



Strategic Plan «i-mpact 2026»

Investor Presentation

November 2023



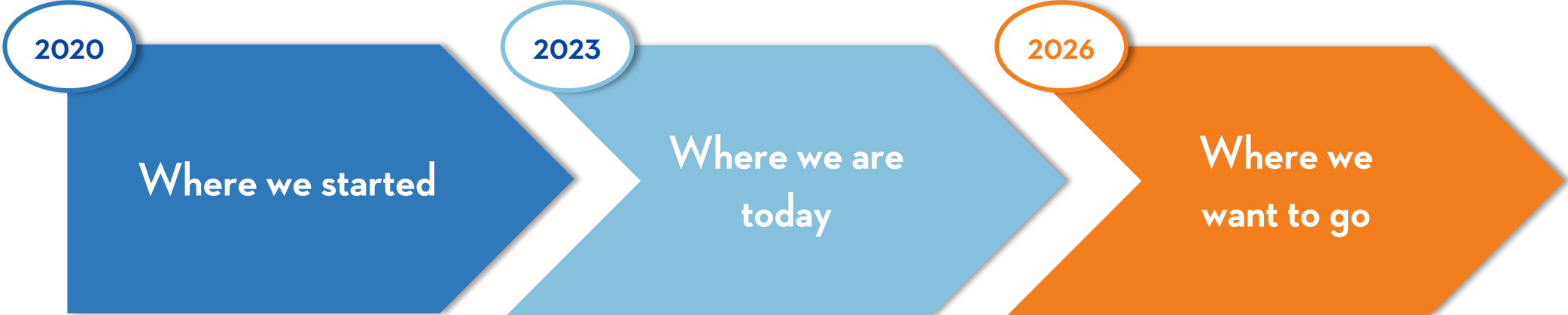
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- The current competitive positioning of Volksbank
- Strategic Plan «i-mpact 2026»
 - Pillars and strategic measures
 - Expected results



The current competitive positioning of Volksbank

The evolution of Volksbank's positioning



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Volksbank tackled the “Sustainable 2023” plan by leveraging its strengths to achieve significant growth opportunities in both business and financial fundamentals



Strengths



Excellence in customer engagement, underscored by the commercial network's responsiveness

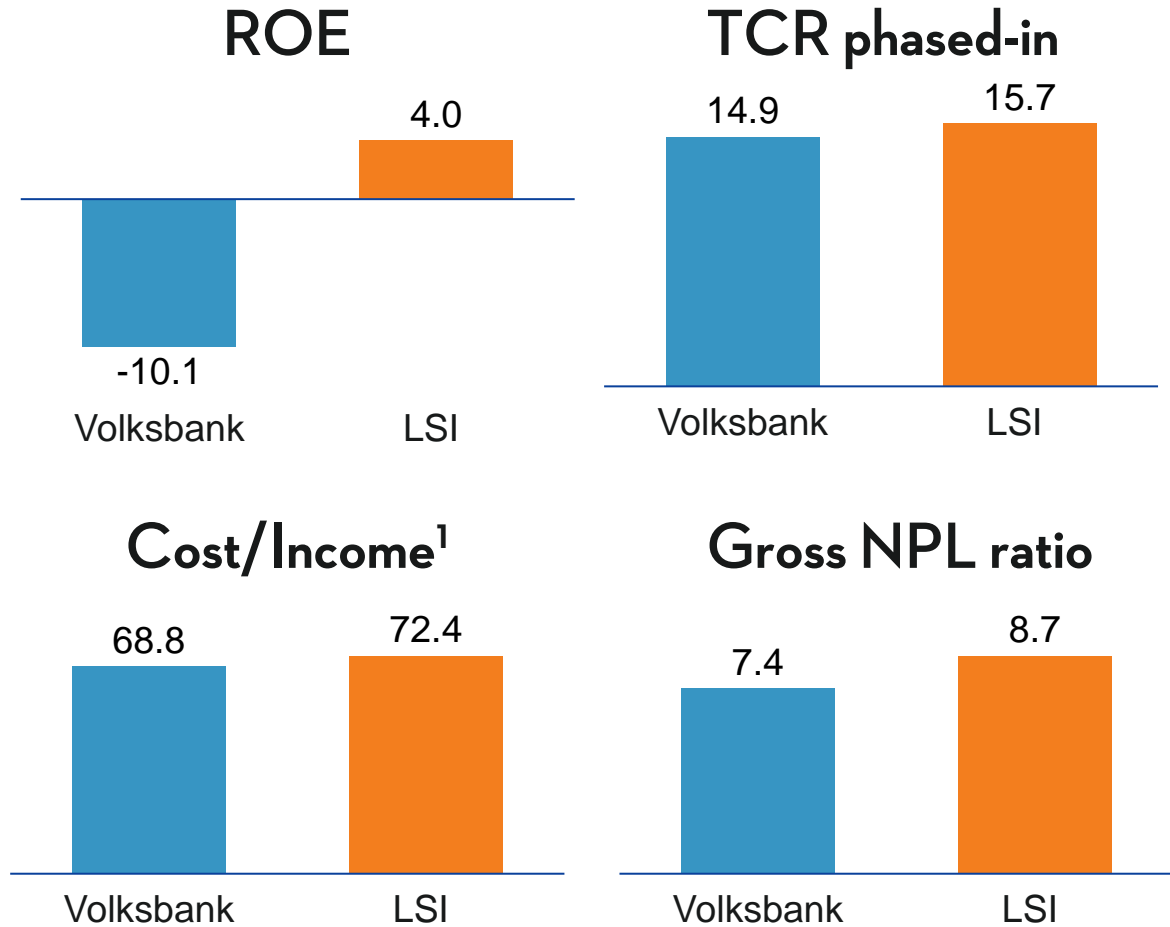
Clear vision and a pioneering awareness



Note: (1) Cost/Income, calculated as the ratio between operating expenses and Net interest and other banking income (according to the Prometeia's reclassification)

