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Testo del comunicato

Vedi allegato.

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Press release

BCC Iccrea Group: 2023-2025 Business Plan approved.

The Plan confirms the effectiveness of the Cooperative Banking Group's business model, aimed at achieving economies of scale by capitalising on the autonomy, local reach and proximity of its member Banks.

Significant technological and digital investments are planned to make the model more efficient and modern, to further expand the services of the product companies and to strengthen the support made available to local communities in order to continue to be key players in the sustainable development of towns and cities throughout the country.

Main targets of the plan by 2025:

- ***Profitability:*** *ROE at 6.9%, cost/income at 62.5%, investments of €670 million over the three-year period for the development of the business and internal operations*
- ***Asset quality:*** *Gross NPL Ratio of 3.5%, Net NPL ratio of 1.6%*
- ***Capital and liquidity****: Total Capital ratio of 21.8% and CET1 Ratio of 20.7%*
- ***Digital:*** *strengthening of digital channels as a growth engine to complement proximity*
- ***Information Technology****: new strategic positioning through the revision of the sourcing model*
- ***ESG commitment and sustainable development of local areas****: focus on environment, local regions, families and SMEs, with €98 billion of gross lending in 2025 and €50 billion of new lending in the three-year period*

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Rome, 3 April 2023

Giuseppe Maino, Chairman of the BCC Iccrea Group, commented:

“With the new 2023-2025 business plan we want to ensure that our BCCs play an increasingly central role in the development of their local areas. It’s a programme that will enable the entire Group to increase its commitment to its communities, to continue to be a point of reference for families and SMEs, and to offer members and customers new, modern and specific tools for their needs. The €50 billion of new disbursements that we are committed to making are evidence of our profound attention to the communities that deserve to grow, but also proof that we have so far achieved positive results by directly serving the real economy”.

Mauro Pastore, General Manager of the BCC Iccrea Group, added:

“Our achievements to date have made us resilient and ready to face new challenges as key players, leveraging our identity. The cooperative banking group has proven to be a successful model that has allowed us to deliver great value to communities, improving our Group's competitive positioning and boosting the autonomy, local reach and proximity of our BCCs. With the 2023-2025 plan, we intend to make this business model even more efficient and modern, to further expand services to better meet customer needs, and to excel in capital and financial strength thus guaranteeing long-term stability”.

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On 31 March 2023, the Board of Directors of Iccrea Banca approved the BCC Iccrea Group 2023-2025 Business Plan.

2023-2025 BUSINESS PLAN: THE UNDERLYING SCENARIO

The 2023-2025 Plan represents an update and extension of the forecasts of the previous 2022-2024 Plan aimed at incorporating both the changed macroeconomic environment and the results achieved in 2022.

With regard to the macroeconomic landscape, the Group developed the plan based on the following primary assumptions:

- Italian GDP: +0.1% in 2023; +1.0% in 2024; +1.4% in 2025.
- Inflation: +4.4% in 2023; +1.8% in 2024; +1.5% in 2025.
- 3-month Euribor: on average 2.1% in 2023 and 2024; 1.8% in 2025.
- 10-year BTP yield: on average 4.6% in 2023; 4.3% in 2024 and 2025.

2023-2025 BUSINESS PLAN: STRATEGIC LINES AND OBJECTIVES

The plan includes five main action areas: **1. Sustainable profitability and local support,** with an increase in net ordinary margins in keeping with the Group’s cooperative structure. **2. Monitoring of credit quality,** with the continuation of de-risking to consolidate the progress achieved over the past three years. **3. Further strengthening of the capital and liquidity**

position in order to continue to excel from a capital and financial perspective. **4. Digital,** to enable a new concept of proximity. **5. IT,** with major investments and a new IT sourcing model to tackle market challenges.

All this will be accompanied by an ongoing cross-cutting commitment on the **ESG** front (as per the Group's DNA) to support sustainable development in the region and to facilitate the ecological transition, innovation and digitisation.

SUSTAINABLE PROFITABILITY AND LOCAL SUPPORT

The plan reflects a Group with sustainable profitability that will be pursued through growth, revenue diversification and cost control. A Group that is able to better meet the financial, insurance and pension needs of its customers.

