

4. Operating performance of the Cassa Centrale Group

4.1 - Performance indicators of the Group

The main performance indicators for the period ended 31 December 2023 are shown below:

RATIOS	31/12/2023	31/12/2022	% change
STRUCTURAL RATIOS			
Loans to customers * / Total assets	53.5%	51.6%	3.7%
Direct funding / Total assets	77.0%	72.4%	6.4%
Net equity / Total assets	9.2%	7.8%	17.9%
Net loans / Direct funding from customers	69.4%	71.4%	(2.8%)
PROFITABILITY INDICES			
Net profit / Net equity (ROE)	10.6%	7.8%	35.9%
Net profit / Total assets (ROA)	1.0%	0.6%	66.7%
Cost / Income **	60.8%	62.6%	(2.9%)
Interest margin / Net interest and other banking interest	84.5%	73.4%	15.1%
Net fees and commissions / Net interest and other banking interest	28.1%	30.0%	(6.3%)
Net interest and other banking interest / Total assets	3.2%	2.7%	18.5%
OPERATING EFFECTIVENESS INDICES			
Operating costs / Traded volumes ***	1.1%	1.1%	n.s.
Traded volumes per employee (million) ****	13.2	12.8	3.1%

* Loans to customers include loans and advances to customers at amortised cost and fair value; thus differing from the exposures to customers shown in the financial statements;

** Indicator calculated as the ratio of operating costs to net interest and other banking income;

*** The traded volumes are calculated considering the gross performing loans to customers, the total funding excluding the repos component with Cassa di Compensazione e Garanzia and eligible MREL issues;

**** The number of employees of the Group is taken from the figure on the reference date.

The indicators shown represent the main operating trends of the Cassa Centrale Group as at the end of 2023.

With regard to structural ratios, loans to customers represent 53.5% of the total consolidated assets of the Cassa Centrale Group, confirming the predominant activity of the Affiliated Banks aimed at financing the reference territory, households and small economic operators in the context of their business activities. The index is higher than the findings at December 2022.

Direct funding from customers remained the Group's main source of funding, accounting for 77% of total assets, an increase compared to the end of 2022.

In light of the change in lending activities, the ratio of net loans to direct funding from customers at 31 December 2023 confirms the Cassa Centrale Group's high degree of liquidity, at 69.4%, a slight decrease on the figure at the end of 2022.

With reference to profitability ratios, the ROE, calculated as the ratio of annualised profit for the period to equity, is 10.6%, while the ROA, calculated as the ratio of annualised net profit to the financial statements total, is around 1%.

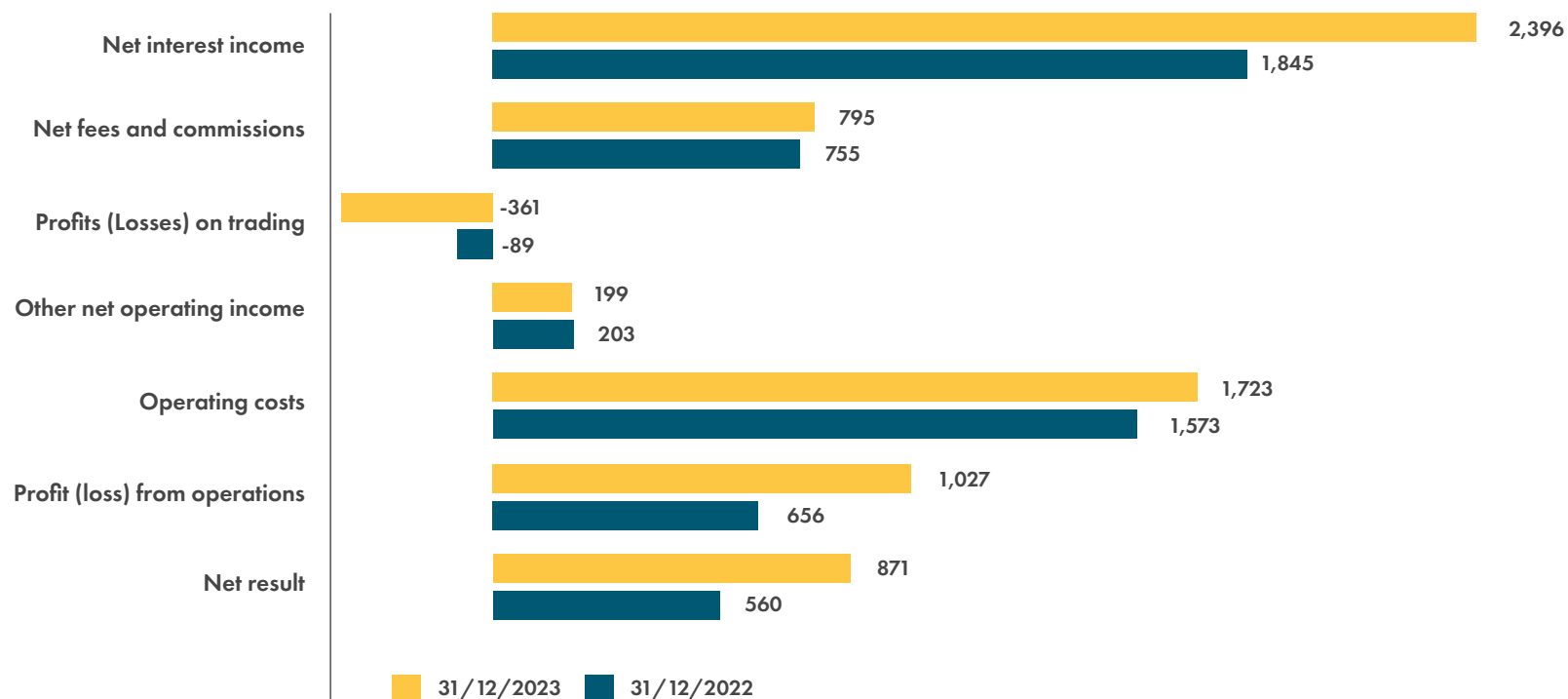
Productivity, measured through the index of traded volumes per employee, grew by 3.1% compared to the end of 2022, amounting to EUR 13.2 million and confirming the path undertaken by the Cooperative Banking Group to progressive increase industrial efficiency. The impact of operating costs on volumes traded was also confirmed to be in line with the figure at the end of 2022, equal to 1.1%.