Peer LSI composed of : Creval, Banca Sella, Banco Desio, CR Asti, CR Bolzano, CR Ravenna, Banca Valsabbina, Civibank, Banca del Piemonte

Financial fundamentals (2019 - %)



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The main challenge for the Bank was in fact to address some critical aspects

Where we started

Volksbank approached the “Sustainable 2023” Plan with critical aspects to address



A slightly specialized business model and a weak contribution from fee and commission income



Inconsistent performance between the “native market” and “acquired markets”



High cost of risk, snapshot of a credit process to be restructured



Need for additional investments to enhance risk control



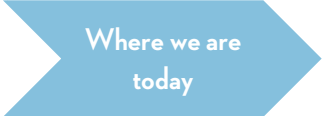
Investment gap in technology, innovation, and skills



Track record of limited capability in executing Strategic Plans

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Nowadays, the Bank has achieved the goals set by the “Sustainable 2023” Plan and is ready to tackle the new “i-mpact 26” Plan



The 7 Pillars of the “Sustainable 2023” Plan

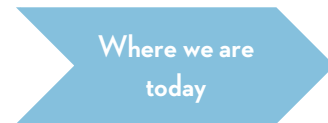


A comparison between target KPIs and current performances

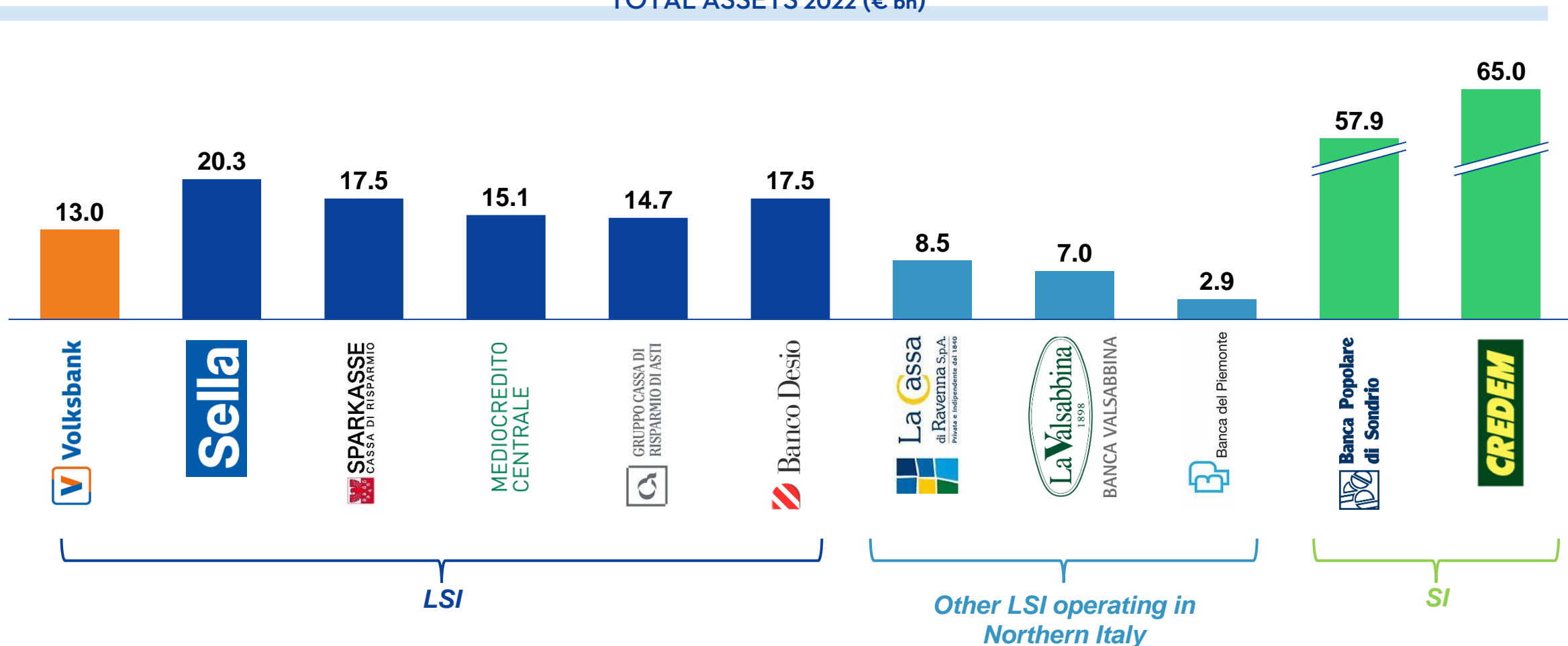
	TARGET KPIs (%)			HISTORICAL KPIs (%)			
	2021	2022	2023	2021	2022	1H2023 annualized	
ROE ¹	2.7	3.1	4.1	9.2	9.6	13.9	✓
C/I ²	64.9	64.8	63.7	58.7	57.9	53.8	✓
Gross NPL _r	7.0	7.9	8.3	5.8	5.0	4.7	✓
CET _{1r} Fully loaded	13.6	13.5	13.6	14.6	14.4	14.7	✓

