

Letter to the Shareholders

Dear Shareholders,

The year 2023 saw a wealth of activity and many positive results for our Cassa Centrale Group: all its constituent businesses once again demonstrated their capacity in terms of result generation, surpassing every optimistic expectation in terms of savings collected and new credit. The development of brokered volumes is testament to the trust of our shareholders and customers and, alongside the economic situation, made it possible to file the best annual financial result since the Group was formed and to further strengthen its capital, positioning us at the top levels of the banking system.

The year was also marked by the definitive return to in-person events, with many opportunities to meet with one another and to celebrate our identity and sense of belonging, dedicating time to our existence as a “Group of People”. In particular, the first convention of people from the Industrial Group companies was held at the start of the year in Verona and in October, the entire Group convention met in Lisbon, following many years of absence.

We did not forget about the environment, and decided to offset the carbon dioxide emissions of both events by planting 8,500 trees, in a bid to do our part to re-establish the forests devastated by Storm Vaia.

2023 saw the signing of our Group’s first supplementary agreement, a significant milestone in everyone’s professional and personal growth, which are values that we practice in our day-to-day operations.

2023 was also the year of maturity for the launch of the Group’s second national identity campaign, “Founded on common good”, which will see us through the next two years with the aim of enhancing the concrete and daily contribution of the Group’s Affiliated Banks to the economic, social and cultural development of communities and territories.

In 2023 we also sought to lift the spirits of the populations and companies badly affected in May by the flood in Emilia-Romagna, by creating a solidarity initiative, which, thanks to contributions from all Affiliated Banks, the companies Allitude, Assicura Agenzia and Broker, Claris Leasing and Rent, NEAM and Prestipay, the cooperative shareholders and the customers of the Group, made it possible to achieve a considerable result (the fundraising exceeded one million 400 thousand euros), allocated to support tangible initiatives that promoted recovery in the territories affected and assisted people and micro-enterprises in their recovery after the emergency phase.

2023 saw more frequent relations with the Supervisory Authority with reference to the entire Group: the unique construction as a significant Cooperative Banking Group and our role as Parent Company require us to continuously represent our specificities, and the need for a gradual process, in proportion to the importance of the role played in the development of communities. This role was also recognised by the President of the Republic at the celebrations of the 140th year since the foundation of Credito Cooperativo, which took place in 2023.

We are strongly committed to strengthening the managerial top line with professionals who can manage change and contribute to the achievement of the Plan objectives. Therefore, the reorganisation of the Parent Company and its subsidiaries continued through the addition of 6 new Chiefs at the Parent Company and through a governance update. By instating CEOs at Claris and Prestipay, joining the CEOs already present at Allitude and Assicura, we have guaranteed even stronger operating synergies with Cassa Centrale Banca.

An update of the Articles of Association of the Affiliated Banks was also initiated.

In late June we approved the update to the Group Strategic Plan, which sets ambitious targets within our autonomous process of growth for the 2023-2026 period.

The Strategic Plan is developed across four key areas: commercial development and higher efficiency of the business model, which are the keystones for change, whereas attention to capital and risk profiles and enabling factors such as human capital and the integration of ESG factors constitute the essential framework for a successful yet sustainable business. The Sustainability Plan was then approved in November, identifying the key ESG projects across five areas: Environment, Communities & Shareholders, ESG Governance, People, and Customers.

We are determined to offer credit solutions to assist businesses – especially micro and small enterprises that operate in traditional sectors and form the Group's scope of reference – in the ecological and digital transition required to remain competitive on the market.

We feel a strong responsibility in guiding savers towards investments in projects and companies with a sustainable business model (GSS – Green, Social, Sustainable) and, at the same time, we intend to fund the "transition" of mortgage loans towards more energy sustainable homes equipped to face climate change.

The Plan that we approved, and which we will update in June, is a development programme that seeks to go beyond the consolidation of results and carve out new growth inspired by our Group identity values.

