CREDIT OPINION

21 July 2025

Update

Send Your Feedback

Caja Rural de Navarra

Update following rating update

Summary

CRN's deposit ratings reflect the bank's Baseline Credit Assessment (BCA) of baa1; a high probability of affiliate support from the entities integrated into the Institutional Protection Scheme (IPS), which, nevertheless, translates into no uplift from CRN's BCA and consequently into an Adjusted BCA of baa1; and the result of our Advanced Loss Given Failure (LGF) analysis, which does not translate into any rating uplift. CRN's Counterparty Risk (CR) Assessment is A3(cr)/Prime-2(cr) and its Counterparty Risk Ratings (CRRs) are A3/Prime-2.

CRN's BCA of baa1 reflects the bank's sound financial fundamentals, namely its strong asset quality performance coupled with very high coverage levels, its sound capitalization and its improved earnings generation capacity. The affirmation of the bank's BCA also takes into consideration its comfortable funding and liquidity position underpinned by a low reliance on wholesale funding and a large and resilient deposit base.

While CRN's current creditworthiness points to a higher standalone financial profile, Moody's caps the bank's BCA at the level of the Spanish sovereign rating (Baa1) in recognition of the significant interconnectedness between the creditworthiness of the bank and that of the Spanish sovereign.

RATINGS

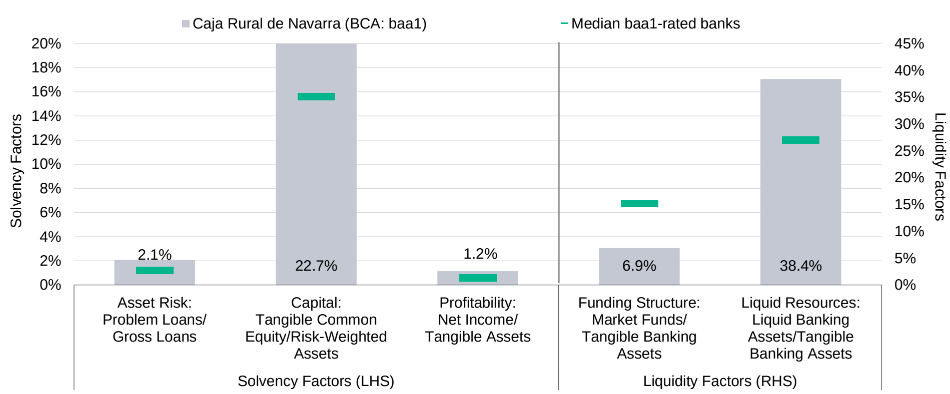
Caja Rural de Navarra

Domicile	Pamplona, Spain
Long Term CRR	A3
Type	LT Counterparty Risk Rating - Dom Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Baa1
Type	LT Bank Deposits - Dom Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Exhibit 1

Rating Scorecard - Key financial ratios



Source: Moody's Ratings

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Credit strengths

» Stronger asset-quality indicators than the system average

» Sound solvency levels

» Low reliance on market funding, most of which is secured

Credit challenges

» Improved recurrent profitability will be challenged by the decline in interest rates

» Exclusive exposure to Spain heightens dependency on the sovereign, constraining the bank's creditworthiness.

Outlook

The positive outlook on CRN's long-term deposit rating is driven by the positive outlook on Spain's sovereign debt rating.

Factors that could lead to an upgrade

CRN's BCA could be upgraded if the Spanish government bond rating is upgraded, as a bank's BCA will not typically exceed the sovereign rating under our Banks methodology without any factor that reduces the dependency between the creditworthiness of the bank and the sovereign.

CRN's deposit ratings could be upgraded as a result of changes in its liability structure, which indicate a lower loss given failure to be faced by deposits.

Factors that could lead to a downgrade

A downgrade of CRN's BCA due to a weaking of its financial fundamentals is currently unlikely, given that the current creditworthiness already points to a higher standalone financial profile. Negative pressure on the bank's BCA could result from a downgrade of the Spanish sovereign rating.