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For the competitive positioning analysis of Volksbank, a panel of LSI and SI banks with a commercial business model has been selected, along with a cluster of other LSI operating in Northern Italy



TOTAL ASSETS 2022 (€ bn)



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Snapshot of Volksbank's competitive positioning

Where we are today

		Volksbank	Worst average ⁽¹⁾	Weighted Average of Comparable LSIs	Best average ⁽¹⁾	Best Bank	Rank on 6 banks ⁽²⁾	Rank on 9 banks ⁽³⁾
Profitability and efficiency	ROE (%)	8.8%	4.0%	6.2%	7.7%	7.8%	1	2
	Net ROA (%)	0.9%	0.6%	0.74%	0.89%	0.99%	2	2
	Cost income (%)	57.9%	75.2%	71.4%	64.1%	61.7%	1	2
	Costs / total Assets (%)	1.4%	2.7%	2.2%	1.69%	1.65%	1	1
Asset Quality	Cost of Risk (bps)	29	53	42	34	31	1	2
	Gross NPL ratio (%)	5%	5.7%	4.3%	3.4%	3.3%	5	7
	Overall Coverage ratio (%)	56.3%	34.8%	41.4%	49.5%	49.6%	1	1
Productivity	GBP ⁴ per employee (€ m)	17.6	9.8	12.6	16.5	19.4	2	3
	GBP ⁴ per branch (€ m)	131	98	146	187	194	4	7
Capitalization	TCR phased-in (%)	16.7%	13.4%	14.6%	16.1%	17.1%	2	3
	Excess above SREP threshold (bps)	499	148	266	402	457	1	2
Liquidity	NSFR (%)	135%	122.6%	133.3%	146.5%	160.2%	2	4

Notes:

(1) Simple average of the 2 best and worst banks in the peer group of comparable LSIs

(2) Positioning relative to the peer group of comparable LSIs

(3) Positioning relative to the comprehensive peer group of comparable LSIs, including Other LSIs in the north.

(4) Gross banking product: sum of direct deposits, indirect deposits and loans



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Key findings from the competitive positioning analysis

Where we are
today



Profitability

Profitability higher than peer levels, thanks to the high net interest margin and a low **cost of risk**

Efficiency

A contained amount of **operating expenses** contributes to reach a best-in-class cost-income ratio

Asset quality

A **balanced** gross **NPL portfolio** between UTP and bad loans, which is higher than peers, but paired with **excellent coverage ratios**

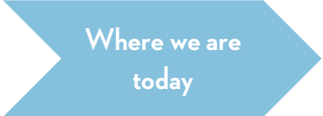
Productivity

Productivity per employee is **higher than peers**, but with a limited contribution in terms of indirect deposits

Capitalization

Capital ratios are significantly **higher than regulatory thresholds**

Volksbank needs to address critical aspects through its new Strategic Plan



Areas of improvement

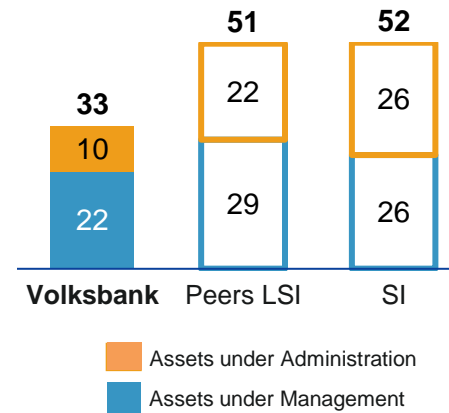


→ **Indirect deposits** over Total Deposits of Volksbank are **lower** than peers, with higher improvement opportunities on the **asset under administration** component

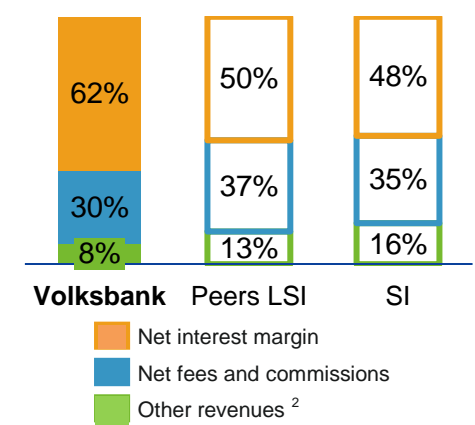
→ A significant share of the **Net interest and other banking income** is driven by the **net interest margin**, at the expense of the **commission-based** component

→ In the 2020-2022 horizon, the Bank has experienced a **slowdown** in pursuing **industrial growth** and in **maintaining** its current **market shares**

