CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

PRESS RELEASE

HALF-YEARLY CONSOLIDATED FINANCIAL REPORT AS OF 30 JUNE 2023

The Board of Directors of Cassa Centrale approved the half-yearly financial report for the first six months of 2023

Confirmed the Group's ability to generate capital through growth in underlying profitability

1. **CONSOLIDATED NET PROFIT FOR THE HALF-YEAR: € 587 MILLION**
2. **"CORE" REVENUE[1] AT € 1,559 MILLION, +20% COMPARED TO 1H 2022**
3. **SIGNIFICANT GROWTH IN NET INTEREST INCOME TO € 1,174 MILLION**
4. **NET COMMISSIONS OF € 385 MILLION FOR THE PERIOD**
5. **ONGOING IMPROVEMENT IN CREDIT QUALITY: GROSS NPL RATIO (4.7%) AND NET NPL RATIO (0.9%) FURTHER REDUCED[2]**
6. **MARKET-LEADING NON-PERFORMING LOAN COVERAGE (82%)**
7. **CAPITAL POSITION AT THE HIGHEST IN THE BANKING SYSTEM WITH A CET1 RATIO OF 23.8%**
8. **AMPLE LIQUIDITY BUFFER WITH LCR AT 255% AND NSFR AT 156%**

Trento – 21 September 2023. The Board of Directors of Cassa Centrale Banca – Credito Cooperativo Italiano S.p.A. has examined and approved the Group's consolidated half-yearly financial statements for the six months ending on 30 June 2023.

Consolidated income statement: key figures

Net interest income for the first half of 2023 amounted to € 1,174 million, up 24% compared to June 2022, when it reached € 943 million. This dynamic is mainly linked to the contribution of lending activities, amounting to € 839 million (from € 497 million in the first half of 2022) following the positive trend in interest rates.

The contribution to the net interest income of financial instruments also grew further to € 516 million, following the marked growth in the returns on inflation-linked securities that had characterized the contribution in June 2022 of € 385 million.

Net fee and commission income in June 2023 amounted to € 385 million, up 7% compared to € 361 million for H1 2022, confirming the Group's constant focus on the growth of service revenue. The growth during the first six months of 2023 is linked to the contribution of the Finance segments, driven by the growth in assets under administration, credit fees and current account management.

In the first half of 2023, **net dividends** amounted to € 3 million, stable compared to the value recorded in the first half of 2022, while the **net result from financial activities** registered a loss of € 101 million, down compared to the same period of the previous year, when it was positive for € 51 million. The change is attributable to the negative trend in market valuations determined by the increase in interest rates, which affected the valuation of financial assets sold during the first half of the year.

The Group's **net interest and other banking income** as of June 2023 amounted to € 1.5 billion, up 8% compared to the same period of the previous year. The increase in the contribution from the core activities offset the negative net result from financial activities and the stop to the funding at negative rates with the European Central Bank, which in recent years has supported the profitability of the Group and the entire banking system.

Operating costs amounted to € 846 million in June 2023, up € 69 million (+9%) compared to June 2022 and were driven by these main components:

- **personnel expenses,** amounting to € 479 million, increased by € 43 million over the same period in 2022 (+10%), reflecting the strengthening of the Group's central bodies and the impact from the renewal of the National Contract Agreement;
- **other administrative expenses**, amounting to € 404 million, increased by € 34 million compared to the same period in 2022 (+9%). These expenses include the **contributions to the systemic funds**, which amount to € 76 million and mainly refer to the recurring payment for 2023 to the *Single Resolution Fund* and the Deposit *Guarantee Schemes (DGS)*;
- **net impairment losses on property, plant and equipment and intangible assets**, of € 59 million were marginally down compared to H1 2022 when they amounted to € 61 million.

During the first six months of 2023, the **Group's cost income ratio**[3],calculated as the ratio between operating costs and net interest and other banking income, was 58%, substantially unchanged from the first half of 2022 (57.3%).

Net recoveries on loan loss provisions reached € 73 million. Overall coverage of non-performing loans of 82% remains among the highest in the European banking system, confirming the Group's attention to monitoring risks as evidenced by the brilliant results

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

obtained in the recent stress test exercise conducted by the EBA (*European Banking Authority*).