Any change in the BCA would also likely affect the deposit ratings because they are linked to the standalone BCA. CRN's deposit ratings could also change as a result of alterations to the bank's liability structure, which would indicate a higher loss given failure to be faced by deposits.

Key indicators

Exhibit 2

Caja Rural de Navarra (Consolidated Financials) [1]

	12-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (EUR Million)	17,419.3	16,315.3	16,097.1	16,333.1	15,849.8	2.4[4]
Total Assets (USD Million)	18,037.7	18,022.8	17,179.6	18,507.2	19,393.1	(1.8)[4]
Tangible Common Equity (EUR Million)	2,064.0	1,791.4	1,557.1	1,399.3	1,303.1	12.2[4]
Tangible Common Equity (USD Million)	2,137.2	1,978.9	1,661.8	1,585.5	1,594.4	7.6[4]
Problem Loans / Gross Loans (%)	2.1	2.0	1.8	1.9	2.0	1.9[5]
Tangible Common Equity / Risk Weighted Assets (%)	22.7	20.1	16.9	15.1	15.0	17.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	8.6	9.3	10.0	11.1	11.7	10.1[5]
Net Interest Margin (%)	1.9	1.7	1.0	0.9	1.0	1.3[5]
PPI / Average RWA (%)	3.3	2.7	1.6	1.4	1.4	2.1[6]
Net Income / Tangible Assets (%)	1.5	1.3	0.7	0.6	0.5	0.9[5]
Cost / Income Ratio (%)	34.9	38.1	57.0	57.4	58.3	49.1[5]
Market Funds / Tangible Banking Assets (%)	6.9	7.3	15.3	21.2	20.3	14.2[5]
Liquid Banking Assets / Tangible Banking Assets (%)	38.4	35.4	34.0	36.0	37.9	36.3[5]
Gross Loans / Due to Customers (%)	74.9	78.0	88.8	94.1	88.1	84.8[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

Profile

With total assets of €17.4 billion as of year-end 2024, Caja Rural de Navarra (CRN) is the second-largest rural cooperative bank in Spain and the first of the Spanish Rural Cooperatives Association (Asociacion Espanola de Cajas Rurales, AECR), composed of CRN and 29 other rural cooperatives.

CRN has a strong brand recognition and market position in its home region. It is primarily based in Navarre, with reported market shares of 28.0% in lending and 32% in deposits in this region as of the end of December 2024. The bank also operates as the only rural credit cooperative in the neighbouring regions of the Basque Country and La Rioja.

In March 2018, CRN integrated into an IPS, together with the 28 other Spanish rural cooperatives under the AECR and Banco Cooperativo Español, S.A. This IPS is a contractual scheme that ensures support through recourse to a private-sector fund, to which members have to contribute according to the terms and conditions established by a contractual agreement. This private fund will be an effective resource to assist IPS members in times of difficulty and before any resolution or liquidation, with the objective of preserving the financial stability of the IPS members and improving their risk profile.

Members of the IPS, including CRN, continue to be regulated on an individual basis, although they are required to publish consolidated accounts for the group.

This IPS entails some regulatory privileges for these entities, in particular capital relief on cross-sector lending and stakeholdings; higher permissible single-borrower exposures, if these exposures are to fellow members of the group; and lower contributions to the Deposit Guarantee Fund.