The following paragraphs provide a brief description of the Group's main income statement and balance sheet aggregates, together with further management evidence commenting on the indicators previously reported.

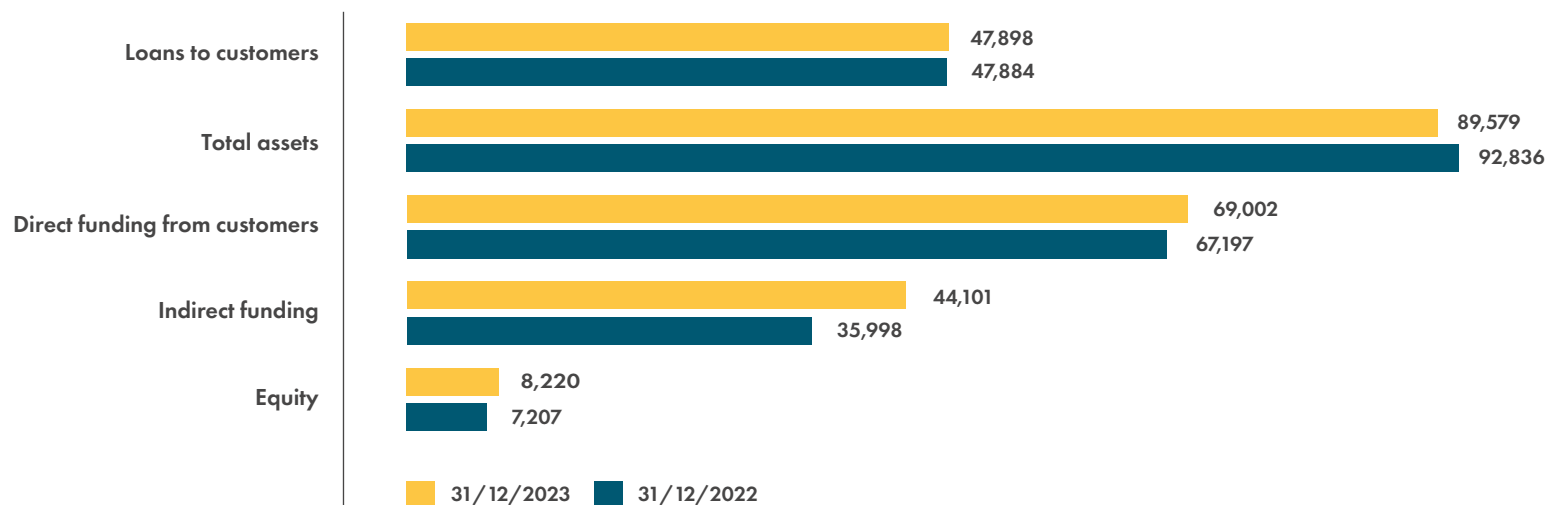
4.2 - Summary of results

A graphic representation of the results of the main items in the income statement and balance sheet is provided on the following page. Please refer to the specific sections for details of individual items.

Consolidated income statement figures (millions of euro)



Consolidated balance sheet figures (millions of euro)



4.3 - Economic results

Reclassified income statement⁶

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Net interest income	2,396	1,845	551	29.9%
Net fees and commissions	795	755	40	5.3%
Dividends	4	4	-	0.0%
Profits (Losses) on trading**	(361)	(89)	(272)	n.s.
Net interest and other banking income	2,834	2,515	319	12.7%
Net value adjustments/write-backs	(81)	(273)	192	(70.3%)
Income from financial activities	2,753	2,242	511	22.8%
Operating expenses*	(1,905)	(1,760)	(145)	8.2%
Net allocations to provisions for risks and expenses	(13)	(12)	(1)	8.3%
Other income (expenses)	195	199	(4)	(2.0%)
Value adjustments to goodwill and other intangible assets	-	(1)	1	(100.0%)
Profit (loss) from disposal of investments and equity investments	(3)	(12)	9	(75.0%)
Gross current result	1,027	656	371	56.6%
Income tax	(156)	(94)	(62)	66.0%
Profit (loss) for the year for minority interests	-	(2)	2	(100.0%)
Net income of the Parent Company	871	560	311	55.5%

* This item includes staff expenses, other administrative expenses and operating amortisation/depreciation.