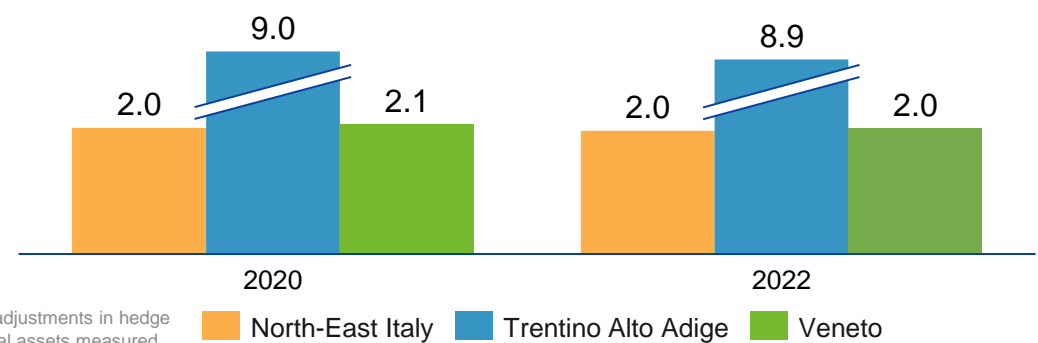
Indirect deposits / Total deposits¹ 2022 (%)



Breakdown of Net interest and other banking income 2022 (%)



Market share calculated on loans 2020-2022 (%)



Note: (1) Sum of direct deposits and indirect deposits; (2) include items 70. dividend and similar income, 90. Fair value adjustments in hedge accounting, 100. profits (losses) on disposals or repurchase of a) financial assets measured at amortised cost b) financial assets measured at fair value through other comprehensive income, 110. Profit (losses) on other financial assets and liabilities designated at fair value b) other financial assets mandatorily measured at fair value, 130b) net losses/recoveries for credit risks associated with financial assets measured at fair value through other comprehensive income, 160. insurance service result, 170. balance of financial income and expenses related to insurance operations, 230. other operating expenses (income), 250. Profits (losses) on investments in associates and companies subject to joint control

LSI panel composed of: Banco Desio, Banca Sella, Sparkasse, MCC, CR Asti. Panel LSI composed of: Credem, Banca Popolare di Sondrio

Key takeaways on the macroeconomic and banking scenario

Where we are
today

Projected GDP growth at 0.7% in 2023 and at 0.4% in 2024 in real terms

The scenario anticipates **not a recession but an adequate soft landing** for the global economy to bring inflation under control by 2024. While investments have exhausted their expansionary phase, household consumption is affected by the reduction in real incomes, and the liquidity buffer of pandemic savings diminishes

Traditional profitability towards a reversal of the trend starting from 2024

Gradual narrowing of the banking spread driven by the reduction of policy rates

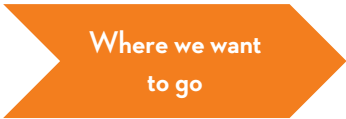
Sound credit quality, but to be monitored

Expected growth in credit deterioration from 2024. The worsening risk environment will weigh more heavily on businesses exposed to interest rate fluctuations

Reduction of personnel and structural costs after a period of high inflation but expected increase in banks' capital expenditures, due to the digital transformation and to the implementation of ESG criteria within the operational process

ROE still slightly below 10% in 2023 and around 5% in 2026

The economic scenario and the internal positioning of the Bank highlight some strategic insights



Key considerations from the market scenario...

- The positioning as “local bank” enables Volksbank to address the current market context...
- ...where the main challenge lies in maintaining the stability of funding sources and containing funding costs...
- ...while keeping to innovate through end-to-end digitization of processes, fostering a strong awareness and attention to environmental and social issues...
- ...and expanding the range of services offered in the wealth management business, without neglecting lending-based segments

... and from the internal positioning of the Bank

- Business Model** Continue the specialization of the business model with a client-centric approach
- Digitalization** Continue the virtuous path of digitizing the value chains with a data-driven perspective
- ESG** Increase the commitment to Environmental and Social Responsibility as a distinguishing factor in community engagement
- Footprint** Consolidate the footprint of its branches and evolve business model, ensuring a 360° coverage of customer needs

The journey towards the new Strategic Plan starts from three key factors that provide “soul, heart, and success” to the Plan

Where we want
to go

The Bank faces the new Strategic Plan “i-mpact 2026” with solid fundamentals...



Completion of a significant transformation process, alongside business model optimization



Recovery of excellent profitability levels within the European banking context



Management cohesion and ability to anticipate scenarios, which have been fundamental to strengthen the role of independent regional bank

... alongside a clear strategic direction focused on three key areas



Growth as a lever for value creation



Integration of artificial intelligence in the digital processes (the “i” of i-mpact 2026)



Enhancement of the social component

TODAY



TOMORROW

Strategic Plan «i-mpact 2026»

- Pillars and strategic measures
- Expected results

The 10 fundamental principles of Volksbank



10. Volksbank must create sustainable value for its shareholders by paying the utmost attention to its operations

1. Volksbank must be an independent regional bank

9. Volksbank must aim to be one of the strongest retail banks in Europe

2. Families and businesses in Volksbank's catchment area can rely on a competent and trusted financial partner for private and commercial activities

