# The Cassa Centrale Group approves the 2023-2026 Strategic Plan

**Commitment to the evolution of the Group's commercial model is confirmed, with the aim of further strengthening the relationship with shareholders and customers, increasing the scope of investments in technology and digitalisation.**
**2026 targets and strategic initiatives have been updated, combining the expansion of commercial volumes and profitability with efficiency measures and significant investments in technology while maintaining prudent risk management.**
**Progressive integration of ESG approaches in all processes, with a focus on products and services with GSS (*Green, Social, Sustainable*) features also developed by the product companies within the industrial Group and distributed throughout the country by the 67 affiliated banks[1].**

**The objectives set out in the Plan include:**

- **Increase in profitability through a sustainable business model:**
    - **Growth in credit to households and businesses, expected to exceed € 50 billion at the end of 2026 (CAGR, *compound annual growth rate*, 1.3%) and total funding from customers in the area of € 120 billion (CAGR 4.0%);**
    - **Stable net interest income in 2026 at the values reached in 2022 of approximately € 1.9 billion, and up considerably (+36%) compared to 2021;**
    - **Net revenues from commissions with a constant growth trend of 3.6% on average per year (CAGR 2022 - 2026) for an amount at the end of the period of € 869 million;**
    - **Annual net profit expected to be permanently higher than € 500 million over the Four-Year Plan;**
    - **The capitalisation of profits allows the generation of new assets of over € 2 billion, confirming and empowering the Group as one of the strongest at European level.**
- **Management of ICT costs and investments (*Information and Communication Technologies*):**
    - **Plan initiatives for the optimisation of costs through Group framework agreements that enhance the scope of operations achieved by the Group;**
    - **Further significant increase in investments in technology over the entire term of the Plan, to support the digitalisation processes and the evolution of the information system, with the aim of guaranteeing high and innovative service standards to shareholders and customers.**
- **Solid capital and liquidity position:**
    - **CET1 (*Common Equity Tier 1*) and TCR (*Total Capital Ratio*) remain well above the supervisory requirements with a continuous improvement of both indicators from 22.8% to 26.6% in 2026;**
    - **Consolidated and ample liquidity availability with an I/R indicator in the area of 76% at the end of the plan.**
- **Proactive management of credit risk and provisioning policy that allows the constant reduction of net non-performing exposures:**
    - **The stock of non-performing exposures to customers is expected to decrease with a target of € 2.4 billion at the end of 2026 and a coverage ratio of 70%;**

[1] Group Banks have numbered 67 since 1 July 2023.

- **The gross NPL ratio is expected to decrease over the term of the Plan from the current 4.9% to 4.4% despite a particularly uncertain macroeconomic context;**
- **Incidence of net non-performing loans expected in the area of 1.4% at the end of the Plan.**

**Trento, 10 July 2023** - At the end of June, the Board of Directors of Cassa Centrale Banca approved the Group's Strategic Plan for the four-year period 2023 - 2026 and shared it with the top management of the affiliated banks and subsidiaries during the Regional Shareholders' Meetings that were held at the beginning of July.

"Through the new Strategic Plan, the Cassa Centrale Group reaffirms its distinctive values of cooperation and reciprocity - **comments the Chairman Giorgio Fracalossi.** The Plan expresses the strong link with the territories in which the Group operates and aims to support families and businesses in a complex economic context which will also characterise the next few years".

**The Chief Executive Officer Sandro Bolognesi** adds: "The update of the Strategic Plan targets confirms the sustainability of the cooperative banking model. The initiatives identified allow us to enhance the work carried out to date to achieve the Group size suitable for achieving significant synergies and supporting significant investments to provide our customers with increasingly higher quality services and products".

**Forecasts of the global and Italian macroeconomic context**

The global macroeconomic context in which the Plan was developed remains characterised by various uncertainties. Inflation, despite a slowdown compared to previous months, remains well above the targets of the Central Banks, which continue to adopt restrictive policies to increase interest rates and reduce their balance sheets.

The Italian context, to which the Group is most exposed, expects stable GDP growth of between 0.7% and 0.9% per year between 2023 and 2026. In the same period, the inflation rate is expected to normalise from 5.1% in 2023 to just above 2% in 2026.

**Strategic guidelines of the Plan**

The Strategic Plan is developed around four key areas of intervention: **1. Commercial development, 2. Operational efficiency, 3. Risk management** and **4. Enabling factors**.

Each area includes strategic projects, highlighted below, for the improvement and development of the Group's ability to cope with a constantly changing and more complex economic scenario.

