

# GRUPPO CASSA CENTRALE

## CREDITO COOPERATIVO ITALIANO

**Fixed Income Presentation**

**April 2024**

# BUSINESS ACTIVITY

Business Activity	2
Asset Quality	7
Funding, Liquidity and Financial Portfolio	14
Regulatory Capital	22
Appendix	27

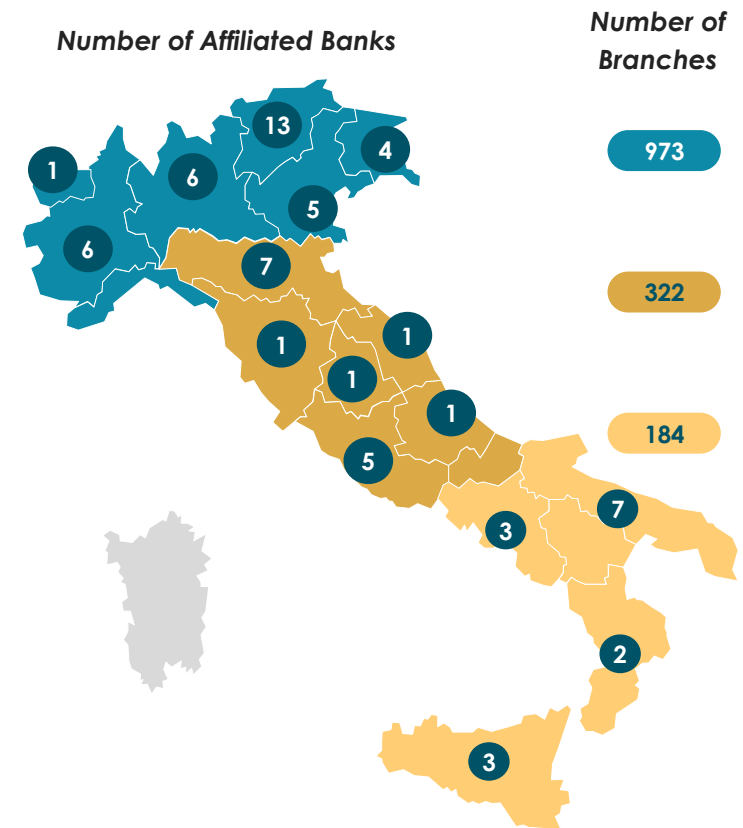
# BRIEF OVERVIEW OF THE GROUP'S KPIs

## Strong presence across Italy, more than 2.5 millions of customers

We are a major Group with a **capillary presence** throughout Italy, thanks to the **66 local Banks** that are **well-rooted in the different territories**

Our commitment to keep the Group stable, safe and efficient comes from our **high degree of equity solidity**, the **low risk profile** and the highly-efficient organisational model

Key Figures (€ mn, %)	YE20	YE21	YE22	YE23
TOTAL ASSETS	86,797	91,150	92,836	89,579
NET PROFIT	245	333	560	871
ROE	3.6%	4.8%	7.8%	10.6%
NPL RATIO	6.9%	5.5%	4.8%	4.2%
NPL COVERAGE RATIO	64.0%	73.6%	81.8%	84.8%
CET1 RATIO	21.46%	22.59%	22.79%	24.59%
COST INCOME RATIO	60.8%	61.5%	62.5%	60.8%
AFFILIATED BANKS (#)	77	71	69	66 (from 01/24)

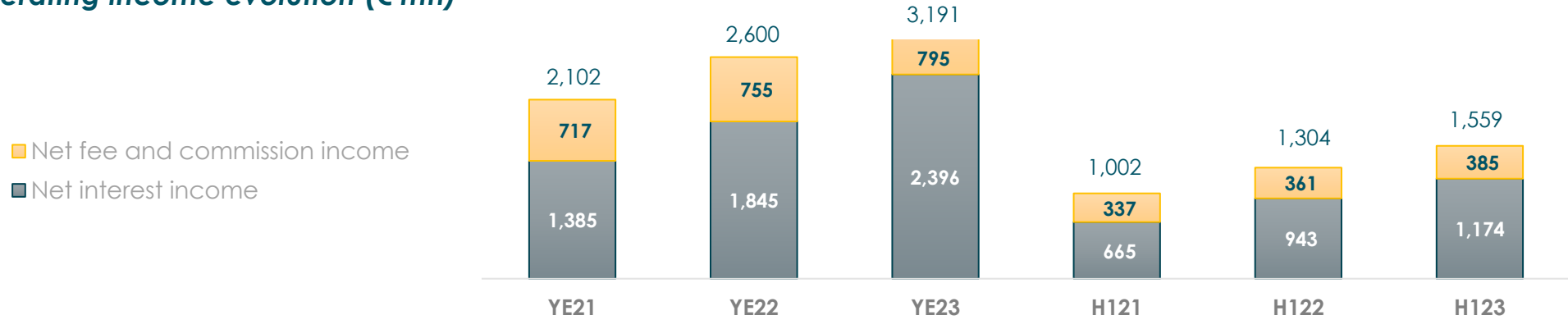


# OVERVIEW OF THE P&L ACCOUNTS

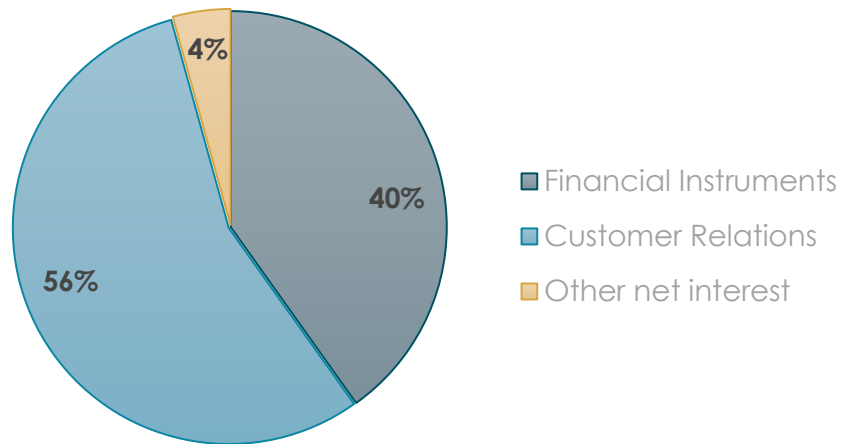
(Figures in millions of euro)	YE2021	YE2022	YE2023	change YE23 vs YE22	% change
<b>Net interest income</b>	<b>1,385</b>	<b>1,845</b>	<b>2,396</b>	<b>551</b>	<b>29.9%</b>
Net fee and commissions	717	755	795	40	5.3%
Dividends	3	4	4	-	0.0%
Net trading revenues	230	(89)	(361)	(272)	(n.s.)
<b>Net interest and other banking income</b>	<b>2,335</b>	<b>2,515</b>	<b>2,834</b>	<b>319</b>	<b>12.7%</b>
Net value adjustments /write-backs	(526)	(273)	(81)	192	(70.3%)
<b>Income from financial activities</b>	<b>1,809</b>	<b>2,242</b>	<b>2,753</b>	<b>511</b>	<b>22.8%</b>
Operating charges	(1,628)	(1,760)	(1,905)	(145)	8.2%
Net allocations to provisions for risks and charges	(34)	(12)	(13)	(1)	8.3%
Other income (charges)	226	198	195	(3)	(1.5%)
Profit (loss) from disposals of investments and equity investments	(6)	(12)	(3)	9	(75.0%)
<b>Profit before tax</b>	<b>367</b>	<b>656</b>	<b>1,027</b>	<b>371</b>	<b>56.6%</b>
Income tax	(36)	(94)	(156)	(62)	66.0%
Profit (loss) for the year attributable to minority interests	2	(2)	-	2	(100.0%)
<b>Net result of the parent company</b>	<b>333</b>	<b>560</b>	<b>871</b>	<b>311</b>	<b>55.5%</b>

# CORE BANKING ACTIVITIES – SOLID TREND OF REVENUE GROWTH

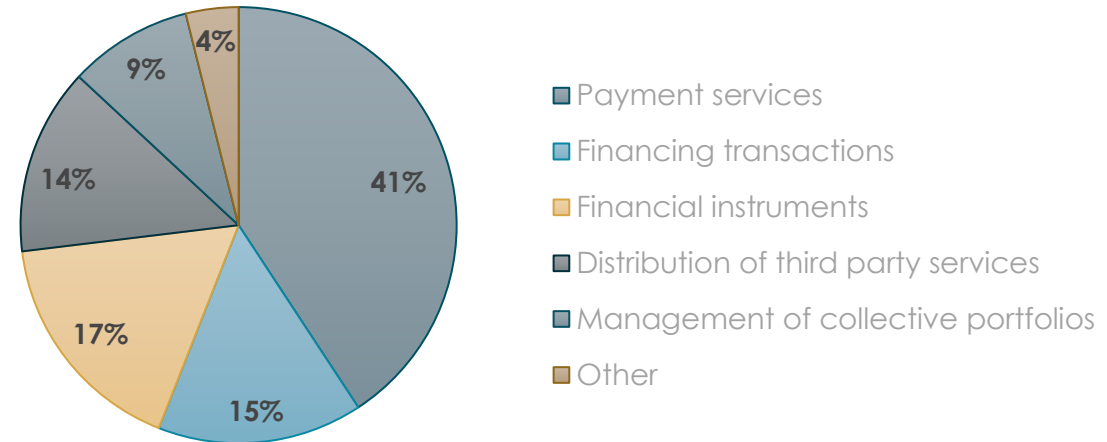
Operating income evolution (€ mn)



Interest margin breakdown<sup>1</sup> (%) – YE23



Fees and commissions breakdown (%) - YE23



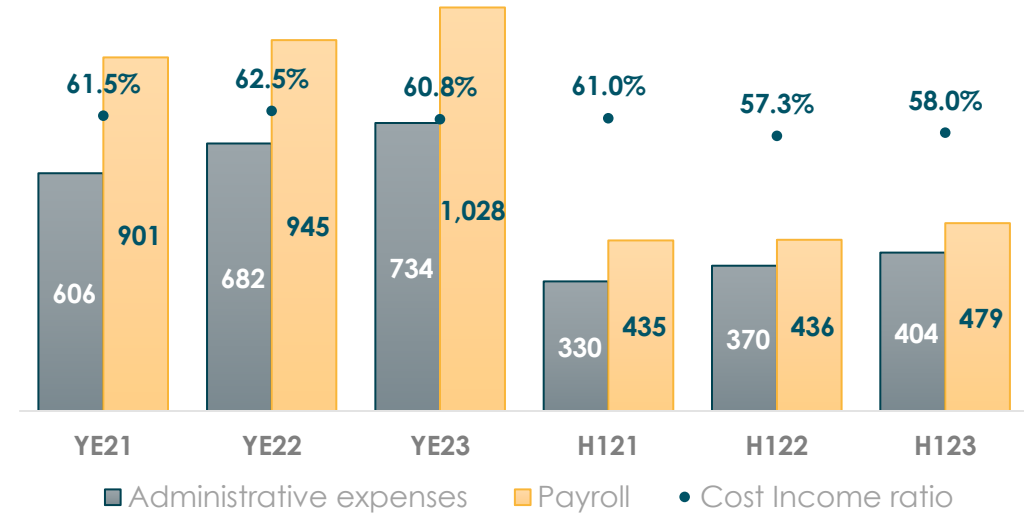
# OPERATING COSTS AND D&A

## Cost income ratio constantly decreasing since the Group's establishment

The Group's Cost/Income ratio remains nearly stable despite:

- an increase in personnel costs, mainly related to redundancy expenses
- higher expenses related to the implementation of several projects linked to the modernization and efficiency of ICT infrastructures and to the development of the digital transformation
- increases in administrative expenses linked to the inflation dynamic

Operating costs evolution (€ mn)



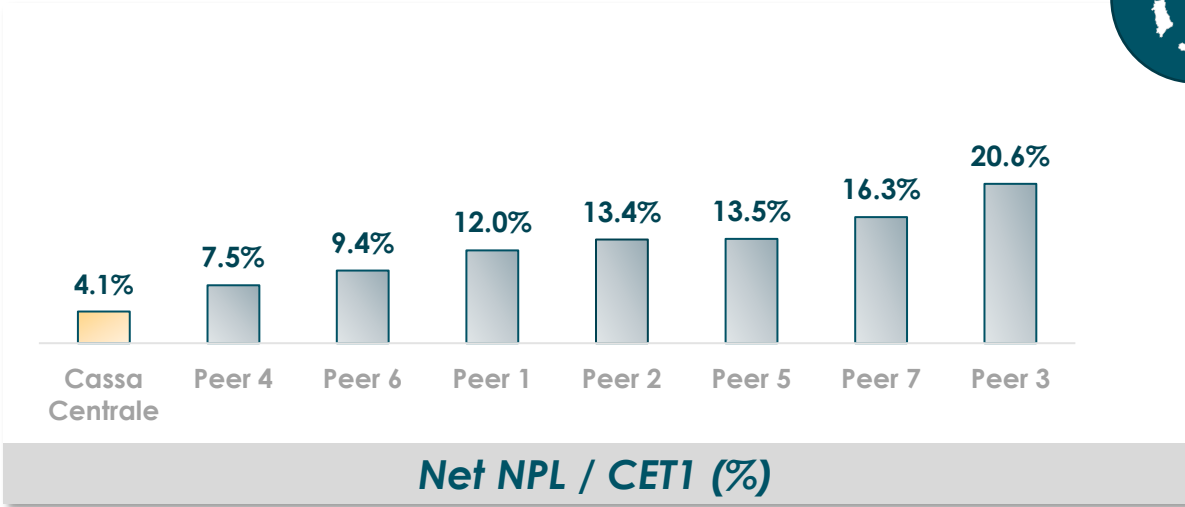
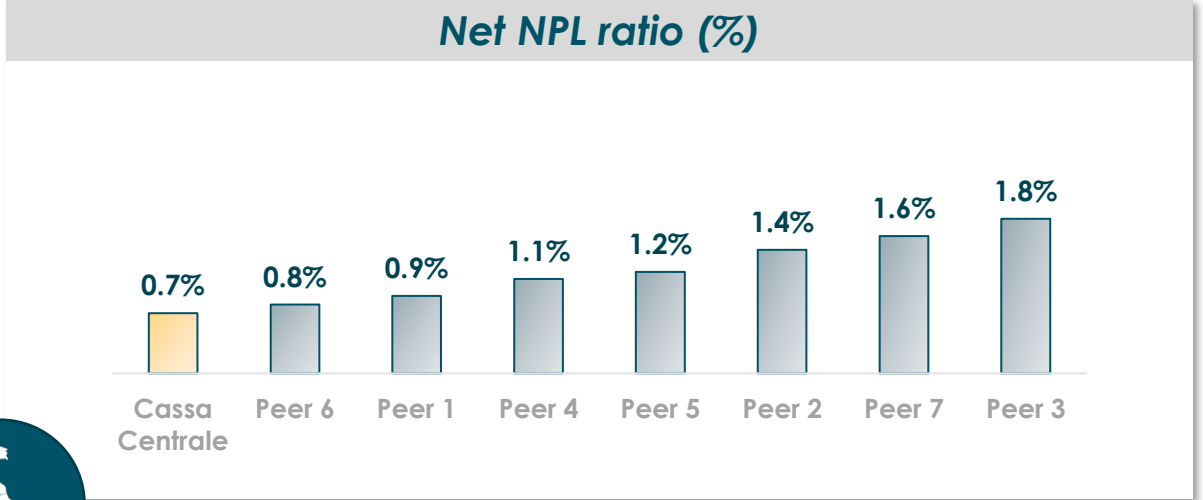
€ mn	YE21	YE22	YE23
<b>Administrative expenses and payroll</b>	(1,507)	(1,627)	(1,762)
<b>D&amp;A</b>	(121)	(133)	(143)
<b>Other operating income</b>	192	187	182
<b>Total operating costs</b>	<b>(1,436)</b>	<b>(1,573)</b>	<b>(1,723)</b>

# ASSET QUALITY

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# ASSET QUALITY BENCHMARKING

- Net NPL ratio equal to 0.7%, below the Italian peer's average
- Lowest ratio of net NPL over CET1 capital



In April 2024 several Affiliated Banks, coordinated by the Parent Company, and Banca Finint signed an agreement for the sale of NPEs, concluded on the Blinks platform, the reference digital marketplace in Italy for the trading of loan portfolios.

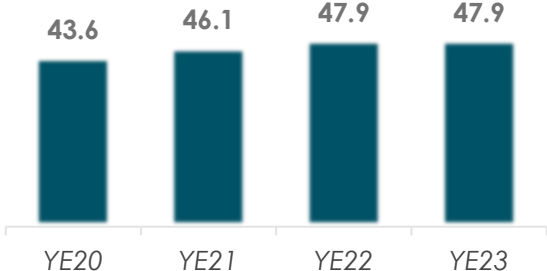
Cassa Centrale Group, through dedicated structures within the Parent Company and the Affiliated Banks, continues to **carefully monitor the quality of the loan portfolio and to manage and reduce impaired assets.**



# CREDIT PORTFOLIO

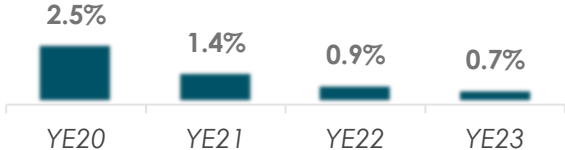
## Credit book evolution (€/bn)

The consolidated stock of **lending exposure** has been **growing** since the **Group's constitution**

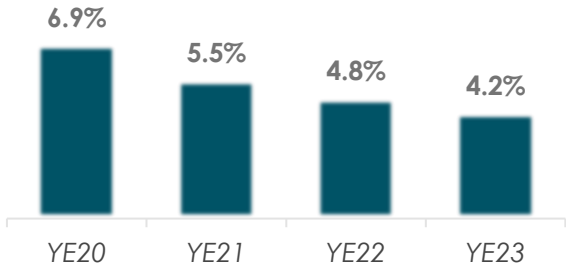


## Net NPL ratio (%)

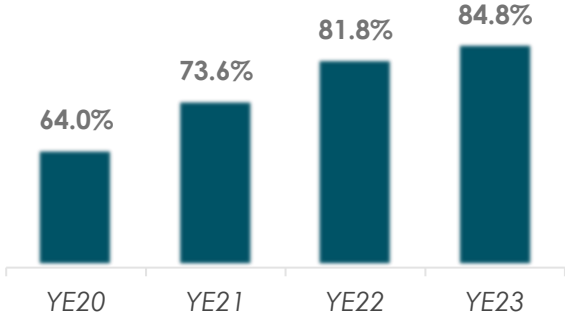
The combined effect of the **reduction in the gross NPL ratio** and the **retention of a high coverage level** on impaired loans has enabled the Group to achieve **one of the lowest Net NPL ratio amongst Italian banks**



The consolidated **stock of non-performing** exposures has been **reducing** since the **Group's constitution**



Maintenance of a **prudent impaired exposures provision policy** in view of the continuation of the macroeconomic uncertainty



## NPL ratio (%)

## Coverage ratio of NPL (%)

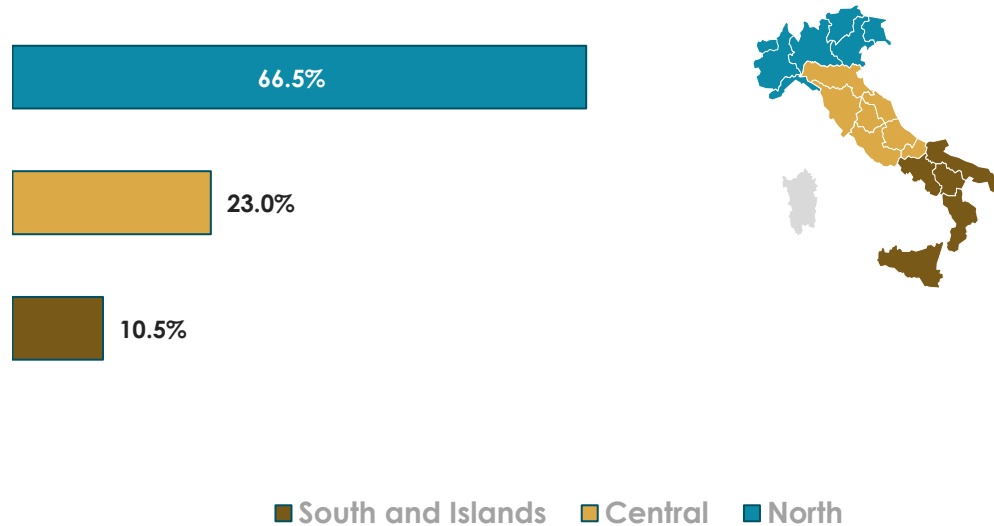
# CREDIT PORTFOLIO BREAKDOWN (1/2)

## Loan portfolio focused on the wealthier regions of Italy

Prevalent exposure towards borrowers in wealthier northern regions and elevated borrower diversification and collateralisation

### Gross loans to customers of our Affiliated Banks network

Gross Loans to customers geographical breakdown  
(%, YE23)



Gross NPLs geographical breakdown  
(%, YE23)