8. Volksbank is specialized in the retail sector and in financing strong businesses within its catchment area

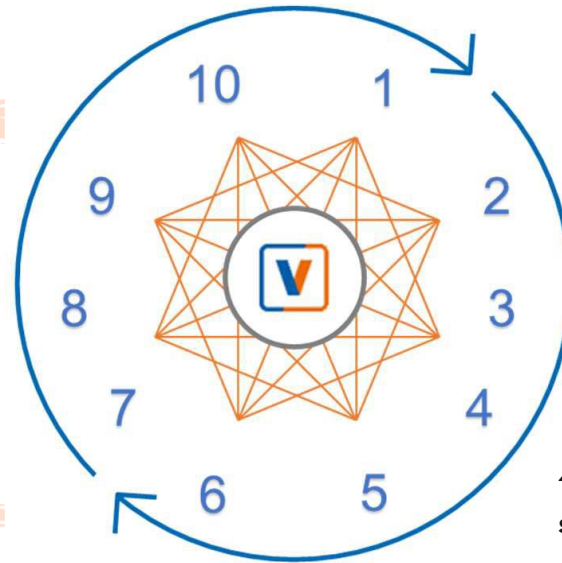
3. The customer is at the center of our activities

7. Digitalization is considered a market opportunity for a regional bank

4. The measures taken for clients must be fast, flexible, and simple

6. Efficient processes and agile organization are the elements that make a company efficient

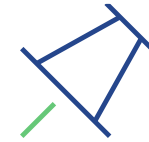
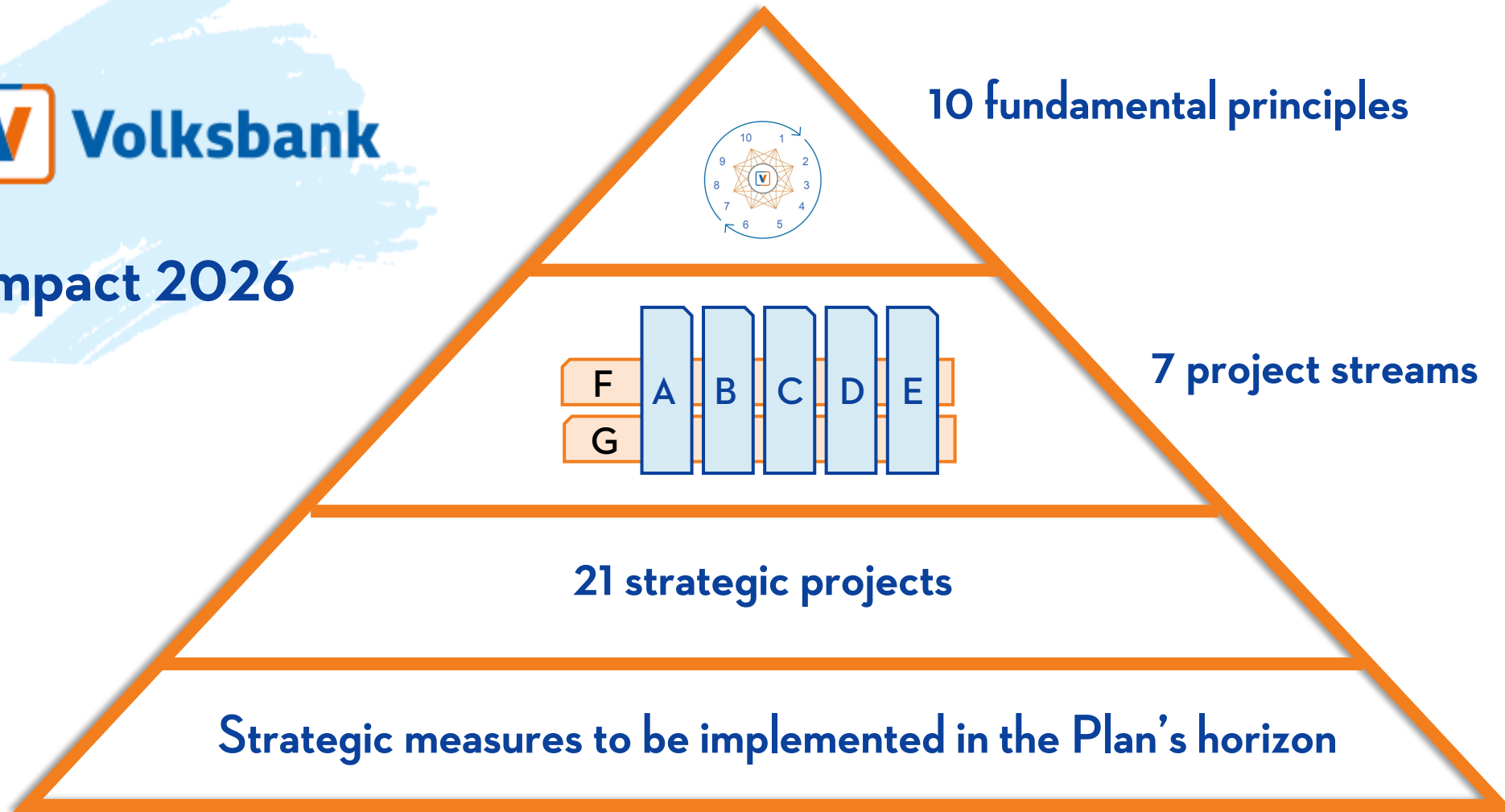
5. The employees represent our most valuable resource



