitalisation strategy and infrastructure, and have similar commercial offerings.

Risk Profile

CRN's low risk profile reflects the bank's cooperative nature, its focus in regions that have stronger economic fundamentals than the national average, and pervasive risk governance and controls for the complexity of the bank. CRN is mainly exposed to credit risk from its lending activities (54% of total assets at end-2024), and its debt securities portfolio (26%). The loan book is low risk as it is oriented towards individuals (54% of total loans, mostly mortgage loans) and SMEs and corporates (44%). The SME book is diversified by counterparty and sector, although geographically concentrated in the bank's home regions.

Loan growth has slowed in recent years due to lower demand and higher pre-payments. This followed several years of strong growth on the consolidation and restructuring of the Spanish banking sector. We expect growth to accelerate as credit demand picks up. We expect this growth to be accompanied by strict underwriting standards and funded by customer deposits and earnings retention.

High Sovereign Debt Exposure

Spanish sovereign bonds dominate the debt securities portfolio, resulting in some counterparty risk concentration, with the rest being other European debt or investment-grade bonds from banks and corporates. The portfolio is mostly classified at amortised cost (end-2024: 83%), reducing equity volatility from valuation adjustments. Interest rate risk is the main market risk due to the large stock of floating-rate loans (51% of total loans at end-2024), but this is well managed, and the bank calculates that a 200bp parallel negative movement of the yield curve would result in a 14% decrease in NII. CRN has a small portfolio of industrial equity holdings, most of which are companies with close business ties to the bank's core regions. The stock of equities represents a moderate 5% of CET1 capital at end-2024 and provides a stable income source.

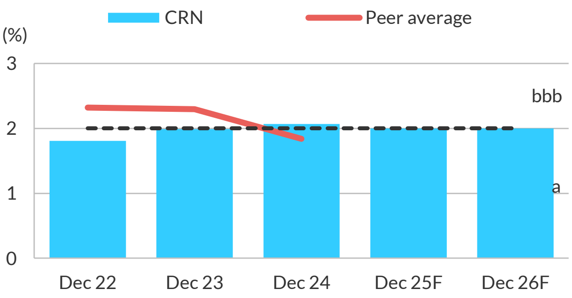
Financial Profile

Asset Quality

CRN's asset-quality metrics remained stable despite higher interest rates. Resilient labour and real estate markets supported asset quality, together with the bank's conservative underwriting standards and a portfolio with low debt-service/income ratios. We believe the bank's sound loan portfolio and Spain's supportive operating environment will help to maintain strong asset quality.

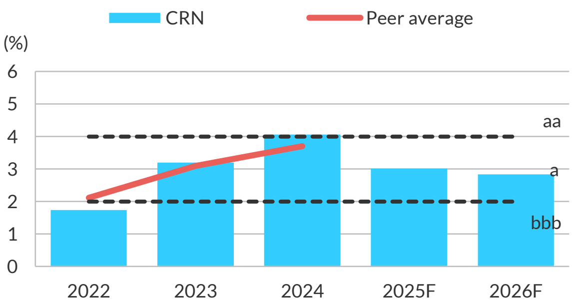
We expect the impaired loans ratio (end-2024: 2.1%) to remain stable. The bank intends to grow and slowly gain market shares as credit demand picks up, but we expect this to be accompanied by strict underwriting standards. Stage 2 loans represented 3% of gross loans at end-2024, which is similar to other rural cooperatives and well below the European average. The bank's total coverage ratio is high considering loan book collateralisation, while the Stage 2 (12%) and Stage 3 (67%) coverage ratios are also very strong.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

CRN's profitability improved materially after several years of stability, driven by continued strong NII growth (20% in 2024) on higher interest rates, increased business volumes and particularly the bank's low cost of deposits.

The bank's revenue diversification is lower than that of higher-rated peers, but CRN has plans to grow fee generation, mainly in wealth management and insurance products. Fees increased by 7% in 2024, and we expect CRN to maintain similar growth. Costs rose by 8% due to higher wages but also significant investments in IT to improve the bank's digital offering, which we expect to continue. Loan impairment charges represented a moderate 25bp of gross loans.