Gross NPLs geographical breakdown  
(€ bn, YE23)



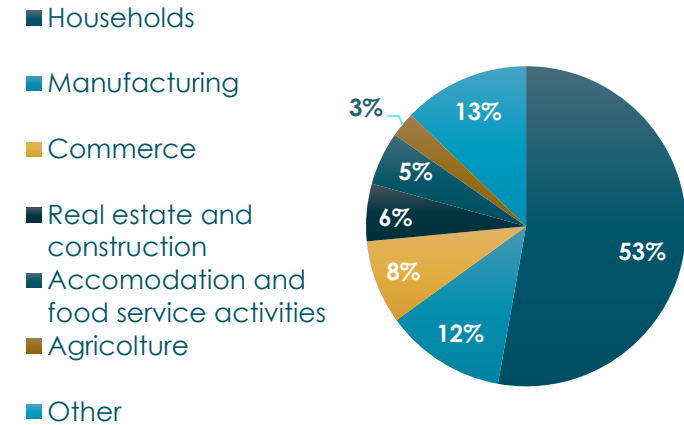
# CREDIT PORTFOLIO BREAKDOWN (2/2)

**Above 80% of the Group's credit portfolio in terms of GBV is made up of loans to Households (€ 25.4 bn) and SMEs (€ 17.1 bn)**

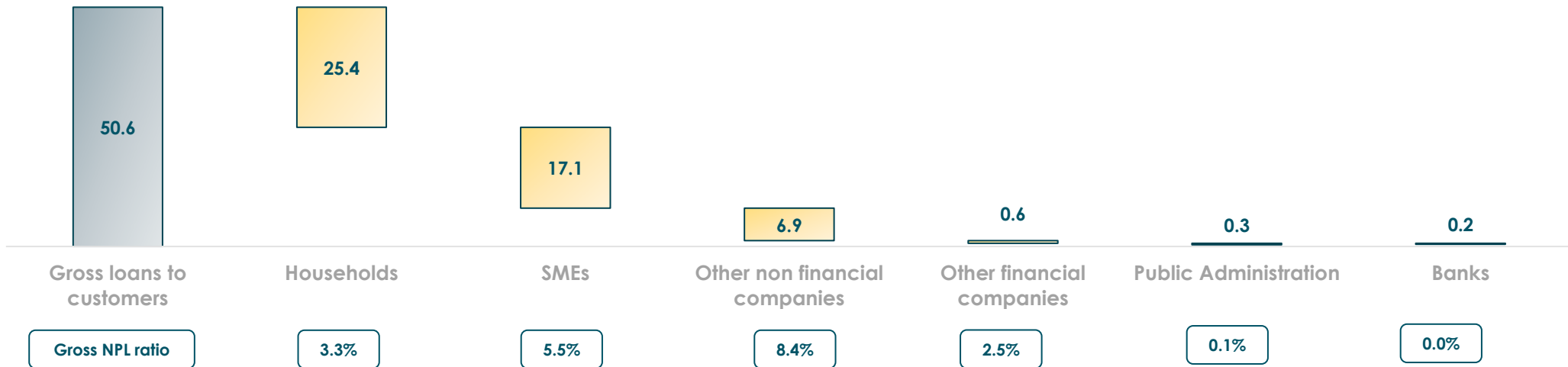
Households represent more than half of the Group's credit portfolio and among the other components the most relevant are manufacturing, commerce, real estate and construction and accomodation and food service activities.

The large proportion of loans backed by collateral is attributable to the unique business model of cooperative banking, which **primary lends to households and to small and medium-sized enterprises.**

Gross loans breakdown by economic segment of counterparty (% , YE23)



Gross loans breakdown by type of counterparty (€ bn, YE23)



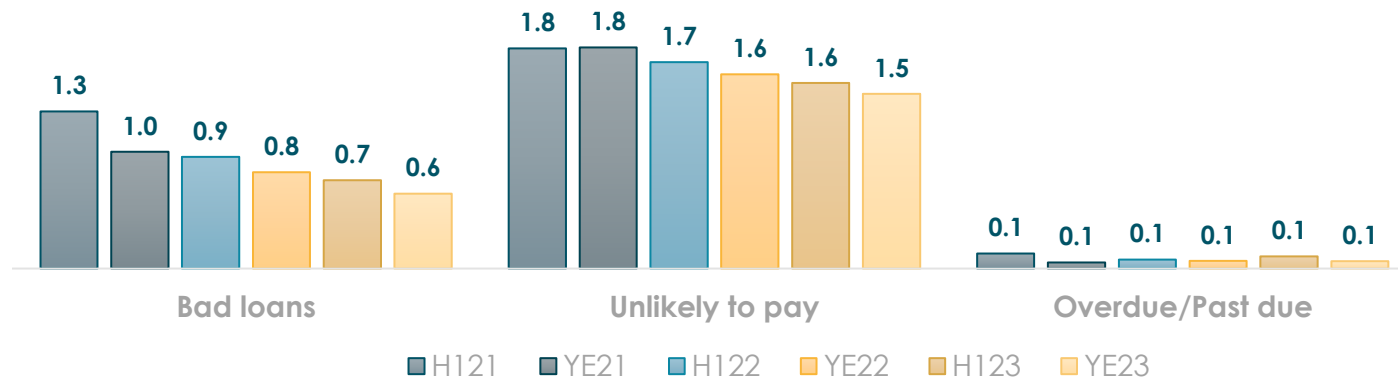
# NPLs BREAKDOWN

## Acceleration on asset quality

The reduction of NPLs' stock and the constant strengthening in the coverage levels enable the Group to face unexpected asset quality deterioration linked to the high level of interest rates

31 <sup>st</sup> December 2023	Volumes (€ mn)		Weight (%)		Ratios (%)		Coverage
	Gross	Net	Gross	Net	Gross	Net	%
<b>Total NPLs</b>	2,150	327	100.0%	100.0%	4.3%	0.7%	84.8%
o/w Non Performing/Bad Loans	627	39	29.2%	11.9%	1.2%	0.1%	93.8%
o/w Unlikely to Pay	1,462	255	68.0%	78.0%	2.9%	0.5%	82.6%
o/w Overdue/Past due	61	33	2.8%	10.1%	0.1%	0.1%	45.9%

Historical evolution NPL (€ bn)

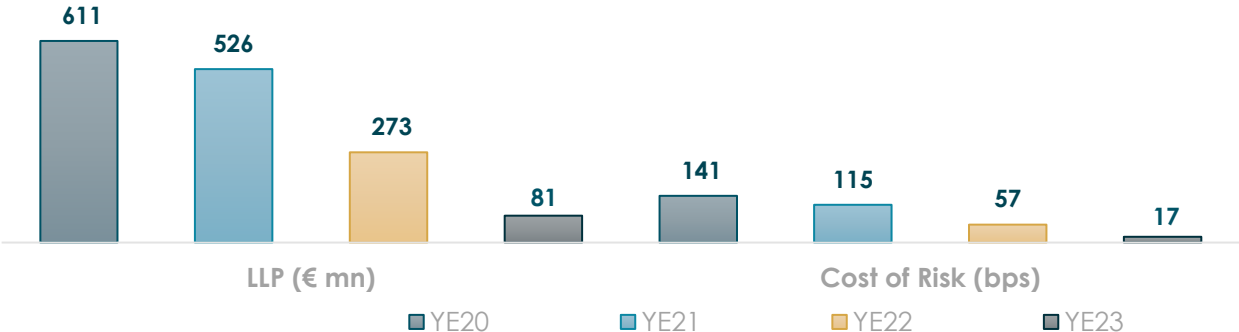


Limited NPL's exposure with  
**declining share of bad loans**  
From 40% at H121 to 29% in YE23

# LOAN LOSS PROVISIONS AND COST OF RISK

In the past years LLPs have reflected the strong effort started in 2020 to anticipate a possible cliff effect from Covid-19 moratoria and the adjustment following the AQR

Evolution of LLP and annual CoR



cumulative ratio (%)	YE21	YE22	YE23
Default Rate NPL	1.22%	1.05%	1.06%
Cure Rate NPL	3.12%	5.88%	8.00%
NPL Danger Rate (from UTP to Bad Loans)	6.54%	7.60%	7.21%

NPE Flows (€ bn, YE23)





# FUNDING, LIQUIDITY AND FINANCIAL PORTFOLIO

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# RATING

Cassa Centrale Banca's senior preferred debt is full investment grade

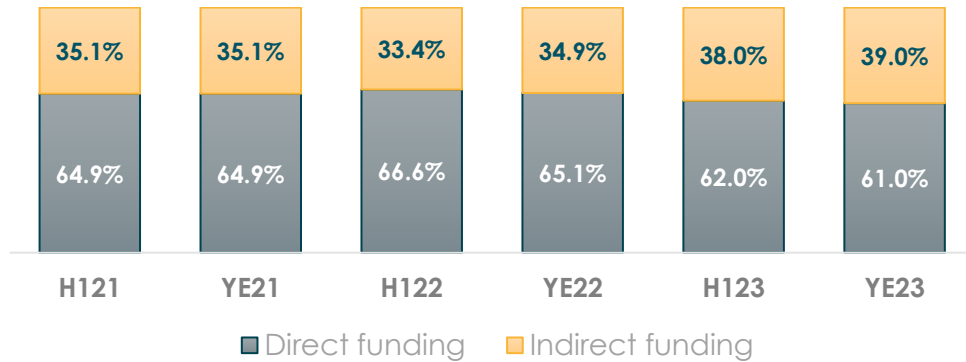
Cassa Centrale Rating Overview		
	Long Term Issuer Rating	<b>BBB-</b>
	Outlook	Stable
	Release date	November 2023
	Long Term Issuer Rating	<b>BBB (low)</b>
	Outlook	Positive
	Release date	January 2024

# FUNDING MIX

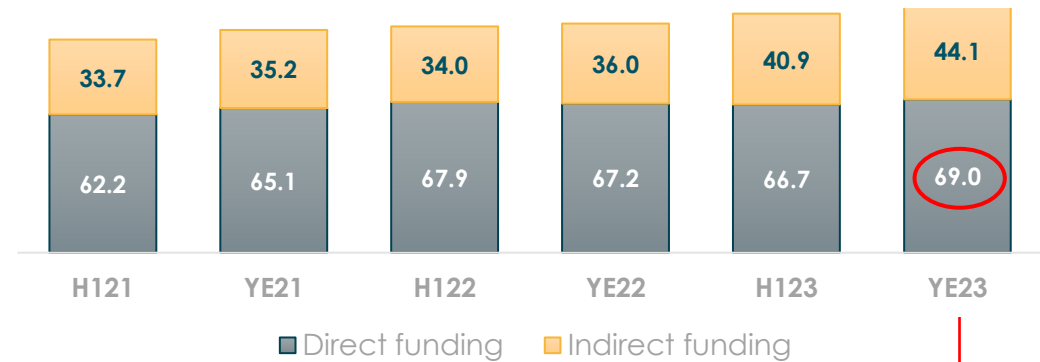
## High level of direct funding based on the strong link to local communities and customers