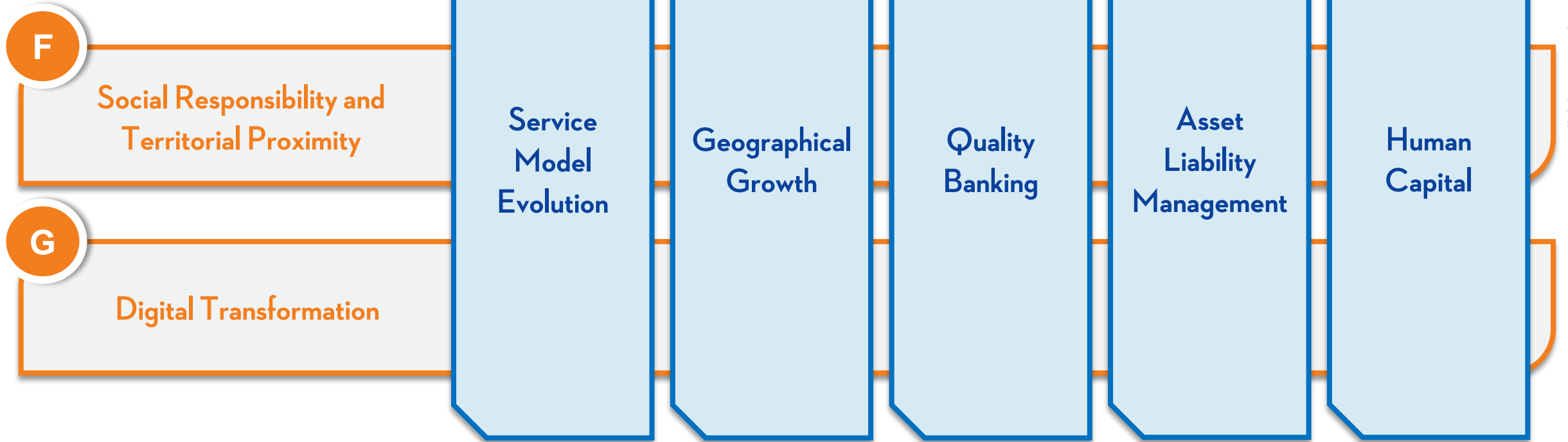
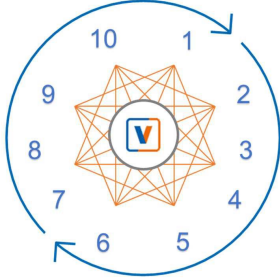
Rationales and hierarchies of the 2023-2026 Plan



i-mpact 2026



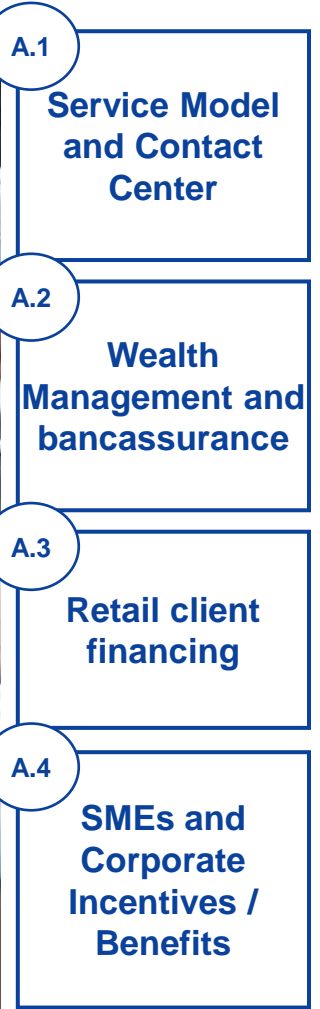
The 7 project streams of the new Strategic Plan



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A

The revamping of the Bank's service model with a “client-centric” approach will be driven by the enhancement of digital channels and advisory activities in the WM sector and in the corporate segment



- **Strengthening the branch as a comprehensive advisory hub**
- **Modernization of branch spaces** by leveraging the possibilities offered by **phygital technology**
- **Transformation of the Contact Center into a “Smart Center”** to better serve customers and collaborators for advisory and internal helpdesk activities
- **Redefinition of the wealth management service model with a “client-centric” perspective**, in line with regulatory developments related to the “Retail Investment Strategy”
- **Consolidation of the Volksbank Private Banking architecture**
- **Completion of the Bancassurance** offering thanks to the strengthening of the claims structure
- **Completion of an “end-to-end” service model, leveraging the digitization of contractual phases**
- **Expansion of the “Home” and “Consumer” offerings, with a boost in the offering of sustainability linked loans** to promote the ecological and environmental transition of individuals
- Introduction of **360° advisory services for corporate clients, such as structured finance, public subsidies, internationalization, and support in accessing to the “National Recovery and Resilience Plan” funds**
- Definition of a process **enhancing the capacity to attract new clients**
- **Boost in the offering of sustainability linked loans** to promote the ecological and environmental transition of SMEs

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B

The continuous monitoring of territorial performance will enable targeted growth strategies for existing clients and development plans for new clients



C The Bank aims to launch actions to strengthen its core infrastructure, with a focus on regulations, security, and credit policies