In Fitch's view, profitability will deteriorate in 2025 as NII weakens and costs continue increasing. This will be partially offset by dynamic new lending, increased fee income, and lower RWAs due to the new Capital Requirements Regulation.

The bank's strong cost efficiency was helped by a boost in NII (cost/income ratio of 35% in 2024) and is therefore temporarily below structural levels, as is the case for other cooperative peers. However, CRN's cost management should continue to benefit from services shared with other AECR members, such as IT infrastructure and insurance and asset-management product developments.

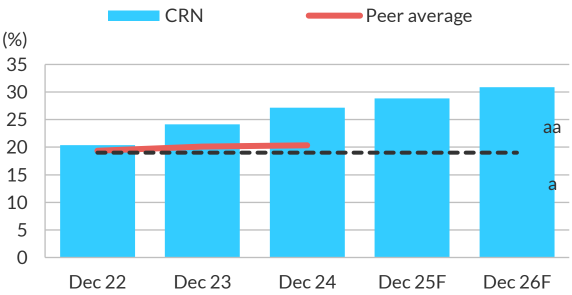
Capitalisation and Leverage

CRN's sound capitalisation is supported by the bank's historically low pay-out ratios, derived from its cooperative structure and good internal capital generation. The regulatory CET1 and total capital ratios increased to 27.1% at end-2024 (end-2023: 24.2%) and are strong by international standards. The Pillar 2 requirement of 1.2% is the lowest among Spanish entities, reflecting CRN's low risk appetite.

CET1 capital comfortably meets the minimum requirement for own funds and eligible liabilities, set at 18.1% of RWAs, and we expect the bank to continue meeting this requirement with only CET1 capital.

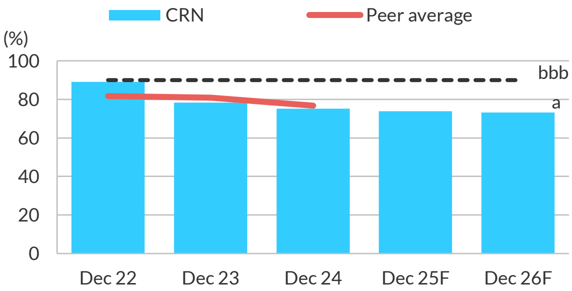
Credit risks represented about 90% of RWAs at end-2024, and are calculated under the standardised approach, resulting in a fairly high RWA density (end-2024: 44%) considering the large share of residential mortgages and fixed-income portfolio. This is reflected in the strong leverage ratio of 12.5% at end-2024.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

CRN fully funds its loan portfolio with granular retail customer deposits. The loans/deposits ratio reduced over recent years to about 75% at end-2024, as deposits continued growing while credit demand slowed, and compares well with the Spanish sector average. Wholesale funding is mainly in the form of covered bonds, which are partly used to finance long-term loans denominated at fixed rates, hedging the bank's exposure to interest rate changes.

CRN has a comfortable liquidity position as wholesale debt maturities are manageable and refer largely to secured debt issuances, which free up collateral upon maturity. Regulatory liquidity coverage (340%) and net stable funding (161%) ratios were solid at end-2024.

Additional Notes on Charts

The forecasts in this report reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category.