**This item includes Net result from trading, Profit/(loss) from disposal/repurchase of financial assets, and Net result from other financial assets and liabilities designated at fair value through profit or loss.

As at 31 December 2023, the net interest and other banking income of the Cassa Centrale Group stood at EUR 2.8 billion, up by EUR 319 million compared to the end of 2022. The Group's margins mainly reflect the trend in market rates on the yield of the loan portfolio and the growing return on the proprietary securities portfolio.

Net fees and commissions rose to EUR 795 million (28.1% of the net interest and other banking income), confirming the growing focus of the Cassa Centrale Group on the development of the service margin.

⁶ In order to provide a better management representation of the results, the reclassified consolidated income statement figures differ from the layouts of the financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 8th Update.

Net trading revenues were negative for EUR -361 million, mainly as a result of a repositioning of the financial investments in line with the new Group Proprietary Portfolio Strategy, which envisages a reduction in the incidence of investments classified in the HTC Business Model and a diversification of the same portfolio in terms of duration as well as issuer counterparties. This restructuring will reap tangible benefits over the financial years in the time frame covered by the new strategic plan.

Towards the end of 2023, write-downs totalled EUR -81 million. Total allocation for impaired loans rose to around 85%, even higher than the figure at the end of 2022, confirming the growing level of credit risk monitoring.

The change in operating expenses, up on the same period in 2022 (+8.2%), mainly reflects the dynamic in staff expenses and other administrative expenses, as shown in the following paragraphs.

Profit before tax amounted to EUR 1 billion, up sharply compared to the previous financial year (+56.6%), with the net profit pertaining to the Parent Company standing at EUR 871 million.

Net interest income

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Financial assets measured at amortised cost not comprising loans	697	670	27	4.0%
Other financial assets and liabilities measured at FVTPL	3	5	(2)	(40.0%)
Other financial assets measured at FVOCI	262	170	92	54.1%
Financial instruments	962	845	117	13.8%
Net interest to customers (loans)	1,724	1,132	592	52.3%
Debt securities in issue	(119)	(33)	(86)	260.6%
Customer relations	1,605	1,099	506	46.0%
Net interest to banks	(274)	(149)	(125)	83.9%
Differentials on hedging derivatives	15	(3)	18	n.s.
Other net interest	88	53	35	66.0%
Total net interest income	2,396	1,845	551	29.9%

The net interest income at the end of 2023 stood at nearly EUR 2.4 billion, posting an increase of +29.9% (EUR +551 million) compared to the previous year.

This dynamic is mainly linked to the growing contribution of lending, totalling EUR 1.7 billion (+592 year-on-year), which, benefiting from the rise in market rates, led to a widening of the commercial spread. Financial instruments also made a significant contribution of EUR 962 million (EUR +117 million compared to the end of 2022) thanks to the increasing average profitability of the securities portfolio. In the interbank sector, negative interest was recorded totalling EUR -274 million as a result of the higher market rates and related impact on ECB refinancing operations.

Net fees and commissions

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Fees and commissions income	933	871	62	7.1%
Financial instruments	149	128	21	16.4%
Management of collective portfolios	73	65	8	12.3%
Custody and administration	5	4	1	25.0%
Payment services	412	387	25	6.5%
Breakdown of third party services	110	111	(1)	(0.9%)
Financial guarantees given	16	16	-	0.0%
Financing transactions	121	117	4	3.4%
Foreign currency trading	1	1	-	0.0%
Other fees and commissions income	46	42	4	9.5%
Fees and commissions expenses	(138)	(116)	(22)	19.0%
Financial instruments	(13)	(12)	(1)	8.3%
Custody and administration	(17)	(16)	(1)	6.3%
Collection and payment services	(88)	(66)	(22)	33.3%
Servicing activities for securitisation operations	-	(2)	2	(100.0%)
Out-of-branch offer of financial instruments, products and services	(8)	(8)	-	0.0%
Other fees and commissions expenses	(12)	(12)	-	0.0%
Total net fees and commissions	795	755	40	5.3%

Net fees and commissions at the end of financial year 2023 stood at EUR 795 million, a +5.3% increase on the previous year, in line with the Group's strategy to consolidate this revenue item.

Comparison with 2022 shows a growing contribution of the Payment Systems and Assets under Management segments, in line with the growth in Group net funding in this area.

The growth in fees and commissions income is reflected, pro rata, in the dynamics of fees and commissions expenses.

Net result from financial operations

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Financial assets and liabilities held for trading	6	9	(3)	(33.3%)
- <i>Derivative instruments</i>	1	6	(5)	(83.3%)
- <i>Other</i>	5	3	2	66.7%
Net income from the sale of financial assets and liabilities	(374)	(63)	(311)	n.s.
Net result from hedging	-	1	(1)	(100.0%)
Dividends and similar income	4	4	-	0.0%
Net change in value of other financial assets and liabilities	7	(36)	43	n.s.
Total net result from financial operations	(357)	(85)	(272)	n.s.

The net result from financial operations at December 2023 amounted to EUR -357 million, down sharply from the previous year (EUR -272 million). This change is mainly attributable to the repositioning of the proprietary portfolio described above.