The Group is gradually increasing the share of indirect funding and the direct funding stock

Funding composition (%)



Funding evolution (€ bn)



The Group's direct funding is largely composed of deposits from retail customers, families and SMEs, and to a lesser extent of bonds and certificates of deposit (even if increasing in share)

Direct Funding breakdown	YE23 - € bn
Current accounts and deposits on demand	57.6
Fixed-term deposits, certificates of deposits and other	8.6
Bonds	0.9
Repos and securities lending	1.9



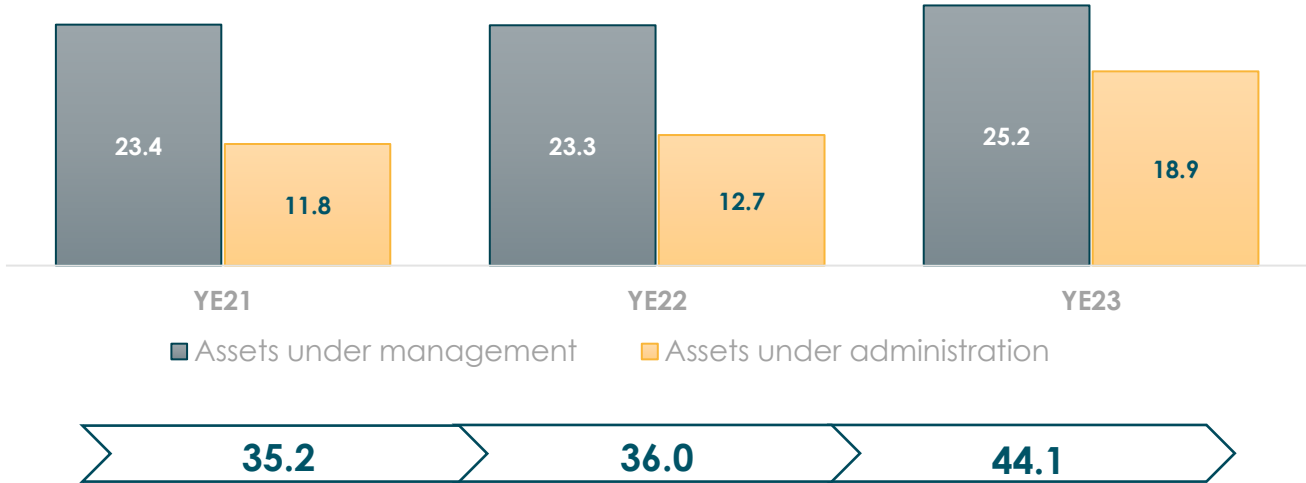
# INDIRECT FUNDING

## The Group is strongly committed to increasing indirect funding

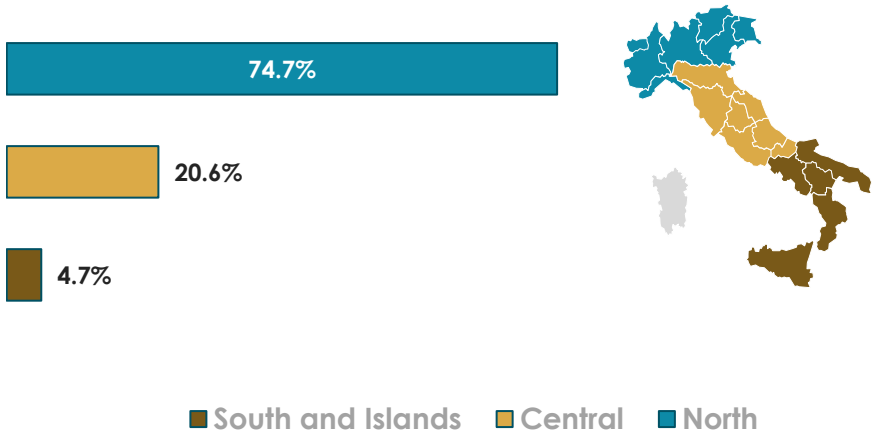
Managed and insurance funding products are the main contributors to indirect funding within the Group. In this regard, Affiliated Banks are closing the gap with the rest of the peers as they have historically favored the placement of direct funding products

Significant investments aimed at increasing the Group's competitive position in the indirect funding segment are put in place

Indirect funding breakdown (€ bn) – market value



Indirect funding by area (% , YE23)

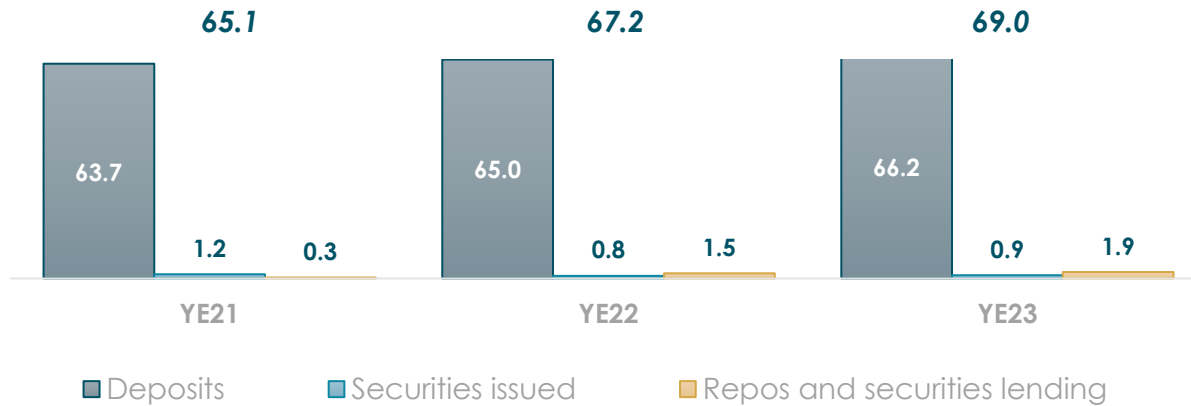


# DIRECT FUNDING

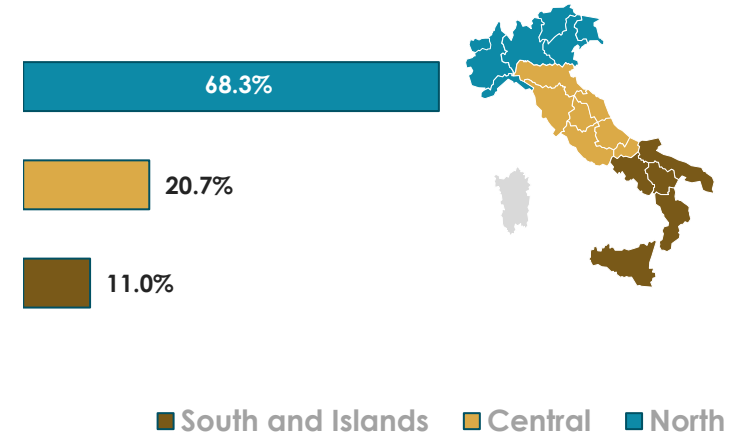
## The Group has an extensive retail customer base, mainly composed of families and SMEs

Deposits represent a structural source of funding for the Group and guarantee a very stable liquidity profile due to strong links with the customer base. Low reliance on capital markets thanks to a large and sticky retail deposit base

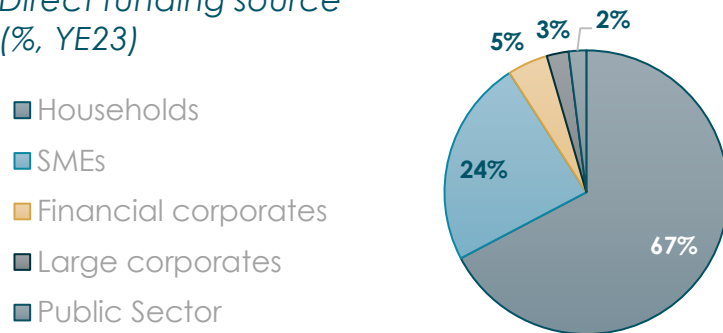
Direct funding breakdown (€ bn)



Direct funding by area (% , YE23)



Direct funding source (% , YE23)



The retail customer base is sticky and granular

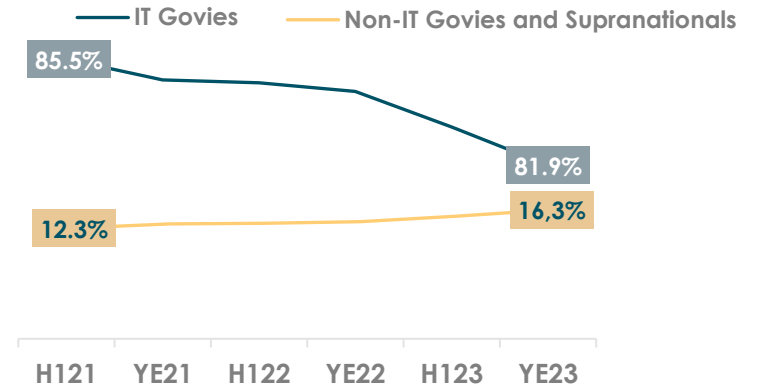
Approximately 80% of households and 30% SME deposits are guaranteed by the Deposit Guarantee Scheme

# FINANCIAL PORTFOLIO

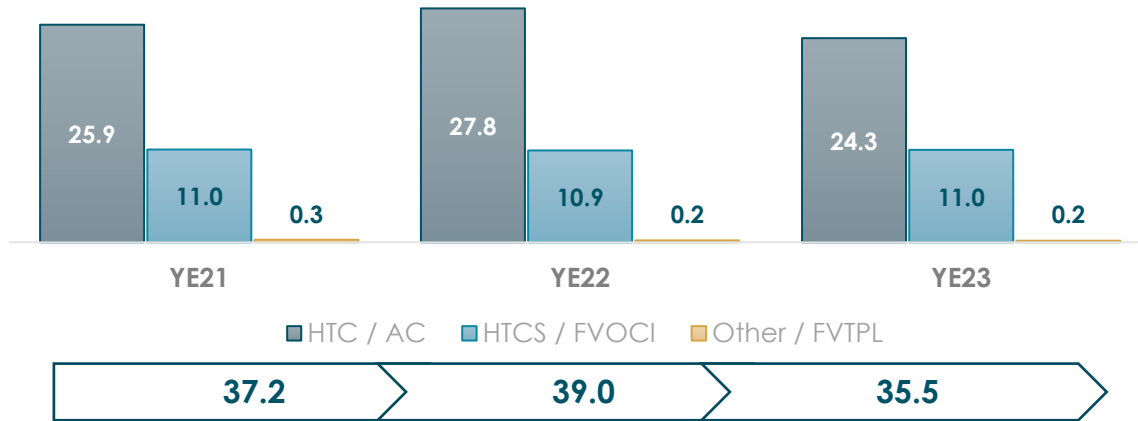
## Financial portfolio equal to € 35.5 bn