Peer average includes Caja Laboral Popular Coop. de Credito (VR: bbb+), Sociedad Cooperativa de Credito, Caja Rural de Granada, Sociedad Cooperativa de Credito (bbb), Eurocaja Rural, Sociedad Cooperativa De Credito (bbb), Permanent TSB Group Holdings plc (bbb), Komercni Banka, a.s. (a), Credito Emiliano S.p.A. (bbb). Unless otherwise stated, financial year end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Dec 21 12 months (EURm)	31 Dec 22 12 months (EURm)	31 Dec 23 12 months (EURm)	31 Dec 24 12 months (EURm)	31 Dec 25F 12 months (EURm)	31 Dec 26F 12 months (EURm)
Summary income statement						
Net interest and dividend income	156	176	284	339	-	-
Net fees and commissions	83	90	90	96	-	-
Other operating income	67	78	35	58	-	-
Total operating income	307	344	409	493	473	487
Operating costs	173	194	149	161	169	176
Pre-impairment operating profit	134	151	260	332	305	311
Loan and other impairment charges	18	20	25	23	24	29
Operating profit	116	131	236	310	280	280
Other non-operating items (net)	-14	-6	1	-22	-	-
Tax	11	14	26	29	-	-
Net income	91	111	210	259	249	250
Other comprehensive income	16	-48	41	31	-	-
Fitch comprehensive income	107	63	251	289	-	-
Summary balance sheet						
Assets						
Gross loans	9,655	9,721	9,487	9,655	10,138	10,645
– Of which impaired	180	176	189	200	-	-
Loan loss allowances	213	210	243	254	-	-
Net loans	9,442	9,512	9,243	9,402	-	-
Interbank	145	238	274	265	-	-
Derivatives	10	4	5	5	-	-
Other securities and earning assets	5,170	5,066	4,896	4,682	-	-
Total earning assets	14,768	14,820	14,417	14,354	-	-
Cash and due from banks	1,139	986	1,618	2,772	-	-
Other assets	426	292	280	293	-	-
Total assets	16,333	16,097	16,315	17,419	18,289	19,198
Liabilities						
Customer deposits	10,233	10,915	12,114	12,830	13,599	14,279
Interbank and other short-term funding	313	233	233	223	-	-
Other long-term funding	3,907	2,982	1,683	1,778	-	-
Trading liabilities and derivatives	68	67	92	78	-	-
Total funding and derivatives	14,520	14,198	14,122	14,908	-	-
Other liabilities	354	340	359	375	-	-
Preference shares and hybrid capital	-	-	-	-	-	-
Total equity	1,459	1,560	1,834	2,136	-	-
Total liabilities and equity	16,333	16,097	16,315	17,419	18,289	19,198
Exchange rate	USD1 = EUR0.8842	USD1 = EUR0.9376	USD1 = EUR0.9127	USD1 = EUR0.9622	-	-

Source: Fitch Ratings, Fitch Solutions, Caja Rural de Navarra, Sociedad Cooperativa de Credito

Key Ratios

	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25F	31 Dec 26F
(%; annualised as appropriate)						
Profitability						
Operating profit/risk-weighted assets	1.5	1.7	3.2	4.1	3.7	3.5
Net interest income/average earning assets	1.1	1.2	2.0	2.3	2.1	2.1
Non-interest expense/gross revenue	57.1	57.1	38.1	35.0	38.9	38.6
Net income/average equity	6.5	7.4	12.4	13.1	-	-
Asset quality						
Impaired loans ratio	1.9	1.8	2.0	2.1	2.0	2.0
Growth in gross loans	7.3	0.7	-2.4	1.8	5.0	5.0
Loan loss allowances/impaired loans	118.5	119.2	128.8	126.9	133.0	134.5
Loan impairment charges/average gross loans	0.2	0.2	0.3	0.3	0.2	0.3
Capitalisation						
Common equity Tier 1 ratio	18.7	20.4	24.2	27.1	30.6	32.2
Fully loaded common equity Tier 1 ratio	18.1	19.8	24.2	27.1	-	-
Basel leverage ratio	8.9	9.5	11.0	12.5	-	-
Net impaired loans/common equity Tier 1	-2.3	-2.2	-3.1	-2.6	-	-
Funding and liquidity						
Gross loans/customer deposits	94.4	89.1	78.3	75.3	-	-
Liquidity coverage ratio	366.8	320.8	339.9	-	-	-
Customer deposits/total non-equity funding	70.8	77.3	86.4	86.5	-	-
Net stable funding ratio	134.4	130.7	160.8	-	-	-

Source: Fitch Ratings, Fitch Solutions, Caja Rural de Navarra, Sociedad Cooperativa de Credito

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb+ or bbb
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	A-/ Positive
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

CRN's Government Support Rating of 'no support' (ns) reflects Fitch's belief that senior creditors can no longer rely on receiving full extraordinary support from the sovereign if CRN becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors to participate in losses, instead of, or ahead of, a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Caja Rural de Navarra, Sociedad Cooperativa de Credito** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Caja Rural de Navarra, Sociedad Cooperativa de Credito has 5 ESG potential rating drivers

- Caja Rural de Navarra, Sociedad Cooperativa de Credito has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.