Operating costs

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Administrative expenses	(1,762)	(1,627)	(135)	8.3%
- <i>staff expenses</i>	(1,028)	(945)	(83)	8.8%
- <i>other administrative expenses</i>	(734)	(682)	(52)	7.6%
Operating amortisation/depreciation	(143)	(133)	(10)	7.5%
Other provisions (excluding credit risk adjustments)	(13)	(12)	(1)	8.3%
- <i>of which on commitments and guarantees</i>	(8)	(5)	(3)	60.0%
Other operating expenses/income	195	199	(4)	(2.0%)
Total operating costs	(1,723)	(1,573)	(150)	9.5%

Operating costs amounted to EUR 1.7 billion, up by EUR 150 million (+9.5%) compared to the end of 2022.

Staff expenses for 1 billion were EUR 83 million higher than the comparative period, reflecting the increases attributable to provisions for early retirement and expenses for remuneration and contributions.

The Group posted an increase in other administrative expenses of EUR 52 million compared to the comparative period, mainly attributable to higher IT expenses and expenses for professional services to support the Group's requirements, in addition to a growing impact of indirect taxes. The increase in other administrative expenses is concentrated in the Group's central structures.

Depreciation/amortisation, amounting to EUR 143 million, was slightly higher than the figure from 2022 (+7.5%), while other operating expenses/income amounted to EUR 195 million, slightly down on 2022 (-2.0%).

At December 2023, the Group's Primary Cost-to-Income ratio, calculated as the ratio of operating costs to net interest and other banking income, net of extraordinary and non-recurring items, stood at 52%, down compared to the final figure for 2022.

Net value adjustments/write-backs to financial assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Loans to customers	(80)	(277)	197	(71.1%)
- of which write-offs	(6)	(6)	-	0.0%
Loans to banks	1	7	(6)	(85.7%)
OCI debt securities	(1)	(2)	1	(50.0%)
Contractual changes without derecognitions	(1)	(1)	-	0.0%
(Net value adjustments)/write-backs	(81)	(273)	192	(70.3%)

In December 2023, net value adjustments totalled EUR -81 million. The Group's average coverage on impaired loans increased up to around 85%, as proof of the Group's close attention to monitoring credit risk.

4.4 - Financial position aggregates

Reclassified balance sheet⁷

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Cash and cash equivalents	579	558	21	3.8%
Exposures to banks	911	913	(2)	(0.2%)
Exposures to customers	47,898	47,884	14	0.0%
<i>of which at fair value</i>	126	233	(107)	(45.9%)
Financial assets	35,575	39,130	(3,555)	(9.1%)
Equity investments	54	58	(4)	(6.9%)
Tangible and intangible assets	1,306	1,314	(8)	(0.6%)
Tax assets	585	783	(198)	(25.3%)
Other asset items	2,671	2,196	475	21.6%
Total assets	89,579	92,836	(3,257)	(3.5%)
Due to banks	10,216	16,391	(6,175)	(37.7%)
Direct funding	69,002	67,197	1,805	2.7%
- <i>Due to customers</i>	63,299	64,114	(815)	(1.3%)
- <i>Debt securities in issue</i>	5,703	3,083	2,620	85.0%
Other financial liabilities	9	9	-	0.0%
Provisions (Risks, expenses and personnel)	522	467	55	11.8%
Tax liabilities	49	36	13	36.1%
Other liability items	1,561	1,529	32	2.1%
Total liabilities	81,359	85,629	(4,270)	(5.0%)
Group's equity	8,220	7,207	1,013	14.1%
Consolidated equity	8,220	7,207	1,013	14.1%
Total liabilities and equity	89,579	92,836	(3,257)	(3.5%)

As at 31 December 2023, the Cassa Centrale Group's assets amounted to approximately EUR 89.6 billion (-3.5% compared to EUR 92.8 billion at December 2022) and consisted mainly of exposures to customers, which included loans measured at amortised cost and at fair value totalling EUR 47.9 billion, equal to 53.5% of total assets. Financial assets were down compared to the end of 2022, with loans to banks at EUR 911 million, stable compared to the end of the previous financial year, and the securities portfolio was affected by the gradual repayment of the ECB refinancing operations.

⁷ In order to provide a better management representation of the results, the balance sheet figures differ from the layouts of the Financial statements envisaged by Bank of Italy Circular no. 262 of 2005, 8th update.

Liabilities are mainly made up of direct funding from customers which, at the end of 2023, stood at EUR 69 billion (+2.7% compared to EUR 67.2 billion in December 2022) and whose details are shown in the following table. Amounts due to banks, equal to EUR 10.2 billion, were significantly down compared to the figure at the end of the previous year (EUR -6.2 billion), and mainly refer to refinancing operations through the Eurosystem. Group equity was EUR 8.2 billion, including the profits made in the previous period.

Total customer funding

(Figures in millions of euro)	31/12/2023	% impact	31/12/2022	Change	% change
Current accounts and deposits on demand	57,588	83%	60,310	(2,722)	(4.5%)
Fixed-term deposits	3,049	4%	1,575	1,474	93.6%
Repos and securities lending	1,861	3%	1,480	381	25.7%
Bonds	956	1%	764	192	25.1%
Other funding	5,548	8%	3,068	2,480	80.8%
Direct funding	69,002	100%	67,197	1,805	2.7%

The total amount of direct funding from customers of the Cassa Centrale Group is around EUR 69 billion, recording a 2.7% increase (EUR +1.8 billion) compared to the previous financial year, albeit in a context characterised by high returns on government bonds which led to a partial reallocation of resources by customers towards indirect funding, in particular assets under administration. The analysis of direct funding shows a prevalence of short-term funding from customers, represented by current accounts and deposits on demand, equal to EUR 57.6 billion, down compared to December 2022 (-4.5%).