- Review of internal policies and regulations, and updating of operational manuals and first-level control procedures
- Consolidation of the corporate culture in the regulatory domain through the introduction of a new AI-based platform for an “agile” and “smart” utilization of regulations
- Expansion of the cybersecurity system to areas currently not covered (i.e. corporate banking, digital payments)
- Migration of the current fraud detection system to a cloud infrastructure and integration of AI technologies into the latter
- Oversight of implementations and updates required by the DORA regulation, which will be effective from 2025
- Update of the internal rating system
- Definition of a new LGD calculation model, in collaboration with the Bank's risk management function

D The Bank's ALM strategy will focus on diversification of funding, proactive financial management, and specific strategies to monitor capital levels

D. Asset Liability Management

D.10

ALM Strategy and Models

- **More active management of interest rate risk** by increasing fixed-rate funding (i.e. “natural hedging”), using interest rate derivatives, and strengthening **risk measurement mechanisms** (IRRBB and CSRBB)
- **Organizational strengthening** through the creation of a **new ALM unit**

D.11

RWA Accuracy and Capital Management

- **RWA Accuracy using regulatory levers** provided by Basel IV, and structuring of **ad hoc initiatives in terms of credit policies and finance to optimize the capital**
- Establishment of a specialized **competence center for capital requirements**, integrated into the Bank's management control system, to guarantee a **continuous oversight of capital management aspects**

D.12

Diversification of funding and finance

- Gradual **reduction** of both the overall **securities portfolio** size and the **concentration** on Italian government **securities**, by keeping a **flexibility** for a “**tactical sizing**”
- **Portfolio optimization** in line with **liquidity, return** and **ALM targets**
- **Retail** channel as the primary source of **funding** (i.e. through the issuance of senior bonds)
- Strategic actions aimed at replacing **TLTRO-III** with medium and long-term funding sources (i.e. financing from BEI, CDP), **and diversification of short-term funding**

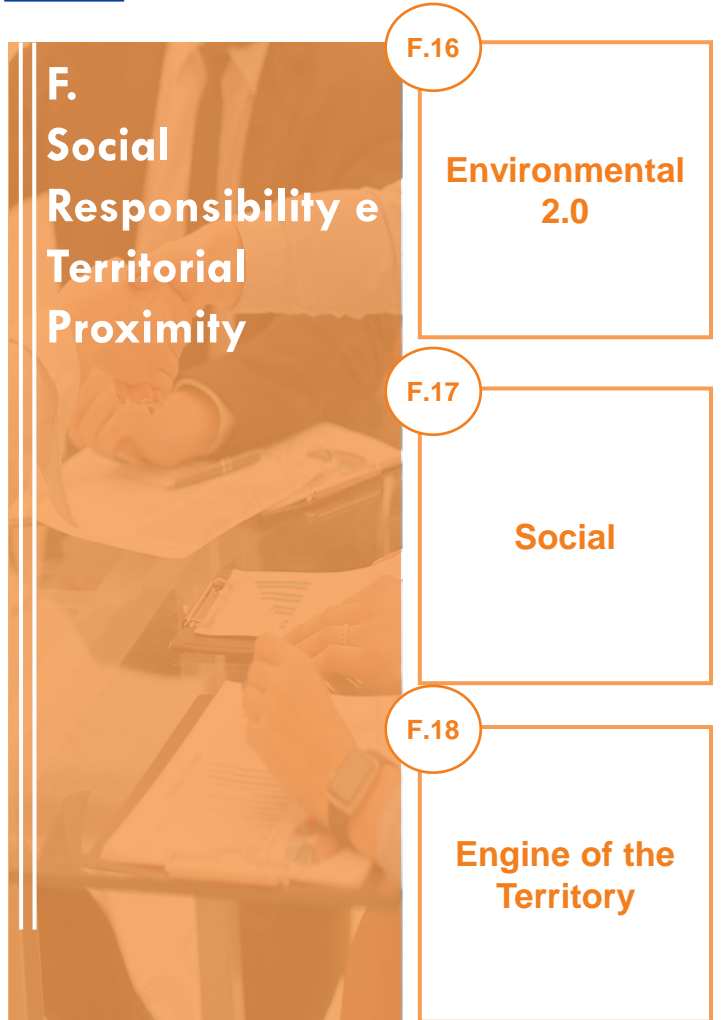
E The enhancement of personnel, based on merit and specialized training, can be a growth accelerator for the Bank



- **Strengthening the propagation of Volksbank's culture** and increase awareness on **diversity, equity, and inclusion topics** through targeted campaigns and **initiatives** aimed at increasing female participation in managerial positions
- Enhancement of **talent management** and **employer branding** mechanisms **through targeted talent programs** and **job rotation tools**
- Embedding the **Customer Centric principle** throughout the Bank, also through the implementation of specific tools, such as **periodic** and **structured feedback from the customer**
- **Qualitative refocusing of the Bank's training plan** based on specific needs (i.e. training required by regulations, development of technical skills)
- **Working methodically** through **tailored training** on **project management**, identification of facilitator roles, and implementation of a **continuous bottom-up** and **top-down feedback system**