- **Volumes.** In an uncertain macroeconomic situation, the BCC Iccrea Group will make every effort to support businesses and families. These are the main targets in terms of volumes:
  - New disbursements to customers: €50 billion over the arc of the Plan.
  - Loans to customers: +1.7% (CAGR 22-25).
  - Direct funding: +1.2% (CAGR 22-25).
  - Gross Banking Product: +2.9% (CAGR 22-25).
  - Indirect/direct funding: +10.3 percentage points by 2025.

  By 2025, gross outstanding loans to customers will amount to €98 billion and direct funding €124.8 billion.

  Indirect funding will see growth of €14.7 billion over the plan period (+8.6% CAGR 22-25), to reach €66.9 billion by 2025, driven by growth in qualified funding (assets under management +12.7% CAGR 22-25; insurance +6.1% CAGR 22-25). The growth of indirect funding in 2025 will bring the aggregate to more than half of direct funding.

  The financial portfolio will shrink by about €14 billion over the three-year period to around 30% of total assets in HTC-HTCS components by 2025 (-7.5 p.p. compared to 2022).

  Interbank and collateralised funding will see a significant contraction over the Plan period (-€12.7 billion), related in particular to the maturity of TLTRO-III.

- **Revenues and investments**. Margins will be driven by the steady growth of service revenues, also thanks to the investments envisaged over the course of the plan, and by the return to "normal" interest rates. These are the main revenue targets:
  - Gross income: +3.3%[1] (CAGR 22-25).
  - Net interest income: +3.5% (CAGR 22-25).
  - Net fee and commission income: +3.8% (CAGR 22-25).
  - Investments over the three-year period: more than €670 million.

[1] The 2022-2025 growth (CAGR) of the income statement items is calculated on a proforma 2022 basis, i.e. net of the extra yield on Inflation-Linked Securities (€700 million on net interest income) and the profit from the sale of the monetics business (€442 million in profit from discontinued operations after tax). For more details see the final annexes.

An improvement in the interest rate spread of about 30 bps over the planning horizon is expected, which, together with the aforementioned dynamics of the funding and lending items, will lead to a growth in net interest income of about €300 million in 2023 (compared to the proforma figures of 2022) and then settle at around €3.3 billion over the arc of the plan.

Net fees and commissions are expected to grow to around €1.5 billion by 2025, remaining at around 30% of gross income. The components asset management and distribution of third-party products grow by about 5% per annum. Growth in payment services (+3.6% CAGR 22-25) and e-money (+4.0% CAGR 22-25) is also significant.

The Plan envisages investments for growth and the operational machine of more than €670 million over the three-year period. About €400 million will support business development (around €210 million) and network innovation (about €190 million). Approximately €270 million will be allocated to the development of the Group's business model (around €170 million) and to strategic and risk management projects (about €100 million).

- **Operating costs.** Attention to costs will remain high in an effort to optimise the cooperative credit model based on bank autonomy, local reach and proximity to local communities, the Group's true distinguishing success factors. These are the main targets on the cost side:
  - Cost/income: 62.5% by 2025.
  - Operating costs: +0.1% (CAGR 22-25).
  - Cost-saving initiatives: >€100 million by 2025.

The plan’s main levers for profitability

The plan's main levers with respect to profitability will be as follows:

1. Further development of the service model in keeping with customer needs and updating of the Pricing Model with a full costing logic:
   - Service models and distribution structure:
     - Development of the service model, new branch specialisation model to meet the needs of retail, private and corporate customers.
     - Development of the distribution structure and branch formats.
     - “Full Commercial Potential Individuals” and “Full Commercial Potential Companies” initiatives.
   - Product catalogue and pricing model:
     - revision of the credit pricing framework.

2. Consolidation of operational tools and development of the product catalogue with focus on the commercial area by customer type:
   - Wealth Management
     - Development of the Wealth Management platform to support the entire wealth advisory production process with respect to companies and/or private customers, integrated with the relational front-end and various application components.
     - Development and monitoring of new products.

- Retail
  - Commercial roll-out of the upgraded CRM model
  - Business Intelligence / Analytics
  - Product governance / rationalisation of the product catalogue.
- Corporate
  - Updating of products of the specialised lines (Foreign, Agri, Tourism, Subsidised Finance, Structured Finance)
  - Development of products and monitoring of ESG range (ESG portal for SMEs)
  - NRRP (facilitation portal, advisory support, etc.).

3. Local plan with the objective of developing, relocating and rationalising branches in order to pursue the efficient, sustainable management of the various regions.