Fixed-term funding, in the form of deposits, repos and bonds, amounted to EUR 5.9 billion, equal to 8.5% of total direct funding volumes, up compared to the previous year (EUR +2.0 billion). At December 2023, repos include refinancing transactions on the market with the counterparty Cassa di Compensazione e Garanzia for a total of EUR 1.9 billion (compared to EUR 1.3 million in December 2022). The bonds product includes the Group's eligible MREL issue, for a nominal value of EUR 700 million.

(Figures in millions of euro)	31/12/2023	% impact	31/12/2022	Change	% change
Assets under management	25,235	57%	23,314	1,921	8.2%
Mutual funds and SICAVs	8,092	18%	7,087	1,005	14.2%
Asset management	9,155	21%	8,424	731	8.7%
Banking-insurance products	7,988	18%	7,803	185	2.4%
Assets under administration	18,865	43%	12,684	6,181	48.7%
Bonds	16,435	37%	10,449	5,986	57.3%
Shares	2,430	6%	2,235	195	8.7%
Indirect funding*	44,100	100%	35,998	8,102	22.5%

*Indirect funding is expressed at market values.

Indirect funding of the Cassa Centrale Group, valued on the market, amounted to EUR 44.1 billion in December 2023 (+22.5% compared to the end of December 2022), benefiting from the gradual conversion of direct funding to capture the current returns on government bonds.

Assets under management, valued on the market, stood at EUR 25.2 billion, an increase on the comparative period (+8.2%). The incidence of the AUM segment on total indirect funding is 57.2%. The Bancassurance segment, life, investments and pensions continued the growth trend of traded volumes (+2.4% compared to the end of 2022).

Assets under administration amounted to EUR 18.9 billion at December 2023, up by 48.7% compared to December 2022, driven mainly by the bond sector (+57.3%).

From the point of view of composition, although the largest volume is represented by assets under management, indirect funding reflects a balance between the individual forms of assets under administration and management, the result of policies of adequate and prudent diversification of investments implemented with customers.

Percentage composition of funding

PERCENTAGE COMPOSITION OF FUNDING	31/12/2023	31/12/2022
Direct funding	61.0%	65.1%
Indirect funding	39.0%	34.9%

The Group's total funding, consisting of total assets under administration on behalf of customers, amounted to EUR 113.1 billion as at 31 December 2023 and consisted of 61% of direct funding with the remaining 39% represented by indirect funding. The managed assets component accounts for 22% of total volumes.

Net loans to customers

(Figures in millions of euro)	31/12/2023	% impact	31/12/2022	Change	% change
Loans at amortised cost	47,772	99.7%	47,651	121	0.3%
<i>Mortgage loans</i>	37,950	79.2%	37,931	19	0.1%
<i>of which adjustment for macro-hedging</i>	(79)	n.s.	(118)	39	(33.1%)
<i>Current accounts</i>	3,726	7.8%	3,646	80	2.2%
<i>Other loans</i>	3,757	7.8%	3,762	(5)	(0.1%)
<i>Finance leases</i>	827	1.7%	763	64	8.4%
<i>Credit cards, personal loans and salary-backed loans</i>	1,185	2.5%	1,094	91	8.3%
<i>Impaired assets</i>	327	0.7%	455	(128)	(28.1%)
Loans at fair value	126	0.3%	233	(107)	(45.9%)
Total net loans to customers	47,898	100%	47,884	14	0.0%

In December 2023 the Group's net loans to customers amounted to EUR 47.9 billion. Almost all of these are loans at amortised cost, amounting to EUR 47.8 billion, substantially in line (+0.3%) with December 2022. The aggregate consisted mainly of mortgages, which amounted to around EUR 38 billion and accounted for 79.2% of total loans to customers, current accounts amounting to EUR 3.7 billion and other loans amounting to EUR 3.8 billion. The changing dynamic reflects the cooling of demand for loans in the current market rate environment, with limited changes in the different forms of demand and term loans. Net impaired assets were down 28% compared to December 2022 (EUR -128 million), thanks to the active management of impaired loans conducted by the Group.

Credit quality

The Group adopts a rigorous policy in the valuation of impaired loans. Part E of the Consolidated Explanatory Notes, to which explicit reference is made, provides details of all quantitative and qualitative information on risks and the related hedging policies. Loans granted to customers are the main sources of credit risk for the Group and require precise control and monitoring. A summary by degree of risk relating to loans to customers is provided on the following page.