- Reduced sensitivity to ITA spreads as the largest part of the financial portfolio is measured at **amortized cost** (above **65% of total portfolio**) in line with the traditional business model that characterises the Affiliated Banks
- Support from floating bonds that have benefited from rates' increases
- Prudent and very flexible approach with effective duration of 2.9 and low risk appetite
- Increase in the share of non-IT government bonds

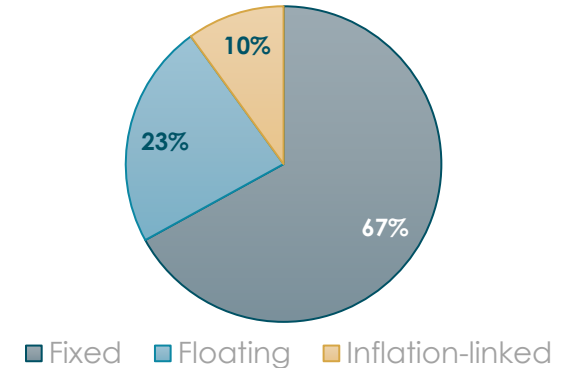
Counterparty Type Composition (%<sup>1</sup>, YE23)



Financial portfolio (€ bn – book value)



Rate Type (%¹, YE23)



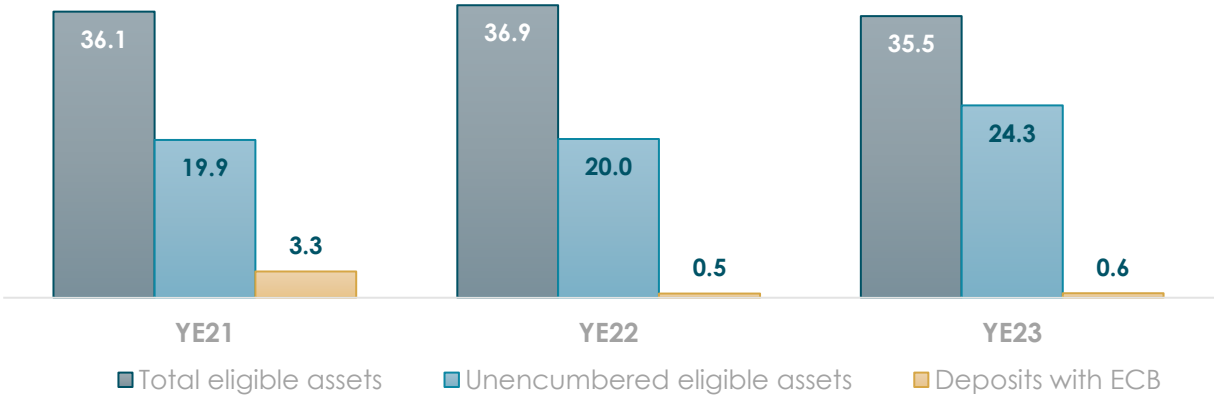
By law cooperative credit banks' exposures outside the area of territorial jurisdiction must not exceed 5% of the total assets. Threshold of 5% does not include: i) Central administrations of the Italian Republic and other countries of the Eurozone; ii) the European Central Bank and Bank of Italy; iii) the Parent Company and other companies of the cooperative banking group to which it belongs

# LIQUIDITY PROFILE

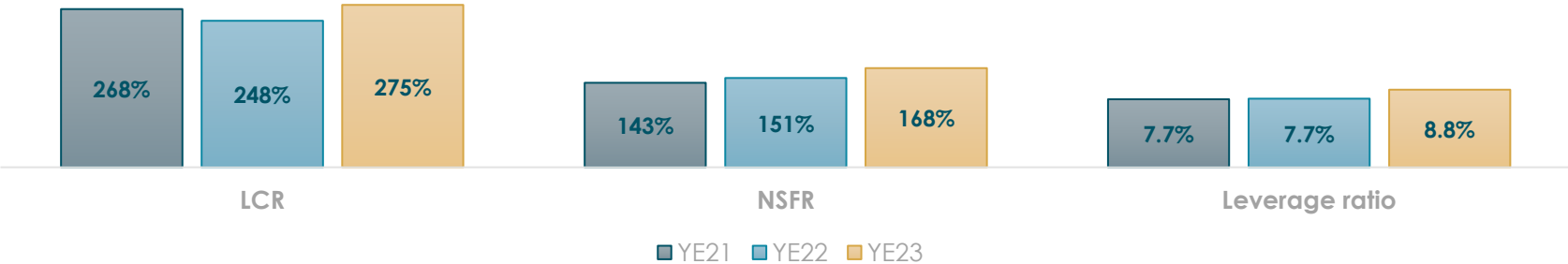
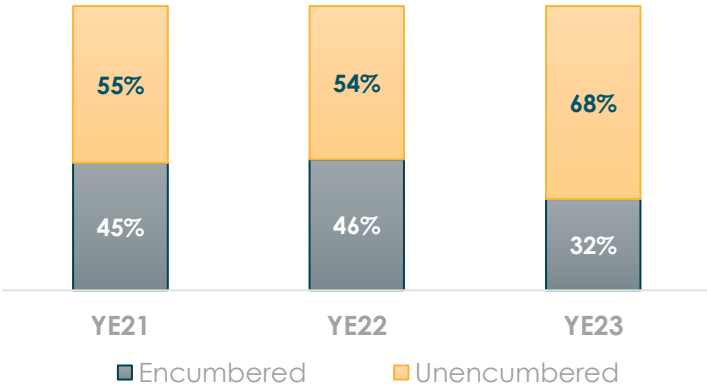
**Comfortable liquidity position granted by a large stock of unencumbered eligible assets, almost all sovereign bond, and deposits with Central Bank**

Strong liquidity ratios supported by a **broad and stable retail base**. LCR and NSFR ratios would be close to current levels and both well above the regulatory thresholds even excluding TLTRO from the calculation

Total eligible Assets evolution (€ bn) – net of ECB haircut

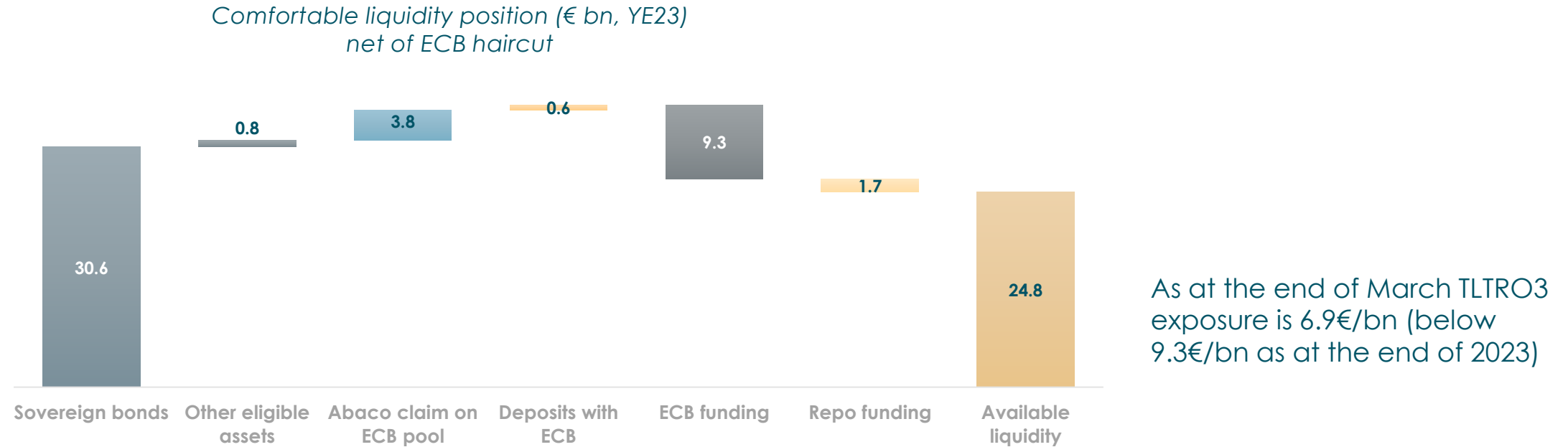


Encumbered eligible assets(%)



# LIQUID RESOURCES

Large and stable buffer of available high quality liquidity assets, exceeding TLTRO exposure



Group's central bank funding exposure is largely below unencumbered eligible assets, providing a solid liquidity source to smooth maturities profile

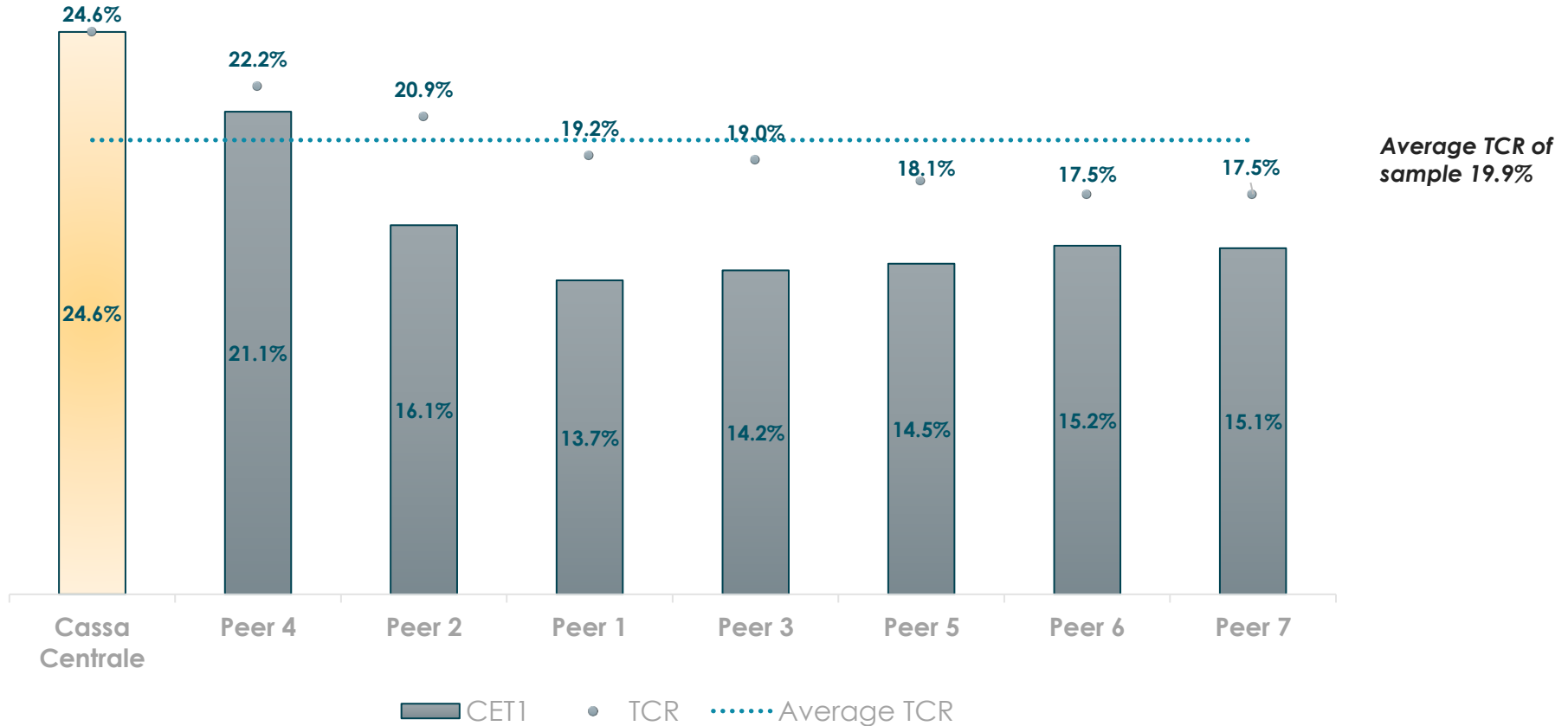
TLTRO repayments will be granted by maturing financial portfolio