4. New Bancassurance agreement for market growth and the increased productivity of Affiliated Banks

5. Launch of the Cost Strategy programme aimed at rationalising and optimising administrative expenditures.

MONITORING OF ASSET QUALITY

The Group will maintain a high focus on asset quality, which is now aligned with that of the market thanks to the significant de-risking actions carried out since the Group's inception, targeting the following goals by 2025:

- Gross NPL ratio: 3.5%
- Net NPL ratio: 1.6%
- Coverage of non-performing loans: 55.4%

Default rates (averaging above 2% over the plan horizon) and non-performing sliding rates are expected to increase from 2022 but to partially improve over the arc of the plan, incorporating the uncertainties of the current macroeconomic landscape.

New defaults are expected to grow compared to 2022 and amount to around €6 billion over the plan period, which will be countered by management actions of €6.8 billion to ensure a reduction in gross non-performing positions of around €0.8 billion (-18.4%) at the end of 2025, despite gross loans to customers growing by around €4.9 billion (+1.7% CAGR 22-25). Management actions constitute an autonomous objective to ensure the achievement of plan targets or a more rapid improvement in credit quality compared to forecasts in the event of more favourable developments in the environment.

Coverage will remain at high levels on individual aggregates (past-due 24%, UTP 55% and bad loans 79%) while decreasing at the overall NPL level due to the reduction in the weight of bad loans on total NPLs (from 33% in 2022 to 22% at the end of 2025).

The average annual cost of risk in the period 2023-2025 will be around 77 bps (compared to 49 bps in 2022), with an impact on the income statement totalling €2.2 billion over the three-year period.

The plan's main levers for credit

The plan's main levers with respect to credit will be as follows:

1. De-risking:
   - Disposal of UTP and bad loans: around €2 billion over the arc of the plan.
   - Liquidations: about €1.3 billion over the period of the plan.
   - Write-offs: approximately €1.7 billion over the plan horizon.

2. Proactive monitoring and management of performing positions with a high risk of deterioration.

3. Improvement of the credit quality of new production.

FURTHER STRENGTHENING OF THE CAPITAL AND LIQUIDITY POSITION

The lack of distribution of dividends, a characteristic of the cooperative nature of the Group, will lead to a continuous strengthening of the Group's capital and financial position, which is the foundation of its long-term stability. These are the main targets:

- CET1r: 20.7% by 2025.
- TCr: 21.8% by 2025.
- MREL buffer (RWA): >100 bps

Equity is expected to grow by about €1.9 billion (+4.7% CAGR 22-25), with an estimated self-financing of about €2.4 billion over the plan period.

Risk-weighted assets (RWA) will grow by €4.5 billion over the plan period (+2.3% CAGR 22-25), mainly due to an increase in the credit risk (+€3.5 billion) and operational risk (+€1.0 billion) components as a result of margin growth.

The MREL buffer on RWA will be above 100 bps over the arc of the plan, thanks also to the issuance of eligible liabilities of about €2.8 billion over the three-year period.

The liquidity position will see its solidity increase, supported by the widespread nature of the distribution model and the ability to interpret the specific needs of local areas.

- LCR: 246% by 2025.
- NSFR: 150% by 2025.

DIGITAL STRATEGY TO ENABLE A NEW CONCEPT OF PROXIMITY

In a market where the distribution models of traditional banks are moving towards virtual planes, the BCC Iccrea Group aims to strengthen the uniqueness of its relationship with its customers, which are already highly digitised, by continuing to ensure a natural proximity to them and using digital channels to enrich and simplify their interactions.

The 2023-2025 Digital strategy aims to harness the potential of digitisation to amplify the concept of proximity in three areas:

- Transactional: through the boosting of digital channels (web, mobile, contact centre and ATM) to increase customer usage and engagement levels, improving the customer experience and reducing the cost to serve.
- Relational: with the aim of collecting more data and contact information aimed at more targeted multichannel marketing campaigns and increasing the potential of customer interaction opportunities.
- Distribution: enabling assisted sales through contact centres and after-sales support of products and services via digital channels and facilitating the onboarding of new customers on direct channels.

The 2023-2025 Digital strategy will strengthen the BCCs' "omnichannel" approach with a digital channel development process aimed at further improving customer relations, reducing operating costs and increasing sales.