Customer loans

(Figures in millions of euro)	31/12/2023			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	2,150	(1,823)	327	84.8%
Non-performing	627	(588)	39	93.8%
Unlikely to pay	1,462	(1,207)	255	82.6%
Overdue/past due	61	(28)	33	45.9%
- of which forborne	947	(822)	225	86.8%
Performing exposures at amortised cost	48,200	(676)	47,524	1.4%
- of which forborne	727	(91)	636	12.5%
Total customer loans at amortised cost	50,350	(2,499)	47,851	5.0%
Adjustment of the assets subject to macro-hedging	(79)	-	(79)	0.0%
Impaired exposures at fair value	-	-	-	-
Performing exposures at fair value	126	-	126	0.0%
Total customer loans	50,397	(2,499)	47,898	5.0%

At December 2023, the Group had net loans to customers of EUR 47.9 billion, compared to a gross exposure of EUR 50.4 billion, and adjustment provisions totalling EUR 2.5 billion, allowing for an average portfolio coverage of 5.0%.

Net performing loans at December 2023 amounted to EUR 47.7 billion and accounted for 99.5% of total loans, while net impaired loans, amounting to EUR 327 million, accounted for 0.7%. These ratios confirm the attention of the Cassa Centrale Group to the management of impaired loans despite an economic context of great uncertainty.

The impaired loan portfolio, in terms of net exposure, had at the end of 2023 non-performing positions amounting to EUR 39 million written down by a total of EUR 588 million, and unlikely to pay amounting to EUR 255 million with value adjustments of EUR 1.2 billion, and overdue/past due for EUR 33 million with adjustments for EUR 28 million. Within impaired exposures, which are transversal to the degree of risk, there are forborne exposures of EUR 125 million, equal to 0.3% of total loans, a decrease of EUR 66 million compared to December 2022.

Performing loans, as at December 2023, show value adjustments of EUR 676 million, representing coverage of performing loans of 1.4%, confirmed as among the highest levels at systemic level. The item includes forborne positions of which the net value of EUR 636 million (1.3% of net loans), with a coverage ratio of 12.5% (11.1% as at December 2022).

The provisions for performing loans, together with the significant coverage of non-performing and unlikely to pay positions, which stood at 93.8% and 82.6% respectively (compared to 91.9% and 78.4% in December 2022), allow the Group to provide significant protection against credit risk in a highly uncertain economic context.

For the sake of completeness, customer loans at the end of the previous financial year are summarised below:

(Figures in millions of euro)	31/12/2022			
	Gross exposure	Writedowns	Net exposure	Coverage
Impaired exposures at amortised cost	2,494	(2,039)	455	81.8%
Non-performing	806	(740)	66	91.9%
Unlikely to pay	1,625	(1,274)	351	78.4%
Overdue/past due	64	(25)	38	40.0%
- of which forborne	1,131	(940)	191	83.1%
Performing exposures at amortised cost	47,967	(653)	47,314	1.4%
- of which forborne	967	(107)	860	11.1%
Total customer loans at amortised cost	50,461	(2,692)	47,769	5.3%
Adjustment of the assets subject to macro-hedging	(118)	-	(118)	0.0%
Impaired exposures at fair value	-	-	-	
Performing exposures at fair value	233	-	233	0.0%
Total customer loans	50,576	(2,692)	47,884	5.3%

The table below shows the main credit risk management indicators⁸.

RISK MANAGEMENT RATIOS	31/12/2023	31/12/2022	Change
NPL ratio	4.2%	4.8%	(0.6%)
NPL coverage	84.8%	81.8%	3.0%
Texas ratio	21.4%	27.0%	(5.6%)

The NPL ratio as at 31 December 2023 is constantly lower than the December 2022 figure, at 4.2% (4.8% at the end of 2022). This decrease confirms the improvement in asset quality that the Cassa Centrale Group has pursued in recent years, with a progressive and constant decrease in the stock of impaired loans, in line with the guidelines issued by the Supervisory Authority.

The constant attention paid to the valuation of NPLs is also reflected in the level of coverage of bad loans, where the Group shows NPL coverage of 84.8%, up compared to the end of December 2022.

The active management of impaired loans and their progressive reduction is reflected positively in the Group's Texas ratio, which in December 2023 stood at 21.4% (27.0% at the end of 2022). The cost of risk⁹ of the loan portfolio amounts to 17 bps.

⁸ The indices – NPL ratio, NPL Coverage and Texas ratio (which, as its numerator, considers gross impaired loans) – were calculated based on the EBA data model (EBA methodological guidance on risk indicators, last updated in October 2021).

⁹ The Cost of risk index is determined as the ratio between net adjustments and write-backs for credit risk and net customer loans.

Breakdown of the loan portfolio by sector of economic activity

(figures in millions of euro)

ECONOMIC SECTOR	31/12/2023		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	290	(1)	289
Financial and insurance companies	602	(17)	585
Non-financial corporations	23,814	(1,589)	22,225
Consumer households and other non-classifiable businesses	25,691	(892)	24,799
TOTAL	50,397	(2,499)	47,898

(figures in millions of euro)

ECONOMIC SECTOR	31/12/2022		
	Gross exposure	Value adjustments	Net exposure
Public Authorities	286	(1)	285
Financial and insurance companies	815	(19)	795
Non-financial corporations	23,990	(1,752)	22,238
Consumer households and other non-classifiable businesses	25,485	(920)	24,565
TOTAL	50,576	(2,692)	47,884

In representing the loan portfolio by sector of economic activity, it is clear that the Cassa Centrale Group, reflecting the nature of the Affiliated Banks, has a prevalent allocation of loans to customers with counterparties represented by consumer households and non-financial corporations, which account for 51% and 47.3% of net exposures to customers, respectively.