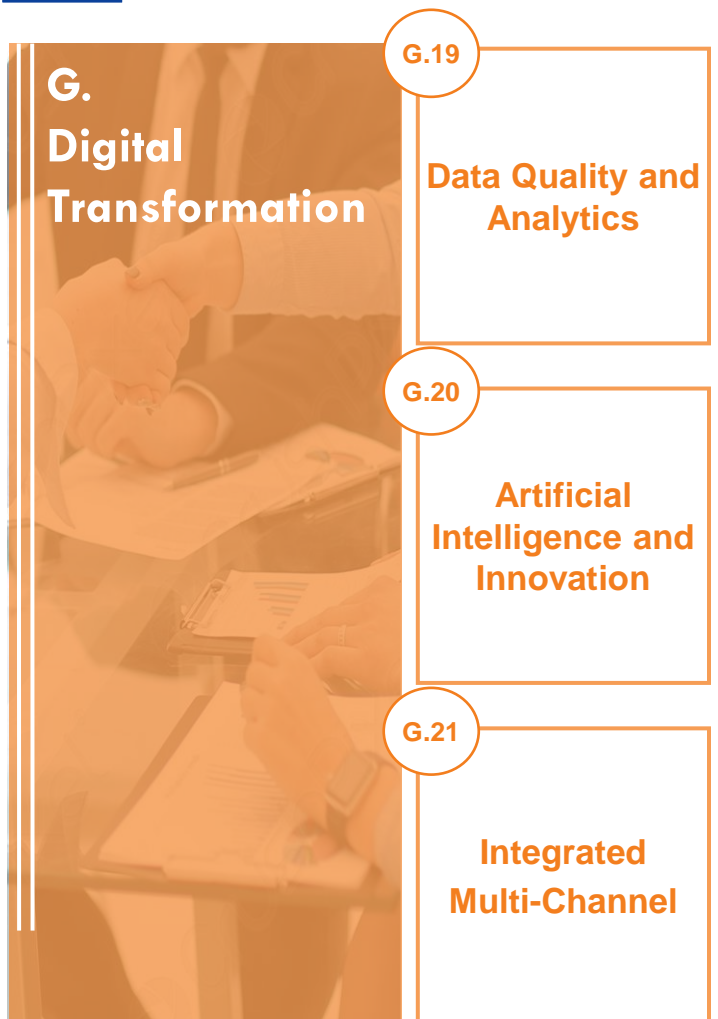
F

The Bank intends to continue the virtuous path outlined by the “Sustainable 2023” plan, capitalizing on its results and enhancing initiatives in the ESG domain



- Continue to strengthen the path undertaken to achieve **carbon neutrality**
 - **Acceleration of ESG in the credit supply**, thanks to a greater commercial push of **green mortgages**, and **evolution of the ability to read the environmental customers' virtuosity**
 - **Proactive stimulus to ESG investments**, seeking even stronger metrics (MSCI Index)
-
- Definition of a programmatic approach outlining a **clear intervention strategy for people facing difficulties accessing everyday services**: (i) **“green social mobility”** (project for access to healthcare and cultural venues); (ii) projects **supporting “vulnerabilities”**
 - Increase of the financial support for the families to encourage the inclusion of children in **educational and/or sports activities**
-
- Repositioning the **Bank at the heart of the community** (“Volksbank Connect”), with the aim of **being not only present but also participating in Community life**
 - Support to **cultural and artistic projects** aimed at fostering **social cohesion within the Bank's ecosystem**
 - **Support** to the **establishment of social facilities** (i.e. nursing homes and student residences)

G The Bank's ICT strategy, always oriented to the digitalization of touchpoints, will focus on data management, AI and cloud-based technologies



- Creation of an **effective data strategy** to **enable the expected AI** evolutions and **strengthen** the **data quality and data governance system**
- **Specialized and dedicated training for Bank staff** on data use and management

- **Assessment of internal skills** and dissemination of an **AI culture** through **dedicated and specialized training**
- Introduction of AI tools to streamline processes and improve customer intelligence

- **Completion of the native digital omnichannel** approach to customers interactions and onboarding processes digitalization (objective is to become «paperless»)
- Redefinition of the virtual channel strategy with a **«mobile first» approach**, by gradually shifting from direct banking desktop to mobile app

Strategic Plan «i-mpact 2026»

- Pillars and strategic measures
- Expected results

i-mpact 2026 will enable Volksbank to adapt to the challenges of the market, preserving the levels of profitability achieved in the last two years...

The underlying rationales...

1. | Ensure strong CET1 levels in the Plan's horizon, through a sustainable business model
2. | Sustain the growth trajectory of commercial volumes to ensure adequate levels of profitability and expand the market shares of the Bank
3. | Evolving business models through a «client centric» perspective, strongly oriented towards advisory activities, and enhancing a pioneering approach on social, green and local aspects
4. | Strengthening the relationship with stakeholders, by guaranteeing stable remuneration flows to the shareholders
5. | Becoming an «evolved» Bank, leveraging targeted investments and AI technological innovation
6. | Maintain an excellent ability to «do well the banking activity» through a focused management



i-mpact 2026



...and achieving a «soft landing» target, consistent with the global scenario

... and Plan's target

Growth of market shares in North-East between 2023 and 2026 ~ **+10 %**

That will result in a market share of 2.2% in 2026

Cost/Income Ratio¹ in 2026 < **65 %**

CET 1 Ratio in 2026 > **16%**

ROE in 2026 > **5 %**



Net interest and other banking income in 2026 > **€ 320 m**

Cost of Risk in 2026 < **40 bps**

Income before taxes in 2026 > **€ 80 m**

Remuneration to shareholders within the Plan's horizon ~ **€ 100 m**

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