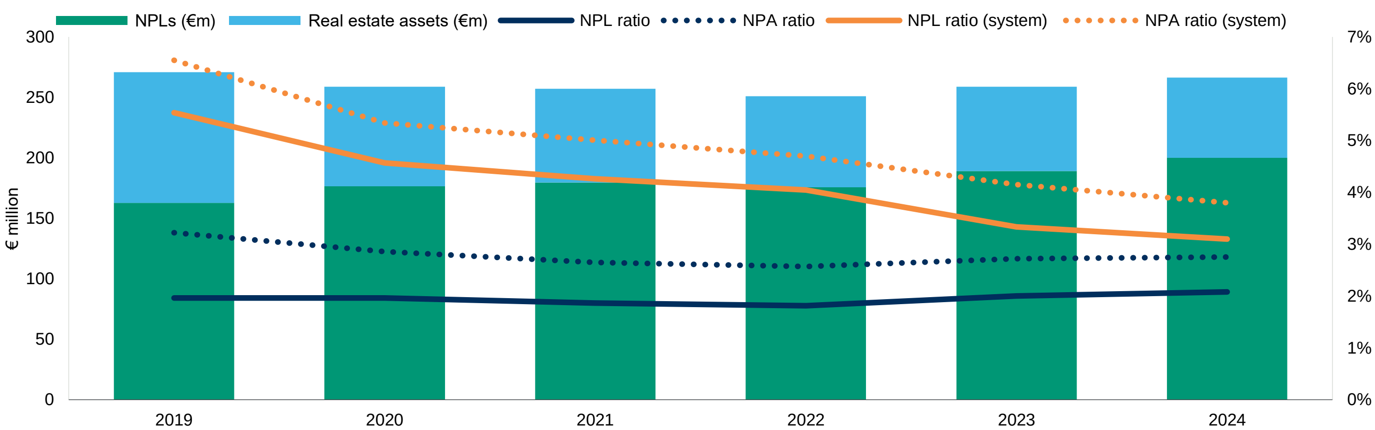
Detailed credit considerations

Stronger asset-quality performance than system average

CRN's assigned Asset Risk score of a3 incorporates the bank's very low level of nonperforming assets (NPA; defined as nonperforming loans (NPLs) plus real estate assets) relative to the banking system, as well as our expectation that asset quality will remain broadly stable amid benign economic conditions and lower debt servicing costs.

CRN's asset-quality indicators have historically performed better than the Spanish banking system average because of the bank's more prudent risk management, with a relatively low exposure to the real estate sector and its activities being limited to its home territories. As of year-end 2024, the bank reported an NPL ratio of 2.1%, slightly higher than 2.0% reported a year earlier, while the ratio for the banking system was 3.1%[1] as of the same date. In addition to NPLs, CRN has a low amount of real estate assets repossessed. If these assets are added to the bank's NPLs, the NPA ratio would be 2.8% as of year-end 2023, above the 2.7% reported a year earlier and still comparing very favorably with the 3.9%[2] average for its domestic peers as of the same date.

Exhibit 3
CRN's asset-risk indicators have historically outperformed system average



Source: CRN and Moody's Ratings

CRN booked loan-loss provisions amounting to €24 million in 2024. As a result, the bank's cost of risk stood at 14 basis points (bps). This resulted in a coverage ratio (measured as loan-loss reserves as a percentage of NPLs) to 127% as of the end of December 2024, slightly lower than 129% a year earlier and well above the system average of 70% for the same period.