Composition of financial instruments

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
SECURITIES PORTFOLIO				
Trading book assets (FVTPL)	163	233	(70)	(30.0%)
Financial liabilities	(1)	(1)	-	0.0%
Banking book assets (FVOCI)	11,050	10,919	131	1.2%
Financial fixed assets excluding loans (AC)	24,273	27,846	(3,573)	(12.8%)
Total securities portfolio	35,485	38,997	(3,512)	(9.0%)
DERIVATIVES PORTFOLIO				
Trading assets (FVTPL)	5	7	(2)	(28.6%)
Trading liabilities (FVTPL)	(4)	(7)	3	(42.9%)
Total derivatives portfolio	1	-	1	-
TOTAL FINANCIAL INSTRUMENTS	35,486	38,997	(3,511)	-9.0%

As at 31 December 2023, the portfolio owned by the Group amounted to EUR 35.5 billion, down compared to December 2022 (EUR -3.5 billion), reflecting the gradual repayment of ECB refinancing operations.

As a general rule, there was a decrease in nearly every segment. Specifically, financial assets measured at amortised cost (EUR 24.3 billion) showed a EUR 3.6 billion decrease compared to the previous financial year, while banking book assets (FVOCI) remained substantially unchanged at around EUR 11.1 billion.

OTC derivative activities are mainly related to hedging the interest rate risk of the Group's banking book and, residually, to brokerage carried out by the Parent Company on these types of instruments in favour of customer banks.

Financial assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Debt securities	35,203	38,655	(3,452)	(8.9%)
- Obligorily measured at fair value (FVTPL)	7	9	(2)	(22.2%)
- Measured at fair value through other comprehensive income (FVOCI)	10,923	10,800	123	1.1%
- Measured at amortised cost (AC)	24,273	27,846	(3,573)	(12.8%)
Equities	146	133	13	9.8%
- Obligorily measured at fair value (FVTPL)	19	14	5	35.7%
- Measured at fair value through other comprehensive income (FVOCI)	127	119	8	6.7%
UCITS units	137	210	(73)	(34.8%)
- Obligorily measured at fair value (FVTPL)	137	210	(73)	(34.8%)
Total financial assets	35,486	38,998	(3,512)	(9.0%)

At 31 December 2023, the Group's financial assets were nearly entirely formed of debt securities (99.2%). The latter are mainly government securities of euro area countries or supranational issuers.

Exposure to the banking system: net financial position

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Loans to central banks	577	532	45	8.5%
Loans to other banks	334	381	(47)	(12.3%)
<i>Current accounts and deposits on demand</i>	151	147	4	2.7%
<i>Fixed-term deposits</i>	10	2	8	n.s.
<i>Other loans</i>	173	232	(59)	(25.4%)
Total loans (A)	911	913	(2)	(0.2%)
Due to central banks	(9,708)	(15,350)	5,642	(36.8%)
Due to other banks	(508)	(1,041)	533	(51.2%)
<i>Current accounts and deposits on demand</i>	(342)	(412)	70	(17.0%)
<i>Fixed-term deposits</i>	(32)	(49)	17	(34.7%)
<i>Repos</i>	(120)	(476)	356	(74.8%)
<i>Other loans</i>	(14)	(104)	90	(86.5%)
Total payables (B)	(10,216)	(16,391)	6,175	(37.7%)
NET FINANCIAL POSITION (A-B)	(9,305)	(15,478)	6,173	(39.9%)

At December 2023, total loans to banks amounted to EUR 911 million, remaining stable compared to the end of the previous year. This figure mainly reflects the liquidity held on the ECB target account, amounting to EUR 577 million. Interbank funding of EUR 10.2 billion was significantly down by EUR -6.2 billion compared to the previous period, as a result of the repayment of the ECB refinancing operations.

Eurosysteem refinancing operations as at the end of 2023 amounted to a total of around EUR 9 billion, down sharply on the EUR 15.2 million in 2022.

Fixed assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Equity investments	54	58	(4)	(6.9%)
Goodwill	27	27	-	0.0%
Tangible	1,222	1,234	(12)	(1.0%)
Intangible	57	53	4	7.6%
Total fixed assets	1,360	1,372	(12)	(0.9%)

Fixed assets as at 31 December 2023 amounted to EUR 1.4 billion (+0.9% compared to December 2022) and mainly consist of real estate for functional use. Other intangible assets are mainly represented by user licenses and software, while goodwill refers to assets with an indefinite useful life included in intangible assets, as detailed in part B of the consolidated explanatory notes.

Consolidated equity

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Share Capital	1,271	1,271	-	0.0%
Own shares (-)	(868)	(867)	(1)	0.1%
Share premium	76	74	2	2.7%
Reserves	6,889	6,399	490	7.7%
Valuation reserves	(20)	(231)	211	(91.3%)
Equity instruments	1	1	-	0.0%
Profit (loss) for the year	871	560	311	55.5%
Group equity	8,220	7,207	1,013	14.1%
Consolidated equity	8,220	7,207	1,013	14.1%

4.5 - Reconciliation between the Parent Company's equity and profit for the year and the consolidated equity and profit for the year