1. **Commercial development and strengthening of the distribution model**
    - Creation of a new organisational structure dedicated to the development and coordination of commercial activities and to the expansion of the Group's presence throughout the country by identifying areas with significant development potential
    - Improvement of the offer in corporate credit, leasing and consumer credit through synergies with product companies and support for NRRP (National Recovery and Resilience Plan) initiatives
    - Strengthening of the asset management (asset management and funds) and bancassurance business with the development of protection products in particular
    - Evolution of the e-money sector through renewal of the product catalogue and a more efficient service model

2. **Increased efficiency of the Group's business model**
    - Expansion and development of back-office services and optimisation of administrative expenses
    - Digital transformation of processes and channels to reduce operating times and costs
    - ICT Strategic Plan for the modernisation of core banking and development of the data platform and Security Plan guided by the Group's strategic priorities and consistent with market trends

3. **Active risk management**
    - Adjustment to Basel IV regulations with identification of strategic levers to minimise capital requirements
    - Proactive management of the non-performing loan portfolio

4. **Enabling factors**
    - Enhancement of human capital, development of managerial and leadership skills and strengthening of the Group's identity
    - Drive towards the integration of ESG approaches in the main business processes to support the transition towards economic, social and environmental sustainability

**Financial projections**

- **Loans to customers, securities portfolio and funding**

The projections to 2026 see an increase in loans to customers of 5.3% in the period 2022 - 2026 reaching € 53.3 billion. The subsidiaries Claris Leasing and Prestipay will achieve significant results in terms of growth in the performing loan portfolio with a CAGR of 5% and 21%, respectively.

By 2026, the full repayment of TLTRO (*Targeted Longer Term Refinancing Operations*) operations will be completed without any liquidity tension given the large securities portfolio; the closure of transactions will lead to a reduction in leverage.

On the funding front, a slight increase in direct funding to € 67.2 billion is expected (+2.3% compared to 2022) along with a significant growth in indirect funding to 9.5% per year during the entire term of the Plan, reaching € 51.8 billion in 2026.

The ratio between loans and direct funding remains conservative with a value of 76% expected by the end of the Plan.

- **Income statement trend**

Net interest income will remain stable over the Plan period at values close to € 1.9 billion.

A further boost to revenues is provided by commissions generated by asset management and loans (CAGR +4.9% between 2022 and 2026) and by payment systems that will reach € 353 million at the end of the Plan (CAGR +1.8%). Total net revenues generated by commissions will reach € 869 million (+15.1% compared to 2022).

A limited overall increase in the cost base of approximately € 215 million is expected, equal to an annual average of 3.3%. The increase in operating costs includes expenses relating to IT investments, which will settle at around € 160 million per year in the three-year period 2024 - 2026, with average annual growth of 11.3% between 2022 and 2026.

The operating result at the end of the Plan will reach € 958 million, slightly higher than 2022.

The net profit for the year will permanently settle at levels above € 500 million in all the years included in the Plan (€ 514 million at the end of 2026), allowing the generation of new assets of approximately € 2.2 billion.

The main profitability and operating efficiency KPIs at the end of 2026 indicate a ROE (*Return On Equity*) of 5.5%, ROA (*Return On Assets*) of 0.6% and a primary Cost/income ratio[2] of 64%.

- **Asset quality and capitalisation**

Continuous attention will be paid to maintaining a low gross and net NPL exposure over the next few years. It is estimated that a level of coverage at the top of the market and for the entire period

[2] Primary Cost/income ratio = (Operating costs - net provisions for risks and charges - expenses relating to redundancies - extraordinary charges) / (net interest and other banking income - gains (losses) on disposal or repurchase).

of the Plan will be higher than 70% on average. This level of coverage will make it possible to maintain an extremely healthy net NPL ratio in the area of 1.4%, despite the rising default rates estimated (on a prudential basis) due the uncertainty of the macroeconomic context. The Texas ratio will remain at extremely low values and continuously decline from the current 27% to 21% by the end of 2026.

The allocation of profits to reserves - typical of cooperative Groups - will further increase the capitalisation rate: the CET1 ratio will rise from the current 22.8% to 26.6%, a value that places the CCB Group at the top in Italy and in Europe. In addition, the allocation of profit to reserves will make it possible to maintain a significant buffer not only with respect to the SREP (*Supervisory Review and Evaluation Process*) capital requirements, but also to the MREL (*Minimum Requirement for own funds and Eligible Liabilities*) requirements.

***The Cassa Centrale - Credito Cooperativo Italiano Group*** *includes 67 BCCs - Rural Banks - Raiffeisenkassen and 1,474 branches across Italy, more than 11,700 employees and over 460 thousand Cooperative Partners. With balance sheet assets of € 92.8 billion as at 31 December 2022, the Group ranks among the top 10 nationally.*