

Cassa Centrale Group updates its four-year Strategic Plan for the period 2024–2027

The Strategic Plan for the four-year period 2024–2027 reaffirms and builds on the path of innovation started with the previous Plan, promoting the integration of ESG processes and supporting technological advancement and modernisation to better serve the Group's customers and stakeholders.

Plan's updated targets and initiatives include:

- **Growth of the Group to serve its customers and stakeholders**
 - Constant increase in customer loans with a target of €53 billion in 2027 (+5.2% compared to 2023);
 - Strong push on indirect funding expected to exceed €57 billion by the end of 2027 (+29.5% compared to 2023), with total funding reaching around €128 billion;
- **Continuous improvement and attention to asset quality**
 - Net core NPL ratio at 0.9% at the end of 2027 with overall coverage of non-performing loans of 73%;
- **Excellent stability and capitalisation**
 - Net profit stable around €700 million allowing the creation of new equity of over €2 billion;
 - CET1 ratio (Common Equity Tier 1) reaching 29.5% at the end of the Plan period remains the highest among peers in Italy and at the best levels in Europe;
- **Significant investments in digitalisation and ICT**
 - Technological intervention enabling Artificial Intelligence, evolution of ICT Services, modernisation of Core Banking and optimisation of spending;
- **Ongoing integration of ESG processes**
 - Focus on GSS (green, social, sustainable) products and services, also developed by the subsidiaries within the Group and distributed throughout the country by the 65 affiliated banks in order to accompany businesses and individuals in their ecological transition;
- **Human capital development**
 - Reinforcing staff development paths and enhancing skills to promote Diversity, Equity and Inclusion at Group level.

Trento, 05.07.2024 - At the end of June, the Board of Directors of Cassa Centrale Banca approved the Group's Strategic Plan for the four-year period 2024–2027 and shared it with the top management of the affiliated banks and subsidiaries during the Territorial Meetings at the beginning of July. The 2024–2027 Strategic Plan updates and develops the foundations laid by the Plan presented last year.

"In a changing and complex economic and geopolitical environment, Cassa Centrale Group confirms its identity and distinctive values of cooperation, reciprocity and relation with the customer together with a strong nearness to the territory", states **Giorgio Fracalossi, President of Cassa Centrale Banca**, "In keeping coherent with our path, through the new Plan we have set ourselves ambitious objectives to better serve the Communities of which we are a voice, through services of better quality ever and a strong focus on sustainability".

"Our solidity and the excellent results reached in this first five-year period of Cassa Centrale Group activity allow us to make important investments in skills and new technologies aiming to further evolve the relations with our stakeholders and customers", states **Sandro Bolognesi, CEO of Cassa Centrale Banca**. "The guidelines of the Strategic Plan are the result of an ongoing exchange with the top management and the specialised functions of the affiliated banks and of the companies within the industrial perimeter. We want to build the Group's future together, enhancing all the entities that are part of our Group to continuously create value and redistribute it throughout the territory in a sustainable manner".

Forecasts of the global and Italian macroeconomic environment

The global macroeconomic scenario, which the Plan is based upon, remains characterised by elements of uncertainty with risks related to the persistence of geopolitical tensions in Russia, Ukraine and the Middle East. Inflation levels are slowing due to the restrictive policy of the Central Banks.

The Italian macro-economic environment, to which the Group is most exposed, is expected to achieve an average GDP growth of 0.7% per year between 2024 and 2027. Over the same period, the inflation rate is expected to fall from 2.1% in 2024 to 1.9% in 2027.

Update to the Plan's strategic guidelines

The 2024– 2027 Strategic Plan updates the key areas of intervention envisaged by the 2023–2026 Plan: **1. Business development, 2. Operational efficiency, 3. Risk management and 4. Enabling factors: IT and Human Capital.**

1. Business development

- **Commercial development** with the aim of strengthening the Group's ability to fully realise its potential by acting on three main pillars such as the Distribution Model, Business Technology and Commercial Steering;
- **Credit offering** with actions planned to raise the level of effectiveness of the Group's integrated corporate offer to clients, and further develop synergies with its subsidiaries. Targeted funds reaching €2.3 billion are also envisaged in 2027 in support of the Recovery and Resilience Plan "PNRR" initiatives and for the green transition;
- **Wealth Management & Bancassurance** where significant growth volumes are expected in for Asset Management, Funds, SICAVs and Bancassurance through projects boosting the advisory model coupled with commercial push on insurance and investment products;
- **Payment services** with objectives linked to the continuous improvement of the quality of services for customers, the relaunch of the product offering and the increase of competitiveness in the current growth market environment. When fully implemented, the initiatives will unlock recurring operational benefits for over €50 million.