Profit before tax closed at € 686 million, compared with a result of € 517 million for the first half of 2022 (+33% YoY).

Income taxes were € 99 million, resulting in a **net profit attributable to the Parent Company** of € 587 million. The figure is up significantly (+32%) compared to the € 445 million recorded in the first half of 2022.

Consolidated balance sheet: key figures

Direct funding[4] amounted to c. € 67 billion, down marginally in the first half (-0.7%). It is confirmed the prevalence of short-term deposits, in the technical form of current accounts and demand deposits, amounting to € 56 billion and representing 85% of the total. Funding at maturity, in the form of deposits, repurchase agreements and bonds, amounted to € 10 billion, equal to 15% of total direct funding.

Indirect customer funding measured at market value totalled € 41 billion at the end of June 2023, +14% compared to the end of December 2022. The increase is partly attributable to the positive market effect on the assets under management already in the portfolio, a dynamic linked to the evolution of the current macroeconomic context, and partly to the growth in net inflows, which demonstrates the Group's high attention to the evolution of the sector, even in a complex economic phase such as the current one.

As of 30 June 2023, assets under management totalled € 24.5 billion and accounted for 60% of indirect funding, while the component under administration amounted to € 16.4 billion (40% of the total, following the growing attractiveness of government bonds as an investment for customers in a context of sudden rise in yields).

The Group's overall funding thus reached € 108 billion, of which 62% attributable to direct funding and 38% to indirect funding.

As of June 2023, **gross loans to customers** amounted to € 50.4 billion, only slightly lower than the stock as of December 2022 (€ 50.6 billion). Performing loans composed € 48 billion of the total while non-performing loans amounted to € 2.4 billion (compared to € 2.5 billion at the end of 2022).

With reference to the composition of gross non-performing loans, **bad loans** amounted to € 0.7 billion, **unlikely to pay** to € 1.6 billion and **past due** to € 100 million.

The **conservative approach to the management of non-performing loans**, together with the de-risking actions undertaken, has allowed the Group to further improve its asset quality profile.

The gross NPL ratio was 4.7%, slightly down compared to the figure at the end of 2022 (4.8%), while the **net NPL ratio** was 0.9%, in line with the ratio at the end of 2022.

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

NPL coverage ratio of 82% is stable compared to December 2022; the coverage of performing loans at 1.2% remains solid although slightly down from 1.4% at the end of 2022.

The **net interbank position** was negative for € 11.4 billion and is determined by the difference between banking credit exposure (including debt securities) of € 1.5 billion and due to banks of € 12.9 billion. The total exposure of the Group with the European Central Bank (entirely composed of three-year TLTRO III transactions opened during 2020 and 2021) amounted to € 11.8 billion as of June '23. Financial instruments eligible as collateral for refinancing operations amounted to € 36.1 billion, net of the haircut, of which € 22.0 billion available.

Financial assets of up to € 37.3 billion represented 41% of total assets. Within the aggregate, debt securities amounted to € 36.8 billion and included € 36.1 billion of securities issued by governments and other supranational entities, of which € 30.4 billion of Italian government bonds.

Capital ratios and liquidity indicators

The capital ratios *as of 30 June 2023* were the following:

- *Common Equity Tier 1* (CET1) *phase-in ratio* of 23.81% (22.79% at 31 December 2022). The "*Fully Phased*" ratio was equal to 23.56% (21.55% at 31 December 2022);
- *Tier 1 ratio Phase-in* of 23.81% (22.79% at 31 December 2022);
- *Total Capital ratio Phase-in* equal to 23.81% (22.80% at 31 December 2022);

The Group's **consolidated equity**, including the result for the period, amounted to € 7.8 billion (up € 577 million, or 8% from the end of 2022).

The LCR ("*Liquidity Coverage Ratio*") reached 255% (from 248% in December '22) and the NSFR ("*Net Stable Funding Ratio*") 156% as of June 2023 (151% as of FY '22). Both indicators remain well above regulatory requirements.