The plan's main levers for digital technology

The plan's main levers with respect to digital technology will be as follows:

1. Finalise the system for the remote signing of documents and contracts by customers with RelaxBanking via qualified electronic signature (QES).

2. Further develop the contact centre and telephone banking by streamlining customer service processes through the introduction of innovative services and the strengthening of identification methods.

3. Strengthen corporate and retail web and mobile banking services through technological innovation and the introduction of new services/functions.

4. Steadily develop the area of digital payments (e.g. Digital Euro, Request to Pay, GPI Tracker) by introducing innovative solutions for corporate and retail customers.

NEW IT SOURCING MODEL TO TACKLE MARKET CHALLENGES

To meet the challenges of IT transformation, improve operational efficiency, time-to-market and increase user knowledge and satisfaction, the BCC Iccrea Group is also conducting significant planning through a revision of its sourcing model.

The revision of the sourcing model and the project initiatives launched will tackle the challenges that have emerged towards the Group's transformational objectives in IT through:

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1. Cost optimisation.
2. Innovation in terms of transforming the infrastructure into a departmental/cloud logic and upgrading of the application pool.
3. Speed, to be translated into an overall acceleration of the development roadmap and unleashing of internal capacity to be redirected towards strategic elements.

Significant IT investments totalling around €200 million over the three-year period will also enable the evolution of the service model and the achievement of the plan's objectives.

CONTINUOUS, NATURAL AND CROSS-CUTTING COMMITMENT TO ESG: SUSTAINABILITY PLAN

Over the next three years, the BCC Iccrea Group will intensify its responsible commitment to ESG issues in keeping with its constituent values and the nature of cooperative credit.

The strategy will be developed through new, stronger objectives along the three drivers of sustainability.

1. Environment
   - Dematerialisation, with initiatives aimed at enabling the remote signing of documents and contracts by customers.
   - Reduction of emissions and consumption, with the gradual conversion of part of the company car fleet to electric/hybrid power and an increase in the energy efficiency of workplaces (so-called direct impacts).
   - Carbon footprint and green energy, with the definition of GHG emission containment and/or reduction strategies based on the measurement of the carbon footprint (Scope 3 portfolio) as well as the development of green energy proposals.

2. Social
   - Measurement of the social impact generated by the Group through its initiatives to promote surrounding areas, support local communities and endorse volunteer organisations.
   - External social responsibility, with the continuation of inclusion and financial education initiatives as well as actions aimed at supporting customers in the sustainable transformation process through the dissemination of ESG performance assessment tools and measures to facilitate the use of public resources made available by the NRRP.
   - Internal social responsibility, through actions supporting parenting and the gender mix.

3. Governance
   - Corporate governance, with actions aimed at strengthening information flows to the C-Level and Board on projects related to the integration of ESG factors in company processes.
   - ESG culture and regulatory framework, with objectives to further boost the culture and awareness of ESG issues, both at the Board level and within the overall organisational structure.

In addition to specific targets relating to the three dimensions of sustainability, the ESG Plan also includes targets with impacts of a "cross-cutting" nature, i.e. impacting two or more areas of sustainability. Among the main initiatives:

1. ESG transition & advisory, with the launching of a service aimed at ESG screening of customers to prepare for an ecological and sustainable transition, the introduction of ESG metrics in the procurement process, and finally membership in ESG associations.
2. Sustainable finance, with the definition of incremental quantitative targets related to the distribution/sale of ESG-related financing and asset management products, insurance products to protect against climate and catastrophe risks for households and businesses, and a new issue of a GSS bond.
3. Innovation and IT, with actions and tools for customer education on finance and new technologies and the enabling, evolution and dissemination of digital payments.

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The BCC Iccrea Group is the largest cooperative banking group, the only national banking group with 100% Italian capital and the fourth largest in Italy in terms of assets, with total consolidated assets as at 31 December 2022 amounting to €173.5 billion. Today the BCC Iccrea Group is made up of 118 BCCs, present in over 1,700 Italian municipalities with almost 2,500 branches, and other banking, financial and product companies controlled by BCC Banca Iccrea. The BCCs of the Group at 31 December 2022 made around € 91 billion of net loans throughout Italy and took in direct funding from ordinary customers of around € 121 billion, with over 5 million customers and about 850 thousand shareholders. The BCC Iccrea Group is among the best banking groups in terms of capital quality with a CET 1 Ratio of 19.2% (data as at 31 12 2022).

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