PRESS RELEASE

# BANCA SISTEMA: APPROVED 2021-2023 STRATEGIC PLAN

- *Gruppo Banca Sistema's three-year strategy is based on the ability to **consolidate** and further **grow** the position reached in the 10 years since its inception, across its three business areas, and the targets set by the end of 2023 are:*

  ***-Factoring**: loans are expected to grow to 2.6 billion (2020-2023 CAGR: +20%) and volumes to 4.8 billion (2020–2023 CAGR: +16%)*
  ***-CQ loans (Salary- and pension-backed loans)**: loans are expected to grow to 1.3 billion (2020–2023 CAGR: +11%)*
  ***-Pawn loans**: loans are expected to grow to 150 million (2020–2023 CAGR: +23%)*

- *The Strategic Plan maps out the implementation of new initiatives, including the development of **digital tools**, which will allow the Group to further grow and excel in terms of **operating efficiency, diversify its product offering** and be more **accessible** to clients and agents/brokers*

- *In 2023 RoTE is expected to be > **16%** and the CET1 ratio > **12%***



*Gianluca Garbi, CEO of Banca Sistema, added: "Looking ahead to 2023 we want to seize the opportunities offered by the macroeconomic scenario to **consolidate** our positioning in the Factoring business providing a concrete help to companies; **evolve** in the CQ loan sector supporting our clients/agents/brokers with new technologies to simplify their experience; and **boost** our position in the pawn loans sector, offering a concrete help to our citizens and satisfying the growing need for liquidity in an innovative way".*

Milan, 25 March 2021

Today the Board of Directors of Banca Sistema has approved the 2021-2023 Strategic Plan.

At present, Banca Sistema is the leading player in Italy in the PA receivables factoring business, the leading bank in pawn lending and among the main players in CQ loans.

Since its inception in June 2011, the Bank was able to grow its core factoring business with the Italian Public Administration suppliers and engage in the diversification of its business model with the purchase of CQ loan portfolios in 2014 and the launch of the pawn loan business in 2017. In recent years, the Bank has consolidated its position in its business areas, completing two acquisitions, the first in the CQ loan sector, that opened the way for direct origination, the second in pawn loans, driving a remarkable growth that led to the creation of three divisions (Factoring, CQ loans and Pawn loans).
The market for PA non-recourse factoring in Italy is characterized by specialized players, essentially two banks, one of which is Banca Sistema.

In the three-year period from 2021 to 2023, the Bank is going to further develop its position in its businesses driven by the favorable macroeconomic scenario characterized by the household need for liquidity, the surge in public spending, brought about also by the fallout from the ongoing pandemic, and the increased financing requirements of medium-sized enterprises. More specifically, the growth projected for the factoring sector will come also from the persistence of Italian Public Administration late payments, although things have improved compared to the past, and from the favorable scenario of tax receivable disposals. On the other hand, the growing need for liquidity of households, which often own illiquid assets, and their high indebtedness towards the banking system are elements that favor the growth of CQ and pawn loans. With regard to the pawn loan business, this year the Bank will bring the effects of the acquisition of the business line completed in the second half of 2020 to fruition.

**Consolidation of the Factoring business**

The Plan forecasts a double-digit growth in **factoring** receivables (2020-2023 CAGR: +20%), with a 2023 target of 2.6 billion, and an annual volume growth (2020-2023 CAGR: +16%), with a 2023 target of 4.8 billion. This growth will be supported also by the following initiatives:

- Growth in the Spanish market by way of the Joint Venture;
- Offer of some nonrecourse products to foreign clients;
- Focus on corporate borrowers, but with a low capital absorption;
- Greater support to clients to participate in tender bids;
- Strengthening of the indirect channel (agents/brokers/ banks);
- Bolstering Servicing.

Receivables growth in the third year of the Plan will bring the factoring *Income margin*[1] to hover around 5%.



**Evolution of the CQ loan business**

The evolution of the current position in the **CQ loan** business hinges on targeted actions that will drive loans to 1,260 million at the end of 2023, with a compound annual growth of +11% over 2020, driven by the implementation of certain specific actions, including:

- further developing the direct product for both agents and brokers;
- strengthening and increasing the efficiency of the direct/outbound origination channel;
- trading Portfolios, as in 2020.

The loan increase during the Plan period will be accompanied by an increase in *Income margin*[2] , which in 2023 will stand at 3.1%.

**Boosting Pawn loan business**

The high standing Banca Sistema has earned in the **pawn loan** sector will allow the Group (by way of its subsidiary ProntoPegno SpA) to boost its business and hit the mark of almost 150 million loans in the third year of the Plan (corresponding to a 2020-2023 CAGR of +23%). In addition to the consolidation of the business line acquired in 2020 from Intesa Sanpaolo, this growth will be driven by the following initiatives:

- strengthening of the direct network in Italy;
- further digitalization of the business origination processes (the ProntoPegno existing APP represents an important first point of contact with customers);
- Growth by acquisition, focusing on the purchase of portfolios from minor players;
- Greater focus on auctions.

[1]The Income margin is the sum of the business interest income, commission income and other revenues divided by average receivables for the period.

[2] The Income margin is the sum of the business interest income, commission income and other revenues divided by average loans for the period.

The strong business growth will allow us to exceed the current *Income margin*[3], which in 2023 will stand at 16.6%.

In these three years we will implement actions and initiatives aimed at increasing the efficiency and improving the organizational model, as for example the extension and acceleration of remote working after the positive experience launched in February last year on the back of the pandemic. Other actions that cut across the three Divisions include a greater process digitalization both for customers and the other counterparties, and the possible demerger of the Factoring and CQ loan business lines, to be assessed in light of possible partnerships or market opportunities. These initiatives, that require investments in the first year of the Plan, will allow the Group to improve its Cost Income ratio, which is expected to drop to 49% by year three.

The total loan growth projected for 2023 to more than 4.1 billion (2020-2023 CAGR: +17%) will go hand in hand with a growth in deposits, whose Retail/Wholesale mix will be similar to that at the end of 2020, and whose average cost over the three years of the Plan is bound to stay within a 50 to 60 bps range.
Given the low risk profile of the Group loans, the cost of risk over the Plan period will remain within a 35 to 40 bps range.

With a CET1 ratio and a TC ratio in 2023 exceeding 12% and 14%, respectively, the Group will generate a return on capital (RoTE) in excess of 16%.

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**Conference call with analysts and investors**
The presentation to analysts and investors will take place on 25 March 2021 at 03:00 p.m.

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All amounts are in euro.

[3] The Income margin is the sum of the business interest income and commission income divided by average loans for the period.

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**Gruppo Banca Sistema**

Banca Sistema, founded in 2011 and listed in 2015 on Borsa Italiana's Star segment, is a financial institution specialized in purchasing trade receivables owed by the Italian Public Administrations and tax receivables, and engages in consumer credit through salary- and pension-backed loans, by purchasing loan pools and through the direct origination of the QuintoPuoi product, and through gold/jewelry-backed loans, via the subsidiary ProntoPegno S.p.A. The bank offers also deposit products to a base of about 35 thousand customers, with an offering that includes current accounts, deposit accounts and securities accounts, in addition to other services as credit management and recovery, bank guarantees and security bonds, PA receivables certification and e-billing. With head offices in Milan and Rome, Banca Sistema is also present in Bologna, Pisa, Naples, Palermo, Rimini, Turin, Florence, Mestre, Parma and Civitavecchia, has 269 employees and relies on a multichannel structure.