2. Operational efficiency

- Ongoing initiatives to **evolve and expand the catalogue of Back Office services** (also through a greater centralisation of activities) and the **development of digital areas** for the management of internal processes.

3. Risk management

- Continued expansion of initiatives to **monitor risks on an on-going basis** and ensure adherence with the ever-growing expectations of the Supervisory Authorities.

4. Enabling factors: IT and Human Capital

- Priority is given towards the progressive **modernisation of the Group's Core Banking**, combining the overall evolution with the drive for product integration, in order to strengthen the ability to support **digital business ambitions**;
- Further **enhancement of skills and inclusive development of the Group's human capital** by promoting optimisation of processes and paths for staff development and training.

Within the same 2024-2027 time frame, the Digital Transformation Plan and the Sustainability Plan were defined in synergy with the initiatives of the Strategic Plan.

The **Sustainability Plan** defines the **Group's ESG strategy** which leverages the distinctive characteristics of cooperative credit and aims to accompany customers and the communities in

which it operates in the environmental and social transition. The offer of green financing solutions to businesses and private individuals with the expansion of the range of sustainable investment products and solutions is coupled with the commitment to mitigate the environmental and social impacts of the value chain and to reduce the carbon footprint of its activities and portfolios, in line with Net-Zero scenarios.

The **Digital Transformation Plan** strategy is part of the journey to strengthen the role of the branches by boosting the effectiveness of the customer relationship, also through the use of digital technology tools, enabling the Group to meet future challenges, including the definition of simplified products and processes, the continued growth of digital skills and the use of new technologies.

Main Plan's Targets and KPIs

Gross customer lending is poised to grow steadily, with a Group's target of **€53 billion (+5.2%** compared to full year 2023) by 2027. Non-performing exposure is expected to decrease from €2.1 billion to €1.8 billion over the Plan period, with a gross Core NPL ratio of 3.3% and a **net Core NPL ratio of 0.9% in 2027** as a result of maintaining the overall **NPL coverage ratio of 73%**.

Customer funding will see significant growth in the indirect component as a result of the strategic actions envisaged in the Plan. **Indirect funding** will reach a total of **€57.1 billion** at the end of the Plan (**+29.5%** compared to year-end 2023); the main drivers are linked to a strong expansion in volumes of **Funds/SICAVs (+42%)** and **Asset Management (+41%)**. **Bancassurance** and **Assets Under Administration** will increase by 28% and 20% respectively. The ratio of loans to customers to direct funding remains conservative at around 72% at the end of the Plan, in line with the ratio as of the end of 2023.

On the **revenue** side, the reduction in the **net interest margin**, linked to the evolution of interest rates in the coming years with an expected level of net interest income of approximately **€2 billion** in 2027 (CAGR 2023–2027: -5%), will be offset by the increasing contribution from **net commissions**, driven by the increase in the services offered by the Group, that will reach **€921 million** at the end of 2027, with an average **annual growth rate of 3.7%** compared to results in 2023.

As a result of the dynamics mentioned above, **net interest and other banking income** will settle at slightly higher levels than the current ones, reaching €2.9 billion (€2.8 billion in 2023), with an **operating result of about €1 billion** at the end of the Plan, which incorporates the effect of higher **IT and Security investments** (€ 164 million in the four-year period 2024– 2027) and higher **personnel costs** as a consequence of the contract renewal expected during 2024.

The main indicators of the Plan for the year end 2027 are as follows:

Capital adequacy, risk management and liquidity:

- CET1 ratio: 29.5%
- Loan/Deposit ratio: 72%
- Net Core NPL ratio: 0.9%
- NPL Coverage ratio: 73%

Profitability and operational efficiency:

- ROE: 6.6%
- ROA: 0.8%
- Core Cost/income ratio: 65%

The Cassa Centrale – Credito Cooperativo Italiano Group is composed of 65 BCCs - Rural Banks - Raiffeisenkassen and 1,480 branches throughout Italy, more than 12,000 employees and over 470,000 Cooperative Members. With total assets of €89.6 billion as of 31.12.2023, the Group ranks among the top 10 in Italy.

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