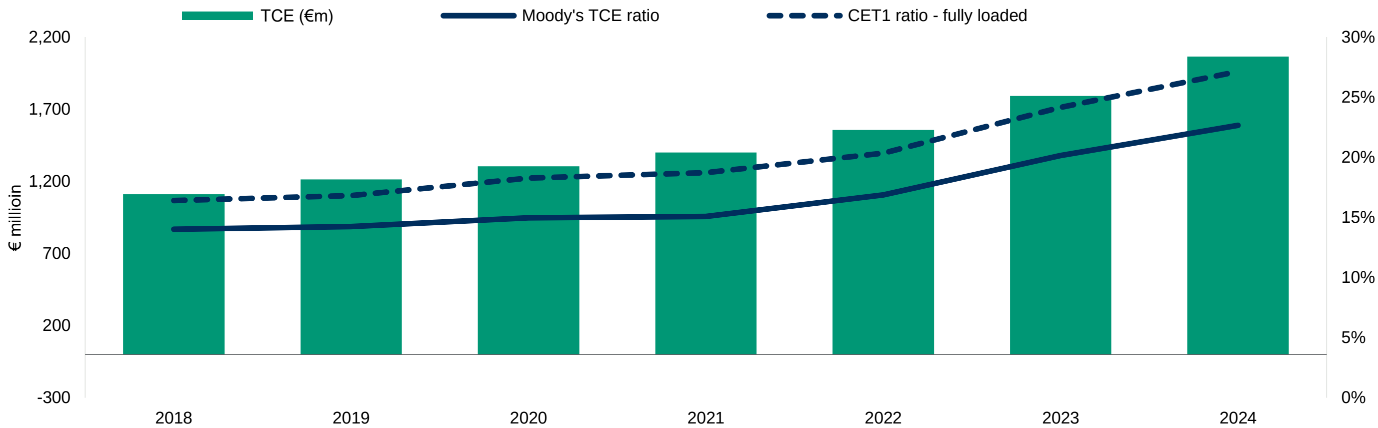
CRN displays sound solvency levels

CRN's assigned Capital score of aa2 reflects our assessment that capitalisation is a relative strength for the bank. As of year-end 2024, CRN's tangible common equity/risk-weighted assets was 22.7%, up from 20.1% a year earlier. The increase in the bank's TCE ratio is due to an increase of retained earnings that more than offset the increase of risk-weighted assets.

CRN's capital is mainly composed of retained earnings and contributions from cooperative members on which it pays dividends. In line with the Spanish legislation, CRN allocates a part of its net profit to a welfare fund, although it retains most of the profit to support capital generation and fund future growth, which translates into the bank's higher-than-average capital ratios.

In terms of regulatory capital ratios, CRN reported a phase-in Common Equity Tier 1 capital ratio of 27.1% as of year-end 2024, compared to 24.2% a year earlier and above the European Union (EU) average of 16.0%[3] as of the end of December 2024. Our more conservative capital assessment relative to regulators' capital ratios is primarily explained by the more conservative risk weighting that we apply to the sovereign exposures (at 50% for Spain's sovereign bonds) compared with regulators' risk weighting of 0%.[4]

Exhibit 4
CRN's capital levels continue improving from already very high levels



Source: CRN and Moody's Ratings

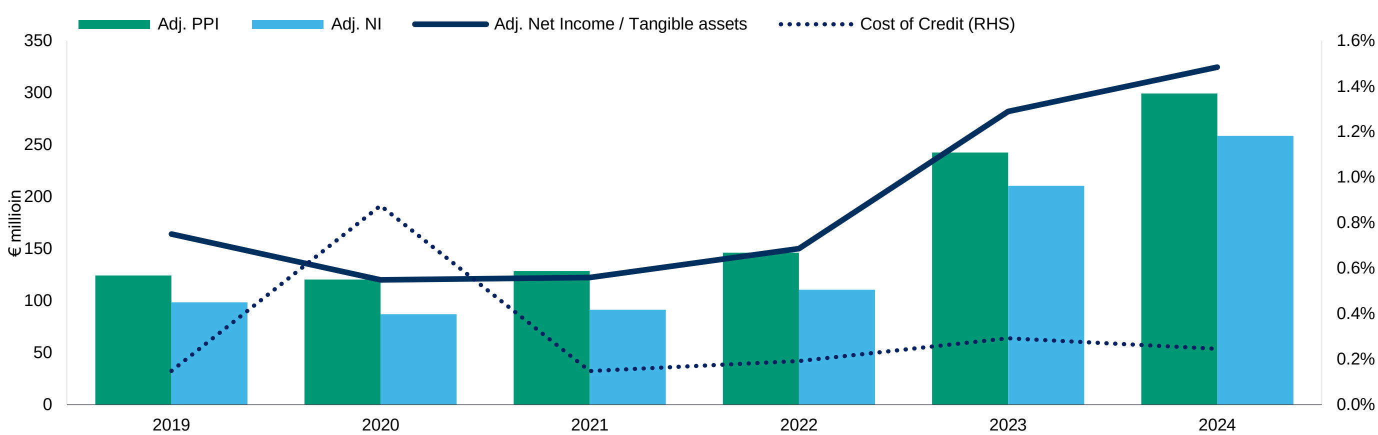
Improved recurrent profitability will be challenged by the decline in interest rates

We assign a Profitability score of baa1 to CRN. This reflects our assessment that CRN's improved profitability metrics will be challenged by declining interest rates, although they will remain above historical levels. As such, we expect CRN's net income to remain above 1% of tangible assets over the outlook period.