As for the economic and financial result for 2023, capital ratios were confirmed at the highest levels of the Italian banking sector, with a CET1 ratio of 24.6% and consolidated equity of EUR 8.2 billion.

Overall funding grew by 9.6% to EUR 113 billion, a figure that confirms the trusted placed by saver-customers in the BCC-CR-Raika that make up the Group.

Direct funding increased by 2.7% compared to 2022, to reach EUR 69 billion. Indirect funding benefited from the positive trend on the markets during 2023, which supported asset management products and the strong increase in returns on government bonds and drove the interest of savers towards assets under administration. On the whole, indirect funding in late December 2023 reached EUR 44 billion with a 23% increase on December 2022.

In a year characterised by a cooling off in the demand for credit, new disbursements exceeded EUR 8 billion, for gross credit exposure to customers of over EUR 50 billion. These figures confirm the importance of cooperative credit in offering support to the financial needs of households and SMEs in the operating regions.

The combined effect of the growth of performing loans and the constant reduction in impaired loans made it possible to gradually improve the gross NPL ratio, which fell to 4.2% (4.8% in 2022) and, alongside prudential hedging policy, led to a net NPL ratio of 0.7% (0.9% in 2022), which places the Group at the top of the national banking system. The coverage ratio of impaired loans, already at the highest levels of the Italian and European banking sector, further improved to 85%, compared to 82% in December 2022.

In December 2023, the LCR (Liquidity Coverage Ratio) was 275% (248% in December 2022) and the NSFR (Net Stable Funding Ratio) 168% (151% in late 2022). Both indicators remain well above the regulatory requirements, indicating a situation of abundant liquidity that has characterised the Group since its foundation.

A significant growth trend was therefore confirmed with even better financial results than the previous year, albeit in a context of great economic instability. Group net profit was EUR 871 million.

Net interest income for 2023 was EUR 2.4 billion, up by 30% compared to December 2022, whereas net fees and commissions in 2023 continued the expanding trend that has existed since the creation of the Group and grew by over 5% compared to 2022, amounting to EUR 795 million. The figure confirms the Group's growing ability to diversify its primary revenues, offering shareholders and customers an even larger number of products and services capable of satisfying the spectrum of financial, insurance and payment system needs. The most significant contribution mainly came from growth in wealth management and bancassurance commissions.

Net interest and other banking income therefore reached EUR 2.8 billion, up by 13% compared to the results achieved in 2022, improving on the challenging income targets that the Group had set itself in the 2023-2026 Strategic Plan.

Net provisions for loans amounted to EUR 80 million, highlighting a limited cost of risk, the consequence of the prudent provisioning policy adopted by the Group in the previous three-year period and of credit management mindful of the needs of shareholders and customers operating in the territories of reference of the BCC-CR-Raika that make up the Cassa Centrale Cooperativo Banking Group.

The Group's cost-to-income ratio (net of extraordinary and non-recurring items) was 52%, an improvement on financial year 2022 when it was 59%, despite the year having recorded a 9.5% increase in operating costs (EUR 1.7 billion) as a result not only of the inflationary trend which characterised the first half of 2023 in particular, but the solid investments in IT.

In line with the Group's strategic evolution, its aim to support regional control remained fast-moving, which we still consider a fundamental value of our way of banking (over the last two years we opened 50 new branches). The digital channels were developed with a focus on new technology, in order to satisfy the omnichannel service needs of shareholders and customers. We want to build a tangible link between the values that make our BCCs unique and the banking challenges of tomorrow.

Thinking about the present day, since April 2024 we have our new regional branch office in Milan, a prestigious and appropriate space for the high profile that the Group is taking on in the national banking world.

2024 marks two significant anniversaries for our history and our future: the fiftieth year since the foundation of Cassa Centrale Banca, and the first five-year period of the Cooperative Banking Group.

We will celebrate them together throughout the year and at a major four-day event held in Trento between 26 and 29 September.

As for the future, we believe that the results achieved to date, in combination with the Group's solidity and the consolidated synergies with the Affiliated Banks, will allow us to look optimistically at the complex and demanding challenges we all face.