# REGULATORY CAPITAL

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# CAPITAL POSITION BENCHMARKING

Highest CET1 ratio among Italian peers and TCR well above the peers' average



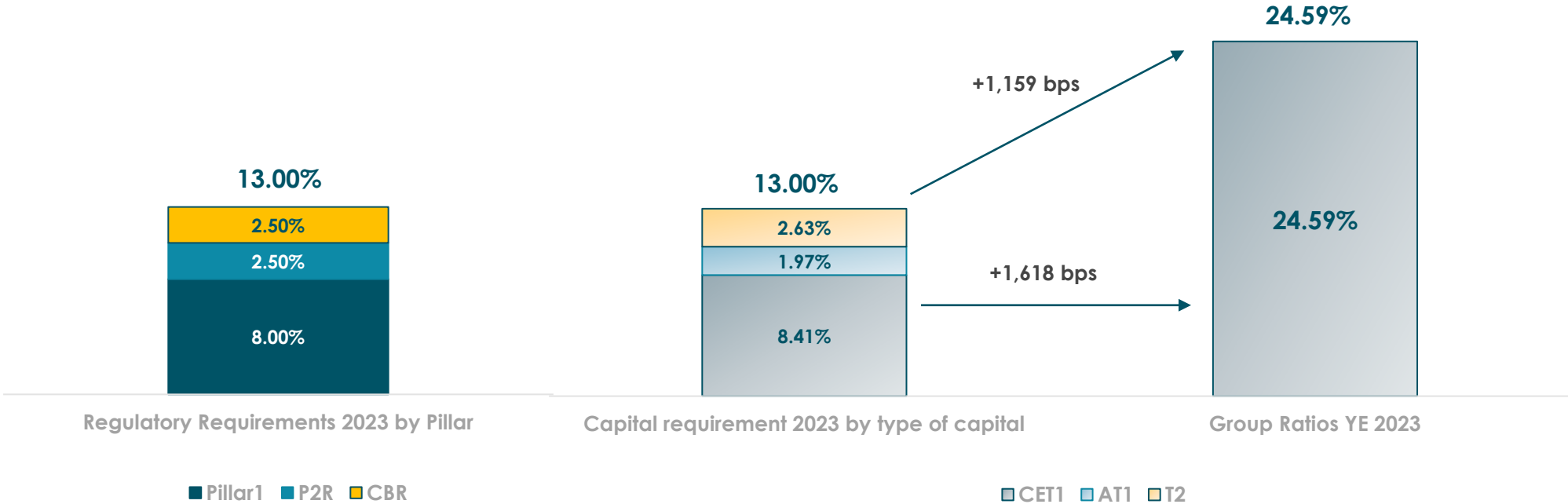
# LEADING CAPITAL POSITION

## Very strong capital position widely exceeding minimum regulatory requirements

- High quality capital composed **almost exclusively of CET1** - AT1&T2 buffers fully available
- **As of December 2023 the buffer versus CET1 SREP is 1,618 basis points**
- **Buffer versus SREP OCR is 1,159 basis points**

SREP REQUIREMENTS		
CET1	TCR	P2R
8.41%	13.00%	2.50%

Buffer on SREP Capital Requirements – YE23



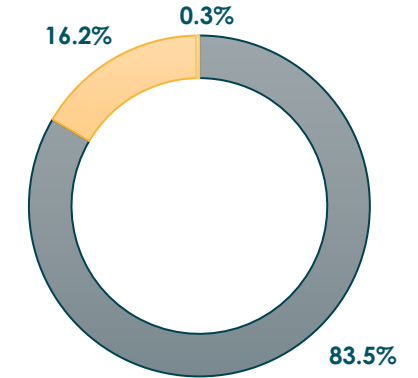


# CAPITAL POSITION EVOLUTION

**Statutory limits on the distribution of earnings is the main driver of high capitalisation**

RWA density above the average due to 100% use of the **standard approach for calculating capital adequacy requirements**

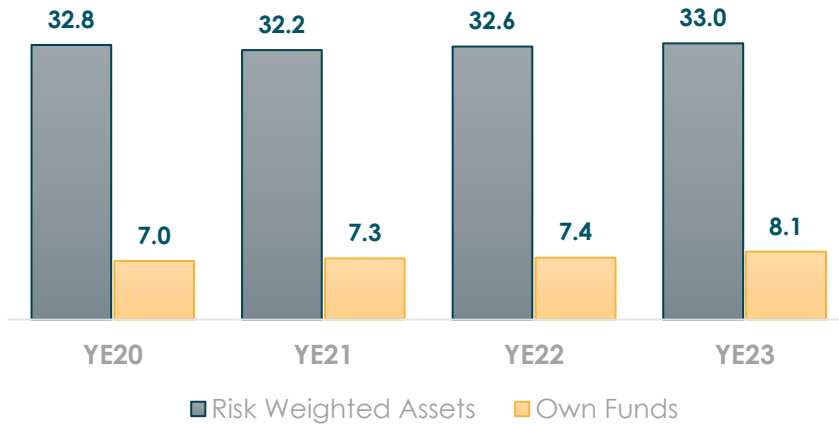
RWA breakdown (% , YE23)



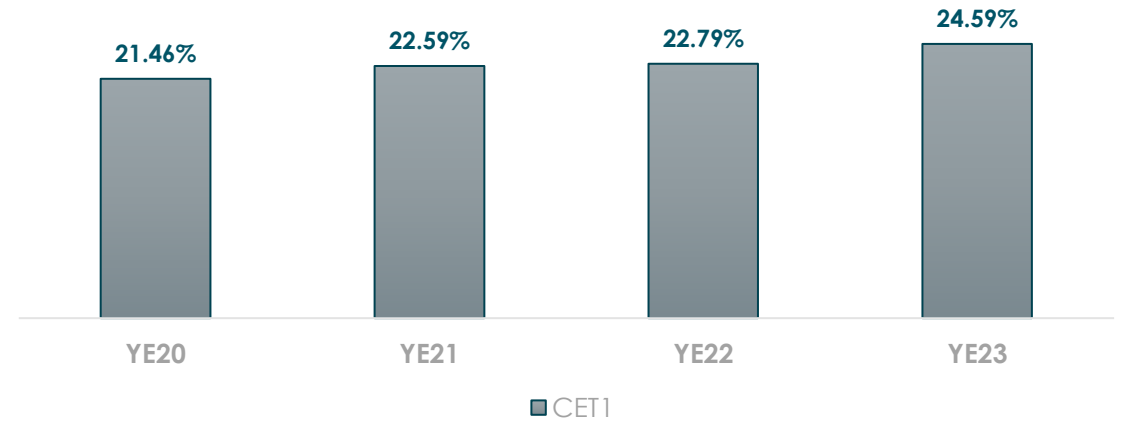
■ Credit risk ■ Operational risk ■ Other

YE23	Phased-in	CET1		TCR	
		Value	Value	Value	Value
		24.59%	24.59%	24.59%	24.59%
	Fully Loaded	CET1		TCR	
		24.20%	24.20%	24.20%	24.20%

Capital position evolution (€ bn)



Phased-in capitalisation ratio evolution (%)



# MREL REQUIREMENT

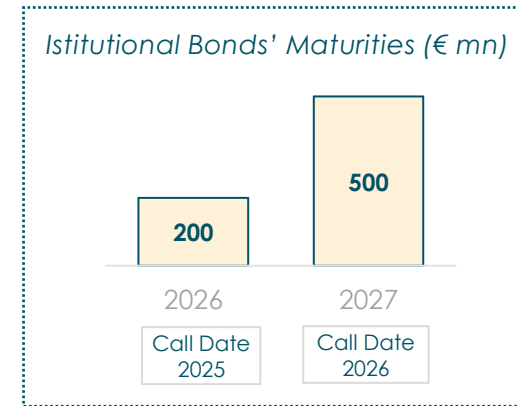
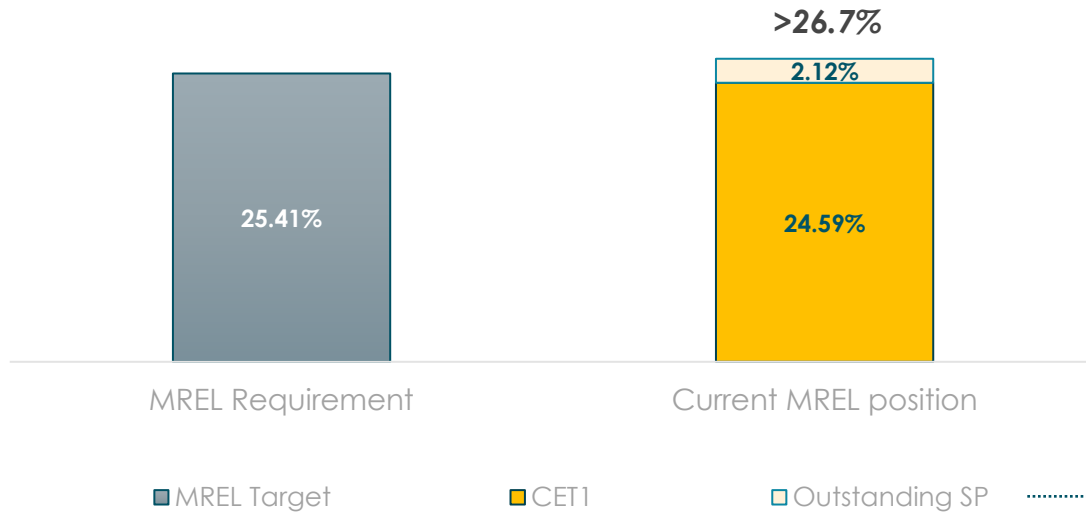
## Above MREL requirement with large capital position and senior preferred debt