CRN reported a net income of €258 million in 2024, up from €210 million a year earlier and equivalent to a net income/tangible assets ratio of 1.5% (1.3% in 2023). This increase was mainly the result of a 15% increase in operating income, driven by the increase in net interest income of 18% as the loan book repriced at still-higher rates, together with a 14% reduction of the cost of risk.

As a result of the significant increase in operating income, CRN's cost-to-income ratio decreased to 35% in 2024, below the 38% reported a year earlier and below the system average of 44%[5] in 2024.

Exhibit 5
CRN's top-line earnings have been improving over recent years



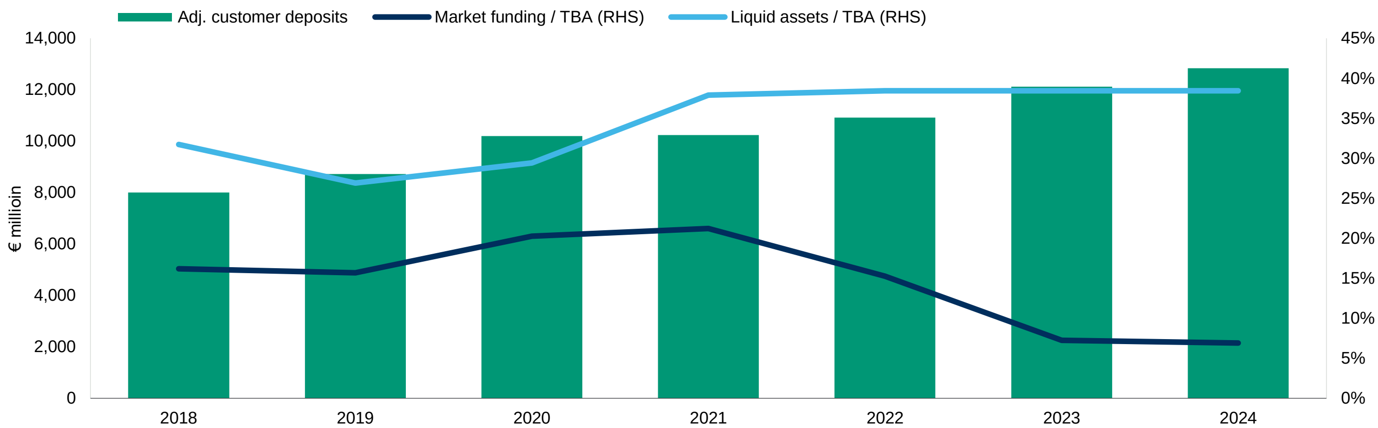
2023 figures are shown as reported.
Source: CRN and Moody's Ratings

Low reliance on market funding, most of which is secured

CRN's market funds ratio stood at 6.9% as of the end of December 2024. We assess CRN's Funding structure score at a2 to reflect a normalised level of wholesale funding reliance for the bank of 7.5%-10%.

CRN is predominantly retail funded. As of year-end 2024, deposits accounted for around 86% of the bank's total funding, representing 75% of its gross loans. The bank's regional identity adds a component of stability to its retail funding base, which has consistently grown over the years. Most of CRN's wholesale funding is composed of covered bonds (€1.7 billion), a secured funding source.