(Figures in millions of euro)	Equity	Result for the period
Accounting balances of the Parent Company	1,187	31
Effect of the consolidation of subsidiaries	6,936	905
Effect of the measurement of associates using the equity method	63	(2)
Reversal of write-downs of equity investments and recognition of goodwill impairment	(24)	3
Elimination of dividends received from subsidiaries and associates		(60)
Other consolidation adjustments	58	(6)
Balances as per the consolidated financial statements	8,220	871

4.6 - Own funds and capital adequacy

Own funds and capital ratios

(Figures in millions of euro)	31/12/2023	31/12/2022
Common Equity Tier 1 capital - CET1	8,114	7,429
Tier 1 capital - Tier 1	8,115	7,430
Total own funds - Total Capital	8,115	7,432
Total risk-weighted assets	33,001	32,598
CET1 Capital ratio (Common equity Tier 1 capital/Total risk-weighted assets)	24.59%	22.79%
Tier 1 Capital ratio (Tier 1 capital/Total risk-weighted assets)	24.59%	22.79%
Total Capital Ratio (Total own funds / Total risk-weighted assets)	24.59%	22.80%

Risk Weighted Assets

(Figures in millions of euro)	31/12/2023	31/12/2022	Change	% change
Credit and counterparty risk	27,549	27,953	(404)	(1.4%)
Credit valuation adjustment risk	35	43	(8)	(18.6%)
Market risk	73	42	31	73.8%
Operational risk	5,344	4,560	784	17.2%
Total RWA	33,001	32,598	403	1.2%

Own funds, risk-weighted assets and solvency ratios at 31 December 2023 were determined on the basis of the prudential regulations applied to investment banks and companies and contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of 26 June 2013, as amended by Directive 2019/878/EU (CRD V) and by Regulation (EU) 2019/876 (CRR II), respectively.

Total own funds of the Cassa Centrale Cooperative Banking Group consist of Tier 1 (T1) capital and Tier 2 (T2) capital. Specifically, Tier 1 capital consists of the sum of Common Equity Tier 1 (CET1) capital and Additional Tier 1 (AT1) capital.

The aforesaid aggregates include the effects of the IFRS 9 transitional regime, which, as at 31 December 2023, exclusively consists of the component arising from the dynamic approach, as introduced by Regulation (EU) 2017/2395 and amended by Regulation (EU) 873/2020 (so-called Quick Fix).

The adjustment to CET1, which provides for the re-inclusion of the “dynamic” component, took place as follows:

- 2022 – 75%
- 2023 – 50%
- 2024 – 25%

At the end of December 2023, the CET1, determined in accordance with the aforementioned standards and references, stood at EUR 8,114 million. Tier 1 amounted to EUR 8,115 million.

Own funds therefore amounted to EUR 8,115 million. Of the latter, CET1, which nearly accounts for the total (99.99 % of the total), has increased compared to the end of 2022 by a total of EUR 685 million (+9.22%) due to the algebraic sum of the performance of several of its constituent main items. In particular: (i) the increase in reserves (EUR +979 million), mainly attributable to the profit for 2023 included in CET1 (EUR +777 million), following the authorisation granted by the ECB on 9 February 2023 and the increase in OCI Reserves (EUR +211 million); (ii) the decrease in the IFRS 9 transitional regime component (EUR -204 million) arising from the lower contribution of the dynamic component (from 75% to 50%) and from the completion of the phase-out of the static component from January 2023. An additional decline recorded in the period is represented by the end of the transitional regime relating to unrealised profits and losses on government securities classified in the FVOCI portfolio (EUR -87 million). Changes in other items of CET1 were marginal.

As regards the other two Own Fund aggregates, the Additional Tier 1 component did not record any changes in the period compared to 31 December 2022, while the Additional Tier 2 component recorded a significant change in relative terms (EUR -2 million), but marginally if compared in absolute terms with the values of total Own Funds.

Risk-weighted assets at 31 December 2023 amounted to EUR 33,001 million, up 1.24% compared to the figure as at 31 December 2022 (EUR 32,598 million).

Additionally, from Q4 of 2022, for the purposes of calculating the capital requirements in relation to credit risk, the use of the external ratings issued by a recognised ECAI has not only been extended to the Central Governments or Central Banks portfolio and Exposures to Securitisation, but also to the regulatory portfolios Exposures to Entities and Exposures to Companies.

Following this change, the adopted rating agencies are as follows, grouped by relevant segment:

- Central Governments or Central Banks: Moody's;
- exposures to securitisation: Moody's;
- exposures to Entities: Moody's;
- exposures to companies: CRIF ratings.

This choice is based on the more general framework of a progressive optimisation of risk-weighted assets, launched by the Group in 2022, also in consideration of the expected benefits associated with application of the new Basel IV provisions.

As for the solvency ratios, the CET1 Capital ratio stood at 24.59% (22.79% in December 2022), the Tier 1 Capital ratio was 24.59 % (22.79% in December 2022) and the total Capital ratio was 24.59% (22.80% in December 2022). Excluding the effects of transitional regimes, with a view to full application of prudential provisions at the same reference date, fully loaded CET1 capital amounted to EUR 7,949 million and the related fully loaded CET1 Capital ratio is 24.20%; fully loaded Tier 1 capital amounted to EUR 7,950 million and the related fully loaded Tier 1 capital ratio is 24.21%; and finally, Total capital fully loaded amounted to EUR 7,950 million and the related fully loaded Total Capital ratio was 24.21%.