As of 31 December 2023, the buffer over RWA based requirement is comfortable

In the absence of a subordination requirement, for the purpose of meeting MREL, target instruments will be comprised of **senior preferred debt**, for which the Group is able to offer **full investment grade credit ratings**

Further support to the strong capital position is provided by **internal capital generation** through derisking and profitability, as regulatory provisions limits earning distribution

MREL Requirement TREA (%), buffer at YE23



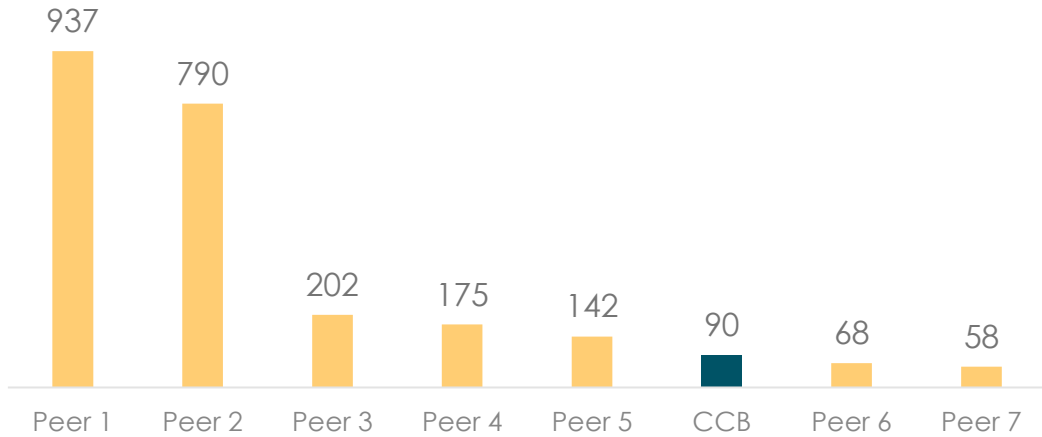
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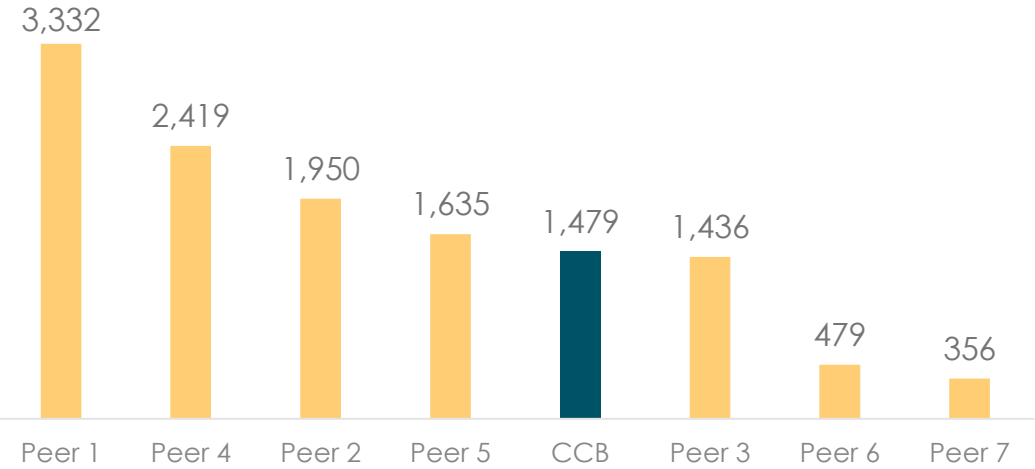
# COMPETITIVE POSITIONING

A distribution network with a national footprint

TOTAL ASSETS<sup>1</sup> (€ bn)



BRANCHES IN ITALY<sup>1</sup>



3.35% of Loans to Customers Italian Market

3.40% of Direct Funding Italian Market

> 470k Shareholders

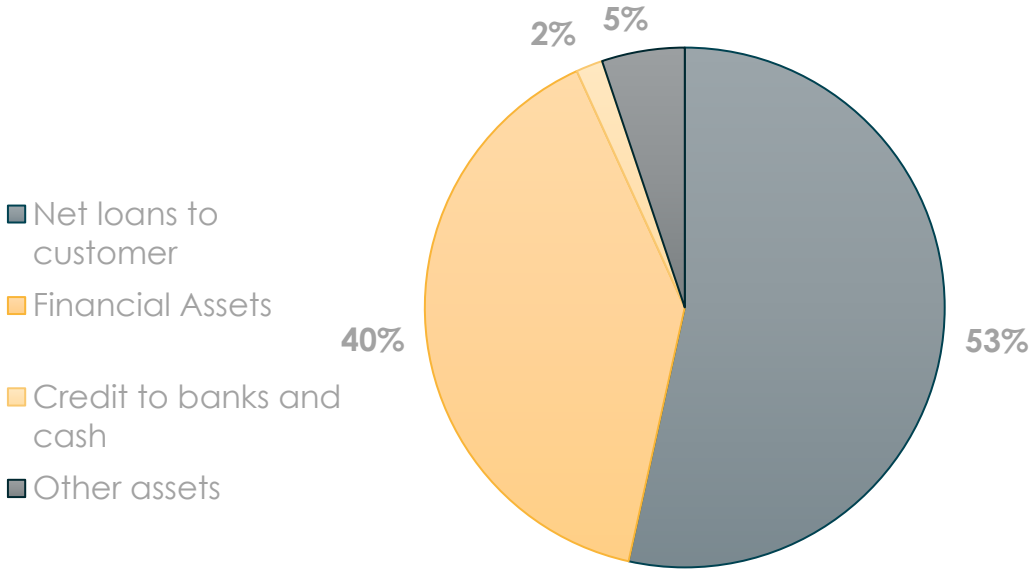
> 11k Employees

YE23 – Data elaborated on ABI Monthly Outlook

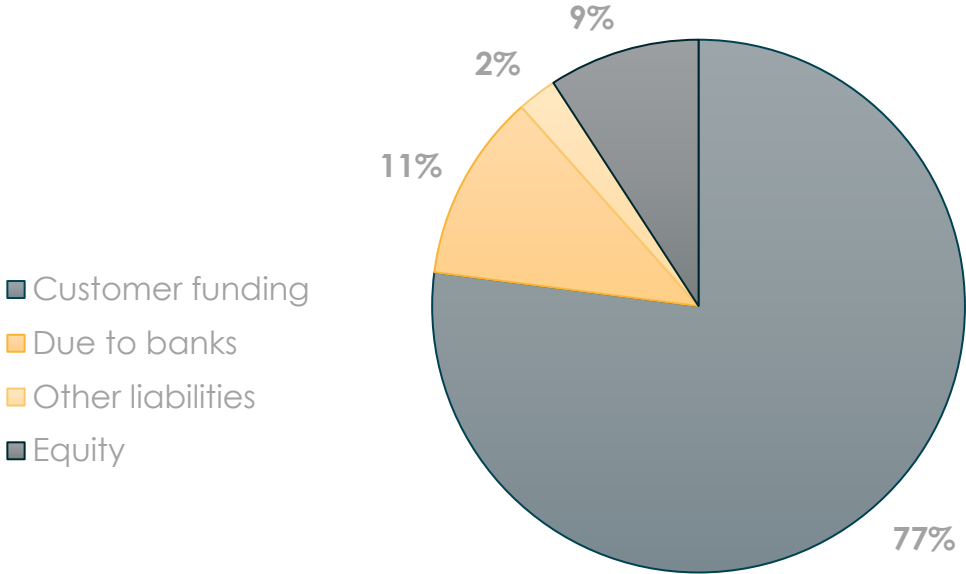
# BALANCE SHEET STRUCTURE

**Solid and straightforward balance sheet with low-risk profile, strong liquidity buffer due to the investment of large excess liquidity on liquid assets**

Total Assets (EUR 89,579 mn) – YE23



Total Liabilities (EUR 89,579 mn) – YE23



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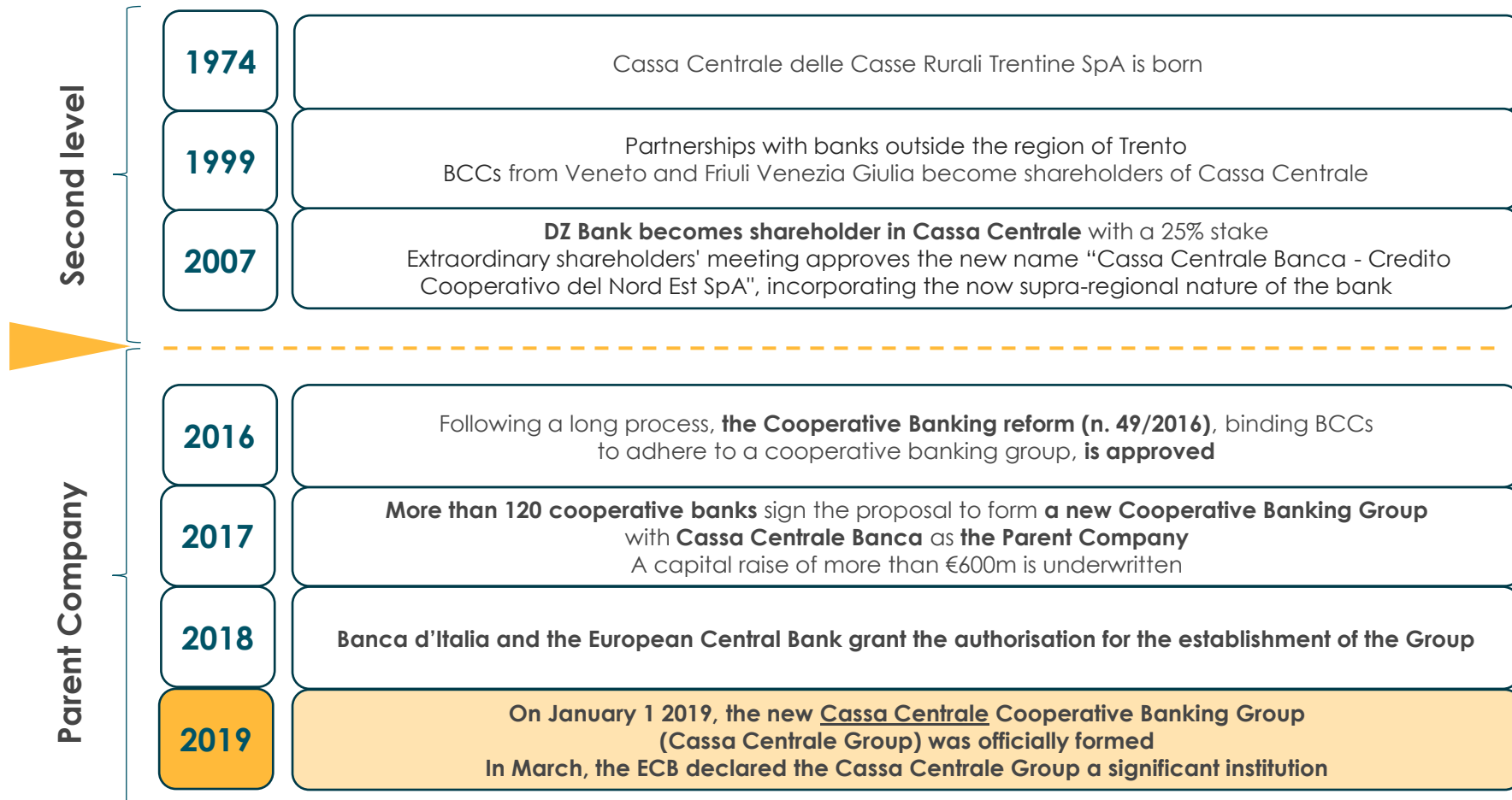
# PERFORMANCE INDICATORS