Exhibit 6
Growing deposit base and low reliance on wholesale funding



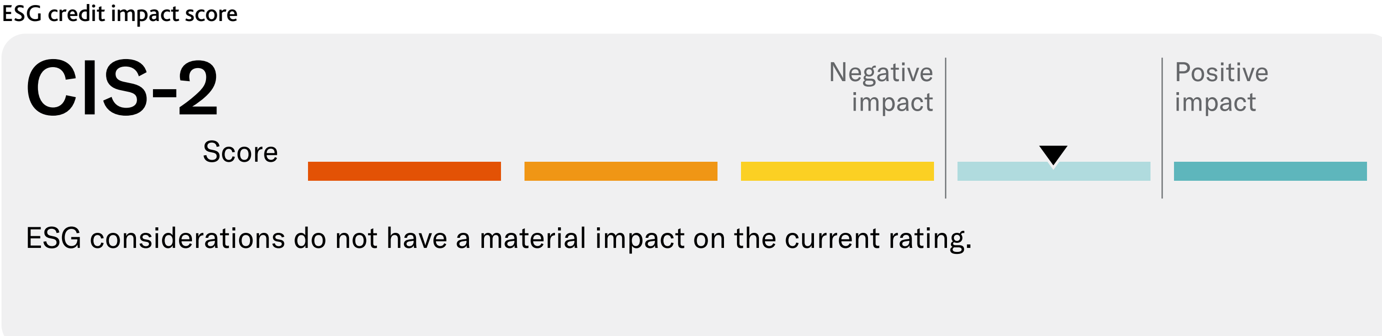
2023 figures are shown as reported.
Source: CRN and Moody's Ratings

CRN's liquid banking assets accounted for 38% of its tangible banking assets as of year-end 2024. We assign a Liquid Resources score of a3 to the bank, one notch below its Macro-Adjusted score, to reflect our expectation that the bank's normalized ratio of unencumbered liquid assets will stay in the range of 30-35%.

ESG considerations

Caja Rural de Navarra's ESG credit impact score is CIS-2

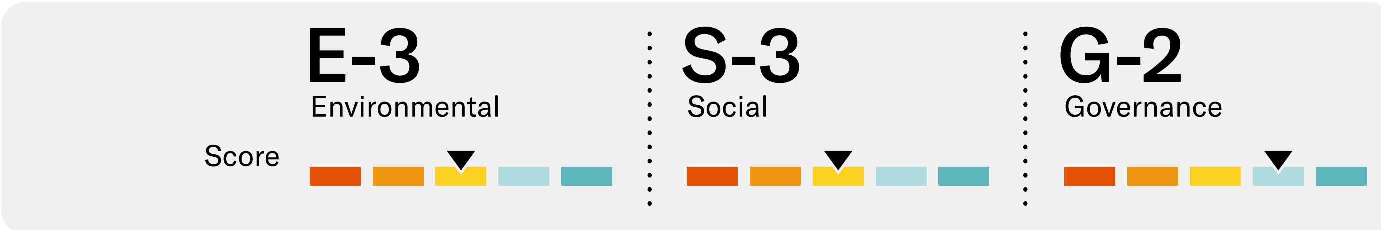
Exhibit 7
ESG credit impact score



Source: Moody's Ratings

Caja Rural de Navarra's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 8
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Caja Rural de Navarra faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is exposed to mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Caja Rural de Navarra is developing its climate risk and portfolio management capabilities and is actively transitioning its lending portfolios to achieve carbon neutrality targets.

Social

Caja Rural de Navarra faces moderate social risks mainly related to customer relations as well as to demographic and societal trends. The bank's developed policies and procedures mitigate conduct risk associated with the distribution of financial products such as regulatory and reputational risks, as well as exposure to litigation. Continued investments in technology and the bank's long track record of handling sensitive customer data, as well as appropriate culture and governance that ensure adherence to regulatory standards, help to manage high cyber and personal data risks. Caja Rural de Navarra operates mainly in Spain, which faces challenges from adverse demographic trends affecting long-term economic growth prospects and impacting the demand for certain banking products. Product diversity as well as an ability to adapt to consumer preferences, regulatory changes and societal trends such as digitization are key to address these risks.