Key structure data as of 30 June 2023

The Cassa Centrale Banca Group operates in nineteen Italian regions with a network of 1,479 branches.

Group's employees totalled 11,914 compared to 11,702 at the end of 2022.

Business outlook

The first half of 2023 was conditioned by a climate of strong geopolitical and economic uncertainty.

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

On a geopolitical level, the conflict between Russia and Ukraine continues, the duration of which represents an unpredictable yet fundamental variable to determine the repercussions on the Italian and the world's economy.

In economic terms, high levels of inflation persisted in the first half of 2023, which led to restrictive monetary policy choices by the main Central Banks with the aim of protecting the purchasing power of households and businesses.

The restrictive interest rate policy decided by the European Central Bank has been reflected in the cost of credit, leading to a slow-down in the demand for credit at a systemic level.

The climate of continuing uncertainty has also affected the funding structure of the banking system, with a partial shift towards asset management and assets under administration, the latter made attractive by the current yields offered by government bonds.

In such a difficult scenario, the entire banking sector will have to carefully assess the evolution of the situation, particularly around credit quality, with the aim to consolidate the results achieved in recent years in terms of asset quality.

In a context of persistent uncertainty in traditional banking, improving operational efficiency, reducing costs and creating new business strategies are confirmed as the main levers for the recovery of structural profitability in the sector.

In the context of the current economic and social environment, the Group maintains its focus on strongly supporting the economic fabric of the territories in which it operates, which are facing a constantly changing situation, and on overseeing the overall risk profile.

Activities related to the organizational and operational structuring of the Group continue with renewed attention to investments in technology and human capital, fundamental enabling factors for achieving the objectives of the Group's new Strategic Plan.

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

The Cassa Centrale Group's half-year financial report as at 30 June 2023, complete with the limited audit report of the Independent Auditors, will be available at the Company's Registered Office and on the www.cassacentrale.it website.
The Group prepares the Consolidated Half-Year Financial Report on a voluntary basis. It should also be noted that to date the Independent Auditors has not yet completed its examination.
To supplement the information provided, the consolidated statements of the Balance Sheet and Income Statement (in reclassified version) as of 30 June 2023 are attached, as well as a summary of the main indicators.

Contacts:

Investor Relations *investor.relations@cassacentrale.it*

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

Reclassified income statement[1] as of 30 June 2023

(€ million)	30/06/2023	30/06/2022	Change	Change %
Net interest income	**1,174**	**943**	**231**	**24.5%**
Net fees & commissions	385	361	24	6.6%
Dividends	3	3	-	0.0%
Net trading revenues	(104)	48	(152)	(316.7%)
Net interest and other banking income	**1,458**	**1,355**	**103**	**7.6%**
Loan loss (provisions) / recoveries	73	(62)	135	(217.7%)
Income from financial activities	**1,531**	**1,293**	**238**	**18.4%**
Operating expenses	(942)	(867)	(75)	8.7%
Net allocations to provisions for risks and expenses	-	(7)	7	(100.0%)
Other income (expenses)	96	97	(1)	(1.0%)
Profit (loss) from disposal of investments and equity investments	1	1	-	0.0%
Profit before tax	**686**	**517**	**169**	**32.7%**
Income tax	(99)	(71)	(28)	39.4%
Profit (loss) for the year for minority interests	-	(1)	1	(100.0%)
Net income of the Parent Company	**587**	**445**	**142**	**31.9%**

[1] In order to provide a better management representation of the results, the reclassified financial data differ from the financial statements provided for pursuant to Bank of Italy Circular 262 of 2005, 7th update.