STRUCTURE	YE20	YE21	YE22	YE23
LOANS TO CUSTOMERS* / TOTAL ASSETS	50.3%	50.6%	51.6%	53.5%
DIRECT FUNDING / TOTAL LIABILITIES	75.5%	77.4%	78.5%	84.8%
EQUITY / TOTAL ASSETS	7.7%	7.7%	7.8%	9.2%
LOANS TO DEPOSIT <sup>1</sup>	78.7%	75.2%	74.7%	75.7%
NET LOANS TO CUSTOMERS / DIRECT FUNDING	72.2%	70.8%	71.3%	69.4%
CREDIT QUALITY	YE20	YE21	YE22	YE23
TEXAS RATIO <sup>3</sup>	18.0%	11.0%	6.4%	4.0%
INCIDENCE NET BAD LOANS <sup>4</sup>	0.7%	0.3%	0.1%	0.1%
PROFITABILITY RATIOS	YE20	YE21	YE22	YE23
NET PROFIT / TOTAL ASSETS (ROA)	0.3%	0.4%	0.6%	1.0%
INTEREST MARGIN/NET INTEREST AND OTHER BANKING INCOME	55.0%	59.3%	73.4%	84.5%
NET COMMISSIONS/NET INTEREST AND OTHER BANKING INCOME	29.0%	30.7%	30.0%	28.1%
NET INTEREST AND OTHER BANKING INCOME/TOTAL ASSETS	2.6%	2.6%	2.7%	3.2%

- [1] Net loans to customers / Due to customers  
 [2] Total Assets / (Net equity – Intangible assets)  
 [3] Net NPLs / (Net equity – Intangible assets)  
 [4] Net bad loans / Net loans to customers

# KEY MILESTONES OF THE GROUP

## From “second level” bank to Parent Company of the Cooperative Banking Group



# MUTUALISTIC PROFILE OF THE GROUP

## Distinctive features of the cooperative business model

### Parent Company



Focus on **shareholders**

**Profit-driven** business



Lending: **no specific geographical limit** in terms of operating areas  
Counterparties: **no specific limit on the type of customers**



Profit: **no limit on the distribution of dividends**



Supervision: Bank of Italy and ECB

### Affiliated Banks



Focus on **members**

**Utility-driven** business



**Localism**: at least 95% of lending within Bank's territory  
**Circular outlook**: lending mainly to members (50.1%)



Profit: **at least 70% to legal reserve and 3% to mutualistic funds** for cooperation

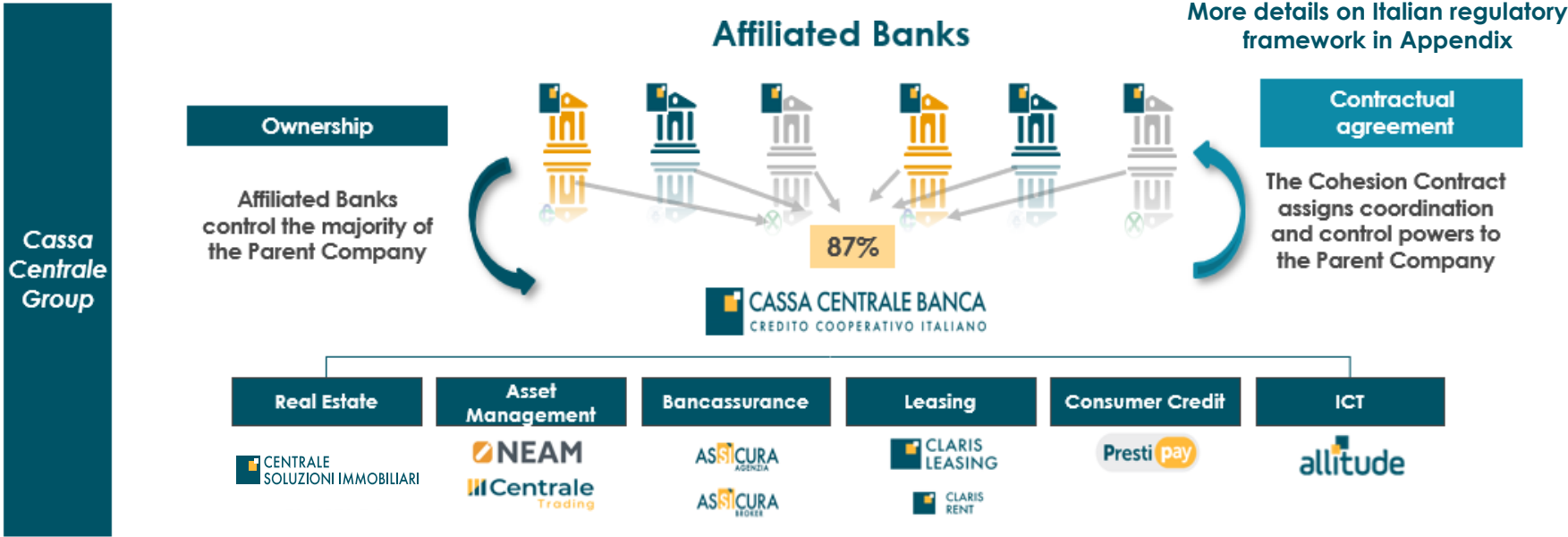


Supervision: Bank of Italy and ECB



# GROUP STRUCTURE

Affiliated Banks are both the shareholders and controlled entities of Cassa Centrale Banca



## Group's constituent elements

<p><b>Cohesion Contract</b></p>	<p><b>Guarantee Agreement</b></p>	<p><b>Risk Based Model</b></p>	<p><b>Internal control system</b></p>
<p>Defines the <b>operating regulations</b> of the Group and the <b>control and coordination powers</b> attributed to Cassa Centrale Banca</p>	<p>States that <b>the Affiliated Banks mutually commit to jointly guarantee all liabilities</b> towards third parties and to constitute funds readily available to each member of the Group</p>	<p>Analyzes the performance of the Affiliated Banks and identifies <b>four macro classes on which the management autonomy of the Affiliated Banks depends</b></p>	<p><b>The Internal Control Functions of the Affiliated Banks are outsourced to the Parent Company</b></p>








# THE GROUP HAS UNIQUE FEATURES DERIVING FROM A SPECIFIC REGULATORY FRAMEWORK

The Italian reform of cooperative credit, issued in 2016, requires:

- **Participation to a Cooperative Banking Group as a condition to operate under the cooperative credit structure**
- Cooperative Banking Group must be composed of a **Parent Company**, whose **majority share capital is held by** the **Affiliated Banks** (more than 60%), and the Subsidiaries (affiliated cooperative banks and other entities)
- Cooperative Credit Banks **must sign-off a Cohesion Contract** to be part of a Cooperative Banking Group: **under this contract, the affiliated banks and the Parent Company regulate their mutual duties, responsibilities, rights and joint guarantees deriving from joining and belonging to the Cooperative Banking Group. Each** bank accepts to be **subject to the Parent Company's management and coordination.**
- Adhering **banks maintain autonomy** according to their level of risk, which is measured by objectively identified parameters (Risk Based Model).
- **The Cohesion Contract includes innovative and unique mechanisms** such as **the Early Warning System (for risk control, interventions and sanctions)** and **the Cross-guarantee Scheme (for stability and capital protection).**
- The **Cross Guarantee Scheme is an intragroup financial support mechanism** through which the **participating banks provide financial support to each other to ensure solvency and liquidity. Members of the Group** commit themselves to:
  - I. **be jointly liable** to all obligations towards third parties and **cross-guarantee each other;**
  - II. **constitute readily available funds.**
- The Agreement is **based on a stress testing approach** applied to each member of the Group. The overall guarantee requirements are estimated through a vulnerability analysis in adverse conditions (Stress test EBA compliant). Each member **contributes proportionally to its risk exposure** and **within the limits of its free capital.**

# CORE SUBSIDIARIES

Cassa Centrale Group is also composed of operating subsidiaries and service companies

Firm	Core activity
	<ul style="list-style-type: none"> <li>Specialized in IT and back-office outsourcing activities for the banking industry</li> </ul>
	<ul style="list-style-type: none"> <li>Supply insurance products and brokering services to the distributing banks</li> </ul>
	<ul style="list-style-type: none"> <li>Clariss Leasing offers lease transactions on instrumental assets, real estate and boats</li> <li>Clariss Rent provides long-term rental services for the mobility and operating lease of capital goods</li> </ul>
	<ul style="list-style-type: none"> <li>Offers consumer credits services to customers of the banks belonging to the Group</li> </ul>
	<ul style="list-style-type: none"> <li>The company that manages NEF, a multi-manager, multi-segment Luxembourgian mutual investment fund</li> </ul>
	<ul style="list-style-type: none"> <li>Provides support and assistance to Banks using on-line trading services</li> </ul>
	<ul style="list-style-type: none"> <li>Manages the Group's instrumental real estate activities, aiming to defend the real value of properties guaranteeing the non-performing loans disbursed by the Group</li> </ul>

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