Governance

Caja Rural de Navarra is exposed to low governance risks, with a corporate governance framework in line with industry best practices. The bank applies conservative financial policies and has a strong track record of achieving its strategic and financial targets, supported by an outstanding risk management function. As a rural cooperative, the bank's capital is composed of retained earnings and contributions from customers which show no concentration.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Affiliate support

Our cross-sector support assessment is based on CRN's integration into the IPS, which includes the 30 rural cooperatives associated under the AECR and BCE, and results in a contractually binding support arrangement among member banks. Cross-sector support materially reduces default risk, as it would be available to stabilize a distressed member bank, and not just compensate for losses in resolution/liquidation.

We consider the readiness of the group to support its members to be high. Under our methodology, this high support translates into no uplift from CRN's BCA of baa1.

Loss Given Failure (LGF) analysis

CRN is subject to the EU Bank Recovery and Resolution Directive, which we consider an operational resolution regime. Accordingly, we apply most of its standard assumptions. These assumptions include a residual tangible common equity of 3%, post-failure losses of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred over senior unsecured debt. Because we assume that CRN's deposit base is essentially retail in nature, we consider a proportion of 10% of junior deposits, below the estimated EU-wide average of 26%.

For CRN's deposits, our LGF analysis takes into consideration the likely impact on loss given failure of the combination of its own volume and subordination. Our LGF analysis indicates a moderate loss given failure for deposits, which leads us to position the bank's Preliminary Rating Assessment at the same level as its Adjusted BCA. Please refer to the Loss Given Failure and Government Support table at the bottom of the scorecard.

Government support

We assign a low probability of government support for CRN's deposits, which does not translate into any uplift. Likewise, the CR Assessment does not benefit from any rating uplift from government support.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our rating committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 9
Rating Factors

Macro Factors		
Weighted Macro Profile	**Strong**	**100%**

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	2.1%	a3	↔	a3	Expected trend	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	22.7%	aa2	↔	aa2	Expected trend	
Profitability						
Net Income / Tangible Assets	1.2%	baa1	↔	baa1	Expected trend	
Combined Solvency Score		a2		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	6.9%	a1	↓	a2	Expected trend	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	38.4%	a2	↔	a3	Expected trend	
Combined Liquidity Score		a1		a2		
Financial Profile		a2		a2		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Baa1		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				-		
Adjusted BCA				baa1		

Balance Sheet	in-scope (EUR Million)	% in-scope	at-failure (EUR Million)	% at-failure
Other liabilities	3,182	18.3%	4,142	23.8%
Deposits	13,715	78.7%	12,755	73.2%
Preferred deposits	12,343	70.9%	11,726	67.3%
Junior deposits	1,371	7.9%	1,029	5.9%
Equity	523	3.0%	523	3.0%
Total Tangible Banking Assets	17,419	100.0%	17,419	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	8.9%	8.9%	8.9%	8.9%	1	1	1	1	0	a3
Counterparty Risk Assessment	8.9%	8.9%	8.9%	8.9%	2	2	2	2	0	a3 (cr)
Deposits	8.9%	3.0%	8.9%	3.0%	0	0	0	0	0	baa1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	1	0	a3	0	A3	
Counterparty Risk Assessment	2	0	a3 (cr)	0	A3(cr)	
Deposits	0	0	baa1	0	Baa1	

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 10

Category	Moody's Rating
CAJA RURAL DE NAVARRA	
Outlook	Positive
Counterparty Risk Rating -Dom Curr	A3/P-2
Bank Deposits -Dom Curr	Baa1/P-2
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A3(cr)/P-2(cr)

Source: Moody's Ratings

Endnotes

1 Moody's calculations

2 Moody's estimated

3 As per the European Banking Autority (EBA) risk dashboard

4 See Moody's Adjustment to Increase the Risk Weightings of Sovereign Debt Securities in the Analysis of Banks: Frequently Asked Questions.

5 According to data disclosed by EBA

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454