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

Reclassified balance sheet[2] as of 30 June 2023

(€ million)	30/06/2023	31/12/2022	Change	Change %
ASSETS				
Cash and cash equivalents	550	558	(8)	(1.4%)
Exposures to banks	962	913	49	5.4%
Exposures to customers	47,842	47,884	(42)	(0.1%)
of which at fair value	*141*	*233*	*(92)*	*(39.5%)*
Financial assets	37,291	39,130	(1,839)	(4.7%)
Equity investments	57	58	(1)	(1.7%)
Tangible and intangible assets	1,325	1,314	11	0.8%
Tax assets	690	783	(93)	(11.9%)
Other assets	2,390	2,196	194	8.8%
Total assets	**91,107**	**92,836**	**(1,729)**	**(1.9%)**

(€ million)	30/06/2023	31/12/2022	Change	Change %
LIABILITIES				
Due to banks	12,865	16,391	(3,526)	(21.5%)
Direct funding	66,695	67,197	(502)	(0.7%)
Due to customers	*62,050*	*64,114*	*(2,064)*	*(3.2%)*
Issued Securities	*4,645*	*3,083*	*1,562*	*50.7%*
Other financial liabilities	7	9	(2)	(22.2%)
Provisions (risks, charges and personnel)	482	467	15	3.2%
Tax liabilities	44	36	8	22.2%
Other liabilities	3,230	1,529	1,701	111.2%
Total liabilities	**83,323**	**85,629**	**(2,306)**	**(2.7%)**
Minority interests	-	-		
Group's equity	7,784	7,207	577	8.0%
Consolidated equity	**7,784**	**7,207**	**577**	**8.0%**
Total liabilities and equity	**91,107**	**92,836**	**(1,729)**	**(1.9%)**

[2] In order to provide a better management representation of the results, the reclassified financial data differ from the financial statements provided for pursuant to Bank of Italy Circular 262 of 2005, 7th update.

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

Performance indicators

Financial indicators	30/06/2023	2022[5]
Structural ratios		
Loans to customers[6] / Total assets	52.5%	51.6%
Direct funding / Total assets	73.2%	72.4%
Net equity / Total assets	8.5%	7.8%
Net loans / Direct funding from customers	71.7%	71.4%
Texas ratio[7]	24.6%	27.0%
Profitability ratios		
Net profit / Equity (ROE)	15.1%	12.4%
Net profit / Total assets (ROA)	1.3%	0.9%
Cost income ratio	58.0%	57.3%
Cost of risk[8]	-	26 bp
Interest margin / Net interest and other banking interest	80.5%	69.6%
Net commissions / Net interest and other banking interest	3.2%	2.8%
Operating effectiveness indices		
Operating costs / Traded volumes[9]	1.1%	1.1%
Traded volumes per employee (mln)[10]	12.8	12.6
Prudential supervisory indicators	**30/06/2023**	**2022[11]**
Phased-in own funds (€ thousands)		
Common Equity Tier 1 (CET1)	7,661	7,429
Total own funds	7,662	7,432
Risk-weighted assets (RWA)	32,182	32,598
Phased-in capital ratios and liquidity ratios		
CET1 ratio	23.81%	22.79%
Tier 1 ratio	23.81%	22.79%
Total capital ratio	23.81%	22.80%
Liquidity coverage ratio (LCR)	255%	248%
Net stable funding ratio (NSFR)	156%	151%

CASSA CENTRALE BANCA
CREDITO COOPERATIVO ITALIANO

[1] Sum of net interest margin and commissions.
[2] The calculation of gross and net NPL ratios was carried out on the basis of the EBA data model (EBA methodological guidance on risk indicators, latest update October 2021).
[3] The income ratio is calculated on the basis of the reclassified income statement as the ratio between operating costs and intermediation margin.
[4] Includes due to customers and outstanding securities.
[5] The prudential supervisory indicators and the structural indices are calculated on the basis of the data as of 31 December 2022 while those of an economic nature are calculated on the basis of data as of 30 June 2022.
[6] Loans to customers include loans and advances to customers at amortized cost and fair value; They therefore differ from the customer exposures represented in the financial statements.
[7] The calculation of the Texas ratio (which in the numerator includes gross non-performing loans) – follows the EBA data model (EBA methodological guidance on risk indicators, last update October 2021).
[8] Cost of Risk is determined as the ratio of net provisions for credit risk and net customer loans.
[9] Intermediate assets are calculated taking into account non-performing gross customer loans and total deposits excluding the repurchase agreement with the Cassa di Compensazione e Garanzia and the eligible MREL issues.
[10] The number of employees of the Group considers the exact figure at the reference date.
[11] See note 5.